

Twin Cities Area, Minnesota

Comprehensive Annual Financial Report

Year ended December 31, 2006



A component unit of the State of Minnesota

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METROPOLITAN COUNCIL
OF THE TWIN CITIES AREA
MINNESOTA

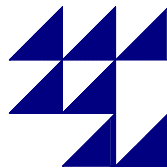
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2006

A COMPONENT UNIT OF THE STATE OF MINNESOTA

Prepared by the Finance Unit

Issued June 2007



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

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METROPOLITAN COUNCIL
A COMPONENT UNIT OF THE STATE OF MINNESOTA
FOR THE YEAR ENDING DECEMBER 31, 2006**

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Introductory Section



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2006 Comprehensive Annual Financial Report
Transmittal Letter from the Chief Financial Officer

June 30, 2007

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 Minnesota Statute 473.13.subd.4, we hereby submit the Comprehensive Annual Financial Report of the Metropolitan Council for the fiscal year ended December 31, 2006. 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.

The report is divided into three sections: Introductory, Financial, and Statistical. The introductory section includes this letter, the certificate of achievement, the Council's organization chart and policy making structure, and the list of Council members, officers and financial administrative officials. The financial section includes the auditor's opinion, the management's discussion and analysis, the basic financial statements, the required supplementary information, and the combining and individual fund statements and schedules. The Notes to the Financial Statements, in the basic financial statements, are necessary for an understanding of the information included in the statements. The notes include the Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the Council. The statistical section provides mainly trend data and nonfinancial information useful in assessing a government's financial condition.

Management assumes full responsibility for the completeness and reliability of all information contained in this report based on a comprehensive framework of internal control that it has established for this purpose. These controls provide reasonable assurance that the Council's assets are protected against loss and that the accounting records from which the financial statements are prepared are reliable. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. 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 issued an unqualified (clean) audit opinion on the Metropolitan Council's financial statements for the year ended December 31, 2006. The independent auditor's report is presented as the first component of the financial section of this report.

As a part of the financial statement audit, the auditor is conducting a single audit of federal programs. This audit meets the requirements of the federal Single Audit Act and is 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, included in the Metropolitan Council's separately issued Management and Compliance Report, will be available in July 2007.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to compliment this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The Minnesota Legislature established the Metropolitan Council in 1967 to coordinate planning and development within the Twin Cities metropolitan area and to address issues that could not be adequately addressed with existing governmental arrangements. 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. Additional legislative acts in 1974, 1976 and 1994 strengthened the Council's planning and policy roles, and merged the functions of three agencies (the Metropolitan Transit Commission, the Regional Transit Board and the Metropolitan Waste Control Commission) into one — the Metropolitan Council.

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 a component unit of the State of Minnesota. The financial reporting entity consists of all funds of the primary government, as well as its component units. Component units are legally separate organizations for which the primary government is financial accountable. Financial accountability is defined as appointment of a voting majority of the component unit's governing body, and either, (a) the ability of the primary government to impose its will, or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government; the organization is fiscally dependent on the primary government; or the nature and relationship between the primary government and the organization is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Metropolitan Sports Facilities Commission is a component unit of the Council due to fiscal dependence, and is reported separately within Metropolitan Council's financial statements. Additional information on this legally separate entity 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 Bus, Metro Transit Light Rail, and the Metropolitan Housing and Redevelopment Authority enterprise funds. 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 November or December and the final budget is approved the middle of December. Budget 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 Metro Mobility Special Revenue Fund, these comparisons are included in the Required Supplementary Information section. The budget 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.

Economic Condition and Outlook

Gross Metro Product totaled \$164 billion, and the region ranked 14th among the largest metro economies in the nation during 2005, as reported by Moody's economy.com. Per capita income rose to \$42,091 in 2005, well above the nation's level of \$34,471. Over the year, per capita income increased by 2.9 percent and lagged behind the national rate of growth. Jobs went up by 0.6 percent from December 2005 to 2006. The unemployment rate of 3.6 percent in 2006 was a full percentage point below the national rate. Home building and sales activity slowed significantly.

Employment gains moderated in 2006. Employers added 11,400 more jobs from December of 2005 to 2006. During the first three months of 2007, the number of jobs changed little from the previous quarter after seasonal adjustment.

Jobs increased fastest in professional and business services and financial activities, and the two industry sectors contributed almost half of total job gains from December 2005 to 2006. Jobs in professional and business services increased by 1.6 percent from a year ago, and jobs in financial services grew by 0.9 percent. Manufacturing employment barely changed from a year earlier. The largest job losses were concentrated in the information sector and in natural resources, construction and mining industries.

During the first three months of 2007, the unemployment rate in the seven-county metro area reached 4.2 percent.

Home building and buying shifted dramatically during 2006 and continued to slow into early 2007. The number of residential building permits plunged by 30.1 percent between 2005 and 2006. Home sales fell by 16.4 percent over the year, and sales in March 2007 dropped by 22.7 percent compared to last year. The median sales price slid to \$221,500 in March, down by 1.6 percent from a year ago. Housing prices dipped as demand softened, the supply of homes on the market grew, and foreclosures increased. Of homes for sale, 63 percent were considered affordable to a median-income family in the fourth quarter of 2006.

While the residential market cooled, commercial real estate picked up. Demand for industrial space strengthened, and the vacancy rate in the second half of 2006 diminished to its lowest level since 2000, according to United Properties. The office market improved as tenants absorbed existing space, and the outlook for development brightened following four years of sparse new construction. The vacancy rate for retail space remained low, and new projects added substantial square footage to the Twin Cities in 2006.

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's Metro Transit Division operates the region's largest transit service providing more than 90 percent of the bus trips taken annually in the Twin Cities. Each weekday, customers take nearly 242,000 trips on Metro Transit. Bus ridership hit 73.4 million in 2006, a 5.5% increase over the previous year. Overall, Metro Transit provides 113 bus routes including local, express and contract service routes and operates a fleet of 827 buses and 27 rail cars.

The Hiawatha Light Rail Transit Line opened in December, 2004 with service between downtown Minneapolis, the MSP Airport, and the Mall of America in Bloomington. In 2006, the Hiawatha line carried 9.4 million passengers and averaged 28,200 riders each weekday. Timed transfers between 46 bus routes are available at 13 of the line's 17 stations.

In 2006, the Federal Transit Administration (FTA) approved final engineering for the Northstar Commuter Rail Line and preliminary engineering for the Central Corridor Light Rail Transit Line. The Northstar Corridor is an 82-mile transportation corridor that runs along Highway 10 from the St. Cloud/Rice area to downtown Minneapolis. It is one of the fastest growing corridors in Minnesota and the nation. By 2025, it is projected that more than 850,000 people will be living in the Northstar Corridor, an increase of about 200,000 people.

The Northstar Commuter Rail Line will serve a 40-mile portion of that corridor from Big Lake to Minneapolis and the Hiawatha Light Rail Line. State funding, along with funding commitments from local governments in the Northstar Corridor, provide the local share of project costs. Pending approval of federal matching funds, it's anticipated the line could be fully operational in 2009.

The proposed Central Corridor Light Rail Transit Line along University Avenue will connect the Hiawatha Line in Minneapolis with downtown Saint Paul. Preliminary engineering of the line will last for two years and will complete about 60 percent of the project design work.

The Council's Metropolitan Transportation Services Division provides additional transit services to the region through direct service contracts and other coordinating arrangements supporting four major programs: Metro Mobility, Contracted Regular Routes, Community-based Programs, and Suburban Transit Authority Providers.

The Metro Mobility program is designed for people with disabilities who are unable to use other forms of public transit and are certified for the program, based on criteria established by the Americans with Disabilities Act (ADA). On an average workday, Metro Mobility provides more than 4,300 rides serving

nearly 30,000 certified users. Suburban Transit Authority Providers include 12 communities selecting to manage their own transit service, Contacted Regular Routes are bus transit services managed through provider contracts, and Community-based services are, for the most part, demand-responsive operations that are locally initiated and managed programs.

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 2006 budget included revenue from municipal wastewater charges of only \$141.8 million; compared to \$141.0 million in 1997 - 10 years earlier. Customer satisfaction remained high.

In 2006, all eight MCES plants received “Peak Performance Awards” from the National Association of Clean Water Agencies (NACWA) for 2005 results. The Seneca plant headed the list, earning a Platinum Award for achieving five consecutive years of full compliance with clean water discharge permits. Six of the plants also received commendations from the Minnesota Pollution Control Agency for outstanding operations, maintenance and management. The new solids management building at the Metro plant earned: a 2006 National Environmental Achievement Award from NACWA, the “2006 Project of the Year Award” from the Minnesota Public Works Association, and a MN-Great award from the Governor.

Over \$115 million was spent on about 60 capital projects that were underway in 2006. These projects support regional goals of accommodating growth and protecting the environment while maintaining cost-effective infrastructure. Highlights include nearly finishing the doubling of the capacity of the Empire plant and a new 12-mile outfall pipe from that plant to the Mississippi River; initiation of construction to increase capacity in the northeast interceptor through White Bear Lake, and design work to improve and expand the Blue Lake (Shakopee) and Seneca (Eagan) plants.

A new Inflow and Infiltration surcharge program was developed and implemented in 2006. This program requires each served community with excessive inflow and infiltration to fix their systems or face surcharges from the Council. The Council estimated that the elimination of this excess inflow and infiltration will save the Council about \$900 million in 2006 dollars by avoiding building expansion capacity that would have been necessary in the next 25 years.

Regional Parks and Trails – The Twin Cities area's nationally renowned system of regional parks contributes significantly to our high quality of life. Preserving green space for wildlife habitat and recreation enhances the region's livability and thus its economic strength.

The regional parks system includes 46 regional parks and park reserves, 22 trails and six special recreation areas. Parks are operated by several partnering cities and counties. They work with the Metropolitan Council to acquire and develop parks and trails to protect natural resources and to provide outdoor recreation for public enjoyment.

The Council works with these regional partners to develop regional park policies that protect the region's water quality, promote best management practices, and help integrate the park systems with housing, transportation and other regional priorities.

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's housing and redevelopment authority operates the state's largest Section 8 rent assistance program. As it has for several years, the program achieved full use of its available tenant-based federal rent subsidy, assisting approximately 5,900 low-income seniors, disabled individuals, families and singles. 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. The

program houses low- to extremely low-income families, who pay 30 percent of their income for rent and utilities.

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 Information

The 2006 unified operating budget was adopted by the Council in December 2005. The original adopted budget for operations, pass-through expenditures and debt service was \$647 million representing a 2.9% increase from the budget adopted for 2005. During 2006, the budget was revised to \$675 million primarily to recognize the transfer of regional parks pass-through state appropriations from the capital budget into the operating budget.

The Council receives a percentage of the state Motor Vehicle Sales Tax to fund a portion of transit operations of the Council and certain suburban transit communities. The MVST is a single sector sales tax and has historically experienced significant peaks and valleys. To address the variability of receipts, the Council originally budgeted only 97% of its portion of forecasted MVST revenues, with 3% unbudgeted in the event that actual receipts fell short of projections. In 2006, the Council decreased the budgeted portion to 95%, to address a further downturn from forecast.

In November 2006, voters approved an amendment to the Minnesota Constitution dedicating additional MVST revenues for transportation purposes. In the 2006/2007 biennium, 53.7% of MVST receipts were used for transportation purposes – 22.9% for transit and 30.8% for highways. The constitutional amendment is phased in between state fiscal years 2008- 2012 and dedicates 100% of MVST revenues to transportation, with at least 40% dedicated to transit and up to 60% for highways.

The 2007 Legislature passed enabling legislation for a phase in (38% for transit by 2012) of the constitutional amendment and the distribution of transit funding between the Metro and Greater Minnesota transit systems.

Debt Administration - The Council is authorized under Minnesota Statutes to issue debt to support capital programs in transit, wastewater, parks and open spaces and regional radio communications. Debt service obligations for parks, transit, and transit related radio debt are finance through property taxes. Environmental Services wastewater debt is finance through municipal wastewater and service availability charges.

The Council has a debt-management policy which includes the following goals:

- Maintain top credit ratings on long-term debt.
- Minimize borrowing costs.
- Maintain the ability to finance regional services and capital facilities.
- Minimize long-term and year-to-year financial impact of regional debt service on taxpayers.

Credit ratings on the Council's general obligation bonds continued at Aaa by Moody's Investor Service and AAA by Standard and Poor's.

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 \$324 million on December 31, 2006. The average yield was 5.4%, modified duration 6.4 years, and effective duration 4.3 years.

The Council's investment holdings of specific issuers represent approximately 60% of total cash and investments. These holdings include: (a) Federal Home Loan Bank, (b) Federal Home Loan Mortgage Corporation, and (c) Federal National Mortgage Association.

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, 2005. This was the twenty-third 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,



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, 2005

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.

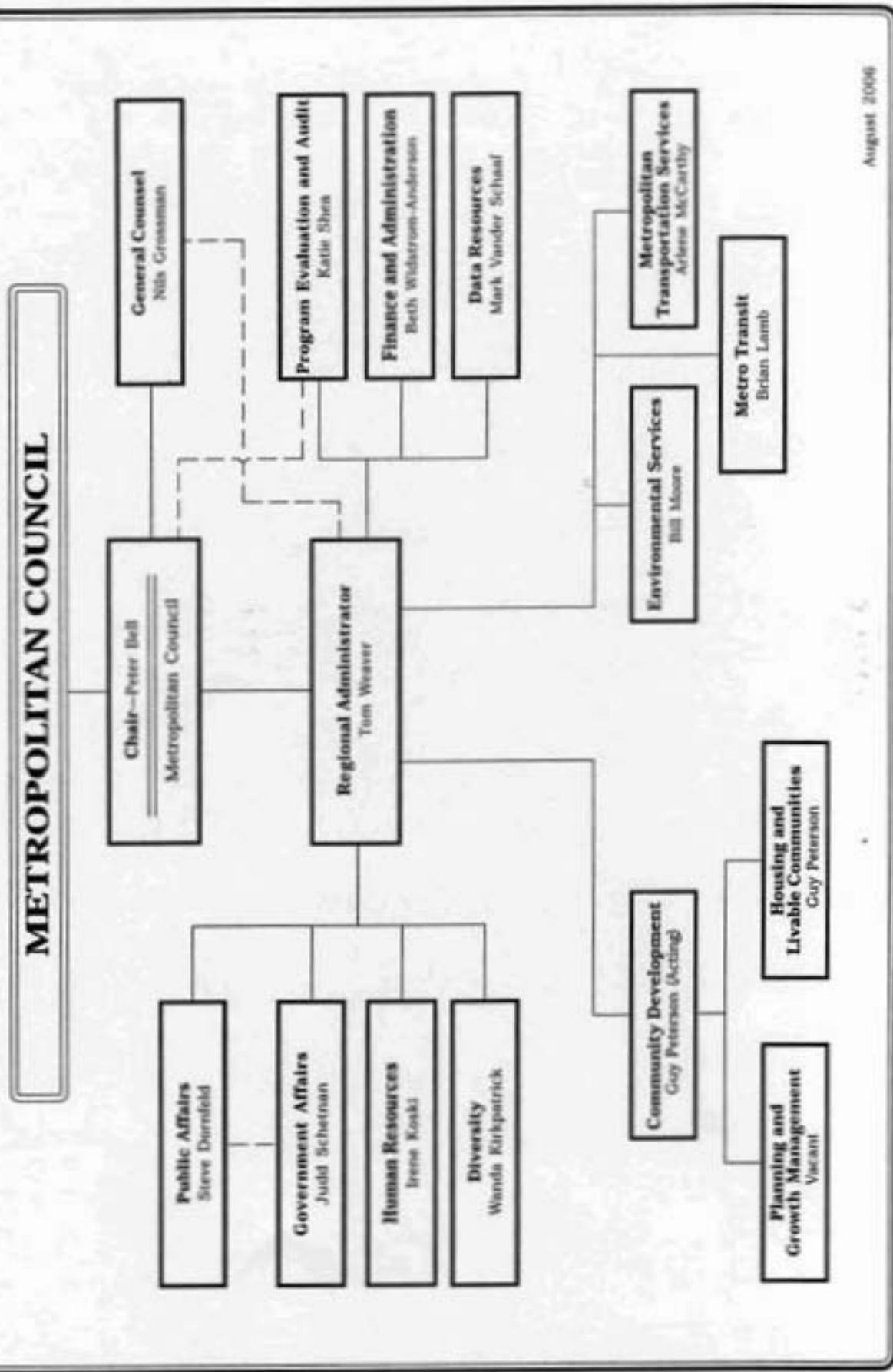


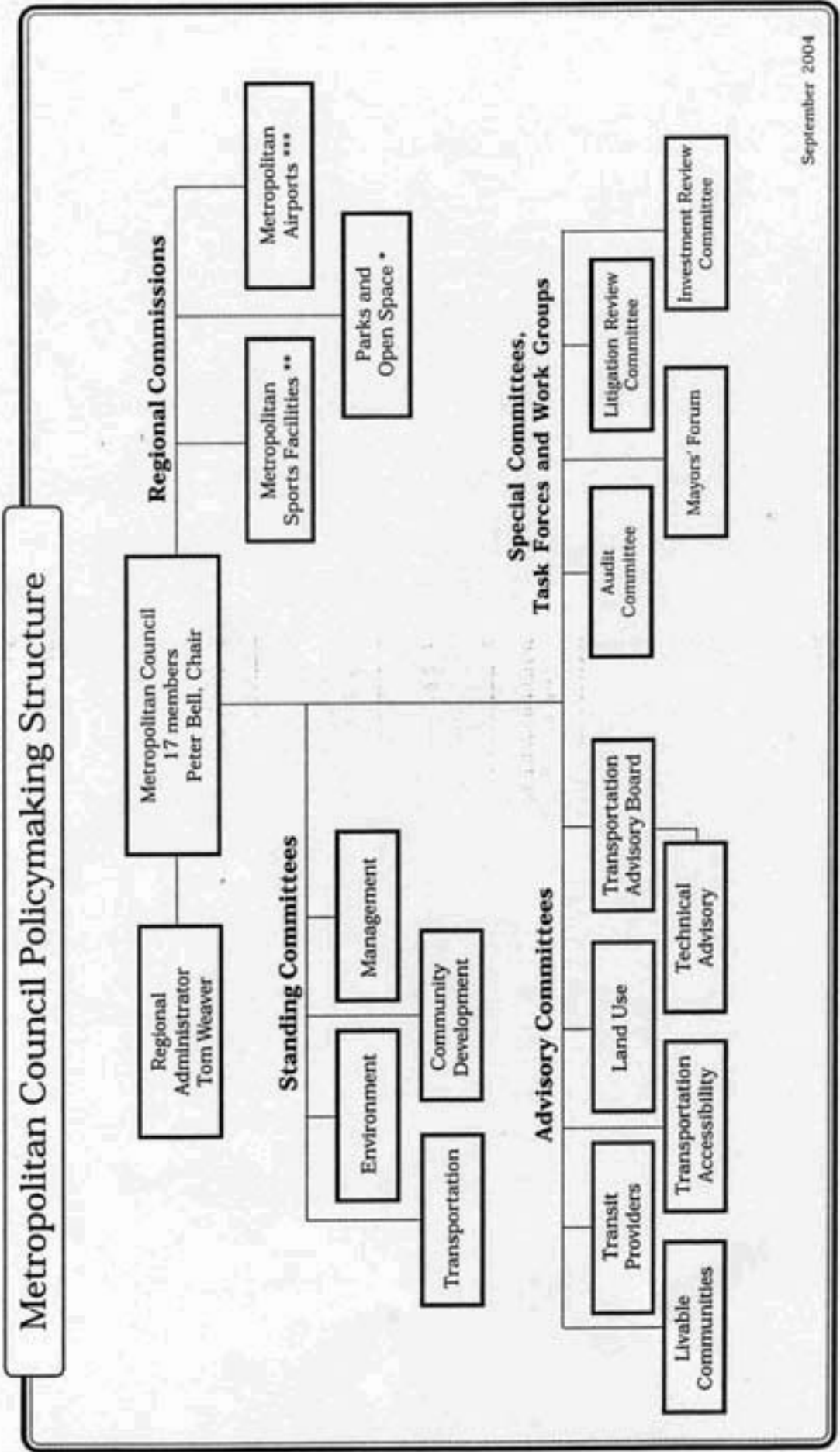
A handwritten signature in black ink, appearing to read "Ronald J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos".

Executive Director





September 2004

- * 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.

Metropolitan Council
 390 North Robert Street
 St. Paul, Minnesota 55101-1805
 (651) 602-1000 • Fax 602-1550 • TTY 291-0904

METROPOLITAN COUNCIL

	Term of Office	
	First Appointed	End of Term
COUNCIL MEMBERS:		
Chair -		
Peter Bell	Jan. 8, 2003	Indefinite
District Members -		
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

METROPOLITAN COUNCIL

OFFICERS

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

FINANCIAL ADMINISTRATIVE OFFICIALS

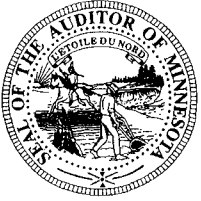
Tom Weaver	Regional Administrator
Beth Widstrom-Anderson	Chief Financial Officer

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Financial Section



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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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525 PARK STREET
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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 discretely presented component unit, 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, 2006, which collectively comprise the Metropolitan 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. We did not audit the financial statements of the Metropolitan Sports Facilities Commission, the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Metropolitan Sports Facilities Commission, is based solely on the report 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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Metropolitan Council of the Twin Cities Area as of December 31, 2006, 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 June 26, 2007, 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 Sports Facilities Commission, which was audited by other auditors.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 26, 2007

2006 Comprehensive Annual Financial Report Management's Discussion and Analysis

This section of the Metropolitan Council's Comprehensive Annual Financial Report (CAFR), presents a discussion and analysis of the financial activities for the fiscal year ended December 31, 2006. It should be read in conjunction with the preceding transmittal letter, and the Metropolitan Council's basic financial statements following this section.

