



Comprehensive Annual Financial Report

Year ended December 31, 2009



A component unit of the State of Minnesota

METROPOLITAN COUNCIL
OF THE TWIN CITIES AREA
MINNESOTA

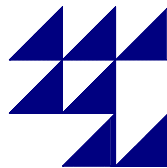
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2009

A COMPONENT UNIT OF THE STATE OF MINNESOTA

Prepared by the Finance Unit

Issued June 2010



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, 2009**

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INTRODUCTORY SECTION



2009 Comprehensive Annual Financial Report
Transmittal Letter from the Chief Financial Officer

June 28, 2010

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, I am pleased to submit the Comprehensive Annual Financial Report for the Metropolitan Council for the fiscal year ended December 31, 2009. This report includes the financial statements for the Council and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for government units.

The report is divided into three sections:

- **Introductory Section** – includes this letter of transmittal, the certificate of achievement, the Council's organization chart, and a list of Council members, officers, and financial administrative officials.
- **Financial Section** – includes the auditor's opinion, the management's discussion and analysis, the basic financial statements, the combining and individual fund statements for nonmajor funds, capital assets and general obligation bond schedules. The Notes to the Financial Statements, in the basic financial statements, are necessary for an understanding of the information included in the statements. The notes include a Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the Council.
- **Statistical Section** – includes mainly trend data and nonfinancial information useful in assessing a government's financial condition.

Management assumes full responsibility for the completeness and reliability of all information contained in this report based on a comprehensive framework of internal control that it has established for this purpose. These controls provide reasonable assurance that the Council's assets are protected against loss and that the accounting records from which the financial statements are prepared are reliable. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is presented in conformity with GAAP.

The independent 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, 2009. 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 Office of the State 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 2010.

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 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 financially 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, Metro Transit Bus, Light Rail, and Commuter 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. Positive variances in revenues are accumulated for working capital, which is limited to five percent of operating expenses. Positive 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 operating budget is approved by the Council in August and the capital budget is approved in October. 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 control is provided primarily through the Council's accounting system. Council adopted budgets are established in the accounting system by fund. Operating divisions have the authority to reallocate budgets within a fund, but the accounting system does not permit expenditures in excess of the approved fund budget. Transfers of authority across funds or divisions must be approved by the Council. Results of operations are reported against the approved budget.

Economic Condition and Outlook

During the second year of the Great Recession, Twin Cities employment trends mirrored contractions in the nation's job market. Between March of 2009 and March 2010, employment fell 2.2 percent in the Minneapolis-St. Paul area, compared to a 1.8 percent drop in national employment. The National Bureau of Economic Research has declared that the recession began in December 2007, one month after national employment peaked. Job losses in the Twin Cities, however, occurred earlier, in June of 2007. Since this peak, the area has shed about 115,300 jobs, elevating the unemployment rate from 4.2 percent in 2007 to 7.5 percent in March of 2010. This latest unemployment figure is a slight improvement over last year's (8.0 percent in March 2009), and is still below the national rate of 9.7 (seasonally adjusted).

Most Twin Cities industry sectors experienced significant jobs losses between March 2009 and March 2010. Professional and Business Services and Health and Education Services were the only two sectors to pick up jobs, with gains of 2,700 jobs and 500 jobs, respectively. The Natural Resources, Construction and Mining Sector – still swaying from the dramatic downturn in construction – experienced the largest percentage drop; employment in this sector went down 15 percent (9,100 jobs). The construction slowdown spilled over into other construction-related industries and, along with a drop in consumer spending, contributed to losses in other sectors. Transportation, Trade and Utilities lost 12,300 jobs over the last 12 months. During this same time period, the Manufacturing sector lost 7,500 jobs.

Recent sales data indicate that home prices in the region may be stabilizing. According to the Minneapolis Area Association of Realtors (MAAR), the median home sale price in the Minneapolis-St. Paul area rose to \$165,000 in March 2010, an increase of 7.1 percent from 12 months ago. This March increase was part of a three-month consecutive gain in year-to-year price increases, which had not occurred since June 2004. When lender-mediated sales and short sales are filtered out, the median price for traditional sales was \$199,900. While recent sales data has been good news for the region's economic outlook, it is unclear if rising prices will be sustained. Federal tax credits for some homebuyers have likely boosted sales prices over the last few months, and these credits expired at the end of April 2010. Even with these recent increases, Twin Cities home prices are still well below peak levels. According to the February 2010 Standard & Poor's/Case-Shiller Home Price Index, prices in the Twin Cities metropolitan area have fallen 29 percent from their peak in 2006, the 9th largest drop among the 20 Metropolitan Areas covered in this index.

The U.S. Department of Commerce reported that 3,937 residential building permits were issued in the seven-Counties during 2009, a 13 percent decrease from 2008. Future building will depend upon how quickly the region depletes its oversupply of new for-sale housing. According to MetroStudy, a consulting firm which tracks residential development, the seven-county area is gradually reducing its oversupply of housing. Over the last year, inventories of new single-family homes – both finished vacant and under construction – fell by about 21 percent. In the first quarter of 2010, the monthly inventory of finished vacant homes was 2.2 months (three months is considered the equilibrium). The total new single-family homes inventory was 7.7 months, just above the seven-month equilibrium level. New residential construction will also depend, in part, on the supply of resale homes on the market. According to MAAR, from April 2009 to April 2010, the monthly inventory of resale homes listings fell 14 percent, from 7.4 months to 6.4 months.

Nonresidential building activity continued to soften as rising unemployment and decreased consumer spending stifled demand for office, retail, and industrial property. According to a report from Colliers Turley Martin Tucker (CTMT), office vacancy rates in the region climbed to 20.7 percent, an increase of 3 percent over last year. In their 2010 Market Report, CTMT cited an estimated loss of 17,400 office-using jobs as one reason for increased office vacancies. Retail vacancy rates climbed from 6.5 percent in 2008 to 7.6 percent in 2009, and industrial vacancy rates rose to 13 percent (a 3 percent increase). According to the CTMT report, the industrial market's 2009 absorption rate of negative 3,574,562 sq. ft. was the lowest the company has seen since it began collecting data in 1983.

Per capita personal income for Minneapolis-St. Paul rose to \$47,863 in 2008, placing the Twin Cities 21st among the nation's 366 metropolitan areas. Per capita personal income in the Twin Cities increased 2.4 percent from 2007 to 2008, compared to 2.5 percent nationally. Growth in the real gross metropolitan product per capita rose from \$47,204 in 2001 to \$50,797 (in 2001 dollars) in 2008; this was a 7.6 percent increase.

The Twin Cities economy is likely to continue to follow national trends. As many economists predicted, national GDP achieved positive growth during 2009. In April, national output experienced its third quarter of positive growth. Employment is beginning to rise in response to this growth, albeit slowly. In March, the U.S. Labor department reported 162,000 new jobs (although about 48,000 of these new jobs were for the decennial Census). Minnesota's job losses have slowly gone down since the first quarter of 2009. These figures have made some economists cautiously optimistic, and many predict gradual improvements in the job market will continue through 2010.

Delivering High-Performance Regional Services

Transit - Metro Transit is one of the country's largest transit systems, providing roughly 90 percent of the 79 million bus trips taken annually in the Twin Cities. Each weekday customers board Metro Transit buses and trains an average of 250,000 times.

Metro Transit operates 118 bus routes, the Hiawatha light-rail line, and the Northstar commuter rail line, using a fleet of 878 buses, 27 light-rail passenger cars, 18 commuter rail passenger cars and six commuter rail locomotives.

The Hiawatha light-rail line operates between downtown Minneapolis, the MSP Airport, and the Mall of America in Bloomington. In 2009, the Hiawatha line carried 9.9 million passengers, a slight decrease from a record high 10.2 million in 2008.

The Northstar Commuter Rail opened for service between Big Lake in Sherburne County and downtown Minneapolis in November 2009. The new service offers five morning trips and five afternoon return trips on weekdays, with one reverse commute trip each morning and afternoon. Weekend service includes three roundtrips on both Saturdays and Sundays. Each train consists of a locomotive and four passenger cars, and has seating for 560 people. Trains travel at speeds up to 79 miles per hour, making the trip from Big Lake to Minneapolis in about 50 minutes. Trains also stop at stations in Elk River, Anoka, Coon Rapids and Fridley.

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, Transit Link, and Suburban Transit Authority Providers.

The Metro Mobility program is the metropolitan area's designated Americans with Disabilities Act (ADA) complementary paratransit service. In 2009, Metro Mobility provided nearly 1.4 million rides. Suburban Transit Authority Providers comprise 12 communities selecting to manage their own

transit service providing nearly 4.8 million rides in 2009. Contracted Regular Routes are bus transit services managed through transit provider contracts and consist primarily of commuter routes from the suburbs to the Twin Cities. In 2009, these routes carried 2.4 million passengers. Transit Link is a new region-wide dial-a-ride program that assists people outside areas served by fixed-route transit. This new program replaces a variety of community-based programs which provided 391,000 rides in 2009.

Other important milestones in 2009 included completing the first phase of bus rapid transit improvements in the I-35W and Cedar Avenue corridors. The improvements were accelerated with the help of a \$133 million federal grant and \$50 million in state matching funds under the Urban Partnership Agreement (UPA). They included:

- Opening new MnPASS high-occupancy toll (HOT) lanes on I-35W south of downtown Minneapolis and inaugurating Metro Transit bus service to Minneapolis from a new park-and-ride facility in Lakeville.
- Completing two new park-and-ride facilities on Cedar Avenue in Apple Valley and Lakeville.
- Starting a new bus service operated by the Minnesota Valley Transit Authority.
- In 2010, the Cedar Grove Transit Station in Eagan will be completed.

In downtown Minneapolis, UPA funds were used to build new double bus lanes on Marquette and Second avenues. The double lanes, flowing in the opposite direction of two auto/truck lanes, allow buses to leap-frog each other and speed up their trips. The streets also have 28 new transit shelters and other amenities. UPA funds were also used to expand park-and-ride capacity on I-35W north of Minneapolis, and to purchase new buses, install a variety of technology improvements and promote telecommuting.

In 2009 the Council neared completion of preliminary engineering on the \$957 million Central Corridor Light Rail Transit project, with the goal of starting construction in 2010 and beginning passenger service in 2014. In late summer 2009, the Federal Transit Administration (FTA) approved the Final Environmental Impact Statement for the project and allowed the Council to proceed with utility relocation work in downtown St. Paul and enter into Final Design in early 2010. The 11 mile line will link downtown St. Paul and downtown Minneapolis along University and Washington avenues via the State Capitol and the University of Minnesota.

Wastewater collection and treatment - The Council's Environmental Services division collects and treats an average of 260 million gallons of wastewater every day from 105 directly served communities in the region. Almost 600 miles of sewer pipes carry wastewater to one of seven regional treatment plants. The plants operate 24 hours a day, 365 days a year.

The Environmental Service treatment plants have an outstanding record of compliance with state and national clean water discharge permits. Through December 2009, all seven plants had gone 35 months without a single violation of their discharge permit limits. In July 2009, all seven plants received Peak Performance Awards from the National Association of Clean Water Agencies (NACWA) for clean-water discharge permit compliance in 2008. Special recognition went to the Hastings, St. Croix Valley, and Seneca plants with Peak Performance Platinum Awards for 18 years, 17 years, and 8 consecutive years, respectively, of 100 percent compliance.

The 2009 annual budget for Environmental Services included \$213 million operating revenue primarily from municipal wastewater charges (\$161 million). Municipal sewer rates to local homes and businesses are low in comparison to similar-sized utilities nationally and municipal customer satisfaction is high.

During 2009, Service Availability Charge (SAC) receipts (from development) were at their lowest annual level in the history of the program. However, a combination of a technical change in the amount charged to this fund; use of reserves designated for SAC; and for the future, a new law that allows shifting some of the costs ordinarily paid by SAC to the municipal wastewater charges has mitigated concern about the long-term viability of this revenue source.

Approximately \$88 million was spent on about 60 capital projects that were underway in 2009. 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 follow:

- Quality improvements included the Blue Lake (in Shakopee) and Seneca (Eagan) Plants retrofitting to remove phosphorus, the completion of system wide security improvements, and the diversion of the Empire plant's discharge away from the sensitive Vermillion River.
- Regional growth projects completed included a major project to expand sewer conveyance from Northeast communities (through the City of White Bear Lake) and a new sewer serving the Victoria area. Construction has begun on a sewer across Richfield and another to add service to the Cities of Elko/New Market and Carver.
- Rehabilitation work is underway at the Metro, Seneca and Blue Lake plants, as well as many of our sewers in Minneapolis, St. Paul, South St. Paul, Brooklyn Park and others.

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 6 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 park policies that protect the 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 very low to extremely 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 moderate 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 2009 unified operating budget was adopted by the Council in December 2008. The original adopted budget for operations, pass-through expenditures and debt service was \$750 million representing a seven percent increase from the budget adopted for 2008. During the year, the budget was revised to \$752 million primarily to recognize increased costs related to service adjustments that were largely offset by local and federal funding sources.

The Council relies on several funding sources. In the 2009 budget, 42 percent of the Council's revenue came from user fees for wastewater treatment and transit services, and 45 percent from state and federal funds. About eight percent of revenue came from a seven-County property tax and five percent from other sources.

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 five percent unbudgeted in the event that actual receipts fall short of projections.

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, 2008. This was the twenty-sixth 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,

(Original signed by Wes Kooistra)

Wes Kooistra
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, 2008

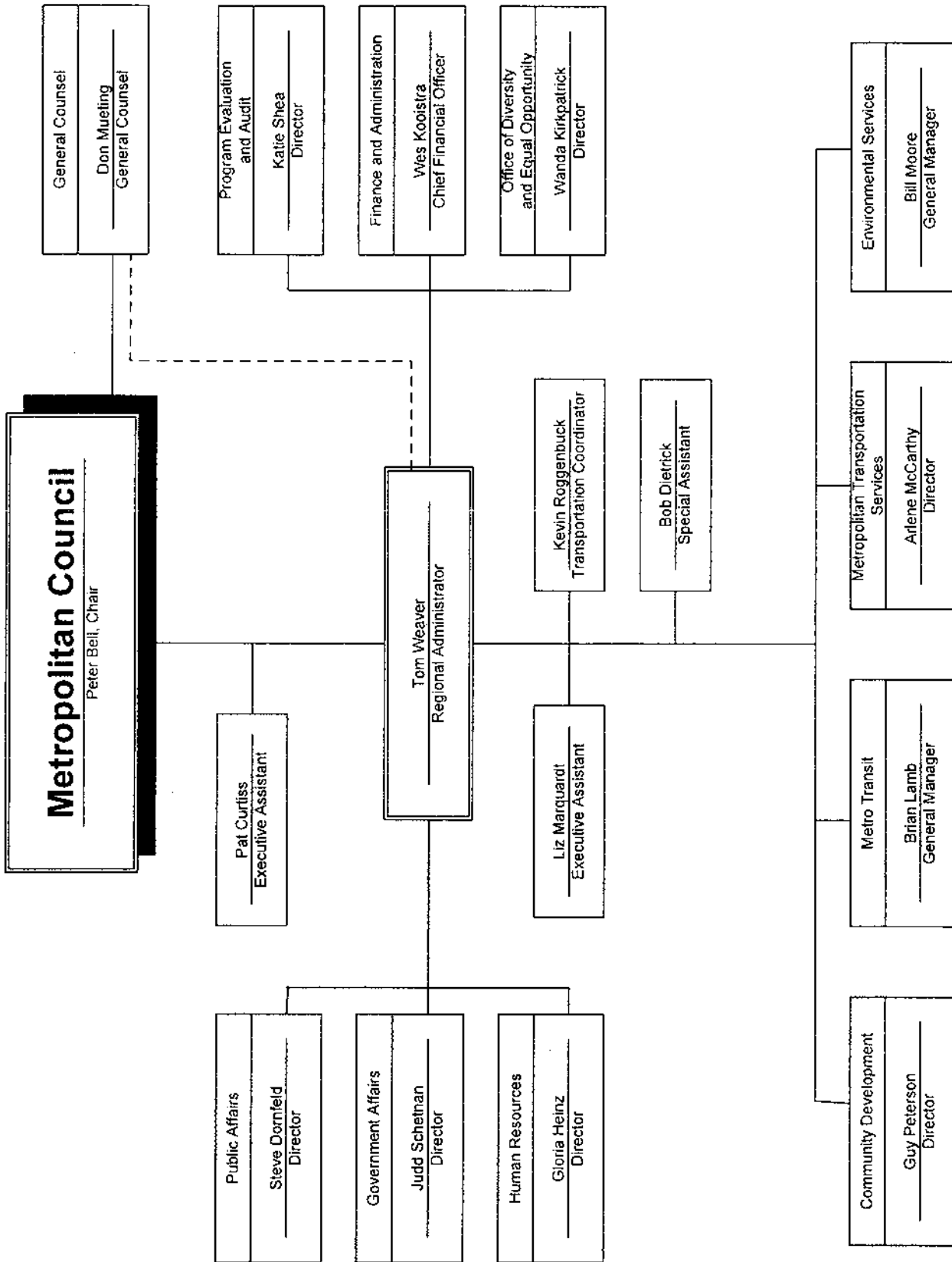
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



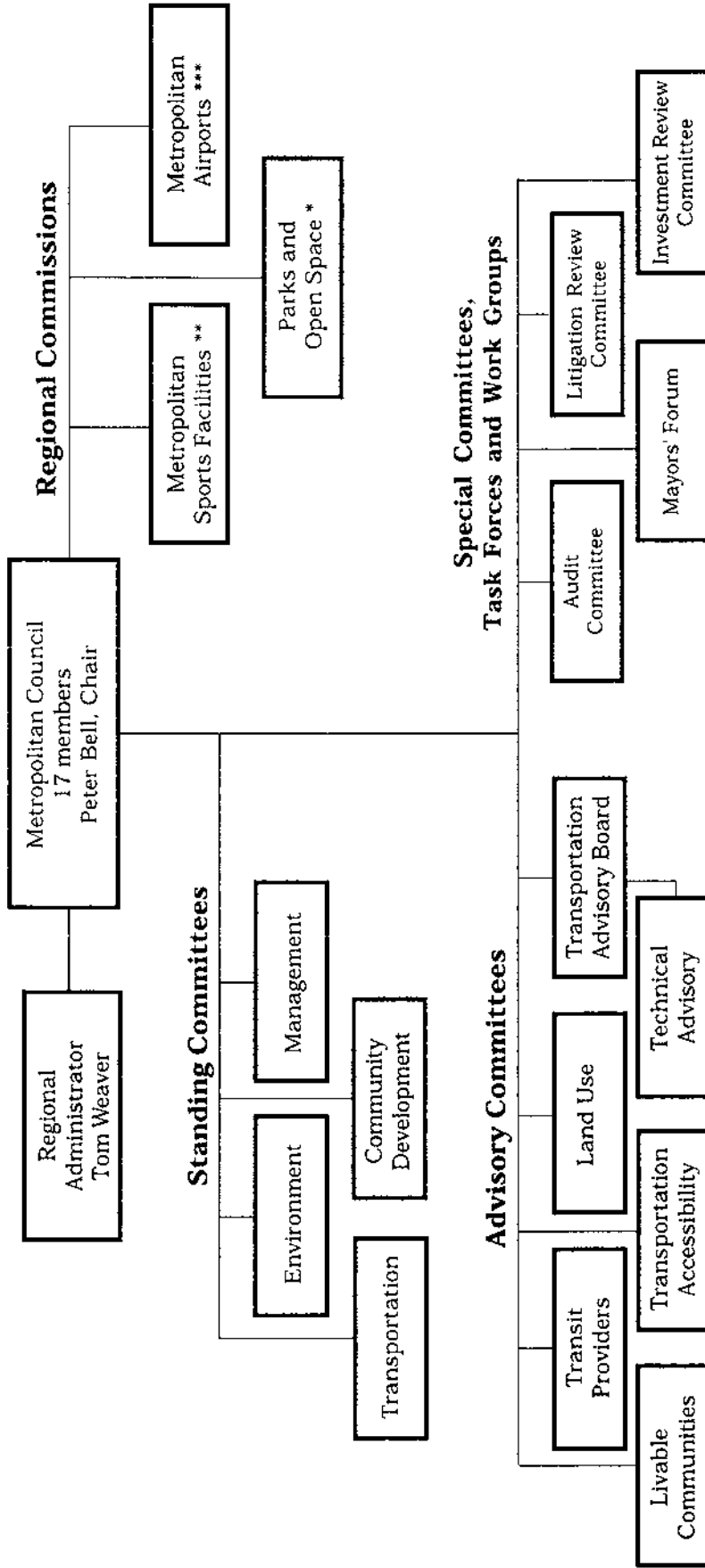
President

Executive Director

Organization



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.



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

METROPOLITAN COUNCIL

	Term of Office	
	First Appointed	End of Term
COUNCIL MEMBERS:		
Chair -		
Peter Bell	Jan. 8, 2003	Jan. 1, 2011
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 -		
Robert McFarlin	Jan. 14, 2009	Jan. 1, 2011
District No. 4 -		
Craig Peterson	Dec. 26, 2007	Jan. 1, 2011
District No. 5 -		
Polly Bowles	June 25, 2008	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 -		
Wendy Wulff	Apr. 22, 2009	Jan. 1, 2011

METROPOLITAN COUNCIL

OFFICERS

Peter Bell, appointed	Chair
Peggy Leppik	1 st Vice-Chair
Roger Scherer	Treasurer
Pat Curtiss	Secretary

FINANCIAL ADMINISTRATIVE OFFICIALS

Tom Weaver	Regional Administrator
Wes Kooistra	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

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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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Metropolitan Council adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2009. GASB Statement 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB Statement 54 provides clearer fund balance classifications that can be more consistently applied and clarifies existing governmental fund type definitions.

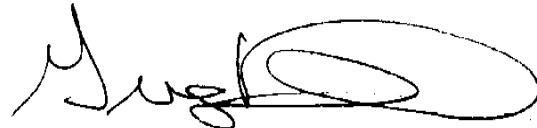
The Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by GASB. We have applied certain limited procedures, which consisted principally 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 have also issued our report dated June 28, 2010, 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 28, 2010

2009 Comprehensive Annual Financial Report Management's Discussion and Analysis (Unaudited)

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, 2009. 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 \$1.8 billion. Approximately 88 percent of this amount is invested in capital assets (net of related debt).

During the year, the Council's total net assets increased by \$213 million (13 percent) from the prior year. Net assets from business-type activities added \$171 million, while governmental activities contributed \$42 million. Program revenues increased \$126.6 million. All three program revenue sectors increased, lead by capital grants with an increase of \$75 million and operating grants increasing by \$40 million. Business-type activities benefited from significant capital grants revenues primarily in Metro Transit's Bus and Commuter Rail activities.

The Council's governmental funds reported a combined ending fund balance of \$282 million as of the end of the year. This represents an increase of \$58.4 million (26.1 percent) compared to the previous year.

At the close of the fiscal year, the general fund reported a total fund balance of \$20.0 million, an increase of \$2.5 million over the previous year. The general fund unassigned fund balance increased \$1.5 million while the committed balance increased by \$900 thousand and the assigned balance increased by \$100 thousand.

The Council added \$108 million in bonds and loans while paying down \$91 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 are 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 governmental 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 eleven 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 eight 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 are 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, commuter rail transportation and housing operations. All five 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 \$1.8 billion on December 31, 2009.

