

Comprehensive Annual Financial Report

Year ended December 31, 2007



A component unit of the State of Minnesota

METROPOLITAN COUNCIL
OF THE TWIN CITIES AREA
MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2007

A COMPONENT UNIT OF THE STATE OF MINNESOTA

Prepared by the Finance Unit

Issued June 2008



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METROPOLITAN COUNCIL
A COMPONENT UNIT OF THE STATE OF MINNESOTA
FOR THE YEAR ENDING DECEMBER 31, 2007**

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INTRODUCTORY SECTION



2007 Comprehensive Annual Financial Report Transmittal Letter from the Chief Financial Officer

June 26, 2008

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, 2007. 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.

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, 2007. 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 2008.

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 in 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. 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 division level within the fund. 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

Income and employment growth, unemployment, and housing trends all pointed toward weaker economic conditions in the Twin Cities. Per capita income increased to \$43,696 in 2006, the most recent data available, considerably higher than the nation's \$36,307 and ranking the Twin Cities 20th among 363 metropolitan areas. However, though per capita income increased by 3.8 percent, the Twin Cities metro area lagged behind the national rate of growth for the second consecutive year. Reflecting the national

economic malaise, employment growth slowed as jobs rose by only 0.2 percent from December 2006 to 2007. The metropolitan unemployment rate increased to 4.1 percent in 2007, up from 3.7 percent over the previous two years. Residential building fell precipitously while home sales and prices slumped.

Job gains almost evaporated in the Twin Cities metro area during 2007 as employers added just 3,600 jobs from December of 2006 to 2007. Comparing March 2007 to 2008, the number of jobs edged up by 0.8 percent.

Across industry sectors, job losses remained widespread over 2007. Education and health care services grew the fastest and expanded by 4.8 percent from December 2006 to 2007. Leisure and hospitality jobs increased 2.0 percent from the previous year. Information jobs rebounded by 1.8 percent, the sector's first advance since 2000. After two years of healthy growth rates, employment gains shrank to 0.4 percent in professional and business services. With particularly flat trends in wholesale trade; jobs in trade, transportation and utilities barely rose. The deepest cuts affected natural resources, construction and mining industries as the downturn in housing construction helped push employment down by 6.2 percent over the year. Manufacturing losses worsened and jobs fell by 1.8 percent although the Twin Cities continues to experience less manufacturing job loss than the nation as a whole. Ironically, the industries whose strength drove the Twin Cities' economic vitality during the 1990s – information and financial services – are now suffering both nationally and locally. Conversely, the area's underrepresentation in other industries that, after years of slumping, are now expanding nationally – most notably energy and defense-contracting – helped the region during the last decade and is weakening the Twin Cities economy during the end of this decade.

The unemployment rate in the seven-county region climbed to only a half percentage point below the national rate of 4.6 percent in 2007, a distinct change from historical rates that were significantly under the national, averaging 2.5 percentage points lower over the 1990s. During the first three months of 2008, the unemployment rate in the seven-county metro area ticked upward to 4.5 percent, returning to a level last seen in 2003.

Residential building and home buying weakened further in 2007, and prospects of recovery grew more uncertain given the impact of mortgage losses on global financial markets and the overall availability of credit. The number of residential building permits in the Twin Cities metro area plunged by 36.4 percent between 2006 and 2007 and dropped more steeply during the first two months of 2008 as builders are focusing on selling their existing inventory rather than starting new construction. Existing home sales declined by 14.8 percent in April over the previous April. The median sales price of homes fell to \$200,000 in March 2008, down from \$225,000 in March 2006. With nearly 13,000 foreclosures in the seven-county area in 2007, up from under 4,000 in just 2005, the real estate market is flooded at lower price levels, helping drive home prices down 9.7 percent over the year. According to the Standard & Poor's/Case-Shiller Home Price Index for February 2008, home prices in the Twin Cities have fallen 14.7 percent from their peak prices in summer 2006, the 10th largest percentage drop among the 20 metro areas addressed by this index yet slightly better than the 14.8 percent drop in the 20-metro-area composite index. However, the real estate market shows signs of a return to equilibrium at higher prices levels as the inventory of unsold homes has fallen this spring at all prices levels above \$190,000. Home affordability has improved with nearly 64 percent of homes for sale considered affordable to a median-income family in the fourth quarter of 2007, the highest level since the second quarter of 2005.

Nonresidential activity softened during 2007 amid faltering job growth and housing market woes. In the office market, the second-quarter vacancy rate remained unchanged from 2006 to 2007, and the amount of space absorbed in the second quarter fell from a year ago, according to United Properties. CB Richard Ellis recently estimated that, at current absorption rates, the Twin Cities has a 16-year supply of vacant commercial property. The retail market slowed and the vacancy rate moved up following years of rapid expansion of retail space. Leasing activity cooled off for industrial properties, and the vacancy rate in the second half of 2007 declined slightly from a year ago.

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 249,000 trips on Metro Transit. Metro Transit total ridership reached 77.0 million in 2007, a 4.7 percent increase over the previous year. Overall, Metro Transit provides 118 bus routes including local, express and contract service routes and operates a peak fleet of 874 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 2007, the Hiawatha line carried 9.1 million passengers and averaged 26,800 riders each weekday. Timed transfers on numerous 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. On December 11, 2007, the Northstar Commuter Rail Line received a Federal Full Funding Grant Agreement which committed \$156.8 million in federal funding for construction and trains for the rail line. State funding, along with funding commitments from local governments in the Northstar Corridor, provide the local share of project costs. The line is anticipated to be fully operational in late 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. On February 27, 2008, the Metropolitan Council approved staff to proceed with preliminary engineering and make application to the Federal Transit Administration and move the Central Corridor Light Rail Transit Project to final design. The Council approval provided specific direction to staff to proceed with more detailed preliminary engineering that will serve as the basis for a Supplemental Draft Environmental Impact Statement (SDEIS) and local stakeholder hearings and approvals of the plans through summer 2008. The Metropolitan Council will need to approve the SDEIS document and amend the Locally Preferred Alternative in August 2008 as the basis to apply to FTA to advance the project in to the final design stage of project development.

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 20,000 certified users. Suburban Transit Authority Providers include 12 communities selecting to manage their own transit service, Contracted 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 2007 annual budget included revenue primarily from municipal wastewater charges. These charges totaled only \$146 million; compared to \$141 million in 1998 - 10 years earlier. CPI inflation applied to the 1998 figure would have resulted in charges of nearly \$160 million in 2007. Customer satisfaction remained high.

In 2007, Environmental Service plants continued to perform at a high level in complying with clean water discharge permits. All eight plants received “Peak Performance Awards” from the National Association of Clean Water Agencies (NACWA). The Hastings and St. Croix Valley Plants were among the top plants in the country for consecutive years of full compliance with their clean water discharge permits. Both plants earned the Platinum Award – Hastings had 16 consecutive years, while St. Croix Valley saw 15. The Seneca Plant also earned Platinum for six consecutive years. Earning Gold Awards were Metro, Rosemount, Blue Lake, and Eagles Point; Empire earned Silver. The Solids Management Building project at the Metro plant also won the MnGREAT award.

Approximately \$105 million was spent on about 60 capital projects that were underway in 2007. These projects support regional goals of accommodating growth and protecting the environment while maintaining a cost-effective infrastructure. Highlights of the ongoing capital improvement program for the wastewater system include:

- Five projects at the Metro Plant, which are mainly rehabilitative in nature, replacing or updating facilities that are more than 20 years old.
- Expansions are under way at the Empire Plant, Blue Lake Plant, and Seneca Plant. Phosphorus removal is also being upgraded at these plants.
- The majority of the projects under the Interceptor System are related to carrying out rehabilitation and replacement needs to assure the existing system remains in good operating condition for many additional decades.

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. These partners 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 also 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 2007 unified operating budget was adopted by the Council in December 2006. The original adopted budget for operations, pass-through expenditures and debt service was \$666 million representing a 2.9 percent increase from the budget adopted for 2006. During 2007, the budget was revised to \$674 million primarily to recognize service adjustments and additional support staff for Central Corridor light rail line and North Star commuter rail.

The Council receives a percentage of the state Motor Vehicle Sales Tax (MVST) 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 budgets only 95 percent of its portion of forecasted MVST revenues, with 5 percent unbudgeted in the event that actual receipts fell short of projections.

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 percent of MVST receipts were used for transportation purposes – 22.9 percent for transit and 30.8 percent for highways. The constitutional amendment is phased in between state fiscal years 2008- 2012 and dedicates 100 percent of MVST revenues to transportation, with at least 40 percent dedicated to transit and up to 60 percent for highways.

The 2007 Legislature passed enabling legislation for a phase-in (38 percent 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 financed through property taxes. Environmental Services wastewater debt is financed 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 \$529 million on December 31, 2007. The average yield was 4.8 percent, modified duration 6.1 years, and effective duration 2.3 years.

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 has implemented GASB Statement 45 - Other Postemployment Benefits (OPEB) for the current year. This statement requires the accrual of OPEB costs during the years when employee services that give rise to the benefit are rendered. Benefit provision are established and amended through negotiation between the Council and the respective unions representing its employees. Employees hired prior to benefit sunset dates become eligible to receive benefits upon meeting certain length of service, retirement age, and other eligibility requirements established in their labor contracts.

Additional information on the Council's retirement plans and other postemployment 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, 2006. This was the twenty-fourth 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,


Mary Bogle
Acting, 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, 2006

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.

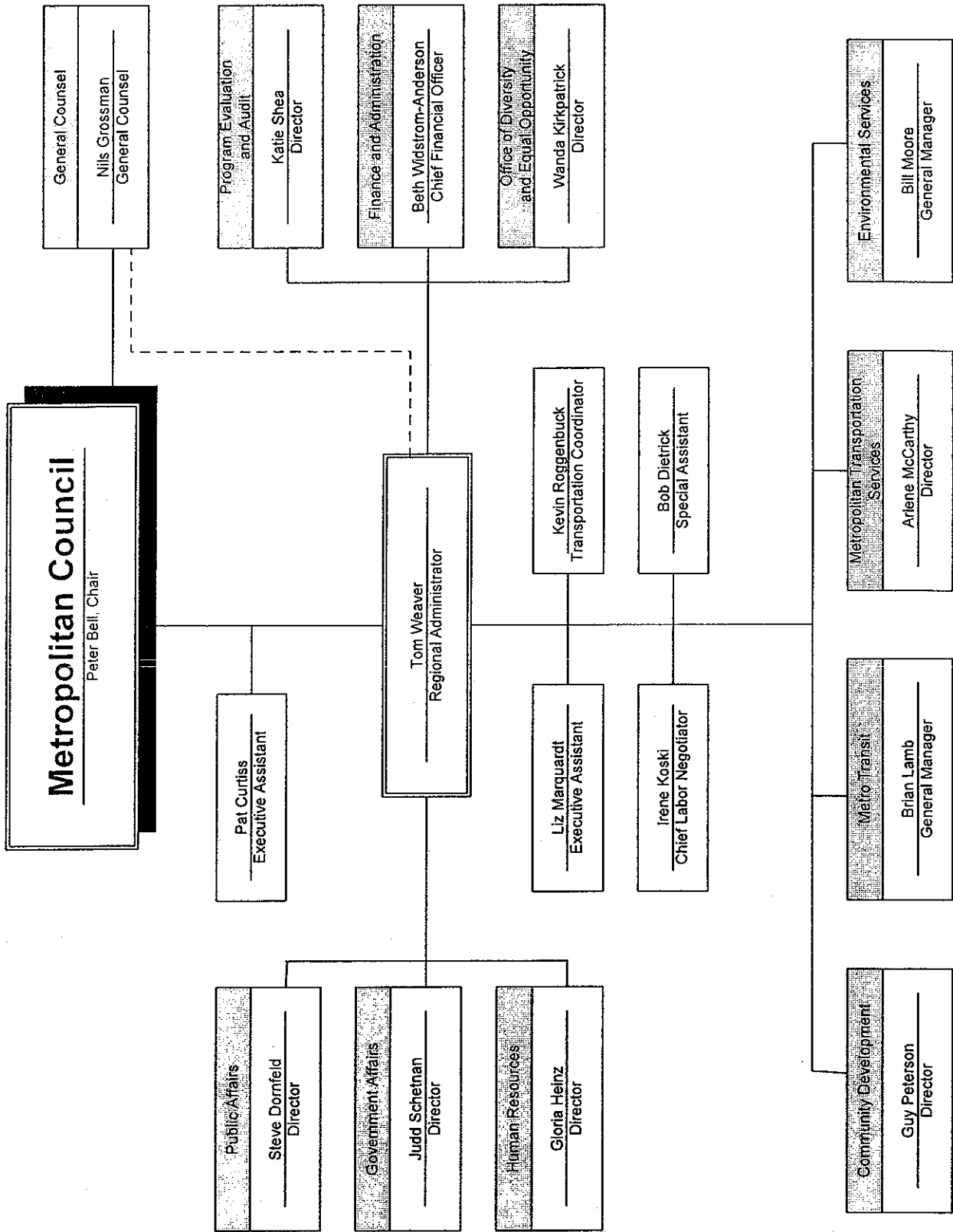


Oliver S. Cox

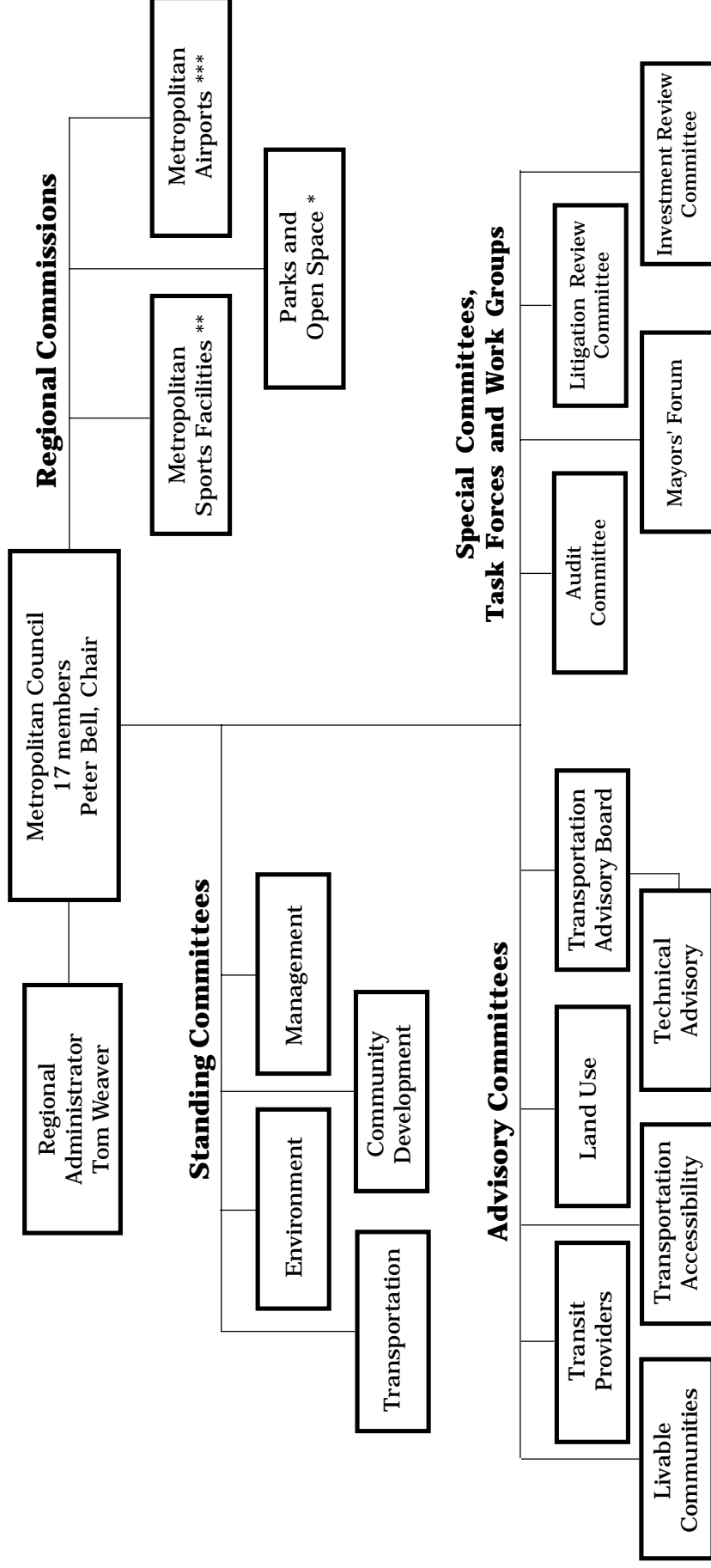
President

Jeffrey R. Emer

Executive Director



Metropolitan Council Policymaking Structure



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
<i>COUNCIL MEMBERS:</i>		
Chair -		
Peter Bell	Jan. 8, 2003	Indefinite
District Members -		
District No. 1 -		
Roger Scherer	March 10, 2003	Jan. 1, 2011
District No. 2 -		
Tony Pistilli	March 19, 2003	Jan. 1, 2011
District No. 3 -		
Mary Hill Smith	Jan. 4, 1993	Jan. 1, 2011
District No. 4 -		
Craig Peterson	Dec. 26, 2007	Jan. 1, 2011
District No. 5 -		
Vacant		Jan. 1, 2011
District No. 6 -		
Peggy Leppik	March 10, 2003	Jan. 1, 2011
District No. 7 -		
Annette Meeks	March 10, 2003	Jan. 1, 2011
District No. 8 -		
Lynette Wittsack	March 10, 2003	Jan. 1, 2011
District No. 9 -		
Natalie Haas Steffen	April 19, 1999	Jan. 1, 2011
District No. 10 -		
Kris Sanda	Oct. 26, 2005	Jan. 1, 2011
District No. 11 -		
Georgeanne Hilker	Sept. 11, 2003	Jan. 1, 2011
District No. 12 -		
Sherry Broecker	June 25, 2007	Jan. 1, 2011
District No. 13 -		
Richard Aguilar	March 10, 2003	Jan. 1, 2011
District No. 14 -		
Kirstin Sersland Beach	June 25, 2007	Jan. 1, 2011
District No. 15 -		
Daniel Wolter	March 9, 2005	Jan. 1, 2011
District No. 16 -		
Brian McDaniel	Sept. 11, 2003	Jan. 1, 2011

METROPOLITAN COUNCIL

OFFICERS

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

FINANCIAL ADMINISTRATIVE OFFICIALS

Tom Weaver	Regional Administrator
Beth Widstrom-Anderson	Chief Financial Officer

FINANCIAL SECTION



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

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, 2007, 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,



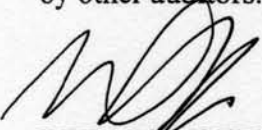
each major fund, and the aggregate remaining fund information of the Metropolitan Council of the Twin Cities Area as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note V.C. to the financial statements, during the year ended December 31, 2007, the Council adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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, 2008, 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, 2008

2007 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, 2007. 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 \$1.6 billion. Approximately 87 percent of this amount is invested in capital assets (net of related debt). Unrestricted net assets of \$77.9 million represent the amount available to meet the Council's ongoing obligations to creditors and the citizens.

During the year, the Council's total net assets increased by \$73.1 million (4.8 percent) compared to the prior year. Governmental activities (\$36.5 million) and business-type activities (\$36.6 million) contributed equally to the increase. Increased program revenues (operating grants increased by \$28.8 million and capital grants increased by \$21.5 million) were the primary contributors.

The Council's governmental funds reported a combined ending fund balance of \$222.3 million as of the end of the year. This represents an increase of \$39.5 million (22 percent) compared to the previous year.

At the close of the fiscal year, the general fund reported a total fund balance of \$17.6 million, an increase of \$1.7 million over the previous year. The unreserved fund balance of \$16.9 million includes designations of \$5.1 million and undesignated of \$11.8 million.

The Council added \$179 million in bonds and loans while paying down \$97 million in bonds and loans.

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 twelve 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 nine 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 22-25 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 26 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

The notes to the financial statements can be found on pages 27-54 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 56-59.

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 62-79 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 81-104 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 \$1.6 billion on December 31, 2007.