Financial Highlights

The assets of the Council exceeded liabilities at the close of the fiscal year by \$1.5 billion. Approximately 93 percent of this amount is invested in capital assets (net of related debt). Unrestricted net assets of \$2.4 million represent the amount available to meet the Councils' ongoing obligations to creditors and the citizens.

During the year, the Council's total net assets increased by \$66 million (4.5 percent) compared to the prior year. Reduced governmental expenses (\$19.5 million) and higher business-type revenues (\$59.5 million) contributed to the majority of the net asset increase.

The Council's governmental funds reported a combined ending fund balance of \$182.9 million as of the end of the year. This represents a decrease of \$32.6 million compared to the previous year.

At the close of the fiscal year, the general fund reported a total fund balance of \$15.9 million, an increase of \$1.9 million over the previous year. The unreserved fund balance of \$15.1 million includes designations of \$7.1 million and undesignated of \$8 million.

The Council did not issue any general obligation bonds during the year, and reduced its general obligation bond liability by \$70.8 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Metropolitan Council's basic financial statements. The Council's basic financial statements comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements.

This report also includes other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Metropolitan Council's financial operations, in a manner similar to a private-sector business. Government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities and are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Assets presents information on all of the Council's assets and liabilities. Net assets is the difference between the assets and liabilities. 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 Council'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. Therefore, revenues and expenses are reported in these statements for some items that affect cash flows in future periods (e.g. uncollected property taxes, accounts receivable and earned but unused vacation leave).

The government-wide financial statements segregate the activities of the Council into three types of programs or activities:

Governmental Activities – Taxes and intergovernmental revenues are the major revenue sources that fund governmental activities of the Council. Governmental activities include general government, housing, transportation, environment, economic development, and culture and recreation.

Business-type Activities – Business-type activities include services that are intended to recover costs through user charges and fees. The Council’s wastewater treatment, public transportation, and the Housing and Redevelopment Authority are regarded as business-type activities.

Discretely Presented Component Unit – Component units are legally separate entities for which the Council is financially accountable, or the nature and significance of the unit’s relationship with the Council is such that exclusion of the unit would cause the Council’s financial statements to be misleading or incomplete. The Metropolitan Sports Facilities Commission is the only component unit and is discretely presented.

The government-wide financial statements can be found on pages 16-17 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 are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – These funds are used to account for essentially the same functions as reported in the government activities in the government-wide financial statements. However, the 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 the Council’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 fourteen 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 eleven 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 included in this report.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds – These funds are used to account for functions that were classified as “business-type activities” in the government-wide financial statements. Proprietary funds utilize accrual basis accounting which is the same method used by private-sector businesses. Proprietary fund financial statements provide the same type of information as the government-wide statements, only in more detail.

The Metropolitan Council maintains one type of proprietary fund—the enterprise fund. The Council uses enterprise funds to account for its wastewater treatment, bus transportation, light rail transportation and housing operations. All four funds are considered to be major funds of the Council.

The basic proprietary fund financial statements can be found on pages 22-27 of this report.

Fiduciary funds – These 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 statements because the resources of those funds are not available to support the Council’s own programs.

The basic fiduciary fund financial statements can be found on page 28 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 the fund financial statements.

The notes to the financial statements can be found on pages 29-53 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Metropolitan Council.

The required supplementary information can be found on pages 56-58.

Supplementary Information

Supplementary information includes combining financial statements for nonmajor governmental funds and is presented immediately following the required supplementary information.

The combining financial statements, 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 \$1.5 billion on December 31, 2006.

Metropolitan Council Net Assets December 31, 2006 and 2005 (In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$204,806	\$233,909	\$ 303,917	\$ 323,209	\$ 508,723	\$557,118
Capital assets	<u>63,385</u>	<u>44,401</u>	<u>2,236,230</u>	<u>2,167,585</u>	<u>2,299,615</u>	<u>2,211,986</u>
Total assets	<u>268,191</u>	<u>278,310</u>	<u>2,540,147</u>	<u>2,490,794</u>	<u>2,808,338</u>	<u>2,769,104</u>
Long-term liabilities outstanding	218,334	259,719	867,311	867,992	1,085,645	1,127,711
Other liabilities	<u>24,103</u>	<u>21,919</u>	<u>173,670</u>	<u>160,585</u>	<u>197,773</u>	<u>182,504</u>
Total liabilities	<u>242,437</u>	<u>281,638</u>	<u>1,040,981</u>	<u>1,028,577</u>	<u>1,283,418</u>	<u>1,310,215</u>
Net assets:						
Invested in capital assets, net of related debt	22,463	14,392	1,390,948	1,353,995	1,413,411	1,368,387
Restricted	105,856	113,196	3,212	31,187	109,068	144,383
Unrestricted	<u>(102,565)</u>	<u>(130,916)</u>	<u>105,006</u>	<u>77,035</u>	<u>2,441</u>	<u>(53,881)</u>
Total net assets	<u>\$ 25,754</u>	<u>\$ (3,328)</u>	<u>\$1,499,166</u>	<u>\$1,462,217</u>	<u>\$1,524,920</u>	<u>\$1,458,889</u>

By far the largest portion of the Metropolitan Council's net assets (\$1.4 billion) reflects its investment in capital assets (e.g., land, buildings and infrastructure, vehicles, and equipment) less any related outstanding debt used to acquire those assets. The 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 other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the Metropolitan Council's net assets (\$109 million) represent resources that are subject to external restrictions. Net asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. These net assets consist of debt service, capital project and specific grant and loan programs. Restricted net assets decreased by \$35 million primarily due to a \$27 million decrease in Environmental Services capital projects.

Unrestricted net assets for the governmental activities are a negative \$102 million. The negative unrestricted net assets balance is a result of debt obligations being reported in governmental activities, but the related capital assets are recognized in the business-type activities.

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 governmental activities and all three categories for its business-type activities.

The Metropolitan Council's combined net assets for governmental and business-type activities increased by \$66 million for the year. This resulted from a \$29 million increase in governmental activities, and a \$37 million increase in net assets of business-type 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
Fiscal Years Ended December 31, 2006 and 2005
(In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,048	\$ 5,905	\$ 265,394	\$ 248,258	\$ 272,442	\$254,163
Operating grants and contributions	42,835	42,542	127,209	126,290	170,044	168,832
Capital grants and contributions	19,791	13,483	54,651	13,214	74,442	26,697
General revenues:						
Motor vehicle excise tax	27,459	31,606	86,981	87,463	114,440	119,069
Property taxes	68,026	67,315			68,026	67,315
Property tax related state revenues	2,691	3,158			2,691	3,158
Investment earnings	10,013	5,574	11,840	5,045	21,853	10,619
Gain on sale of capital assets	170				170	
Total revenues	<u>178,033</u>	<u>169,583</u>	<u>546,075</u>	<u>480,270</u>	<u>724,108</u>	<u>649,853</u>
Expenses:						
General government	8,613	8,263			8,613	8,263
Transportation	88,510	89,662			88,510	89,662
Culture and recreation	16,084	18,752			16,084	18,752
Economic development	4,036	9,401			4,036	9,401
Environment	5,201	6,629			5,201	6,629
Housing	2,136	1,819			2,136	1,819
Interest and other	11,753	21,152			11,753	21,152
Environmental services			173,090	161,748	173,090	161,748
Transit bus			246,264	237,695	246,264	237,695
Transit light rail			45,795	44,620	45,795	44,620
Housing			56,595	56,198	56,595	56,198
Total expenses	<u>136,333</u>	<u>155,678</u>	<u>521,744</u>	<u>500,261</u>	<u>658,077</u>	<u>655,939</u>
Increase (decrease) in net assets before transfers	41,700	13,905	24,331	(19,991)	66,031	(6,086)
Transfers	<u>(12,618)</u>	<u>(18,721)</u>	<u>12,618</u>	<u>18,721</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	29,082	(4,816)	36,949	(1,270)	66,031	(6,086)
Net assets, beginning	<u>(3,328)</u>	<u>1,488</u>	<u>1,462,217</u>	<u>1,463,487</u>	<u>1,458,889</u>	<u>1,464,975</u>
Net assets, ending	<u>\$ 25,754</u>	<u>\$ (3,328)</u>	<u>\$1,499,166</u>	<u>\$1,462,217</u>	<u>\$1,524,920</u>	<u>\$1,458,889</u>

Governmental Activities

Governmental activities increased the Council's net assets by \$29 million, compared to a decrease of \$5 million in 2005. The primary contributors to this change are discussed in the following paragraphs.

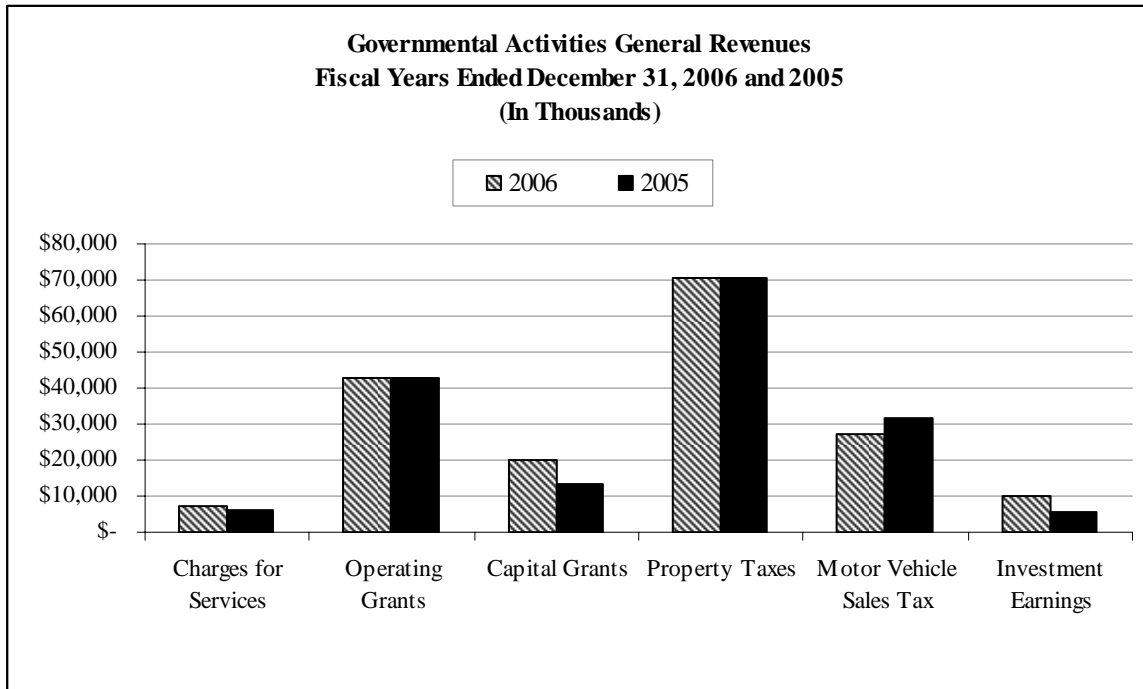
Revenues

Governmental activities are supported by charges for services, grants, and contributions. Additionally, general revenues cover any expenses after program specific revenues are applied. In 2006, the Council relied primarily on property taxes, motor vehicle sales tax, and investment earnings for funding governmental activities. Specifically, property taxes supported the Council's debt service activity, while motor vehicle sales taxes supported the transportation activities.

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.

Total program revenues of \$70 million, increased by \$8 million (12 percent) compared to 2005. Charges for services increased by \$1 million to \$7 million, resulting primarily from increased ridership and a fare increase implemented in July 2005. Operating grants, in total, remained flat. Revenues from the Federal Section 5307 program resulted in increasing capital grants by \$5 million to \$12 million. Capital grant reimbursement for regional parks increased by approximately \$2 million to \$7 million.

Total general revenues remained flat at \$108 million. Motor Vehicle Sales Tax receipts dropped substantially by \$4 million (15 percent) to \$27 million, a reflection of the variability in the new and used motor vehicle market. Investment earnings increased by \$4 million to \$10 million due to higher investment interest rates throughout the year.



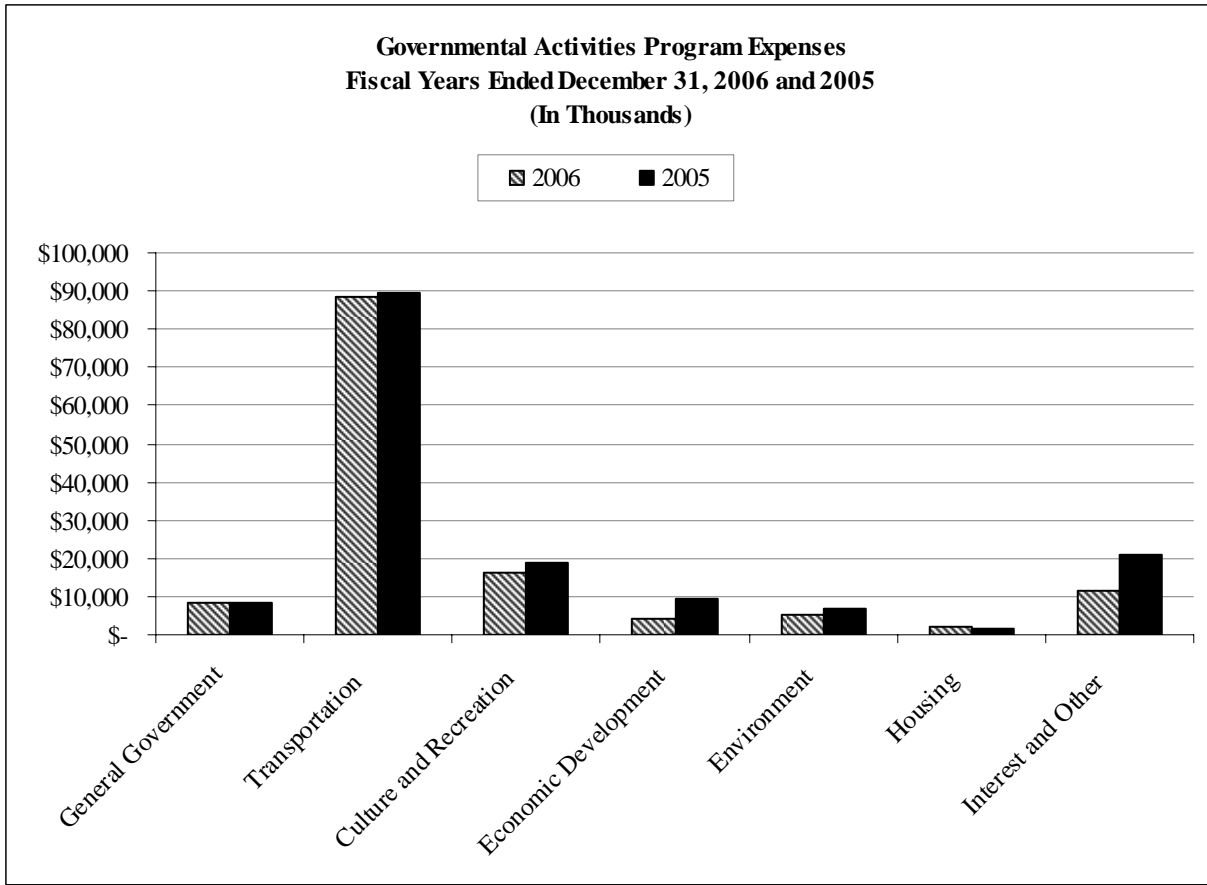
Expenses

The cost of governmental activities in 2006 was \$136 million, which was \$19 million (13 percent) less than the prior year. The majority of this change (\$11 million) is the result of integrating the Metropolitan Radio Board bonds in the 2005 financial statements. The Council's livable communities program experienced a \$6 million decline in reimbursement requests compared to 2005. These reimbursements are based upon local government expenditures and are not directly controllable by Council management. The unexpended balance of all livable communities grants are recognized in restricted net assets.

Depreciation for the year was \$8 million compared to \$7 million in the prior year. The depreciation increase came from the ongoing regional bus fleet modernization and expansion. During the year the Council added \$23 million in vehicles.

Net transfers to business-type activities were reduced by \$6 million to \$13 million for the year. Metro Transit Bus received \$12 million in capital project reimbursements, \$7 million less than the prior year.

Net salaries and benefits were \$9 million, approximately \$400 thousand greater than 2005.



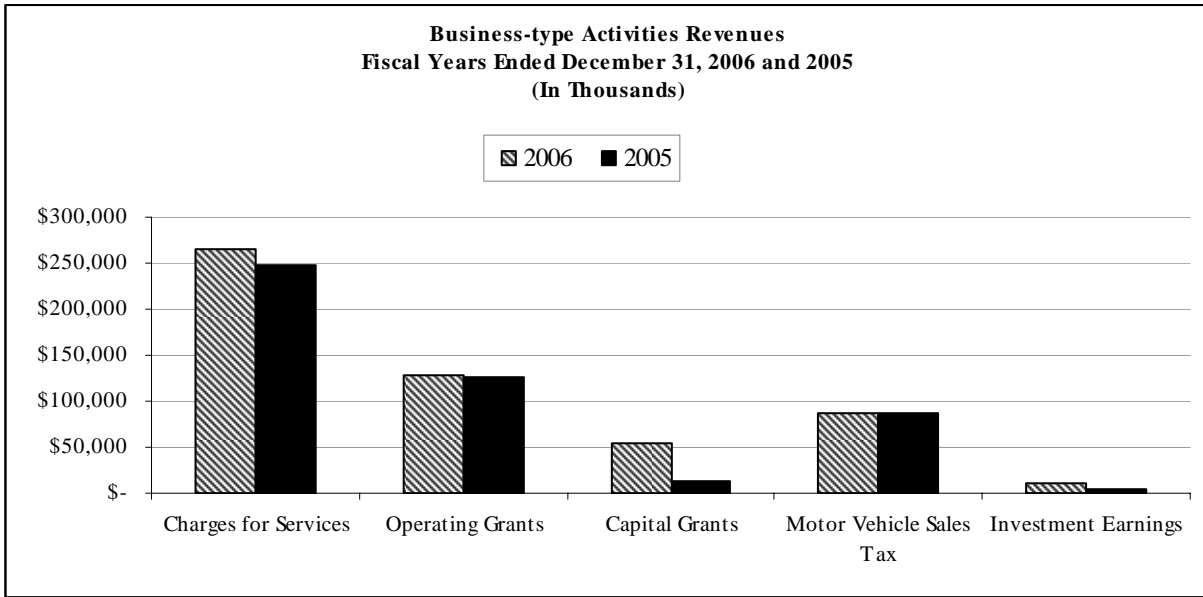
Business-type activities

Revenues

Program revenues for the Council’s business-type activities totaled \$447 million, or 86 percent of related expenses for fiscal year 2006 compared to \$388 million (78 percent of related expenses) in the prior year. The \$59 million revenue increase came primarily from capital grants in Metro Transit Bus for its fleet modernization and expansion, and Metro Transit LRT for completion of its rail line. Charges for services saw an increase of \$17 million compared to the prior year. For 2006, Environmental Services enacted an increase of 5.4 percent in municipal wastewater charges and Metro Transit Bus experienced a full year of a fare rate increase implemented in July of 2005.

General revenues used to cover extra program expenses come from two sources: motor vehicle sales tax and investment earnings. For 2006, motor vehicle sales taxes fell \$.5 million, mirroring the auto industry variability in sales. Investment earnings rose by \$7 million, a 135 percent increase. Higher investment interest rates accounted for the increase.

Net transfers from governmental activities were down by \$6 million to \$13 million for the year. Metro Transit Bus received \$12 million in capital project reimbursements, \$7 million less than the prior year.



