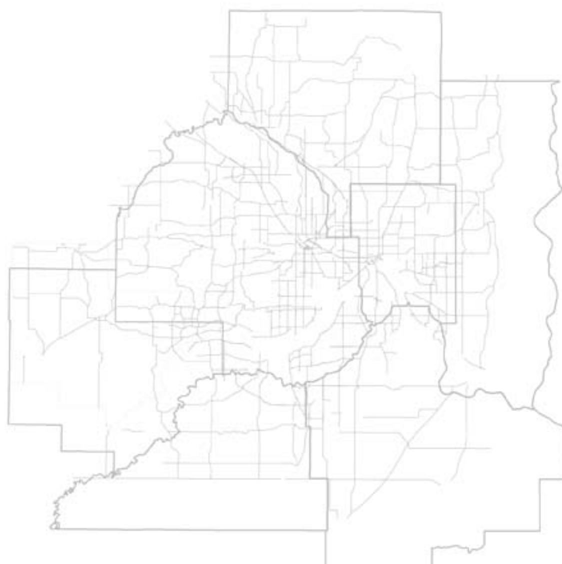
Metropolitan Council

Twin Cities Area, Minnesota

# Comprehensive Annual Financial Report

Year Ended December 31, 2011

A component unit of the State of Minnesota



Serving the Twin Cities seven-county metropolitan area

# METROPOLITAN COUNCIL
OF THE TWIN CITIES AREA
MINNESOTA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FISCAL YEAR ENDED DECEMBER 31, 2011

## A COMPONENT UNIT OF THE STATE OF MINNESOTA

Prepared by the Finance Unit

Issued June 2012

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

*The Metropolitan Council is the regional planning agency serving the Twin Cities seven-county metropolitan area and providing essential services to the region. The Council works with local communities to provide these critical services:*

- *Operates the region's largest bus system*
- *Operates the region’s light rail and commuter rail systems*
- *Collects and treats wastewater*
- *Engages communities and the public in planning for future growth*
- *Provides forecasts of the region's population and household growth*
- *Provides affordable housing opportunities for low- and moderate-income individuals and families*
- *Provides planning, acquisitions and funding for a regional system of parks and trails*
- *Provides a framework for decisions and implementation for regional systems including aviation, transportation, parks and open space, water quality and water management*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE METROPOLITAN COUNCIL A COMPONENT UNIT OF THE STATE OF MINNESOTA FOR THE YEAR ENDING DECEMBER 31, 2011

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Serving the Twin Cities seven-county metropolitan area

Metropolitan Council

2011 Comprehensive Annual Financial Report

# Transmittal Letter from the Chief Financial Officer

June 27, 2012

Chair Susan Haigh
and Members of the Metropolitan Council
390 Robert Street North
St. Paul, MN 55101

Dear Chair Haigh 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, 2011. 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, general obligation bond schedules, and the schedule of expenditures of federal awards. 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, 2011. 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 2012.

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 2.85 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. Positive variances in revenues and 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. Budgetary

Comparison Schedules 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. Budgetary Comparison Schedules for the nonmajor governmental funds are presented in the Combining and Individual Fund Financial Statements 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

While the thirteen-county metropolitan area continued to experience gradual job growth, recovery in the metro was slower than the nation. Between March 2011 and March 2012, total employment in the thirteen-county metropolitan area grew by 1.09 percent, compared to a national employment growth of 1.45 percent. Employment growth in the metro slowed from 2.3 percent between March 2010 and March 2011 to 1.09 percent between March 2011 and March 2012 (DEED, Current Employment Survey).

Since the downturn of 2008, job recovery patterns in the metro and the nation mirrored each other. The region lost 5.5 percent of its jobs from its February 2008 peak to its employment trough of February 2010—a loss of 99,500 jobs (Bureau of Labor Statistics). Since this trough, 42,400 jobs were added to the region's economy, amounting to a 43 percent recovery of the total jobs lost since the peak of February 2008. In comparison, the nation lost 6.4 percent of its employment from its January 2008 peak to its February 2010 trough, and recovered 41 percent of the jobs lost since the January 2008 peak.

The unemployment rate in the seven-county metropolitan area remains below the nation's despite similarities in the job recovery patterns. The metro's unemployment rate continued to decline for the third year in a row. In March 2012, the metro's unemployment rate was 5.9 percent, down from 6.5 percent in the previous year (DEED, Local Area Unemployment Statistics). In contrast, the nation's unemployment rate in March 2012 stood at 8.4 percent, compared to 9.2 percent in the previous year.

Total employment for all industries in the thirteen-county metropolitan area increased by 19,969 from March 2011 to March 2012 (DEED, Current Employment Survey). Two sectors stood out in terms of employment gain: the Professional and Business Services sector and the Educational and Health Services sector. Professional Services experienced the largest gain—11,526 jobs in this period. Educational and Health Services, a historically strong sector that has been steadily growing for more than two decades, followed with a gain of 10,485 jobs. Both Other Services and Manufacturing added jobs—4,523 and 3,927 jobs, respectively.

Government lost employment for the fourth year in a row, experiencing the biggest decline with a loss of 6,739 jobs. This decline was significantly higher than the loss of 667 Government jobs in the previous period. Two sectors with modest employment gains in the previous year experienced a sharp downturn between March 2011 and March 2012. The Leisure and Hospitality sector lost 5,218 jobs, compared to a gain of 3,142 jobs in the previous period. Mining, Logging, and Construction lost 2,371 jobs, in contrast to the 3,081 jobs it gained in the previous period. Notably, the Information Services sector lost jobs for the fifth year in a row.