Metropolitan Council Net Assets December 31, 2006 and 2007 (In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Current and other assets	\$204,806	\$332,183	\$ 303,917	\$ 404,722	\$ 508,723	\$736,905
Capital assets	<u>63,385</u>	<u>77,013</u>	<u>2,236,230</u>	<u>2,286,208</u>	<u>2,299,615</u>	<u>2,363,221</u>
Total assets	<u>268,191</u>	<u>409,196</u>	<u>2,540,147</u>	<u>2,690,930</u>	<u>2,808,338</u>	<u>3,100,126</u>
Long-term liabilities outstanding	218,334	235,226	867,311	944,271	1,085,645	1,179,497
Other liabilities	<u>24,103</u>	<u>111,711</u>	<u>173,670</u>	<u>210,869</u>	<u>197,773</u>	<u>322,580</u>
Total liabilities	<u>242,437</u>	<u>346,937</u>	<u>1,040,981</u>	<u>1,155,140</u>	<u>1,283,418</u>	<u>1,502,077</u>
Net assets:						
Invested in capital assets, net of related debt	22,463	17,060	1,390,948	1,376,046	1,413,411	1,393,106
Restricted	105,856	107,253	3,212	19,751	109,068	127,004
Unrestricted	<u>(102,565)</u>	<u>(62,054)</u>	<u>105,006</u>	<u>139,993</u>	<u>2,441</u>	<u>77,939</u>
Total net assets	<u>\$25,754</u>	<u>\$ 62,259</u>	<u>\$1,499,166</u>	<u>\$1,535,790</u>	<u>\$1,524,920</u>	<u>\$1,598,049</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 (\$127 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. The Restricted net assets increases (\$18 million) came from Metro Transit Light Rail and Metropolitan Housing and Redevelopment Authority capital projects.

Unrestricted net assets for the governmental activities are a negative \$62 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 \$73.1 million for the year. This resulted from a \$36.5 million increase in governmental activities, and a \$36.6 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 2007
(In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,048	\$ 7,461	\$ 265,394	\$ 271,263	\$ 272,442	\$278,724
Operating grants and contributions	42,835	53,051	127,209	145,775	170,044	198,826
Capital grants and contributions	19,791	38,336	54,651	57,603	74,442	95,939
General revenues:						
Property taxes	68,026	68,825			68,026	68,825
Property tax related state revenues	2,691	2,267			2,691	2,267
Motor vehicle excise tax	27,459	27,216	86,981	91,663	114,440	118,879
Investment earnings	10,013	14,249	11,840	12,912	21,853	27,161
Gain on sale of capital assets	170	446			170	446
Total revenues	<u>178,033</u>	<u>211,851</u>	<u>546,075</u>	<u>579,216</u>	<u>724,108</u>	<u>791,067</u>
Expenses:						
General government	8,613	9,848			8,613	9,848
Transportation	88,510	92,732			88,510	92,732
Culture and recreation	16,084	26,377			16,084	26,377
Economic development	4,036	4,548			4,036	4,548
Environment	5,201	9,302			5,201	9,302
Housing	2,136	1,831			2,136	1,831
Interest and other	11,753	12,969			11,753	12,969
Environmental services			173,090	190,763	173,090	190,763
Transit bus			246,264	264,612	246,264	264,612
Transit light rail			45,795	49,524	45,795	49,524
Housing			56,595	55,432	56,595	55,432
Total expenses	<u>136,333</u>	<u>157,607</u>	<u>521,744</u>	<u>560,331</u>	<u>658,077</u>	<u>717,938</u>
Increase (decrease) in net assets before transfers	41,700	54,244	24,331	18,885	66,031	73,129
Transfers	<u>(12,618)</u>	<u>(17,739)</u>	<u>12,618</u>	<u>17,739</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	29,082	36,505	36,949	36,624	66,031	73,129
Net assets, beginning	<u>(3,328)</u>	<u>25,754</u>	<u>1,462,217</u>	<u>1,499,166</u>	<u>1,458,889</u>	<u>1,524,920</u>
Net assets, ending	<u>\$ 25,754</u>	<u>\$ 62,259</u>	<u>\$1,499,166</u>	<u>\$1,535,790</u>	<u>\$1,524,920</u>	<u>\$1,598,049</u>

Governmental Activities

Governmental activities increased the Council's net assets by \$36.5 million, compared to an increase of \$29 million in 2006. The primary contributors to this change are discussed in the following paragraphs.

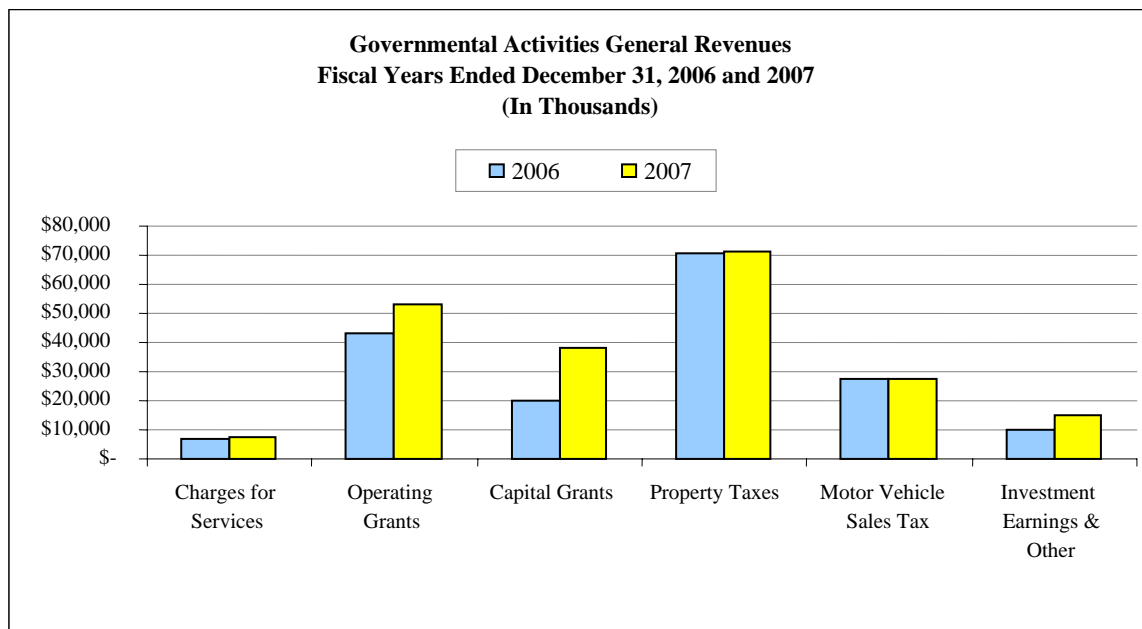
Revenues

Governmental activities are supported by charges for services, grants, and contributions. Additionally, general revenues cover any expenses after program specific revenues are applied. In 2007, 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 \$98 million, increased by \$29 million (42 percent) compared to 2006. Charges for services remained flat at \$7 million. Operating grants, increased by \$10 million (24 percent) to \$53 due primarily from increased State appropriation funding. Increased revenues from the Federal Section 5307 program (\$12 million) and the State parks capital reimbursement program (\$6 million) brought capital grant revenue to \$38 million.

Total general revenues increased 4 percent to \$113 million. The investment earnings accounted for nearly all of the \$4 million increase which came primarily from unrealized gains on long-term investments held in a falling interest rate market. Motor Vehicle Sales Tax receipts remained at \$27 million, a reflection of the flat sales in the new and used motor vehicle market.



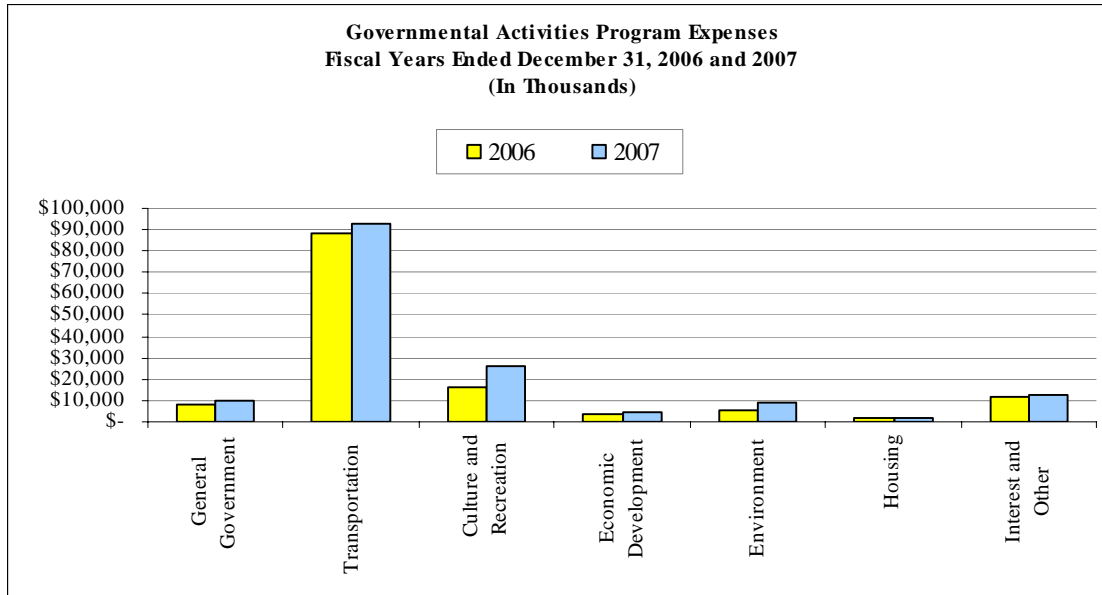
Expenses

In 2007, governmental activities increased to \$158 million--\$21 million (16 percent) above 2006. The majority of this change (\$10 million) was from reimbursable regional parks (culture and recreation) expenditures. One of the Council's livable communities programs (environment) experienced a \$4 million increase in reimbursement requests compared to 2006. These reimbursements are based upon local government expenditures and are not directly controllable by Council management. The unexpended balance of all livable communities grants is recognized in restricted net assets.

Depreciation for the year was \$8 million, approximately the same as last year.

Net transfers to business-type activities increased, by \$5 million, to \$18 million for the year. Metro Transit (both Bus and Light Rail) received \$17 million in capital project reimbursements, \$5 million above 2006.

Net salaries and benefits increased to \$10 million, an increase of \$700 thousand from 2006.



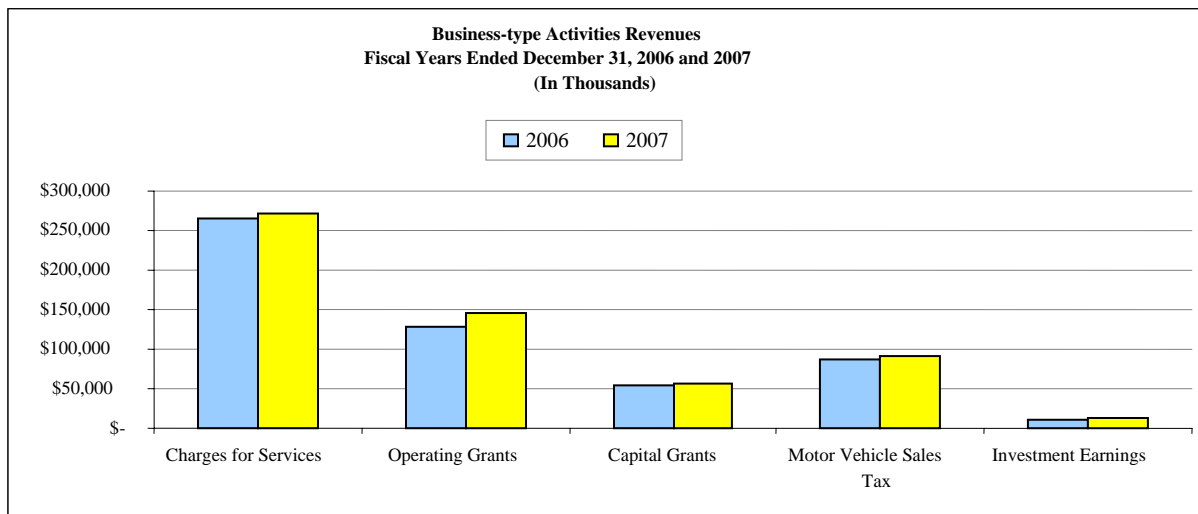
Business-Type Activities

Revenues

Program revenues for the Council's business-type activities totaled \$474 million, or 85 percent of related expenses for fiscal year 2007 compared to \$447 million (86 percent of related expenses) in the prior year. The \$27 million revenue increase came primarily from \$19 million in State operating appropriations and \$8 million in capital grants in Metro Transit Bus for its fleet modernization and expansion. Charges for services remained relatively flat at \$271 million seeing only a slight increase of \$6 million. The increase was approximately evenly split between Environmental Services' increased municipal wastewater charges and Metro Transit Bus increased ridership.

General revenues used to cover extra program expenses come from two sources: motor vehicle sales tax (MVST) and investment earnings. For 2007, motor vehicle sales taxes increased \$5 million to \$92 million. Investment earnings rose by \$1 million to \$13 million.

Net transfers increased, by \$5 million, to \$18 million for the year. Transfers are primarily capital expense reimbursements from governmental funds.



Expenses

Business-type activities in 2007 incurred expenses of \$560 million, an increase of \$38 million (7 percent) over the prior year. The Environmental Services and, Metro Transit Bus program's expenses increased by \$18 million each. For the year, the program revenue increase of \$27 million was more than offset by the program expense increase of \$38 million.

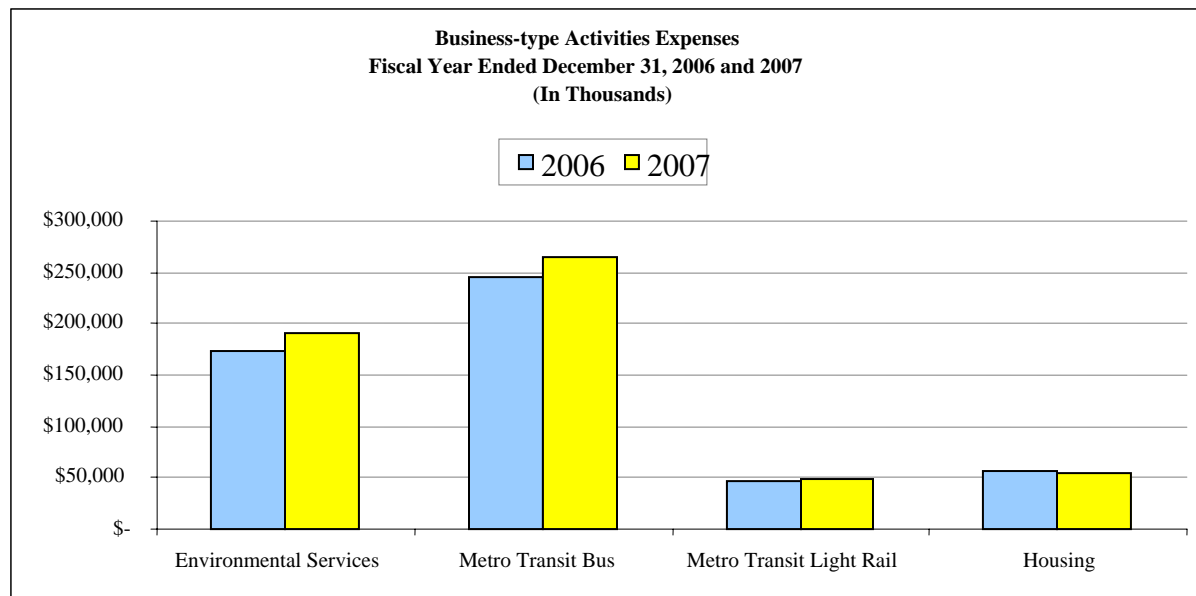
For the year, Metro Transit Bus experienced increased costs due to three factors: 1) increased per gallon gas/diesel fuel, 2) increased wages due to bus driver overtime to meet increased ridership, and 3) the collapse of the I35W bridge which added to ridership and bus route changes.

Contracted services remained flat at \$23 million. Materials increased 18 percent to \$42 million, reflecting the increased fuel costs for Metro Transit Bus.

Salaries and wage related expenses increased \$20 million (9 percent) to \$252 million. Metro Transit Bus experienced an increase of \$13 million primarily from the factors mentioned previously.

Depreciation expense for 2007 was \$ 116 million—an increase of \$4 million over 2006. In 2007, Environmental Services experienced an increase of \$4 million to \$51 million due to newly added buildings from 2006.

Utility, insurance, housing costs, and other expenses were flat compared to 2006.



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 \$222 million, an increase of \$39 million compared to the prior year. Of the total fund balance, \$76 million is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional \$115 million has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining \$31 million of the balance is unreserved and undesignated.

During 2007, the Council issued \$56.1 million of new general obligation bonds and \$7.3 million of revenue refunding bonds, while in 2006 the Council did not issue any bonds or new debt

Revenues from all governmental funds for the current year were \$211 million, an increase of \$33 million (19 percent) from the previous year. State appropriations increased \$9 million to \$39 million. Revenue from various Federal and State capital/operating reimbursement programs increased by \$10 million to \$30 million.

Expenditures for all governmental funds in the current year were \$215 million, an increase of \$17 million (9 percent) from the previous year. Community development programs (primarily regional parks and environment rehabilitation) increased by \$14 million to \$42 million. Transportation and general government expenditure increases were offset by a similar amount in capital outlays. Debt service principal and interest payments were influenced by an extra \$9 million for refunding revenue bonds.

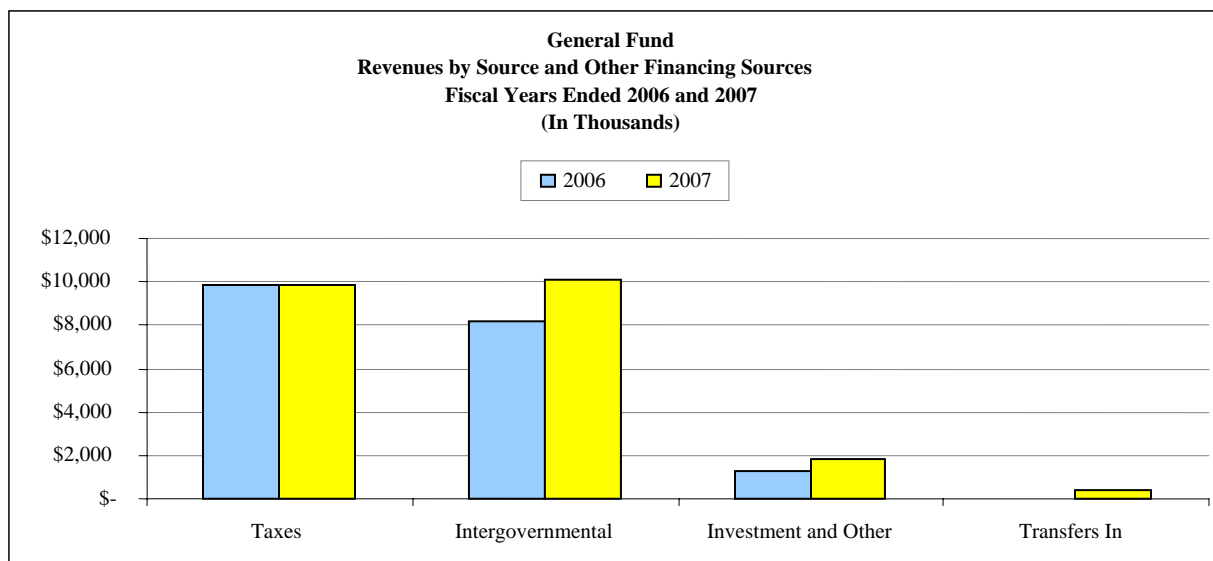
The General Fund is the Council's principal governmental operating fund. During the current year, the fund balance in the General Fund increased by \$2 million (11 percent). At the end of the current fiscal year, the General Fund's total fund balance was \$18 million. Of this amount, \$700 thousand was reserved and therefore unavailable for spending. Of the remaining unreserved total (\$17 million), \$5 million was designated (earmarked) and the remaining \$12 million is considered both unreserved and undesignated.

The following table provides the changes in revenues by source from 2006 to 2007.

**General Fund
Revenues by Source and Other Financing Sources
Fiscal Years Ended December 31, 2006 and 2007
(In Thousands)**

	<u>2006</u>		<u>2007</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%	\$ 9,862	44%	\$ 22
Intergovernmental Revenues	8,194	43%	10,130	46%	1,936
Investment Income and Other	<u>1,241</u>	<u>6%</u>	<u>1,819</u>	<u>8%</u>	<u>578</u>
Total Revenue	\$19,275	100%	\$21,811	98%	\$ 2,536
Transfers In	<u>0</u>	<u>0%</u>	<u>423</u>	<u>2%</u>	<u>423</u>
Total Revenue and Other Financing Sources	<u>\$19,275</u>	<u>100%</u>	<u>\$22,234</u>	<u>100%</u>	<u>\$ 2,959</u>

General Fund revenues increased by \$2.5 million from the previous year. The Council did not change its operating levy from 2006 to 2007. The intergovernmental revenue increase came from increased pass-through grants for regional parks improvements. The investment income and other revenue increase came from unrealized investment income mentioned previously. The transfers in activity in 2007 came from closing a capital project fund's remaining fund balance.