Metropolitan Council Net Assets December 31, 2008 and 2009 (In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Current and other assets	\$254,114	\$314,767	\$ 349,259	\$ 370,648	\$ 603,373	\$685,415
Capital assets	<u>71,978</u>	<u>85,339</u>	<u>2,399,685</u>	<u>2,550,861</u>	<u>2,471,663</u>	<u>2,636,200</u>
Total assets	<u>326,092</u>	<u>400,106</u>	<u>2,748,944</u>	<u>2,921,509</u>	<u>3,075,036</u>	<u>3,321,615</u>
Long-term liabilities outstanding	229,678	259,250	1,021,161	1,023,203	1,250,839	1,282,453
Other liabilities	<u>31,709</u>	<u>33,557</u>	<u>161,080</u>	<u>160,969</u>	<u>192,789</u>	<u>194,526</u>
Total liabilities	<u>261,387</u>	<u>292,807</u>	<u>1,182,241</u>	<u>1,184,172</u>	<u>1,443,628</u>	<u>1,476,979</u>
Net assets:						
Invested in capital assets, net of related debt	17,069	28,613	1,451,577	1,590,590	1,468,646	1,619,203
Restricted	152,325	162,814	38,715	4,205	191,040	167,019
Unrestricted	<u>(104,689)</u>	<u>(84,128)</u>	<u>76,411</u>	<u>142,542</u>	<u>(28,278)</u>	<u>58,414</u>
Total net assets	<u>\$ 64,705</u>	<u>\$107,299</u>	<u>\$1,566,703</u>	<u>\$1,737,337</u>	<u>\$1,631,408</u>	<u>\$1,844,636</u>

By far the largest portion of the Metropolitan Council's net assets (\$1.6 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 (\$167 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 decrease (\$24 million) came primarily from Environmental Services Capital project programs.

Unrestricted net assets for the governmental activities are a negative \$84 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. Additionally, Governmental Activities had \$18 million in grant awards (restricted net assets) in which future bonding had not yet been issued.

At the end of the current fiscal year, the Metropolitan Council is able to report positive balances in all three categories of net assets, positive balances in two of the three categories 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 \$213 million, an 13 percent increase for the year. Business-type activities contributed \$171 million (80 percent) of the increase, due primarily to Metro Transit Bus participation in the Urban Partnerships Agreements (UPA) a unique Federal Transportation Administration (FTA) cooperative program.

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, 2008 and 2009
(In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,568	\$ 7,652	\$ 290,329	\$ 301,229	\$ 296,897	\$ 308,881
Operating grants and contributions	46,842	45,563	119,785	160,747	166,627	206,310
Capital grants and contributions	32,812	49,379	129,184	195,827	161,996	245,206
General revenues:						
Property taxes	70,217	71,281			70,217	71,281
Property tax related state revenues	2,120	2,130			2,120	2,130
Motor vehicle sales tax	31,785	35,694	92,020	95,151	123,805	130,845
Investment earnings	5,981	4,831	1,205	16,302	7,186	21,133
Gain on sale of capital assets	<u>83</u>	<u>97</u>			<u>83</u>	<u>97</u>
Total revenues	<u>196,408</u>	<u>216,627</u>	<u>632,523</u>	<u>769,256</u>	<u>828,931</u>	<u>985,883</u>
Expenses:						
General government	9,823	9,067			9,823	9,067
Transportation	102,476	107,715			102,476	107,715
Culture and recreation	39,007	28,151			39,007	28,151
Economic development	1,136	4,488			1,136	4,488
Environment	3,313	3,560			3,313	3,560
Housing	1,504	594			1,504	594
Interest and other charges	9,606	8,491			9,606	8,491
Environmental services			218,856	192,990	218,856	192,990
Transit bus			299,435	302,669	299,435	302,669
Transit light rail			55,766	51,895	55,766	51,895
Transit commuter rail			770	6,834	770	6,834
Housing			<u>53,880</u>	<u>56,201</u>	<u>53,880</u>	<u>56,201</u>
Total expenses	<u>166,865</u>	<u>162,066</u>	<u>628,707</u>	<u>610,589</u>	<u>795,572</u>	<u>772,655</u>
Increase (decrease) in net assets before transfers	29,543	54,561	3,816	158,667	33,359	213,228
Transfers	<u>(27,097)</u>	<u>(11,967)</u>	<u>27,097</u>	<u>11,967</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	2,446	42,594	30,913	170,634	33,359	213,228
Net assets, beginning	<u>62,259</u>	<u>64,705</u>	<u>1,535,790</u>	<u>1,566,703</u>	<u>1,598,049</u>	<u>1,631,408</u>
Net assets, ending	<u>\$ 64,705</u>	<u>\$107,299</u>	<u>\$1,566,703</u>	<u>\$1,737,337</u>	<u>\$1,631,408</u>	<u>\$1,844,636</u>

Governmental Activities

Governmental activities increased the Council's net assets by \$42.6 million, compared to \$2.4 million in 2008. The primary contributors to this change are discussed in the following paragraphs.

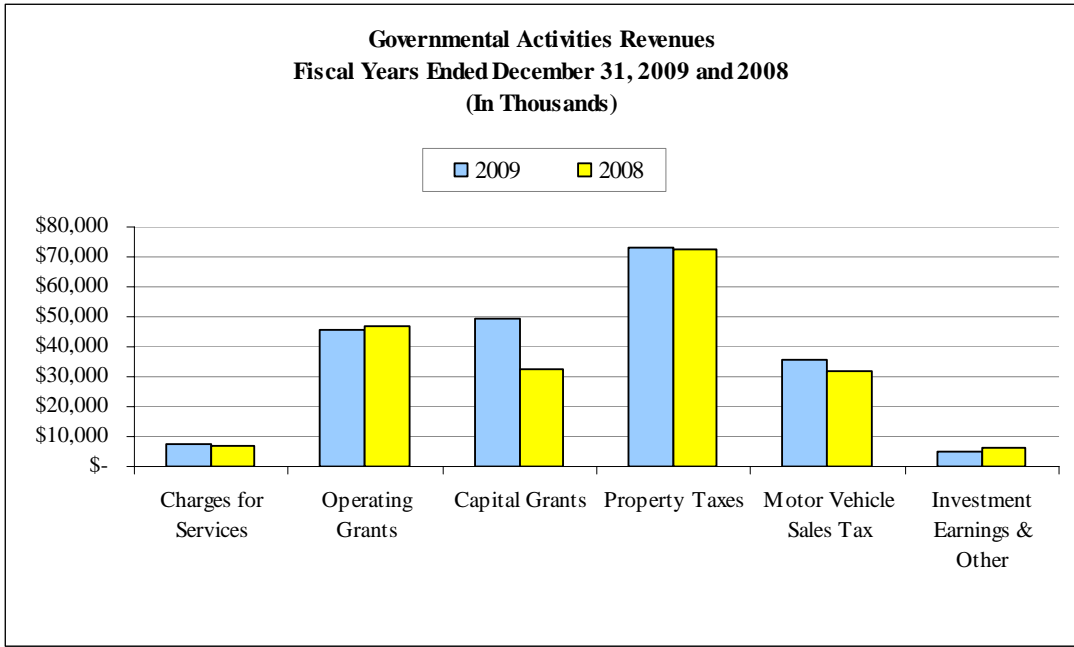
Revenues

Governmental activities are supported by charges for services, grants, and contributions. Additionally, general revenues cover any expenses after program specific revenues are applied. In 2009, 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 \$103 million, increased by \$16 million (19 percent) compared to 2008. Charges for services increased slightly to \$8 million. Operating grants decreased by \$1 million to \$46 million due primarily from decreased State transportation appropriation funding. Capital grant revenues from the Federal programs increased by \$11 million to a new total of \$17 million. The State capital reimbursement for the parks program (\$25 million, an increase of \$3 million) and the transportation program (\$7 million, an increase of \$3 million) all contributed to the total increase.

Total general revenues were \$114 million (an increase of \$4 million or 4 percent). The investment earnings remained low (\$5 million) as interest rates remained at record lows. Motor Vehicle Sales Tax (MVST) receipts increased 12 percent to \$36 million as motor vehicle sales increased over the depressed 2008 rates.



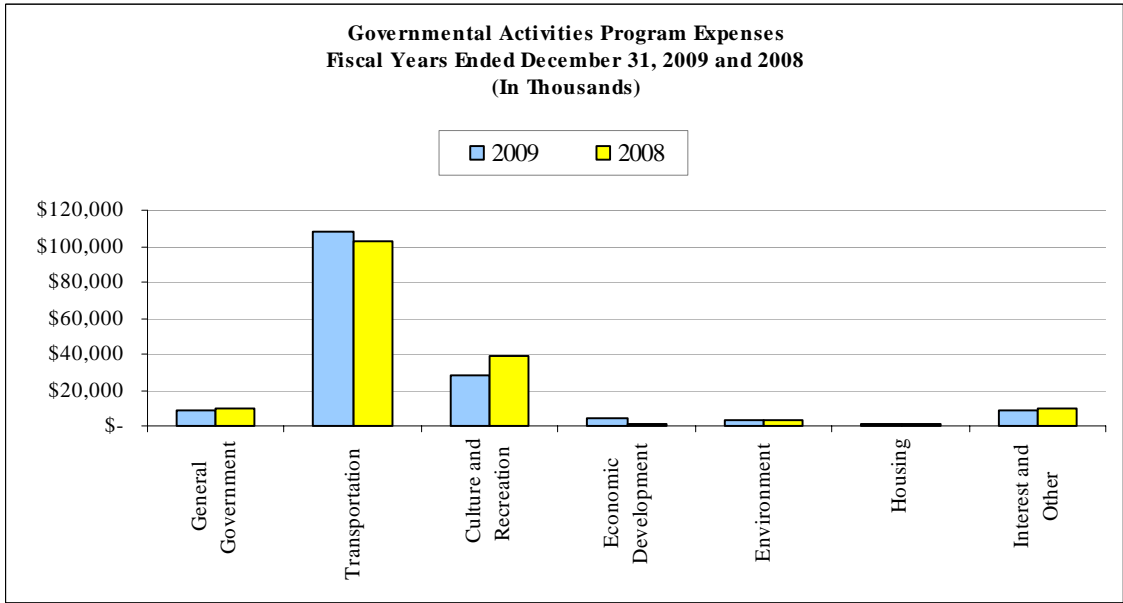
Expenses

In 2009, expenses for governmental activities decreased by \$5 million (3 percent) to \$162 million. Culture and recreation expenses decreased by \$11 million (a 28 percent decrease) as the Council’s regional parks cut their park improvements program as part of their reduced budgets. The Council’s livable communities programs for economic development and environment had marginal increases, while the housing program had reductions due to the depressed new housing market in the region. The unexpended balances of all livable communities grants are recognized as restricted net assets.

Depreciation for the year was \$12 million, an increase of \$1 million over 2008 due to the increased regional bus fleet size.

Net transfers to business-type activities decreased by \$15 million to \$12 million for the year. Metro Transit Bus was the primary recipient of these transfers.

Net salaries and benefits remained unchanged at \$10 million. Payments to outside transit providers increased by \$1 million.



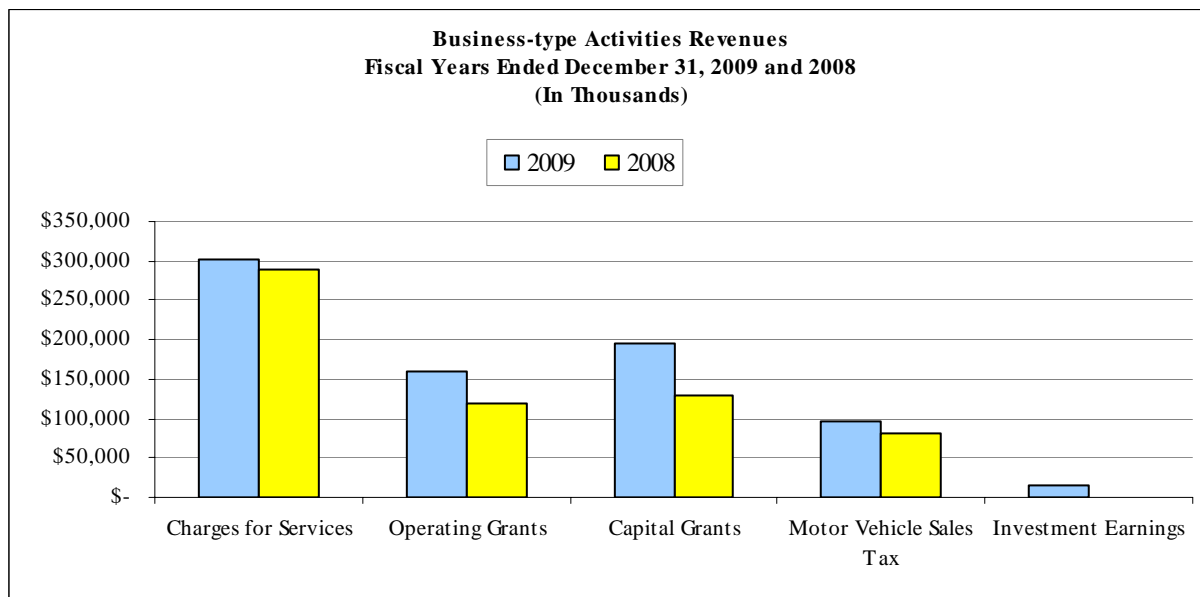
Business-Type Activities

Revenues

Program revenues for the Council's business-type activities totaled \$658 million, or 108 percent of related expenses for fiscal year 2009 compared to \$539 million (86 percent of related expenses) in the prior year. During the year Metro Transit received a Federal UPA grant providing capital grant revenues for an enhanced bus program, and capital grants for the new Commuter Rail line that began operations in late 2009. Environmental Services charges for services increased by \$7 million (4 percent) in 2009.

General revenues used to cover extra program expenses come from two sources: motor vehicle sales tax (MVST) and investment earnings. For 2009, MVST revenues increased marginally to \$95 million. Investment earnings increased substantially by \$15 million to \$16 million, as 2008 experienced various investment losses.

Net transfers decreased, by \$15 million, to \$12 million as stated previously. Transfers are primarily capital expense reimbursements from governmental funds.



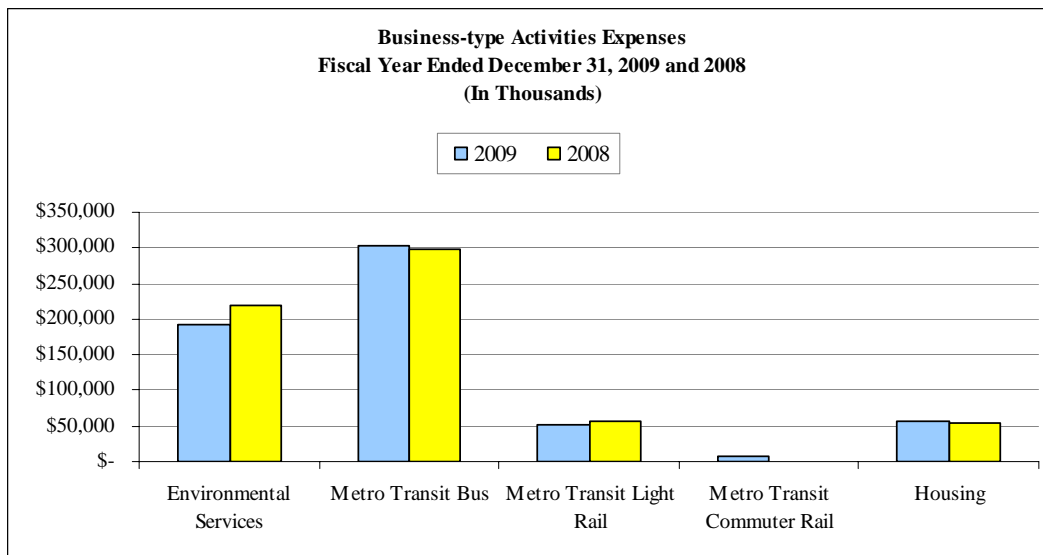
Expenses

Business-type activities in 2009 incurred expenses of \$611 million, a decrease of \$18 million (3 percent) over the prior year. The Environmental Services program expenses decreased by \$26 million (12 percent) primarily from decreased loss on disposition of assets (\$16 million). Taken together the three Metro Transit programs—Bus, Light Rail, and Commuter Rail—experienced a minimal increase of \$5 million (under 2 percent).

Overall salaries and wage related expenses increased \$6 million (2 percent) to \$275 million. \$2 million of the increase came from the new Metro Transit Commuter Rail which began operations in late 2009.

Depreciation expense for 2009 was \$125 million—an \$8 million increase over 2008, due primarily to increased bus capital items in Metro Transit Bus.

Metro Transit Bus materials (bus fuel and parts) increased by only \$4 million to \$46 million, however the bulk of the increase was due to EFPM fuel hedging which had a \$14 million negative effect. Wages, utilities, insurance, housing costs and other expenses were flat compared to 2008.



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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For 2009, the Council has adopted the Governmental Accounting Standards Board (GASB) Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." The new standard has no effect on the total amount reported as fund balances; however, it alters the categories and terminology used to present the amounts on the governmental fund balance sheet. As of the end of the current fiscal year, the Council's governmental funds reported combined total fund balances of \$282 million, an increase of \$58 million compared to the prior year. Of that total fund balance, \$46 million is nonspendable due to the nature of the asset (long term loans are by their nature illiquid and therefore classified as nonspendable). Of the remaining fund balance, \$203 million is considered restricted (an increase of \$29 million over 2008), \$34 million is committed; \$3 million is assigned, leaving an unassigned balance of a negative \$4 million.

During 2009, the Council issued \$53 million of new general obligation bonds, and \$10.5 million of general obligation refunding bonds.

Revenues from all governmental funds for the current year were \$216 million, an increase of \$20 million (10 percent) from the previous year. State operating appropriations decreased \$1 million to \$29 million. Combined Federal and State operating revenues remained flat at \$17 million. State capital reimbursement programs increased by \$6 million to a total of \$33 million, while the Federal capital reimbursement revenues increased substantially by \$11 million due to the previously mentioned UPA grant program. MVST revenues were \$36 million (an increase of \$4 million). Investment income remained flat at \$5 million.

Expenditures for all governmental funds in the current year were \$204 million, a decline of \$2 million from the previous year. Community development and recreational programs (housing, culture and recreation, economic development, and environment rehabilitation) spending decreased by \$8 million to \$37 million reflecting the depressed housing market and regional government budget reductions. Transportation expenditures increased by \$4 million to \$92 million lead by capital projects expenditures. Debt service principal and interest payments decreased by \$10 million (total of \$44 million), reflecting lower interest costs on outstanding debt and lower debt repayments scheduled for 2009.

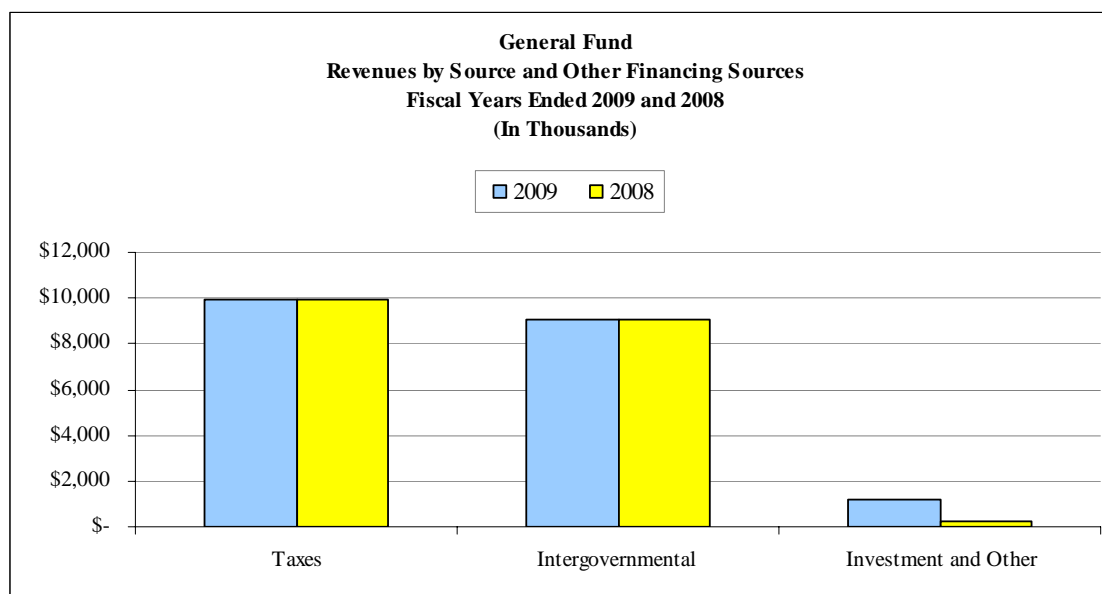
The General Fund is the Council's principal governmental operating fund. During the current year, the fund balance in the General Fund increased by \$2 million (14 percent) to \$20 million. Investment income and reduced general government expenses were the primary contributors to the increase. At the end of 2009, \$4 million was committed for specific purposes, \$3 million was assigned for existing obligations, leaving \$13 million unassigned.

The following table provides the changes in revenues by source from 2008 to 2009.

**General Fund
Revenues by Source and Other Financing Sources
Fiscal Years Ended December 31, 2008 and 2009
(In Thousands)**

	2008		2009		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
Revenues by Source					
Taxes	\$ 9,921	52%	\$ 9,911	49%	\$ (10)
Intergovernmental Revenues	9,020	47%	9,051	45%	31
Investment Income and Other	233	1%	1,220	6%	987
Total Revenue	\$19,174	100%	\$20,182	100%	\$ 1,008
Transfers In	0	0%	0	0%	0
Total Revenue and Other Financing Sources	\$19,174	100%	\$20,182	100%	\$ 1,008

General Fund revenues increased by \$1 million from the previous year. Both taxes and intergovernmental revenues remained flat compared to 2008. The Council did not change its operating levy from 2008 to 2009. The investment income and other revenue increase over 2008 is the result of 2008 containing a large investment activity loss. There have been no transfers in activity in the past two years.



The following table provides the changes in expenditures by function from 2008 to 2009.