After reaching a peak of $162,334 in June 2011, median home prices in the thirteen-county metropolitan area declined 9 months in a row, to $138,000 in February 2012 (Minneapolis Area Association of Realtors). This amounted to a peak to trough drop of 15 percent. This downward trend was finally reversed in March 2012 as the metro's median home price climbed to $149,000. This was a 6.4 percent improvement over the March 2011 value of $140,000. The recent uptick is not yet strong enough to reverse the trend of declining median home prices.

From February 2011 to February 2012, median sales prices declined in all three segments of the regional housing market. The median price for traditional sales went down 11 percent from $207,000 in February 2011 to $183,700 in February 2012 (Minneapolis St. Paul Residential Real Estate Index). In contrast, the median price for foreclosed properties declined by only two percent from $105,500 in February 2011 to $103,800 in February 2012, suggesting some short-term price stabilization for foreclosed properties. The short sales market experienced the sharpest price decline as the median short sale price dropped from $139,900 to $116,000 during the same period.

The historically high percentage of distressed sales in the market (approximately 57 percent in February 2012) continues to drag down median housing prices in the region. The recent settlement between the Federal government and the five banks involved in the robo-signing controversy is likely to increase the supply of distressed properties in the market. Lenders are expected to process the distressed loans in their portfolios more swiftly, implying a potential jump in the number of distressed properties in the near future. A meaningful recovery can only be expected after the stock of distressed properties is cleared.

Housing markets showed some anemic improvement between 2010 and 2011. Residential building permits issued in the seven-county metro increased by 4.7 percent from 5,761 in 2010 to 6,029 in 2011 (Metropolitan Council Residential Building Permit Survey). However, most of this growth came from the multifamily sector. Permit numbers in this sector grew by 8 percent, compared to a growth of 1.1 percent in the single family market. While the number of new home starts went up by 3.8 percent during 2011 in the single-family housing market, the number of new home starts remained historically low, hovering around the low 3,000s (MetroStudy).

Commercial real estate markets began to show signs of recovery during 2011. Market-wide vacancy rates dropped slightly from 15.9 percent in 2010 to 15.2 percent after increasing three years in a row from 11.5 percent in 2007 (Cushman & Wakefield/NorthMarq Compass Report). In the office market, most of the real estate activity involved a flight to higher-quality properties, resulting in office vacancy rates that were much lower for Class A properties. The Southwest market dominated real estate activity in the office market, accounting for 456,000 square feet of the 484,000 square feet of office space absorbed in the entire Twin Cities market. Industrial properties in the Twin Cities benefited from the interest of national investors and real estate activity in this sector improved significantly. Newer bulk/warehouse product was especially in high demand, as companies preferred to look into building new facilities rather than retrofitting existing outdated spaces.

The multifamily sector remained the strongest in commercial real estate markets as the boom in the multifamily sector continued. Developers added approximately 900 new market units to the area in 2011 and 1,300 units are expected to be completed in 2012 (Cushman & Wakefield/NorthMarq Compass Report). The retail sector began to recover from its recent sluggish performance. Retail space vacancy rates dropped from 9.8 percent in 2010 to 8.4 percent in 2011. Two trends contributed to this improvement in retail markets. Grocery-store anchored redevelopments have absorbed some of the former big-box retail center space. High-profile retail centers have also benefited from the interest of healthcare providers eager to locate primary care and specialty care clinics in existing retail space.

Per capita personal income in the 13-county metropolitan area increased by 3.4 percent from $45,262 in 2009 to $46,819 in 2010, following a drop of 6.1 percent the previous year (Bureau of Economic Analysis). The metro's annual growth exceeded the average increase in the nation's metropolitan areas, where the per capita personal income grew by 2.7 percent. The metro ranked 23rd among the nation's 367 metropolitan areas and 9th among the largest 25 metropolitan areas for per capita personal income.

The thirteen-county metro's per capita real Gross Metro Product (GMP) continued to exceed the average for the nation's metropolitan areas (Bureau of Economic Analysis). In 2010, per capita real GMP stood at $54,974 in the former, while it was $45,557 in the latter. After declining for two years in a row, the metro's per capita real GMP grew by 2.6 percent between 2009 and 2010. This growth rate compared favorably to 1.6 percent growth rate in the metropolitan portion of the nation.

**Delivering High-Performance Regional Services**

**Transit -** Metro Transit is one of the country's largest transit systems, providing roughly 85 percent of the 83 million bus trips taken annually in the Twin Cities. Each weekday customers board Metro Transit buses and trains an average of 263,000 times.

Metro Transit operates 123 bus routes, the Hiawatha light-rail line, and the Northstar Commuter Rail line, using a fleet of 879 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 2011, the Hiawatha line carried 10.4 million passengers for the second time in the line's seven year history.

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. In 2011, the Northstar Commuter Rail carried over 703,000 passengers.

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 2011, Metro Mobility provided 1.5 million rides. 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 2011, these routes carried 2.96 million passengers. Transit Link is a region-wide dial-a-ride program that assists people outside areas served by fixed-route transit and provided 330,000 rides in 2011. Suburban Transit Authority Providers comprise 12 communities selecting to manage their own transit service providing 5.1 million rides in 2011.

In April 2011 the FTA approved the Central Corridor Full Funding Grant Agreement (FFGA), moving the project to full construction with plans to begin passenger service in 2014. The $957 million Central Corridor Light Rail Transit Project is an 11 mile project and will link five major centers of activity in the Twin Cities Region – downtown Minneapolis, the University of Minnesota, the Midway area, the State Capital complex and downtown St. Paul.