The following table provides the changes in expenditures by function from 2006 to 2007.

**General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2006 and 2007
(In Thousands)**

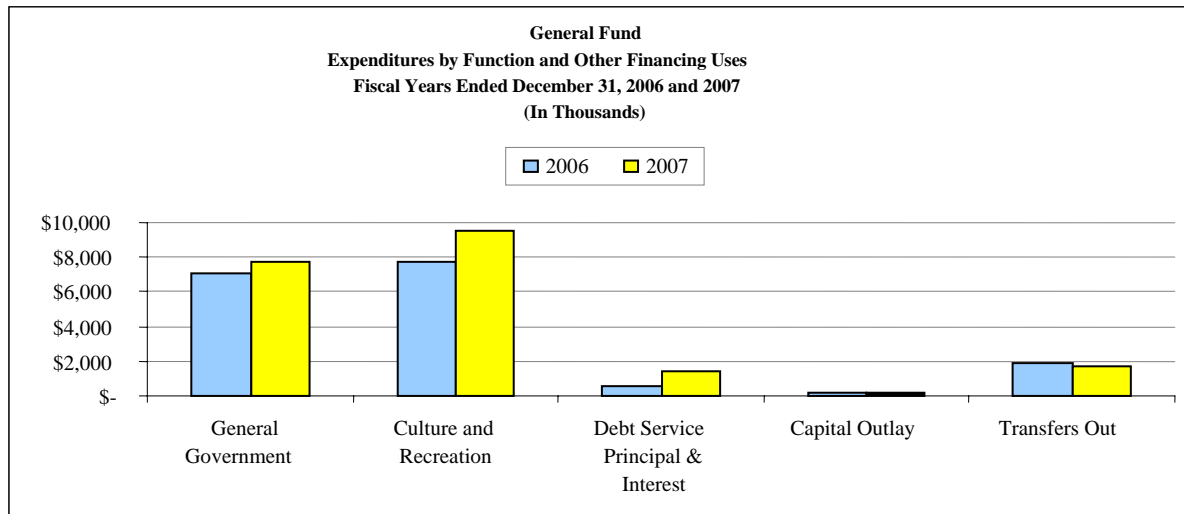
	2006		2007		
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease)</u>
<u>Expenditures by Function</u>					
General Government	\$ 7,100	41%	\$ 7,704	38%	\$ 604
Culture and Recreation	7,707	44%	9,486	46%	1,779
Debt Service (Principal Only)			510	2%	510
Debt Service (Interest Only)	541	3%	916	5%	375
Capital Outlay	173	1%	202	1%	29
Total Expenditures	<u>\$15,521</u>	<u>89%</u>	<u>\$18,818</u>	<u>92%</u>	<u>\$3,297</u>
Transfers Out	<u>1,842</u>	<u>11%</u>	<u>1,692</u>	<u>8%</u>	<u>(150)</u>
Total Expenditures and Other Financing Uses	<u>\$17,363</u>	<u>100%</u>	<u>\$20,510</u>	<u>100%</u>	<u>\$3,147</u>

General fund expenditures (net of allocations) during the current year were \$19 million, an increase of \$3 million from the previous year. Other financing uses--transfers out-- of \$2 million was similar to the prior year.

General government expenditures were higher due to pass through payments to regional parks (\$1.8 million) and initial capital lease payments (\$800 thousand). 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 increased pass through intergovernmental revenues noted previously. For the year, the General Fund transferred \$1 million as required by State legislation and \$600 thousand for reimbursement transfers to Environmental Services (a business-type activity) mostly for a water supply planning program.

The Metro Mobility fund balance increased by \$3 million to \$19 million. Total revenues increased by \$5 million, to \$38 million. Federal capital grant reimbursements increased by \$1 million to \$7 million, and State appropriation operating grants increased \$4 million to \$26 million. Passenger trips (1.2 million) and passenger fares remained flat at \$4 million. Total Metro Mobility expenditures increased by \$2 million, to \$34 million, caused primarily from increased payments to outside transit providers.

The Debt Retirement fund balance of \$90 million, increased by \$13 million. Property tax related revenues decreased by \$3 million. Debt retirement payments were \$54 million, an increase of \$2 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 \$1.6 billion at December 31, 2007. Total net assets for all enterprise funds increased by \$37 million during 2007. Capital contributions (\$58 million) and net transfers (\$18 million) were the largest contributors.

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 2006 to 2007

Enterprise Funds
Key Balance Sheet Account Balances and Revenue and Expense Activities
December 31, 2007 and 2006
(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 2007</u>	<u>Total 2006</u>
Assets	\$1,655,864	\$491,994	\$510,064	\$ 41,548	\$2,699,470	\$2,540,449
Liabilities	1,046,171	85,559	23,471	8,479	1,163,680	1,041,283
Operating Income (Loss)	(698)	(191,927)	(40,483)	(54,739)	(287,847)	(263,605)
Changes in Net Assets	7,441	31,823	(5,668)	3,028	36,624	36,949
Net Assets	609,693	406,435	486,593	33,069	1,535,790	1,499,166

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 net assets as of December 31, 2007, were \$610 million of which \$560 million was invested in capital assets, net of related debt.

Metro Transit Bus is the region's largest provider of directly provided bus transit service. Of its December 31, 2007, net asset balance (\$406 million) \$324 million was invested in capital assets, net of related debt.

The Metro Transit Light Rail fund provides the region's rail transit service. For December 31, 2007, the net asset balance of \$487 million, showed a decrease of \$6 million. The invested in capital assets, net of related debt was \$471 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, 2007, increased by \$3 million to a total of \$33 million.

General Fund Budgetary Highlights

The original budget was increased by \$1.2 million to arrive at the final budget of \$19.4 million. The increase came from:

- \$900 thousand in budget carryovers from 2006 and
- \$300 thousand in increased general government activities.

During the year, however, actual expenditures were \$600 thousand less than the final budget due primarily to: reduced software maintenance expenditures (\$300 thousand); lower consultant expenses (\$900 thousand); and lower building maintenance costs (\$400 thousand); which were offset by higher regional parks pass-through grants (\$900 thousand).

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, 2007, was \$2.4 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 2007

(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Land and land improvements	\$215	\$ 4,785	\$ 78,242	\$ 75,346	\$ 78,457	\$ 80,131
Buildings and infrastructure	16,140	15,731	1,744,475	1,710,623	1,760,615	1,726,354
Vehicles and other equipment	47,030	56,497	214,178	209,818	261,208	266,315
Construction in progress	_____	_____	199,335	290,421	199,335	290,421
Total	<u>\$63,385</u>	<u>\$77,013</u>	<u>\$2,236,230</u>	<u>\$2,286,208</u>	<u>\$2,299,615</u>	<u>\$2,363,221</u>

The Metropolitan Council's net capital assets for governmental activities increased by \$14 million for the year. The business-type activities had an increase of \$50 million, mostly from Environmental Services \$69 million increase in construction in progress.

For 2007, Environmental Services added \$29 million of buildings and improvements increasing the region's capacity. Metro Transit increased its bus fleet by \$15 million and \$6 million in light rail vehicles; continuing its service expansion and regular fleet replacement. The Council's governmental activities increased its regional fleet by \$18 million to meet higher ridership demands and regular fleet replacement.

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 \$1.1 billion. Of this amount, \$528 million was for general obligation bonds issued by the Metropolitan Council, and \$573 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 refunding bonds outstanding of \$7 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, 2006 and 2007
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
General obligation bonds	\$176,320	\$196,985	\$277,925	\$331,340	\$454,245	\$528,325
State of Minnesota loans	<u>9,240</u>	<u>7,855</u>	<u>552,943</u>	<u>564,955</u>	<u>562,183</u>	<u>572,810</u>
Subtotal of general obligation bonds and loans	185,560	204,840	830,868	896,295	1,016,428	1,101,135
Revenue Bonds	<u>9,915</u>	<u>7,265</u>	_____	_____	<u>9,915</u>	<u>7,265</u>
Total bonds and loans	<u>\$195,475</u>	<u>\$212,105</u>	<u>\$830,868</u>	<u>\$896,295</u>	<u>\$1,026,343</u>	<u>\$1,108,400</u>

The Metropolitan Council's total debt increased by \$82 million (8 percent) during the current year. General obligation bonds increased by \$74 million (16 percent). During the year, the Council issued \$126 million of new bonds and \$17 million of refunding bonds, while retiring \$23 million of general obligation bonds (original issue value of \$46 million). During the year, the Metropolitan Council drew down \$36 million in State of Minnesota loans and repaid \$25 million on existing State of Minnesota loans.

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 \$21.6 million and \$2.6 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 \$83.4 million of transit general obligation bonds.

Economic Factors and Next Year's Budgets and Rates

The certified property tax levy approved by the Council for 2008 represents a 2.4 percent increase over the previous year's levy, but is 95.5 percent of its statutory levy limits. Tax revenue collections have historically been in line with budgeted original estimates. Even though the State's economy is not strong, the Council's revenues are unaffected because the Council does not receive any direct income tax revenues. The depressed auto market could lower related motor vehicle sales tax receipts, which is a significant revenue source in the transportation program. The 2008 State legislative session passed a major transportation funding bill that will not significantly affect Council activities in 2008, but will impact future years.

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, 2007
IN THOUSANDS

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Metropolitan Sports Facilities Commission
ASSETS				
Cash and investments	\$ 228,237	\$ 185,211	\$ 413,448	\$ 18,371
Cash with fiscal agent	23,823		23,823	
Receivables, (net)	9,131	9,828	18,959	5,422
Internal balances	2,496	(2,496)	0	
Due from other governmental units	29,961	49,519	79,480	
Due from restricted assets		1,308	1,308	
Inventory		20,003	20,003	
Prepays and other	286	539	825	232
Loans/advances	38,249	2,298	40,547	
Restricted assets:				
Cash and cash equivalents		83,592	83,592	
Cash with fiscal agent		7,959	7,959	
Receivables, (net)		14,918	14,918	501
Due from other governmental units		31,286	31,286	
Deferred charges		757	757	
Capital assets not being depreciated:				
Land	4,785	75,346	80,131	8,700
Construction in progress		290,421	290,421	
Capital assets (net of accumulated depreciation)				
Buildings and infrastructure	15,731	1,710,623	1,726,354	10,662
Vehicles	56,143	190,126	246,269	
Equipment	354	19,692	20,046	3,248
Total assets	<u>409,196</u>	<u>2,690,930</u>	<u>3,100,126</u>	<u>47,136</u>
LIABILITIES				
Accounts payable and other current liabilities	107,716	90,019	197,735	7,475
Accrued interest payable	3,995		3,995	
Unearned revenue		9,232	9,232	193
Due to current assets-restricted		1,308	1,308	
Liabilities payable from restricted assets		37,707	37,707	
Unearned revenue-restricted		72,603	72,603	
Noncurrent liabilities:				
Due within one year	59,516	71,646	131,162	135
Due in more than one year	175,710	872,625	1,048,335	93
Total liabilities	<u>346,937</u>	<u>1,155,140</u>	<u>1,502,077</u>	<u>7,896</u>
NET ASSETS				
Invested in capital assets, net of related debt	17,060	1,376,046	1,393,106	22,610
Restricted for:				
Debt service	29,599		29,599	
Capital projects	2,510	19,751	22,261	
Grants and loans	75,144		75,144	
Unrestricted	(62,054)	139,993	77,939	16,630
Total net assets	<u>\$ 62,259</u>	<u>\$ 1,535,790</u>	<u>\$ 1,598,049</u>	<u>\$ 39,240</u>

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

**METROPOLITAN COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS**

Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component unit
Function/program	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Metropolitan
					Governmental Activities	Business-type Activities	Sports Facilities Commission
Primary government:							
Governmental activities:							
General government	\$ 9,848	\$ 207	\$ 1		\$ (9,640)	\$ (9,640)	
Transportation	92,732	7,254	42,154	\$ 24,518	(18,806)	(18,806)	
Culture and recreation	26,377		9,486	13,818	(3,073)	(3,073)	
Economic development	4,548				(4,548)	(4,548)	
Environment	9,302				(9,302)	(9,302)	
Housing	1,831				(1,831)	(1,831)	
Interest and other charges	12,969		1,410		(11,559)	(11,559)	
Total governmental activities	157,607	7,461	53,051	38,336	(58,759)	(58,759)	\$ 0
Business-type activities:							
Environmental services	190,763	190,491	302	715		745	
Transit bus	264,612	70,929	75,475	37,229		(80,979)	
Transit light rail	49,524	9,182	13,021	19,659		(7,662)	
Housing	55,432	661	56,977			2,206	
Total business-type activities	560,331	271,263	145,775	57,603	0	(85,690)	0
Total primary government	\$ 717,938	\$ 278,724	\$ 198,826	\$ 95,939	(58,759)	(144,449)	0
Component unit:							
Sports facilities	\$ 54,448	\$ 48,118					(6,330)
General revenues:							
Property taxes					68,825	68,825	
Market value credit					2,267	2,267	
Motor vehicle sales tax					27,216	91,663	118,879
Investment earnings					14,249	12,912	27,161
Gain on sale of capital assets					446		446
Transfers					(17,739)	17,739	0
Total general revenues and transfers					95,264	122,314	217,578
Change in net assets					36,505	36,624	73,129
Net assets, beginning					25,754	1,499,166	1,524,920
Net assets, ending					\$ 62,259	\$ 1,535,790	\$ 1,598,049
							\$ 39,240

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

**METROPOLITAN COUNCIL
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007
IN THOUSANDS**

	General	Metro Mobility Special Revenue Fund	Debt Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 12,442	\$ 12,724	\$ 98,113	\$ 104,958	\$ 228,237
Cash with fiscal agent			23,823		23,823
Receivables,(net)	4	96		4,961	5,061
Delinquent taxes receivable	500		1,764	486	2,750
Interest receivable	154	62	632	472	1,320
Due from other funds	17,941			3,500	21,441
Due from other governmental units	395	14,293	141	15,132	29,961
Loans and advances	275			37,974	38,249
Total assets	<u>\$ 31,711</u>	<u>\$ 27,175</u>	<u>\$ 124,473</u>	<u>\$ 167,483</u>	<u>\$ 350,842</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts/contracts/subgrantees payable	\$ 12,415	\$ 8,345	\$ 33,577	\$ 52,089	\$ 106,426
Salaries payable	1,290				1,290
Due to other funds				18,945	18,945
Deferred revenue	349		1,162	343	1,854
Total liabilities	<u>14,054</u>	<u>8,345</u>	<u>34,739</u>	<u>71,377</u>	<u>128,515</u>
Fund balances:					
Reserved for:					
Encumbrances	744				744
Grants and loans				75,144	75,144
Credit enhancement			270		270
Unreserved, designated for, reported in:					
Self-insurance	1,000				1,000
Compensated absences	2,535				2,535
Postemployment benefits	511				511
Water supply planning	1,101				1,101
Debt service			89,464		89,464
Special revenue funds				17,540	17,540
Capital projects funds				2,510	2,510
Unreserved, undesignated reported in:					
General fund	11,766				11,766
Metro Mobility fund		18,830			18,830
Special revenue funds				10,380	10,380
Capital projects funds				(9,468)	(9,468)
Total fund balances	<u>17,657</u>	<u>18,830</u>	<u>89,734</u>	<u>96,106</u>	<u>222,327</u>
Total liabilities and fund balances	<u>\$ 31,711</u>	<u>\$ 27,175</u>	<u>\$ 124,473</u>	<u>\$ 167,483</u>	<u>\$ 350,842</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, 2007
IN THOUSANDS**

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

Fund balances-total governmental funds (page 18)	\$ 222,327
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	77,013
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	2,140
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(239,221)
Net assets of governmental activities (page 16)	<u><u>\$ 62,259</u></u>

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

METROPOLITAN COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS

	General	Metro Mobility Special Revenue	Debt Retirement	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 9,862		\$ 43,630	\$ 14,891	\$ 68,383
Intergovernmental revenue:					
Federal	1	\$ 6,838		13,207	20,046
State	9,992	25,885	2,662	58,785	97,324
Local/other	137			3,622	3,759
Investment income	1,812	910	5,116	6,411	14,249
Other	7	4,344		2,851	7,202
Total revenues	<u>21,811</u>	<u>37,977</u>	<u>51,408</u>	<u>99,767</u>	<u>210,963</u>
EXPENDITURES					
Current:					
General government	7,704	18	75	1,020	8,817
Transportation		33,483		20,750	54,233
Intergovernmental:					
Transportation				30,262	30,262
Culture and recreation	9,486			16,891	26,377
Economic development				4,548	4,548
Environment				9,302	9,302
Housing				1,831	1,831
Debt service:					
Principal	510		43,785		44,295
Interest and other charges	916	203	10,208	1,890	13,217
Capital outlay	202			21,996	22,198
Total expenditures	<u>18,818</u>	<u>33,704</u>	<u>54,068</u>	<u>108,490</u>	<u>215,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,993</u>	<u>4,273</u>	<u>(2,660)</u>	<u>(8,723)</u>	<u>(4,117)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	423	49		3,360	3,832
Transfers out	(1,692)	(1,788)	(1)	(18,324)	(21,805)
Bonds issued				45,900	45,900
Refunding bonds issued			17,375		17,375
Premium on bonds and capital related debt			698		698
Payment to refunded bond escrow agent			(2,860)		(2,860)
Sale of capital assets		16		430	446
Total other financing sources (uses)	<u>(1,269)</u>	<u>(1,723)</u>	<u>15,212</u>	<u>31,366</u>	<u>43,586</u>
Net change in fund balances	1,724	2,550	12,552	22,643	39,469
Fund balances, beginning	15,933	16,280	77,182	73,463	182,858
Fund balances, ending	<u>\$ 17,657</u>	<u>\$ 18,830</u>	<u>\$ 89,734</u>	<u>\$ 96,106</u>	<u>\$ 222,327</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, 2007
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)	\$ 39,469
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	13,394
The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to increase net assets.	234
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	442
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.	(16,437)
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.	(597)
Change in net assets of governmental activities (page 17)	<u><u>\$ 36,505</u></u>

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

METROPOLITAN COUNCIL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007
IN THOUSANDS