Expenses

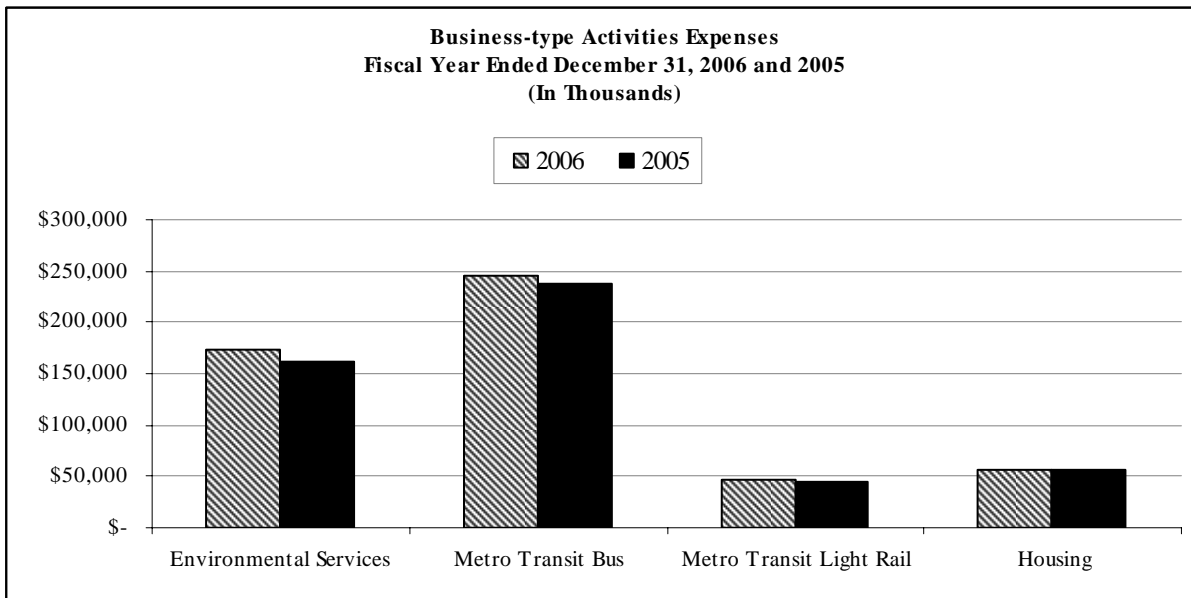
Business-type activities incurred \$522 million of expenses for 2006, an increase of \$21 million (4 percent) over the prior year. Environmental Services program expenses increased \$11 million, while Metro Transit Bus increased by \$9 million. For the year, the program revenue increase (\$59 million) was greater than the program expense increase (\$21 million).

A \$4 million increase in contracted services includes \$1 million of costs for the metro commuter service program transferred from governmental activities in 2006.

Materials and supplies increased by \$6 million (19 percent) reflecting higher fuel costs. Net bus fuel and lubricants for Metro Transit Bus increased by \$3 million, reflecting significantly higher fuel prices and higher passenger miles.

Increased provisions for property loss and damages were the primary cause for the Metro Transit Bus insurance expense to increase by \$2 million compared to the prior year.

Utility costs of Environmental Services increased by \$2 million over 2005, as a result of higher utility rates and slightly higher daily sewage treatment flows.



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 resources that are available for spending. 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.

As of the end of the current fiscal year, the Council's governmental funds reported combined total fund balances of \$183 million, a decrease of \$33 million compared to the prior year. During 2006, the Council did not issue any new bonds or debt as compared to \$61 million issued in 2005. Of the total fund balance, \$70 million is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional \$99 million has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining \$13 million of the balance is unreserved and undesignated.

Revenues from all governmental funds for the current year were \$178 million, an increase of \$9 million (5.2 percent) from the previous year. Investment income increased \$4 million due to higher interest rates and accounted for one half of the revenue increase.

Expenditures for all governmental funds in the current year were \$198 million, an increase of \$4 million (1.9 percent) from the previous year. Reductions in intergovernmental expenditures, a decrease of \$11 million from the prior year, were offset by increases in capital outlays, an increase of \$10 million, and debt service payments, an increase of \$4 million. Additionally, other financing uses exceeded other financing sources by \$13 million for the year.

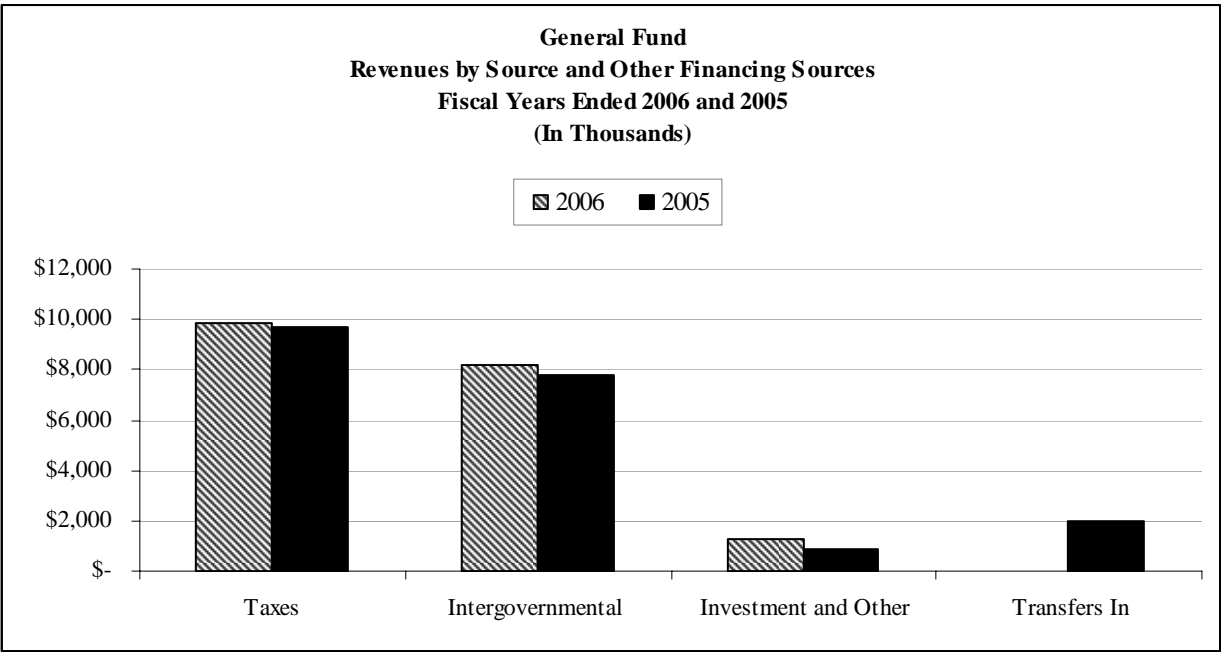
The General Fund is the Council's principal governmental operating fund. During the current year, the fund balance in the General Fund increased by \$2 million (13.6 percent). At the end of the current fiscal year, the General Fund's total fund balance was \$16 million. Of this amount, \$853 thousand was reserved and therefore unavailable for spending. Of the unreserved total of \$7 million was designated (earmarked) and the remaining \$8 million is considered both unreserved and undesignated.

The following table provides the changes in revenues by source from 2005 to 2006.

General Fund Revenues by Source and Other Financing Sources Fiscal Years Ended December 31, 2006 and 2005 (In Thousands)

	<u>2006</u>		<u>2005</u>		<u>Increase (Decrease)</u>
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>	
<u>Revenues by Source</u>					
Taxes	\$ 9,840	51%	\$ 9,730	48%	\$ 110
Intergovernmental Revenues	8,194	43%	7,792	38%	402
Investment Income and Other	<u>1,241</u>	<u>6%</u>	<u>849</u>	<u>4%</u>	<u>392</u>
Total Revenue	\$19,275	100%	\$18,371	90%	\$ 904
Transfers In	<u>0</u>	<u>0%</u>	<u>1,956</u>	<u>10%</u>	<u>(1,956)</u>
Total Revenue and Other Financing Sources	<u>\$19,275</u>	<u>100%</u>	<u>\$20,327</u>	<u>100%</u>	<u>\$(1,052)</u>

General Fund revenues increased by \$904 thousand from the previous year. The Council did not change its operating levy from 2005 to 2006. The intergovernmental revenue increase came from increased pass-through grants for regional parks improvements. The investment income and other revenue increase was the result of higher interest rates on various investment vehicles. The transfers in activity in 2005 came primarily from a one-time transfer of balances from debt service funds.



The following table provides the changes in expenditures by function from 2005 to 2006.

**General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2006 and 2005
(In Thousands)**

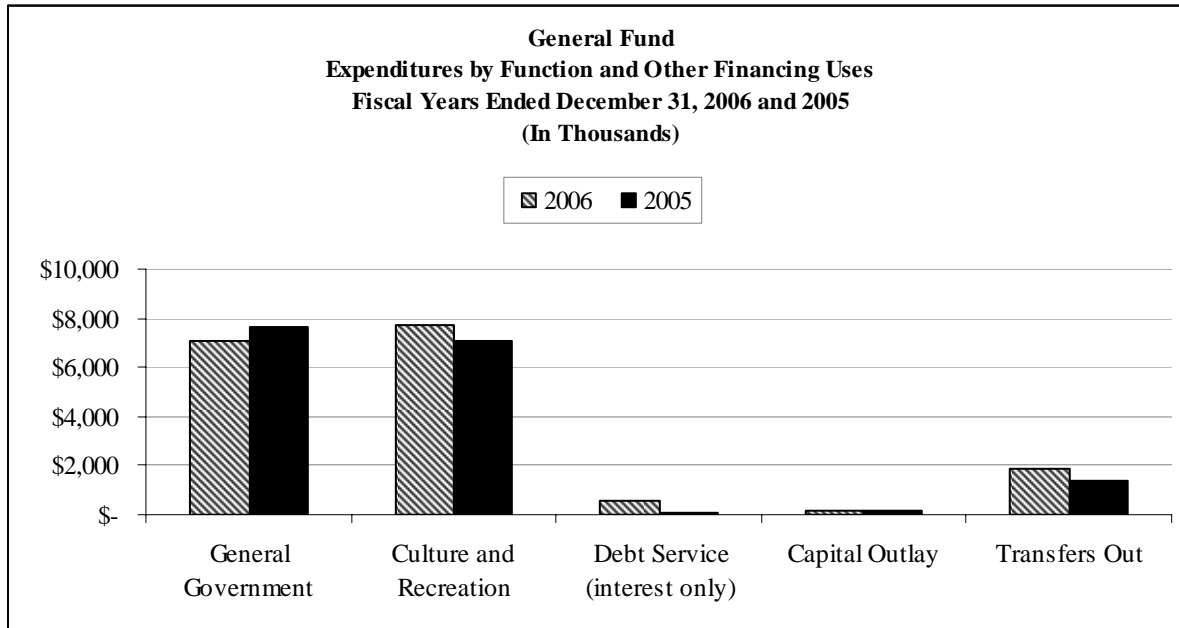
	2006		2005		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
Expenditures by Function					
General Government	\$ 7,100	41%	\$ 7,613	47%	\$ (513)
Culture and Recreation	7,707	44%	7,042	43%	665
Debt Service (Interest Only)	541	3%	79	1%	462
Capital Outlay	173	1%	137	1%	36
Total Expenditures	\$15,521	89%	\$14,871	92%	\$ 650
Transfers Out	1,842	11%	1,375	8%	467
Total Expenditures and Other Financing Uses	\$17,363	100%	\$16,246	100%	\$1,117

General fund expenditures (net of allocations) during the current year were \$16 million, an increase of \$650 thousand from the previous year. Other financing uses were \$2 million compared to \$1 million in the prior year.

General government expenditures were lower due to the Council ending a building lease during the year. General government expenses were less than budget as a result of various cost containment measures. Culture and recreation expenditures increased due to pass-through parks reimbursements, which were offset by pass through intergovernmental revenues noted previously. During the year, the General Fund began reimbursement transfers to Environmental Services (a business-type activity) for a water supply planning program.

The Metro Mobility fund balance increased by \$515 thousand to \$16 million. Total revenues increased by \$710 thousand, to \$33 million. Federal reimbursements increased by \$2 million to \$6 million, which was offset by a \$2 million reduction in state revenues (\$21 million). Passenger fares increased \$833 thousand (23 percent) to \$4 million as passenger trips increased and a full year of a fare rate increase that was implemented in 2005. Total Metro Mobility expenditures increased by \$2 million, to \$32 million. Payments to outside transit providers increased by \$2 million compared to last year.

The Debt Retirement fund balance of \$77 million, increased by \$152 thousand. Property tax related revenues increased by \$4 million primarily the result of a one-time levy issued as a result of reduced Motor Vehicle Sales Tax revenues. State revenues increased by \$816 thousand to \$3.3 million due to a full year of 911 emergency telephone fee receipts. Debt retirement payments were \$52 million, an increase of \$3 million.



Financial Analysis of Proprietary funds

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

The Council has four enterprise funds: Environmental Services, Metro Transit Bus, Metro Transit Light Rail, and Metropolitan Housing and Redevelopment Authority. Each fund is reported as a major fund.

Overall, the enterprise funds had total net assets of \$1.5 billion at December 31, 2006. The total net assets for all enterprise funds increased by \$37 million during 2006, due primarily to an increase of \$35 million in capital contribution related activities.

The following table summarizes the total assets, total liabilities, operating income, changes in net assets, and net asset balance for each of the four enterprise funds from 2005 to 2006

**Enterprise Funds
Key Balance Sheet Account Balances and Revenue and Expense Activities
December 31, 2006 and 2005
(In Thousands)**

	<u>Environmental Services</u>	<u>Metro Transit Bus</u>	<u>Metro Transit Light Rail</u>	<u>Metropolitan Housing and Redevelopment</u>	<u>Total 2006</u>	<u>Total 2005</u>
Assets	\$1,567,051	\$ 425,026	\$516,077	\$ 32,295	\$2,540,449	\$2,490,807
Liabilities	964,799	50,414	23,816	2,254	1,041,283	1,028,590
Operating Income (Loss)	6,434	(177,026)	(36,923)	(56,090)	(263,605)	(256,027)
Changes in Net Assets	26,309	12,885	(3,260)	1,015	36,949	(1,270)
Net Assets	602,252	374,612	492,261	30,041	1,499,166	1,426,217

The Environmental Services fund accounts for the payments for wastewater interceptor and treatment services. It also accounts for the sanitary sewer maintenance and design. Overall, the net asset balance as of December 31, 2006, was \$602 million.

Metro Transit Bus is the region's largest provider of directly provided bus transit service. The net asset balance as of December 31, 2006, was \$375 million, an increase of \$13 million.

The Metro Transit Light Rail fund provides the region's rail transit service. As of December 31, 2006, the net asset balance was \$492 million, a decrease of \$3 million.

The Metropolitan Housing and Redevelopment Authority provides affordable housing under the Federal "Section 8" program. Overall, the net asset balance for the year ended December 31, 2006, increased by \$1 million to a total of \$30 million.

General Fund Budgetary Highlights

The original budget was increased by \$760 thousand to arrive at the final budget of \$19 million. The increase came from:

- \$560 thousand in budget carryovers from 2005 and
- \$200 thousand in increased general government activities.

During the year, however, actual expenditures were \$3 million less than the final budget due primarily to: reduced software maintenance expenditures (\$1 million), lower parks pass-through grants (\$1 million) and lower consultant expenses (\$1 million).

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, 2006, was \$2.3 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, treatment plants, machinery, equipment, and vehicles.

Metropolitan Council Capital Assets (Net of Accumulated Depreciation) December 31, 2006 and 2005 (In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land and land improvements	\$215	\$ 215	\$ 78,242	\$ 65,422	\$ 78,457	\$ 65,637
Buildings and infrastructure	16,140		1,744,475	1,624,184	1,760,615	1,624,184
Vehicles and other equipment	47,030	32,508	214,178	231,351	261,208	263,859
Construction in progress		<u>11,678</u>	<u>199,335</u>	<u>246,628</u>	<u>199,335</u>	<u>258,306</u>
Total	<u>\$63,385</u>	<u>\$44,401</u>	<u>\$2,236,230</u>	<u>\$2,167,585</u>	<u>\$2,299,615</u>	<u>\$2,211,986</u>

The Metropolitan Council's net investment in capital assets for governmental activities increased by \$19 million for the year. The business-type activities had an increase of \$69 million, mostly from Environmental Services investment in capital assets which increased by \$73 million (net of accumulated depreciation).

For 2006, Environmental Services added \$110 million in buildings and improvements to meet the needs of the region's expanding population and business needs. Metro Transit Bus increased its bus fleet by \$10 million as part of service expansion and regular fleet replacement. The Council's governmental activities increased its regional fleet by \$22 million to meet higher ridership demands in addition to a newly implemented fleet replacement program.

Additional information on the Metropolitan Council's capital assets can be found in Note IV.E on pages 43-44 of this report.

Debt Administration

At the end of the fiscal year, the Metropolitan Council had total bonds and loans outstanding of \$1 billion. Of this amount, \$454 million was for bonds issued by the Metropolitan Council, and \$562 million was for loans from the State of Minnesota Public Facilities Authority. General obligation bonds and loans are backed by the full faith and credit of the Metropolitan Council. Additionally, the Council had revenue bonds outstanding of \$10 million at year end. The Metropolitan Council also is contingently liable for \$3 million in housing revenue bonds.

**Metropolitan Council Outstanding Debt
General Obligation Bonds and Loans
December 31, 2005 and 2006
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$176,320	\$215,000	\$277,925	\$310,090	\$454,245	\$525,090
State of Minnesota loans	<u>9,240</u>	<u>10,585</u>	<u>552,943</u>	<u>515,332</u>	<u>562,183</u>	<u>525,917</u>
Subtotal of general obligation bonds and loans	185,560	225,585	830,868	825,422	1,016,428	1,051,007
Revenue Bonds	<u>9,915</u>	<u>10,760</u>	—	—	<u>9,915</u>	<u>10,760</u>
Total bonds and loans	<u>\$195,475</u>	<u>\$236,345</u>	<u>\$830,868</u>	<u>\$825,422</u>	<u>\$1,026,343</u>	<u>\$1,061,767</u>

The Metropolitan Council's total debt decreased by \$35 million (3 percent) during the current year. General obligation bonds decreased by \$71 million (13.5 percent). During the year, the Metropolitan Council drew down \$56 million in State of Minnesota loans. There were no new general obligation bonds, nor any new revenue bonds issued in 2006. Original issue general obligation bonds of \$9 million were retired during the year.

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

Minnesota 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 million and \$3 million respectively. Currently, the Council has unused authority of \$27 million and \$2 million 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 \$120 million and transit general obligation bonds and loans outstanding of \$172 million.

Economic Factors and Next Year's Budgets and Rates

The certified property tax levy approved by the Council for 2007 represents a 0.4% decrease over the previous year's levy. Tax revenue collections have historically been in line with budgeted original estimates. The State's economy remains strong, although, the Council does not receive any direct income tax revenues. However, a variable auto market could lower related motor vehicle sales tax receipts, which is a significant revenue source in the transportation program.

New accounting standards have been issued that will require government employers to account for Other Postemployment Benefits (OPEB), benefits other than pensions, provided to employees by recognizing an obligation in the government-wide financial statements if benefits promised to employees are not advance funded. As a result of the new accounting standards, the Council's December 31, 2007, financial statements will reflect these obligations.

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.