**Wastewater collection and treatment -** Metropolitan Council Environmental Services (MCES) collects and treats an average of 260 million gallons of wastewater every day from 106 directly served communities in the Twin Cities region. Almost 600 miles of sewer pipes from 5,000 miles of sewers carry wastewater to one of seven MCES treatment plants. These plants operate 24 hours a day, 365 days a year.

MCES treatment plants continue to perform at a high level in complying with clean water discharge permits and achieve near-perfect compliance with federal and state clean water discharge limits. All seven plants continue to earn Peak Performance Awards from the National Association of Clean Water Agencies (NACWA). The Hastings and St. Croix Valley Plants are 2 of the top 10 plants in the country for consecutive years of full compliance with their clean water discharge permits.

Five MCES treatment plans will receive NACWA's Platinum Award for consecutive years of compliance through 2011: Hastings (21 years); St. Croix Valley (20); Seneca (11); Blue Lake (5); and Eagles Point (6). Additionally, six treatment plants received Certificates of Commendation in 2011 from the Minnesota Pollution Control Agency for their performance in 2010; and the Blue Lake, Eagles Point and Hastings Plants received the Governor's Safety Award for continuing improvement and/or a continuing outstanding safety record.

The 2011 annual budget for Environmental Services included $184.3 million operating revenue primarily from metropolitan wastewater charges to municipalities ($172.8 million). Municipal sewer rates to local homes and businesses are low in comparison to similar-sized utilities nationally and municipal customer satisfaction is high. In addition, operating performance resulted in about a $.4 million surplus in 2011. The metropolitan wastewater charges, while limited to wastewater use, are not limited by statute.

During 2011, Sewer Availability Charge (SAC) receipts (from development) remained low compared to historical receipts but recovered somewhat, as SAC units increased by 18.2% over 2010. The 2010 law that allows shifting some of the costs ordinarily paid by SAC – the "future users" of the system – to current users (either through increases to the metropolitan wastewater charges to municipalities or use of operating reserves) continues to mitigate concerns about the long-term viability of this revenue source. While the availability of this mechanism provides revenue assurance, a shift is not now expected to be needed in 2013.

Approximately $142 million was budgeted for about 50 capital projects that were underway in 2011. These projects support regional goals of accommodating growth and protecting the environment while maintaining a cost-effective infrastructure. Highlights of the major ongoing capital improvement program in 2011 for the wastewater system include:

- Major rehabilitation to the Minneapolis interceptor system that includes interceptors 1-WO-500, 1-MW-413, 1-GV-461, 1-MW-411, 3-LV-610.
- Major upgrades to the Metropolitan Plant (in St. Paul, MN), including installation of non-condensing steam turbine generator for energy recovery, is scheduled for completion in 2012.
- Construction of Liquid Treatment Phase 1 upgrades at the Blue Lake Plant (in Shakopee, MN) which is scheduled for completion in March 2012.
- Interceptor construction for a new plant in East Bethel, Minnesota was initiated and scheduled for completion in fall 2012. Treatment facility construction was bid in Dec. 2011, with completion scheduled for fall 2013.

**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 51 regional parks and park reserves, 38 trails and 7 special recreation areas. Parks are operated by 10 partnering cities, counties and special districts. 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 6,100 very low to extremely low income seniors, disabled individuals, families and singles, including the 150 Council owned and operated housing units called the Family Affordable Housing Program in 11 cities in suburban Anoka, Ramsey and Hennepin Counties assisted with project based vouchers. Additionally, the Council provides rent assistance to approximately 655 households through state and federally funded rent assistance programs designed to assist households meeting specific eligibility criteria such as disability, homelessness, or working toward self sufficiency.

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, 94 metropolitan area communities are participating in the voluntary Livable Communities Act Local Housing Incentives program.

**Financial Information**

The 2011 unified operating budget was adopted by the Council in December 2010. The original adopted budget for operations, pass-through expenditures and debt service was $760 million, representing a three percent increase from the budget adopted for 2010. During the year, the budget was revised to $761 million primarily to recognize carryforward of budgeted expenses for projects initiated in the prior year but that are expected to be completed during 2011.

The Council relies on several funding sources. In the 2011 budget, 39 percent of the Council's revenue came from user fees for wastewater treatment and transit services, and 50 percent from state, federal, and local funds. About 10 percent of revenue came from a seven-county property tax and one 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.

The Council also adopted its 2011 Unified Capital Program in December 2010. The Capital Program includes a six-year capital improvement plan (CIP) recognizing the Council's commitment to maintain and preserve regional investments in wastewater services, transit and parks and open space. The CIP includes both the portion of spending on authorized capital projects and capital investments and funding sources that are planned within the six-year period, but not currently authorized to be implemented by the Council. The 2011-2016 CIP defines $2.5 billion in capital projects, of which $479 million was authorized for spending in 2011.

**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, 2010. This was the twenty-eigth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully,

Mary Bogie
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, 2010

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.