	Business-type Activities - Enterprise Funds				
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 75,551	\$ 97,847		\$ 11,813	\$ 185,211
Receivables, net	3,512	5,791	\$ 232	293	9,828
Due from other funds		5,040			5,040
Due from other governmental units		36,580	11,734	848	49,162
Due from restricted assets			1,308		1,308
Inventory	7,597	10,715	1,691		20,003
Prepays		345	194		539
Restricted assets:					
Cash and cash equivalents	75,616	1,913		6,063	83,592
Cash with fiscal agent	7,959				7,959
Receivables, net	14,902	6	10		14,918
Due from other funds		1,000	4		1,004
Due from other governmental units		7,196	23,647		30,843
Total current assets	<u>185,137</u>	<u>166,433</u>	<u>38,820</u>	<u>19,017</u>	<u>409,407</u>
Noncurrent assets:					
Capital assets:					
Land	11,969	30,150	26,821	6,406	75,346
Buildings and infrastructure	1,940,028	190,149	425,159	21,367	2,576,703
Vehicles	6,523	298,315	91,839		396,677
Equipment	41,728	49,612	218	100	91,658
Construction in progress	203,044	68,054	19,323		290,421
Less accumulated depreciation	(734,727)	(312,412)	(92,116)	(5,342)	(1,144,597)
Net capital assets	<u>1,468,565</u>	<u>323,868</u>	<u>471,244</u>	<u>22,531</u>	<u>2,286,208</u>
Due from other governments	357				357
Due from other governments-restricted	443				443
Deferred charges-restricted	757				757
Advances and loans	605	1,693			2,298
Total noncurrent assets	<u>1,470,727</u>	<u>325,561</u>	<u>471,244</u>	<u>22,531</u>	<u>2,290,063</u>
Total assets	<u>1,655,864</u>	<u>491,994</u>	<u>510,064</u>	<u>41,548</u>	<u>2,699,470</u>
LIABILITIES					
Current liabilities:					
Accounts payable	21,616	31,270	1,147	6,892	60,925
Salaries payable	7,736	19,560	910	182	28,388
Due to other funds			3,500		3,500
Due to other governmental units	189	365	307		861
Unearned revenue	5,038	1,515	2,679		9,232
Accrued claims	277	6,802	1,021		8,100
Other		34			34
Restricted liabilities:					
Payables from restricted assets	15,356	5,854	7,198		28,408
Accrued interest payable from restricted assets	8,852				8,852
Bonds/loans payable from restricted assets	63,357				63,357
Due to other funds from restricted assets			5,040		5,040
Due to other governmental units from restricted assets			245		245
Due to current assets			1,308		1,308
Unearned revenue from restricted assets	72,361	126	116		72,603
Other liabilities from restricted assets		202			202
Total current liabilities	<u>194,782</u>	<u>65,728</u>	<u>23,471</u>	<u>7,074</u>	<u>291,055</u>
Noncurrent liabilities:					
Compensated absences payable	3,517	1,449			4,966
Due to other governmental units	802				802
Accrued claims	298	7,533			7,831
Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding)	843,652			1,405	845,057
OPEB liability	3,120	10,849			13,969
Total noncurrent liabilities	<u>851,389</u>	<u>19,831</u>	<u>0</u>	<u>1,405</u>	<u>872,625</u>
Total liabilities	<u>1,046,171</u>	<u>85,559</u>	<u>23,471</u>	<u>8,479</u>	<u>1,163,680</u>
NET ASSETS					
Invested in capital assets, net of related debt	559,808	323,868	471,244	21,126	1,376,046
Restricted for:					
Capital projects		3,934	9,754	6,063	19,751
Unrestricted	49,885	78,633	5,595	5,880	139,993
Total net assets	<u>\$ 609,693</u>	<u>\$ 406,435</u>	<u>\$ 486,593</u>	<u>\$ 33,069</u>	<u>\$ 1,535,790</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, 2007
IN THOUSANDS

	Business-type Activities--Enterprise Funds				
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	Total
Operating revenues:					
Charges for services:					
Wastewater and industrial strength charges	\$ 156,102				\$ 156,102
Transit fares		\$ 67,531	\$ 8,078		75,609
Tenant rent				\$ 480	480
Advertising and auxiliary		2,713	857		3,570
Total operating revenues	<u>156,102</u>	<u>70,244</u>	<u>8,935</u>	<u>480</u>	<u>235,761</u>
Operating expenses:					
Salaries and employee benefits	59,056	173,498	16,751	2,501	251,806
Contracted services	11,478	7,889	1,695	2,303	23,365
Materials and supplies	7,012	33,468	1,855	37	42,372
Insurance	868	1,779	140	104	2,891
Utilities	17,613	4,824	2,327	186	24,950
Advertising		1,219			1,219
Housing related expenses				48,762	48,762
Other	9,337	2,549	192	257	12,335
Depreciation	51,436	36,945	26,458	1,069	115,908
Total operating expenses	<u>156,800</u>	<u>262,171</u>	<u>49,418</u>	<u>55,219</u>	<u>523,608</u>
Operating income (loss)	<u>(698)</u>	<u>(191,927)</u>	<u>(40,483)</u>	<u>(54,739)</u>	<u>(287,847)</u>
Nonoperating revenues (expenses):					
Intergovernmental	302	167,138	13,021	56,977	237,438
Pass-through grants		(865)			(865)
Service availability charges	28,332				28,332
Investment income	12,112	5,655	380	822	18,969
Interest and fiscal charges	(26,175)	(1,002)	(106)	(213)	(27,496)
Gain/(loss) on sale of capital assets	(4,317)	(574)	184		(4,707)
Other	(3,471)	685	63	181	(2,542)
Total nonoperating revenues (expenses)	<u>6,783</u>	<u>171,037</u>	<u>13,542</u>	<u>57,767</u>	<u>249,129</u>
Income (loss) before contributions and transfers	<u>6,085</u>	<u>(20,890)</u>	<u>(26,941)</u>	<u>3,028</u>	<u>(38,718)</u>
Capital contributions	715	37,229	19,659		57,603
Transfers in	641	15,802	4,162		20,605
Transfers out		(318)	(2,548)		(2,866)
Total contributions and transfers	<u>1,356</u>	<u>52,713</u>	<u>21,273</u>	<u>0</u>	<u>75,342</u>
Change in net assets	7,441	31,823	(5,668)	3,028	36,624
Total net assets, beginning	<u>602,252</u>	<u>374,612</u>	<u>492,261</u>	<u>30,041</u>	<u>1,499,166</u>
Total net assets, ending	<u>\$ 609,693</u>	<u>\$ 406,435</u>	<u>\$ 486,593</u>	<u>\$ 33,069</u>	<u>\$ 1,535,790</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, 2007
IN THOUSANDS

	Business-type Activities--Enterprise Funds				
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	Total
Cash flows from operating activities					
Receipts from customers and users	\$ 158,597	\$ 67,168	\$ 6,895	\$ 471	\$ 233,131
Payments to suppliers	(44,354)	(51,373)	(6,852)	(51,461)	(154,040)
Payments to employees	(57,172)	(163,839)	(16,709)	(2,510)	(240,230)
Receipts from (payments to) others	537	3,398	999	234	5,168
Net cash provided (used) by operating activities	57,608	(144,646)	(15,667)	(53,266)	(155,971)
Cash flows from noncapital financing activities					
Transfer in	641				641
Cash deficit implicitly financed		(4,866)	8,366		3,500
Intergovernmental receipts	302	160,542	12,640	56,781	230,265
Transfers out		(318)	(2,548)		(2,866)
Pass-through grant payments		(865)			(865)
Net cash provided by non-capital financing activities	943	154,493	18,458	56,781	230,675
Cash flows from capital and related financing activities					
Transfers in - for capital purposes		16,289	4,162		20,451
Capital contributions	715	36,545	10,655		47,915
Proceeds from capital debt	123,950				123,950
Proceeds from service availability charges	25,501				25,501
Proceeds from sale of capital assets	22	36			58
Purchase of capital assets	(109,001)	(49,586)	(18,366)		(176,953)
Principal paid on capital debt	(51,808)				(51,808)
Interest paid on capital debt	(33,578)				(33,578)
Net cash provided by (used in) capital and related financing activities	(44,199)	3,284	(3,549)	0	(44,464)
Cash flows from investing activities					
Investment purchase/sale	57				57
Interest received/paid	13,782	4,680	312	636	19,410
Increase (decrease) in securities lending receivables/payables	16,164	22,678	(1,218)	6,109	43,733
Net cash provided by (used in) investing activities	30,003	27,358	(906)	6,745	63,200

METROPOLITAN COUNCIL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
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	44,355	40,489	(1,664)	10,260	93,440
Balances, beginning	106,812	59,271	1,664	7,616	175,363
Balances, ending	\$ 151,167	\$ 99,760	\$ 0	\$ 17,876	\$ 268,803
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (698)	\$ (191,927)	\$ (40,483)	\$ (54,739)	\$ (287,847)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	51,436	36,945	26,458	1,069	115,908
Miscellaneous revenue/expense	538	685	63	181	1,467
Change in assets and liabilities:					
Accounts receivable	1,131	(256)	(116)	45	804
Due to/due from other funds		(9)			(9)
Due from employees	(605)	(1,693)			(2,298)
Due from other governments	905				905
Materials and supplies (inventory)	(350)	(518)	(711)		(1,579)
Prepaid expenses and other current assets		(231)	(194)		(425)
Accounts payable	597	1,083	262	187	2,129
Accrued payroll liabilities	(632)	512	42	(9)	(87)
Accrued OPEB liabilities	3,120	10,849			13,969
Due to other governments	802				802
Unearned revenues	1,364	(107)	(988)		269
Other liabilities		21			21
Net cash provided (used) by operating activities	\$ 57,608	\$ (144,646)	\$ (15,667)	\$ (53,266)	\$ (155,971)

Non-cash capital and related financing activities:

Environmental Services had a non-cash loss of \$4,335 related to the disposition of property, plant, and equipment.
Metro Transit Bus had a non-cash transfer loss of \$234 on capital assets transferred to governmental funds and non-capital loss of \$376 related to disposition of property, plant and equipment.

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, 2007
IN THOUSANDS**

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 19
LIABILITIES	
Accounts payable	\$ 7
Due to participants	12
Total liabilities	\$ 19

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, 2007, 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."

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, 2007, the allowances for doubtful accounts were (dollars in thousands):

<u>Enterprise Funds</u>	<u>Balance</u>
Environmental Services	\$ 20
Metro Transit Bus	<u>211</u>
Total	<u>\$231</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, 2007, the allowances for obsolete inventory accounts were (dollars in thousands):

<u>Enterprise Funds</u>	<u>Balance</u>
Environmental Services	\$ 50
Metro Transit Bus	<u>531</u>
Total	<u>\$581</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 \$31,709,000. Of this amount, \$5,534,000 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, 2007</u>
Operating account	\$ 8,970
Repair and replacement account	5,115
Concessions reserve account	<u>2,545</u>
Total unrestricted net assets	<u>\$16,630</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 \$77,013,000 difference are as follows:

	<u>In thousands</u>
Land	\$ 4,785
Building – net of accumulated depreciation	15,731
Equipment – net of accumulated depreciation	354
Vehicles – net of accumulated depreciation	<u>56,143</u>
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 77,013</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 \$2,140,000 difference are as follows:

	<u>In thousands</u>
Receivables – delinquent property taxes	\$ 1,854
Other assets – bond issuance costs	<u>286</u>
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 2,140</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 \$(239,221,000) difference are as follows:

	<u>In thousands</u>
General obligation bonds payable	\$ (204,840)
Revenue bonds	(7,265)
Less: Net issuance discounts (to be amortized as interest expense)	(6,969)
Accrued interest payable	(3,995)
Compensated absences	(2,621)
Capital lease payable	(13,020)
OPEB liability	<u>(511)</u>
Net adjustment to reduce <i>fund balances – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ (239,221)</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 \$13,394,000 difference are as follows:

	<u>In thousands</u>
Capital outlay	\$ 22,198
Depreciation expense	<u>(8,804)</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>\$ 13,394</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 \$234,000 difference are as follows:

	<u>In thousands</u>
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.	\$ 234
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>\$ 234</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 \$442,000 difference is as follows:

	<u>In thousands</u>
Property tax revenue for year-end delinquent taxes	<u>\$ 442</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 (\$16,437,000) difference are as follows:

	<u>In thousands</u>
Issuance of general obligation bonds	\$(56,010)
Issuance of revenue refunding bonds	(7,265)
Less: (premium)/discounts on new bonds	(698)
Less cost of issuance on new bonds	133
Bond (premium)/discount amortization	523
Change in accrued interest	(235)
Amortization of cost of issuance	(40)
Payment to Bond Escrow Agents	2,860
Principal payments of general obligation bonds/loans	43,785
Capital lease payment	<u>510</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>\$(16,437)</u>

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.” The detail of this (\$597,000) difference is as follows:

	<u>In thousands</u>
Change in compensated absences for year	\$ (86)
OPEB liability	<u>(511)</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>\$(597)</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, 2007:

	Dollars in thousands			Variance with
	Original	Final		Final Budget
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Over/(Under)</u>
General Fund—Community Development Division	\$13,638	\$13,891	\$13,934	\$ 43
Metro Mobility	33,388	33,538	33,704	166
Suburban Transit Providers – a nonmajor fund	23,565	25,505	27,277	1,772
Contracted Transit Services - a nonmajor fund	21,542	22,682	29,310	6,628

General Fund – Community Development Division excess expenditures were funded by state appropriations. Metro Mobility excess expenditures were funded by investment earnings. Excess expenditures in the Suburban Transit Providers were funded from state appropriations. The Contracted Transit Services fund's excess expenditures were 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 \$39,000 of petty cash and mutilated coin, the amount of the Council's bank accounts was \$772,000; of which \$200,000 was covered by Federal depository insurance (FDIC) and \$572,000 was collateralized at least 110 percent with securities held by the Federal Reserve Bank.

At December 31, 2007, the carrying amount of the MSFC's bank accounts was \$640,000. Bank balances were \$715,000 of which \$100,000 was covered by Federal depository insurance and the remaining \$615,000 was collateralized with securities held by the pledging institution's agent in MSFC's name.

2. Investments

Throughout 2007 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 71% of the cash collateral was invested in overnight instruments. The remaining 29% was invested in investments maturing within four months. The Council's share of the collateral pool was 23% for most of 2007.

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 \$214,543,000 United States Treasury and agency investments, the Council has a custodial credit risk exposure of \$1,009,000 because the related securities are held by a custodial agent in the broker's name.

Part of the Council's securities lending cash collateral pool on December 31, 2007, contained an A1+/P1 investment that went into default in 2008. This investment (principal of \$3,233,000 at par) represents about 1 percent of the Council's investment portfolio on December 31, 2007. The final payout amount and/or date to the Council is unknown at this time.

The Council has no foreign currency exposure.

METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

Following is a summary of the fair values of securities at December 31, 2007:

			Dollars in thousands		
<u>Metropolitan Council:</u>	<u>Credit Risk</u>	<u>Custodial Credit Risk</u>	<u>Par</u>	<u>Fair Value</u>	<u>Portfolio</u>
U.S. Treasury Securities					
Futures Account, U.S. Treasury Bill & Notes	n.a.	Broker Held (a)	\$ 1,000	\$ 1,009	0.2%
Escrow Account, Debt (SLGS and Cash)	n.a.	Escrow (b)	31,782	31,782	6.0%
U.S. Agency Securities:					
Federal Home Loan Bank	Aaa	Custody (b)	28,805	28,700	5.4%
Federal National Mortgage Association	Aaa	Custody (b)	15,543	15,747	3.0%
Federal Home Loan Mortgage Corporation	Aaa	Custody (b)	18,750	18,767	3.5%
Federal Farm Credit Bank	Aaa	Custody(b)	5,000	5,003	1.0%
Investments Held by Brokers Under					
Securities lending program:					
Federal Home Loan Bank	Aaa	Broker Held	55,100	54,308	10.3%
Federal National Mortgage Association	Aaa	Broker Held	20,408	21,074	4.0%
Federal Home Loan Mortgage Corporation	Aaa	Broker Held	38,250	38,153	7.2%
Securities lending short-term collateral cash pool	P-1 (c)	Securities lending	120,860	120,860	22.8%
Certificates of Participation (U.S. GSA)	N.R. (d)	Custody (b)	4,075	4,501	0.9%
Municipal Bonds (each < 5%)	Aaa	Custody (b)	13,540	13,897	2.6%
State Board of Investment (OPEB, Equities, etc)	N.R. (e)	Custody (d)	63,120	67,524	12.8%
Money Market Funds	Aaa	n.a	115,486	115,486	21.8%
Cash for Investment	n.a.	Collateralized (h)	6	6	0.0%
Cash for Fuel Hedging Margin Acct	n.a.	Broker Held (f)	(2,584)	(2,584)	-0.5%
Cash for Operations (g)	n.a.	Collateralized	(5,431)	(5,431)	-1.0%
Petty Cash/Coin & Mutilated Coins	n.a.	Council Held	39	39	0.0%
Total Cash and Investments			<u>\$523,749</u>	<u>\$528,841</u>	<u>100.0%</u>
<u>Component Units:</u>					
MSFC:					
U.S. Treasury Securities			\$ 725	\$ 729	4.0%
U.S. Agency Securities					
Government National Mortgage Association	Aaa	Custody (i)	2,022	2,158	11.7%
Federal National Mortgage Association	Aaa	Custody (i)	3,252	3,536	19.2%
Federal Home Loan Mortgage Corporation	Aaa	Custody (i)	2,996	3,209	17.5%
Money Market Funds	(j)	n.a.	8,098	8,098	44.1%
Investment accrued interest	n.a	Custody(i)			
Cash for Operations	n.a.	(h)	641	641	3.5%
Total Cash and Investments			<u>\$17,734</u>	<u>\$ 18,371</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) Average rating is approximately P-1. One security (representing 0.6% of total cash and investments) is not performing, as described previously in this Note.

(d) N.R. = Not Rated.

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

(f) Held by the broker in the Council's name.

(g) Outstanding Checks.

(h) Individual 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 Council's name.

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

(j) \$88,270 invested in Aaa money markets. \$8,010,062 invested in A1/P1 type investments of the non-rated Sit Money Market Fund.

METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

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, 2007. Excluding the OPEB equity portfolio and securities lending collateral, the remaining investment portfolio has an average market yield of 4.8 percent, modified duration of 4.39 years, effective duration of 2.34 years and convexity of (0.74).

Metropolitan Council:	Estimated Fair Value, Parallel Shift of Yield Curve			
	Dollars in thousands			
	+50 Basis Pts.	+100 Basis Pts.	+150 Basis Pts.	+200 Basis Pts.
U.S. Treasury Securities				
Futures Account, U.S. Treasury Bill	\$ 1,005	\$ 1,002	\$ 998	\$ 994
Escrow Account, Debt (SLGS and Cash)	31,782	31,782	31,782	31,782
U.S. Agency Securities:				
Federal Home Loan Bank	28,314	27,828	27,345	26,881
Federal National Mortgage Association	15,521	15,049	14,649	14,241
Federal Home Loan Mortgage Corporation	17,491	16,820	16,182	15,580
Federal Farm Credit Bank	4,980	4,956	4,933	4,886
Investments Held by Brokers under				
Securities lending program:				
Federal Home Loan Bank	53,984	52,756	51,452	50,168
Federal National Mortgage Association	21,463	20,265	19,867	19,475
Federal Home Loan Mortgage Corporation	36,464	35,180	33,879	32,619
Securities lending short-term collateral cash pool	120,860	120,860	120,860	120,860
Certificates of Participation (U.S. GSA)	4,541	4,414	4,292	4,176
Municipal Bonds (each <5 %)	13,111	12,526	11,958	11,415
State Board of Investment (OPEB Pool, Equities, etc)	67,524	67,524	67,524	67,524
Money Market Funds	115,486	115,486	115,486	115,486
Cash for Investments	6	6	6	6
Cash for Fuel Hedging Margin account	(2,584)	(2,584)	(2,584)	(2,584)
Cash for Operations	(5,431)	(5,431)	(5,431)	(5,431)
Petty Cash/Coin & Mutilated Coins	39	39	39	39
Total Cash and Investments	<u>\$524,556</u>	<u>\$518,478</u>	<u>\$513,237</u>	<u>\$508,117</u>

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, 2007. The investment portfolio has an average yield of 5.47 percent, modified duration of 1.69 years, effective duration of 1.62 years and convexity of -0.59 as of December 31 2007.

Component Units:

MSFC:

U.S. Treasury Securities	\$ 723	\$ 717	\$ 711	\$ 704
U. S. Agency Securities				
Government National Mortgage Association	2,136	2,118	2,099	2,079
Federal National Mortgage Association	3,503	3,473	3,442	3,409
Federal Home Loan Mortgage Corporation	3,166	3,139	3,110	3,081
Money Market Funds	8,109	8,109	8,109	8,109
Investment accrued interest				
Cash for Operations	715	715	715	715
Total Cash and Investments	<u>\$18,352</u>	<u>\$18,271</u>	<u>\$18,186</u>	<u>\$18,097</u>

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.

METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

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 EFPMs. 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.

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 Fund</u>	<u>Metro Mobility</u>	<u>Debt Retirement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
<u>Receivables – current</u>					
Accounts	\$ 4	\$ 96		\$4,961	\$ 5,061
Delinquent taxes	500		\$1,764	486	2,750
Interest	<u>154</u>	<u>62</u>	<u>632</u>	<u>472</u>	<u>1,320</u>
Total receivables-current	<u>\$658</u>	<u>\$158</u>	<u>\$2,396</u>	<u>\$5,919</u>	<u>\$9,131</u>
	<u>Environmental Services</u>	<u>Metro Transit Bus</u>	<u>Metro Transit Light Rail</u>	<u>Metropolitan Housing and Redevelopment Authority</u>	<u>Total Business- Type</u>
<u>Receivables – current (continued)</u>					
Accounts	\$3,243	\$5,685	\$224	\$205	\$9,357
Interest	289	317	8	88	702
Less: allowance for uncollectibles	<u>(20)</u>	<u>(211)</u>	<u>—</u>	<u>—</u>	<u>(231)</u>
Total receivables- current	<u>\$3,512</u>	<u>\$5,791</u>	<u>\$232</u>	<u>\$293</u>	<u>\$9,828</u>
	<u>Environmental Services</u>	<u>Metro Transit Bus</u>	<u>Metro Transit Light Rail</u>		<u>Total Business- Type</u>
<u>Receivables – restricted</u>					
Accounts	\$14,234	\$ 3	\$10		\$14,247
Interest	<u>668</u>	<u>3</u>			<u>671</u>
Net total receivables-restricted	<u>\$14,902</u>	<u>\$6</u>	<u>\$10</u>		<u>\$14,918</u>

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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)	\$ 349
Delinquent property taxes receivable (Debt retirement fund)	1,162
Delinquent property taxes receivable (Nonmajor governmental funds)	<u>343</u>
Total deferred/unearned revenue for governmental funds	<u>\$1,854</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 2007, the Council levied \$10,300,000 for the General levy; \$7,184,000 for the Livable Communities Demonstration Account levy; \$8,276,000 for Parks and Radio system debt service; \$3,163,000 for Highway Right-Of-Way Loan; and \$37,144,000 in transit debt service levies upon all taxable property within the Twin Cities Metropolitan Area. The Council also levied \$5,000,000 for Livable Communities Tax Base Revitalization, upon taxable property included in the Metropolitan Fiscal Disparities contribution tax pool.