BASIC FINANCIAL STATEMENTS

METROPOLITAN COUNCIL
STATEMENT OF NET ASSETS
DECEMBER 31, 2006
IN THOUSANDS

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Metropolitan Sports Facilities Commission
ASSETS				
Cash and investments	\$ 124,170	\$ 115,722	\$ 239,892	\$ 18,659
Cash with fiscal agent	16,630		16,630	
Receivables, (net)	4,519	10,846	15,365	5,141
Internal balances	(1,507)	1,507	0	
Due from other governmental units	24,818	44,168	68,986	
Inventory		18,424	18,424	
Prepays and other	193	114	307	232
Loans/advances	35,983		35,983	
Restricted assets:				
Cash and cash equivalents		59,641	59,641	
Cash with fiscal agent		8,016	8,016	
Receivables, (net)		23,066	23,066	427
Due from other governmental units		21,770	21,770	
Deferred charges		643	643	
Capital assets not being depreciated:				
Land	215	78,242	78,457	8,700
Construction in progress		199,335	199,335	
Capital assets (net of accumulated depreciation)				
Buildings and infrastructure	16,140	1,744,475	1,760,615	14,916
Vehicles	46,660	192,623	239,283	
Equipment	370	21,555	21,925	3,700
Total assets	268,191	2,540,147	2,808,338	51,775
LIABILITIES				
Accounts payable and other current liabilities	20,343	41,737	62,080	6,715
Accrued interest payable	3,760		3,760	
Unearned revenue		9,002	9,002	359
Liabilities payable from restricted assets		47,093	47,093	
Unearned revenue-restricted		75,838	75,838	
Noncurrent liabilities:				
Due within one year	40,665	59,574	100,239	122
Due in more than one year	177,669	807,737	985,406	81
Total liabilities	242,437	1,040,981	1,283,418	7,277
NET ASSETS				
Invested in capital assets, net of related debt	22,463	1,390,948	1,413,411	27,316
Restricted for:				
Debt service	34,384		34,384	
Capital projects	2,156	3,212	5,368	
Grants and loans	69,316		69,316	
Unrestricted	(102,565)	105,006	2,441	17,182
Total net assets	\$ 25,754	\$ 1,499,166	\$ 1,524,920	\$ 44,498

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, 2006
IN THOUSANDS**

Function/program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component unit Metropolitan Sports Facilities Commission
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 8,613	\$ 212	\$ 8		\$ (8,393)		\$ (8,393)	
Transportation	88,510	6,836	33,758	\$ 12,278	(35,638)		(35,638)	
Culture and recreation	16,084		7,661	7,484	(939)		(939)	
Economic development	4,036				(4,036)		(4,036)	
Environment	5,201				(5,201)		(5,201)	
Housing	2,136			29	(2,107)		(2,107)	
Interest and other charges	11,753		1,408		(10,345)		(10,345)	
Total governmental activities	<u>136,333</u>	<u>7,048</u>	<u>42,835</u>	<u>19,791</u>	<u>(66,659)</u>	<u>\$ 0</u>	<u>(66,659)</u>	<u>\$ 0</u>
Business-type activities:								
Environmental services	173,090	187,374	217	4,708		19,209	19,209	
Transit bus	246,264	68,592	58,086	29,024		(90,562)	(90,562)	
Transit light rail	45,795	8,630	12,446	20,919		(3,800)	(3,800)	
Housing	56,595	798	56,460			663	663	
Total business-type activities	<u>521,744</u>	<u>265,394</u>	<u>127,209</u>	<u>54,651</u>	<u>0</u>	<u>(74,490)</u>	<u>(74,490)</u>	<u>0</u>
Total primary government	<u>\$ 658,077</u>	<u>\$ 272,442</u>	<u>\$ 170,044</u>	<u>\$ 74,442</u>	<u>(66,659)</u>	<u>(74,490)</u>	<u>(141,149)</u>	<u>0</u>
Component unit:								
Sports facilities	<u>\$ 54,255</u>	<u>\$ 49,569</u>						<u>(4,686)</u>
General revenues:								
Property taxes					68,026		68,026	
Market value credit					2,691		2,691	
Motor vehicle sales tax					27,459	86,981	114,440	
Investment earnings					10,013	11,840	21,853	808
Gain/(loss) on sale of capital assets					170		170	
Transfers					(12,618)	12,618	0	
Total general revenues and transfers					<u>95,741</u>	<u>111,439</u>	<u>207,180</u>	<u>808</u>
Change in net assets					29,082	36,949	66,031	(3,878)
Net assets, beginning					(3,328)	1,462,217	1,458,889	48,376
Net assets, ending					<u>\$ 25,754</u>	<u>\$ 1,499,166</u>	<u>\$ 1,524,920</u>	<u>\$ 44,498</u>

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

**METROPOLITAN COUNCIL
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006
IN THOUSANDS**

	General	Metro Mobility Special Revenue Fund	Debt Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,443	\$ 5,025	\$ 58,983	\$ 57,719	\$ 124,170
Cash with fiscal agent			16,630		16,630
Accounts receivable	7	152			159
Delinquent taxes receivable	389		1,647	330	2,366
Interest receivable	238	118	818	820	1,994
Due from other funds	15,548			522	16,070
Due from other governmental units	2	13,619	141	11,056	24,818
Loans and advances				35,983	35,983
Total assets	<u>\$ 18,627</u>	<u>\$ 18,914</u>	<u>\$ 78,219</u>	<u>\$ 106,430</u>	<u>\$ 222,190</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts/contracts/subgrantees payable	\$ 1,431	\$ 2,634		\$ 15,213	\$ 19,278
Salaries payable	1,065				1,065
Due to other funds				17,577	17,577
Deferred revenue	198		\$1,037	177	1,412
Total liabilities	<u>2,694</u>	<u>2,634</u>	<u>1,037</u>	<u>32,967</u>	<u>39,332</u>
Fund balances:					
Reserved for:					
Encumbrances	853				853
Grants and loans				69,316	69,316
Credit enhancement			270		270
Unreserved, designated for, reported in:					
Self-insurance	1,000				1,000
Compensated absences	2,354				2,354
Postemployment benefits	2,236				2,236
Water supply planning	1,515				1,515
Debt service			76,912		76,912
Special revenue funds				12,793	12,793
Capital projects funds				2,156	2,156
Unreserved, undesignated reported in:					
General fund	7,975				7,975
Metro Mobility fund		16,280			16,280
Special revenue funds				9,121	9,121
Capital projects funds				(19,923)	(19,923)
Total fund balances	<u>15,933</u>	<u>16,280</u>	<u>77,182</u>	<u>73,463</u>	<u>182,858</u>
Total liabilities and fund balances	<u>\$ 18,627</u>	<u>\$ 18,914</u>	<u>\$ 78,219</u>	<u>\$ 106,430</u>	<u>\$ 222,190</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, 2006
IN THOUSANDS**

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

Fund balances-total governmental funds (page 18)	\$ 182,858
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	63,385
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	1,605
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(222,094)
Net assets of governmental activities (page 16)	<u>\$ 25,754</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, 2006
IN THOUSANDS

	General	Metro Mobility Special Revenue	Debt Retirement	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 9,840		\$ 45,493	\$ 12,845	\$ 68,178
Intergovernmental revenue:					
Federal	8	\$ 6,250		9,644	15,902
State	8,092	21,438	3,360	43,974	76,864
Local/other	94			94	188
Investment income	1,236	594	3,384	4,799	10,013
Other	5	4,478		2,387	6,870
Total revenues	<u>19,275</u>	<u>32,760</u>	<u>52,237</u>	<u>73,743</u>	<u>178,015</u>
EXPENDITURES					
Current:					
General government	7,100	20		1,065	8,185
Transportation		32,028		19,084	51,112
Intergovernmental:					
Transportation				29,780	29,780
Culture and recreation	7,707			8,377	16,084
Economic development				4,036	4,036
Environment				5,201	5,201
Housing				2,136	2,136
Debt service:					
Principal			40,870		40,870
Interest and other charges	541	197	11,215	1,672	13,625
Capital outlay	173			26,825	26,998
Total expenditures	<u>15,521</u>	<u>32,245</u>	<u>52,085</u>	<u>98,176</u>	<u>198,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,754</u>	<u>515</u>	<u>152</u>	<u>(24,433)</u>	<u>(20,012)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in				1,667	1,667
Transfers out	(1,842)			(12,520)	(14,362)
Sale of capital assets				102	102
Total other financing sources (uses)	<u>(1,842)</u>	<u>0</u>	<u>0</u>	<u>(10,751)</u>	<u>(12,593)</u>
Net change in fund balances	1,912	515	152	(35,184)	(32,605)
Fund balances, beginning	14,021	15,765	77,030	108,647	215,463
Fund balances, ending	<u>\$ 15,933</u>	<u>\$ 16,280</u>	<u>\$ 77,182</u>	<u>\$ 73,463</u>	<u>\$ 182,858</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, 2006
IN THOUSANDS**

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

Net change in fund balances--total governmental funds (page 20)	\$ (32,605)
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	19,143
The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to increase net assets.	145
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(152)
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.	42,697
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.	(146)
Change in net assets of governmental activities (page 17)	\$ 29,082

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

**METROPOLITAN COUNCIL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006
IN THOUSANDS**

	Business-type Activities - Enterprise Funds				Total
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 49,632	\$ 58,474		\$ 7,616	\$ 115,722
Receivables, net	4,798	5,554	\$ 130	364	10,846
Due from other funds		174			174
Due from other governmental units		29,930	12,434	715	43,079
Inventory	7,247	10,197	980		18,424
Prepays		114			114
Restricted assets:					
Cash and cash equivalents	57,180	797	1,664		59,641
Cash with fiscal agent	8,016				8,016
Receivables, net	22,819	12	235		23,066
Due from other funds		1,606	29		1,635
Due from other governmental units		6,737	14,417		21,154
Total current assets	<u>149,692</u>	<u>113,595</u>	<u>29,889</u>	<u>8,695</u>	<u>301,871</u>
Noncurrent assets					
Due from other governments	<u>1,089</u>				<u>1,089</u>
Due from other governments-restricted	<u>616</u>				<u>616</u>
Deferred charges-restricted	<u>643</u>				<u>643</u>
Capital assets:					
Land	11,018	28,497	32,321	6,406	78,242
Buildings and infrastructure	1,911,167	179,124	421,276	21,367	2,532,934
Vehicles	6,793	283,555	85,694		376,042
Equipment	41,820	46,429	174	100	88,523
Construction in progress	133,637	53,292	12,406		199,335
Less accumulated depreciation	(689,424)	(279,466)	(65,683)	(4,273)	(1,038,846)
Net capital assets	<u>1,415,011</u>	<u>311,431</u>	<u>486,188</u>	<u>23,600</u>	<u>2,236,230</u>
Total noncurrent assets	<u>1,417,359</u>	<u>311,431</u>	<u>486,188</u>	<u>23,600</u>	<u>2,238,578</u>
Total assets	<u>1,567,051</u>	<u>425,026</u>	<u>516,077</u>	<u>32,295</u>	<u>2,540,449</u>

**METROPOLITAN COUNCIL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006
IN THOUSANDS**

	Business-type Activities - Enterprise Funds				Total
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	
LIABILITIES					
Current liabilities:					
Accounts payable	4,666	7,687	353	597	13,303
Salaries payable	8,240	17,393	876	191	26,700
Due to other funds		9	174		183
Due to other governmental units	426	311	1,388	22	2,147
Unearned revenue	3,674	1,622	3,667	39	9,002
Accrued claims	318	7,355	1,013		8,686
Other		13			13
Restricted liabilities:					
Payables from restricted assets	16,742	5,296	15,032		37,070
Accrued interest payable from restricted assets	8,650				8,650
Bonds/loans payable from restricted assets	50,462				50,462
Due to other funds from restricted assets		119			119
Due to other governmental units from restricted assets			1,197		1,197
Unearned revenue from restricted assets	75,373	349	116		75,838
Other liabilities from restricted assets		176			176
Total current liabilities	<u>168,551</u>	<u>40,330</u>	<u>23,816</u>	<u>849</u>	<u>233,546</u>
Noncurrent liabilities:					
Compensated absences payable	3,593	1,747			5,340
Due to other governmental units	991				991
Accrued claims	309	8,337			8,646
Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding)	791,355			1,405	792,760
Total noncurrent liabilities	<u>796,248</u>	<u>10,084</u>	<u></u>	<u>1,405</u>	<u>807,737</u>
Total liabilities	<u>964,799</u>	<u>50,414</u>	<u>23,816</u>	<u>2,254</u>	<u>1,041,283</u>
NET ASSETS					
Invested in capital assets, net of related debt	571,134	311,431	486,188	22,195	1,390,948
Restricted for:					
Capital projects		3,212			3,212
Unrestricted	31,118	59,969	6,073	7,846	105,006
Total net assets	<u>\$ 602,252</u>	<u>\$ 374,612</u>	<u>\$ 492,261</u>	<u>\$ 30,041</u>	<u>\$ 1,499,166</u>

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, 2006
IN THOUSANDS

	Business-type Activities--Enterprise Funds				Total
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	
Operating revenues:					
Charges for services:					
Wastewater and industrial strength charges	\$151,360				\$ 151,360
Transit fares		\$ 64,800	\$ 8,008		72,808
Tenant rent				\$ 434	434
Advertising and auxiliary		3,037	531		3,568
Total operating revenues	<u>151,360</u>	<u>67,837</u>	<u>8,539</u>	<u>434</u>	<u>228,170</u>
Operating expenses:					
Salaries and employee benefits	53,723	160,742	14,353	2,645	231,463
Contracted services	10,956	8,386	570	2,416	22,328
Materials and supplies	5,640	28,642	1,502	38	35,822
Insurance	892	2,693	306	35	3,926
Utilities	17,630	4,634	1,885	187	24,336
Advertising		1,350			1,350
Housing related expenses				49,843	49,843
Other	8,352	1,839	339	287	10,817
Depreciation	47,733	36,577	26,507	1,073	111,890
Total operating expenses	<u>144,926</u>	<u>244,863</u>	<u>45,462</u>	<u>56,524</u>	<u>491,775</u>
Operating income (loss)	<u>6,434</u>	<u>(177,026)</u>	<u>(36,923)</u>	<u>(56,090)</u>	<u>(263,605)</u>
Nonoperating revenues (expenses)					
Intergovernmental	217	145,067	12,446	56,460	214,190
Pass-through grants		(224)	(219)		(443)
Service availability charges	32,629				32,629
Investment income	9,714	4,929	230	352	15,225
Interest and fiscal charges	(25,361)	(1,009)	(114)	(71)	(26,555)
Gain/(loss) on sale of capital assets	(2,146)	(168)			(2,314)
Miscellaneous	(657)	755	91	364	553
Total nonoperating revenues (expenses)	<u>14,396</u>	<u>149,350</u>	<u>12,434</u>	<u>57,105</u>	<u>233,285</u>

METROPOLITAN COUNCIL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006
IN THOUSANDS

	Business-type Activities--Enterprise Funds				Total
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	
Income (loss) before contribution: and transfers	20,830	(27,676)	(24,489)	1,015	(30,320)
Capital contributions	4,708	29,024	20,919		54,651
Transfers in	771	11,614	310		12,695
Transfers out		(77)			(77)
Total contributions and transfers	<u>5,479</u>	<u>40,561</u>	<u>21,229</u>	<u>0</u>	<u>67,269</u>
Change in net assets	26,309	12,885	(3,260)	1,015	36,949
Total net assets, beginning	<u>575,943</u>	<u>361,727</u>	<u>495,521</u>	<u>29,026</u>	<u>1,462,217</u>
Total net assets, ending	<u>\$602,252</u>	<u>\$374,612</u>	<u>\$492,261</u>	<u>\$ 30,041</u>	<u>\$1,499,166</u>

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, 2006
IN THOUSANDS**

	Business-type Activities--Enterprise Funds				Total
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	
Cash flows from operating activities					
Receipts from customers and users	\$ 150,950	\$ 65,133	\$ 11,542	\$ 421	\$ 228,046
Payments to suppliers	(49,886)	(45,877)	(5,184)	(52,663)	(153,610)
Payments to employees	(54,321)	(161,451)	(14,257)	(2,641)	(232,670)
Receipts from (payments to) others	771	3,792	701	144	5,408
Net cash provided (used) by operating activities	<u>47,514</u>	<u>(138,403)</u>	<u>(7,198)</u>	<u>(54,739)</u>	<u>(152,826)</u>
Cash flows from noncapital financing activities					
Transfer in	771				771
Cash deficit implicitly financed		(174)	174		
Intergovernmental receipts	217	143,494	3,759	55,745	203,215
Pass-through grant payments		(224)	(219)		(443)
Net cash provided by non-capital financing activities	<u>988</u>	<u>143,096</u>	<u>3,714</u>	<u>55,745</u>	<u>203,543</u>
Cash flows from capital and related financing activities					
Transfers in - for capital purposes		10,602	310		10,912
Capital contributions	4,703	24,886	11,368		40,957
Proceeds from capital debt	55,292				55,292
Proceeds from service availability charges	25,066				25,066
Proceeds from sale of capital assets	9				9
Purchase of capital assets	(114,665)	(35,397)	(12,377)		(162,439)
Principal paid on capital debt	(51,238)				(51,238)
Interest paid on capital debt	(32,688)				(32,688)
Net cash provided by (used in) capital and related financing activities	<u>(113,521)</u>	<u>91</u>	<u>(699)</u>	<u>0</u>	<u>(114,129)</u>
Cash flows from investing activities					
Investment purchase/sale	235				235
Interest received/paid	9,240	3,671	115	191	13,217
Net cash provided by (used in) investing activities	<u>9,475</u>	<u>3,671</u>	<u>115</u>	<u>191</u>	<u>13,452</u>

**METROPOLITAN COUNCIL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006
IN THOUSANDS**

	Business-type Activities--Enterprise Funds				
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	Total
Net increase (decrease) in cash and cash equivalents	(55,544)	8,455	(4,068)	1,197	(49,960)
Balances, beginning	162,356	50,816	5,732	6,419	225,323
Balances, ending	<u>\$ 106,812</u>	<u>\$ 59,271</u>	<u>\$ 1,664</u>	<u>\$ 7,616</u>	<u>\$ 175,363</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 6,434	\$ (177,026)	\$ (36,923)	\$ (56,090)	\$ (263,605)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	47,733	36,577	26,507	1,073	111,890
Miscellaneous revenue/expense	771	755	91	364	1,981
Change in assets and liabilities:					
Accounts receivable	(1,212)	200	(54)	(234)	(1,300)
Due to/due from other funds		9		(46)	(37)
Due from other governments	(992)				(992)
Materials and supplies (inventory)	(653)	(974)	(611)		(2,238)
Prepaid expenses and other current assets		43	231		274
Accounts payable	(157)	2,593	(197)	190	2,429
Accrued payroll liabilities	(597)	(718)	96	4	(1,215)
Due to other governments	(4,613)				(4,613)
Unearned revenues	800	133	3,667		4,600
Other liabilities		5	(5)		0
Net cash provided (used) by operating activities	<u>\$ 47,514</u>	<u>\$ (138,403)</u>	<u>\$ (7,198)</u>	<u>\$ (54,739)</u>	<u>\$ (152,826)</u>

Non-cash capital and related financing activities:

Environmental Services had a non-cash loss of \$2,155 related to the disposition of property, plant, and equipment.

Metro Transit Bus had a non-cash transfer of \$77 on capital assets 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, 2006
IN THOUSANDS**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 17</u>
LIABILITIES	
Due to participants	<u>\$ 17</u>

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

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METROPOLITAN COUNCIL

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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

The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) 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 5th Street
Minneapolis, MN 55415

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 unit. 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 the legally separate *component unit* 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 nor demand deposits. Council bank deposits, at December 31, 2006, are backed by a combination of FDIC insurance and collateral in the form of statutorily approved securities. Hedging margin account cash is not collateralized, but is generally swept into a money market fund.

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 unit 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.

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."

METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2006

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, 2006, the allowances for doubtful accounts were (dollars in thousands):

<u>Enterprise Funds</u>	<u>Balance</u>
Environmental Services	\$245
Metro Transit Bus	<u>388</u>
Total	<u>\$633</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, 2006, the allowances for obsolete inventory accounts were (dollars in thousands):

<u>Enterprise Funds</u>	<u>Balance</u>
Environmental Services	\$ 50
Metro Transit Bus	<u>504</u>
Total	<u>\$554</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 \$31,582,000. Of this amount, \$6,221,000 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 funds 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, 2006</u>
Operating account	\$ 9,565
Repair and replacement account	5,742
Concessions reserve account	<u>1,875</u>
Total unrestricted net assets	<u>\$17,182</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 \$63,385,000 difference are as follows:

	<u>In thousands</u>
Land	\$ 215
Building – net of accumulated depreciation	16,140
Equipment – net of accumulated depreciation	46,660
Vehicles – net of accumulated depreciation	<u>370</u>
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 63,385</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 \$1,605,000 difference are as follows:

	<u>In thousands</u>
Receivables – delinquent property taxes	\$ 1,412
Other assets – bond issuance costs	<u>193</u>
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 1,605</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 \$(222,094,000) difference are as follows:

	<u>In thousands</u>
General obligation bonds payable	\$ (185,560)
Revenue bonds	(9,915)
Less: Net issuance discounts (to be amortized as interest expense)	(6,794)
Accrued interest payable	(3,760)
Compensated absences	(2,535)
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>\$ (222,094)</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 \$19,143,000 difference are as follows:

	<u>In thousands</u>
Capital outlay	\$ 26,998
Depreciation expense	<u>(7,855)</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>\$ 19,143</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 \$145,000 difference are as follows:

	<u>In thousands</u>
The statement of activities reports <i>gains or 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.	\$ 68
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>77</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>\$ 145</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 \$(152,000) difference is as follows:

	<u>In thousands</u>
Property tax revenue for year-end delinquent taxes	<u>\$ (152)</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 \$42,697,000 difference are as follows:

	<u>In thousands</u>
Debt issued or incurred:	
Bond (premium)/discount amortization	\$ 661
Change in accrued interest	1,211
Amortization of cost of issuance	(45)
Principal payments of general obligation bonds	<u>40,870</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>\$ 42,697</u>

METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2006

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 \$(146,000) difference is as follows:

	<u>In thousands</u>
Change in compensated absences for year reported as general governmental expenditures	<u>\$(146)</u>

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, and the Metro Transit Light Rail, Metro Transit Bus, and Metropolitan Housing and Redevelopment Authority enterprise funds. 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, prepares 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 funds had expenditures in excess of budget for the year ended December 31, 2006:

	<u>Dollars in thousands</u>			<u>Variance with Final Budget Over/(Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Metro Mobility	\$31,396	\$32,096	\$32,245	\$ 149
Transit administration - a nonmajor fund	4,019	5,382	9,745	4,363

Excess expenditures in the Metro Mobility fund were funded by investment earnings. Transit administration fund was funded by Federal government grants revenues.

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 \$13,000 of petty cash and mutilated coin, the amount of the Council's bank accounts was \$3,706,000; of which \$200,000 was covered by Federal depository insurance (FDIC) and \$3,506,000 was collateralized at least 110% with securities held by the Federal Reserve Bank.

At December 31, 2006, the carrying amount of the MSFC's bank accounts was \$499,000. Bank balances were \$620,000 of which \$100,000 was covered by Federal depository insurance and the remaining \$520,000 was collateralized with securities held by the pledging institution's agent in MSFC's name.

2. Investments

Throughout 2006 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. Collateral is pooled with other participants in the lending program. Approximately 90% of the cash collateral was invested in overnight instruments. The remaining 10% was invested in high quality investments maturing within nine months. The Council's share of the collateral pool averaged 11% for most of 2006. At December 31, 2006, there were no securities on loan.

Loans may be made only to pre-approved borrowers. Historically, the average term of loan has been about 2 days. 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.

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 is less than the amount the 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 and natural gas fuel consumption, all securities purchased by the Council are held by a third party safekeeping agent appointed as custodian. Of the \$233,583,000 United States Treasury and agency investments, the Council has a custodial credit risk exposure of \$2,982,000 because the related securities are held by a custodial agent in the broker's name.

The Council has no foreign currency exposure.