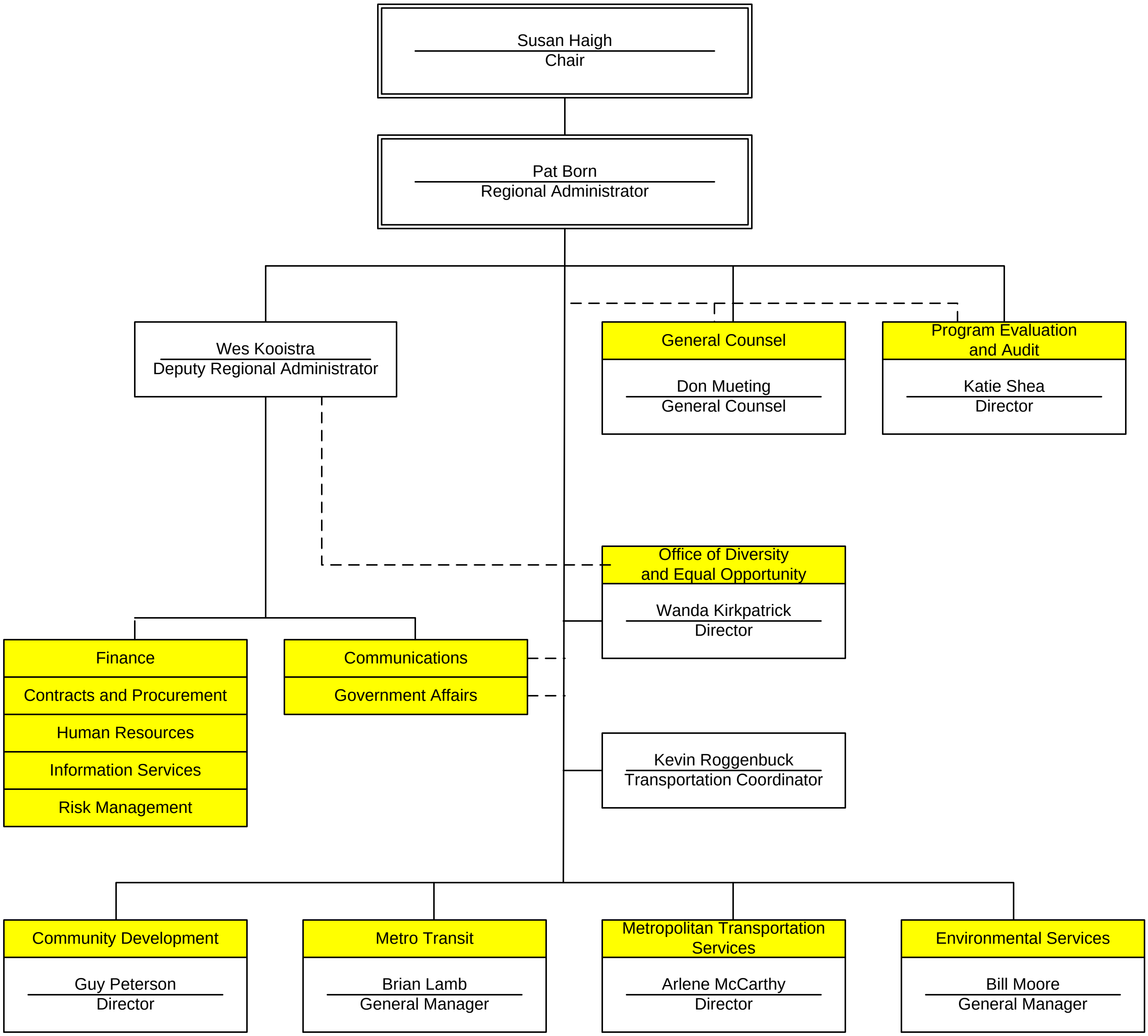
Linda C. Davison

President

Jeffrey R. Esser

Executive Director

# Metropolitan Council Organization Chart




December 2011

## Metropolitan Council

| | | Term of Office | |
|---|---|---|---|
| | | First Appointed | End of Term |
| ***COUNCIL MEMBERS:*** | | | |
| | **Chair -** | | |
| | Susan Haigh | Jan. 12, 2011 | Jan. 1, 2015 |
| | **District Members -** | | |
| | District No. 1 - | | |
| | Roxanne Smith | March 2, 2011 | Jan. 1, 2015 |
| | District No. 2 - | | |
| | Lona Schreiber | March 2, 2011 | Jan. 1, 2015 |
| | District No. 3 - | | |
| | Jennifer Munt | March 2, 2011 | Jan. 1, 2015 |
| | District No. 4 - | | |
| | Gary Van Eyll | March 2, 2011 | Jan. 1, 2015 |
| | District No. 5 - | | |
| | Steve Elkins | March 2, 2011 | Jan. 1, 2015 |
| | District No. 6 - | | |
| | James Brimeyer | March 2, 2011 | Jan. 1, 2015 |
| | District No. 7 - | | |
| | Gary Cunningham | March 2, 2011 | Jan. 1, 2015 |
| | District No. 8 - | | |
| | Adam Duininck | March 2, 2011 | Jan. 1, 2015 |
| | District No. 9 - | | |
| | Edward Reynoso | March 2, 2011 | Jan. 1, 2015 |
| | District No. 10 - | | |
| | John Đoàn | March 2, 2011 | Jan. 1, 2015 |
| | District No. 11 - | | |
| | Sandy Rummel | March 2, 2011 | Jan. 1, 2015 |
| | District No. 12 - | | |
| | Harry Melander | March 2, 2011 | Jan. 1, 2015 |
| | District No. 13 - | | |
| | Rich Kramer | March 2, 2011 | Jan. 1, 2015 |
| | District No. 14 - | | |
| | Jon Commers | March 2, 2011 | Jan. 1, 2015 |
| | District No. 15 - | | |
| | Steven Chávez | March 2, 2011 | Jan. 1, 2015 |
| | District No. 16 - | | |
| | Wendy Wulff | Apr. 22, 2009 | Jan. 1, 2015 |

***OFFICERS***

| | |
|---|---|
| Susan Haigh, appointed | Chair |
| Harry Melander | 1st Vice-Chair |
| Wes Kooistra | Treasurer |
| Emily Randleman | Secretary |