**General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2008 and 2009
(In Thousands)**

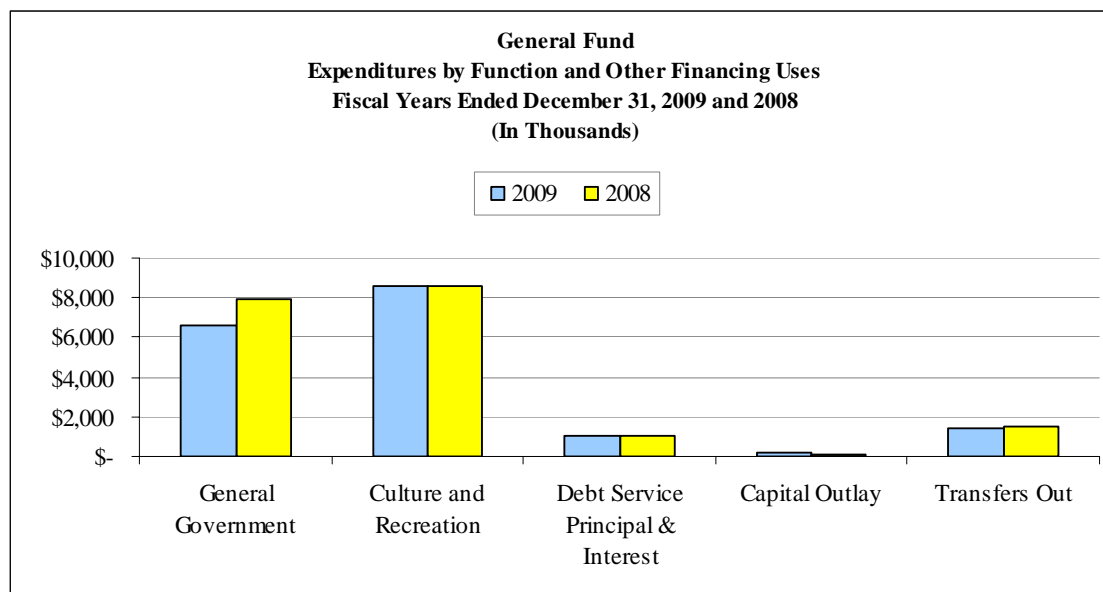
	2008		2009		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
Expenditures by Function					
General Government	\$ 7,966	41%	\$ 6,558	37%	\$ (1,408)
Culture and Recreation	8,591	45%	8,540	48%	(51)
Debt Service (Principal Only)	525	3%	540	3%	15
Debt Service (Interest Only)	539	3%	493	3%	(46)
Capital Outlay	118	0%	153	1%	35
Total Expenditures	\$17,739	92%	\$16,284	92%	\$ (1,455)
Transfers Out	1,530	8%	1,429	8%	(101)
Total Expenditures and Other Financing Uses	\$19,269	100%	\$17,713	100%	\$ (1,556)

General fund expenditures (net of allocations) during the current year were \$16.3 million, a decrease of \$1.5 million from the previous year. Cost containment measures accompanying higher allocations to other divisions were the primary cause for the reduced expenditures vs. 2008. Other financing uses--transfers out--were similar to the prior year.

As a result of Council-wide cost containment measures, actual expenditures for general government expenses were under budget. For the year, the General Fund budgeted and transferred out \$1 million as required by State legislation and \$354 thousand for reimbursement transfers to Environmental Services (a business-type activity) for reimbursement of expenditures in maintaining a water supply planning program, along with \$75 thousand in rental expenditure reimbursements to two divisions..

The Metro Mobility fund balance increased by \$2 million to \$19 million. Metro Mobility's total revenues increased by 11 percent to \$38 million as the fund began receiving MVST allocated revenue. Fare revenues increased by 17 percent to \$5 million while the number of passenger trips and passenger miles increased by 1 percent. Total Metro Mobility expenditures increased to \$36 million, an increase of 1 percent, which is in line with the increase passenger miles

The Debt Retirement fund balance of \$89 million increased by \$17 million, which is in line with the subsequent year's anticipated principal payment. Property tax related revenues were flat at \$48 million, along with investment earnings. Total retirement payments were \$42 million, an increase of \$4 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 five enterprise funds: Environmental Services, Metro Transit Bus, Metro Transit Light Rail, Metro Transit Commuter Rail, and Metropolitan Housing and Redevelopment Authority. Each fund is reported as a major fund.

Overall, the enterprise funds had total net assets of \$1.7 billion at December 31, 2009. Total net assets for all enterprise funds increased by \$170 million during 2009. Capital contributions and net transfers were the largest positive contributors.

The following table summarizes the total assets, total liabilities, operating income, changes in net assets, and net asset balance for each of the five enterprise funds from 2008 to 2009.

**Enterprise Funds
Key Balance Sheet Account Balances and Revenue and Expense Activities
December 31, 2009 and 2008
(In Thousands)**

	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total 2009	Total 2008
		Bus	Light Rail	Commuter Rail			
Assets	\$1,679,292	\$596,666	\$562,161	\$71,095	\$ 30,858	\$2,940,072	\$2,765,836
Liabilities	1,049,535	97,840	31,846	17,051	6,463	1,202,735	1,199,133
Operating Income (Loss)	12,076	(217,913)	(41,008)	(6,324)	(55,730)	(308,899)	(298,590)
Changes in Net Assets	34,060	85,510	36,686	22,148	(7,770)	170,634	30,913
Net Assets	629,757	498,826	530,315	54,044	24,395	1,737,337	1,566,703

The Environmental Services fund accounts for the payments for wastewater interceptor and treatment services. It also accounts for the sanitary sewer maintenance and design. Normal operations were profitable. Net capital assets increased by \$40 million.

Metro Transit Bus is the region's largest provider of directly provided bus transit service. Invested in capital assets, net of related debt was \$412 million, an increase of \$53 million. Capital contributions from the Federal UPA grant program contributed significantly to the increase.

The Metro Transit Light Rail fund provides the region's rail transit service. For December 31, 2009, the invested in capital assets, net of related debt was \$524 million, an increase of \$40 million. Capital and operating grants of \$72 million were received due mostly to the Central Corridor project which is in its pre-construction phase.

The Metro Transit Commuter Rail which provides the region's commuter rail transit service began operations on November 16, 2009. For December 31, 2009, the invested in capital assets, net of related debt was \$51 million, an increase of \$20 million.

The Metropolitan Housing and Redevelopment Authority provides affordable housing under the Federal "Section 8" program. The net asset balance for the year ended December 31, 2009, was \$24 million, of which \$19 million was invested in capital assets, net of related debt.

General Fund Budgetary Highlights

The original budget was decreased by \$.2 million to arrive at the final budget of \$18.2 million. The decrease came from:

- \$328 thousand in additional budget carryovers from 2008 and
- \$150 thousand in increased general government activities, which was offset by
- \$643 thousand increase in expense allocation charge outs to other operating divisions within the Council

During the year, however, actual expenditures were \$2.0 million less than the final budget due primarily to lower consultant expenses (\$1.1 million).

Capital Asset and Debt Administration

Capital assets

The Metropolitan Council's investment in capital assets for its governmental and business-type activities as of December 31, 2009, was \$2.6 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, 2008 and 2009
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Land and land improvements	\$ 5,618	\$ 6,630	\$ 74,437	\$ 86,964	\$ 80,055	\$ 93,594
Buildings and infrastructure	15,322	14,914	1,825,057	1,985,905	1,840,379	2,000,819
Vehicles and other equipment	51,038	62,467	247,166	300,651	298,204	363,118
Construction in progress	_____	<u>1,328</u>	<u>253,025</u>	<u>177,341</u>	<u>253,025</u>	<u>178,669</u>
Total	<u>\$71,978</u>	<u>\$85,339</u>	<u>\$2,399,685</u>	<u>\$2,550,861</u>	<u>\$2,471,663</u>	<u>\$2,636,200</u>

The Metropolitan Council's net capital assets for governmental activities increased by \$13 million for the year.

The business-type activities had an increase of \$151 million. Metro Transit Bus experienced an increase of \$53 million mostly in buildings as various construction in progress items were completed. Metro Transit Light Rail (\$40 million increase) and Metro Transit Commuter Rail (\$20 million increase) saw significant changes in construction in progress as Commuter Rail became operational and Central Corridor continued in its pre-construction phase.

Additional information on the Metropolitan Council's capital assets can be found in Note IV.E on pages 41-42 of this report.

Debt Administration

At the end of the fiscal year, the Metropolitan Council had total bonds and loans outstanding of \$1.2 billion, similar to the amount at the end of 2008. Of this amount, \$570 million was for general obligation bonds issued by the Metropolitan Council, and \$605 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 \$5 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, 2008 and 2009
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
General obligation bonds	\$183,370	\$216,560	\$381,635	\$353,520	\$565,005	\$ 570,080
State of Minnesota loans	<u>16,210</u>	<u>12,860</u>	<u>576,213</u>	<u>592,293</u>	<u>592,423</u>	<u>605,153</u>
Subtotal of general obligation bonds and loans	199,580	229,420	957,848	954,009	1,157,428	1,175,233
Revenue Bonds	<u>6,235</u>	<u>5,100</u>	_____	_____	<u>6,235</u>	<u>5,100</u>
Total bonds and loans	<u>\$205,815</u>	<u>\$234,520</u>	<u>\$957,848</u>	<u>\$954,009</u>	<u>\$1,163,663</u>	<u>\$1,180,333</u>

The Metropolitan Council's total debt increased by \$17 million (1.4 percent) during the current year. General obligation bonds increased by \$5 million. During the year, the Council issued \$99 million of new bonds and \$17 million of refunding bonds, while retiring \$8 million of general obligation bonds (original issue value of \$111 million). During the year, the Metropolitan Council drew down \$38 million in State of Minnesota loans and repaid \$23 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 wastewater bonds. The state statutes limit the amount of general obligation debt the Metropolitan Council may issue for regional recreation open space at \$40 million. Currently, the Council has unused authority of \$24.9 million.

Transit debt is subject to limited amounts as authorized by statute. At the end of the year, the Metropolitan Council had unused authority of \$90.4 million of transit general obligation bonds.

Additional information on the Metropolitan Council's long-term debt can be found in Note IV.H on pages 44-47 of this report.

Economic Factors and Next Year's Budgets and Rates

The certified property tax levy approved by the Council for 2010 represents a 2.0 percent increase over the previous year's levy, which is 97.3 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.

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 Deputy Chief Financial Officer, Metropolitan Council, 390 North Robert Street, St. Paul, Minnesota 55101.

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BASIC FINANCIAL STATEMENTS

METROPOLITAN COUNCIL
STATEMENT OF NET ASSETS
DECEMBER 31, 2009
IN THOUSANDS

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Metropolitan Sports Facilities Commission
ASSETS				
Cash and investments	\$ 211,715	\$ 172,704	\$ 384,419	\$ 16,417
Cash with fiscal agent	10,123		10,123	
Receivables, (net)	4,340	13,068	17,408	7,041
Due from other governmental units	41,727	46,785	88,512	
Inventory		23,512	23,512	
Prepays and other	776	3,221	3,997	282
Loans/advances	46,086	2,040	48,126	
Restricted assets:				
Cash and cash equivalents		37,874	37,874	
Cash with fiscal agent		6,912	6,912	
Receivables, (net)		16,798	16,798	102
Due from other governmental units		46,897	46,897	
Deferred charges		837	837	
Capital assets not being depreciated:				
Land	6,630	86,964	93,594	8,700
Construction in progress	1,328	177,341	178,669	
Capital assets (net of accumulated depreciation)				
Buildings and infrastructure	14,914	1,985,905	2,000,819	1,912
Vehicles	61,899	257,046	318,945	
Equipment	568	43,605	44,173	1,557
Total assets	400,106	2,921,509	3,321,615	36,011
LIABILITIES				
Accounts payable and other current liabilities	30,110	49,026	79,136	8,114
Accrued interest payable	3,447		3,447	
Unearned revenue		10,546	10,546	35
Liabilities payable from restricted assets		69,420	69,420	
assets				
Unearned revenue-restricted		31,977	31,977	
Noncurrent liabilities:				
Due within one year	56,554	68,258	124,812	110
Due in more than one year	202,696	954,945	1,157,641	87
Total liabilities	292,807	1,184,172	1,476,979	8,346
NET ASSETS				
Invested in capital assets, net of related debt	28,613	1,590,590	1,619,203	12,169
Restricted for:				
Debt service	21,032		21,032	
Capital projects	34,426	4,205	38,631	
Grants and loans	107,356		107,356	
Unrestricted	(84,128)	142,542	58,414	15,496
Total net assets	\$ 107,299	\$ 1,737,337	\$ 1,844,636	\$ 27,665

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, 2009
IN THOUSANDS**

Function/program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component unit Metropolitan Sports Facilities Commission
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 9,067	\$ 203	\$ 2		\$ (8,862)		\$ (8,862)	
Transportation	107,715	7,449	35,610	\$ 23,888	(40,768)		(40,768)	
Culture and recreation	28,151		8,541	25,491	5,881		5,881	
Economic development	4,488				(4,488)		(4,488)	
Environment	3,560				(3,560)		(3,560)	
Housing	594				(594)		(594)	
Interest and other charges	8,491		1,410		(7,081)		(7,081)	
Total governmental activities	<u>162,066</u>	<u>7,652</u>	<u>45,563</u>	<u>49,379</u>	<u>(59,472)</u>	<u>\$ 0</u>	<u>(59,472)</u>	<u>\$ 0</u>
Business-type activities:								
Environmental services	192,990	210,535	771	8,482		26,798	26,798	
Transit bus	302,669	78,753	98,474	161,321		35,879	35,879	
Transit light rail	51,895	10,887	10,701	6,081		(24,226)	(24,226)	
Transit commuter rail	6,834	273	3,339	19,943		16,721	16,721	
Housing	56,201	781	47,462			(7,958)	(7,958)	
Total business-type activities	<u>610,589</u>	<u>301,229</u>	<u>160,747</u>	<u>195,827</u>	<u>0</u>	<u>47,214</u>	<u>47,214</u>	<u>0</u>
Total primary government	<u>\$ 772,655</u>	<u>\$ 308,881</u>	<u>\$ 206,310</u>	<u>\$ 245,206</u>	<u>(59,472)</u>	<u>47,214</u>	<u>(12,258)</u>	<u>0</u>
Component unit:								
Sports facilities	<u>\$ 57,400</u>	<u>\$ 50,855</u>						<u>(6,545)</u>
General revenues:								
Property taxes					71,281		71,281	
Market value credit					2,130		2,130	
Motor vehicle sales tax					35,694	95,151	130,845	
Investment earnings					4,831	16,302	21,133	1,031
Gain on sale of capital assets					97		97	
Transfers					(11,967)	11,967	0	
Total general revenues and transfers					<u>102,066</u>	<u>123,420</u>	<u>225,486</u>	<u>1,031</u>
Change in net assets					42,594	170,634	213,228	(5,514)
Net assets, beginning					64,705	1,566,703	1,631,408	33,179
Net assets, ending					<u>\$ 107,299</u>	<u>\$ 1,737,337</u>	<u>\$ 1,844,636</u>	<u>\$ 27,665</u>

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

**METROPOLITAN COUNCIL
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009
IN THOUSANDS**

	<u>General</u>	<u>Metro Mobility Special Revenue Fund</u>	<u>Debt Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 22,150	\$ 8,103	\$ 78,104	\$ 103,358	\$ 211,715
Cash with fiscal agent			10,123		10,123
Receivables, (net)	95	90		10	195
Delinquent taxes receivable	476		2,036	539	3,051
Interest receivable	110	52	489	443	1,094
Due from other governmental units	438	14,553		26,736	41,727
Loans and advances	236			45,850	46,086
Total assets	<u>\$ 23,505</u>	<u>\$ 22,798</u>	<u>\$ 90,752</u>	<u>\$ 176,936</u>	<u>\$ 313,991</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts/contracts/subgrantees payable	\$ 1,480	\$ 4,108	\$ 10	\$ 22,730	\$ 28,328
Salaries payable	1,694				1,694
Deferred revenue	300		1,339	329	1,968
Total liabilities	<u>3,474</u>	<u>4,108</u>	<u>1,349</u>	<u>23,059</u>	<u>31,990</u>
Fund balances (Note IV.J.):					
Nonspendable				45,724	45,724
Restricted			89,403	113,636	203,039
Committed	3,793	18,690		12,095	34,578
Assigned	3,025				3,025
Unassigned	13,213			(17,578)	(4,365)
Total fund balances	<u>20,031</u>	<u>18,690</u>	<u>89,403</u>	<u>153,877</u>	<u>282,001</u>
Total liabilities and fund balances	<u>\$ 23,505</u>	<u>\$ 22,798</u>	<u>\$ 90,752</u>	<u>\$ 176,936</u>	<u>\$ 313,991</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, 2009
IN THOUSANDS**

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

Fund balances-total governmental funds (page 18)	\$ 282,001
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	85,339
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	2,656
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(262,697)
Net assets of governmental activities (page 16)	<u>\$ 107,299</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, 2009
IN THOUSANDS

	General	Metro Mobility Special Revenue	Debt Retirement	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 9,911		\$ 45,147	\$ 16,165	\$ 71,223
Intergovernmental revenue:					
Federal		\$ 4,345		15,602	19,947
State	8,953	27,630	2,668	73,507	112,758
Local/other	98			1,003	1,101
Investment income	1,214	365	1,313	1,939	4,831
Other	6	5,219		1,387	6,612
Total revenues	<u>20,182</u>	<u>37,559</u>	<u>49,128</u>	<u>109,603</u>	<u>216,472</u>
EXPENDITURES					
Current:					
General government	6,558	15	54	1,305	7,932
Transportation		35,938		22,237	58,175
Intergovernmental:					
Transportation				38,100	38,100
Culture and recreation	8,540			19,611	28,151
Economic development				4,488	4,488
Environment				3,560	3,560
Housing				594	594
Debt service:					
Principal	540		34,785		35,325
Interest and other charges	493		8,067		8,560
Capital outlay	153	119		18,644	18,916
Total expenditures	<u>16,284</u>	<u>36,072</u>	<u>42,906</u>	<u>108,539</u>	<u>203,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,898</u>	<u>1,487</u>	<u>6,222</u>	<u>1,064</u>	<u>12,671</u>
OTHER FINANCING SOURCES (USES)					
Transfers in		21		1,080	1,101
Transfers out	(1,429)			(18,203)	(19,632)
Bonds issued				53,000	53,000
Refunding bonds issued			10,490		10,490
Premium on bonds and capital related debt			391	197	588
Sale of capital assets				184	184
Total other financing sources (uses)	<u>(1,429)</u>	<u>21</u>	<u>10,881</u>	<u>36,258</u>	<u>45,731</u>
Net change in fund balances	2,469	1,508	17,103	37,322	58,402
Fund balances, beginning	17,562	17,182	72,300	116,555	223,599
Fund balances, ending	<u>\$ 20,031</u>	<u>\$ 18,690</u>	<u>\$ 89,403</u>	<u>\$ 153,877</u>	<u>\$ 282,001</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, 2009
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)	\$	58,402
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.		6,884
The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to increase net assets.		6,477
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		58
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.		(28,471)
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.		(756)
Change in net assets of governmental activities (page 17)	<u>\$</u>	<u>42,594</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, 2009
IN THOUSANDS**

	Business-type Activities - Enterprise Funds					
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total
		Bus	Light Rail	Commuter Rail		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 65,538	\$ 97,311			\$ 9,855	\$ 172,704
Receivables, net	4,698	6,960	\$ 1,001	\$ -	409	13,068
Due from other funds		13,561				13,561
Due from other governmental units		32,315	10,255	4,013	202	46,785
Inventory	8,224	11,750	3,389	149		23,512
Prepays and Other	614	1,242	29	1,336		3,221
Restricted assets:						
Cash and cash equivalents	31,969	1,507	4,398			37,874
Cash with fiscal agent	6,912					6,912
Receivables, net	16,742	10	46			16,798
Due from current assets			5,002			5,002
Due from other governmental units		18,577	13,744	14,343		46,664
Total current assets	<u>134,697</u>	<u>183,233</u>	<u>37,864</u>	<u>19,841</u>	<u>10,466</u>	<u>386,101</u>
Noncurrent assets:						
Capital assets:						
Land	18,794	33,407	28,357		6,406	86,964
Buildings and infrastructure	2,210,617	308,526	463,484	6,976	21,367	3,010,970
Vehicles	7,637	324,722	94,865	44,171		471,395
Equipment	41,143	80,289	265	595	100	122,392
Construction in progress	89,062	2,728	85,551			177,341
Less accumulated depreciation	(824,273)	(337,734)	(148,225)	(488)	(7,481)	(1,318,201)
Net capital assets	1,542,980	411,938	524,297	51,254	20,392	2,550,861
Due from other governments-restricted	233					233
Deferred charges-restricted	837					837
Advances and loans	545	1,495				2,040
Total noncurrent assets	<u>1,544,595</u>	<u>413,433</u>	<u>524,297</u>	<u>51,254</u>	<u>20,392</u>	<u>2,553,971</u>
Total assets	<u>1,679,292</u>	<u>596,666</u>	<u>562,161</u>	<u>71,095</u>	<u>30,858</u>	<u>2,940,072</u>
LIABILITIES						
Current liabilities:						
Accounts payable	4,405	6,354	711	929	889	13,288
Salaries payable	8,537	23,276	861	99	213	32,986
Due to restricted assets			5,002			5,002
Due to other funds				1,547		1,547
Due to other governmental units	107	451	876	54		1,488
Unearned revenue	5,185	1,405			3,956	10,546
Accrued claims	300	4,978	40			5,318
Other	614	757				1,371
Restricted liabilities:						
Payables from restricted assets	18,352	15,475	14,601	1,194		49,622
Accrued interest payable from restricted assets	10,058					10,058
Bonds/loans payable from restricted assets	62,833					62,833
Due to other funds from restricted assets				12,014		12,014
Due to other governmental units from restricted assets				1,214		1,214
Unearned revenue from restricted assets	31,579	398				31,977
Other liabilities from restricted assets		255	8,271			8,526
Total current liabilities	<u>141,970</u>	<u>53,349</u>	<u>30,362</u>	<u>17,051</u>	<u>5,058</u>	<u>247,790</u>
Noncurrent liabilities:						
Compensated absences payable	3,422	1,934				5,356
Due to other governmental units	514					514
Accrued claims	303	8,704	1,484			10,491
Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding)	894,577				1,405	895,982
OPEB liability	8,749	33,853				42,602
Total noncurrent liabilities	<u>907,565</u>	<u>44,491</u>	<u>1,484</u>		<u>1,405</u>	<u>954,945</u>
Total liabilities	<u>1,049,535</u>	<u>97,840</u>	<u>31,846</u>	<u>17,051</u>	<u>6,463</u>	<u>1,202,735</u>
NET ASSETS						
Invested in capital assets, net of related debt	584,114	411,938	524,297	51,254	18,987	1,590,590
Restricted for:						
Capital projects		3,966	318	(79)		4,205
Unrestricted	45,643	82,922	5,700	2,869	5,408	142,542
Total net assets	<u>\$ 629,757</u>	<u>\$ 498,826</u>	<u>\$ 530,315</u>	<u>\$ 54,044</u>	<u>\$ 24,395</u>	<u>\$ 1,737,337</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, 2009
IN THOUSANDS