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Following is a summary of the fair values of securities at December 31, 2006:

	Credit Risk	Custody Credit Risk	Dollars in thousands		Portfolio
			Par	Fair Value	
Metropolitan Council:					
U.S. Treasury Securities					
Futures Account, U.S. Treasury Bill & Notes	n.a.	Broker Held (a)	\$ 3,000	\$ 2,982	0.9%
Escrow Account, Debt (SLGS and Cash)	n.a.	Escrow (b)	24,646	24,646	7.6%
General Portfolio	n.a.	Custody (b)	10,000	9,510	2.9%
U.S. Agency Securities:					
Federal Home Loan Bank	Aaa	Custody (b)	78,905	76,363	23.6%
Federal National Mortgage Assn.	Aaa	Custody (b)	55,950	54,859	16.9%
Federal Home Loan Mortgage Corp.	Aaa	Custody (b)	67,000	65,223	20.1%
Certificates of Participation (U.S. GSA)	N.R. (c)	Custody (b)	4,300	4,617	1.4%
Commercial Paper (each <5%)	A1/P1/F1	Custody (b)	12,094	12,007	3.7%
Municipal Bonds (each < 5%)	Aaa	Custody (b)	13,540	13,653	4.2%
State Board of Investment (OPEB Pool, Equities, etc)	N.R. (c)	Custody (g)	50,213	52,980	16.3%
Money Market Funds	Aaa	n.a	11,915	11,915	3.7%
Cash for Fuel Hedging Margin Acct	n.a.	Broker Held (d)	3,161	3,161	1.0%
Cash for Investments	n.a.	Collateralized (e)	2,222	2,222	0.7%
Cash for Operations (f)	n.a.	Collateralized (f)	(9,955)	(9,955)	-3.0%
Petty Cash/Coin & Mutilated Coins	n.a.	Council Held	13	13	0.0%
Total Cash and Investments			<u>\$327,004</u>	<u>\$324,196</u>	<u>100.0%</u>

Component Units:

MSFC:

U.S. Agency Securities					
Government National Mortgage Assn.	Aaa	Custody (h)	\$2,044	\$2,153	11.5%
Federal National Mortgage Assn.	Aaa	Custody (h)	2,636	3,837	20.6%
Federal Home Loan Mtg. Corp	Aaa	Custody (h)	3,591	2,794	15.0%
Money Market Funds	(i)	n.a.	9,438	9,438	50.6%
Investment accrued interest	n.a.	Custody(h)	(62)	(62)	(0.3%)
Cash for Operations	n.a.	(j)	499	499	2.6%
Total Cash and Investments			<u>\$18,146</u>	<u>\$18,659</u>	<u>100.0%</u>

(a) Securities held by the Bank of NYC 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.

(g) Pool investments held by custodian. Includes stocks (S & P 500), bonds (Shearson-Lehman Aggregate), and cash equivalents.

(h) Securities held in custody/escrow are in the Commission's name.

(i) \$243,000 invested in Aaa money markets, \$9,195,000 invested in A1/P1 investments of non-rated Sit Money Market Fund.

(j) Balances less than or equal to \$100,000 are FDIC insured. Individual balances greater than \$100,000 are collateralized, with securities held by the Federal Reserve Bank in the Commission's name.

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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, 2006. Excluding the OPEB equity portfolio, the remaining investment portfolio has an average market yield of 5.38%, modified duration of 6.38 years, effective duration of 4.31 years and convexity of (0.56).

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	\$ 2,978	\$ 2,970	\$ 2,963	\$ 2,956
Escrow Account, Debt (SLGS and Cash)	24,646	24,646	24,646	24,646
General Portfolio	8,802	8,169	7,602	7,093
U.S. Agency Securities:				
Federal Home Loan Bank	75,379	74,004	72,655	71,350
Federal National Mortgage Assn.	53,696	52,505	51,312	50,136
Federal Home Loan Mortgage Corp.	63,102	60,648	58,264	56,001
Certificates of Participation (U.S. GSA)	4,541	4,413	4,292	4,176
Commercial Paper (each <5%)	11,941	11,932	11,924	11,916
Municipal Bonds (each <5 %)	13,039	12,468	11,903	11,353
State Board of Investment (OPEB Pool, Equities, etc)	52,980	52,980	52,980	52,980
Money Market Funds	11,915	11,915	11,915	11,915
Cash for Fuel Hedging Margin Acct	3,161	3,161	3,161	3,161
Cash for Investments	2,222	2,222	2,222	2,222
Cash for Operations	(9,955)	(9,955)	(9,955)	(9,955)
Petty Cash/Coin & Mutilated Coins	13	13	13	13
Total Cash and Investments	<u>\$318,460</u>	<u>\$312,091</u>	<u>\$305,897</u>	<u>\$299,963</u>

Component Units:

MSFC:

U.S. Agency Securities				
Government National Mortgage Assn.	\$ 2,136	\$ 2,119	\$ 2,101	\$ 2,082
Federal National Mortgage Assn.	3,808	3,778	3,745	3,712
Federal Home Loan Mtg. Corp	2,772	2,750	2,727	2,702
Money Market Funds	9,438	9,438	9,438	9,438
Investment accrued interest	(62)	(62)	(62)	(62)
Cash for Operations	499	499	499	499

The Commission 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, 2006. The investment portfolio has an average yield of 6.03%, modified duration of 1.62 years, effective duration of 1.55 years and convexity of -0.54 as of December 31 2006.

B. Energy Forward Pricing Mechanisms

Pursuant to Minnesota Statute 473.1293, the Council may enter into Energy Forward Pricing Mechanism (EFPs) as a budget risk reduction strategy. Such EFPs are solely commodity-based and are comprised of futures, options, contracts, and similar serving derivative instruments. Since inception of its EFP program in 2004, the Council has utilized only futures contracts. However, the Council has no statutory limitation on using other hedging instruments.

Statutorily, the Council may not hedge more than 100% of the projected consumption of any of its commodities. Anticipating unplanned reductions in actual consumption relative to amounts budgeted; the Council has reduced the hedge ceiling to 90% of projected diesel-related fuel consumption and 80% of natural gas consumption. The hedging transactions are completely separate from the physical fuel purchase transactions. The Council does not take delivery of fuel via its EFPs. The initial cash value of each contract is zero; thereafter, the change in the value of each contract is directly correlated with the simultaneous and offsetting increase/decrease in the cost of the fuel in the marketplace and at the time of delivery.

METROPOLITAN COUNCIL

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Since early 2004, the Council has hedged most of its diesel fuel consumption. The program now encompasses its Metro Transit-Bus and Metro Mobility business-type units which, in total, consume about 10 million gallons per year. In the second half of 2006, the Council began hedging natural gas consumption for its Environmental Service and Metro Transit-Bus business-type units which, in total, consume about five million therms per year.

As outlined in Governmental Accounting Standards Board Technical Bulletin 2003-1, there are certain risks attached to the EFPM programs. If fuel consumption falls below the volume of fuel hedged, and, if the exit price of the futures contracts is below the contract purchase price, then the over-hedged amount will produce realized losses.

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>
<u>Receivables – current</u>					
Accounts	\$ 7	\$152			\$ 159
Delinquent taxes	389		\$1,647	\$ 330	2,366
Interest	<u>238</u>	<u>118</u>	<u>818</u>	<u>820</u>	<u>1,994</u>
Total receivables-current	<u>\$634</u>	<u>\$270</u>	<u>\$2,465</u>	<u>\$1,150</u>	<u>\$4,519</u>
	<u>Environmental</u> <u>Services</u>	<u>Metro</u> <u>Transit</u> <u>Bus</u>	<u>Metro</u> <u>Transit</u> <u>Light Rail</u>	<u>Metropolitan</u> <u>Housing and</u> <u>Redevelopment</u> <u>Authority</u>	<u>Total</u> <u>Business-</u> <u>Type</u>
<u>Receivables – current (continued)</u>					
Accounts	\$4,599	\$5,473	\$130	\$249	\$10,451
Delinquent taxes		3			3
Interest	444	466		115	1,025
Less: allowance for uncollectibles	<u>(245)</u>	<u>(388)</u>	<u>—</u>	<u>—</u>	<u>(633)</u>
Total receivables- current	<u>\$4,798</u>	<u>\$5,554</u>	<u>\$130</u>	<u>\$364</u>	<u>\$10,846</u>
	<u>Environmental</u> <u>Services</u>	<u>Metro</u> <u>Transit</u> <u>Bus</u>	<u>Metro</u> <u>Transit</u> <u>Light Rail</u>		<u>Total</u> <u>Business-</u> <u>Type</u>
<u>Receivables – restricted</u>					
Accounts	\$21,685	\$ 1	\$210		\$21,896
Interest	<u>1,134</u>	<u>11</u>	<u>25</u>		<u>1,170</u>
Net total receivables-restricted	<u>\$22,819</u>	<u>\$12</u>	<u>\$235</u>		<u>\$23,066</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):

	<u>Unavailable</u>
Delinquent property taxes receivable (General fund)	\$ 198
Delinquent property taxes receivable (Debt retirement fund)	1,037
Delinquent property taxes receivable (Nonmajor governmental funds)	<u>177</u>
Total deferred/unearned revenue for governmental funds	<u>\$1,412</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, or for the transit Tax Anticipation Certificate levy.

In 2006, the Council levied \$10,300,000 for the General levy; \$8,184,000 for the Livable Communities Demonstration Account levy; \$8,193,000 for Parks and Radio system debt service; \$8,445,000 for Transit Tax Anticipation Certificates; and \$31,232,000 in transit debt service levies upon all taxable property within the Twin Cities Metropolitan Area. The Council did not levy for the Highway Right-Of-Way Loan. 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.

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			
	Levy Limit	Council Levy	Less: MVC Credit	Adjusted Levy
Operating levy	\$11,057	\$10,300	\$ (623)	\$ 9,677
Tax base revitalization	5,000	5,000		5,000
Highway right-of-way	2,972			
Livable communities	8,678	8,184	(495)	7,689
Parks and radio system debt retirement	8,193	8,193	(497)	7,696
Transit Tax Anticipation Certificate	8,445	8,445	(226)	8,219
Transit debt retirement	<u>31,232</u>	<u>31,232</u>	<u>(836)</u>	<u>30,396</u>
Total	<u>\$75,577</u>	<u>\$71,354</u>	<u>\$(2,677)</u>	<u>\$68,677</u>

E. Capital assets

1. Primary government

Capital asset activity for the year ended December 31, 2006 was as follows:

	Dollars in thousands			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 215	\$ 0	\$ 0	\$ 215
Construction in progress	<u>11,678</u>	—	<u>(11,678)</u>	—
Total capital assets, not being depreciated	<u>11,893</u>	<u>0</u>	<u>\$(11,678)</u>	<u>215</u>
Capital assets, being depreciated:				
Building		16,344		16,344
Vehicles	53,088	23,155	(1,508)	74,735
Equipment	<u>4,763</u>	<u>208</u>	<u>(2,242)</u>	<u>2,729</u>
Total capital assets, being depreciated	<u>57,851</u>	<u>39,707</u>	<u>(3,750)</u>	<u>93,808</u>
Less accumulated depreciation for:				
Building		204		204
Vehicles	21,036	7,360	(321)	28,075
Equipment	<u>4,307</u>	<u>291</u>	<u>(2,239)</u>	<u>2,359</u>
Total accumulated depreciation	<u>25,343</u>	<u>7,855</u>	<u>(2,560)</u>	<u>30,638</u>
Total capital assets, being depreciated, net	<u>32,508</u>	<u>31,852</u>	<u>(1,190)</u>	<u>63,170</u>
Governmental activities capital assets, net	<u>\$44,401</u>	<u>\$31,852</u>	<u>\$(12,868)</u>	<u>\$63,385</u>

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During the year, Metro Transit Bus enterprise fund transferred capital assets with a net book value of \$77,000 to a nonmajor governmental fund. The transfer was not recognized in the governmental funds statement of revenues, expenditures and change in fund balances because there is no current financial resource provided. The transferred amounts of \$1,108,000 in vehicles, and \$1,031,000 of accumulated depreciation are reflected in the above capital asset activity for the year.

	Dollars in thousands			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 65,422	\$ 12,821	\$ (1)	\$ 78,242
Construction in progress	<u>246,628</u>	<u>137,956</u>	<u>(185,249)</u>	<u>199,335</u>
Total capital assets, not being depreciated	<u>312,050</u>	<u>150,777</u>	<u>(185,250)</u>	<u>277,577</u>
Capital assets, being depreciated:				
Buildings and infrastructure	2,341,700	201,140	(9,906)	2,532,934
Vehicles	365,401	11,610	(969)	376,042
Equipment	<u>100,963</u>	<u>7,185</u>	<u>(19,625)</u>	<u>88,523</u>
Total capital assets, being depreciated	<u>2,808,064</u>	<u>219,935</u>	<u>(30,500)</u>	<u>2,997,499</u>
Less accumulated depreciation for:				
Buildings and infrastructure	717,516	78,583	(7,640)	788,459
Vehicles	155,867	27,681	(129)	183,419
Equipment	<u>79,146</u>	<u>5,626</u>	<u>(17,804)</u>	<u>66,968</u>
Total accumulated depreciation	<u>952,529</u>	<u>111,890</u>	<u>(25,573)</u>	<u>1,038,846</u>
Total capital assets, being depreciated, net	<u>1,855,535</u>	<u>108,045</u>	<u>(4,927)</u>	<u>1,958,653</u>
Business-type activities capital assets, net	<u>\$2,167,585</u>	<u>\$258,822</u>	<u>\$(190,177)</u>	<u>\$2,236,230</u>

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

	<u>In thousands</u>
<u>Governmental activities:</u>	
General government	\$ 237
Transportation	<u>7,618</u>
Total depreciation expense-governmental activities	<u>\$7,855</u>
<u>Business-type activities:</u>	
Environmental Services	\$ 47,733
Transit Bus	36,577
Transit Light Rail	26,507
Housing	<u>1,073</u>
Total depreciation expense-business-type activities	<u>\$111,890</u>

2. Discretely presented component unit

Activity for Metropolitan Sports Facilities Commission for the year ended December 31, 2006 was as follows:

	Dollars in thousands			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	<u>\$ 8,700</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,700</u>
Capital assets, being depreciated:				
Buildings and improvements	99,176	584		99,760
Equipment	<u>11,396</u>	<u>1,654</u>	<u>(1,241)</u>	<u>11,809</u>
Total capital assets, being depreciated	<u>110,572</u>	<u>2,238</u>	<u>(1,241)</u>	<u>111,569</u>
Less accumulated depreciation for:				
Building and improvements	80,470	4,374		84,844
Equipment	<u>8,026</u>	<u>1,032</u>	<u>(949)</u>	<u>8,109</u>
Total accumulated depreciation	<u>88,496</u>	<u>5,406</u>	<u>(949)</u>	<u>92,953</u>
Total capital assets, being depreciated, net	<u>22,076</u>	<u>(3,168)</u>	<u>(292)</u>	<u>18,616</u>
Metropolitan Sports Facilities Commission, capital assets, net	<u>\$30,776</u>	<u>\$(3,168)</u>	<u>\$ (292)</u>	<u>\$27,316</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, 2006, is as follows:

Due from/due to other funds		In thousands
<u>Receivable Fund</u>	<u>Payable Fund</u>	
General fund	Metro Transit Bus	\$ 119
General fund	Nonmajor government	15,429
Nonmajor government	Nonmajor government	522
Metro Transit Bus	Nonmajor government	1,606
Metro Transit Bus	Metro Transit Light Rail	174
Metro Transit Light Rail	Metro Transit Bus	9
Metro Transit Light Rail	Nonmajor government	<u>20</u>
Total		<u>\$17,879</u>

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.

	Dollars in thousands				<u>Total</u>
	Transfers In				
	<u>Nonmajor Governmental</u>	<u>Environmental Service</u>	<u>Metro Transit Bus</u>	<u>Metro Transit Light Rail</u>	
Transfers Out					
General fund	\$1,071	\$771			\$1,842
Metro Transit Bus	77				77
Nonmajor governmental	<u>596</u>		<u>\$11,614</u>	<u>\$310</u>	<u>12,520</u>
Total Transfers	<u>\$1,744</u>	<u>\$771</u>	<u>\$11,614</u>	<u>\$310</u>	<u>\$14,439</u>

During the year, the General fund transferred to the Livable Communities Special Revenue fund (a nonmajor fund), \$1,000,000 as required by State statute. Additionally the General fund transferred to the Transit Administration Special Revenue fund (a nonmajor fund) \$71,000 and to Environmental Services \$180,000 of excess rental related income. The General fund transferred \$591,000 to Environmental Services for expenses incurred in a regional water management program. Additionally, the Metro Transit Bus enterprise fund transferred capital assets with a net book value of \$77,000 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. 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 2006 were General fund payments of \$756,000, Metro Transit Bus enterprise fund payments of \$412,000, and Environmental Service enterprise fund payments of \$232,000.

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

<u>Year</u>	Dollars in Thousands		
	<u>Environmental Services</u>	<u>Metro Transit Bus</u>	<u>Enterprise Total</u>
2007	\$164	\$ 578	\$ 742
2008	150	201	351
2009	151	171	322
2010	75	155	230
2011		141	141
2012-2016		354	354
2017-2021		<u>98</u>	<u>98</u>
Total	<u>\$540</u>	<u>\$1,698</u>	<u>\$2,238</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. In 2006, the facilities were completed and the Council’s administrative headquarters were relocated.

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 lease payments. The Council intends to continue the lease through its entire term.

	<u>Dollars in thousands</u>
	<u>Nonmajor</u>
	<u>Governmental</u>
<u>Year Ending</u>	<u>Fund</u>
2007	\$ 1,035
2008	1,034
2009	1,033
2010	1,035
2011	1,032
2012-2016	5,149
2017-2021	5,126
2012-2025	<u>4,085</u>
Total minimum lease payments	\$19,529
Less amount representing interest	<u>(5,999)</u>
Present value of minimum lease payments	<u>\$13,530</u>

H. 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 \$691,890,000. During the year, no general obligation bonds, nor general obligation refunding bonds, nor general obligation sewer bonds, nor general obligation sewer refunding bonds, nor general obligations certificates of indebtedness were issued.

METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2006

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%	\$138,155
Governmental activities – refunding	2.50 – 5.00%	30,280
Governmental activities - certificates of indebtedness	4.00%	7,885
Business-type activities	2.00 – 5.00%	134,145
Business-type activities – refunding	2.00 – 5.25%	<u>143,780</u>
Total general obligation bonds		<u>\$454,245</u>

The original amount of Minnesota Public Facilities Authority (PFA) loans drawn down in prior years was \$636,886,000. During the year, \$56,241,000 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%	\$ 9,240
Business-type activities	0.00 - 5.38%	<u>552,943</u>
Total Public Facilities Authority loans		<u>\$562,183</u>

The following is a summary of bond transactions of the Council for the year ended December 31, 2006:

<u>Dollars in thousands</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Balance, January 1, 2006	\$233,155	\$837,428
PFA drawdown		56,241
Amortization of discount/premium	(674)	(1,146)
Amortization of deferred amount on refunding		88
Less principal payments	<u>(40,025)</u>	<u>(50,794)</u>
Balance, December 31, 2006	<u>\$192,456</u>	<u>\$841,817</u>

As of December 31, 2006, the annual debt service requirements to amortize all general obligation bonds and loans outstanding, including interest of \$36,075,000 on the governmental activities debt and \$262,090,000 on the business-type activities debt, are as follows:

<u>Year Ending</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>
<u>December 31</u>						
2007	\$ 36,730	\$ 7,616	\$ 44,346	\$ 50,462	\$ 29,180	\$ 79,642
2008	38,670	5,888	44,558	57,829	28,142	85,971
2009	22,915	4,474	27,389	47,605	26,237	73,842
2010	17,125	3,597	20,722	47,099	24,343	71,442
2011	13,245	2,929	16,174	46,653	22,491	69,144
2012-2016	35,400	8,369	43,769	248,846	84,721	333,567
2017-2021	17,185	2,878	20,063	234,595	40,163	274,758
2022-2026	<u>4,290</u>	<u>324</u>	<u>4,614</u>	<u>97,780</u>	<u>6,813</u>	<u>104,593</u>
Sub-total	185,560	36,075	221,635	830,869	262,090	1,092,959
Net unamortized:						
Discounts/premiums	6,896		6,896	11,318		11,318
Deferred on refunding				(370)		(370)
Total payments	<u>\$192,456</u>	<u>\$36,075</u>	<u>\$228,531</u>	<u>\$841,817</u>	<u>\$262,090</u>	<u>\$1,103,907</u>

2. 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.

3. 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, 2006:

	Dollars in thousands
Balance, January 1, 2006	\$10,645
Less principal payment	(845)
Amortization of discount	<u>13</u>
Balance, December 31, 2006	<u>\$ 9,813</u>

As of December 31, 2006, the annual requirements to amortize all revenue bonds outstanding, including interest of \$2,557,000, are as follows:

	Dollars in thousands		
<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 890	\$ 494	\$ 1,384
2008	935	449	1,384
2009	985	402	1,387
2010	1,035	351	1,386
2011	1,090	298	1,388
2012-2015	<u>4,980</u>	<u>563</u>	<u>5,543</u>
Sub-total	9,915	2,557	12,472
Less net unamortized discount	<u>(102)</u>		<u>(102)</u>
Balance, December 31, 2006	<u>\$9,813</u>	<u>\$2,557</u>	<u>\$12,370</u>

4. 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 2006, \$444,000 of principal was retired. The unpaid balance was \$1,417,000 at December 31, 2006.