***FINANCIAL ADMINISTRATIVE OFFICIALS***

| | |
|---|---|
| Pat Born | Regional Administrator |
| Wes Kooistra | Deputy Regional Administrator |
| Mary Bogie | Chief Financial Officer |

# FINANCIAL SECTION

Serving the Twin Cities seven-county metropolitan area

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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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, 2011, which collectively comprise the Metropolitan Council's basic financial statements as listed in the table of contents. These 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 upon the report of the 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 the 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, 2011, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Council's basic financial statements as a whole. The introductory section, the combining and individual fund statements and schedules, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2012, 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, 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 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 27, 2012

2011 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, 2011. 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 $2.4 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 $453 million (23 percent) from the prior year. Net assets from business-type activities added $434 million, while governmental activities contributed $19 million. Business-type activities benefited from significant capital grants revenues primarily in Metro Transit Light Rail and Commuter Rail activities. Program revenues increased by $295 million: capital grants by $309 million; operating grants decreased by $14 million. Fiscal year 2011 was the first full year of construction for the Central Corridor Light Rail Project. The project was 45% complete as of the end of the fiscal year 2011. Commuter rail was built by the Metropolitan Council Metro Transit and the State of Minnesota Department of Transportation (MnDOT). In 2011, MnDOT transferred the ownership to the Metropolitan Council Metro Transit.

The Council's governmental funds reported a combined ending fund balance of $316 million as of the end of the year. This represents a decrease of $23 million (6.9 percent) compared to the previous year. Increased governmental capital expenses and no new bond contributed to the majority of the net fund balance decrease.

At the close of the fiscal year, the General Fund reported a total fund balance of $23.2 million, a slight increase compare to the previous year. The General Fund unassigned fund balance decreased $1.4 million while the committed balance increased by $760 thousand and the assigned balance increased by $866 thousand.

The Council added $168 million in bonds and loans while paying down $111 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 19-21 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 22-25 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 26-28 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 statement can be found on page 29 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 30-59 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 62-65.

## 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 and bond statements and schedules can be found on pages 68-87 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 91-116 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 $2.4 billion on December 31, 2011.

**Metropolitan Council Net Assets**
**December 31, 2010 and 2011**
**(In Thousands)**

| | Governmental activities | | Business-type activities | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| Current and other assets | $372,702 | $345,304 | $ 436,696 | $ 544,297 | $ 809,398 | $889,601 |
| Capital assets | 82,237 | 78,964 | 2,720,327 | 3,176,328 | 2,802,564 | 3,255,292 |
| Total assets | 454,939 | 424,268 | 3,157,023 | 3,720,625 | 3,611,962 | 4,144,893 |
| Long-term liabilities outstanding | 283,810 | 239,117 | 1,126,155 | 1,253,478 | 1,409,965 | 1,492,595 |
| Other liabilities | 33,285 | 28,014 | 179,348 | 182,085 | 212,633 | 210,099 |
| Total liabilities | 317,095 | 267,131 | 1,305,503 | 1,435,563 | 1,622,598 | 1,702,694 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 55,868 | 34,482 | 1,695,361 | 2,119,631 | 1,751,229 | 2,154,113 |
| Restricted | 246,986 | 211,377 | 28,180 | 8,039 | 275,166 | 219,416 |
| Unrestricted | (165,010) | (88,722) | 127,979 | 157,392 | (37,031) | 68,670 |
| Total net assets | $137,844 | $157,137 | $1,851,520 | $2,285,062 | $1,989,364 | $2,442,199 |

By far the largest portion of the Metropolitan Council's net assets ($2.2 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 ($219 million) represents 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 ($56 million) came primarily from Transit and Environmental Services Capital project programs.

Unrestricted net assets for the governmental activities are a negative $89 million. The negative unrestricted net assets balance is a result of debt obligations being reported in governmental activities, but the related capital assets are recognized in the business-type activities.

At the end of the current fiscal year, the Metropolitan Council is able to report positive balances in all three categories of net assets. Governmental activities had positive balances in two of the three categories and business-type activities had positive balances in all three categories.

The Metropolitan Council's combined net assets for governmental and business-type activities increased by $453 million, a 23 percent increase for the year. Business-type activities contributed $434 million (96 percent) of the increase.

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, 2010 and 2011**
**(In Thousands)**