	Business-type Activities--Enterprise Funds					Total
	Environmenta l Services	Metro Transit			Metropolitan Housing and Redevelopmen t Authority	
		Bus	Light Rail	Commuter Rail		
Operating revenues						
Charges for services						
Wastewater and industrial strength charge	\$ 172,675					\$ 172,675
Transit fares		\$ 75,806	\$ 9,866	\$ 270		85,942
Tenant rent					\$ 466	466
Advertising and auxiliary		2,430	1,021			3,451
Total operating revenues:	<u>172,675</u>	<u>78,236</u>	<u>10,887</u>	<u>270</u>	<u>466</u>	<u>262,534</u>
Operating expenses						
Salaries and employee benefit:	62,356	189,404	17,893	2,324	3,043	275,020
Contracted services	12,241	7,310	884	1,661	2,809	24,905
Materials and supplies:	5,927	45,790	1,035	650	34	53,436
Insurance	992	1,577	544	791	96	4,000
Utilities	18,261	5,003	2,234	227	202	25,927
Advertising		489		108		597
Housing related expense:				400	48,604	49,004
Other	9,286	1,554	2,227		339	13,406
Depreciation	51,536	45,022	27,078	433	1,069	125,138
Total operating expense:	<u>160,599</u>	<u>296,149</u>	<u>51,895</u>	<u>6,594</u>	<u>56,196</u>	<u>571,433</u>
Operating income (loss):	<u>12,076</u>	<u>(217,913)</u>	<u>(41,008)</u>	<u>(6,324)</u>	<u>(55,730)</u>	<u>(308,899)</u>
Nonoperating revenues (expenses)						
Intergovernmental:	771	198,091	12,509	7,558	47,462	266,391
Pass-through grant:		(5,883)				(5,883)
Service availability charge:	36,114					36,114
Investment income	8,600	9,222	38		188	18,048
Interest and fiscal charge:	(29,418)			(240)	(5)	(29,663)
Gain/(loss) on sale of capital asset	(817)	(637)				(1,454)
Other	(2,156)	517	15	3	315	(1,306)
Total nonoperating revenues (expenses)	<u>13,094</u>	<u>201,310</u>	<u>12,562</u>	<u>7,321</u>	<u>47,960</u>	<u>282,247</u>
Income (loss) before contribution: and transfers:	<u>25,170</u>	<u>(16,603)</u>	<u>(28,446)</u>	<u>997</u>	<u>(7,770)</u>	<u>(26,652)</u>
Capital contributions	8,482	151,157	5,737	19,943		185,319
Transfers in:	408	12,310	59,442	1,208		73,368
Transfers out		(61,354)	(47)			(61,401)
Total contributions and transfer:	<u>8,890</u>	<u>102,113</u>	<u>65,132</u>	<u>21,151</u>	<u>0</u>	<u>197,286</u>
Change in net assets	34,060	85,510	36,686	22,148	(7,770)	170,634
Total net assets, beginning	<u>595,697</u>	<u>413,316</u>	<u>493,629</u>	<u>31,896</u>	<u>32,165</u>	<u>1,566,703</u>
Total net assets, ending	<u>\$ 629,757</u>	<u>\$ 498,826</u>	<u>\$ 530,315</u>	<u>\$ 54,044</u>	<u>\$ 24,395</u>	<u>\$ 1,737,337</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, 2009
IN THOUSANDS**

	Business-type Activities--Enterprise Funds					Total
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	
		Bus	Light Rail	Commuter Rail		
Cash flows from operating activities						
Receipts from customers and users	\$ 171,921	\$ 77,588	\$ 9,143	\$ 271	\$ 457	\$ 259,380
Payments to suppliers	(48,154)	(62,300)	(8,353)	(4,486)	(51,964)	(175,257)
Payments to employees	(59,370)	(176,591)	(17,383)	(2,234)	(3,033)	(258,611)
Receipts from (payments to) others		2,431	1,021			3,452
Net cash provided (used) by operating activities	<u>64,397</u>	<u>(158,872)</u>	<u>(15,572)</u>	<u>(6,449)</u>	<u>(54,540)</u>	<u>(171,036)</u>
Cash flows from noncapital financing activities						
Transfer in	408					408
Cash deficit implicitly financed		(1,355)	(3,796)	5,157		6
Intergovernmental receipts	771	199,002	13,303	3,680	51,613	268,369
Transfers out		(61,354)	(47)			(61,401)
Pass-through grant payments		(5,883)				(5,883)
Receipts from others	(2,587)	517	15	3	315	(1,737)
Net cash provided by non-capital financing activities	<u>(1,408)</u>	<u>130,927</u>	<u>9,475</u>	<u>8,840</u>	<u>51,928</u>	<u>199,762</u>
Cash flows from capital and related financing activities						
Transfers in - for capital purposes		12,154	59,048	1,208		72,410
Capital contributions	8,482	144,573	17,965	18,889		189,909
Proceeds from capital debt	38,591					38,591
Proceeds from service availability charges	12,698					12,698
Proceeds from sale of capital assets	188					188
Purchase of capital assets	(83,668)	(90,625)	(66,555)	(22,248)		(263,096)
Principal paid on capital debt	(56,573)					(56,573)
Interest paid on capital debt	(35,416)					(35,416)
Net cash provided by (used in) capital and related financing activities	<u>(115,698)</u>	<u>66,102</u>	<u>10,458</u>	<u>(2,151)</u>	<u>0</u>	<u>(41,289)</u>

**METROPOLITAN COUNCIL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009
IN THOUSANDS**

	Business-type Activities--Enterprise Funds					Total
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	
		Bus	Light Rail	Commuter Rail		
Cash flows from investing activities						
Investment purchase/sale	(6,913)					(6,913)
Interest received/paid	9,272	8,885	37	(240)	234	18,188
Net cash provided by (used in) investing activities	2,359	8,885	37	(240)	234	11,275
Net increase (decrease) in cash and cash equivalents	(50,350)	47,042	4,398		(2,378)	(1,288)
Balances, beginning	147,857	51,776			12,233	211,866
Balances, ending	<u>\$ 97,507</u>	<u>\$ 98,818</u>	<u>\$ 4,398</u>	<u>\$ 0</u>	<u>\$ 9,855</u>	<u>\$ 210,578</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 12,076	\$ (217,913)	\$ (41,008)	\$ (6,324)	\$ (55,730)	\$ (308,899)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	51,536	45,022	27,078	433	1,069	125,138
Change in assets and liabilities:						
Accounts receivable	(857)	1,891	(723)		(194)	117
Due from employees	24					24
Due from other governments	288					288
Materials and supplies (inventory)	(288)	551	(1,372)	(148)		(1,257)
Prepaid expenses and other current assets	(614)	(892)	180	(1,337)		(2,663)
Accounts payable	(1,447)	(976)	(237)	837	305	(1,518)
Accrued payroll liabilities	223	1,378	510	90	10	2,211
Accrued OPEB liabilities	2,739	11,435				14,174
Unearned revenues	103	(109)				(6)
Other liabilities	614	741				1,355
Net cash provided (used) by operating activities	<u>\$ 64,397</u>	<u>\$ (158,872)</u>	<u>\$ (15,572)</u>	<u>\$ (6,449)</u>	<u>\$ (54,540)</u>	<u>\$ (171,036)</u>
Non-cash capital and related financing activities:						
Environmental Services had a non-cash loss of \$1,005 related to the disposition of property, plant, and equipment.						
Metro Transit Bus had a non-cash transfer loss of \$6,564 on capital assets transferred to governmental funds.						

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

**METROPOLITAN COUNCIL
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2009
IN THOUSANDS**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 13</u>
LIABILITIES	
Due to participants	<u>\$ 13</u>

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

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METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2009

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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 *Metro Transit Commuter Rail fund* accounts for the activities of the regional commuter 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 customers 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. The principal operating revenues of the Metro Transit Commuter Rail enterprise are fares charged to customers for rail transportation. The 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 they are neither cash on hand nor demand deposits. Council bank deposits, at December 31, 2009, 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.

- (i) 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;
- (ii) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (iii) 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;
- (iv) Bankers' acceptances of United States banks;
- (v) 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
- (vi) 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, but temporarily suspended the program on May 6, 2008. 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 the preceding December’s activity.

Where appropriate, account receivables are reported net of allowance for doubtful accounts. As of December 31, 2009, the allowances for doubtful accounts were (dollars in thousands):

<u>Enterprise Funds</u>	<u>Balance</u>
Environmental Services	\$ 20
Metro Transit Bus	185
Total	<u>\$ 205</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, 2009, the allowances for obsolete inventory accounts were (dollars in thousands):

<u>Enterprise Funds</u>	<u>Balance</u>
Environmental Services	\$ 50
Metro Transit Bus	585
Total	<u>\$ 635</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 \$33,598,000. Of this amount, \$4,180,000 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 are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</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 balances that are nonspendable and spendable. Nonspendable balances contain legal restraints that by nature cannot be spent by the government. For example, long term loans are not available for spending. Spendable balances are further classified by the relative strength of the constraints that control how amounts can be spent. Those classifications are: restricted, committed, assigned and unassigned.

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 as of December 31, 2009 (dollars in thousands):

<u>Unrestricted net asset account</u>	<u>Balance</u>
Operating account	\$ 9,444
Repair and replacement account	4,613
Concessions reserve account	1,439
Total unrestricted net assets	<u>\$15,496</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 \$85,339,000 difference are as follows:

	<u><i>In thousands</i></u>
Land	\$ 6,630
Building - net of accumulated depreciation	14,914
Equipment - net of accumulated depreciation	568
Vehicles - net of accumulated depreciation	61,899
Construction in progress	1,328
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 85,339</u>

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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 \$2,656,000 difference are as follows:

	<u><i>In thousands</i></u>
Receivables - delinquent property taxes	\$ 1,968
Other assets - bond issuance costs	688
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 2,656</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 \$(262,697,000) difference are as follows:

	<u><i>In thousands</i></u>
General obligation bonds payable	\$ (229,420)
Revenue bonds	(5,100)
Net issuance premiums (to be amortized as interest expense)	(7,251)
Accrued interest and arbitrage payable	(4,280)
Compensated absences	(2,893)
Capital lease payable	(11,955)
OPEB liability	(1,798)
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (262,697)</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 \$6,884,000 difference are as follows:

	<u><i>In thousands</i></u>
Capital outlay	\$ 18,916
Depreciation expense	(12,032)
Net adjustment to increase net changes in <i>fund balances - total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>	<u>\$ 6,884</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 \$6,477,000 difference are as follows:

	<u><i>In thousands</i></u>
The statement of activities reports <i>gains or losses</i> arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or (loss) on a trade-in of capital assets.	\$ (87)
Transfers of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources	<u>6,564</u>
Net adjustment to increase net changes in <i>fund balances - total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>	<u>\$ 6,477</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 \$58,000 difference is as follows:

	<u><i>In thousands</i></u>
Property tax revenue for year-end delinquent taxes	<u>\$ 58</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 \$(28,471,000) difference are as follows:

	<i>In thousands</i>
Issuance of general obligation bonds	\$ (53,000)
Issuance of revenue refunding bonds	(10,490)
Premium on new bonds	(588)
Cost of issuance on new bonds	213
Bond discount/(premium) amortization	584
Change in accrued interest	(453)
Amortization of cost of issuance	(62)
Principal payments of general obligation bonds/loans	34,785
Capital lease payment	540
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>	<u>\$ (28,471)</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 governmental funds.” The details of this (\$756,000) difference are as follows:

	<i>In thousands</i>
Change in compensated absences for year	\$ (109)
Change in OPEB liability	(647)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>	<u>\$ (756)</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, Metropolitan Commuter Rail, and Metropolitan Housing and Redevelopment Authority enterprise funds. The Highway Right-of-Way Acquisition Loan 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 assigned fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during subsequent years.

B. Excess of expenditures over appropriations

The following nonmajor governmental funds had expenditures in excess of their budgets for the year ended December 31, 2009:

	<i>Dollars in thousands</i>			
<u>Special Revenue:</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
Suburban Transit Providers - a nonmajor fund	\$ 25,056	\$ 19,484	\$ 21,951	\$ 2,467
Contracted Transit Services - a nonmajor fund	23,067	33,390	34,803	1,413

The Suburban Transit Providers fund's excess expenditures were funded by State government Motor Vehicle Sales Tax revenues. The Contracted Transit Services fund's excess expenditures were funded by State government capital grant 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 \$19,000 of petty cash and mutilated coin, the amount of the Council's bank accounts was \$5,359,000; of which \$500,000 was covered by Federal depository insurance (FDIC) and \$4,859,000 was collateralized at least 110 percent with securities held by the Federal Reserve Bank.

At December 31, 2009, the carrying amount of the MSFC's bank accounts was \$5,077,000. Bank balances were \$5,539,000 of which \$250,000 was covered by Federal depository insurance and the remaining \$5,289,000 was collateralized with securities held by the pledging institution's agent in MSFC's name.

2. Investments

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

Interest rate risk. Although the Council does not have a formal specific duration investment risk policy, it does have a formal investment policy by which 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 \$82,931,000 United States Treasury and agency investments, the Council has a custodial credit risk exposure of \$2,502,000 because the related securities are held by a custodial agent in the broker's name.

Since 2008, the portfolio contained an A1+/P1 investment that was in default. On September 4, 2009, the Council received near full par value on the investment.

The Council has no foreign currency exposure.

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Following is a summary of the fair values of securities at December 31, 2009:

<u>Metropolitan Council</u>	<u>Credit Risk</u>	<u>Custodial Credit Risk</u>	<i>Dollars in thousands</i>		
			<u>Par</u>	<u>Fair Value</u>	<u>Portfolio</u>
U.S. Treasury Securities:					
General Portfolio	n.a.	Custody (a)	\$ 4,000	\$ 3,917	0.9%
Escrow Account, Debt (SLGS and Cash)	n.a.	Escrow (a)	17,036	17,036	3.9%
U.S. Agency Securities:					
Federal Home Loan Bank	Aaa	Custody (a)	39,000	39,525	9.0%
Federal Home Loan Bank	Aaa	Broker Held (b)	2,500	2,502	0.6%
Federal National Mortgage Association	Aaa	Custody (a)	15,000	14,944	3.4%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	5,000	5,007	1.1%
Certificates of Participation (U.S. GSA)	N.R. (c)	Custody (a)	3,660	3,540	0.8%
Municipal Bonds (each <5%)	Aa3(d)	Custody (a)	116,610	97,993	22.3%
State Board of Investments (OPEB, Equities, etc.)	N.R.(c)	Custody (e)	81,255	70,759	16.1%
Money Market Funds	Aaa	n.a.	187,273	187,273	42.6%
Cash for Fuel Hedging Margin Account	n.a.	Broker Held (f)	2,212	2,212	0.5%
Cash for Operations (g)	n.a.	Collateralized (h)	(5,386)	(5,386)	-1.2%
Petty Cash/Coin & Mutilated Coins	n.a.	Council Held	19	19	0.0%
Total Cash and Investments			<u>\$ 468,179</u>	<u>\$ 439,341</u>	<u>100.0%</u>

Component Units:

MSFC:

U.S. Agency Securities:

Federal National Mortgage Association	Aaa	Custody (i)	\$ 4,430	\$ 4,972	30.3%
Federal Home Loan Mortgage Corporation	Aaa	Custody (h)	3,846	4,311	26.3%
Governmental National Mortgage Association	Aaa	Custody (h)	1,662	1,850	11.3%
Money Market Funds	(j)	n.a.	4,206	4,206	25.6%
Cash for Operations & Petty Cash	n.a.	(k)	1,078	1,078	6.5%
Total Cash and Investments			<u>\$ 15,222</u>	<u>\$ 16,417</u>	<u>100.0%</u>

- (a) Securities held in custody/escrow are in the Council's name.
- (b) Securities held by the Bank of NYC in the broker's name
- (c) N.R. = Not Rated.
- (d) Municipal bond ratings range from Aaa to A3, average rating is Aa3.
- (e) Pool investments held by custodian and include 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 \$250,000 are FDIC insured. Individual balances greater than \$250,000 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) \$206,000 invested in Aaa money market fund and \$4,000,000 invested in U.S. Bank money market account.
- (k) Individual balances less than or equal to \$250,000 are FDIC insured. Individual balances greater than \$250,000 are collateralized with securities held by the Federal Reserve Bank in the Commission's name.

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, 2009. Excluding the OPEB equity portfolio the remaining investment portfolio has an average market yield of 1.7 percent, modified duration of 2.9 years, effective duration of 2.2 years and convexity of (0.03).

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Dollars in thousands

Estimated Fair Value, Parallel Shift of Yield Curve

<u>Metropolitan Council</u>	<u>+50 Basis Pts.</u>	<u>+100 Basis Pts.</u>	<u>+150 Basis Pts.</u>	<u>+200 Basis Pts.</u>
U.S. Treasury Securities:				
General Portfolio	\$ 3,994	\$ 3,989	\$ 3,984	\$ 3,979
Escrow Account, Debt (SLGS and Cash)	17,036	17,036	17,036	17,036
U.S. Agency Securities:				
Federal Home Loan Bank	39,746	39,234	38,695	38,141
Federal Home Loan Bank	2,484	2,464	2,445	2,425
Federal National Mortgage Association	14,567	14,086	13,558	13,031
Federal Home Loan Mortgage Corporation	5,001	4,970	4,898	4,803
Certificates of Participation (U.S. GSA)	3,557	3,481	3,410	3,341
Municipal Bonds (each <5%)	93,053	89,513	86,189	83,030
State Board of Investments (OPEB, Equities, etc.)	70,759	70,759	70,759	70,759
Money Market Funds	187,273	187,273	187,273	187,273
Cash for Fuel Hedging Margin Account	2,212	2,212	2,212	2,212
Cash for Operations	(5,386)	(5,386)	(5,386)	(5,386)
Petty Cash/Coin & Mutilated Coins	19	19	19	19
Total Cash and Investments	<u>\$ 434,315</u>	<u>\$ 429,650</u>	<u>\$ 425,092</u>	<u>\$ 420,663</u>

The Commission has adopted a simulation model of reporting 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, 2009. The investment portfolio has an average yield of 4.67 percent, modified duration of 2.31 years, effective duration of 1.79 years and convexity of (0.18) as of December 31 2009.

Component Units:

MSFC:

U.S. Agency Securities:				
Federal National Mortgage Association	\$ 4,915	\$ 4,876	\$ 4,834	\$ 4,786
Federal Home Loan Mortgage Corporation	4,241	4,207	4,172	4,130
Government National Mortgage Association	1,826	1,811	1,796	1,778
Money Market Funds	4,206	4,206	4,206	4,206
Cash for Operations & Petty Cash	1,078	1,078	1,078	1,078
Total Cash and Investments	<u>\$ 16,266</u>	<u>\$ 16,178</u>	<u>\$ 16,086</u>	<u>\$ 15,978</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.

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 Council can hedge its projected consumption up to 23 months into the future. The hedging transactions are completely separate from the physical fuel purchase transactions. The Council does not take delivery of fuel via its EFPs. The initial cash value of each contract is zero; thereafter, the change in the value of each contract is directly correlated with the simultaneous and offsetting increase/decrease in the cost of the fuel in the marketplace and at the time of delivery. At the end of 2009, these values are reported in the "Prepays and Other" and offset in "Accounts Payable and Other Current Liabilities".

Since 2004, the Council has hedged most of its annual 10 million gallons of diesel fuel consumed by the Metro Transit-Bus—a business-type unit—and Metro Mobility—a governmental unit. In 2006, the Council began hedging natural gas consumption for its Environmental Services, Metro Transit-Bus, and Metro Transit North Star business-type units, which annually, in total, consume about five million therms.

For 2009, the Council has adopted GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments. GASB statement No. 53 requires an evaluation of effectiveness of the hedge at the end of each reporting period. A hedge is considered effective if the changes in fair value of the hedged item and hedging derivative offset each other to a significant extent. For 2009, the Council performed a retrospective statistical analysis test and determined that the liquidated hedges were essentially effective.

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As of December 31, 2009, the Council had 329 New York Mercantile Exchange (NYMEX) heating oil futures contracts (13.8 million gallons) with acquisition (effective) dates ranging from 09/29/2008 through 12/14/2009. Termination dates range from 01/29/2010 to 11/30/2011. The Council also had 70 natural gas futures contracts (587,500 MMBtu) with acquisition dates ranging from 09/22/2008 through 10/20/2009. Termination dates for these contracts range from 01/27/2010 to 09/28/2011. As of December 31, 2009, the heating oil and natural gas futures contracts had a fair value of (\$733,388) and (\$959,803), respectively. The Council can hedge its projected consumption (up to 80% in natural gas and 90% in diesel) up to 23 months into the future.

The following risks are generally associated with futures contracts:

Credit risk. To reduce the potential impact of credit risk, the exchanges require both parties of a futures transaction to post margin amounts in their respective accounts and to daily maintain equity sufficient to cover unrealized losses. As of December 31, 2009, the Council's futures accounts at Royal Bank of Canada (RBC) Wealth Management contained cash and a money market fund with a value of \$2,971,000, and a U.S agency security with a fair value of \$2,502,000.

Basis risk. The Council is using NYMEX heating oil futures contracts to hedge its diesel consumption. If prices between the two products significantly deviate from each other, the Council will be exposed to basis risk. Historically, there has been a strong correlation between the two products, resulting in minimal basis risk. Natural gas futures contracts are used to hedge natural gas consumption, thus eliminating a basis risk.

Termination risk. For the Council, futures contracts represent the most cost effective method of managing energy price risk. These futures contracts are accessible, flexible, and liquid. Actual commodities are purchased through a separate purchasing process. The Council does not actually take delivery of the hedged commodities in these futures contracts. Futures contracts are closed out on a net settle basis before expiration, thereby mitigating termination risk.

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:

	<i>Dollars in thousands</i>				
	<u>Accounts</u>	<u>Allowance for Uncollectable</u>	<u>Delinquent Taxes</u>	<u>Interest</u>	<u>Total Receivable</u>
Receivables - current					
<u>Governmental Activities:</u>					
General Fund	\$ 95		\$ 476	\$ 110	\$ 681
Metro Mobility	90			52	142
Debt Retirement			2,036	489	2,525
Nonmajor Governmental	10		539	443	992
Total Governmental	<u>\$ 195</u>	<u>\$ -</u>	<u>\$ 3,051</u>	<u>\$ 1,094</u>	<u>\$ 4,340</u>
<u>Business-type Activities:</u>					
Environmental Services	\$ 4,523	\$ (20)		\$ 195	\$ 4,698
Metro Transit - Bus	6,807	(185)		338	6,960
Metro Transit - LRT	1,001				1,001
Metropolitan Housing and Redevelopment Authority	385			24	409
Total Business-type	<u>\$ 12,716</u>	<u>\$ (205)</u>	<u>\$ -</u>	<u>\$ 557</u>	<u>\$ 13,068</u>
Receivables - restricted					
<u>Business-type Activities:</u>					
Environmental Services	\$ 15,852			\$ 890	\$ 16,742
Metro Transit - Bus	10				10
Metro Transit - LRT	46				46
Total Business-type	<u>\$ 15,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 890</u>	<u>\$ 16,798</u>

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

	<u>Unavailable</u>
Delinquent property taxes receivable (General fund)	\$ 300
Delinquent property taxes receivable (Debt Retirement fund)	1,339
Delinquent property taxes receivable (Nonmajor governmental funds)	329
Total deferred/unearned revenue for governmental funds	<u>\$ 1,968</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 2009, the Council levied \$10,300,000 for the General levy; \$8,184,000 for the Livable Communities Demonstration Account levy; \$7,536,000 for Parks and Radio system debt service; \$3,427,000 for Highway Right-Of-Way Acquisition Loan; and \$39,439,000 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 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:

	<i>Dollars in thousands</i>			
	<u>Levy</u> <u>Limit</u>	<u>Council</u> <u>Levy</u>	<u>Less:</u> <u>MVC</u>	<u>Adjusted</u> <u>Levy</u>
Operating levy	\$ 13,030	\$ 10,300	\$ (452)	\$ 9,848
Tax base revitalization	5,000	5,000		5,000
Highway right-of-way	3,503	3,427	(151)	3,276
Livable communities	10,228	8,184	(359)	7,825
Parks and radio system debt retirement	7,536	7,536	(331)	7,205
Transit debt retirement	39,439	39,439	(808)	38,631
Total	<u>\$ 78,736</u>	<u>\$ 73,886</u>	<u>\$ (2,101)</u>	<u>\$ 71,785</u>

E. Capital assets

1. Primary government

Capital asset activity for the year ended December 31, 2009, was as follows:

	<i>Dollars in thousands</i>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,618	\$ 1,012	\$ -	\$ 6,630
Construction in progress		1,328		1,328
Total capital assets, not being depreciated	<u>5,618</u>	<u>2,340</u>	<u>-</u>	<u>7,958</u>
Capital assets, being depreciated:				
Building	16,344			16,344
Vehicles	94,634	22,649	(4,560)	112,723
Equipment	3,077	491		3,568
Total capital assets, being depreciated	<u>114,055</u>	<u>23,140</u>	<u>(4,560)</u>	<u>132,635</u>
Less accumulated depreciation for:				
Building	1,022	409	(1)	1,430
Vehicles	43,887	11,409	(4,472)	50,824
Equipment	2,786	214		3,000
Total accumulated depreciation	<u>47,695</u>	<u>12,032</u>	<u>(4,473)</u>	<u>55,254</u>
Total capital assets, being depreciated, net	<u>66,360</u>	<u>11,108</u>	<u>(87)</u>	<u>77,381</u>
Governmental activities capital assets, net	<u>\$ 71,978</u>	<u>\$ 13,448</u>	<u>\$ (87)</u>	<u>\$ 85,339</u>

During the year, Metro Transit Bus enterprise fund transferred capital assets with a net book value of \$6,564,000 to a nonmajor governmental fund. The transfer was not recognized in the governmental funds statement of revenues, expenditures

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and change in fund balances because there is no current financial resource provided. The transferred amount of \$6,564,000 in vehicles and no amount of accumulated depreciation is reflected in the above capital asset activity for the year.