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:

	<u>Dollars in thousands</u>			
	<u>Levy</u>	<u>Council</u>	<u>Less:</u>	<u>Adjusted</u>
	<u>Limit</u>	<u>Levy</u>	<u>MVC Credit</u>	<u>Levy</u>
Operating levy	\$11,766	\$10,300	\$ (506)	\$ 9,794
Tax base revitalization	5,000	5,000		5,000
Highway right-of-way	3,163	3,163	(156)	3,007
Livable communities	9,235	7,184	(353)	6,831
Parks and radio system debt retirement	8,276	8,276	(407)	7,869
Transit debt retirement	<u>37,144</u>	<u>37,144</u>	<u>(845)</u>	<u>36,299</u>
Total	<u>\$74,584</u>	<u>\$71,067</u>	<u>\$(2,267)</u>	<u>\$68,800</u>

E. Capital assets

1. Primary government

Capital asset activity for the year ended December 31, 2007 was as follows:

	Dollars in thousands			
<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 215	\$4,570	\$ 0	\$ 4,785
Capital assets, being depreciated:				
Building	16,344			16,344
Vehicles	74,735	18,163	(1,613)	91,285
Equipment	2,729	215		2,944
Total capital assets, being depreciated	93,808	18,378	(1,613)	110,573
Less accumulated depreciation for:				
Building	204	409		613
Vehicles	28,075	8,164	(1,097)	35,142
Equipment	2,359	231		2,590
Total accumulated depreciation	30,638	8,804	(1,097)	38,345
Total capital assets, being depreciated, net	63,170	9,574	(516)	72,228
Governmental activities capital assets, net	\$63,385	\$14,144	\$(516)	\$77,013

During the year, Metro Transit Bus enterprise fund transferred capital assets with a net book value of \$234,000 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 \$748,000 in vehicles, and \$514,000 of accumulated depreciation are reflected in the above capital asset activity for the year.

	Dollars in thousands			
<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 78,242	\$ 2,619	\$ (5,515)	\$ 75,346
Construction in progress	199,335	135,032	(43,946)	290,421
Total capital assets, not being depreciated	277,577	137,651	(49,461)	365,767
Capital assets, being depreciated:				
Buildings and infrastructure	2,532,934	52,905	(9,136)	2,576,703
Vehicles	376,042	23,104	(2,469)	396,677
Equipment	88,523	5,953	(2,818)	91,658
Total capital assets, being depreciated	2,997,499	81,962	(14,423)	3,065,038
Less accumulated depreciation for:				
Buildings and infrastructure	788,459	82,650	(5,029)	866,080
Vehicles	183,419	25,732	(2,600)	206,551
Equipment	66,968	7,526	(2,528)	71,966
Total accumulated depreciation	1,038,846	115,908	(10,157)	1,144,597
Total capital assets, being depreciated, net	1,958,653	(33,946)	(4,266)	1,920,441
Business-type activities capital assets, net	\$2,236,230	\$103,705	\$(53,727)	\$2,286,208

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

<u>Governmental activities:</u>	<u>In thousands</u>
General government	\$ 567
Transportation	<u>8,237</u>
Total depreciation expense-governmental activities	<u>\$8,804</u>
 <u>Business-type activities:</u>	
Environmental Services	\$ 51,436
Transit Bus	36,945
Transit Light Rail	26,458
Housing	<u>1,069</u>
Total deprecation expense-business-type activities	<u>\$115,908</u>

2. Discretely presented component unit

Activity for Metropolitan Sports Facilities Commission for the year ended December 31, 2007, was as follows:

	<u>Dollars in thousands</u>			
	<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	\$ 8,700	\$ 0	\$ 0	\$ 8,700
Capital assets, being depreciated:				
Buildings and improvements	99,760	150		99,910
Equipment	<u>11,809</u>	<u>651</u>	<u>(493)</u>	<u>11,967</u>
Total capital assets, being depreciated	<u>111,569</u>	<u>801</u>	<u>(493)</u>	<u>111,877</u>
Less accumulated depreciation for:				
Building and improvements	84,844	4,404		89,248
Equipment	<u>8,109</u>	<u>1,087</u>	<u>(477)</u>	<u>8,719</u>
Total accumulated depreciation	<u>92,953</u>	<u>5,491</u>	<u>(477)</u>	<u>97,967</u>
Total capital assets, being depreciated, net	<u>18,616</u>	<u>(4,690)</u>	<u>(16)</u>	<u>13,910</u>
Metropolitan Sports Facilities Commission, capital assets, net	<u>\$27,316</u>	<u>\$(4,690)</u>	<u>\$ (16)</u>	<u>\$22,610</u>

F. Inter-fund 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 inter-fund balances as of December 31, 2007, is as follows:

<u>Due from/due to other funds</u>		<u>In thousands</u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	
General fund	Nonmajor government	\$ 17,941
Metro Transit Bus	Nonmajor government	1,000
Metro Transit Light Rail	Nonmajor government	4
Metro Transit Bus	Metro Transit Light Rail	5,040
Nonmajor government	Metro Transit Light Rail	<u>3,500</u>
Total		<u>\$27,485</u>

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Transfers are primarily used to 1) move General fund revenues--and some non-major fund revenues—to various other funds to comply with legislative mandates, and 2) move revenues from the fund with collection authorization to other funds in accordance with budgetary authorization, including amounts provided as subsidies, and 3) provide as subsidies to various capital project funds

<u>Dollars in thousands</u>							
<u>Transfers Out</u>							
<u>Transfers In</u>	General fund	Metro <u>Mobility</u>	Debt <u>Retirement</u>	Nonmajor <u>governmental</u>	Metro Transit <u>Bus</u>	Metro <u>Transit</u> <u>Light Rail</u>	<u>Total</u>
General fund			1	422			423
Metro Mobility	49						49
Nonmajor governmental	1,000	1,788		572	234		3,594
Environmental Services	641						641
Metro Transit Bus	2			13,252		2,548	15,802
Metro Transit Light Rail				4,078	84		4,162
Total	<u>1,692</u>	<u>1,788</u>	<u>1</u>	<u>18,324</u>	<u>318</u>	<u>2,548</u>	<u>24,671</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 Metro Mobility Special Revenue fund \$49,000 and to Environmental Services \$126,000 of excess rental related income and \$515,000 for expenses incurred in a regional water management program. The General fund transferred \$2,000 to Metro Transit Bus for expenditures incurred in behalf of the General fund's programs.

Metro Mobility fund transferred to the Suburban Transit Providers Special Revenue fund (a nonmajor fund), \$1,788,000 in accordance with State authorized revenues. The Debt Retirement fund transferred to the General fund \$1,000, of interest revenue. The Administration Building Capital Projects fund (a nonmajor fund) was closed in 2007 with its \$422,000 fund balance transferred to the General fund. At the end of the year, the Parks and Open Space Grants Capital Projects fund (a nonmajor fund) transferred \$572,000 of interest earnings to the North Mississippi Capital Projects fund (a nonmajor fund) as required by State legislation. The Transit Capital Projects fund (nonmajor fund) transferred to Metro Transit Bus \$13,252,000 and Metro Transit Light Rail \$4,078,000, respectively for reimbursement of authorized capital programs expenses. During the year, Metro Transit Bus transferred \$84,000 to Metro Transit Light Rail, and Metro Transit Light Rail transferred \$2,548,000 to Metro Transit Bus for reimbursement of expenses incurred in certain capital project activities.

Additionally, the Metro Transit Bus enterprise fund transferred capital assets with a net book value of \$234,000 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 2007 were Metro Transit Bus enterprise fund payments of \$462,000, Metro Transit Light Rail enterprise fund payments of \$28,000, and Environmental Service enterprise fund payments of \$225,000.

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

Dollars in Thousands					
Year	General Fund	Total Governmental	Environmental Services	Metro Transit Bus	Total Business -type
2008	5	5	\$154	\$ 229	\$ 383
2009	5	5	154	219	373
2010	5	5	78	203	281
2011	4	4	2	188	190
2012				157	157
2013-2017				421	421
2018-2022				456	456
Total	<u>19</u>	<u>19</u>	<u>\$388</u>	<u>\$1,873</u>	<u>\$2,261</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 2007, 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>
2008	\$ 1,034
2009	1,033
2010	1,035
2011	1,032
2012	1,032
2013-2017	5,142
2018-2022	5,122
2023-2025	<u>3,063</u>
Total minimum lease payments	\$18,493
Less amount representing interest	<u>(5,473)</u>
Present value of minimum lease payments	<u>\$13,020</u>

H. Long-term obligations

1. General obligation debt

The Council has issued 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 has 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 \$682,990,000. During the year, \$45,900,000 of general obligation bonds; \$10,110,000 of general obligation refunding bonds; \$80,000,000 of general obligation sewer bonds; no general obligation sewer refunding bonds; and no general obligations certificates of indebtedness were issued.

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%	\$159,425
Governmental activities – refunding	2.50 – 5.00%	37,560
Business-type activities	2.00 – 5.00%	210,870
Business-type activities – refunding	3.00 – 5.25%	<u>120,470</u>
Total general obligation bonds		<u>\$528,325</u>

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The original amount of Minnesota Public Facilities Authority (PFA) loans drawn down in prior years was \$693,127,000. During the year, \$36,007,000 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%	\$ 7,855
Business-type activities	0.00 - 5.38%	<u>564,955</u>
Total Public Facilities Authority loans		<u>\$572,810</u>

The following is a summary of bond transactions of the Council for the year ended December 31, 2007:

<u>Dollars in thousands</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Balance, January 1, 2007	\$192,456	\$841,817
Bonds issued, net of discount/premium	56,548	80,860
PFA drawdown		36,007
Amortization of discount/premium	(519)	(1,182)
Amortization of deferred amount on refunding		87
Less principal payments	<u>(36,730)</u>	<u>(50,580)</u>
Balance, December 31, 2007	<u>\$211,755</u>	<u>\$907,009</u>

As of December 31, 2007, the annual debt service requirements to amortize all general obligation bonds and loans outstanding, including interest of \$37,242,000 on the governmental activities debt and \$288,199,000 on the business-type activities debt, are as follows:

<u>Year Ending December 31</u>	<u>Dollars in thousands</u>					
	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 55,340	\$ 7,879	\$ 63,219	\$ 63,357	\$ 32,259	\$ 95,616
2009	24,560	6,069	30,629	55,016	30,529	85,545
2010	21,735	5,066	26,801	50,205	28,336	78,541
2011	28,955	3,917	32,872	47,615	26,370	73,985
2012	13,255	2,962	16,217	47,698	24,451	72,149
2013-2017	38,920	8,513	47,433	271,635	94,123	365,758
2018-2022	18,250	2,632	20,882	261,474	44,213	305,687
2023-2027	<u>3,825</u>	<u>204</u>	<u>4,029</u>	<u>99,296</u>	<u>7,918</u>	<u>107,214</u>
Sub-total	204,840	37,242	242,082	896,296	288,199	1,184,495
Net unamortized:						
Discounts/premiums	6,915		6,915	10,996		10,996
Deferred on refunding				(283)		(283)
Total payments	<u>\$211,755</u>	<u>\$37,242</u>	<u>\$248,997</u>	<u>\$907,009</u>	<u>\$288,199</u>	<u>\$1,195,208</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 were to be paid over a 15-year period. 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.

On March 15, 2007, the Council issued \$7,265,000 of Revenue Refunding Bonds. These bonds bear interest from 4.00 to 5.00 percent and are being repaid over a 6 year period. Principal and interest are payable from revenues derived from the collection of emergency telephone service fees ("911 fees"). Proceeds were used to refund the remaining maturities of the Council's \$14,280,000 revenue bonds mentioned previously.

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The following is a summary of revenue bond transactions of the Council for the year ended December 31, 2007:

	Dollars in thousands
Balance, January 1, 2007	\$ 9,813
Refund bonds issued, net of discount/premium	7,425
Less principal payment	(9,915)
Amortization of discount	<u>(4)</u>
Balance, December 31, 2007	<u>\$ 7,319</u>

As of December 31, 2007, the annual requirements to amortize all revenue bonds outstanding, including interest of \$995,000, are as follows:

	Dollars in thousands		
Year Ending December 31	Principal	Interest	Total
2008	\$ 1,030	\$ 298	\$ 1,328
2009	1,135	252	1,387
2010	1,185	199	1,384
2011	1,245	138	1,383
2012	1,305	81	1,386
2013	<u>1,365</u>	<u>27</u>	<u>1,392</u>
Sub-total	7,265	995	8,260
Net unamortized discount/premium	<u>54</u>		<u>54</u>
Balance, December 31, 2007	<u>\$7,319</u>	<u>\$ 995</u>	<u>\$ 8,314</u>

4. Refunded Bonds

The Council sold two refunding bonds in 2007:

		Dollars in thousands				
Bond Number	Type	Present Par Value	Debt Value Savings	Service Savings	Refunded Bond	Bond Maturities
		Value	Savings	Savings		
2007D	Revenue	\$ 7,265	\$ 546	\$ 1,202	1999C	2008-2015
2007E	Transit	<u>10,110</u>	<u>341</u>	<u>485</u>	2002C	2012-2022
		<u>\$ 17,375</u>	<u>\$ 887</u>	<u>\$ 1,687</u>		

5. Current value, flow, and facilities cost credits

Environmental Services, an enterprise fund, is indebted to various municipalities for equity in treatment works and interceptors in service when the fund acquired the facilities. This liability is a component of due to other governments. The municipalities receive a check in July for the portion of the credit amortized annually plus interest on the unamortized balance at 4%. During 2007, \$426,000 of principal was retired. The unpaid balance was \$991,000 at December 31, 2007.

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

6. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2007, 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	\$ 185,560	\$56,010	\$(36,730)	\$204,840	\$55,340
Less discounts/premiums	<u>6,896</u>	<u>538</u>	<u>(519)</u>	<u>6,915</u>	
Net general obligation debt	<u>192,456</u>	<u>\$56,548</u>	<u>(37,249)</u>	<u>211,755</u>	<u>55,340</u>
Revenue bonds (see Note IV.H.3.)	9,915	7,265	(9,915)	7,265	1,030
Less discounts/premiums	<u>(102)</u>	<u>160</u>	<u>(4)</u>	<u>54</u>	
Net revenue bonds	<u>9,813</u>	<u>7,425</u>	<u>(9,919)</u>	<u>7,319</u>	<u>1,030</u>
Total bonds/loans payable	202,269	63,973	(47,168)	219,074	56,370
Capital lease	13,530		(510)	13,020	525
Compensated absences	2,535	2,096	(2,010)	2,621	2,621
OPEB liability		<u>511</u>		<u>511</u>	
Governmental long-term liabilities	<u>\$ 218,334</u>	<u>\$66,580</u>	<u>\$(49,688)</u>	<u>\$ 235,226</u>	<u>\$59,516</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	\$830,869	\$116,007	\$(50,580)	\$896,296	\$63,357
Loans payable	1,405			1,405	
Discounts/premiums	11,318	860	(1,182)	10,996	
Deferred on refunding	<u>(370)</u>		<u>87</u>	<u>(283)</u>	
Total bonds/loans payable	843,222	116,867	(51,675)	908,414	63,357
Compensated absences	5,340	764	(1,138)	4,966	
Due to other governments	1,417	189	(615)	991	189
OPEB liability		13,969		13,969	
Accrued claims	<u>17,332</u>	<u>4,247</u>	<u>(5,648)</u>	<u>15,931</u>	<u>8,100</u>
Business-type activity long-term liabilities	<u>\$867,311</u>	<u>\$136,036</u>	<u>\$(59,076)</u>	<u>\$944,271</u>	<u>\$71,646</u>

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

I. Compensated absences

1. Primary government

In 2007 the General fund liability for compensated absences earned but not taken increased from \$2,535,000 to \$2,621,000. This liability is reported in the government-wide statement of net assets. The following summary of changes during 2007 includes \$186,000 in payroll taxes:

	Dollars in thousands
Balance, January 1, 2007	\$2,535
Transferred to Enterprise Funds	(19)
Leave Earned	2,096
Leave Taken or Paid Off	<u>(1,991)</u>
Balance, December 31, 2007	<u>\$2,621</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, 2007, 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>\$203</u>	<u>\$204</u>	<u>\$(179)</u>	<u>\$228</u>	<u>\$135</u>

J. Deficit fund balance

The Transit Capital Projects fund (a nonmajor fund) has a negative fund balance of \$9,468,000. This negative balance, in turn, has resulted in the Nonmajor Governmental Funds—Capital Projects reporting a negative balance of \$295,000. The negative balance in the Transit Capital Projects Fund is the result of Metro Transit Bus fund (an enterprise fund) reimbursement transfers during the year. The Council has issued \$40,300,000 in General Obligation Transit Bonds on March 12, 2008, to return the Transit Capital Projects fund balance to a positive balance; which, in turn, will bring the Nonmajor Governmental Funds—Capital Projects fund balance to a positive balance.

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 2006 or 2007.

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

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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 4.25 percent

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 2006 and 2007 are as follows:

	Dollars in thousands			
	Metro Transit Bus	Metro Transit Light Rail	Environmental Services	Total
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	(6,697)	(446)	(616)	(7,759)
Ending balance	<u>\$15,692</u>	<u>\$1,013</u>	<u>\$ 627</u>	<u>\$17,332</u>
2007 Balance:				
Beginning balance	\$15,692	\$1,013	\$ 627	\$17,332
Current year claims and changes in estimates	3,696	8	543	4,247
Payments on claims	<u>5,053</u>		<u>(595)</u>	<u>(5,648)</u>
Ending balance	<u>\$14,335</u>	<u>\$1,021</u>	<u>\$ 575</u>	<u>\$15,931</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. Employee retirement plans

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 a specified percent of their annual covered salary, and the Council is also required to contribute the same specified percent of covered payroll. From January 1, 2007, through June 30, 2007, the specified percentage was 4.0 percent. Beginning July 1, 2007, through the end of the year, the specified percentage was 4.25 percent. Employer contributions to MSRS (which equaled the required contributions for each year) were:

	Dollars in thousands	
	Component Unit	
Year	Council	MSFC
2005	6,861	81
2006	6,951	86
2007	7,274	91

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>Component Unit</u>	
	<u>Council</u>	<u>MSFC</u>
2005	110	3
2006	115	3
2007	124	3

C. Other postemployment benefits

Plan Description: The Metropolitan Council administers an Other Postemployment Benefit Plan (the OPEB plan), a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents.

Benefit provisions are established and amended through negotiations between the Council and the respective unions representing its employees. Only employees hired prior to OPEB benefit sunset dates established within those union agreements are entitled to receive employer paid OPEB benefits. Employees' percentage of OPEB benefit participation is further dependent upon meeting certain hire date, length of service, retirement age and other criteria established within their collective bargaining agreements.

The Council does not issue a separate financial report for its OPEB plan. Activity for the plan is reported for the primary government and in enterprise funds for Metro Transit Bus and Environmental Services.

Funding Policy: Currently, the Council does not fund its OPEB benefits in an irrevocable trust. However, the Council has separately invested \$69.4 million as of December 31, 2007 with the Minnesota State Board of Investment for this purpose. This funding arrangement does not meet the requirements of GASB Statement 45; accordingly, these funds are not included in the OPEB plan's assets.

The Council's internal funding policy includes investing the plan's normal cost and continuing pay-as-you go benefit payments until invested funds are adequate to cover all future benefits. The normal cost represents that portion of the Actuarial Present Value of the OPEB plan's benefits which is allocated to employee service in the current fiscal year.