| | Governmental activities | | Business-type activities | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 7,723 | $ 8,462 | $ 303,286 | $ 302,432 | $ 311,009 | $ 310,894 |
| Operating grants and contributions | 50,720 | 56,884 | 106,929 | 86,776 | 157,649 | 143,660 |
| Capital grants and contributions | 38,315 | 34,963 | 181,429 | 494,132 | 219,744 | 529,095 |
| General revenues: | | | | | | |
| Property taxes | 73,140 | 73,798 | - | - | 73,140 | 73,798 |
| Property tax related state revenues | 2,278 | 2,381 | - | - | 2,278 | 2,381 |
| Motor vehicle sales tax | 33,061 | 29,109 | 119,718 | 159,660 | 152,779 | 188,769 |
| Investment earnings | 6,027 | 7,675 | 15,581 | 7,966 | 21,608 | 15,641 |
| Gain on sale of capital assets | - | - | - | - | - | - |
| Total revenues | 211,264 | 213,272 | 726,943 | 1,050,966 | 938,207 | 1,264,238 |
| Expenses: | | | | | | |
| General government | 8,961 | 10,601 | - | - | 8,961 | 10,601 |
| Transportation | 107,087 | 107,251 | - | - | 107,087 | 107,251 |
| Culture and recreation | 31,860 | 30,659 | - | - | 31,860 | 30,659 |
| Economic development | 6,767 | 4,684 | - | - | 6,767 | 4,684 |
| Environment | 2,216 | 3,973 | - | - | 2,216 | 3,973 |
| Housing | 2,380 | 1,393 | - | - | 2,380 | 1,393 |
| Interest and other charges | 7,413 | 5,953 | - | - | 7,413 | 5,953 |
| Environmental services | - | - | 190,406 | 198,406 | 190,406 | 198,406 |
| Transit bus | - | - | 301,905 | 302,758 | 301,905 | 302,758 |
| Transit light rail | - | - | 58,334 | 66,183 | 58,334 | 66,183 |
| Transit commuter rail | - | - | 19,576 | 21,860 | 19,576 | 21,860 |
| Housing | - | - | 56,574 | 57,682 | 56,574 | 57,682 |
| Total expenses | 166,684 | 164,514 | 626,795 | 646,889 | 793,479 | 811,403 |
| Increase (decrease) in net assets before transfers | 44,580 | 48,758 | 100,148 | 404,077 | 144,728 | 452,835 |
| Transfers | (14,035) | (29,465) | 14,035 | 29,465 | - | - |
| Increase (decrease) in net assets | 30,545 | 19,293 | 114,183 | 433,542 | 144,728 | 452,835 |
| Net assets, beginning | 107,299 | 137,844 | 1,737,337 | 1,851,520 | 1,844,636 | 1,989,364 |
| Net assets, ending | $137,844 | $157,137 | $1,851,520 | $2,285,062 | $1,989,364 | $2,442,199 |

## Governmental Activities

Governmental activities increased the Council's net assets by $19.2 million, compared to $30.5 million in 2010. The primary contributors to this change are discussed in the following paragraphs.

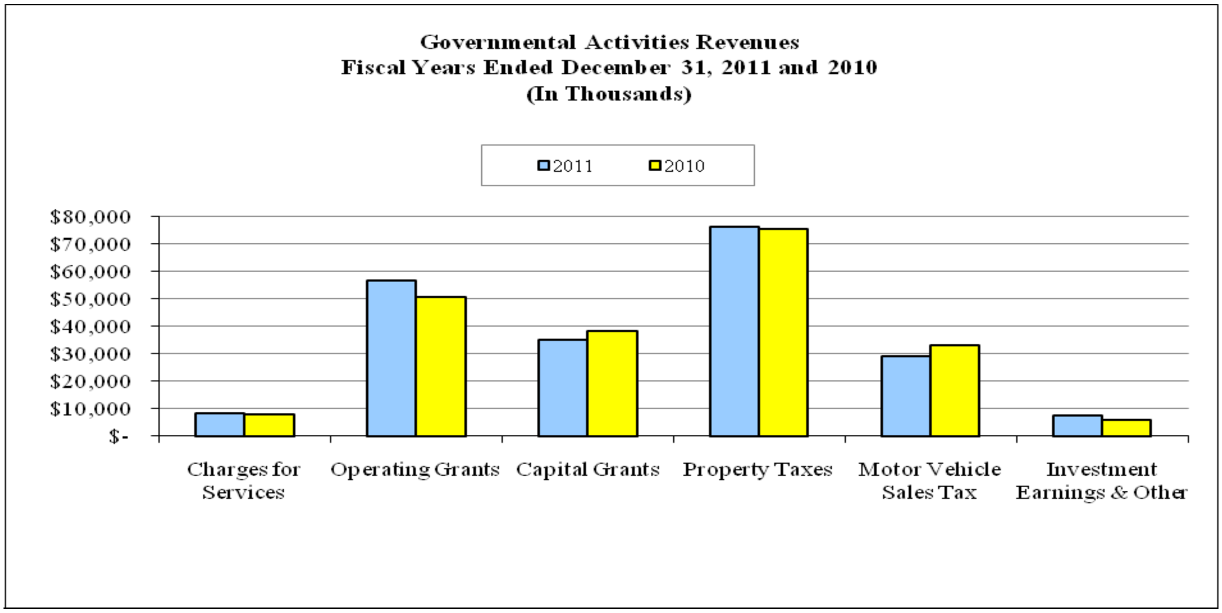
## Revenues

Governmental activities are supported by charges for services, grants, and contributions. Additionally, general revenues cover any expenses after program specific revenues are applied. In 2011, the Council relied primarily on property taxes, motor vehicle sales tax (MVST), and investment earnings for funding governmental activities. Specifically, property taxes supported the Council's debt service activity, while MVST 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 $100 million, increased by $3 million (3.7 percent) compared to 2010. Charges for services remained flat at $8 million. Operating grants increased by $6 million to $57 million due primarily from increased allocation of state transportation appropriation funding. Capital grant program revenues from the Federal Section 5307 program ($13 million) slightly decreased. State capital reimbursements decreased by $2 million for the parks program.

Total general revenues were $113 million (a decrease of $1 million or 1.3 percent). The investment earnings increased by $2 million to $8 million as interest rates remained at record lows. Allocation of MVST receipts to governmental activities decreased by $4 million (12 percent) to $29 million compared to 2010.