	<i>Dollars in thousands</i>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 74,437	\$ 12,729	\$ (202)	\$ 86,964
Construction in progress	253,025	269,874	(345,558)	177,341
Total capital assets, not being depreciated	327,462	282,603	(345,760)	264,305
Capital assets, being depreciated:				
Buildings and infrastructure	2,768,177	245,807	(3,014)	3,010,970
Vehicles	434,184	62,868	(25,657)	471,395
Equipment	97,381	31,766	(6,755)	122,392
Total capital assets, being depreciated	3,299,742	340,441	(35,426)	3,604,757
Less accumulated depreciation for:				
Buildings and infrastructure	943,120	84,137	(2,192)	1,025,065
Vehicles	206,160	33,715	(25,526)	214,349
Equipment	78,239	7,286	(6,738)	78,787
Total accumulated depreciation	1,227,519	125,138	(34,456)	1,318,201
Total capital assets, being depreciated, net	2,072,223	215,303	(970)	2,286,556
Business-type activities capital assets, net	<u>\$ 2,399,685</u>	<u>\$ 497,906</u>	<u>\$ (346,730)</u>	<u>\$ 2,550,861</u>

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

	<i>Dollars In thousands</i>
<u>Governmental activities:</u>	
General government	\$ 592
Transportation	11,440
Total depreciation expense-governmental activities	<u>\$ 12,032</u>
<u>Business-type activities:</u>	
Environmental Services	\$ 51,536
Metro Transit - Bus	45,022
Metro Transit - Light Rail	27,078
Metro Transit - Commuter Rail	433
Metropolitan Housing and Redevelopment Authority	1,069
Total depreciation expense-business-type activities	<u>\$ 125,138</u>

2. Discretely presented component unit

Activity for Metropolitan Sports Facilities Commission for the year ended December 31, 2009, was as follows:

	<i>Dollars in thousands</i>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 8,700	\$	\$	\$ 8,700
Capital assets, being depreciated:				
Buildings	99,910		(1,211)	98,699
Equipment	12,070	454	(262)	12,262
Total capital assets, being depreciated	111,980	454	(1,473)	110,961
Less accumulated depreciation for:				
Buildings	93,630	4,365	(1,208)	96,787
Equipment	9,682	1,227	(204)	10,705
Total accumulated depreciation	103,312	5,592	(1,412)	107,492
Total capital assets, being depreciated, net	8,668	(5,138)	(61)	3,469
Metropolitan Sports Facilities Commission, capital assets, net	<u>\$ 17,368</u>	<u>\$ (5,138)</u>	<u>\$ (61)</u>	<u>\$ 12,169</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, 2009, is as follows:

		<i>Dollars</i>
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>In thousands</u>
Metro Transit Bus	Metro Transit Commuter Rail	\$ 13,561

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; 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.

	<i>Dollars in Thousands</i>				
	Transfers Out				
<u>Transfers In</u>	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Metro Transit</u>		<u>Total</u>
			<u>Bus</u>	<u>Light Rail</u>	
Nonmajor governmental	\$ 1,000	\$ 80	\$ 6,564		\$ 7,644
Metro Mobility	21				21
Environmental Services	408				408
Metro Transit Bus		12,263		\$ 47	12,310
Metro Transit Light Rail		4,652	54,790		59,442
Metro Transit Commuter Rail		1,208			1,208
Total	\$ 1,429	\$ 18,203	\$ 61,354	\$ 47	\$ 81,033

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 Metro Mobility \$21,000, and to Environmental Services \$54,000 of excess rental related income and \$354,000 for expenses incurred in a regional water management program.

At the end of the year, the Parks and Open Space Grants Capital Projects fund (a nonmajor fund) transferred \$80,000 of interest earnings to the North Mississippi Capital Projects fund (a nonmajor fund) as required by State legislation. During the year, Contracted Transit Services Special Revenue fund (nonmajor fund) transferred to Metro Transit Bus \$72,000 as reimbursement for operating two bus routes on its behalf. The Transit Capital Projects fund (nonmajor fund) transferred to Metro Transit Bus \$12,191,000, to Metro Transit Light Rail \$4,652,000, and to Metro Transit Commuter Rail \$1,208,000 for reimbursement of authorized capital programs expenses. Also, throughout the year, Metro Transit Bus transferred \$54,790,000 to Metro Transit Light Rail for funding of Work in Process capital funding. Metro Transit Light Rail transferred \$47,000 to Metro Transit Bus for certain capital asset items.

Additionally, the Metro Transit Bus enterprise fund transferred capital assets with a net book value of \$6,564,000 to a nonmajor 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 2009 were Metro Transit Bus enterprise fund payments of \$349,000, Metro Transit Light Rail enterprise fund payments of \$27,000, Metro Transit Commuter Rail enterprise fund payments of \$1,000, and Environmental Services enterprise fund payments of \$235,000.

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

Dollars in Thousands

Year	General Fund	Environmental Services	Metro Transit			Total
			Bus	Light Rail	Commuter Rail	
2010	\$ 64	\$ 123	\$ 327	\$ 571	\$ 109	\$ 1,194
2011	37	28	315	574	91	1,045
2012			235	582		817
2013			207	583		790
2014			66	380		446
2015-2019			319	3		322
2020-2024			143			143
2025-2029			143			143
2030-2034			143			143
2035-2039			90			90
Total	\$ 101	\$ 151	\$ 1,988	\$ 2,693	\$ 200	\$ 5,133

2. Capital leases

On December 1, 2004, the Council entered into an annual appropriation lease purchase agreement for land and facilities to be renovated thereon. The Council granted a leasehold interest in the land and facilities to a trustee and proceeds from the issuance and sale of Certificates of Participation in the lease purchase agreement provided a portion of the funds to renovate, improve and equip the facilities for use as the Council’s administrative headquarters. In 2006, the facilities were completed and the Council’s administrative headquarters were relocated.

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

Dollars in thousands

<u>Year Ending</u>	<u>Nonmajor Governmental Fund</u>
2010	\$ 1,035
2011	1,032
2012	1,032
2013	1,030
2014	1,032
2015-2019	5,134
2020-2024	5,115
2025	1,017
Total minimum lease payments	16,427
Less amount representing interest	(4,472)
Present value of minimum lease payments	\$ 11,955

H. Long-term obligations

1. General obligation debt

The Council has issued general obligation bonds for parks, wastewater, transportation and sewers. General obligation bonds have been issued for both governmental and business-type activities.

The parks and wastewater 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.

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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 \$857,590,000. During the year, \$53,000,000 of general obligation bonds; \$10,490,000 of general obligation refunding bonds; no general obligation wastewater bonds; \$6,720,000 of 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>	<i>Dollars in thousands</i>
Governmental activities	.60 - 5.50%	\$ 177,855
Governmental activities - refunding	2.50 - 5.00%	38,705
Business-type activities	2.00 - 5.00%	260,815
Business-type activities - refunding	2.00 - 5.25%	92,705
Total general obligation bonds		<u>\$ 570,080</u>

The original amount of Minnesota Public Facilities Authority (PFA) loans drawn down in prior years was \$784,120,000. During the year, \$37,634,000 of Minnesota PFA loans were drawn down--entirely by business-type activities.

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

<u>Purpose</u>	<u>Interest Rates</u>	<i>Dollars in thousands</i>
Governmental activities	1.79 - 2.71%	\$ 12,860
Business-type activities	0.00 - 5.38%	592,293
Total Public Facilities Authority loans		<u>\$ 605,153</u>

The following is a summary of bond transactions of the Council for the year ended December 31, 2009:

	<i>Dollars in thousands</i>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Balance, January 1, 2009	\$ 206,783	\$ 970,377
Bonds issued, net of discount/premium	64,078	6,966
PFA drawdown		37,634
Amortization of discount/premium	(574)	(1,257)
Amortization of deferred amount on refunding		79
Less principal payments	(33,650)	(56,389)
Balance, December 31, 2009	<u>\$ 236,637</u>	<u>\$ 957,410</u>

As of December 31, 2009, the annual debt service requirements to amortize all general obligation bonds and loans outstanding, including interest of \$41,894,000 on the governmental activities debt and \$297,601,000 on the business-type activities debt, are as follows:

<u>Year Ending December 31</u>	<i>Dollars in thousands</i>					
	<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>
2010	\$ 51,730	\$ 7,759	\$ 59,489	\$ 62,833	\$ 33,933	\$ 96,766
2011	41,645	6,172	47,817	52,571	32,090	84,661
2012	22,070	4,999	27,069	51,215	30,076	81,291
2013	17,060	4,293	21,353	50,564	28,087	78,651
2014	16,370	3,656	20,026	52,489	26,259	78,748
2015-2019	55,995	10,661	66,656	327,500	99,516	427,016
2020-2024	17,495	3,564	21,059	266,751	41,670	308,421
2025-2029	7,055	790	7,845	81,890	5,970	87,860
Subtotal	229,420	41,894	271,314	945,813	297,601	1,243,414
Net unamortized:						
Discounts/premiums	7,217		7,217	11,721		11,721
Deferred on refunding				(124)		(124)
Total payments	<u>\$ 236,637</u>	<u>\$ 41,894</u>	<u>\$ 278,531</u>	<u>\$ 957,410</u>	<u>\$ 297,601</u>	<u>\$ 1,255,011</u>

METROPOLITAN COUNCIL

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As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the Council issued \$43,000,000 of General Obligation Transit bonds (2009A). Also, as part of ARRA, the Council entered into two wastewater loans with the Minnesota Public Facilities Authority. Both loans are on an eligible reimbursement basis and were not fully completed as of December 31, 2009. The first loan agreement (2009C) for up to \$40,411,000, had \$18,847,000 in drawn funds as of December 31, 2009. This loan is a direct pay tax credit Build America Bond (BAB), in which the Council receives a 35% credit on bond interest paid. The Council has complied with all requirements of ARRA to be eligible for the BAB interest credit. The Council's second loan (2009D) is for up to \$38,785,000, of which the Council had drawn \$20,125,000 as of December 31, 2009. Of the \$20,125,000 drawn in 2009, the Council has \$8,196,000 of loan principal forgiveness based upon complying with listed eligible project requirements. The second loan (2009D) is reported at \$30,589,000 (\$38,785,000 - \$8,196,000 = \$30,589,000), and the net 2009 draw is \$11,929,000 (\$20,125,000 - \$8,196,000 = \$11,929,000).

Taking into consideration the above BAB interest credit, as of December 31, 2009, the Council's net annual debt service requirements to amortize all general obligation bonds and loans outstanding, including interest of \$38,348,000 on the governmental activities debt and \$295,597,000 on the business-type activities debt, are as follows:

<i>Dollars in thousands</i>					
Governmental Activities:			Federal	Net	Total
<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>	<u>Interest</u>	<u>Payment</u>
2010	\$ 51,730	\$ 7,759	\$ (423)	\$ 7,336	\$ 59,066
2011	41,645	6,172	(397)	5,775	47,420
2012	22,070	4,999	(370)	4,629	26,699
2013	17,060	4,293	(347)	3,946	21,006
2014	16,370	3,656	(320)	3,336	19,706
2015-2019	55,995	10,661	(1,080)	9,581	65,576
2020-2024	17,495	3,564	(443)	3,121	20,616
2025-2029	7,055	790	(166)	624	7,679
Subtotal	229,420	41,894	(3,546)	38,348	267,768
Net unamortized:					
Discounts/premiums	7,217				7,217
Total payments	\$ 236,637	\$ 41,894	\$ (3,546)	\$ 38,348	\$ 274,985
Business-type Activities:					
<u>Year Ending December 31</u>					
2010	\$ 62,833	\$ 33,933	\$ (81)	\$ 33,852	\$ 96,685
2011	52,571	32,090	(184)	31,906	84,477
2012	51,215	30,076	(173)	29,903	81,118
2013	50,564	28,087	(162)	27,925	78,489
2014	52,489	26,259	(153)	26,106	78,595
2015-2019	327,500	99,516	(694)	98,822	426,322
2020-2024	266,751	41,670	(437)	41,233	307,984
2025-2029	81,890	5,970	(120)	5,850	87,740
Subtotal	945,813	297,601	(2,004)	295,597	1,241,410
Net unamortized:					
Discounts/premiums	11,721				11,721
Deferred on refunding	(124)				(124)
Total payments	\$ 957,410	\$ 297,601	\$ (2,004)	\$ 295,597	\$ 1,253,007

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.

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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.

The following is a summary of revenue bond transactions of the Council for the year ended December 31, 2009:

	<i>Dollars in thousands</i>
Balance, January 1, 2009	\$ 6,279
Less principal payment	(1,135)
Amortization of discount	(10)
Balance, December 31, 2009	<u>\$ 5,134</u>

As of December 31, 2009, the annual requirements to amortize all revenue bonds outstanding, including interest of \$445,000, are as follows:

<u>Year Ending December 31</u>	<i>Dollars in thousands</i>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,185	\$ 199	\$ 1,384
2011	1,245	138	1,383
2012	1,305	81	1,386
2013	1,365	27	1,392
Subtotal	5,100	445	5,545
Net unamortized discount/premium	34		34
Balance, December 31, 2009	<u>\$ 5,134</u>	<u>\$ 445</u>	<u>\$ 5,579</u>

4. Refunded Bonds

The Council sold two refunding bonds in 2009:

<u>Bond Number</u>	<u>Type</u>	<i>Dollars in thousands</i>				
		<u>Par Value</u>	<u>Present Value Savings</u>	<u>Service Savings</u>	<u>Refunded Loan</u>	<u>Loan Maturities</u>
2009E	Transit	\$ 10,490	\$ 1,307	\$ 1,762	2001B	2010-2021
2009F	Wastewater	6,720	502	612	2001D	2011-2015

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 percent. During 2009, \$182,000 of principal was retired. The unpaid balance was \$621,000 at December 31, 2009.

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. In 2009 the MSFC has issued a payment to the Minnesota Twins 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, 2009, was as follows:

	<i>Dollars in thousands</i>				
<u>Governmental activities:</u>	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Bonds/loans payable:					
General obligation debt	\$ 199,580	\$ 63,490	\$ (33,650)	\$ 229,420	\$ 51,730
Discounts/premiums	7,203	588	(574)	7,217	
Net general obligation debt	206,783	64,078	(34,224)	236,637	51,730
Revenue bonds (see Note IV.H.3.)	6,235		(1,135)	5,100	1,185
Discounts/premiums	44		(10)	34	
Net revenue bonds	6,279	-	(1,145)	5,134	1,185
Total bonds/loans payable	213,062	64,078	(35,369)	241,771	52,915
Capital lease	12,495		(540)	11,955	560
Compensated absences	2,784	2,188	(2,079)	2,893	2,893
Arbitrage liability	186	647		833	186
OPEB liability	1,151	647		1,798	
Governmental long-term liabilities	<u>\$ 229,678</u>	<u>\$ 67,560</u>	<u>\$ (37,988)</u>	<u>\$ 259,250</u>	<u>\$ 56,554</u>

	<i>Dollars in thousands</i>				
<u>Business-type activities:</u>	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Bonds/loans payable					
General obligation debt	\$ 957,848	\$ 44,354	\$ (56,389)	\$ 945,813	\$ 62,833
Loans payable	1,405			1,405	
Discounts/premiums	12,732	246	(1,257)	11,721	
Deferred on refunding	(203)		79	(124)	
Total bonds/loans payable	971,782	44,600	(57,567)	958,815	62,833
Compensated absences	4,830	1,745	(1,219)	5,356	
Due to other governments	803		(182)	621	107
OPEB liability	28,428	14,174		42,602	
Accrued claims	15,318	7,842	(7,351)	15,809	5,318
Business-type activity long-term liabilities	<u>\$ 1,021,161</u>	<u>\$ 68,361</u>	<u>\$ (66,319)</u>	<u>\$ 1,023,203</u>	<u>\$ 68,258</u>

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

I. Compensated absences

1. Primary government

In 2009 the General fund liability for compensated absences earned but not taken increased from \$2,784,000 to \$2,893,000. This liability is reported in the government-wide statement of net assets. The following summary of changes during 2009 includes \$206,000 in payroll taxes:

	<i>Dollars in thousands</i>
Balance, January 1, 2009	\$ 2,784
Transferred to Enterprise Funds	(10)
Leave Earned	2,188
Leave Taken or Paid Off	(2,069)
Balance, December 31, 2009	<u>\$ 2,893</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, 2009, was:

<i>Dollars in thousands</i>				
<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
\$ 270	\$ 158	\$ 231	\$ 197	\$ 110

J. Fund balance

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” The new standard has no effect on the total amount reported as fund balances; however, it alters the categories and terminology used to present the amounts on the governmental fund balance sheet. The statement establishes an initial distinction between what is considered *nonspendable* and what is *spendable*. The statement also provides for additional classifications for *spendable* items. These classifications are based upon the relative strength of the constraints that control how specific amounts can be spent.

Nonspendable. The Council defines the entire fund balance of the “Highway Right-of-Way Loan Acquisition Fund” (a nonmajor fund) to be *nonspendable* as the legal restraint on the fund is to provide long term loans for highway right-of-way activity. The Council also considers the value of long term loans in other funds to be *nonspendable*. The Council does not recognize any inventory values in its “Balance Sheet of Governmental Funds.”

Spendable. All fund balances that are not classified as *nonspendable* are deemed *spendable*. The statement provides for classifications within the *spendable* category based upon the relative strength of the constraints that control how specific amounts can be spent. Those classifications are as follows:

Restricted. Net fund resources that are subject to externally enforceable legal restrictions are deemed to be *restricted*. These restrictions are either 1) externally imposed by creditors (via bond or loan covenants), grantors, contributors or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The Council recognizes the entire fund balance of the Debt Retirement fund and the remaining fund balance of the Livable Communities fund (after reducing the *nonspendable* portion) a nonmajor fund, all of the Capital Projects fund (a nonmajor fund), and all of the Other Special Revenue fund (a nonmajor fund) as *restricted* due to the legal restrictions placed.

Committed. Net fund balances that represent resources that can be used only for the specific purposes determined by formal action of the Council are deemed to be *committed*. The Council’s formal actions are the highest decision making level and remain binding unless removed in the same manner. Additionally, any Council action, either binding or unbinding, need be taken prior to the end of the calendar year. The entire balances of the Metro Mobility Special Revenue fund; and the Suburban Transit Providers, and the Contracted Transit Services (both nonmajor funds) are considered *committed*. Additionally, within the General fund, the Council has identified amounts for self-insurance, OPEB and regional water supply to be *committed*.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the Council for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. In the General fund, amounts intended to be used for encumbrances and compensated absences are *assigned*.

Unassigned. The residual classification of the Council’s General fund not contained in the other classifications is deemed to be *unassigned*. The negative *unassigned* amount for Parks Capital Projects fund (a nonmajor fund) is deemed *unassigned* because the *restricted* amounts for future grant payments are to be funded by future bonding and State reimbursements.

It is the policy of the Council to spend fund balances for each fund in the following order: *restricted*, then *committed* and then *assigned*; unless the specific item has been identified in another classification.

The summary of fund balance classifications is as follows:

	Dollars in thousands				<u>Total</u>
	<u>General Fund</u>	<u>Major Funds</u> <u>Metro Mobility Special Revenue</u>	<u>Debt Retirement</u>	<u>Other Governmental Funds</u>	
Fund Balances:					
Nonspendable:					
Long-term receivables:					
Highway Right-of-Way Program				\$ 44,224	\$ 44,224
Economic Revitalization				1,500	1,500
Spendable:					
Restricted for:					
Debt Retirement Reserve			\$ 89,403		89,403
Highway Right-of-Way Program				6,271	6,271
Economic Revitalization				16,274	16,274
Environment Development				34,027	34,027
Incentive Housing				3,896	3,896
Regional Land Use				1,164	1,164
North Mississippi Park Improvements				535	535
Regional Parks Capital Improvements				34,572	34,572
Transit Capital Improvements				16,897	16,897
Committed:					
Self Insurance	\$ 1,500				1,500
Other Post Employment Benefits	1,798				1,798
Regional Water Supply Program	495				495
Regional ADA Transit Service		\$ 18,690			18,690
Regional Transit Provider Services				12,095	12,095
Assigned to:					
Other purposes	337				337
Compensated Absences	2,688				2,688
Unassigned	13,213			(17,578)	(4,365)
	<u>\$ 20,031</u>	<u>\$ 18,690</u>	<u>\$ 89,403</u>	<u>\$ 153,877</u>	<u>\$ 282,001</u>

V. Other information

A. Risk management

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

1. Liability

The Council purchases general liability insurance to protect against various liability risks in all divisions of the Council. Metro Transit Bus recognizes a current liability for incurred, reported claims and a long-term liability for claims incurred but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota State Statute 466.04 generally limits the Council's tort exposure to \$500,000 per claim and \$1,500,000 per occurrence for a claim arising on or after July 1, 2009. For claims arising prior to that date, the limits are \$400,000 per claim and up to \$1,200,000 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 2008 or 2009.

4. Property and crime

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

5. Workers' compensation

Metro Transit Bus has been self-insured for workers' compensation since 1982, MCES since 1993, and the rest of the Council since 1995. Prior to July 1, 1996, MCES used a third party administrator; since that time, the Council has self-administered workers' compensation claims for all divisions. Liabilities are recognized when there is information available that suggests there has been an occurrence in which a probable loss has occurred. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 4.64 percent.