Annual OPEB Cost and Net OPEB Obligation: The annual OPEB cost (expense) is calculated based on the Council's *annual required contribution*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of \$26.1 million is 11.3 percent of annual covered payroll. The Council's OPEB cost for the current year and related information are as follows (dollars in thousands):

METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

	<u>Metro Transit</u>	<u>Enviromental Services</u>	<u>General Fund</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 19,365	\$ 5,999	\$ 741	\$ 26,105
Interest on net OPEB obligation	0	0	0	0
Adjustments to Annual Required Contribution(ARC)	0	0	0	0
Annual OPEB cost (expense)	19,365	5,999	741	26,105
Contributions made	(8,516)	(2,879)	(230)	(11,625)
Increase in Net OPEB Obligation	10,849	3,120	511	14,480
Net OPEB obligation beginning of year	0	0	0	0
Net OPEB obligation end of year	<u>\$ 10,849</u>	<u>\$ 3,120</u>	<u>\$ 511</u>	<u>\$ 14,480</u>

The Council's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2007, were as follows (dollars in thousands):

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Metro Transit	\$ 19,365	44%	\$ 10,849
Enviromental Services	5,999	48%	3,120
General Fund	741	31%	511
Total	<u>\$ 26,105</u>	45%	<u>\$ 14,480</u>

Funding Status and Funding Progress: As of December 31, 2007, the actuarial accrued liability (AAL) for benefits was \$275.0 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$230.6 million, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 119.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the historical pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consist with the long-term perspective of the calculations.

The actuarial valuation completed January 31, 2006, used the projected unit credit actuarial cost method with service prorated. Under this method, the total present value of benefits is determined by projecting the benefit to be paid after the expected retirement date (or other event) and discounting those amounts to the valuation date. The actuarial assumptions include a percent investment rate of return per annum (compounded annually) composed of 5.4 percent for Metro Transit, 5.9 percent for Environmental Services, and 4.5 percent for General Fund net of administrative expenses. The projected annual health care cost trend rate is 9.13 percent initially, reduced by decrements to an ultimate rate of 5 percent for the year 2020 and beyond. The initial UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2007, was 29 years.

D. Sub-grantee programs

During the year ended December 31, 2007, 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, 2007.

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 \$56.4 million as of December 31, 2007. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$49.3 million will be paid from the Metro Transit Light Rail fund. Future commitments for regional transit services are approximately \$123.9 million as of December 31, 2007. These commitments will be paid from Regional Transit special revenue funds. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately \$34.1 million as of December 31, 2007. 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 January 9, 2008, the Council agreed to a \$10,000,000 loan from the Minnesota Public Facilities Authority (PFA) for financing transit capital expenditures, Series 2008A. On March 12, 2008, the Council sold the following bonds: \$40,300,000 General Obligation Transit Bonds, Series 2008B; \$80,000,000 General Obligation Waste Water Treatment Revenue Bonds, Series 2008C; and \$8,850,000 General Obligation Waste Water Treatment Revenue Refunding Bonds, Series 2008D.

In June 2008, Beth Widstrom-Anderson, the Council CFO, retired. A replacement has not been named.

REQUIRED SUPPLEMENTARY INFORMATION

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Taxes	\$ 9,736	\$ 9,736	\$ 9,862	\$ 126
Intergovernmental revenue:				
Federal			1	1
State	9,091	9,112	9,992	880
Local/other	76	76	137	61
Investment income	684	684	1,812	1,128
Other			7	7
Total revenues	<u>19,587</u>	<u>19,608</u>	<u>21,811</u>	<u>2,203</u>
EXPENDITURES				
Current:				
General government	8,866	10,050	7,704	(2,346)
Intergovernmental:				
Culture and recreation	8,630	8,630	9,486	856
Debt service:				
Principal			510	510
Interest and other charges	267	267	916	649
Capital outlay	431	431	202	(229)
Total expenditures	<u>18,194</u>	<u>19,378</u>	<u>18,818</u>	<u>(560)</u>
Excess (deficiency) of revenues over (under) expenditures	1,393	230	2,993	2,763
OTHER FINANCING SOURCES (USES)				
Transfers in		422	423	1
Transfers out	(2,043)	(2,043)	(1,692)	351
Total other financing sources (uses)	<u>(2,043)</u>	<u>(1,621)</u>	<u>(1,269)</u>	<u>352</u>
Net change in fund balance	(650)	(1,391)	1,724	3,115
Fund balance, beginning	15,933	15,933	15,933	0
Fund balance, ending	<u>\$ 15,283</u>	<u>\$ 14,542</u>	<u>\$ 17,657</u>	<u>\$ 3,115</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, 2007
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Intergovernmental revenue:				
Federal	\$ 4,250	\$ 6,838	\$ 6,838	\$ 0
State	23,894	23,094	25,885	2,791
Investment income			910	910
Other	3,694	3,694	4,344	650
Total revenues	<u>31,838</u>	<u>33,626</u>	<u>37,977</u>	<u>4,351</u>
EXPENDITURES				
Current:				
General government	18	18	18	0
Transportation	33,370	33,520	33,483	(37)
Debt service:				
Interest and other charges			203	203
Total expenditures	<u>33,388</u>	<u>33,538</u>	<u>33,704</u>	<u>166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,550)</u>	<u>88</u>	<u>4,273</u>	<u>4,185</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50	50	49	(1)
Transfers out		(1,788)	(1,788)	0
Sale of capital assets			16	16
Total other financing sources (uses)	<u>50</u>	<u>(1,738)</u>	<u>(1,723)</u>	<u>15</u>
Net change in fund balance	(1,500)	(1,650)	2,550	4,200
Fund balance, beginning	<u>16,280</u>	<u>16,280</u>	<u>16,280</u>	<u>0</u>
Fund balance, ending	<u>\$ 14,780</u>	<u>\$ 14,630</u>	<u>\$ 18,830</u>	<u>\$ 4,200</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, 2007

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	\$ 4,556	\$ 5,487	\$ 4,884	\$ (603)
Community Development	13,638	13,891	13,934	43
Total General Fund	<u>\$ 18,194</u>	<u>\$ 19,378</u>	<u>\$ 18,818</u>	<u>\$ (560)</u>

B. Excess of expenditures over appropriations

The following fund had expenditures in excess of budget for the year ended December 31, 2007:

	Dollars in thousands			Variance with Final Budget Over (Under)
	Original Budget	Final Budget	Actual	
General fund				
Community Development Division	\$13,638	\$13,891	\$13,934	\$ 43
Metro Mobility	\$33,388	33,538	33,704	\$ (166)

Excess expenditures in the General Fund-Community Development Division funded by state appropriations.
Excess expenditures in the Metro Mobility fund were funded by investment earnings.

METROPOLITAN COUNCIL

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2007

C. Postemployment Benefits

The following schedules present the Council's actuarially determined funding progress and required contributions for the Post-Retirement Plan (using the projected unit credit method).

Schedule of Funding Progress						
Dollars In Thousands						
	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date – January 1, 2006	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)
Metro Transit	\$ 0	\$ 200,409	\$ 200,409	0.00%	\$ 152,769	131.18%
Environmental Services	0	65,513	65,513	0.00%	53,830	121.70%
General Fund	0	9,045	9,045	0.00%	24,043	37.62%
Total	\$ 0	\$ 274,967	\$ 274,967		\$ 230,642	119.22%

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

METROPOLITAN COUNCIL

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES DECEMBER 31, 2007

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.

Contracted Transit Services, and Suburban Transit Providers 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 and had been closed in 2007.

**METROPOLITAN COUNCIL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007
IN THOUSANDS**

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 87,997	\$ 16,961	\$ 104,958
Receivables, (net)	26	4,935	4,961
Delinquent taxes receivable	486		486
Interest receivable	387	85	472
Due from other funds		3,500	3,500
Due from other governmental units	6,755	8,377	15,132
Loans and advances	37,974		37,974
Total assets	<u>\$ 133,625</u>	<u>\$ 33,858</u>	<u>\$ 167,483</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts/contracts/subgrantees payable	\$ 36,881	\$ 15,208	\$ 52,089
Due to other funds		18,945	18,945
Deferred revenue	343		343
Total liabilities	<u>37,224</u>	<u>34,153</u>	<u>71,377</u>
Fund balances:			
Reserved for:			
Grants and loans	68,481	6,663	75,144
Unreserved, designated for:			
Grants and loans	17,540		17,540
Capital projects		2,510	2,510
Unreserved, undesignated	10,380	(9,468)	912
Total fund balances	<u>96,401</u>	<u>(295)</u>	<u>96,106</u>
Total liabilities and fund balances	<u>\$ 133,625</u>	<u>\$ 33,858</u>	<u>\$ 167,483</u>

**METROPOLITAN COUNCIL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
DECEMBER 31, 2007
IN THOUSANDS**

	Highway Right-of-Way Acquisition Loan	Livable Communities	Suburban Transit Providers	Contracted Transit Services	Other Special Revenue	Total Special Revenue
ASSETS						
Cash and cash equivalents	\$ 8,638	\$ 60,567	\$ 1,989	\$ 11,815	\$ 4,988	\$ 87,997
Receivables, (net)				26		26
Delinquent taxes receivable	170	316				486
Interest receivable	42	281		40	24	387
Due from other governmental units			2,283	4,472		6,755
Loans and advances	37,712				262	37,974
Total assets	<u>\$ 46,562</u>	<u>\$ 61,164</u>	<u>\$ 4,272</u>	<u>\$ 16,353</u>	<u>\$ 5,274</u>	<u>\$ 133,625</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts/contracts/subgrantees payable	\$ 2,967	\$ 21,956	\$ 4,272	\$ 5,973	\$ 1,713	\$ 36,881
Deferred revenue	127	216				343
Total liabilities	<u>3,094</u>	<u>22,172</u>	<u>4,272</u>	<u>5,973</u>	<u>1,713</u>	<u>37,224</u>
Fund balances:						
Reserved for:						
Grants and loans	37,712	30,507			262	68,481
Unreserved, designated for :						
Grants and loans	5,756	8,485			3,299	17,540
Unreserved, undesignated				10,380		10,380
Total fund balances	<u>43,468</u>	<u>38,992</u>	<u>-</u>	<u>10,380</u>	<u>3,561</u>	<u>96,401</u>
Total liabilities and fund balances	<u>\$ 46,562</u>	<u>\$ 61,164</u>	<u>\$ 4,272</u>	<u>\$ 16,353</u>	<u>\$ 5,274</u>	<u>\$ 133,625</u>

**METROPOLITAN COUNCIL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
DECEMBER 31, 2007
IN THOUSANDS**

	<u>North Mississippi Park</u>	<u>Parks and Open Space Grants</u>	<u>Transit</u>	<u>Total Capital Projects</u>
ASSETS				
Cash and cash equivalents	\$ 1,231	\$ 15,730		\$ 16,961
Receivables, (net)			\$ 4,935	4,935
Interest receivable	3	82		85
Due from other funds			3,500	3,500
Due from other governmental units		3,807	4,570	8,377
Total assets	<u>\$ 1,234</u>	<u>\$ 19,619</u>	<u>\$ 13,005</u>	<u>\$ 33,858</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts/contracts/subgrantees payable	\$ 226	\$ 11,454	\$ 3,528	\$ 15,208
Due to other funds			18,945	18,945
Total liabilities	<u>226</u>	<u>11,454</u>	<u>22,473</u>	<u>34,153</u>
Fund balances:				
Reserved for:				
Grants and loans	349	6,314		6,663
Unreserved, designated for:				
Capital projects	659	1,851		2,510
Unreserved, undesignated			(9,468)	(9,468)
Total fund balances	<u>1,008</u>	<u>8,165</u>	<u>(9,468)</u>	<u>(295)</u>
Total liabilities and fund balances	<u>\$ 1,234</u>	<u>\$ 19,619</u>	<u>\$ 13,005</u>	<u>\$ 33,858</u>

METROPOLITAN COUNCIL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 14,891		\$ 14,891
Intergovernmental revenue:			
Federal	13,207		13,207
State	40,397	\$ 18,388	58,785
Local/other	122	3,500	3,622
Investment income	5,388	1,023	6,411
Other	2,851		2,851
Total revenues	<u>76,856</u>	<u>22,911</u>	<u>99,767</u>
EXPENDITURES			
Current:			
General government	1,002	18	1,020
Transportation	20,062	688	20,750
Intergovernmental:			
Transportation	28,431	1,831	30,262
Culture and recreation		16,891	16,891
Economic development	4,548		4,548
Environment	9,302		9,302
Housing	1,831		1,831
Debt service:			
Interest and other charges	1,450	440	1,890
Capital outlay	6,936	15,060	21,996
Total expenditures	<u>73,562</u>	<u>34,928</u>	<u>108,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,294</u>	<u>(12,017)</u>	<u>(8,723)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,788	572	3,360
Transfers out	(601)	(17,723)	(18,324)
Bonds issued		45,900	45,900
Sale of capital assets		430	430
Total other financing sources (uses)	<u>2,187</u>	<u>29,179</u>	<u>31,366</u>
Net change in fund balances	5,481	17,162	22,643
Fund balances, beginning	<u>90,920</u>	<u>(17,457)</u>	<u>73,463</u>
Fund balances, ending	<u>\$ 96,401</u>	<u>\$ (295)</u>	<u>\$ 96,106</u>

METROPOLITAN COUNCIL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS

	Highway Right-of-Way Acquisition Loan	Livable Communities	Suburban Transit Providers	Contracted Transit Services	Other Special Revenue	Total Special Revenue
REVENUES						
Taxes	\$ 3,002	\$ 11,889				\$ 14,891
Intergovernmental revenue:						
Federal				\$ 13,207		13,207
State	156	353	\$ 25,489	14,399		40,397
Local/other				122		122
Investment income	464	3,996		591	\$ 337	5,388
Other				2,851		2,851
Total revenues	<u>3,622</u>	<u>16,238</u>	<u>25,489</u>	<u>31,170</u>	<u>337</u>	<u>76,856</u>
EXPENDITURES						
Current:						
General government				1,002		1,002
Transportation				20,062		20,062
Intergovernmental:						
Transportation			27,277	1,154		28,431
Economic development		4,548				4,548
Environment		9,302				9,302
Housing		1,831				1,831
Debt service:						
Interest and other charges	127	1,075		156	92	1,450
Capital outlay				6,936		6,936
Total expenditures	<u>127</u>	<u>16,756</u>	<u>27,277</u>	<u>29,310</u>	<u>92</u>	<u>73,562</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,495</u>	<u>(518)</u>	<u>(1,788)</u>	<u>1,860</u>	<u>245</u>	<u>3,294</u>
OTHER FINANCING SOURCES (USES)						
Transfers in		1,000	1,788			2,788
Transfers out				(601)		(601)
Total other financing sources (uses)	<u>0</u>	<u>1,000</u>	<u>1,788</u>	<u>(601)</u>	<u>0</u>	<u>2,187</u>
Net change in fund balances	3,495	482	0	1,259	245	5,481
Fund balances, beginning	<u>39,973</u>	<u>38,510</u>	<u>0</u>	<u>9,121</u>	<u>3,316</u>	<u>90,920</u>
Fund balances, ending	<u>\$ 43,468</u>	<u>\$ 38,992</u>	<u>\$ 0</u>	<u>\$ 10,380</u>	<u>\$ 3,561</u>	<u>\$ 96,401</u>

METROPOLITAN COUNCIL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS

	North Mississippi Park	Parks and Open Space Grants	Transit	Administration Building	Total Capital Projects
REVENUES					
Intergovernmental revenue:					
State		\$ 13,818	\$ 4,570		\$ 18,388
Local			3,500		3,500
Investment income	\$ 26	997			1,023
Total revenues	<u>26</u>	<u>14,815</u>	<u>8,070</u>	<u>\$ 0</u>	<u>22,911</u>
EXPENDITURES					
Current:					
General government		18			18
Transportation			688		688
Intergovernmental:					
Transportation			1,831		1,831
Culture and recreation	26	16,865			16,891
Debt service:					
Interest and other charges	8	295	137		440
Capital outlay			15,060		15,060
Total expenditures	<u>34</u>	<u>17,178</u>	<u>17,716</u>	<u>0</u>	<u>34,928</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8)</u>	<u>(2,363)</u>	<u>(9,646)</u>	<u>0</u>	<u>(12,017)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	572				572
Transfers out		(572)	(16,729)	(422)	(17,723)
Bonds issued		9,500	36,400		45,900
Sale of capital assets			430		430
Total other financing sources (uses)	<u>572</u>	<u>8,928</u>	<u>20,101</u>	<u>(422)</u>	<u>29,179</u>
Net change in fund balances	564	6,565	10,455	(422)	17,162
Fund balances, beginning	<u>444</u>	<u>1,600</u>	<u>(19,923)</u>	<u>422</u>	<u>(17,457)</u>
Fund balances, ending	<u>\$ 1,008</u>	<u>\$ 8,165</u>	<u>\$ (9,468)</u>	<u>\$ 0</u>	<u>\$ (295)</u>

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS**

	General Fund- Regional Administration			General Fund- Community Development			General Fund- Total		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ 9,736	\$ 9,862	\$ 126				\$ 9,736	\$ 9,862	\$ 126
Intergovernmental revenue:									
Federal		1	1					1	1
State	482	507	25		9,485	855	9,112	9,992	880
Local/other	76	63	(13)	8,630	74	74	76	137	61
Investment income	684	1,801	1,117		11	11	684	1,812	1,128
Other		7	7					7	7
Total revenues	10,978	12,241	1,263	8,630	9,570	940	19,608	21,811	2,203
EXPENDITURES									
Current:									
Wages and fringe	2,357	3,156	799	4,129	3,779	(350)	6,486	6,935	449
Other governmental	2,432	111	(2,321)	1,132	658	(474)	3,564	769	(2,795)
Intergovernmental:									
Culture and recreation			-	8,630	9,486	856	-	-	856
Debt service:									
Principal		510	510				-	-	
Interest and other charges	267	905	638		11	11	-	510	510
Capital outlay	431	202	(229)		-	-	267	916	649
Total expenditures	5,487	4,884	(603)	13,891	13,934	43	431	202	(229)
Excess (deficiency) of revenues over (under) expenditures	5,491	7,357	1,866	(5,261)	(4,364)	897	19,378	18,818	(560)
							230	2,993	2,763
OTHER FINANCING SOURCES (USES)									
Transfers in									
Transfers out	422	423	1				422	423	1
	(2,043)	(1,692)	351				(2,043)	(1,692)	351
Total other financing sources (uses)	(1,621)	(1,269)	352				(1,621)	(1,269)	352
Net change in fund balance	3,870	6,088	2,218	(5,261)	(4,364)	897	(1,391)	1,724	3,115

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
LIVABLE COMMUNITIES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Taxes	\$ 11,746	\$ 11,746	\$ 11,889	\$ 143
Intergovernmental revenue:				
State	366	500	353	(147)
Investment income	741	741	3,996	3,255
Other				
Total revenues	<u>12,853</u>	<u>12,987</u>	<u>16,238</u>	<u>3,251</u>
EXPENDITURES				
Intergovernmental:				
Economic development	9,500	9,500	4,548	(4,952)
Environment	5,500	5,500	9,302	3,802
Housing	1,850	1,850	1,831	(19)
Debt service:				
Interest and other charges			1,075	1,075
Total expenditures	<u>16,850</u>	<u>16,850</u>	<u>16,756</u>	<u>(94)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,997)</u>	<u>(3,863)</u>	<u>(518)</u>	<u>3,345</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	1,000	1,000	0
Transfers out				0
Total other financing sources (uses)	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>
Net change in fund balance	(2,997)	(2,863)	482	3,345
Fund balance, beginning	<u>38,510</u>	<u>38,510</u>	<u>38,510</u>	<u>0</u>
Fund balance, ending	<u>\$ 35,513</u>	<u>\$ 35,647</u>	<u>\$ 38,992</u>	<u>\$ 3,345</u>