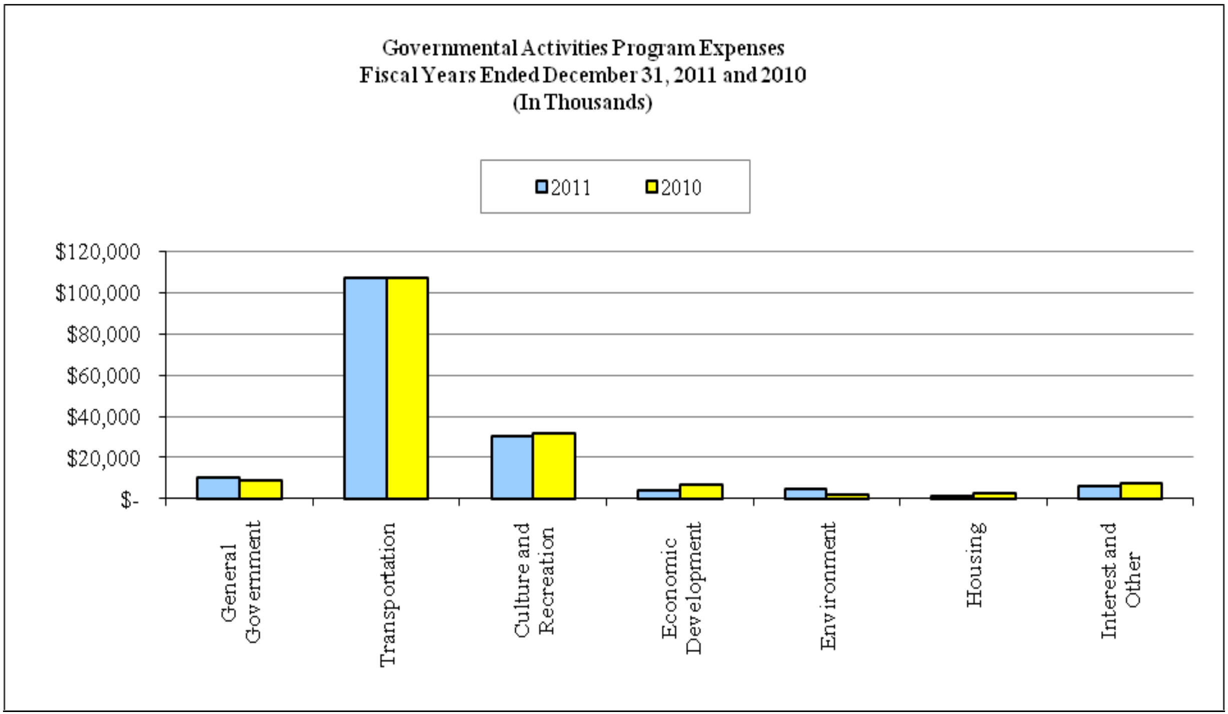

## Expenses

In 2011, expenses for governmental activities decreased by $2 million (1.3 percent) to $165 million. Culture and recreation expenses slightly decreased by $1 million as the Council's regional parks received less reimbursement requests under existing grants. Interest expenses also decreased by $1 million reflecting scheduled debt payments. The Council's livable communities programs for environment had marginal increases, while the economic development and housing program had reductions due to the depressed new housing market in the region. The unexpended balances of all livable community grants are recognized as restricted net assets.

Depreciation for the year was $15 million, an increase of $1 million over 2010 due to the increase in computer hardware purchased last year.

In 2011, net transfers to business-type activities increased by $15 million to $29 million. Metro Transit Bus and Light Rail were the primary recipients of these transfers.

Net salaries and benefits increased by $1 million to $10 million. Payments to outside transit providers increased by $11 million due to the increase in services.



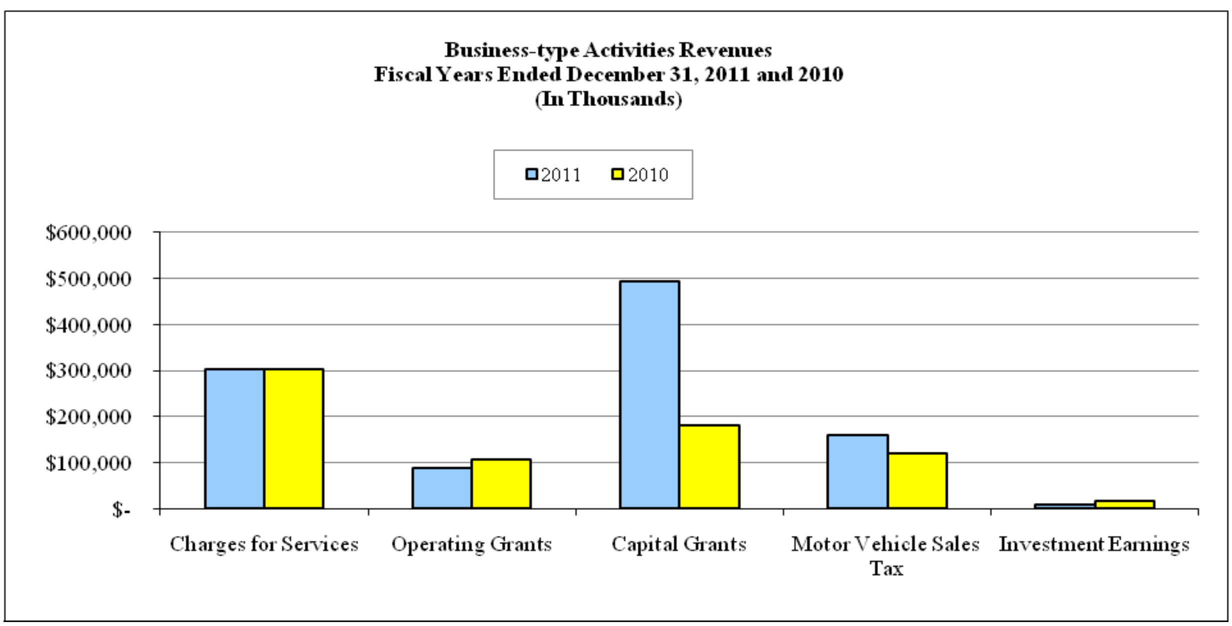

## Business-Type Activities

### Revenues

Program revenues for the Council's business-type activities totaled $883 million, or 137 percent of related expenses for fiscal year 2011 compared to $592 million (94 percent of related expenses) in the prior year. Reductions in state and local operating grant revenues for Metro Transit Bus were partially offset with an increased allocation of MVST revenues. Capital contribution for Light Rail and Commuter Rail increased by $316 million while MT Bus decreased by $9 million.