The self-insurance retention limit for workers' compensation is \$1,800,000 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 2008 and 2009 are as follows:

	<i>Dollars in thousands</i>			
	<u>Metro Transit</u>		<u>Environmental</u>	
	<u>Bus</u>	<u>Light Rail</u>	<u>Services</u>	<u>Total</u>
2008 Balance:				
Beginning Balance	\$ 14,335	\$ 1,021	\$ 575	\$ 15,931
Current year claims and changes in estimates	5,198	4	978	6,180
Payments on claims	(6,001)	(15)	(777)	(6,793)
Ending balance	<u>\$ 13,532</u>	<u>\$ 1,010</u>	<u>\$ 776</u>	<u>\$ 15,318</u>
2009 Balance:				
Beginning Balance	\$ 13,532	\$ 1,010	\$ 776	\$ 15,318
Current year claims and changes in estimates	6,616	687	539	7,842
Payments on claims	(6,466)	(173)	(712)	(7,351)
Ending balance	<u>\$ 13,682</u>	<u>\$ 1,524</u>	<u>\$ 603</u>	<u>\$ 15,809</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. For January through June 2008, the specified percentage was 4.25 percent; from July 1, 2008 thru June 30, 2009 the rate was 4.50 percent. The rate changed to 4.75 percent on July 1, 2009. Employer contributions to MSRS (which equaled the required contributions for each year) were:

<u>Year</u>	<i>Dollars in thousands</i>	
	<u>Council</u>	<u>MSFC</u>
2007	\$ 7,274	\$ 91
2008	8,049	98
2009	8,799	114

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 a 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>	<i>Dollars in thousands</i>	
	<u>Council</u>	<u>MSFC</u>
2007	\$ 124	\$ 3
2008	126	4
2009	126	4

C. Other post employment 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 \$70.8 million as of December 31, 2009, 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 is calculated based on the Council's *annual required contribution (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of \$29.8 million is 11.3

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

percent of annual covered payroll. The Council's OPEB cost for the current year and related information are as follows (dollars in thousands):

	<u>Metro Transit</u>	<u>Environmental Services</u>	<u>General Fund</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 22,318	\$ 6,474	\$ 964	\$ 29,756
Interest on net OPEB obligation	1,210	354	52	1,616
Adjustments to Annual Required Contribution (ARC)	(2,219)	(615)	(107)	(2,941)
Annual OPEB cost (expense)	21,309	6,213	909	28,431
Contributions made	(9,874)	(3,474)	(262)	(13,610)
Increase in Net OPEB Obligation	11,435	2,739	647	14,821
Net OPEB obligation beginning of year	22,418	6,010	1,151	29,579
Net OPEB obligation end of year	\$ 33,853	\$ 8,749	\$ 1,798	\$ 44,400

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, 2009, were as follows (dollars in thousands):

	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Metro Transit				
12/31/2007	\$ 19,365	\$ 8,516	44%	\$ 10,849
12/31/2008	20,751	9,182	44%	22,418
12/31/2009	21,309	9,874	46%	33,853
Environmental Services				
12/31/2007	5,999	2,879	48%	3,120
12/31/2008	6,104	3,214	53%	6,010
12/31/2009	6,213	3,474	56%	8,749
General Fund				
12/31/2007	741	230	31%	511
12/31/2008	901	261	29%	1,151
12/31/2009	909	262	29%	1,798
Total				
12/31/2007	26,105	11,625	45%	14,480
12/31/2008	27,756	12,657	46%	29,579
12/31/2009	28,431	13,610	48%	44,400

Funding Status and Funding Progress: As of December 31, 2009, the actuarial accrued liability (AAL) for benefits was \$311.9 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$263.1 million, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 118.5 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 assumptions 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, consistent with the long-term perspective of the calculations.

The actuarial valuation completed January 31, 2008, 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 8.58 percent initially, reduced by decrements to an ultimate rate of 5 percent for the year 2023 and beyond. The initial UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2009, was 27 years.

D. Sub-grantee programs

During the year ended December 31, 2009, the Council was involved with the following sub-grantee programs:

General Fund:

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. On December 31, 2009, the Council had a total arbitrage rebate liability of \$833,000, of which \$186,000 is due in 2010.

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 \$127.0 million as of December 31, 2009. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$19.6 million will be paid from the Metro Transit Light Rail fund. Future commitments for commuter rail transit services of approximately \$13.5 million as of December 31, 2009, will be paid from the Metro Transit Commuter Rail fund. Future commitments for regional transit services are approximately \$97.7 million as of December 31, 2009. These commitments will be paid from Regional Transit special revenue funds. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately \$107.9 million as of December 31, 2009. These commitments will be paid from the Environmental Services enterprise fund. Management fully expects that it will be able to fulfill its contractual obligations for these commitments.

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

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

F. Subsequent events

On February 22, 2010, the Council issued two bonds: 2010A General Obligation Wastewater Refunding Bonds totaling \$16,350,000; and 2010B General Obligation Wastewater bonds (BAB Direct Pay) totaling \$36,000,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 9,759	\$ 9,759	\$ 9,911	\$ 152
Intergovernmental revenue:				
State	9,006	9,166	8,953	(213)
Local/other	76	76	98	22
Investment income	817	817	1,214	397
Other			6	6
Total revenues	<u>19,658</u>	<u>19,818</u>	<u>20,182</u>	<u>364</u>
EXPENDITURES				
Current:				
General government	8,375	8,050	6,558	(1,492)
Intergovernmental:				
Culture and recreation	8,620	8,780	8,540	(240)
Debt service:				
Principal	540	540	540	
Interest and other charges	493	493	493	
Capital outlay	386	386	153	(233)
Total expenditures	<u>18,414</u>	<u>18,249</u>	<u>16,284</u>	<u>(1,965)</u>
Excess (deficiency) of revenues over (under) expenditures	1,244	1,569	3,898	2,329
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,626)	(1,626)	(1,429)	197
Total other financing sources (uses)	<u>(1,626)</u>	<u>(1,626)</u>	<u>(1,429)</u>	<u>197</u>
Net change in fund balance	(382)	(57)	2,469	2,526
Fund balance, beginning	<u>17,562</u>	<u>17,562</u>	<u>17,562</u>	<u>0</u>
Fund balance, ending	<u>\$ 17,180</u>	<u>\$ 17,505</u>	<u>\$ 20,031</u>	<u>\$ 2,526</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, 2009
IN THOUSANDS**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Intergovernmental revenue:				
Federal	\$ 4,250	\$ 4,350	\$ 4,345	\$ (5)
State	27,437	27,437	27,630	193
Investment income	215	215	365	150
Other	4,776	4,776	5,219	443
Total revenues	36,678	36,778	37,559	781
EXPENDITURES				
Current:				
General government		142	15	(127)
Transportation	38,311	38,294	35,938	(2,356)
Capital outlay			119	119
Total expenditures	38,311	38,436	36,072	(2,364)
Excess (deficiency) of revenues over (under) expenditures	(1,633)	(1,658)	1,487	3,145
OTHER FINANCING SOURCES (USES)				
Transfers in	1,633	1,633	21	(1,612)
Total other financing sources (uses)	1,633	1,633	21	(1,612)
Net change in fund balance	0	(25)	1,508	1,533
Fund balance, beginning	17,182	17,182	17,182	0
Fund balance, ending	\$ 17,182	\$ 17,157	\$ 18,690	\$ 1,533

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

METROPOLITAN COUNCIL

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2009

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	\$ 5,621	\$ 5,193	\$ 3,225	\$ (1,968)
Community Development	12,793	13,056	13,059	3
Total General Fund	<u>\$ 18,414</u>	<u>\$ 18,249</u>	<u>\$ 16,284</u>	<u>\$ (1,965)</u>

C. Excess of expenditures over appropriations

The following fund had expenditures in excess of budget for the year ended December 31, 2009:

	Dollars in thousands			Variance with Final Budget Over
	Original Budget	Final Budget	Actual	
General fund				
Community Development Division	\$12,793	\$13,056	\$13,059	\$ 3

Excess expenditures in the General Fund-Community Development Division were funded by state appropriations.

METROPOLITAN COUNCIL

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2009

D. 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						
Actuarial Valuation Date – January 1, 2008	(a)	(b)	(c)	(d)	(e)	(f)
	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)
<u>Metro Transit</u>						
1/1/06	\$ 0	\$ 200,409	\$ 200,409	0.00%	\$ 152,769	131.18%
1/1/08	0	219,529	219,529	0.00%	154,302	142.27%
<u>Environmental Services</u>						
1/1/06	\$ 0	\$ 65,513	\$ 65,513	0.00%	\$ 53,830	121.70%
1/1/08	0	70,726	70,726	0.00%	53,875	131.28%
<u>General Fund</u>						
1/1/06	\$ 0	\$ 9,045	\$ 9,045	0.00%	\$ 24,043	37.62%
1/1/08	0	11,023	11,023	0.00%	24,067	45.80%
<u>Total</u>						
1/1/06	\$ 0	\$ 274,967	\$ 274,967	0.00%	\$ 230,642	119.22%
1/1/08	0	301,278	301,278	0.00%	232,244	129.72%

Schedule of Employer Contributions			
(Dollars in Thousands)			
Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contribution
<u>Metro Transit</u>			
12/31/07	\$ 19,365	\$ 8,516	44%
12/31/08	20,751	9,182	44%
12/31/09	21,309	9,874	46%
<u>Environmental Services</u>			
12/31/07	\$ 5,999	\$ 2,879	48%
12/31/08	6,104	3,214	53%
12/31/09	6,213	3,474	56%
<u>General Fund</u>			
12/31/07	\$ 741	\$ 230	31%
12/31/08	901	261	29%
12/31/09	909	262	29%
<u>Total</u>			
12/31/07	\$ 26,105	\$ 11,625	45%
12/31/08	27,756	12,657	46%
12/31/09	28,431	13,610	48%

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

METROPOLITAN COUNCIL

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES DECEMBER 31, 2009

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 state taxes, state appropriations, and federal grants used in defined and legally restricted regional transportation programs within the Metropolitan Council's boundaries.

Other Special Revenue fund accounts 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.

**METROPOLITAN COUNCIL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009
IN THOUSANDS**

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 73,596	\$ 29,762	\$ 103,358
Receivables, (net)		10	10
Delinquent taxes receivable	539		539
Interest receivable	305	138	443
Due from other governmental units	10,967	15,769	26,736
Loans and advances	45,850		45,850
Total assets	<u>\$ 131,257</u>	<u>\$ 45,679</u>	<u>\$ 176,936</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts/contracts/subgrantees payable	\$ 11,477	\$ 11,253	\$ 22,730
Deferred revenue	329		329
Total liabilities	<u>11,806</u>	<u>11,253</u>	<u>23,059</u>
Fund balances:			
Nonspendable	45,724		45,724
Restricted	61,632	52,004	113,636
Committed	12,095		12,095
Unassigned		(17,578)	(17,578)
Total fund balances	<u>119,451</u>	<u>34,426</u>	<u>153,877</u>
Total liabilities and fund balances	<u>\$ 131,257</u>	<u>\$ 45,679</u>	<u>\$ 176,936</u>

**METROPOLITAN COUNCIL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
DECEMBER 31, 2009
IN THOUSANDS**

	<u>Highway Right-of-Way Acquisition Loan</u>	<u>Livable Communities</u>	<u>Suburban Transit Providers</u>	<u>Contracted Transit Services</u>	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>
ASSETS						
Cash and cash equivalents	\$ 6,188	\$ 54,754		\$ 11,621	\$ 1,033	\$ 73,596
Delinquent taxes receivable	150	374		15		539
Interest receivable	26	232		42	5	305
Due from other governmental units			\$ 1,374	9,593		10,967
Loans and advances	44,224	1,500			126	45,850
Total assets	<u>\$ 50,588</u>	<u>\$ 56,860</u>	<u>\$ 1,374</u>	<u>\$ 21,271</u>	<u>\$ 1,164</u>	<u>\$ 131,257</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts/contracts/subgrantees payable		\$ 927	\$ 1,374	\$ 9,176		\$ 11,477
Deferred revenue	\$ 93	236				329
Total liabilities	<u>93</u>	<u>1,163</u>	<u>1,374</u>	<u>9,176</u>	<u>\$ 0</u>	<u>11,806</u>
Fund balances:						
Nonspendable	44,224	1,500				45,724
Restricted	6,271	54,197			1,164	61,632
Committed				12,095		12,095
Total fund balances	<u>50,495</u>	<u>55,697</u>	<u>0</u>	<u>12,095</u>	<u>1,164</u>	<u>119,451</u>
Total liabilities and fund balances	<u>\$ 50,588</u>	<u>\$ 56,860</u>	<u>\$ 1,374</u>	<u>\$ 21,271</u>	<u>\$ 1,164</u>	<u>\$ 131,257</u>

**METROPOLITAN COUNCIL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
DECEMBER 31, 2009
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	\$ 533	\$ 5,733	\$ 23,496	\$ 29,762
Receivables, (net)			10	10
Interest receivable	2	24	112	138
Due from other governmental units		15,769		15,769
Total assets	<u>\$ 535</u>	<u>\$ 21,526</u>	<u>\$ 23,618</u>	<u>\$ 45,679</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts/contracts/subgrantees payable		\$ 4,532	\$ 6,721	\$ 11,253
Total liabilities	<u>\$ 0</u>	<u>4,532</u>	<u>6,721</u>	<u>11,253</u>
Fund balances:				
Restricted	535	34,572	16,897	52,004
Unassigned		(17,578)		(17,578)
Total fund balances	<u>535</u>	<u>16,994</u>	<u>16,897</u>	<u>34,426</u>
Total liabilities and fund balances	<u>\$ 535</u>	<u>\$ 21,526</u>	<u>\$ 23,618</u>	<u>\$ 45,679</u>

METROPOLITAN COUNCIL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009
IN THOUSANDS

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 16,165		\$ 16,165
Intergovernmental revenue:			
Federal	15,602		15,602
State	40,874	\$ 32,633	73,507
Local/other	1,003		1,003
Investment income	1,554	385	1,939
Other	1,387		1,387
Total revenues	<u>76,585</u>	<u>33,018</u>	<u>109,603</u>
EXPENDITURES			
Current:			
General government	1,263	42	1,305
Transportation	21,176	1,061	22,237
Intergovernmental:			
Transportation	26,941	11,159	38,100
Culture and recreation		19,611	19,611
Economic development	4,488		4,488
Environment	3,560		3,560
Housing	594		594
Capital outlay	7,374	11,270	18,644
Total expenditures	<u>65,396</u>	<u>43,143</u>	<u>108,539</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,189</u>	<u>(10,125)</u>	<u>1,064</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,000	80	1,080
Transfers out	(72)	(18,131)	(18,203)
Bonds issued		53,000	53,000
Premium on bonds and capital related debt		197	197
Sale of capital assets		184	184
Total other financing sources (uses)	<u>928</u>	<u>35,330</u>	<u>36,258</u>
Net change in fund balances	12,117	25,205	37,322
Fund balances, beginning	<u>107,334</u>	<u>9,221</u>	<u>116,555</u>
Fund balances, ending	<u>\$ 119,451</u>	<u>\$ 34,426</u>	<u>\$ 153,877</u>

METROPOLITAN COUNCIL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009
IN THOUSANDS

	Highway Right-of-Way Acquisition Loan	Livable Communities	Suburban Transit Providers	Contracted Transit Services	Other Special Revenue	Total Special Revenue
REVENUES						
Taxes	\$ 3,293	\$ 12,872				\$ 16,165
Intergovernmental revenue:						
Federal				\$ 15,602		15,602
State	136	326	21,951	18,461		40,874
Local/other				1,003		1,003
Investment income	108	1,198		225	\$ 23	1,554
Other				1,387		1,387
Total revenues	<u>3,537</u>	<u>14,396</u>	<u>21,951</u>	<u>36,678</u>	<u>23</u>	<u>76,585</u>
EXPENDITURES						
Current:						
General government				1,263		1,263
Transportation				21,176		21,176
Intergovernmental:						
Transportation			21,951	4,990		26,941
Economic development		4,478			10	4,488
Environment		3,560				3,560
Housing		594				594
Capital outlay				7,374		7,374
Total expenditures	<u>0</u>	<u>8,632</u>	<u>21,951</u>	<u>34,803</u>	<u>10</u>	<u>65,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,537</u>	<u>5,764</u>	<u>0</u>	<u>1,875</u>	<u>13</u>	<u>11,189</u>
OTHER FINANCING SOURCES (USES)						
Transfers in		1,000				1,000
Transfers out				(72)		(72)
Total other financing sources (uses)	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>(72)</u>	<u>0</u>	<u>928</u>
Net change in fund balances	3,537	6,764	0	1,803	13	12,117
Fund balances, beginning	46,958	48,933	0	10,292	1,151	107,334
Fund balances, ending	<u>\$ 50,495</u>	<u>\$ 55,697</u>	<u>\$ 0</u>	<u>\$ 12,095</u>	<u>\$ 1,164</u>	<u>\$ 119,451</u>

METROPOLITAN COUNCIL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2009
IN THOUSANDS

REVENUES	North Mississippi Park	Parks and Open Space Grants	Transit	Total Capital Projects
Intergovernmental revenue:				
State		\$ 25,491	\$ 7,142	\$ 32,633
Investment income	\$ 29	86	270	385
Total revenues	<u>29</u>	<u>25,577</u>	<u>7,412</u>	<u>33,018</u>
EXPENDITURES				
Current:				
General government		42		42
Transportation			1,061	1,061
Intergovernmental:				
Transportation			11,159	11,159
Culture and recreation	696	18,915		19,611
Capital outlay			11,270	11,270
Total expenditures	<u>696</u>	<u>18,957</u>	<u>23,490</u>	<u>43,143</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(667)</u>	<u>6,620</u>	<u>(16,078)</u>	<u>(10,125)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	80			80
Transfers out		(80)	(18,051)	(18,131)
Bonds issued		10,000	43,000	53,000
Premium on bonds and capital related debt		197		197
Sale of capital assets			184	184
Total other financing sources (uses)	<u>80</u>	<u>10,117</u>	<u>25,133</u>	<u>35,330</u>
Net change in fund balances	(587)	16,737	9,055	25,205
Fund balances, beginning	<u>1,122</u>	<u>257</u>	<u>7,842</u>	<u>9,221</u>
Fund balances, ending	<u>\$ 535</u>	<u>\$ 16,994</u>	<u>\$ 16,897</u>	<u>\$ 34,426</u>

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2009
IN THOUSANDS**

	General Fund- Regional Administration			General Fund- Community Development			General Fund- Total		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ 9,759	\$ 9,911	\$ 152				\$ 9,759	\$ 9,911	\$ 152
Intergovernmental revenue:									
State	386	411	25	\$ 8,780	\$ 8,542	\$ (238)	9,166	8,953	(213)
Local/other	76	98	22				76	98	22
Investment income	817	1,214	397				817	1,214	397
Other		6	6				0	6	6
Total revenues	<u>11,038</u>	<u>11,640</u>	<u>602</u>	<u>8,780</u>	<u>8,542</u>	<u>(238)</u>	<u>19,818</u>	<u>20,182</u>	<u>364</u>
EXPENDITURES									
Current:									
Wages and fringe	4,235	2,671	(1,564)	3,346	3,944	598	7,581	6,615	(966)
Other governmental	(461)	(632)	(171)	930	575	(355)	469	(57)	(526)
Intergovernmental:									
Culture and recreation				8,780	8,540	(240)	8,780	8,540	(240)
Debt service:									
Principal	540	540					540	540	0
Interest and other charges	493	493					493	493	0
Capital outlay	386	153	(233)				386	153	(233)
Total expenditures	<u>5,193</u>	<u>3,225</u>	<u>(1,968)</u>	<u>13,056</u>	<u>13,059</u>	<u>3</u>	<u>18,249</u>	<u>16,284</u>	<u>(1,965)</u>
Excess (deficiency) of revenues over (under) expenditures	5,845	8,415	2,570	(4,276)	(4,517)	(241)	1,569	3,898	2,329
OTHER FINANCING SOURCES (USES)									
Transfers out	(1,626)	(1,429)	197				(1,626)	(1,429)	197
Total other financing sources (uses)	<u>(1,626)</u>	<u>(1,429)</u>	<u>197</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,626)</u>	<u>(1,429)</u>	<u>197</u>
Net change in fund balance	<u>\$ 4,219</u>	<u>\$ 6,986</u>	<u>\$ 2,767</u>	<u>\$ (4,276)</u>	<u>\$ (4,517)</u>	<u>\$ (241)</u>	<u>\$ (57)</u>	<u>\$ 2,469</u>	<u>\$ 2,526</u>

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
LIVABLE COMMUNITIES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
IN THOUSANDS**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 12,754	\$ 12,754	\$ 12,872	\$ 118
Intergovernmental revenue:				
State	307	307	326	19
Investment income	1,600	1,600	1,198	(402)
Total revenues	<u>14,661</u>	<u>14,661</u>	<u>14,396</u>	<u>(265)</u>
EXPENDITURES				
Intergovernmental:				
Economic development	8,600	8,600	4,478	(4,122)
Environment	6,600	6,600	3,560	(3,040)
Housing	1,600	1,600	594	(1,006)
Total expenditures	<u>16,800</u>	<u>16,800</u>	<u>8,632</u>	<u>(8,168)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,139)</u>	<u>(2,139)</u>	<u>5,764</u>	<u>7,903</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	1,000	1,000	0
Total other financing sources (uses)	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>
Net change in fund balance	(1,139)	(1,139)	6,764	7,903
Fund balance, beginning	<u>48,933</u>	<u>48,933</u>	<u>48,933</u>	<u>0</u>
Fund balance, ending	<u>\$ 47,794</u>	<u>\$ 47,794</u>	<u>\$ 55,697</u>	<u>\$ 7,903</u>

**METROPOLITAN COUNCIL
BUDGETARY COMPARISON SCHEDULE
CONTRACTED TRANSIT SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
Federal	\$ 6,105	\$ 15,043	\$ 15,602	\$ 559
State	14,118	12,118	18,461	6,343
Local/Other	879	1,405	1,003	(402)
Investment income			225	225
Other	1,123	1,151	1,387	236
Total revenues	<u>22,225</u>	<u>29,717</u>	<u>36,678</u>	<u>6,961</u>
EXPENDITURES				
Current:				
General government	940	940	1,263	323
Transportation	22,127	31,980	21,176	(10,804)
Intergovernmental:				
Transportation			4,990	4,990
Capital outlay		470	7,374	6,904
Total expenditures	<u>23,067</u>	<u>33,390</u>	<u>34,803</u>	<u>1,413</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(842)</u>	<u>(3,673)</u>	<u>1,875</u>	<u>5,548</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	842	842		(842)
Transfers out			(72)	(72)
Total other financing sources (uses)	<u>842</u>	<u>842</u>	<u>(72)</u>	<u>(914)</u>
Net change in fund balance	0	(2,831)	1,803	4,634
Fund balance, beginning	<u>10,292</u>	<u>10,292</u>	<u>10,292</u>	<u>0</u>
Fund balance, ending	<u>\$ 10,292</u>	<u>\$ 7,461</u>	<u>\$ 12,095</u>	<u>\$ 4,634</u>