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
CONTRACTED TRANSIT SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Intergovernmental revenue:				
Federal	\$ 6,258	\$ 6,370	\$ 13,207	\$ 6,837
State	12,838	13,638	14,399	761
Local/Other	652	652	122	(530)
Investment income	201	201	591	390
Other	1,593	1,593	2,851	1,258
Total revenues	<u>21,542</u>	<u>22,454</u>	<u>31,170</u>	<u>8,716</u>
EXPENDITURES				
Current:				
General government	1,006	1,006	1,002	(4)
Transportation	20,536	21,636	20,062	(1,574)
Intergovernmental:				
Transportation		40	1,154	1,114
Debt service:				
Interest and other charges			156	156
Capital Outlay			6,936	6,936
Total expenditures	<u>21,542</u>	<u>22,682</u>	<u>29,310</u>	<u>6,628</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>(228)</u>	<u>1,860</u>	<u>2,088</u>
OTHER FINANCING SOURCES (USES)				
Transfers out			(601)	(601)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(601)</u>	<u>(601)</u>
Net change in fund balance	0	(228)	1,259	1,487
Fund balance, beginning	<u>9,121</u>	<u>9,121</u>	<u>9,121</u>	<u>0</u>
Fund balance, ending	<u>\$ 9,121</u>	<u>\$ 8,893</u>	<u>\$ 10,380</u>	<u>\$ 1,487</u>

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
SUBURBAN TRANSIT PROVIDERS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Intergovernmental revenue:				
State	\$ 23,565	\$ 23,717	\$ 25,489	\$ 1,772
EXPENDITURES				
Intergovernmental:				
Transportation	23,565	25,505	27,277	1,772
Total expenditures	23,565	25,505	27,277	1,772
Excess (deficiency) of revenues over (under) expenditures	0	(1,788)	(1,788)	0
OTHER FINANCING SOURCES (USES)				
Transfers in		1,788	1,788	0
Total other financing sources (uses)	0	0	0	0
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
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Investment income	\$ 51	\$ 51	\$ 337	\$ 286
EXPENDITURES				
Intergovernmental:				
Environment	150	150		(150)
Debt service:				
Interest and other charges			92	92
Total expenditures	150	150	92	(58)
Net change in fund balance	(99)	(99)	245	344
Fund balance, beginning	3,316	3,316	3,316	0
Fund balance, ending	<u>\$ 3,217</u>	<u>\$ 3,217</u>	<u>\$ 3,561</u>	<u>\$ 344</u>

**METROPOLITAN COUNCIL
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS**

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
ASSETS				
Cash and cash equivalents	<u>\$ 17</u>	<u>\$ 7</u>	<u>\$ 5</u>	<u>\$ 19</u>
 LIABILITIES				
Accounts Payable		\$ 7		\$ 7
Due to participants	<u>\$ 17</u>		<u>\$ 5</u>	<u>\$ 12</u>
Total Liabilities	<u>\$ 17</u>	<u>\$ 7</u>	<u>\$ 5</u>	<u>\$ 19</u>

METROPOLITAN COUNCIL
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
DECEMBER 31, 2006 AND 2007
IN THOUSANDS

	<u>2006</u>	<u>2007</u>
Governmental funds capital assets:		
Land	\$ 215	\$ 4,785
Buildings	16,344	16,344
Vehicles	74,735	91,285
Equipment	2,729	2,944
Total governmental funds capital assets	<u>\$ 94,023</u>	<u>\$ 115,358</u>

Investments in governmental funds capital assets by source:

General fund	\$ 2,004	\$ 2,207
Special revenue funds	231	4,812
Capital projects funds	91,788	108,339
Total governmental funds capital assets	<u>\$ 94,023</u>	<u>\$ 115,358</u>

METROPOLITAN COUNCIL
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
DECEMBER 31, 2007
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			\$ 39	\$ 16,344	\$ 16,383
Information services			2,180		2,180
Total general government	<u>\$ 0</u>	<u>\$ 0</u>	<u>2,219</u>	<u>16,344</u>	<u>18,563</u>
Transportation:					
Metro mobility		12,403	716		13,119
Contracted Transit Services	4,785	20,573	9		25,367
Suburban Transit Providers		58,309			58,309
Total transportation	<u>4,785</u>	<u>91,285</u>	<u>725</u>	<u>0</u>	<u>96,795</u>
Total governmental funds capital assets	<u>\$ 4,785</u>	<u>\$ 91,285</u>	<u>\$ 2,944</u>	<u>\$ 16,344</u>	<u>\$ 115,358</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, 2007
IN THOUSANDS

Function and Activity	Governmental Funds Capital Assets January 1, 2007	Additions	Deductions and Adjustments	Governmental Funds Capital Assets December 31, 2007
General government:				
Council	\$ 16,361	\$ 22		\$ 16,383
Information services	1,987	193		2,180
Total general government	<u>18,348</u>	<u>215</u>	<u>\$ 0</u>	<u>18,563</u>
 Metro Mobility	8,837	4,799	517	13,119
Contracted Transit Services	18,975	7,378	986	25,367
Suburban Transit Providers	47,863	10,556	110	58,309
Total transportation	<u>75,675</u>	<u>22,733</u>	<u>1,613</u>	<u>96,795</u>
 Total governmental funds capital assets	<u>\$ 94,023</u>	<u>\$ 22,948</u>	<u>\$ 1,613</u>	<u>\$ 115,358</u>

**METROPOLITAN COUNCIL
BONDS/LOANS OUTSTANDING
AS OF DECEMBER 31, 2007
IN THOUSANDS**

Issues	Date	Final Maturity Date	Original Issue	Payments Prior Years	Payments Year Ended 12/31/2007
GENERAL OBLIGATION BONDS AND LOANS PAYABLE					
G.O. Park Bonds:					
2002D	1-Nov-02	1-Feb-07	\$ 6,500	\$ 4,910	\$ 1,590
2003B, Refunding	1-Oct-03	1-Jan-11	7,240	1,875	975
2004C	1-Apr-04	1-Feb-09	6,000	3,555	800
2005D	1-May-05	1-Feb-10	6,000	2,230	905
2007C	15-Feb-07	1-Feb-12	9,500		
Subtotal: G. O. Park Bonds			<u>35,240</u>	<u>12,570</u>	<u>4,270</u>
G.O. Radio Bonds:					
1997B	1-May-97	1-Feb-08	<u>3,000</u>	<u>2,265</u>	<u>360</u>
G.O. Transit Bonds:					
1997C	1-May-97	1-Feb-18 (a)	14,500	11,380	3,120
1998A	1-May-98	1-Feb-09	13,500	8,430	1,620
1998D, Refunding	1-Dec-98	1-Feb-13	1,365	855	60
2000A	1-Mar-00	1-Feb-20 (a)	42,000	23,550	2,425
2001B	1-Aug-01	1-Feb-21	44,000	22,875	2,575
2002C	1-Nov-02	1-Feb-22 (a)	50,000	23,710	3,240
2002E, Refunding	1-Nov-02	1-Feb-10	11,825	6,660	1,490
2003C, Refunding	1-Sep-03	1-Feb-17	3,355	310	305
2004A	1-Apr-04	1-Feb-24	41,375	11,260	4,480
2004F Refunding	1-Nov-04	1-Feb-13	2,910		
2005C	1-May-05	1-Feb-25	32,000	6,555	3,515
2005C Refunding	1-May-05	1-Feb-20	13,285		
2005E (Certificates)	15-Jun-05	1-Feb-07	7,885		7,885
2007A	15-Feb-07	1-Feb-24	36,400		
2007E Refunding	15-Mar-07	1-Feb-22	10,110		
Subtotal: G. O. Transit Bonds			<u>324,510</u>	<u>115,585</u>	<u>30,715</u>
Minnesota Public Facilities Authority Loans--Transi (Backed by General Obligation Notes):	12-Mar-99	15-Feb-20	<u>21,025</u>	<u>11,785</u>	<u>1,385</u>
Total Bonds-General Long Term Obligations			<u>\$ 383,775</u>	<u>\$ 142,205</u>	<u>\$ 36,730</u>
G.O.Sewer Bonds:					
1999B	1-Jul-99	1-Dec-14 (a)	\$ 14,000	\$ 4,325	\$ 600
2001A, Refunding	1-Sep-01	1-Dec-09	31,525	25,275	2,150
2001D	1-Aug-01	1-Dec-16	14,000	3,635	850
2002A, Refunding	1-Sep-02	1-Dec-10	32,395	27,020	2,740
2002B, Refunding	1-Jul-02	1-Dec-16	19,735	2,135	1,690
2003A, Refunding	1-Sep-03	1-Mar-16	121,490	30,005	13,540
2004B	1-Apr-04	1-Dec-23	25,000	300	100
2004E, Refunding	1-Nov-04	1-Dec-07	2,780	2,290	490
2005A, Refunding	1-Jun-05	1-Sep-12	17,395	2,340	2,700
2005B	1-May-05	1-May-25	90,405	1,000	1,725
2005B, Refunding	1-May-05	1-May-14	7,525		
2007B	15-Feb-07	1-Dec-27	80,000		
Subtotal: G. O. Sewer Bonds			<u>456,250</u>	<u>98,325</u>	<u>26,585</u>
Minnesota Public Facilities Authority Loans--Sewer (Backed by General Obligation Notes):	12-Jul-89	20-Feb-09	40,000	31,600	2,800
	20-Jul-93	20-Feb-14	20,000	8,720	1,100
	30-Sep-96	20-Aug-16	40,000	16,500	2,000
	3-Oct-97	20-Aug-17	40,000	13,075	925
	31-Dec-98	20-Aug-19	60,000	14,840	985
	27-Jul-00	20-Aug-20	60,000	7,770	2,105
	14-Nov-01	20-Aug-21	75,000	8,300	2,000
	20-Dec-02	20-Feb-22	100,000	5,000	3,300
	1-Sep-03	20-Feb-16	4,954	1,354	530
	26-Nov-03	20-Aug-23	100,000	7,500	3,500
	20-Oct-04	20-Feb-25	50,000	4,500	3,000
	10-Nov-05	20-Feb-25	40,000		1,000
	30-Aug-06	20-Aug-26	50,000		750
	24-Oct-07	20-Aug-27 (c)	28,155		
Subtotal: Minnesota Public Facility Authority Loans--Sewe			<u>708,109</u>	<u>119,159</u>	<u>23,995</u>
Total G.O.Sewer Bonds/Loans Payable			<u>\$ 1,164,359</u>	<u>\$ 217,484</u>	<u>\$ 50,580</u>
Total General Obligation Bonds and Loans Payable			<u>\$ 1,548,134</u>	<u>\$ 359,689</u>	<u>\$ 87,310</u>
REVENUE BONDS (Not tax supported)					
(Radio Board, Series 1999C):	1-Nov-99	1-Feb-15 (a)	\$ 14,280	\$ 4,365	\$ 9,915
(Radio Board, Series 2007D, Ref)	15-Mar-07	1-Feb-13	7,265		
Total Revenue Bonds Payable			<u>\$ 21,545</u>	<u>\$ 4,365</u>	<u>\$ 9,915</u>

(a) Called prior to final maturity

(b) Escrowed.

(c) Of the \$80 million note executed in 2007, only the amount shown was drawn down as of 12/31/07.

Bonds/Loans Issued/ Drawn Down in 2007	Bonds/ Loans Outstanding 12/31/2007	Refunded Bonds	Maturing in 2008	Future Maturities
	\$ 4,390		\$ 1,030	\$ 3,360
	1,645		815	830
	2,865		930	1,935
\$ 9,500	9,500		7,000	2,500
\$ 9,500	18,400	\$ 0	9,775	8,625
0	375	0	375	0
	3,450		1,690	1,760
	450		65	385
	16,025	13,600 (b)	2,425	
	18,550		2,575	15,975
	23,050	10,090 (b)	3,240	9,720
	3,675		1,550	2,125
	2,740		295	2,445
	25,635		4,555	21,080
	2,910		445	2,465
	21,930		3,655	18,275
	13,285			13,285
36,400	36,400		9,670	26,730
10,110	10,110			10,110
46,510	178,210	23,690	30,165	124,355
0	7,855	0	1,425	6,430
\$ 56,010	\$ 204,840	\$ 23,690	\$ 41,740	\$ 139,410
	\$ 9,075	\$ 7,900 (b)	\$ 1,175	
	4,100		2,100	\$ 2,000
	9,515		880	8,635
	2,635		1,680	955
	15,910		1,740	14,170
	77,945		12,250	65,695
	24,600		100	24,500
	12,355		2,945	9,410
	87,680		2,890	84,790
	7,525			7,525
\$ 80,000	80,000		5,000	75,000
80,000	331,340	7,900	30,760	292,680
	5,600		2,800	2,800
	10,180		1,180	9,000
	21,500		2,050	19,450
	26,000		950	25,050
	44,175		1,105	43,070
	50,125		1,845	48,280
	64,700		3,200	61,500
	91,700		3,500	88,200
	3,070		500	2,570
	89,000		500	88,500
	42,500		1,800	40,700
	39,000		2,000	37,000
7,852	49,250		3,250	46,000
28,155	28,155		18	28,137
36,007	564,955	0	24,698	540,257
\$ 116,007	\$ 896,295	\$ 7,900	\$ 55,458	\$ 832,937
\$ 172,017	\$ 1,101,135	\$ 31,590	\$ 97,198	\$ 972,347
\$ 7,265	\$ 7,265		\$ 1,030	\$ 6,235
\$ 7,265	\$ 7,265	\$ 0	\$ 1,030	\$ 6,235

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the Metropolitan Council's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Metropolitan Council's overall financial health.

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.	82-86
Revenue Capacity These schedules contain information to help the reader assess the Council's most significant local revenue source, the property tax.	87-92
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.	93-99
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.	100-101
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.	102-104

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.

METROPOLITAN COUNCIL
NET ASSETS BY COMPONENT
LAST SEVEN YEARS ENDED DECEMBER 31, 2007
IN THOUSANDS
(accrual basis of accounting)

	2007	2006	2005	2004	2003	2002	2001
Governmental activities							
Invested in capital assets, net of related debt	\$ 17,060	\$ 22,463	\$ 14,392	\$ 2,742	\$ 2,910	\$ 3,206	\$ 4,670
Restricted	107,253	105,856	113,196	119,696	91,617	110,340	84,305
Unrestricted	(62,054)	(102,565)	(130,916)	(120,950)	(102,726)	(138,815)	(85,497)
Total governmental activities net assets	\$ 62,259	\$ 25,754	\$ (3,328)	\$ 1,488	\$ (8,199)	\$ (25,269)	\$ 3,478
Business-type activities							
Invested in capital assets, net of related debt	\$ 1,376,046	\$ 1,390,948	\$ 1,353,995	\$ 1,369,820	\$ 1,284,499	\$ 1,089,774	\$ 888,338
Restricted	19,751	3,212	31,187	36,239	24,942	26,202	6,661
Unrestricted	139,993	105,006	77,035	57,429	43,881	64,893	99,631
Total business-type activities net assets	\$ 1,535,790	\$ 1,499,166	\$ 1,462,217	\$ 1,463,488	\$ 1,353,322	\$ 1,180,869	\$ 994,630
Primary government							
Invested in capital assets, net of related debt	\$ 1,393,106	\$ 1,413,411	\$ 1,368,387	\$ 1,372,562	\$ 1,287,409	\$ 1,092,980	\$ 893,008
Restricted	127,004	109,068	144,383	155,935	116,559	136,542	90,966
Unrestricted	77,939	2,441	(53,881)	(63,521)	(58,845)	(73,922)	14,134
Total primary government net assets	\$ 1,598,049	\$ 1,524,920	\$ 1,458,889	\$ 1,464,976	\$ 1,345,123	\$ 1,155,600	\$ 998,108

Unaudited

METROPOLITAN COUNCIL
CHANGES IN NET ASSETS
LAST SEVEN YEARS ENDED DECEMBER 31, 2007
IN THOUSANDS
(accrual basis of accounting)

	2007	2006	2005	2004	2003	2002	2001
Expenses							
Governmental activities:							
General government	\$ 9,848	\$ 8,613	\$ 8,263	\$ 9,682	\$ 10,007	\$ 12,606	\$ 12,554
Transportation	92,732	88,510	89,662	84,197	77,622	71,005	63,199
Culture and recreation	26,377	16,084	18,752	21,149	30,521	25,675	20,927
Economic development	4,548	4,036	9,401	7,550	8,036	6,965	6,299
Environment	9,302	5,201	6,629	2,904	4,516	5,349	5,034
Housing	1,831	2,136	1,819	524	1,958	2,738	2,788
Interest and other charges	12,969	11,753	21,152	8,755	8,891	7,298	6,899
Total governmental activities expenses	<u>157,607</u>	<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	190,763	173,090	161,748	161,054	153,373	154,842	149,149
Transit bus	264,612	246,264	237,695	218,748	226,769	229,342	222,484
Transit light rail	49,524	45,795	44,620	29,311	15,114	26,241	11,563
Housing	55,432	56,595	56,198	57,604	56,222	50,398	38,034
Total business-type activities	<u>560,331</u>	<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>\$ 717,938</u>	<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:	\$ 7,461	\$ 7,048	\$ 5,905	\$ 5,525	\$ 4,924	\$ 3,985	\$ 5,299
Operating grants and contributions	53,051	42,835	42,542	42,411	43,022	27,897	50,586
Capital grants and contributions	38,336	19,791	13,483	9,578	18,074	8,831	12,648
Total governmental activities program revenues	<u>98,848</u>	<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	190,491	187,374	177,995	160,498	174,747	171,716	168,460
Transit bus	70,929	68,592	62,342	53,588	65,943	68,847	67,949
Transit light rail	9,182	8,630	7,516	2,595	14	0	0
Housing	661	798	405	570	460	184	96
Operating grants and contributions	145,775	127,209	126,290	118,413	111,230	111,755	85,865
Capital grants and contributions	57,603	54,651	13,214	130,792	165,227	218,428	184,225
Total business-type activities program revenues	<u>474,641</u>	<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>\$ 573,489</u>	<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	\$ (58,759)	\$ (66,659)	\$ (93,748)	\$ (77,247)	\$ (75,531)	\$ (90,923)	\$ (49,167)
Business-type activities	(85,690)	(74,490)	(112,499)	(261)	66,143	110,107	85,365
Total primary government net expense	<u>\$ (144,449)</u>	<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	\$ 68,825	\$ 68,026	\$ 67,315	\$ 65,013	\$ 66,483	\$ 55,672	\$ 53,736
Market value and other credits	2,267	2,691	3,158	2,276	3,055	3,914	9,413
Motor vehicle excise tax	27,216	27,459	31,606	32,384	35,799	15,327	
Other government receipts not restricted to specific programs						280	
Investment earnings	14,249	10,013	5,574	4,518	2,647	4,936	7,571
Gain on sale of capital assets	446	170				91	116
Transfers	(17,739)	(12,618)	(18,721)	(15,831)	(19,536)	(22,385)	(24,099)
Total governmental activities	<u>95,264</u>	<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	91,663	86,981	87,463	90,797	88,308	48,311	
Investment earnings	12,912	11,840	5,045	3,798	3,514	4,708	5,805
Gain on sale of capital assets						6	
Transfers	17,739	12,618	18,721	15,831	19,536	22,385	24,099
Total business-type activities	<u>122,314</u>	<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>\$ 217,578</u>	<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	\$ 36,505	\$ 29,082	\$ (4,816)	\$ 11,113	\$ 12,917	\$ (33,088)	\$ (2,430)
Business-type activities	36,624	36,949	(1,270)	110,165	177,501	186,240	188,224
Total primary government	<u>\$ 73,129</u>	<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 SEVEN YEARS ENDED DECEMBER 31, 2007
IN THOUSANDS

(modified accrual basis of accounting)

	2007	2006	2005	2004	2003	2002	2001
General Fund							
Reserved	\$ 744	\$ 853	\$ 559	\$ 656	\$ 1,325	\$ 474	\$ 1,218
Unreserved	16,913	15,080	13,462	9,284	8,939	7,602	7,816
Total general fund	<u>\$ 17,657</u>	<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	\$ 75,414	\$ 69,586	\$ 58,906	\$ 68,112	\$ 63,522	\$ 67,626	\$ 61,516
Unreserved, reported in:							
Special revenue funds	46,750	38,194	43,425	31,591	30,117	13,858	45,225
Debt service funds	89,464	76,912	76,760	63,904	66,325	57,045	22,790
Capital projects funds	(6,958)	(17,767)	22,351	24,613	(7,740)	41,090	37,971
Total all other governmental funds	<u>\$ 204,670</u>	<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 SEVEN YEARS ENDED DECEMBER 31, 2007
IN THOUSANDS
(modified accrual basis of accounting)