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. 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. In 2006 the Council paid the City of St. Paul the outstanding principal.

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.

5. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2006 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	\$ 225,585		\$(40,025)	\$185,560	\$36,730
Less discounts/premiums	<u>7,570</u>		<u>(674)</u>	<u>6,896</u>	
Net general obligation debt	<u>233,155</u>	<u>\$ 0</u>	<u>(40,699)</u>	<u>192,456</u>	<u>36,730</u>
Revenue bonds (see Note IV.K.)	10,760		(845)	9,915	890
Less discounts/premiums	<u>(115)</u>		<u>13</u>	<u>(102)</u>	
Net revenue bonds	<u>10,645</u>	<u>0</u>	<u>(832)</u>	<u>9,813</u>	<u>890</u>
Total bonds/loans payable	243,800	0	(41,531)	202,269	37,620
Capital lease	13,530			13,530	510
Compensated absences	<u>2,389</u>	<u>2,203</u>	<u>(2,057)</u>	<u>2,535</u>	<u>2,535</u>
Governmental long-term Liabilities	<u>\$ 259,719</u>	<u>\$ 2,203</u>	<u>\$(43,588)</u>	<u>\$ 218,334</u>	<u>\$40,665</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	\$825,422	\$56,241	\$(50,794)	\$830,869	\$50,462
Loans payable	1,405			1,405	
Discounts/premiums	12,464		(1,146)	11,318	
Deferred on refunding	<u>(458)</u>		<u>88</u>	<u>(370)</u>	
Total bonds/loans payable	838,833	56,241	(51,852)	843,222	50,462
Compensated absences	5,544	700	(904)	5,340	
Due to other governments	6,474	426	(5,483)	1,417	426
Accrued claims	<u>17,141</u>	<u>7,950</u>	<u>(7,759)</u>	<u>17,332</u>	<u>8,686</u>
Business-type activity long-term liabilities	<u>\$867,992</u>	<u>\$65,317</u>	<u>\$(65,998)</u>	<u>\$867,311</u>	<u>\$59,574</u>

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

I. Compensated absences

1. Primary government

In 2006 the General fund liability for compensated absences earned but not taken increased from \$2,389,000 to \$2,535,000. This liability is reported in the government-wide statement of net assets. The following summary of changes during 2006 includes \$181,000 in payroll taxes:

	Dollars <u>in thousands</u>
Balance, January 1, 2006	\$2,389
Transferred from Enterprise Funds	111
Leave Earned	2,092
Leave Taken or Paid Off	<u>(2,057)</u>
Balance, December 31, 2006	<u>\$2,535</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, 2006 was:

	Dollars in thousands				
<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	
<u>\$191</u>	<u>\$204</u>	<u>\$(192)</u>	<u>\$203</u>	<u>\$122</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 2005 or 2006

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 occurred. 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 5.25%.

The self-insurance retention limit for Workers' Compensation is \$1,600,000 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 2005 and 2006 are as follows:

	Dollars in thousands			
	<u>Metro Transit Bus</u>	<u>Metro Transit Light Rail</u>	<u>Environmental Services</u>	<u>Total</u>
2005 Balance:				
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>
2006 Balance:				
Beginning balance	\$15,474	\$864	\$ 803	\$17,141
Current year claims and changes in estimates	6,915	595	440	7,950
Payments on claims	<u>(6,697)</u>	<u>(446)</u>	<u>(616)</u>	<u>(7,759)</u>
Ending balance	<u>\$15,692</u>	<u>\$1,013</u>	<u>\$ 627</u>	<u>\$17,332</u>

6. Component Unit

The MSFC purchases general and umbrella liability insurance to protect against various risks related to, among others, 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. Other Post-employment Benefits

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)

Plan 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, disability, and death benefits to plan members and their beneficiaries. 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 Minnesota State Retirement System, 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103-3000

Funding policy

Minnesota Statutes, Chapter 352 sets the rate for employee and employer contributions and may be amended by the State. Plan members are required to contribute 4.0 percent of their annual covered salary. The Council is required to contribute 4.0 percent of covered payroll. Employer contributions to MSRS (which equaled the required contributions for each year) were:

<u>Year</u>	Dollars in thousands	
	<u>Council</u>	<u>Component Unit MSFC</u>
2004	6,644	78
2005	6,861	81
2006	6,951	86

2. Unclassified employees plan (UEP)

Plan Description

The MSRS-UEP is a cost-sharing, multiple employer defined contribution plan administered by MSRS. Membership is limited to specific number of employees of the Council (currently 27), and MSFC (currently 1). 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.

Funding Policy

Minnesota Statutes Chapter 352D sets the rates for employee and employer contributions and may be amended by the State. Plan members are required to contribute 4.0 percent of their annual covered salary. The employer (the Council or the MSFC) is required to contribute 6.0 percent of the covered payroll. 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 MSFC</u>
2004	119	3
2005	110	3
2006	115	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 \$4,946,000 for 2006, when due. The number of retirees covered by the plan in 2006 was 858. In addition, \$31,907,000 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 2006 was \$1,945,000. The number of retirees receiving benefits in 2006 was 279. In addition, \$23,879,000 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 \$68,600 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 \$2,236,000 in the General fund for future retiree health benefits.

D. Sub-grantee programs

During the year ended December 31, 2006, the Council was involved with the following sub-grantee programs:

General Fund:

- National Institute of Health (Study 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 of December 31, 2006.

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 \$45.4 million as of December 31, 2006. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$9.3 million will be paid from the Metro Transit Light Rail fund. Future commitments for regional transit services are approximately \$108.4 million as of December 31, 2006. These commitments will be paid from Regional Transit special revenue funds. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately \$48.9 million as of December 31, 2006. 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.

F. Subsequent events

On February 15, 2007, the Council sold \$36,400,000 General Obligation Transit Bonds, Series 2007A; \$80,000,000 General Obligation Waste Water Treatment Revenue Bonds, Series 2007B; and \$9,500,000 General Obligation Park Bonds, Series 2007C.

On February 12, 2007 the Council authorized an inter-agency lease agreement with the Port Authority of the City of Bloomington, Minnesota, for a parking facility. This lease is, in part, funded by \$21,865,000 Lease Revenue Bonds, Series 2007F, issued on behalf of the Port Authority of the City of Bloomington, Minnesota. These Lease Revenue Bonds are not general obligation bonds, and are not an obligation of either the Port Authority of the City of Bloomington, Minnesota or the Council.

On March 15, 2007, the Council sold \$7,265,000 Refunding Revenue (Public Safety Radio Communications System Project), Series 2007D; and \$10,110,000 General Obligation Transit Refunding Bonds Series 2007E.

Legislation signed on May 2, 2007, added \$7,847,000 to 2005 appropriations. The additional revenue will be recognized in 2007.

Effective January 1, 2007, the terms of all Council members, except for Districts 4 and 14, were extended to January 1, 2011.

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REQUIRED SUPPLEMENTARY INFORMATION

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 9,857	\$ 9,857	\$ 9,840	\$ (17)
Intergovernmental revenue:				
Federal			8	8
State	8,970	8,970	8,092	(878)
Local/other	123	123	94	(29)
Investment income	674	674	1,236	562
Other			5	5
Total revenues	<u>19,624</u>	<u>19,624</u>	<u>19,275</u>	<u>(349)</u>
EXPENDITURES				
Current:				
General government	8,794	9,554	7,100	(2,454)
Intergovernmental:				
Culture and recreation	8,630	8,630	7,707	(923)
Debt service:				
Interest and other charges			541	541
Capital outlay	614	614	173	(441)
Total expenditures	<u>18,038</u>	<u>18,798</u>	<u>15,521</u>	<u>(3,277)</u>
Excess (deficiency) of revenues over (under) expenditures	1,586	826	3,754	2,928
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,382)</u>	<u>(2,382)</u>	<u>(1,842)</u>	<u>540</u>
Net change in fund balance	(796)	(1,556)	1,912	3,468
Fund balance, beginning	14,021	14,021	14,021	0
Fund balance, ending	<u>\$ 13,225</u>	<u>\$ 12,465</u>	<u>\$ 15,933</u>	<u>\$ 3,468</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, 2006
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
Federal	\$ 4,250	\$ 4,250	\$ 6,250	\$ 2,000
State	23,239	21,439	21,438	(1)
Investment income	90	90	594	504
Other	3,817	3,817	4,478	661
Total revenues	<u>31,396</u>	<u>29,596</u>	<u>32,760</u>	<u>3,164</u>
EXPENDITURES				
Current:				
General government	20	20	20	0
Transportation	31,376	32,076	32,028	(48)
Debt service:				
Interest and other charges			197	197
Capital outlay				
Total expenditures	<u>31,396</u>	<u>32,096</u>	<u>32,245</u>	<u>149</u>
Net change in fund balance		(2,500)	515	3,015
Fund balance, beginning	15,765	15,765	15,765	0
Fund balance, ending	<u>\$ 15,765</u>	<u>\$ 13,265</u>	<u>\$ 16,280</u>	<u>\$ 3,015</u>

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

METROPOLITAN COUNCIL

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2006

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 (GAAP) for the general fund, and all budgeted special revenue funds. All annual appropriations lapse at year-end.

Division staff, starting in February, prepares 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	\$ 4,357	\$ 4,379	\$ 3,632	\$ (747)
Community Development	13,681	14,419	11,889	(2,530)
Total General Fund	<u>\$ 18,038</u>	<u>\$ 18,798</u>	<u>\$ 15,521</u>	<u>\$ (3,277)</u>

C. Excess of expenditures over appropriations

The following fund had expenditures in excess of budget for the year ended December 31, 2006:

	Dollars in thousands			Variance with Final Budget Over (Under)
	Original Budget	Final Budget	Actual	
Metro Mobility	\$31,396	\$32,096	\$32,245	\$ (149)

Excess expenditures in the Metro Mobility fund were funded by investment earnings.

**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.

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, 2006
IN THOUSANDS**

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 53,249	\$ 4,470	\$ 57,719
Delinquent taxes receivable	330		330
Interest receivable	754	66	820
Due from other funds		522	522
Due from other governmental units	8,500	2,556	11,056
Loans and advances	35,983		35,983
Total assets	<u>\$ 98,816</u>	<u>\$ 7,614</u>	<u>\$ 106,430</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts/contracts/subgrantees payable	\$ 7,719	\$ 7,494	\$ 15,213
Due to other funds		17,577	17,577
Deferred revenue	177		177
Total liabilities	<u>7,896</u>	<u>25,071</u>	<u>32,967</u>
Fund balances:			
Reserved for:			
Grants and loans	69,006	310	69,316
Unreserved, designated for:			
Grants and loans	12,793		12,793
Capital projects		2,156	2,156
Unreserved, undesignated	9,121	(19,923)	(10,802)
Total fund balances	<u>90,920</u>	<u>(17,457)</u>	<u>73,463</u>
Total liabilities and fund balances	<u>\$ 98,816</u>	<u>\$ 7,614</u>	<u>\$ 106,430</u>

**METROPOLITAN COUNCIL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
DECEMBER 31, 2006
IN THOUSANDS**

	Highway Right-of-Way Acquisition Loan	Livable Communities	Transit Administration	Opt-Out Transit	Regular Route Transit	Rural Small Urban Transit	Other Special Revenue	Total Special Revenue
ASSETS								
Cash and cash equivalents	\$ 4,051	\$ 39,958	\$ 125		\$ 4,563	\$ 1,405	\$ 3,147	\$ 53,249
Delinquent taxes receivable	116	214						330
Interest receivable	60	590			37	20	47	754
Due from other governmental units			3,210	\$ 2,392	2,249	649		8,500
Loans and advances	35,861						122	35,983
Total assets	<u>\$ 40,088</u>	<u>\$ 40,762</u>	<u>\$ 3,335</u>	<u>\$ 2,392</u>	<u>\$ 6,849</u>	<u>\$ 2,074</u>	<u>\$ 3,316</u>	<u>\$ 98,816</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts/contracts/subgrantees payable		\$ 2,190	\$ 920	\$ 2,392	\$ 1,490	\$ 727		\$ 7,719
Deferred revenue	\$ 115	62						177
Total liabilities	<u>115</u>	<u>2,252</u>	<u>920</u>	<u>2,392</u>	<u>1,490</u>	<u>727</u>	<u>\$ 0</u>	<u>7,896</u>
Fund balances:								
Reserved for:								
Grants and loans	35,861	33,023					122	69,006
Unreserved, designated for :								
Grants and loans	4,112	5,487					3,194	12,793
Unreserved, undesignated			2,415		5,359	1,347		9,121
Total fund balances	<u>39,973</u>	<u>38,510</u>	<u>2,415</u>	<u>0</u>	<u>5,359</u>	<u>1,347</u>	<u>3,316</u>	<u>90,920</u>
Total liabilities and fund balances	<u>\$ 40,088</u>	<u>\$ 40,762</u>	<u>\$ 3,335</u>	<u>\$ 2,392</u>	<u>\$ 6,849</u>	<u>\$ 2,074</u>	<u>\$ 3,316</u>	<u>\$ 98,816</u>

**METROPOLITAN COUNCIL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
DECEMBER 31, 2006
IN THOUSANDS**

	<u>North Mississippi Park</u>	<u>Parks and Open Space Grants</u>	<u>Transit</u>	<u>Administration Building</u>	<u>Total Capital Projects</u>
ASSETS					
Cash and cash equivalents		\$ 4,044		\$ 426	\$ 4,470
Interest receivable		60		6	66
Due from other funds	\$ 522				522
Due from other governmental units		2,556			2,556
Total assets	<u>\$ 522</u>	<u>\$ 6,660</u>	<u>\$ 0</u>	<u>\$ 432</u>	<u>\$ 7,614</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts/contracts/subgrantees payable	\$ 72	\$ 4,538	\$ 2,874	\$ 10	\$ 7,494
Due to other funds	<u>6</u>	<u>522</u>	<u>17,049</u>		<u>17,577</u>
Total liabilities	<u>78</u>	<u>5,060</u>	<u>19,923</u>	<u>10</u>	<u>25,071</u>
Fund balances:					
Reserved for:					
Grants and loans	95	215			310
Unreserved, designated for:					
Capital projects	349	1,385		422	2,156
Unreserved, undesignated			(19,923)		(19,923)
Total fund balances	<u>444</u>	<u>1,600</u>	<u>(19,923)</u>	<u>422</u>	<u>(17,457)</u>
Total liabilities and fund balances	<u>\$ 522</u>	<u>\$ 6,660</u>	<u>\$ 0</u>	<u>\$ 432</u>	<u>\$ 7,614</u>

METROPOLITAN COUNCIL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006
IN THOUSANDS

	<u>Total Special Revenue</u>	<u>Total Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Taxes	\$ 12,845		\$ 12,845
Intergovernmental revenue:			
Federal	9,644		9,644
State	36,490	\$ 7,484	43,974
Local/other	94		94
Investment income	3,620	1,179	4,799
Other	2,387		2,387
Total revenues	<u>65,080</u>	<u>8,663</u>	<u>73,743</u>
EXPENDITURES			
Current:			
General government	1,065		1,065
Transportation	18,796	288	19,084
Intergovernmental:			
Transportation	23,866	5,914	29,780
Culture and recreation		8,377	8,377
Economic development	4,036		4,036
Environment	5,201		5,201
Housing	2,136		2,136
Debt service:			
Interest and other charges	1,001	671	1,672
Capital outlay	4,111	22,714	26,825
Total expenditures	<u>60,212</u>	<u>37,964</u>	<u>98,176</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,868</u>	<u>(29,301)</u>	<u>(24,433)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,514	153	1,667
Transfers out	(443)	(12,077)	(12,520)
Proceeds from sale of capital assets		102	102
Total other financing sources (uses)	<u>1,071</u>	<u>(11,822)</u>	<u>(10,751)</u>
Net change in fund balances	5,939	(41,123)	(35,184)
Fund balances, beginning	<u>84,981</u>	<u>23,666</u>	<u>108,647</u>
Fund balances, ending	<u>\$ 90,920</u>	<u>\$ (17,457)</u>	<u>\$ 73,463</u>

METROPOLITAN COUNCIL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2006
IN THOUSANDS

	Highway Right-of-Way Acquisition Loan	Livable Communities	Transit Administration	Opt-Out Transit	Regular Route Transit	Rural Small Urban Transit	Other Special Revenue	Total Special Revenue
REVENUES								
Taxes	\$ 22	\$ 12,823						\$ 12,845
Intergovernmental revenue:								
Federal			\$ 8,600		\$ 918	\$ 126		9,644
State		327	1,234	\$ 21,636	9,878	3,415		36,490
Local/other			94					94
Investment income	793	2,309			228	89	\$ 201	3,620
Other		29	1		940	1,417		2,387
Total revenues	<u>815</u>	<u>15,488</u>	<u>9,929</u>	<u>21,636</u>	<u>11,964</u>	<u>5,047</u>	<u>201</u>	<u>65,080</u>
EXPENDITURES								
Current:								
General government			908		112	45		1,065
Transportation			2,477		11,540	4,779		18,796
Intergovernmental:								
Transportation			2,230	21,636				23,866
Economic development		4,036						4,036
Environment		5,201						5,201
Housing		2,136						2,136
Debt service:								
Interest and other charges	221	623	19		60	24	54	1,001
Capital outlay			4,111					4,111
Total expenditures	<u>221</u>	<u>11,996</u>	<u>9,745</u>	<u>21,636</u>	<u>11,712</u>	<u>4,848</u>	<u>54</u>	<u>60,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>594</u>	<u>3,492</u>	<u>184</u>	<u>0</u>	<u>252</u>	<u>199</u>	<u>147</u>	<u>4,868</u>
OTHER FINANCING SOURCES (USES)								
Transfers in		1,000	514					1,514
Transfers out		(443)						(443)
Total other financing sources (uses)	<u>0</u>	<u>557</u>	<u>514</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,071</u>
Net change in fund balances	594	4,049	698	0	252	199	147	5,939
Fund balances, beginning	39,379	34,461	1,717	0	5,107	1,148	3,169	84,981
Fund balances, ending	<u>\$ 39,973</u>	<u>\$ 38,510</u>	<u>\$ 2,415</u>	<u>\$ 0</u>	<u>\$ 5,359</u>	<u>\$ 1,347</u>	<u>\$ 3,316</u>	<u>\$ 90,920</u>

METROPOLITAN COUNCIL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2006
IN THOUSANDS

	<u>North Mississippi Park</u>	<u>Parks and Open Space Grants</u>	<u>Transit</u>	<u>Administration Building</u>	<u>Total Capital Projects</u>
REVENUES					
Intergovernmental revenue:					
State		\$ 7,484			\$ 7,484
Investment income		245	\$ 779	\$ 155	1,179
Total revenues	<u>\$ 0</u>	<u>7,729</u>	<u>779</u>	<u>155</u>	<u>8,663</u>
EXPENDITURES					
Current:					
General government					
Transportation			288		288
Intergovernmental:					
Transportation			5,914		5,914
Culture and recreation	72	8,305			8,377
Debt service:					
Interest and other charges	3	81	278	309	671
Capital outlay			18,058	4,656	22,714
Total expenditures	<u>75</u>	<u>8,386</u>	<u>24,538</u>	<u>4,965</u>	<u>37,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75)</u>	<u>(657)</u>	<u>(23,759)</u>	<u>(4,810)</u>	<u>(29,301)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	153				153
Transfers out		(153)	(11,924)		(12,077)
Proceeds from sale of capital assets			102		102
Total other financing sources (uses)	<u>153</u>	<u>(153)</u>	<u>(11,822)</u>	<u>0</u>	<u>(11,822)</u>
Net change in fund balances	78	(810)	(35,581)	(4,810)	(41,123)
Fund balances, beginning	<u>366</u>	<u>2,410</u>	<u>15,658</u>	<u>5,232</u>	<u>23,666</u>
Fund balances, ending	<u>\$ 444</u>	<u>\$ 1,600</u>	<u>\$ (19,923)</u>	<u>\$ 422</u>	<u>\$ (17,457)</u>

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
LIVABLE COMMUNITIES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006
IN THOUSANDS**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 12,602	\$ 12,602	\$ 12,823	\$ 221
Intergovernmental revenue:				
State	500	500	327	(173)
Investment income	603	603	2,309	1,706
Other			29	29
Total revenues	<u>13,705</u>	<u>13,705</u>	<u>15,488</u>	<u>1,783</u>
EXPENDITURES				
Intergovernmental:				
Economic development	8,500	8,500	4,036	(4,464)
Environment	5,300	5,300	5,201	(99)
Housing	1,700	1,700	2,136	436
Debt service:				
Interest and other charges			623	623
Total expenditures	<u>15,500</u>	<u>15,500</u>	<u>7,960</u>	<u>(3,504)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,795)</u>	<u>(1,795)</u>	<u>7,528</u>	<u>5,287</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	1,000	1,000	0
Transfers out		(443)	(443)	0
Total other financing sources (uses)	<u>1,000</u>	<u>557</u>	<u>557</u>	<u>0</u>
Net change in fund balance	(795)	(1,238)	8,085	5,287
Fund balance, beginning	34,461	34,461	34,461	0
Fund balance, ending	<u>\$ 33,666</u>	<u>\$ 33,223</u>	<u>\$ 42,546</u>	<u>\$ 5,287</u>