**METROPOLITAN COUNCIL
 BUDGETARY COMPARISON SCHEDULE
 SUBURBAN TRANSIT PROVIDERS SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009
 IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
State	\$ 25,056	\$ 19,484	\$ 21,951	\$ 2,467
Total revenues	<u>25,056</u>	<u>19,484</u>	<u>21,951</u>	<u>2,467</u>
EXPENDITURES				
Intergovernmental:				
Transportation	25,056	19,484	21,951	2,467
Total expenditures	<u>25,056</u>	<u>19,484</u>	<u>21,951</u>	<u>2,467</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	0	0	0	0
Fund balance, beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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, 2009
 IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	\$ 50	\$ 50	\$ 23	\$ (27)
Total revenues	<u>50</u>	<u>50</u>	<u>23</u>	<u>(27)</u>
EXPENDITURES				
Intergovernmental:				
Economic development			10	10
Total expenditures	<u>0</u>	<u>0</u>	<u>10</u>	<u>10</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50</u>	<u>50</u>	<u>13</u>	<u>(37)</u>
Net change in fund balance	50	50	13	(37)
Fund balance, beginning	<u>1,151</u>	<u>1,151</u>	<u>1,151</u>	<u>0</u>
Fund balance, ending	<u>\$ 1,201</u>	<u>\$ 1,201</u>	<u>\$ 1,164</u>	<u>\$ (37)</u>

**METROPOLITAN COUNCIL
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
IN THOUSANDS**

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2009</u>
ASSETS				
Cash and cash equivalents	<u>\$ 13</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13</u>
 LIABILITIES				
Due to participants	<u>\$ 13</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13</u>

**METROPOLITAN COUNCIL
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
DECEMBER 31, 2008 AND 2009
IN THOUSANDS**

	<u>2008</u>	<u>2009</u>
Governmental funds capital assets:		
Land	\$ 5,618	\$ 6,630
Buildings	16,344	16,344
Vehicles	94,634	112,723
Equipment	3,077	3,568
Construction in progress		1,328
Total governmental funds capital assets	<u>\$ 119,673</u>	<u>\$ 140,593</u>

Investments in governmental funds capital assets by source:

General fund	\$ 2,333	\$ 2,500
Special revenue funds	5,645	6,982
Capital projects funds	111,695	131,111
Total governmental funds capital assets	<u>\$ 119,673</u>	<u>\$ 140,593</u>

**METROPOLITAN COUNCIL
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
DECEMBER 31, 2009
IN THOUSANDS**

<u>Function and Activity</u>	<u>Land</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Buildings</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:						
Council			\$ 139	\$ 16,344		\$ 16,483
Information services			2,478			2,478
Total general government	<u>\$ 0</u>	<u>\$ 0</u>	<u>2,617</u>	<u>16,344</u>	<u>\$ 0</u>	<u>18,961</u>
Transportation:						
Metro Mobility		14,791	736		1,328	16,855
Contracted Transit Services	6,630		215			6,845
Suburban Transit Providers		97,932				97,932
Total transportation	<u>6,630</u>	<u>112,723</u>	<u>951</u>	<u>0</u>	<u>1,328</u>	<u>121,632</u>
Total governmental funds capital assets	<u>\$ 6,630</u>	<u>\$ 112,723</u>	<u>\$ 3,568</u>	<u>\$ 16,344</u>	<u>\$ 1,328</u>	<u>\$ 140,593</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, 2009
IN THOUSANDS**

Function and Activity	Governmental Funds Capital Assets January 1, 2009	Additions	Deductions and Adjustments	Governmental Funds Capital Assets December 31, 2009
General government:				
Council	\$ 16,390	\$ 93		\$ 16,483
Information services	2,306	192	\$ 20	2,478
Total general government	<u>18,696</u>	<u>285</u>	<u>20</u>	<u>18,961</u>
Metro Mobility	15,629	3,071	1,845	16,855
Contracted Transit Services	27,005	1,218	21,378	6,845
Suburban Transit Providers	58,343	20,906	(18,683)	97,932
Total transportation	<u>100,977</u>	<u>25,195</u>	<u>4,540</u>	<u>121,632</u>
Total governmental funds capital assets	<u>\$ 119,673</u>	<u>\$ 25,480</u>	<u>\$ 4,560</u>	<u>\$ 140,593</u>

**METROPOLITAN COUNCIL
BONDS/LOANS OUTSTANDING
AS OF DECEMBER 31, 2009
IN THOUSANDS**

Issues	Date	Final Maturity Date	Original Issue	Payments Prior Years	Payments Year Ended 12/31/09	
GENERAL OBLIGATION BONDS AND LOANS PAYABLE						
G.O. Park Bonds:						
	2003B, Refunding	1-Oct-03	1-Jan-11	\$ 7,240	\$ 3,880	\$ 1,065
	2004C	1-Apr-04	1-Feb-09	6,000	5,170	830
	2005D	1-May-05	1-Feb-10	6,000	4,065	955
	2007C	15-Feb-07	1-Feb-12	9,500	7,000	645
	2009B	1-Sep-09	1-Mar-14	10,000	0	0
	Subtotal: G. O. Park Bonds			<u>38,740</u>	<u>20,115</u>	<u>3,495</u>
G.O. Transit Bonds:						
	1998A	1-May-98	1-Feb-09	13,500	11,740	1,760
	1998D, Refunding	1-Dec-98	1-Feb-13	1,365	980	70
	2001B	1-Aug-01	1-Feb-21	44,000	28,025	2,575
	2002C	1-Nov-02	1-Feb-22 (a)	50,000	30,190	3,240
	2002E, Refunding	1-Nov-02	1-Feb-10	11,825	9,700	1,620
	2003C, Refunding	1-Sep-03	1-Feb-17	3,355	910	290
	2004A	1-Apr-04	1-Feb-24	41,375	20,295	2,395
	2004F, Refunding	1-Nov-04	1-Feb-13	2,910	445	465
	2005C	1-May-05	1-Feb-25	32,000	13,725	3,740
	2005C, Refunding	1-May-05	1-Feb-20	13,285		2,450
	2007A	15-Feb-07	1-Feb-24	36,400	9,670	1,000
	2007E, Refunding	15-Mar-07	1-Feb-22	10,110		
	2008B	15-Mar-08	1-Mar-28	40,300		7,200
	2009A	1-Sep-09	1-Mar-29	43,000		
	2009E, Refunding	1-Dec-09	1-Feb-18	10,490		
	Subtotal: G. O. Transit Bonds			<u>353,915</u>	<u>125,680</u>	<u>26,805</u>
Minnesota Public Facilities Authority Loans--Transi						
	(Backed by General Obligation Notes):	12-Mar-99	15-Feb-20	21,025	14,595	1,460
	(Backed by General Obligation Notes):	24-Jan-08	15-Feb-18	10,000	220	1,890
	Subtotal: Minnesota Public Facility Authority Loans--Transi			<u>31,025</u>	<u>14,815</u>	<u>3,350</u>
Total Bonds-General Long Term Obligations			\$ 423,680	\$ 160,610	\$ 33,650	
G.O. Wastewater Bonds:						
	2001A, Refunding	1-Sep-01	1-Dec-09	31,525	29,525	2,000
	2001D	1-Aug-01	1-Dec-16	14,000	5,365	920
	2002A, Refunding	1-Sep-02	1-Dec-10	32,395	31,440	620
	2002B, Refunding	1-Jul-02	1-Dec-16	19,735	5,565	1,785
	2003A, Refunding	1-Sep-03	1-Mar-16	121,490	55,795	12,750
	2004B	1-Apr-04	1-Dec-23	25,000	500	650
	2005A, Refunding	1-Jun-05	1-Sep-12	17,395	7,985	3,280
	2005B	1-May-05	1-May-25	90,405	5,615	2,540
	2005B, Refunding	1-May-05	1-May-14	7,525		980
	2007B	15-Feb-07	1-Dec-27	80,000	5,000	7,000
	2008C	12-Mar-08	1-Mar-28	80,000		1,000
	2008D, Refunding	12-Mar-08	1-Mar-14	8,955		1,310
	2009F, Refunding	1-Dec-09	1-Dec-15	6,720		
	Subtotal: G. O. Wastewater Bonds			<u>535,145</u>	<u>146,790</u>	<u>34,835</u>
Minnesota Public Facilities Authority Loans--Wastewater						
	(Backed by General Obligation Notes):	12-Jul-89	20-Feb-09	40,000	37,200	2,800
		20-Jul-93	20-Feb-14	20,000	20,000	
		30-Sep-96	20-Aug-16	40,000	20,550	2,150
		3-Oct-97	20-Aug-17	40,000	14,950	1,000
		31-Dec-98	20-Aug-19	60,000	16,930	1,760
		27-Jul-00	20-Aug-20	60,000	11,720	1,250
		14-Nov-01	20-Aug-21	75,000	13,500	2,500
		20-Dec-02	20-Feb-22	100,000	11,800	3,700
		1-Sep-03	20-Feb-16	4,954	2,382	595
		26-Nov-03	20-Aug-23	100,000	11,500	1,000
		20-Oct-04	20-Feb-25	50,000	9,300	1,800
		10-Nov-05	20-Feb-25	40,000	3,000	1,000
		30-Aug-06	20-Aug-26	50,000	4,000	1,500
		11-Oct-07	20-Aug-27	80,000	50	500
		10-Sep-09	20-Aug-29 (c)	18,847		
		28-Oct-09	20-Aug-29 (d)	11,929		
	Subtotal: Minnesota Public Facility Authority Loans--Wastewater			<u>790,730</u>	<u>176,882</u>	<u>21,555</u>
Total G.O. Wastewater Bonds/Loans Payable			\$ 1,325,875	\$ 323,672	\$ 56,390	
Total General Obligation Bonds and Loans Payable			\$ 1,749,555	\$ 484,282	\$ 90,040	
REVENUE BONDS (Not tax supported)						
	(Radio Board, Series 2007D, Ref)	15-Mar-07	1-Feb-13	\$ 7,265	\$ 1,030	\$ 1,135

(a) Called prior to final maturity

(b) Escrowed.

(c) Of the \$49.4 million note executed in 2009, only the amount shown was drawn down as of 12/31/09.

(d) Of the \$30.6 million note executed in 2009, only the amount shown was drawn down as of 12/31/09.

Bonds/Loans Issued/ Drawn Down in 2009	Bonds/ Loans Outstanding 12/31/2009	Refunded Bonds	Maturing in 2010	Future Maturities
	\$ 2,295		\$ 1,120	\$ 1,175
	980		0	0
	1,855		980	0
\$ 10,000	10,000		600	1,255
<u>10,000</u>	<u>15,130</u>	<u>\$ 0</u>	<u>7,505</u>	<u>2,495</u>
			0	0
	315		75	240
	13,400		13,400	0
	16,570	10,090 (b)	3,240	3,240
	505		505	0
	2,155		285	1,870
	18,685		2,450	16,235
	2,000		475	1,525
	14,535		1,625	12,910
	10,835		2,415	8,420
	25,730		4,010	21,720
	10,110			10,110
	33,100		3,165	29,935
43,000	43,000		7,655	35,345
10,490	10,490			10,490
<u>53,490</u>	<u>201,430</u>	<u>10,090</u>	<u>39,300</u>	<u>152,040</u>
	4,970		1,380	3,590
	7,890		845	7,045
0	12,860		2,225	10,635
<u>\$ 63,490</u>	<u>\$ 229,420</u>	<u>\$ 10,090</u>	<u>\$ 51,730</u>	<u>\$ 167,600</u>
			0	0
	7,715	6,755 (b)	960	0
	335		335	0
	12,385		1,860	10,525
	52,945		12,110	40,835
	23,850		500	23,350
	6,130		2,910	3,220
	82,250		1,130	81,120
	6,545		1,210	5,335
	68,000		2,000	66,000
	79,000		4,000	75,000
	7,645		1,370	6,275
6,720	6,720			6,720
<u>6,720</u>	<u>353,520</u>	<u>6,755</u>	<u>28,385</u>	<u>318,380</u>
	17,300		2,200	15,100
	24,050		1,850	22,200
	41,310		3,000	38,310
	47,030		2,620	44,410
	59,000		2,000	57,000
	84,500		3,825	80,675
	1,977		564	1,413
	87,500		4,500	83,000
	38,900		1,900	37,000
	36,000		600	35,400
	44,500		2,000	42,500
6,858	79,450		2,250	77,200
18,847	18,847		235	18,612
11,929	11,929		149	11,780
<u>37,634</u>	<u>592,293</u>	<u>0</u>	<u>27,693</u>	<u>564,600</u>
<u>\$ 44,354</u>	<u>\$ 945,813</u>	<u>\$ 6,755</u>	<u>\$ 56,078</u>	<u>\$ 882,980</u>
<u>\$ 107,844</u>	<u>\$ 1,175,233</u>	<u>\$ 16,845</u>	<u>\$ 107,808</u>	<u>\$ 1,050,580</u>
<u>\$ 0</u>	<u>\$ 5,100</u>	<u>\$ 0</u>	<u>\$ 1,185</u>	<u>\$ 3,915</u>

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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.	87-90
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.	91-99
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 NINE YEARS ENDED DECEMBER 31, 2009
IN THOUSANDS
(accrual basis of accounting)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Governmental activities									
Invested in capital assets, net of related debt	\$ 28,613	\$ 17,069	\$ 17,060	\$ 22,463	\$ 14,392	\$ 2,742	\$ 2,910	\$ 3,206	\$ 4,670
Restricted	162,814	152,325	107,253	105,856	113,196	119,696	91,617	110,340	84,305
Unrestricted	(84,128)	(104,689)	(62,054)	(102,565)	(130,916)	(120,950)	(102,726)	(138,815)	(85,497)
Total governmental activities net assets	<u>\$ 107,299</u>	<u>\$ 64,705</u>	<u>\$ 62,259</u>	<u>\$ 25,754</u>	<u>\$ (3,328)</u>	<u>\$ 1,488</u>	<u>\$ (8,199)</u>	<u>\$ (25,269)</u>	<u>\$ 3,478</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 1,590,590	\$ 1,451,577	\$ 1,376,046	\$ 1,390,948	\$ 1,353,995	\$ 1,369,820	\$ 1,284,499	\$ 1,089,774	\$ 888,338
Restricted	4,205	38,715	19,751	3,212	31,187	36,239	24,942	26,202	6,661
Unrestricted	142,542	76,411	139,993	105,006	77,035	57,429	43,881	64,893	99,631
Total business-type activities net assets	<u>\$ 1,737,337</u>	<u>\$ 1,566,703</u>	<u>\$ 1,535,790</u>	<u>\$ 1,499,166</u>	<u>\$ 1,462,217</u>	<u>\$ 1,463,488</u>	<u>\$ 1,353,322</u>	<u>\$ 1,180,869</u>	<u>\$ 994,630</u>
Primary government									
Invested in capital assets, net of related debt	\$ 1,619,203	\$ 1,468,646	\$ 1,393,106	\$ 1,413,411	\$ 1,368,387	\$ 1,372,562	\$ 1,287,409	\$ 1,092,980	\$ 893,008
Restricted	167,019	191,040	127,004	109,068	144,383	155,935	116,559	136,542	90,966
Unrestricted	58,414	(28,278)	77,939	2,441	(53,881)	(63,521)	(58,845)	(73,922)	14,134
Total primary government net assets	<u>\$ 1,844,636</u>	<u>\$ 1,631,408</u>	<u>\$ 1,598,049</u>	<u>\$ 1,524,920</u>	<u>\$ 1,458,889</u>	<u>\$ 1,464,976</u>	<u>\$ 1,345,123</u>	<u>\$ 1,155,600</u>	<u>\$ 998,108</u>

Unaudited

**METROPOLITAN COUNCIL
CHANGES IN NET ASSETS
LAST NINE YEARS ENDED DECEMBER 31, 2009
IN THOUSANDS
(accrual basis of accounting)**

	2009	2008	2007	2006	2005	2004	2003	2002	2001
Expenses									
Governmental activities:									
General government	\$ 9,067	\$ 9,823	\$ 9,848	\$ 8,613	\$ 8,263	\$ 9,682	\$ 10,007	\$ 12,606	\$ 12,554
Transportation	107,715	102,476	92,732	88,510	89,662	84,197	77,622	71,005	63,199
Culture and recreation	28,151	39,007	26,377	16,084	18,752	21,149	30,521	25,675	20,927
Economic development	4,488	1,136	4,548	4,036	9,401	7,550	8,036	6,965	6,299
Environment	3,560	3,313	9,302	5,201	6,629	2,904	4,516	5,349	5,034
Housing	594	1,504	1,831	2,136	1,819	524	1,958	2,738	2,788
Interest and other charges	8,491	9,606	12,969	11,753	21,152	8,755	8,891	7,298	6,899
Total governmental activities expenses	<u>162,066</u>	<u>166,865</u>	<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	192,990	218,856	190,763	173,090	161,748	161,054	153,373	154,842	149,149
Transit bus	302,669	299,435	264,612	246,264	237,695	218,748	226,769	229,342	222,484
Transit light rail	51,895	55,766	49,524	45,795	44,620	29,311	15,114	26,241	11,563
Transit commuter rail	6,834	770							
Housing	56,201	53,880	55,432	56,595	56,198	57,604	56,222	50,398	38,034
Total business-type activities	<u>610,589</u>	<u>628,707</u>	<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>\$ 772,655</u>	<u>\$ 795,572</u>	<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									
Transit fares	\$ 7,443	\$ 6,396	\$ 7,254	\$ 6,836	\$ 5,812	\$ 5,376	\$ 4,856	\$ 3,791	\$ 5,255
Insurance Reimbursements	203	172	118	169	73	109	68	119	44
Other activities	6		89	43	20	40		75	
Operating grants and contributions	45,563	46,842	53,051	42,835	42,542	42,411	43,022	27,897	50,586
Capital grants and contributions	49,379	32,812	38,336	19,791	13,483	9,578	18,074	8,831	12,648
Total governmental activities program revenues	<u>102,594</u>	<u>86,222</u>	<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									
Wastewater	210,535	203,292	190,491	187,374	177,995	160,498	174,747	171,716	168,460
Transit Fares	89,913	86,293	80,111	77,222	69,858	56,183	65,957	68,847	67,949
Other activities	781	744	661	798	405	570	460	184	96
Operating grants and contributions	160,747	119,785	145,775	127,209	126,290	118,413	111,230	111,755	85,865
Capital grants and contributions	195,827	129,184	57,603	54,651	13,214	130,792	165,227	218,428	184,225
Total business-type activities program revenues	<u>657,803</u>	<u>539,298</u>	<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 revenues	<u>\$ 760,397</u>	<u>\$ 625,520</u>	<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	\$ (59,472)	\$ (80,643)	\$ (58,759)	\$ (66,659)	\$ (93,748)	\$ (77,247)	\$ (75,531)	\$ (90,923)	\$ (49,167)
Business-type activities	47,214	(89,409)	(85,690)	(74,490)	(112,499)	(261)	66,143	110,107	85,365
Total primary government net expense	<u>\$ (12,258)</u>	<u>\$ (170,052)</u>	<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	\$ 71,281	\$ 70,217	\$ 68,825	\$ 68,026	\$ 67,315	\$ 65,013	\$ 66,483	\$ 55,672	\$ 53,736
Market value and other credits	2,130	2,120	2,267	2,691	3,158	2,276	3,055	3,914	9,413
Motor vehicle sales tax	35,694	31,785	27,216	27,459	31,606	32,384	35,799	15,327	
Other government receipts not restricted to specific programs								280	
Investment earnings	4,831	5,981	14,249	10,013	5,574	4,518	2,647	4,936	7,571
Gain on sale of capital assets	97	83	446	170				91	116
Transfers	(11,967)	(27,097)	(17,739)	(12,618)	(18,721)	(15,831)	(19,536)	(22,385)	(24,099)
Total governmental activities	<u>102,066</u>	<u>83,089</u>	<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 sales tax	95,151	92,020	91,663	86,981	87,463	90,797	88,308	48,311	
Investment earnings	16,302	1,205	12,912	11,840	5,045	3,798	3,514	4,708	5,805
Gain on sale of capital assets								6	
Transfers	11,967	27,097	17,739	12,618	18,721	15,831	19,536	22,385	24,099
Total business-type activities	<u>123,420</u>	<u>120,322</u>	<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>\$ 225,486</u>	<u>\$ 203,411</u>	<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	\$ 42,594	\$ 2,446	\$ 36,505	\$ 29,082	\$ (4,816)	\$ 11,113	\$ 12,917	\$ (33,088)	\$ (2,430)
Business-type activities	170,634	30,913	36,624	36,949	(1,270)	110,165	177,501	186,240	188,224
Total primary government	<u>\$ 213,228</u>	<u>\$ 33,359</u>	<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 NINE YEARS ENDED DECEMBER 31, 2009
IN THOUSANDS
(modified accrual basis of accounting)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund									
Nonspendable						\$ 22	\$ 199	\$ 52	\$ 41
Restricted									
Committed	\$ 3,793	\$ 2,899	\$ 2,612	\$ 4,751	\$ 4,546	1,000	1,000	949	871
Assigned	3,025	2,915	3,279	3,207	2,778	2,820	3,503	2,688	3,651
Unassigned	13,213	11,748	11,766	7,975	6,697	6,098	5,562	4,387	4,472
Total general fund	<u>\$ 20,031</u>	<u>\$ 17,562</u>	<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>\$ 9,035</u>
All Other Governmental Funds									
Nonspendable	\$ 45,724	\$ 41,875	\$ 37,712	\$ 35,861	\$ 26,505	\$ 29,705	\$ 27,433	\$ 27,320	\$ 20,455
Restricted	203,039	174,126	147,216	125,586	151,200	138,608	112,281	143,913	111,231
Committed	30,785	27,474	29,210	25,401	23,737	20,347	21,092	15,445	38,709
Unassigned	(17,578)	(37,438)	(9,468)	(19,923)	(440)	(440)	(8,582)	(2,412)	(2,894)
Total all other governmental funds	<u>\$ 261,970</u>	<u>\$ 206,037</u>	<u>\$ 204,670</u>	<u>\$ 166,925</u>	<u>\$ 201,442</u>	<u>\$ 188,220</u>	<u>\$ 152,224</u>	<u>\$ 184,266</u>	<u>\$ 167,501</u>
Total all governmental funds	<u>\$ 282,001</u>	<u>\$ 223,599</u>	<u>\$ 222,327</u>	<u>\$ 182,858</u>	<u>\$ 215,463</u>	<u>\$ 198,160</u>	<u>\$ 162,488</u>	<u>\$ 192,342</u>	<u>\$ 176,536</u>
Unaudited									

METROPOLITAN COUNCIL
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST NINE YEARS ENDED DECEMBER 31, 2009
IN THOUSANDS
(modified accrual basis of accounting)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
REVENUES									
Taxes	\$ 71,223	\$ 70,161	\$ 68,383	\$ 68,178	\$ 66,944	\$ 65,916	\$ 64,820	\$ 55,274	\$ 53,678
Intergovernmental revenue:									
Federal	19,947	14,009	20,046	15,902	12,409	12,311	9,707	3,249	11,583
State	112,758	99,548	97,324	76,864	76,076	74,338	90,245	52,195	60,345
Local/other	1,101	927	3,759	188	259	211	278	631	943
Investment income	4,831	5,981	14,249	10,013	5,574	4,518	2,647	4,936	7,867
Other	6,612	5,713	7,202	6,870	7,950	5,315	4,645	4,164	5,227
Total revenues	<u>216,472</u>	<u>196,339</u>	<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	7,932	8,862	8,817	8,185	7,613	9,190	9,716	12,313	12,159
Transportation	58,175	60,468	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	38,100	31,616	30,262	29,780	31,615	29,488	25,994	24,723	19,032
Culture and recreation	28,151	39,007	26,377	16,084	18,726	21,078	30,378	25,554	20,705
Economic development	4,488	1,136	4,548	4,036	9,401	2,904	4,517	5,349	5,034
Environment	3,560	3,313	9,302	5,201	6,629	524	1,958	2,739	2,787
Housing	594	1,504	1,831	2,136	1,819	7,550	8,036	6,965	6,299
Debt service:									
Principal	35,325	43,515	44,295	40,870	39,670	31,855	34,245	22,940	19,290
Interest and other charges	8,560	10,280	13,217	13,625	10,555	8,511	8,983	7,233	6,393
Capital outlay	18,916	5,796	22,198	26,998	16,908	8,434	21,717	7,220	8,034
Total expenditures	<u>203,801</u>	<u>205,497</u>	<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>12,671</u>	<u>(9,158)</u>	<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	1,101	3,953	3,832	1,667	5,704	7,349	1,585	3,352	3,293
Transfers out	(19,632)	(31,241)	(21,805)	(14,362)	(24,778)	(23,387)	(21,948)	(25,737)	(27,393)
Bonds issued	53,000	50,300	45,900		38,000	47,375		71,550	49,728
Refunding bonds issued	10,490		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	588	841	698		1,965	3,570			
Payment to refunded bond escrow agent		(13,600)	(2,860)			(10,395)			
Sale of capital assets	184	177	446	102	274	165	27	169	116
Total other financing sources (uses)	<u>45,731</u>	<u>10,430</u>	<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>\$ 58,402</u>	<u>\$ 1,272</u>	<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	23.7%	26.9%	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, 2009 ¹
IN THOUSANDS**

Year	Taxes			Intergovernmental Revenue			Investment Income			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	Other Revenue and Financing Sources ²	
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
2008	9,921	16,041	44,199	14,009	77,301	927	3,098	1,986	6,734	174,216
2009	9,911	16,165	45,147	19,947	80,125	1,101	3,133	1,313	7,633	184,475

Unaudited

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

² For 2000, other revenue and financing sources included transfers from proprietary funds to the general fund for administrative programs.