	2007	2006	2005	2004	2003	2002	2001
REVENUES							
Taxes	\$ 68,383	\$ 68,178	\$ 66,944	\$ 65,916	\$ 64,820	\$ 55,274	\$ 53,678
Intergovernmental revenue:							
Federal	20,046	15,902	12,409	12,311	9,707	3,249	11,583
State	97,324	76,864	76,076	74,338	90,245	52,195	60,345
Local/other	3,759	188	259	211	278	631	943
Investment income	14,249	10,013	5,574	4,518	2,647	4,936	7,867
Other	7,202	6,870	7,950	5,315	4,645	4,164	5,227
Total revenues	<u>210,963</u>	<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	8,817	8,185	7,613	9,190	9,716	12,313	12,159
Transportation	54,233	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	30,262	29,780	31,615	29,488	25,994	24,723	19,032
Culture and recreation	26,377	16,084	18,726	21,078	30,378	25,554	20,705
Economic development	4,548	4,036	9,401	2,904	4,517	5,349	5,034
Environment	9,302	5,201	6,629	524	1,958	2,739	2,787
Housing	1,831	2,136	1,819	7,550	8,036	6,965	6,299
Debt service:							
Principal	44,295	40,870	39,670	31,855	34,245	22,940	19,290
Interest and other charges	13,217	13,625	10,555	8,511	8,983	7,233	6,393
Capital outlay	22,198	26,998	16,908	8,434	21,717	7,220	8,034
Total expenditures	<u>215,080</u>	<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>(4,117)</u>	<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	3,832	1,667	5,704	7,349	1,585	3,352	3,293
Transfers out	(21,805)	(14,362)	(24,778)	(23,387)	(21,948)	(25,737)	(27,393)
Bonds issued	45,900		38,000	47,375		71,550	49,728
Refunding bonds issued	17,375		13,285	2,910	10,726		
Certificates of indebtedness issued			7,885				
Capital lease issued				13,464			
Premium on bonds and capital related debt	698		1,965	3,570			
Payment to refunded bond escrow agent	(2,860)			(10,395)			
Sale of capital assets	446	102	274	165	27	169	116
Total other financing sources (uses)	<u>43,586</u>	<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>\$ 39,469</u>	<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	29.8%	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, 2007 ¹
IN THOUSANDS**

Year	Taxes			Intergovernmental Revenue			Investment Income		Other Revenue and Financing Sources ²	Total Revenue and Other Financing Sources
	General Fund	Special Revenue Funds	Debt Service Funds	Federal	State	Local/Other	General & Special Revenue Funds	Debt Service Funds		
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	4,409	1,165	75,063	230,461
2006	9,840	12,845	45,493	15,902	69,380	188	2,190	3,384	8,639	167,861
2007	9,862	14,891	43,630	20,046	78,936	259	8,110	5,116	10,462	191,312

Unaudited

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

² 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, 2007
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>		
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
2007	321,253,465	2,598,414	323,851,879	3,862,772	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, 2007
IN THOUSANDS

Year	General Fund	Highway Right-of-Way Fund	Special Revenue and Transit Funds	Debt Service Funds	Total Direct Tax Rate	School Districts	Counties	Cities and Townships	Other
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
2007	0.00	0.00	0.00	0.01	0.01	0.29	0.28	0.26	0.32

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 TEN YEARS AGO
IN THOUSANDS**

Largest taxpayers in Hennepin and Ramsey counties

	2007			1998		
	Net	Rank	Percentage of Total Tax Capacity ^{1,3}	1998 Tax Capacity	Rank	Percentage of Total Tax Capacity ^{2,3}
<u>Taxpayer</u>	<u>Tax Capacity</u>	<u>Rank</u>	<u>Capacity^{1,3}</u>	<u>Tax Capacity</u>	<u>Rank</u>	<u>Capacity^{2,3}</u>
MOAC Mall Holdings LLC	\$ 10,046	1	0.26%	\$ 15,485	1	0.68%
Xcel Energy / NSP	8,864	2	0.23	8,441	3	0.37
3M Company	6,266	3	0.16			
MB Minneapolis 8th St. LLC	3,839	4	0.10			
NWC Limited Partnership	3,439	5	0.09	6,547	5	0.29
Wells Reit-800 Nicollett	2,879	6	0.07			
Best Buy Co. Inc.	2,831	7	0.07			
First Minneapolis - Hines Co.	2,719	8	0.07			
Minneapolis 225 Holding LLC	2,679	9	0.07			
Flanagan-AMEX	2,599	10	0.07			
SI Minn Developers LPS				15,195	2	0.66
601 Second Avenue LTD Partnership				7,628	4	0.33
Heitman Controller/IDS				5,696	7	0.25
U.S. Bancorp				6,053	6	0.26
City Center Associates				5,564	8	0.24
Federal Reserve Bank of Minneapolis				3,341	9	0.15
Heitman Financial				3,079	10	0.13
Total	\$ 46,161		1.20%	\$ 77,029		3.37%

Unaudited

Source: Hennepin County abstract of property taxes (2007)
Ramsey County abstract of property taxes (2007)
Evensen Dodge, Inc. (1998)

Notes ¹ Net tax capacity value for 2007 = \$3,862,772

² Net tax capacity value for 1998 = \$2,286,012

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 NINE YEARS ENDED DECEMBER 31, 2007
IN THOUSANDS (EXCEPT PERCENTAGES)**

Year	Total Tax Levy	State Levy Reduction	Net Taxes Levied for the Year	Collected within the Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
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	267	55,261	99.25
2003	68,206	3,056	65,150	64,475	98.96	232	64,707	99.32
2004	68,561	2,242	66,319	65,652	98.99	327	65,979	99.49
2005	70,648	3,116	67,532	66,615	98.64	490	67,105	99.37
2006	71,354	2,677	68,677	67,709	98.59	555	68,264	99.40
2007	71,067	2,267	68,800	67,750	98.47		67,750	98.47

Unaudited

METROPOLITAN COUNCIL
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS ENDED IN DECEMBER 31, 2007
IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)

Fiscal Year	Governmental Activities						Business-Type Activities						Percentage of Personal Income ³	Per Capita ³
	General Obligation Bonds-Transit	General Obligation Bonds-Parks	General Obligation Bonds-Other	Revenue Bonds 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		
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	0.75	368.52
2007	178,210	18,400	375	7,265	7,855	13,020	225,125	331,340	564,956		896,296	1,121,421	0.81	397.42

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, 2007
IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)

Fiscal Year	General Bonded Debt Outstanding					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	Total		
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	160.98
2007	178,210	18,400	375	331,340	528,325	13.68	187.23

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, 2007
IN THOUSANDS

Page (1 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
Counties:	
Anoka	\$ 124,025
Carver	14,254
Dakota	125,090
Hennepin	663,775
Ramsey	202,647
Scott	94,435
Washington	127,480
Total counties	<u>\$ 1,351,706</u>
School districts:	
SSD #1 Minneapolis	\$ 400,816
SSD #6 South St. Paul	24,430
ISD #11 Anoka	173,410
ISD #12 Centennial	132,375
ISD #13 Columbia Heights	27,580
ISD #14 Fridley	39,130
ISD #15 St. Francis	48,810
ISD #16 Spring Lake Park	106,205
ISD #108 Norwood-Young America	2,175
ISD #110 Waconia	61,675
ISD #111 Watertown-Mayer	52,650
ISD #112 Chaska	238,095
ISD #191 Burnsville	67,930
ISD #192 Farmington	286,027
ISD #194 Lakeville	191,384
ISD #195 Randolph	11,020
ISD #196 Rosemount	149,132
ISD #197 West St. Paul	51,195
ISD #199 Inver Grove Heights	39,105
ISD #200 Hastings	76,050
ISD #252 Cannon Falls	10,965
ISD #270 Hopkins-Golden Valley	105,050
ISD #271 Bloomington	219,265
ISD #272 Eden Prairie	116,735
ISD #273 Edina	92,765
ISD #276 Minnetonka	69,170
ISD #277 Westonka	6,650
ISD #278 Orono	32,715
ISD #279 Osseo	243,050
ISD #280 Richfield	43,720
ISD #281 Robbinsdale	242,110
ISD #282 St Anthony-New Brighton	3,475
ISD #283 St. Louis Park	80,850
ISD #284 Wayzata	75,140
ISD #286 Brooklyn Center	29,855
ISD #424 Lester Prairie	735
ISD #621 Mounds View	123,638
ISD #622 North St. Paul-Maplewood-Oakdale	113,690
ISD #623 Roseville	37,790
ISD #624 White Bear Lake	67,360
ISD #625 St. Paul	359,979
ISD #659 Northfield	66,895
ISD #716 Belle Plaine	36,830
ISD #717 Jordan	34,290

METROPOLITAN COUNCIL
COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS

Page (2 of 5)

Jurisdiction	Debt Outstanding
School districts (continued):	
ISD #719 Prior lake	181,265
ISD #720 Shakopee	167,915
ISD #721 New Prague	67,185
ISD #728 Elk River	327,810
ISD #831 Forest Lake	70,490
ISD #832 Mahtomedi	27,591
ISD #833 South Washington	302,195
ISD #834 Stillwater	62,510
ISD #916 Special Intermediate-Vo Tech	11,030
ISD #2144 Chisago Lakes	28,905
ISD #2397 LeSueur-Henderson	19,990
ISD #2687 Howard Lake-Waverly-Winsted	27,790
ISD #2859 Glencoe-Silver Lake	245
Total school districts	\$ 5,686,837
Cities:	
Afton	\$ 4,000
Andover	34,165
Anoka	7,040
Apple Valley	45,045
Arden Hills	1,990
Bayport	1,075
Belle Plaine	18,440
Bethel	1,816
Birchwood	374
Blaine	36,455
Bloomington	49,920
Brooklyn Center	25,410
Brooklyn Park	50,505
Burnsville	45,010
Carver	9,126
Centerville	9,146
Champlin	22,665
Chanhassen	29,685
Chaska	122,865
Circle Pines	2,955
Cologne	7,350
Columbia Heights	7,950
Columbus	11,620
Coon Rapids	27,580
Corcoran	703
Cottage Grove	20,155
Crystal	11,026
Dayton	39,680
Eagan	25,275
East Bethel	4,702
Eden Prairie	40,321
Edina	63,975
Elko/New Market	10,740
Excelsior	1,050
Falcon Heights	1,240
Farmington	35,725

METROPOLITAN COUNCIL
COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS

(Page 3 of 5)

Jurisdiction	Debt Outstanding
Cities (continued):	
Forest Lake	17,579
Fridley	14,190
Gem Lake	1,606
Golden Valley	78,640
Grant	148
Greenfield	6,700
Hamburg	1,370
Ham Lake	3,635
Hampton	590
Hastings	40,770
Hopkins	26,170
Hugo	17,385
Independence	2,355
Inver Grove Heights	50,318
Jordan	27,656
Lake Elmo	9,484
Lakeland	1,890
Lake St. Croix Beach	265
Lakeville	101,260
Landfall	458
Lauderdale	2,185
Lexington	1,551
Lilydale	2,290
Lino Lakes	25,944
Little Canada	5,625
Long Lake	2,483
Loretto	928
Mahtomedi	7,275
Maple Grove	109,935
Maplewood	69,772
Marine	22
Mayer	16,660
Medina	10,465
Mendota Heights	10,535
Minneapolis	1,204,084
Minnetonka	17,740
Minnetonka Beach	1,155
Minnetrista	3,540
Mound	32,364
Mounds View	4,999
New Brighton	65,750
New Germany	2,135
New Hope	11,685
New Prague	24,637
Newport	3,784
North St. Paul	15,330
Northfield	75,049
Norwood-Young America	14,035
Oakdale	26,080

METROPOLITAN COUNCIL
COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS

(Page 4 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
Cities (continued):	
Oak Grove	2,778
Oak Park Heights	750
Orono	6,995
Osseo	7,080
Plymouth	31,095
Prior Lake	38,305
Ramsey	15,165
Richfield	33,185
Robbinsdale	20,010
Rogers	27,305
Rosemount	25,875
Roseville	10,955
St. Anthony	22,140
St. Bonifacius	5,353
St. Francis	9,555
St. Louis Park	35,723
St. Paul	286,575
St. Paul Park	4,810
Savage	98,224
Scandia	2,880
Shakopee	47,800
Shoreview	15,985
Shorewood	24,755
South St. Paul	17,430
Spring Lake Park	8,995
Stillwater	31,039
Sunfish Lake	160
Vadnais Heights	5,220
Vermillion	570
Victoria	33,130
Waconia	52,144
Watertown	11,248
Wayzata	8,930
West St. Paul	15,101
White Bear Lake	6,910
Woodbury	78,248
Woodland	517
Total cities	<u>\$ 4,040,225</u>
Townships:	
Burns	\$ 1,145
Cedar Lake	328
Dahlgren	22
Empire	1,880
Hassan	3,420
Laketown	672
Marshan	9
New Market	284
Spring Lake	4,398
White Bear	6,515
Total townships	<u>\$ 18,673</u>

METROPOLITAN COUNCIL
COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2007
IN THOUSANDS

(Page 5 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
Miscellaneous:	
Anoka Tax Increment	\$ 7,835
Blaine HRA	4,500
Bloomington Port Authority	49,055
Brooklyn Park EDA	13,505
Capital Region Watershed District	1,555
Carver County CDA	24,121
Cedar Lake Sewer Sanitary District	2,280
Chanhassen HRA	1,600
Circle Pines HRA	550
Circle Pines Tax Increment	4,565
Columbia Heights Tax Increment	775
Coon Rapids Tax Increment	7,870
Dakota County CDA	419,217
Hennepin County Regional Park	89,860
Hennepin Regional Railroad Authority	44,900
Hilltop Tax Increment	190
Hopkins HRA	12,235
HRA of St. Paul	207,294
Maple Grove HRA	3,030
Metropolitan Airports Commission	1,949,992
Minnesota Municipal Power Agency	193,171
Minneapolis Public Housing Authority	920
Mound HRA	9,065
North Suburban Hospital District	4,905
Norwood Young America EDA	6,470
Prior Lake-Spring Lake Watershed District	1,670
Plymouth HRA	14,715
Ramsey-Washington Metro Watershed District	1,239
Regional Railroad Authority-Anoka County	39,710
Scott County HRA	41,270
South Washington Watershed District	4,295
St. Anthony HRA	10,605
St. Paul Port Authority	53,261
Vadnais Heights EDA	680
Waconia HRA	12,052
Washington County HRA	52,500
Total miscellaneous	<u>\$ 3,291,457</u>
 TOTAL	 <u><u>\$ 14,388,898</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 SEVEN YEARS ENDED DECEMBER 31, 2007
IN THOUSANDS EXCEPT PERCENTAGE**

	2007	2006	2005	2004	2003	2002	2001
Debt limit	\$ 306,495	\$ 317,995	\$ 316,905	\$ 274,635	\$ 300,230	\$ 274,205	\$ 237,685
Total net debt applicable to limit	198,870	169,100	209,125	199,945	184,375	209,515	176,315
Legal debt margin	<u>\$ 107,625</u>	<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>64.89%</u>	<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 THREE YEARS ENDED DECEMBER 31, 2007
IN THOUSANDS (EXCEPT COVERAGE)**

Radio Revenue Bonds					
<u>Year</u>	<u>Total Bond Outstanding^{1,3}</u>	<u>911 Fee Revenue²</u>	<u>Principal^{1,5}</u>	<u>Interest</u>	<u>Coverage⁴</u>
2005	\$ 10,760	\$ 843		\$ 275	\$ 3.07
2006	9,915	1,408	\$ 845	518	1.03
2007	7,265	1,410	9,915	476	1.03

Unaudited

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

¹ 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. Principal payment in 2005 was paid by MRB before ceasing operations.

² Revenues are generated from State of Minnesota 911 fees and are appropriated based upon required debt service payments for the subsequent year.

³ Original bond was refunded on March 15, 2007. Remaining original bond outstanding balance was repaid in 2007. Bond balance in 2007, is for refund bond only

⁴ Coverage for 2007 only was calculated by using the scheduled principal payment of original bond--\$890 plus interest for the year --\$476.

⁵ In 2007, the original bond principal payment was \$890. The remaining \$9,025 payments came from refund proceeds and old debt service fund required reserve balance.

**METROPOLITAN COUNCIL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS ENDED DECEMBER 31, 2007**

<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	42,091	3.80%
2006	2,821,779	138,735	43,696	3.80%
2007	2,821,779	138,735	43,696	4.30%

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	2007			1998		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Minnesota	55	1	3.11%	53	1	3.20%
U. S. Federal Agencies	34	3	1.92	33	2	1.99
Mayo Foundation	36	2	2.03	18	8	1.09
University of Minnesota	19	8	1.07	31	3	1.87
Target Corp	25	4	1.41			
Allina Health System	23	5	1.30	21	5	1.27
Wells Fargo Bank Minnesota	21	6	1.19			
Fairview Health Services	19	7	1.07			
Wal-Mart Stores Inc.	18	9	1.02			
3M Co.	17	10	0.96	20	6	1.21
Dayton Hudson Corp.				28	4	1.69
Northwest Airlines Corp.				19	7	1.15
Norwest Corp.				12	9	0.72
Hennepin County				10	10	0.60
Total	<u>267</u>		<u>15.10%</u>	<u>245</u>		<u>14.77%</u>

Unaudited

Source: Business Journal, Book of Lists, December 28, 2007 and December 25, 1998.

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

**METROPOLITAN COUNCIL
EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN YEARS ENDED DECEMBER 31, 2007**

	Full-time Equivalent Employees as of December 31						
	2007	2006	2005	2004	2003	2002	2001
<u>Regional Administration</u>							
Human Resources	33	31	33	32	25	26	26
Information Services	54	56	66	66	81	81	83
Fiscal/Central Services	38	35	25	26	30	28	26
Other	77	57	75	74	86	78	79
Total Regional Administration	202	179	199	198	222	213	214
<u>Community Development</u>							
Metro HRA	34	34	33	32	32	34	33
Other	45	44	51	51	60	58	56
Total Community Development	79	78	84	83	92	92	89
<u>Environmental Services Division</u>							
Environmental Quality Assurance	110	106	121	122	122	128	133
Treatment Services	502	490	565	582	594	606	620
Other	28	30	15	15	16	21	21
Total Environmental Services Division	640	626	701	719	732	755	774
<u>Transportation Division</u>							
Metro Mobility	13	13	13	13	13	13	13
Transportation Planning	28	24	17	17	17	20	20
Other			13	13	14	14	14
Total Transportation Planning	41	37	43	43	44	47	47
<u>Metro Transit Bus</u>							
Operators	1,273	1,280	1,413	1,474	1,475	1,592	1,738
Mechanics	437	420	432	456	457	469	479
Administration/Clerical	545	505	590	683	628	676	673
Total Metro Transit	2,255	2,205	2,435	2,613	2,560	2,737	2,890
<u>Metro Transit Light Rail</u>							
Operators	44	44	45	45			
Mechanics	60	57	51	51			
Administration/Clerical	39	35	30	30			
Total Metro Transit	143	136	126	126			
Total	3,360	3,261	3,588	3,782	3,650	3,844	4,014

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 SEVEN YEARS ENDED DECEMBER 31, 2007

<u>Function/Program</u>	<u>2007</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	11,470,739	12,923,008	11,527,114	12,887,085	11,392,031	11,018,524	11,489,543
Metro Mobility-passenger trips	1,162,872	1,222,821	1,104,879	1,153,983	1,125,857	1,088,192	1,010,452
Parks visits to Metro Parks System	33,171,200	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)	250	256	255	255	266	290	290
Transit-bus							
Total route miles	28,416,623	29,048,980	29,979,730	27,113,045	30,969,504	32,291,090	32,207,416
Passenger trips	67,865,688	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	1,931,754	1,817,930	1,565,965	512,110			
Passengers trips	9,098,297	9,356,982	7,901,668	2,938,777			
Housing							
Metro HRA unit months leased	81,634	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 SEVEN YEARS ENDED DECEMBER 31, 2007**

<u>Function/Program</u>	<u>2007</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	262	264	257	245	229	244	243
Number of Parks	83	82	77	74	71	70	67
Acres of Regional Parks and Trails open to the public	53,759	52,617	52,299	50,356	50,276	48,916	48,015
Business-type activities							
Wastewater							
Treatment Plants	8	8	8	8	8	8	8
Miles of MCES Interceptors	585	586	578	569	569	569	563
Wastewater Treatment Plant Capacities (millions of gallons)	370	370	358	358	358	351	351
Transit-bus							
Total fleet size	979	940	930	942	982	980	953
Transit-light rail							
Total fleet size	27	25	23	22			
Housing							
Metro HRA unit months available	83,732	83,592	82,709	81,976	82,769	79,428	76,691
Family Affordable Housing Units	150	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.



2007 Comprehensive Annual Financial Report

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