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
TRANSIT ADMINISTRATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
Federal	\$ 3,101	\$ 3,811	\$ 8,600	\$ 4,789
State	737	860	1,234	374
Local/other	105	105	94	(11)
Investment income	5	5		(5)
Other		284	1	(283)
Total revenues	<u>3,948</u>	<u>5,065</u>	<u>9,929</u>	<u>4,864</u>
EXPENDITURES				
Current:				
General Government	989	989	908	(81)
Transportation	2,950	4,313	2,477	(1,836)
Intergovernmental:				
Transportation	80	80	2,230	2,150
Debt service:				
Interest and other charges			19	19
Capital outlay			4,111	4,111
Total expenditures	<u>4,019</u>	<u>5,382</u>	<u>9,745</u>	<u>4,363</u>
Excess (deficiency) of revenues over (under) expenditures	(71)	(317)	184	501
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>71</u>	<u>514</u>	<u>514</u>	<u>0</u>
Net change in fund balance	0	197	698	501
Fund balance, beginning	<u>1,717</u>	<u>1,717</u>	<u>1,717</u>	<u>0</u>
Fund balance, ending	<u>\$ 1,717</u>	<u>\$ 1,914</u>	<u>\$ 2,415</u>	<u>\$ 501</u>

**METROPOLITAN COUNCIL
 BUDGETARY COMPARISON SCHEDULE
 OPT OUT SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006
 IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
State	\$ 23,350	\$ 23,350	\$ 21,636	\$ (1,714)
EXPENDITURES				
Intergovernmental:				
Transportation	23,350	23,350	21,636	(1,714)
Net change in fund balance	0	0	0	0
Fund balance, beginning	0	0	0	0
Fund balance, 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, 2006
IN THOUSANDS**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Intergovernmental revenue:				
Federal	\$ 2,812	\$ 2,812	\$ 918	\$ (1,894)
State	8,203	10,003	9,878	(125)
Investment income	90	90	228	138
Other	481	481	940	459
Total revenues	<u>11,586</u>	<u>13,386</u>	<u>11,964</u>	<u>(1,422)</u>
EXPENDITURES				
Current:				
General government	157	157	112	(45)
Transportation	11,429	11,589	11,540	(49)
Debt service:				
Interest and other charges			60	60
Total expenditures	<u>11,586</u>	<u>11,746</u>	<u>11,712</u>	<u>(34)</u>
Net change in fund balance	0	1,640	252	(1,388)
Fund balance, beginning	5,107	5,107	5,107	0
Fund balance, ending	<u>\$ 5,107</u>	<u>\$ 6,747</u>	<u>\$ 5,359</u>	<u>\$ (1,388)</u>

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
RURAL SMALL URBAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
Federal	\$ 61	\$ 61	\$ 126	\$ 65
State	3,289	3,289	3,415	126
Investment income	16	16	89	73
Other	850	850	1,417	567
Total revenues	<u>4,216</u>	<u>4,216</u>	<u>5,047</u>	<u>831</u>
EXPENDITURES				
Current:				
General government	31	31	45	14
Transportation	4,185	4,835	4,779	(56)
Debt service:				
Interest and other charges			24	24
Total expenditures	<u>4,216</u>	<u>4,866</u>	<u>4,848</u>	<u>(18)</u>
Net change in fund balance	0	(650)	199	849
Fund balance, beginning	<u>1,148</u>	<u>1,148</u>	<u>1,148</u>	<u>0</u>
Fund balance, ending	<u>\$ 1,148</u>	<u>\$ 498</u>	<u>\$ 1,347</u>	<u>\$ 849</u>

**METROPOLITAN COUNCIL
 BUDGETARY COMPARISON SCHEDULE
 OTHER SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006
 IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	\$ 51	\$ 51	\$ 201	\$ 150
EXPENDITURES				
Intergovernmental:				
Environment	150	2,650		(2,650)
Debt service:				
Interest and other charges			54	54
Total expenditures	<u>150</u>	<u>2,650</u>	<u>54</u>	<u>(2,596)</u>
Net change in fund balance	(99)	(2,599)	147	2,746
Fund balance, beginning	<u>3,169</u>	<u>3,169</u>	<u>3,169</u>	<u>0</u>
Fund balance, ending	<u>\$ 3,070</u>	<u>\$ 570</u>	<u>\$ 3,316</u>	<u>\$ 2,746</u>

**METROPOLITAN COUNCIL
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006
IN THOUSANDS**

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
ASSETS				
Cash and cash equivalents	<u>\$ 29</u>	<u>\$ 5</u>	<u>\$ 17</u>	<u>\$ 17</u>
LIABILITIES				
Due to participants	<u>\$ 29</u>	<u>\$ 5</u>	<u>\$ 17</u>	<u>\$ 17</u>

METROPOLITAN COUNCIL
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
DECEMBER 31, 2006 AND 2005
IN THOUSANDS

	<u>2006</u>	<u>2005</u>
Governmental funds capital assets:		
Land	\$ 215	\$ 215
Buildings	16,344	
Vehicles	74,735	53,088
Equipment	2,729	4,763
Construction in progress		11,678
	<u> </u>	<u> </u>
Total governmental funds capital assets	<u>\$ 94,023</u>	<u>\$ 69,744</u>

Investments in governmental funds capital assets by source:

General fund	\$ 2,004	\$ 3,802
Special revenue funds	231	349
Capital projects funds	91,788	65,593
	<u> </u>	<u> </u>
Total governmental funds capital assets	<u>\$ 94,023</u>	<u>\$ 69,744</u>

**METROPOLITAN COUNCIL
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
DECEMBER 31, 2006
IN THOUSANDS**

<u>Function and Activity</u>	<u>Land</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Building</u>	<u>Total</u>
General government:					
Council			\$ 17	\$ 16,344	\$ 16,361
Information services			1,987		1,987
Total general government	<u>\$ 0</u>	<u>\$ 0</u>	<u>2,004</u>	<u>16,344</u>	<u>18,348</u>
Transportation:					
Metro mobility		8,121	716		8,837
Transit administration	215		9		224
Outside transit providers		66,614			66,614
Total transportation	<u>215</u>	<u>74,735</u>	<u>725</u>	<u>0</u>	<u>75,675</u>
Total governmental funds capital assets	<u>\$ 215</u>	<u>\$ 74,735</u>	<u>\$ 2,729</u>	<u>\$ 16,344</u>	<u>\$ 94,023</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, 2006
IN THOUSANDS

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets January 1, 2006</u>	<u>Additions</u>	<u>Deductions and Adjustments</u>	<u>Governmental Funds Capital Assets December 31, 2006</u>
General government:				
Council	\$ 12,258	\$ 16,344	\$ 12,241	\$ 16,361
Information services	3,261	86	1,360	1,987
Total general government	<u>15,519</u>	<u>16,430</u>	<u>13,601</u>	<u>18,348</u>
Metro mobility	9,663	1,269	2,095	8,837
Transit administration	402		178	224
Outside transit providers	44,160	22,008	(446)	66,614
Total transportation	<u>54,225</u>	<u>23,277</u>	<u>1,827</u>	<u>75,675</u>
Total governmental funds capital assets	<u>\$ 69,744</u>	<u>\$ 39,707</u>	<u>\$ 15,428</u>	<u>\$ 94,023</u>

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**METROPOLITAN COUNCIL
BONDS/LOANS OUTSTANDING
AS OF DECEMBER 31, 2006
IN THOUSANDS**

Issues	Date	Final Maturity Date	Original Issue	Payments Prior Years	Payments Year Ended 12/31/06
GENERAL OBLIGATION BONDS AND LOANS PAYABLE					
G.O. Park Bonds:					
2000B	1-Mar-00	1-Feb-06	\$ 5,300	\$ 4,090	\$ 1,210
2001C	1-Aug-01	1-Feb-06	3,600	2,740	860
2002D	1-Nov-02	1-Feb-07	6,500	3,375	1,535
2003B, Refunding	1-Oct-03	1-Jan-11	7,240	885	990
2004C	1-Apr-04	1-Feb-09	6,000	2,405	1,150
2005D	1-May-05	1-Feb-10	6,000		2,230
Subtotal: G. O. Park Bonds			<u>34,640</u>	<u>13,495</u>	<u>7,975</u>
G.O. Radio Bonds:					
1997B	1-May-97	1-Feb-08	3,000	1,925	340
G.O. Transit Bonds:					
1997C	1-May-97	1-Feb-18 (a)	14,500	11,120	260
1998A	1-May-98	1-Feb-09	13,500	6,880	1,550
1998D, Refunding	1-Dec-98	1-Feb-13	1,365	795	60
2000A	1-Mar-00	1-Feb-20 (a)	42,000	21,125	2,425
2001B	1-Aug-01	1-Feb-21	44,000	20,300	2,575
2002C	1-Nov-02	1-Feb-22	50,000	15,535	8,175
2002E, Refunding	1-Nov-02	1-Feb-10	11,825	4,160	2,500
2003C, Refunding	1-Sep-03	1-Feb-17	3,355		310
2004A	1-Apr-04	1-Feb-24	41,375	5,305	5,955
2004F Refunding	1-Nov-04	1-Feb-13	2,910		
2005C	1-May-05	1-Feb-25	32,000		6,555
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>278,000</u>	<u>85,220</u>	<u>30,365</u>
Minnesota Public Facilities Authority Loans--Transi (Backed by General Obligation Notes):	12-Mar-99	15-Feb-20	21,025	10,440	1,345
Total Bonds-General Long Term Obligations			<u>\$ 336,665</u>	<u>\$ 111,080</u>	<u>\$ 40,025</u>
G.O.Sewer Bonds:					
1999B	1-Jul-99	1-Dec-14	\$ 14,000	\$ 4,025	\$ 300
2001A, Refunding	1-Sep-01	1-Dec-09	31,525	20,200	5,075
2001D	1-Aug-01	1-Dec-16	14,000	2,815	820
2002A, Refunding	1-Sep-02	1-Dec-10	32,395	20,475	6,545
2002B, Refunding	1-Jul-02	1-Dec-16	19,735	530	1,605
2003A, Refunding	1-Sep-03	1-Mar-16	121,490	16,765	13,240
2004B	1-Apr-04	1-Dec-23	25,000	200	100
2004E, Refunding	1-Nov-04	1-Dec-07	2,780	1,150	1,140
2005A, Refunding	1-Jun-05	1-Sep-12	17,395		2,340
2005B	1-May-05	1-May-25	90,405		1,000
2005B, Refunding	1-May-05	1-May-25	7,525		
Subtotal: G. O. Sewer Bonds			<u>376,250</u>	<u>66,160</u>	<u>32,165</u>
Minnesota Public Facilities Authority Loans--Sewer (Backed by General Obligation Notes):	12-Jul-89	20-Feb-09	40,000	28,800	2,800
	20-Jul-93	20-Feb-14	20,000	7,700	1,020
	30-Sep-96	20-Aug-16	40,000	14,600	1,900
	3-Oct-97	20-Aug-17	40,000	12,175	900
	31-Dec-98	20-Aug-19	60,000	13,905	935
	27-Jul-00	20-Aug-20	60,000	6,675	1,095
	14-Nov-01	20-Aug-21	75,000	7,300	1,000
	20-Dec-02	20-Feb-22	100,000	2,000	3,000
	1-Sep-03	20-Feb-16	4,954	873	481
	26-Nov-03	20-Aug-23	100,000	6,500	1,000
	20-Oct-04	20-Feb-25	50,000		4,500
	10-Nov-05	20-Feb-25	40,000		
	30-Aug-06	20-Aug-26	42,148 (c)		
Subtotal: Minnesota Public Facility Authority Loans--Sewer			<u>672,102</u>	<u>100,528</u>	<u>18,631</u>
Total G.O.Sewer Bonds/Loans Payable			<u>\$ 1,048,352</u>	<u>\$ 166,688</u>	<u>\$ 50,796</u>
Total General Obligation Bonds and Loans Payable			<u>\$ 1,385,017</u>	<u>\$ 277,768</u>	<u>\$ 90,821</u>
REVENUE BONDS (Not tax supported)					
(Radio Board, Series 1999C):	1-Nov-99	1-Feb-15	\$ 14,280	\$ 3,520	\$ 845

(a) Called prior to final maturity

(b) Escrowed.

(c) Of the \$50 million note executed in 2006, only the amount shown was drawn down as of 12/31/06.

Bonds/Loans Issued/ Drawn Down in 2006	Bonds/ Loans Outstanding 12/31/2006	Refunded Bonds	Maturing in 2007	Future Maturities
	\$ 1,590		\$ 1,590	
	5,365		975	\$ 4,390
	2,445		800	1,645
	3,770		905	2,865
<u>\$ 0</u>	<u>13,170</u>	<u>\$ 0</u>	<u>4,270</u>	<u>8,900</u>
<u>0</u>	<u>735</u>	<u>0</u>	<u>360</u>	<u>375</u>
	3,120	2,860 (b)	260	
	5,070		1,620	3,450
	510		60	450
	18,450	13,600 (b)	2,425	2,425
	21,125		2,575	18,550
	26,290		3,240	23,050
	5,165		1,490	3,675
	3,045		305	2,740
	30,115		4,480	25,635
	2,910			2,910
	25,445		3,515	21,930
	13,285			13,285
	7,885		7,885	
<u>0</u>	<u>162,415</u>	<u>16,460</u>	<u>27,855</u>	<u>118,100</u>
<u>0</u>	<u>9,240</u>	<u>0</u>	<u>1,385</u>	<u>7,855</u>
<u>\$ 0</u>	<u>\$ 185,560</u>	<u>\$ 16,460</u>	<u>\$ 33,870</u>	<u>\$ 135,230</u>
	\$ 9,675	\$ 7,900	\$ 600	\$ 1,175
	6,250		2,150	4,100
	10,365		850	9,515
	5,375		2,740	2,635
	17,600		1,690	15,910
	91,485		13,540	77,945
	24,700		100	24,600
	490		490	-
	15,055		2,700	12,355
	89,405		1,725	87,680
	7,525			7,525
<u>0</u>	<u>277,925</u>	<u>7,900</u>	<u>26,585</u>	<u>243,440</u>
	8,400		2,800	5,600
	11,280		1,100	10,180
	23,500		2,000	21,500
	26,925		925	26,000
	45,160		985	44,175
	52,230		2,105	50,125
	66,700		2,000	64,700
	95,000		3,300	91,700
	3,600		530	3,070
	92,500		3,500	89,000
	45,500		3,000	42,500
\$ 14,093	40,000		1,000	39,000
42,148	42,148		632	41,516
<u>56,241</u>	<u>552,943</u>	<u>0</u>	<u>23,877</u>	<u>529,066</u>
<u>\$ 56,241</u>	<u>\$ 830,868</u>	<u>\$ 7,900</u>	<u>\$ 50,462</u>	<u>\$ 772,506</u>
<u>\$ 56,241</u>	<u>\$ 1,016,428</u>	<u>\$ 24,360</u>	<u>\$ 84,332</u>	<u>\$ 907,736</u>
<u>\$ 0</u>	<u>\$ 9,915</u>	<u>\$ 0</u>	<u>\$ 890</u>	<u>\$ 9,025</u>

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Statistical Section



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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.

Contents	Page
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 SIX YEARS ENDED DECEMBER 31, 2006
IN THOUSANDS
(accrual basis of accounting)

	<u>2006</u>	<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	\$ 22,463	\$ 14,392	\$ 2,742	\$ 2,910	\$ 3,206	\$ 4,670
Restricted	105,856	113,196	119,696	91,617	110,340	84,305
Unrestricted	(102,565)	(130,916)	(120,950)	(102,726)	(138,815)	(85,497)
Total governmental activities net assets	<u>\$ 25,754</u>	<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	\$ 1,390,948	\$ 1,353,995	\$ 1,369,820	\$ 1,284,499	\$ 1,089,774	\$ 888,338
Restricted	3,212	31,187	36,239	24,942	26,202	6,661
Unrestricted	105,006	77,035	57,429	43,881	64,893	99,631
Total business-type activities net assets	<u>\$ 1,499,166</u>	<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	\$ 1,413,411	\$ 1,368,387	\$ 1,372,562	\$ 1,287,409	\$ 1,092,980	\$ 893,008
Restricted	109,068	144,383	155,935	116,559	136,542	90,966
Unrestricted	2,441	(53,881)	(63,521)	(58,845)	(73,922)	14,134
Total primary government net assets	<u>\$ 1,524,920</u>	<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 SIX YEARS ENDED DECEMBER 31, 2006
IN THOUSANDS
(accrual basis of accounting)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Expenses						
Governmental activities:						
General government	\$ 8,613	\$ 8,263	\$ 9,682	\$ 10,007	\$ 12,606	\$ 12,554
Transportation	88,510	89,662	84,197	77,622	71,005	63,199
Culture and recreation	16,084	18,752	21,149	30,521	25,675	20,927
Economic development	4,036	9,401	7,550	8,036	6,965	6,299
Environment	5,201	6,629	2,904	4,516	5,349	5,034
Housing	2,136	1,819	524	1,958	2,738	2,788
Interest and other charges	11,753	21,152	8,755	8,891	7,298	6,899
Total governmental activities expenses	<u>136,333</u>	<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	173,090	161,748	161,054	153,373	154,842	149,149
Transit bus	246,264	237,695	218,748	226,769	229,342	222,484
Transit light rail	45,795	44,620	29,311	15,114	26,241	11,563
Housing	56,595	56,198	57,604	56,222	50,398	38,034
Total business-type activities	<u>521,744</u>	<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>\$ 658,077</u>	<u>\$ 655,939</u>	<u>\$601,478</u>	<u>\$593,029</u>	<u>\$ 592,459</u>	<u>\$ 538,930</u>
Program Revenues						
Governmental activities:						
Charges for service:	\$ 7,048	\$ 5,905	\$ 5,525	\$ 4,924	\$ 3,985	\$ 5,299
Operating grants and contributions	42,835	42,542	42,411	43,022	27,897	50,586
Capital grants and contributions	19,791	13,483	9,578	18,074	8,831	12,648
Total governmental activities program revenues	<u>69,674</u>	<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	187,374	177,995	160,498	174,747	171,716	168,460
Transit bus	68,592	62,342	53,588	65,943	68,847	67,949
Transit light rail	8,630	7,516	2,595	14	0	0
Housing	798	405	570	460	184	96
Operating grants and contributions	127,209	126,290	118,413	111,230	111,755	85,865
Capital grants and contributions	54,651	13,214	130,792	165,227	218,428	184,225
Total business-type activities program revenues	<u>447,254</u>	<u>387,762</u>	<u>466,456</u>	<u>517,621</u>	<u>570,930</u>	<u>506,595</u>
Total primary government program revenue:	<u>\$ 516,928</u>	<u>\$ 449,692</u>	<u>\$523,970</u>	<u>\$583,641</u>	<u>\$ 611,643</u>	<u>\$ 575,128</u>
Net (Expense)/Revenue						
Governmental activities	\$ (66,659)	\$ (93,748)	\$ (77,247)	\$ (75,531)	\$ (90,923)	\$ (49,167)
Business-type activities	(74,490)	(112,499)	(261)	66,143	110,107	85,365
Total primary government net expense	<u>\$ (141,149)</u>	<u>\$ (206,247)</u>	<u>\$ (77,508)</u>	<u>\$ (9,388)</u>	<u>\$ 19,184</u>	<u>\$ 36,198</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 68,026	\$ 67,315	\$ 65,013	\$ 66,483	\$ 55,672	\$ 53,736
Market value and other credits	2,691	3,158	2,276	3,055	3,914	9,413
Motor vehicle excise tax	27,459	31,606	32,384	35,799	15,327	
Other government receipts not restricted to specific programs					280	
Investment earnings	10,013	5,574	4,518	2,647	4,936	7,571
Gain on sale of capital assets	170				91	116
Transfers	(12,618)	(18,721)	(15,831)	(19,536)	(22,385)	(24,099)
Total governmental activities	<u>95,741</u>	<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	86,981	87,463	90,797	88,308	48,311	
Investment earnings	11,840	5,045	3,798	3,514	4,708	5,805
Gain on sale of capital assets					6	
Transfers	12,618	18,721	15,831	19,536	22,385	24,099
Total business-type activities	<u>111,439</u>	<u>111,229</u>	<u>110,426</u>	<u>111,358</u>	<u>76,133</u>	<u>102,859</u>
Total primary government	<u>\$ 207,180</u>	<u>\$ 200,161</u>	<u>\$198,786</u>	<u>\$199,806</u>	<u>\$ 133,968</u>	<u>\$ 149,596</u>
Changes in Net Assets						
Governmental activities	\$ 29,082	\$ (4,816)	\$ 11,113	\$ 12,917	\$ (33,088)	\$ (2,430)
Business-type activities	36,949	(1,270)	110,165	177,501	186,240	188,224
Total primary government	<u>\$ 66,031</u>	<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 SIX YEARS ENDED DECEMBER 31, 2006
 IN THOUSANDS
 (modified accrual basis of accounting)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund						
Reserved	\$ 853	\$ 559	\$ 656	\$ 1,325	\$ 474	\$ 1,218
Unreserved	<u>15,080</u>	<u>13,462</u>	<u>9,284</u>	<u>8,939</u>	<u>7,602</u>	<u>7,816</u>
Total general fund	<u>\$ 15,933</u>	<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	\$ 69,586	\$ 58,906	\$ 68,112	\$ 63,522	\$ 67,626	\$ 61,516
Unreserved, reported in:						
Special revenue funds	38,194	43,425	31,591	30,117	13,858	45,225
Debt service funds	76,912	76,760	63,904	66,325	57,045	22,790
Capital projects funds	<u>(17,767)</u>	<u>22,351</u>	<u>24,613</u>	<u>(7,740)</u>	<u>41,090</u>	<u>37,971</u>
Total all other governmental funds	<u>\$ 166,925</u>	<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 SIX YEARS ENDED DECEMBER 31, 2006
IN THOUSANDS
(modified accrual basis of accounting)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
REVENUES						
Taxes	\$ 68,178	\$ 66,944	\$ 65,916	\$ 64,820	\$ 55,274	\$ 53,678
Intergovernmental revenue:						
Federal	15,902	12,409	12,311	9,707	3,249	11,583
State	76,864	76,076	74,338	90,245	52,195	60,345
Local/other	188	259	211	278	631	943
Investment income	10,013	5,574	4,518	2,647	4,936	7,867
Other	6,870	7,950	5,315	4,645	4,164	5,227
Total revenues	<u>178,015</u>	<u>169,212</u>	<u>162,609</u>	<u>172,342</u>	<u>120,449</u>	<u>139,643</u>
EXPENDITURES						
Current:						
General government	8,185	7,613	9,190	9,716	12,313	12,159
Transportation	51,112	51,281	48,383	46,900	43,467	42,442
Culture and recreation		26	71	143	121	222
Intergovernmental:						
General government						143
Transportation	29,780	31,615	29,488	25,994	24,723	19,032
Culture and recreation	16,084	18,726	21,078	30,378	25,554	20,705
Economic development	4,036	9,401	2,904	4,517	5,349	5,034
Environment	5,201	6,629	524	1,958	2,739	2,787
Housing	2,136	1,819	7,550	8,036	6,965	6,299
Debt service:						
Principal	40,870	39,670	31,855	34,245	22,940	19,290
Interest and other charges	13,625	10,555	8,511	8,983	7,233	6,393
Capital outlay	26,998	16,908	8,434	21,717	7,220	8,034
Total expenditures	<u>198,027</u>	<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>(20,012)</u>	<u>(25,031)</u>	<u>(5,379)</u>	<u>(20,245)</u>	<u>(38,175)</u>	<u>(2,897)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,667	5,704	7,349	1,585	3,352	3,293
Transfers out	(14,362)	(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	102	274	165	27	169	116
Total other financing sources (uses)	<u>(12,593)</u>	<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>\$ (32,605)</u>	<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	31.9%	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, 2006 ¹
IN THOUSANDS**

Year	Taxes			Intergovernmental Revenue			Investment Income			Total Revenue and Other Financing Sources
	General Fund	Special Revenue Funds ²	Debt Service Funds	Federal	State ²	Local/Other	General & Special Revenue Funds	Debt Service Funds	Other Revenue and Financing Sources ³	
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
2006	9,840	12,845	45,493	15,902	69,380	188	5,450	3,384	8,384	170,866

Unaudited

Notes: ¹ Includes general, special revenue, and debt service funds.