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**METROPOLITAN COUNCIL
MARKET VALUE AND NET TAX CAPACITY
VALUE OF TAXABLE PROPERTY
LAST TEN YEARS ENDED DECEMBER 31, 2009
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>		
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
2008	323,122,709	2,629,555	325,752,264	3,915,642	1.2	0.01
2009	309,773,933	2,668,987	312,442,920	3,768,981	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, 2009
IN THOUSANDS**

<u>Year</u>	<u>General Fund</u>	<u>Highway Right-of-Way Fund</u>	<u>Special Revenue and Transit Funds</u>	<u>Debt Service Funds</u>	<u>Total Direct Tax Rate</u>	<u>School Districts</u>	<u>Counties</u>	<u>Cities and Townships</u>	<u>Other</u>
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
2008	0.00	0.00	0.00	0.01	0.01	0.30	0.29	0.28	0.34
2009	0.00	0.00	0.00	0.01	0.01	0.34	0.32	0.30	0.38

Unaudited

Source: State of Minnesota, Department of Revenue.

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

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

Largest taxpayers in Hennepin and Ramsey counties

<u>Taxpayer</u>	<u>2009</u>			<u>2000</u>		
	<u>Net Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity^{1,3}</u>	<u>2000 Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity^{2,3}</u>
MOAC Mall Holdings LLC	\$ 10,953	1	0.29%	\$ 15,256	2	0.63%
Xcel Energy / Northern States Power Co	5,618	2	0.15	17,354	1	0.71
3M Company	4,681	3	0.12	8,609	3	0.35
MB Minneapolis 8th St. LLC	4,185	4	0.11			
Minneapolis 225 Holdings LLC	4,167	5	0.11			
NWC Limited Partnership	3,775	6	0.10	6,360	5	0.26
U S Bank NA BC-MN-H21N	3,191	7	0.08			
Wells Reit-800 Nicollett	3,139	8	0.08			
Best Buy Co. Inc.	2,758	9	0.07			
Flanagan-AMEX	2,657	10	0.07			
601 Second Avenue LTD Partnership				7,411	4	0.30
First Minneapolis - Hines Co.				5,609	6	0.23
RREEF Funds				5,268	7	0.22
City Center Associates				5,098	8	0.21
Federal Reserve Bank of Minneapolis				3,246	9	0.13
Ridgedale Joint Venture				3,136	10	0.13
Total	<u>\$ 45,124</u>		<u>1.20%</u>	<u>\$ 77,347</u>		<u>3.17%</u>

Unaudited

Source: Hennepin County abstract of property taxes (2009)
Ramsey County abstract of property taxes (2009)
Evensen Dodge, Inc. (2000)

Notes ¹ Net tax capacity value for 2009 = \$3,768,981

² Net tax capacity value for 2000 = \$2,437,139

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 TEN YEARS ENDED DECEMBER 31, 2009
IN THOUSANDS (EXCEPT PERCENTAGES)**

<u>Year</u>	<u>Total Tax Levy</u>	<u>State Levy Reduction</u>	<u>Net Taxes Levied for the Year</u>	<u>Collected within the Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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	240	64,715	99.33
2004	68,561	2,242	66,319	65,652	98.99	341	65,993	99.51
2005	70,648	3,116	67,532	66,615	98.64	520	67,135	99.41
2006	71,354	2,677	68,677	67,709	98.59	646	68,355	99.53
2007	71,067	2,267	68,800	67,750	98.47	664	68,414	99.44
2008	72,788	2,103	70,685	69,355	98.12	971	70,326	99.49
2009	73,886	2,101	71,785	70,248	97.86		70,248	97.86

Unaudited

**METROPOLITAN COUNCIL
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS ENDED IN DECEMBER 31, 2009
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 Wastewater	PFA Wastewater	Capital Leases	Total Business-Type Activities	Total Primary Government		
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	0.73	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	0.75	393.62
2008	174,745	8,625		6,235	16,210	12,495	218,310	381,635	576,213		957,848	1,176,158	0.76	409.78
2009	201,430	15,130		5,100	12,860	11,955	246,475	353,520	592,293		945,813	1,192,288	0.77	415.40

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 \$10,760 revenue bonds issued in behalf of the Metropolitan Radio Board (ceased operations on June 30, 2005), which were refunded in 2007 with \$7,265 revenue bonds.

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, 2009
IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)**

Fiscal Year	General Bonded Debt Outstanding					Percentage of	
	General Obligation Bonds Transit	General Obligation Bonds Parks	General Obligation Bonds Other	General Obligation Bonds Wastewater	Total	Actual Taxable Value ¹ of Property	Per Capita ²
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	185.44
2008	174,745	8,625		381,635	565,005	14.43	196.85
2009	201,430	15,130		353,520	570,080	15.13	198.62

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, 2009
 IN THOUSANDS**

Page (1 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
Counties:	
Anoka	\$ 183,642
Carver	31,114
Dakota	97,775
Hennepin	960,135
Ramsey	204,662
Scott	90,795
Washington	117,060
Total counties	<u>\$ 1,685,183</u>
School districts:	
SSD #1 Minneapolis	\$ 304,606
SSD #6 South St. Paul	14,670
ISD #11 Anoka	214,432
ISD #12 Centennial	99,350
ISD #13 Columbia Heights	25,125
ISD #14 Fridley	43,515
ISD #15 St. Francis	47,195
ISD #16 Spring Lake Park	123,805
ISD #108 Norwood-Young America	1,600
ISD #110 Waconia	60,885
ISD #111 Watertown-Mayer	51,140
ISD #112 Chaska	239,465
ISD #191 Burnsville	93,005
ISD #192 Farmington	286,537
ISD #194 Lakeville	182,560
ISD #195 Randolph	5,050
ISD #196 Rosemount	166,747
ISD #197 West St. Paul	58,175
ISD #199 Inver Grove Heights	46,530
ISD #200 Hastings	53,925
ISD #252 Cannon Falls	21,805
ISD #270 Hopkins-Golden Valley	158,850
ISD #271 Bloomington	193,950
ISD #272 Eden Prairie	91,465
ISD #273 Edina	85,795
ISD #276 Minnetonka	125,360
ISD #277 Westonka	8,980
ISD #278 Orono	59,140
ISD #279 Osseo	246,945
ISD #280 Richfield	61,320
ISD #281 Robbinsdale	195,245
ISD #282 St Anthony-New Brighton	25,775
ISD #283 St. Louis Park	58,345
ISD #284 Wayzata	67,325
ISD #286 Brooklyn Center	32,340
ISD #424 Lester Prairie	410
ISD #621 Mounds View	165,963
ISD #622 North St. Paul-Maplewood-Oakdale	151,135
ISD #623 Roseville	52,630
ISD #624 White Bear Lake	110,595
ISD #625 St. Paul	360,646
ISD #659 Northfield	61,040
ISD #716 Belle Plaine	40,390

**METROPOLITAN COUNCIL
 COMPILATION OF OVERLAPPING DEBT ¹
 FOR THE YEAR ENDED DECEMBER 31, 2009
 IN THOUSANDS**

Page (2 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
School districts (continued):	
ISD #717 Jordan	32,250
ISD #719 Prior lake	170,150
ISD #720 Shakopee	166,945
ISD #721 New Prague	63,120
ISD #728 Elk River	326,140
ISD #831 Forest Lake	38,145
ISD #832 Mahtomedi	27,414
ISD #833 South Washington	280,895
ISD #834 Stillwater	52,950
ISD #916 Special Intermediate-Vo Tech	8,380
ISD #2144 Chisago Lakes	27,275
ISD #2397 LeSueur-Henderson	17,920
ISD #2687 Howard Lake-Waverly-Winsted	27,190
Total school districts	\$ 5,732,540
Cities:	
Afton	\$ 3,845
Andover	29,680
Anoka	8,350
Apple Valley	46,595
Arden Hills	1,545
Bayport	895
Belle Plaine	17,385
Bethel	1,662
Birchwood	431
Blaine	41,105
Bloomington	52,820
Brooklyn Center	25,385
Brooklyn Park	59,130
Burnsville	52,706
Carver	14,898
Centerville	13,692
Champlin	17,360
Chanhassen	31,365
Chaska	112,810
Circle Pines	4,850
Cologne	10,444
Columbia Heights	21,095
Columbus	10,855
Coon Rapids	22,140
Corcoran	1,201
Cottage Grove	27,005
Crystal	14,198
Dayton	40,611
Eagan	26,660
East Bethel	3,815
Eden Prairie	36,545
Edina	91,390
Elko/New Market	11,021
Excelsior	920
Falcon Heights	565
Farmington	40,650

**METROPOLITAN COUNCIL
 COMPILATION OF OVERLAPPING DEBT ¹
 FOR THE YEAR ENDED DECEMBER 31, 2009
 IN THOUSANDS**

(Page 3 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
Cities (continued):	
Forest Lake	13,050
Fridley	14,665
Gem Lake	1,445
Golden Valley	79,740
Grant	158
Greenfield	5,565
Hamburg	1,263
Ham Lake	2,925
Hampton	1,895
Hastings	37,780
Hopkins	28,065
Hugo	18,310
Independence	1,751
Inver Grove Heights	53,019
Jordan	26,608
Lake Elmo	9,375
Lakeland	2,255
Lake St. Croix Beach	303
Lakeville	103,160
Landfall	342
Lauderdale	1,240
Lexington	1,170
Lilydale	1,680
Lino Lakes	26,407
Little Canada	9,855
Long Lake	1,930
Loretto	790
Mahtomedi	12,910
Maple Grove	105,225
Maple Plain	3,550
Maplewood	72,617
Marine	184
Mayer	15,206
Medina	11,635
Mendota Heights	12,660
Minneapolis	1,105,218
Minnetonka	17,490
Minnetonka Beach	980
Minnetrista	7,930
Mound	42,712
Mounds View	3,746
New Brighton	58,160
New Germany	3,680
New Hope	8,190
New Prague	52,013
Newport	2,802
North St. Paul	21,625
Northfield	66,879
Norwood-Young America	18,690
Nowthen	1,061
Oakdale	24,645
Oak Grove	2,419
Oak Park Heights	7,360

**METROPOLITAN COUNCIL
 COMPILATION OF OVERLAPPING DEBT ¹
 FOR THE YEAR ENDED DECEMBER 31, 2009
 IN THOUSANDS**

(Page 4 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
Cities (continued):	
Orono	9,675
Osseo	10,780
Plymouth	30,235
Prior Lake	37,520
Ramsey	8,765
Richfield	44,730
Robbinsdale	17,965
Rogers	18,420
Rosemount	22,415
Roseville	12,765
St. Anthony	26,070
St. Bonifacius	4,134
St. Francis	15,579
St. Louis Park	27,474
St. Paul	400,251
St. Paul Park	4,081
Savage	88,330
Scandia	1,645
Shakopee	43,190
Shoreview	16,610
Shorewood	16,460
South St. Paul	11,900
Spring Lake Park	8,944
Stillwater	37,815
Sunfish Lake	480
Vadnais Heights	10,745
Vermillion	475
Victoria	36,365
Waconia	47,674
Watertown	8,733
Wayzata	10,105
West St. Paul	21,941
White Bear Lake	4,420
Woodbury	64,528
Woodland	426
Total cities	\$ 4,141,602
Townships:	
Credit River	\$ 855
Dahlgren	12
Empire	1,755
Greenvale	143
Hassan	2,300
Laketown	301
New Market	185
Sand Creek	675
Spring Lake	3,543
White Bear	7,290
Total townships	\$ 17,059

**METROPOLITAN COUNCIL
 COMPILATION OF OVERLAPPING DEBT ¹
 FOR THE YEAR ENDED DECEMBER 31, 2009
 IN THOUSANDS**

(Page 5 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
Miscellaneous:	
Anoka Tax Increment	\$ 7,835
Blaine EDA/HRA	4,250
Bloomington Port Authority	15,670
Brooklyn Park EDA	12,645
Capital Region Watershed District	1,455
Carver County CDA	29,516
Cedar Lake Sewer Sanitary District	1,772
Chanhasen HRA	1,295
Circle Pines HRA	415
Circle Pines Tax Increment	4,300
Columbia Heights Tax Increment	580
Coon Rapids Tax Increment	2,385
Dakota County CDA	401,677
Hennepin County Regional Park	85,660
Hennepin Regional Railroad Authority	42,850
Hilltop Tax Increment	120
Hopkins HRA	2,440
HRA of St. Paul	187,401
Maple Grove HRA	2,525
Metropolitan Airports Commission	1,730,387
Minnesota Municipal Power Agency	192,384
Mound HRA	8,509
North Suburban Hospital District	4,015
Norwood-Young America EDA	8,575
Prior Lake-Spring Lake Watershed District	1,520
Plymouth HRA	14,215
Ramsey-Washington Metro Watershed District	973
Regional Railroad Authority-Anoka County	30,990
Scott County CDA	31,405
South Washington Watershed District	3,580
St. Anthony HRA	10,055
St. Paul Port Authority	63,677
Waconia HRA	13,139
Washington County HRA	49,320
Total miscellaneous	<u>\$ 2,967,535</u>
 TOTAL	 <u><u>\$ 14,543,919</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 percent (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 percent. The error resulting from using this method is significantly less than 1 percent

**METROPOLITAN COUNCIL
LEGAL DEBT MARGIN INFORMATION
LAST NINE YEARS ENDED DECEMBER 31, 2009
IN THOUSANDS EXCEPT PERCENTAGE**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Debt limit	\$ 345,190	\$ 330,655	\$ 306,495	\$ 317,995	\$ 316,905	\$ 274,635	\$ 300,230	\$ 274,205	\$ 237,685
Total net debt applicable to limit	<u>229,420</u>	<u>199,580</u>	<u>198,870</u>	<u>169,100</u>	<u>209,125</u>	<u>199,945</u>	<u>184,375</u>	<u>209,515</u>	<u>176,315</u>
Legal debt margin	<u>\$ 115,770</u>	<u>\$ 131,075</u>	<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>66.46%</u>	<u>60.36%</u>	<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
 LAST FIVE YEARS ENDED DECEMBER 31, 2009
 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
2008	6,235	1,128	1,030	298	0.85
2009	5,100	1,410	1,135	252	1.02

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, and beyond, 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, 2009**

<u>Year</u>	<u>Population¹</u>	<u>Personal Income¹ (In Millions)</u>	<u>Per Capita¹ Income</u>	<u>Unemployment Rate²</u>
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	132,708	42,377	3.80%
2006	2,821,779	140,158	44,295	3.80%
2007	2,849,003	149,496	46,752	4.30%
2008	2,870,250	154,282	47,653	5.20%
2009	2,870,250	154,282	47,653	7.80%

Unaudited

Source: ¹ U.S. Commerce Department, Bureau of Economic Analysis for the Minneapolis-St. Paul Metropolitan Statistical Area. (1998-2002). 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	2009			2000		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Minnesota	54	1	3.16%	53	1	3.11%
Mayo Foundation	37	2	2.16	33	4	1.93
United States Federal Government	33	3	1.93	35	3	2.05
Target Corp.	29	4	1.69	35	2	2.05
Allina Health System	24	5	1.40	23	6	1.35
Fairview Health Services	22	6	1.29	18	8	1.06
Wells Fargo Minnesota	21	7	1.23	14	10	0.82
Wal-Mart Stores Inc.	20	8	1.17			
University of Minnesota	20	9	1.17	32	5	1.88
3M Co.	15	10	0.88	18	9	1.06
Northwest Airlines Corp.				21	7	1.23
Total	275		16.08%	282		16.52%

Unaudited.

Source: Business Journal, Book of Lists, December 25, 2009 and December 22, 2000.

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

**METROPOLITAN COUNCIL
EMPLOYEES BY FUNCTION/PROGRAM
LAST NINE YEARS ENDED DECEMBER 31, 2000**

	Full-time Equivalent Employees as of December 31								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
<u>Regional Administration</u>									
Human Resources	33	33	33	31	33	32	25	26	26
Information Services	64	62	54	56	66	66	81	81	83
Fiscal/Central Services	38	37	38	35	25	26	30	28	26
Other	75	67	77	57	75	74	86	78	79
Total Regional Administration	<u>210</u>	<u>199</u>	<u>202</u>	<u>179</u>	<u>199</u>	<u>198</u>	<u>222</u>	<u>213</u>	<u>214</u>
<u>Community Development</u>									
Metro HRA	33	33	34	34	33	32	32	34	33
Other	41	42	45	44	51	51	60	58	56
Total Community Development	<u>74</u>	<u>75</u>	<u>79</u>	<u>78</u>	<u>84</u>	<u>83</u>	<u>92</u>	<u>92</u>	<u>89</u>
<u>Environmental Services Division</u>									
Environmental Quality Assurance	109	109	110	106	121	122	122	128	133
Treatment Services	505	501	502	490	565	582	594	606	620
Other	32	28	28	30	15	15	16	21	21
Total Environmental Services Division	<u>646</u>	<u>638</u>	<u>640</u>	<u>626</u>	<u>701</u>	<u>719</u>	<u>732</u>	<u>755</u>	<u>774</u>
<u>Transportation Division</u>									
Metro Mobility	14	15	13	13	13	13	13	13	13
Transportation Planning	28	26	28	24	17	17	17	20	20
Other					13	13	14	14	14
Total Transportation Planning	<u>42</u>	<u>41</u>	<u>41</u>	<u>37</u>	<u>43</u>	<u>43</u>	<u>44</u>	<u>47</u>	<u>47</u>
<u>Metro Transit Bus</u>									
Operators	1,346	1,291	1,273	1,280	1,413	1,474	1,475	1,592	1,738
Mechanics	417	442	437	420	432	456	457	469	479
Administration/Clerical	439	540	545	505	590	683	628	676	673
Total Metro Transit	<u>2,202</u>	<u>2,273</u>	<u>2,255</u>	<u>2,205</u>	<u>2,435</u>	<u>2,613</u>	<u>2,560</u>	<u>2,737</u>	<u>2,890</u>
<u>Metro Transit Commuter Rail</u>									
Mechanics	28								
Administration/Clerical	8								
Total Metro Transit	<u>36</u>								
<u>Metro Transit Light Rail</u>									
Operators	50	44	44	44	45	45			
Mechanics	70	69	60	57	51	51			
Administration/Clerical	45	42	39	35	30	30			
Total Metro Transit	<u>165</u>	<u>155</u>	<u>143</u>	<u>136</u>	<u>126</u>	<u>126</u>			
Total	<u>3,375</u>	<u>3,381</u>	<u>3,360</u>	<u>3,261</u>	<u>3,588</u>	<u>3,782</u>	<u>3,650</u>	<u>3,844</u>	<u>4,014</u>

Unaudited

Source: Metropolitan Council budget department and Metro Transit

Notes: Metro Transit Light Rail began operations in 2004

Metro Transit Commuter Rail began operations in 2009

Metro Transit Commuter Rail operators are non-Metro Transit employees

**METROPOLITAN COUNCIL
OPERATING INDICATORS BY FUNCTION/PROGRAM
FOR THE LAST NINE YEARS ENDED DECEMBER 31, 2009**

Function/Program	2009	2008	2007	2006	2005	2004	2003	2002	2001
Governmental activities									
Metro Mobility-passenger miles	13,634,343	13,452,124	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	1,237,570	1,220,775	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	38,062,600	33,047,700	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)	230	249	250	256	255	255	266	290	290
Transit-bus									
Total route miles	28,709,374	30,268,310	28,416,623	29,048,980	29,979,730	27,113,045	30,969,504	32,291,090	32,207,416
Passenger trips	66,401,218	71,614,056	67,865,688	64,398,724	61,797,145	53,962,653	67,235,776	69,589,375	73,347,859
Transit-commuter rail									
Total route miles	69,320								
Passenger trips	78,782								
Transit-light rail									
Total passenger car miles	1,987,663	2,024,493	1,931,754	1,817,930	1,565,965	512,110			
Passengers trips	9,863,042	10,221,682	9,098,297	9,356,982	7,901,668	2,938,777			
Housing									
Metro HRA unit months leased	80,243	78,658	81,634	81,273	80,575	80,770	79,617	78,828	76,691

Unaudited

Sources: Various Metropolitan Council Divisions

Notes: Transit-light rail began limited operation mid year 2004.
Commuter Rail began limited operation on November 16, 2009.

**METROPOLITAN COUNCIL
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
FOR THE LAST NINE YEARS ENDED DECEMBER 31, 2009**

Function/Program	2009	2008	2007	2006	2005	2004	2003	2002	2001
Governmental activities									
Metro Mobility									
Total fleet size	274	265	262	264	257	245	229	244	243
Number of Parks/Trails	89	85	83	82	77	74	71	70	67
Acres of Regional Parks and Trails open to the public	53,111	52,918	52,661	52,617	52,299	50,356	50,276	48,916	48,015
Business-type activities									
Wastewater									
Treatment Plants	7	8	8	8	8	8	8	8	8
Miles of MCES Interceptors	624	615	585	586	578	569	569	569	563
Wastewater Treatment Plant Capacities (millions of gallons)	370	370	370	370	358	358	358	351	351
Transit-bus									
Total fleet size	929	1,093	979	940	930	942	982	980	953
Transit-commuter rail									
Total fleet size	24								
Transit-light rail									
Total fleet size	27	27	27	25	23	22			
Housing									
Metro HRA unit months available	81,613	79,270	83,732	83,592	82,709	81,976	82,769	79,428	76,691
Family Affordable Housing Units	150	150	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.
Commuter Rail began limited operation on November 16, 2009.



Metropolitan Council

2009 Comprehensive Annual Financial Report

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