² Starting 1997 - Property tax revenue and state revenue for the Transit enterprise fund are received directly into the enterprise fund rather than transferred from the special revenue fund.

³ 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, 2006
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>		
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
2006	300,283,964	2,563,238	302,847,202	3,584,479	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, 2006
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>
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
2006	0.00	0.00	0.00	0.01	0.01	0.29	0.28	0.26	0.31

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>2006</u>			<u>1997</u>		
	<u>Net Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity^{1,3}</u>	<u>1997 Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity^{2,3}</u>
MOAC Mall Holdings LLC	\$ 9,345	1	0.26%			
Xcel Energy / NSP	7,809	2	0.22	\$ 13,501	2	0.57%
Minnesota Mining & Manufacturing Company	5,678	3	0.16	8,839	3	0.38
80 South Eighth LLC	3,339	4	0.09			
NWC Limited Partnership	3,079	5	0.09	7,030	5	0.30
Best Buy Co. Inc.	2,748	6	0.08			
Wells Reit-800 Nicollett	2,599	7	0.07			
The Mills Corporation	2,487	8	0.07			
Flanagan-Amex	2,319	9	0.06			
First Minneapolis - Hines Co.	2,239	10	0.06			
SI Minn Developers LPS				16,907	1	0.72
601 Second Avenue LTD Partnership				8,238	4	0.35
Heitman Controller/IDS				6,778	6	0.29
First National Bank-Minneapolis				6,374	7	0.27
City Center Associates				6,358	8	0.27
Compass Retail				5,177	9	0.22
Heitman Financial				3,806	10	0.16
Total	<u>\$ 41,642</u>		<u>1.16%</u>	<u>\$ 83,008</u>		<u>3.53%</u>

Unaudited

Source: Hennepin County abstract of property taxes (2006)
Ramsey County abstract of property taxes (2006)
Evensen Dodge, Inc. (1997)

Notes ¹ Net tax capacity value for 2006 = \$3,584,479

² Net tax capacity value for 1997 = \$2,350,062

³ 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 EIGHT YEARS ENDED DECEMBER 31, 2006
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	701	115,485	99.03
2002	59,587	3,910	55,677	54,994	98.77	250	55,244	99.22
2003	68,206	3,056	65,150	64,475	98.96	219	64,694	99.30
2004	68,561	2,242	66,319	65,652	98.99	306	65,958	99.46
2005	70,648	3,116	67,532	66,615	98.64	461	67,076	99.32
2006	71,354	2,677	68,677	67,709	98.59		67,709	98.59

Unaudited

**METROPOLIATN COUNCIL
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS ENDED IN DECEMBER 31, 2006
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 ²	PFA-Transit Loan ¹	Capital Leases	Total-Government Activities	General Obligation Bonds-Sewer	PFA-Sewer	Capital Leases	Total-Business-Type Activities	Total Primary Government	Percentage of Personal Income ³	Per Capita ³
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	0.81	382.64
2006	162,415	13,170	735	9,915	9,240	13,530	209,005	277,925	552,943		830,868	1,039,873	0.79	370.04

Unaudited

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

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

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

³ 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, 2006
IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)**

Fiscal Year	General Bonded Debt Outstanding					Total	Percentage of Actual Taxable Value ¹ of Property	Per Capita ²
	General Obligation Bonds-Transit	General Obligation Bonds-Parks	General Obligation Bonds-Other	General Obligation Bonds-Sewer				
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	186.85	
2006	162,415	13,170	735	277,925	454,245	12.67	161.64	

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.

¹ See market value and net tax capacity value of taxable property value schedule for property value data.

² See demographics and economic statistics schedule for population data.

**METROPOLITAN COUNCIL
 COMPILATION OF OVERLAPPING DEBT ¹
 FOR THE YEAR ENDED DECEMBER 31, 2006
 IN THOUSANDS**

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<u>Jurisdiction</u>	<u>Debt Outstanding</u>
Counties:	
Anoka	\$ 101,865
Carver	20,049
Dakota	100,710
Hennepin	512,170
Ramsey	194,327
Scott	76,905
Washington	54,295
Total counties	<u>\$ 1,060,321</u>
School districts:	
SSD #1 Minneapolis	\$ 402,151
SSD #6 South St. Paul	25,740
ISD #11 Anoka	187,580
ISD #12 Centennial	112,110
ISD #13 Columbia Heights	55,080
ISD #14 Fridley	16,135
ISD #15 St. Francis	40,010
ISD #16 Spring Lake Park	96,030
ISD #108 Norwood-Young America	2,175
ISD #110 Waconia	63,155
ISD #111 Watertown-Mayer	45,210
ISD #112 Chaska	151,020
ISD #191 Burnsville	38,730
ISD #192 Farmington	228,570
ISD #194 Lakeville	196,879
ISD #195 Randolph	11,050
ISD #196 Rosemount	163,322
ISD #197 West St. Paul	53,150
ISD #199 Inver Grove Heights	39,805
ISD #200 Hastings	77,910
ISD #252 Cannon Falls	1,950
ISD #270 Hopkins-Golden Valley	111,000
ISD #271 Bloomington	229,165
ISD #272 Eden Prairie	123,500
ISD #273 Edina	98,100
ISD #276 Minnetonka	72,735
ISD #277 Westonka	7,480
ISD #278 Orono	18,020
ISD #279 Osseo	247,445
ISD #280 Richfield	45,690
ISD #281 Robbinsdale	242,080
ISD #282 St Anthony-New Brighton	3,000
ISD #283 St. Louis Park	84,045
ISD #284 Wayzata	80,455
ISD #286 Brooklyn Center	30,520
ISD #424 Lester Prairie	885
ISD #621 Mounds View	128,373
ISD #622 North St. Paul-Maplewood-Oakdale	114,320
ISD #623 Roseville	39,175
ISD #624 White Bear Lake	72,235
ISD #625 St. Paul	343,847
ISD #659 Northfield	69,230
ISD #716 Belle Plaine	37,235
ISD #717 Jordan	35,245
ISD #719 Prior lake	144,250
ISD #720 Shakopee	179,550

**METROPOLITAN COUNCIL
 COMPILATION OF OVERLAPPING DEBT ¹
 FOR THE YEAR ENDED DECEMBER 31, 2006
 IN THOUSANDS**

Page (2 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
School districts (continued):	
ISD #721 New Prague	69,210
ISD #728 Elk River	290,575
ISD #831 Forest Lake	74,765
ISD #832 Mahtomedi	29,137
ISD #833 South Washington	308,160
ISD #834 Stillwater	66,230
ISD #916 Special Intermediate-Vo Tech	12,320
ISD #2144 Chisago Lakes	21,870
ISD #2397 LeSueur-Henderson	20,110
ISD #2687 Howard Lake-Waverly-Winsted	27,790
ISD #2859 Glencoe-Silver Lake	480
Total school districts	\$ 5,485,989
 Cities:	
Afton	\$ 4,000
Andover	30,270
Anoka	7,560
Apple Valley	40,640
Arden Hills	2,205
Bayport	1,155
Belle Plaine	17,575
Bethel	1,907
Birchwood	430
Blaine	35,070
Bloomington	41,905
Brooklyn Center	27,950
Brooklyn Park	56,905
Burnsville	38,917
Carver	9,928
Centerville	7,673
Champlin	17,435
Chanhassen	32,200
Chaska	130,205
Circle Pines	3,165
Cologne	7,448
Columbia Heights	7,430
Columbus	6,186
Coon Rapids	29,124
Corcoran	344
Cottage Grove	23,295
Crystal	12,666
Dayton	15,537
Eagan	26,865
East Bethel	3,145
Eden Prairie	45,040
Edina	51,815
Elko	2,495
Excelsior	415
Falcon Heights	1,560
Farmington	28,054
Forest Lake	18,653
Fridley	14,510

**METROPOLITAN COUNCIL
 COMPILATION OF OVERLAPPING DEBT ¹
 FOR THE YEAR ENDED DECEMBER 31, 2006
 IN THOUSANDS**

(Page 3 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
Cities (continued):	
Gem Lake	807
Golden Valley	80,610
Grant	275
Greenfield	10,800
Hamburg	1,304
Ham Lake	4,415
Hampton	590
Hastings	41,895
Hopkins	15,845
Hugo	17,005
Independence	2,510
Inver Grove Heights	44,297
Jordan	20,632
Lake Elmo	9,975
Lakeland	2,025
Lake St. Croix Beach	325
Lakeville	85,145
Landfall	514
Lauderdale	2,480
Lexington	1,669
Lilydale	2,767
Lino Lakes	25,557
Little Canada	3,615
Long Lake	2,707
Loretto	933
Mahtomedi	6,370
Maple Grove	111,835
Maplewood	58,842
Marine	44
Mayer	9,709
Medina	6,320
Mendota Heights	6,740
Minneapolis	1,273,741
Minnetonka	19,015
Minnetonka Beach	1,235
Minnetrista	3,305
Mound	28,290
Mounds View	5,596
New Brighton	66,162
New Germany	2,175
New Hope	13,230
New Market	7,090
New Prague	19,991
Newport	4,631
North St. Paul	16,095
Northfield	70,151
Norwood-Young America	14,357
Oakdale	23,240
Oak Grove	3,217

**METROPOLITAN COUNCIL
 COMPILATION OF OVERLAPPING DEBT ¹
 FOR THE YEAR ENDED DECEMBER 31, 2006
 IN THOUSANDS**

(Page 4 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
Cities (continued):	
Oak Park Heights	875
Orono	7,785
Osseo	7,050
Plymouth	30,640
Prior Lake	30,555
Ramsey	16,052
Richfield	25,470
Robbinsdale	20,750
Rogers	30,325
Rosemount	28,750
Roseville	11,875
St. Anthony	21,400
St. Bonifacius	3,609
St. Francis	2,840
St. Louis Park	33,798
St. Paul	271,750
St. Paul Park	5,535
Savage	97,393
Shakopee	49,275
Shoreview	14,840
Shorewood	15,475
South St. Paul	16,815
Spring Lake Park	18,143
Stillwater	33,479
Sunfish Lake	160
Vadnais Heights	6,455
Vermillion	615
Victoria	32,420
Waconia	11,980
Watertown	12,272
Wayzata	10,265
West St. Paul	16,511
White Bear Lake	7,580
Woodbury	83,919
Woodland	564
Total cities	<u>\$ 3,928,975</u>
Townships:	
Burns	\$ 1,186
Cedar Lake	400
Dahlgren	27
Hassan	4,110
Laketown	724
Marshan	13
New Market	329
New Scandia	1,960
Ravenna	19
Spring Lake	3,190
Watertown	19
White Bear	7,190
Total townships	<u>\$ 19,167</u>

**METROPOLITAN COUNCIL
 COMPILATION OF OVERLAPPING DEBT ¹
 FOR THE YEAR ENDED DECEMBER 31, 2006
 IN THOUSANDS**

(Page 5 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
Miscellaneous:	
Anoka Tax Increment	\$ 7,835
Blaine HRA	875
Bloomington Port Authority	40,395
Brooklyn Park EDA	16,100
Carver County HRA	26,327
Cedar Lake Sewer Sanitary District	2,534
Chanhassen HRA	1,740
Circle Pines HRA	615
Circle Pines Tax Increment	4,690
Columbia Heights Tax Increment	1,385
Coon Rapids Tax Increment	8,940
Dakota County CDA	387,935
Hennepin County Regional Park	79,355
Hennepin Regional Railroad Authority	45,865
Hilltop Tax Increment	225
Hopkins HRA	12,770
HRA of St. Paul	220,601
Maple Grove HRA	3,265
Metropolitan Airports Commission	1,990,427
Minnesota Municipal Power Agency	168,347
Mound HRA	9,305
North Suburban Hospital District	5,230
Norwood Young America EDA	6,470
Prior Lake-Spring Lake Watershed District	1,670
Plymouth HRA	14,895
Ramsey-Washington Metro Watershed District	1,368
Scott County HRA	34,420
South Washington Watershed District	4,650
St. Anthony HRA	1,170
St. Paul Port Authority	43,491
Vadnais Heights EDA	760
Waconia HRA	8,695
Washington County HRA	54,040
Total miscellaneous	<u>\$ 3,206,390</u>
 TOTAL	 <u><u>\$ 13,700,842</u></u>

Unaudited

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

Notes: ¹ 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 SIX YEARS ENDED DECEMBER 31, 2006
IN THOUSANDS EXCEPT PERCENTAGE**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Debt limit	\$ 317,995	\$ 316,905	\$ 274,635	\$ 300,230	\$ 274,205	\$ 237,685
Total net debt applicable to limit	<u>169,100</u>	<u>209,125</u>	<u>199,945</u>	<u>184,375</u>	<u>209,515</u>	<u>176,315</u>
Legal debt margin	<u>\$ 148,895</u>	<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>53.18%</u>	<u>65.99%</u>	<u>72.80%</u>	<u>61.41%</u>	<u>76.41%</u>	<u>74.18%</u>

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 TWO YEARS ENDED DECEMBER 31, 2006
 IN THOUSANDS (EXCEPT COVERAGE)**

Radio Revenue Bonds^{1 & 2}					
Year	Total Bond Outstanding	911 Fee Revenue	Principal	Interest	Coverage
2005	\$ 10,760	\$ 843		\$ 275	\$ 3.07
2006	9,915	1,408	\$ 845	518	1.03

Unaudited

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

¹ 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.

² 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, 2006**

<u>Year</u>	<u>Population¹</u>	<u>Personal Income¹ (In Millions)</u>	<u>Per Capita¹ Income</u>	<u>Unemployment Rate²</u>
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	2,810,179	132,258	42,083	3.80%
2006	2,810,179	132,258	42,083	3.70%

Unaudited

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

² 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

Employer	2006			1997		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Minnesota	55	1	3.08%	59	1	3.65%
U. S. Federal Agencies	35	2	1.96	35	2	2.16
Mayo Foundation	33	3	1.85	18	8	1.11
University of Minnesota	30	4	1.68	25	4	1.55
Target Corp	24	5	1.34			
Allina Health System	23	6	1.29	21	5	1.30
Wells Fargo Bank Minnesota	19	7	1.06			
Fairview Health Services	19	8	1.06	8	9	0.49
Wal-Mart Stores Inc.	18	9	1.01			
3M Co.	16	10	0.89	20	6	1.24
Dayton Hudson Corp.				29	3	1.79
Northwest Airlines Corp.				18	7	1.11
Norwest Corp.				12	9	0.74
Hennepin County				10	10	0.62
Total	<u>272</u>		<u>15.22%</u>	<u>255</u>		<u>15.76%</u>

Unaudited

Source: Business Journal, Book of Lists, December 23, 2005 and December 26, 1997.

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

**METROPOLITAN COUNCIL
EMPLOYEES BY FUNCTION/PROGRAM
LAST SIX YEARS ENDED DECEMBER 31, 2006**

	Full-time Equivalent Employees as of December 31					
	2006	2005	2004	2003	2002	2001
<u>Regional Administration</u>						
Human Resources	31	33	32	25	26	26
Information Services	56	66	66	81	81	83
Fiscal/Central Services	35	25	26	30	28	26
Other	57	75	74	86	78	79
Total Regional Administration	<u>179</u>	<u>199</u>	<u>198</u>	<u>222</u>	<u>213</u>	<u>214</u>
<u>Community Development</u>						
Metro HRA	34	33	32	32	34	33
Other	44	51	51	60	58	56
Total Community Development	<u>78</u>	<u>84</u>	<u>83</u>	<u>92</u>	<u>92</u>	<u>89</u>
<u>Environmental Services Division</u>						
Environmental Quality Assurance	106	121	122	122	128	133
Treatment Services	490	565	582	594	606	620
Other	30	15	15	16	21	21
Total Environmental Services Division	<u>626</u>	<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	13
Transportation Planning	24	17	17	17	20	20
Other	37	13	13	14	14	14
Total Transportation Planning	<u>37</u>	<u>43</u>	<u>43</u>	<u>44</u>	<u>47</u>	<u>47</u>
<u>Metro Transit Bus</u>						
Operators	1,280	1,413	1,474	1,475	1,592	1,738
Mechanics	420	432	456	457	469	479
Administration/Clerical	505	590	683	628	676	673
Total Metro Transit	<u>2,205</u>	<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>						
Operators	44	45	45			
Mechanics	57	51	51			
Administration/Clerical	35	30	30			
Total Metro Transit	<u>136</u>	<u>126</u>	<u>126</u>			
Total	<u>3,261</u>	<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 SIX YEARS ENDED DECEMBER 31, 2006**

<u>Function/Program</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Governmental activities						
Metro Mobility-passenger miles	12,923,008	11,527,114	12,887,085	11,392,031	11,018,524	11,489,543
Metro Mobility-passenger trips	1,222,821	1,104,879	1,153,983	1,125,857	1,088,192	1,010,452
Parks visits to Metro Parks System	33,235,000	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)	256	255	255	266	290	290
Transit-bus						
Total route miles	29,048,980	29,979,730	27,113,045	30,969,504	32,291,090	32,207,416
Passenger trips	64,398,724	61,797,145	53,962,653	67,235,776	69,589,375	73,347,859
Transit-light rail						
Total passenger car miles	1,817,930	1,565,965	512,110			
Passengers trips	9,356,982	7,901,668	2,938,777			
Housing						
Metro HRA unit months leased	81,273	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 SIX YEARS ENDED DECEMBER 31, 2006**

<u>Function/Program</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Governmental activities						
Metro Mobility						
Total fleet size	264	257	245	229	244	243
Number of Parks	82	77	74	71	70	67
Acres of Regional Parks and Trails open to the public	52,617	52,299	50,356	50,276	48,916	48,015
Business-type activities						
Wastewater						
Treatment Plants	8	8	8	8	8	8
Miles of MCES Interceptors	586	578	569	569	569	563
Wastewater Treatment Plant Capacities (millions of gallons)	370	358	358	358	351	351
Transit-bus						
Total fleet size	940	930	942	982	980	953
Transit-light rail						
Total fleet size	25	23	22			
Housing						
Metro HRA unit months available	83,592	82,709	81,976	82,769	79,428	76,691
Family Affordable Housing Units	150	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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Metropolitan Council

2006 Comprehensive Annual Financial Report

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