General revenues used to cover extra program expenses come from two sources: MVST and investment earnings. For 2011, MVST revenues increased by $40 million to $160 million. Investment earnings decreased by $8 million.

Net transfers increased slightly by $15 million to $29 million as stated previously. Transfers are primarily capital expense reimbursements from governmental funds.



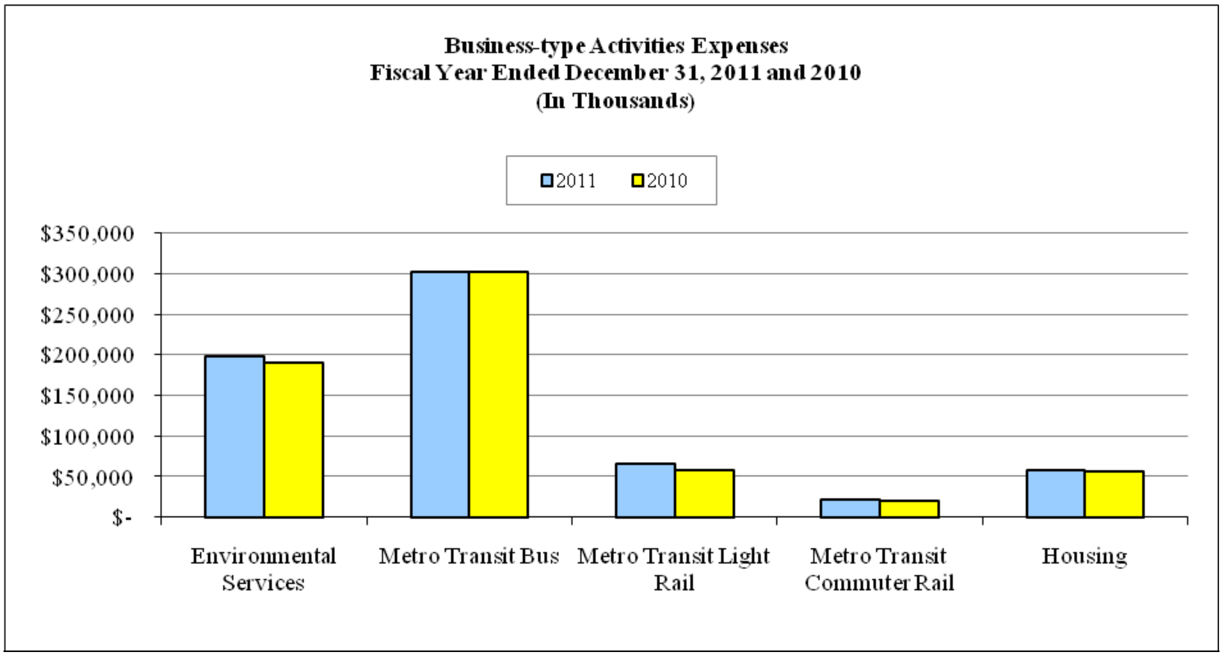
## Expenses

Business-type activities in 2011 incurred expenses of $647 million, an increase of $20 million (3 percent) over the prior year. The Environmental Services program expenses increased by $8 million (4 percent) and Housing and Redevelopment Authority increased slightly by $1 million (2 percent). Taken together the three Metro Transit programs—Bus, Light Rail, and Commuter Rail—experienced an increase of $11 million (3 percent) due mainly to full-year operation of the commuter rail.

Overall salaries and wage related expenses slightly increased by $1 million to $286 million. Group medical insurance and workers comp expenses for Environmental Services were the primary contributors to the increase.

Depreciation expense for 2011 was $147 million—an $11 million increase over 2010, due primarily to increased capital items in Metro Transit Bus and Metro Transit Commuter Rail.

Contracted Services increased in Metro Transit Bus and Commuter Rail. These increases were partially offset by decreases in materials and supplies, insurance and utilities. Once salary and depreciation expenses are removed, the net increase for all other expenses was slightly more than $10 million.




## 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.

As of the end of the current fiscal year, the Council's governmental funds reported combined total fund balances of $316 million, a decrease of $23 million compared to the prior year. Of that total fund balance, $307 million is considered restricted, $35 million is committed, and $6 million is assigned, leaving an unassigned balance of a negative $32 million.

Revenues from all governmental funds for the current year were $212 million, a slight increase of $1 million from the previous year. State funding decreased by $3 million and taxes and investment earnings increased by $700 thousand and $1.6 million, respectively. Other small variances in federal, local and miscellaneous revenues made up the balance.

Expenditures for all governmental funds in the current year were $206 million, a decrease of $12 million from the previous year. Culture and recreational program expenditures decreased by $1 million as the Council's regional parks increased reimbursement requests. The

Council's livable communities programs (housing, economic development, and environment rehabilitation) spending decreased by $1 million, reflecting the housing market and regional government budget changes. Transportation expenditures remain at $94 million. Debt service principal and interest payments decreased by $10 million (total of $52 million). Capital outlay remained flat at $11 million.

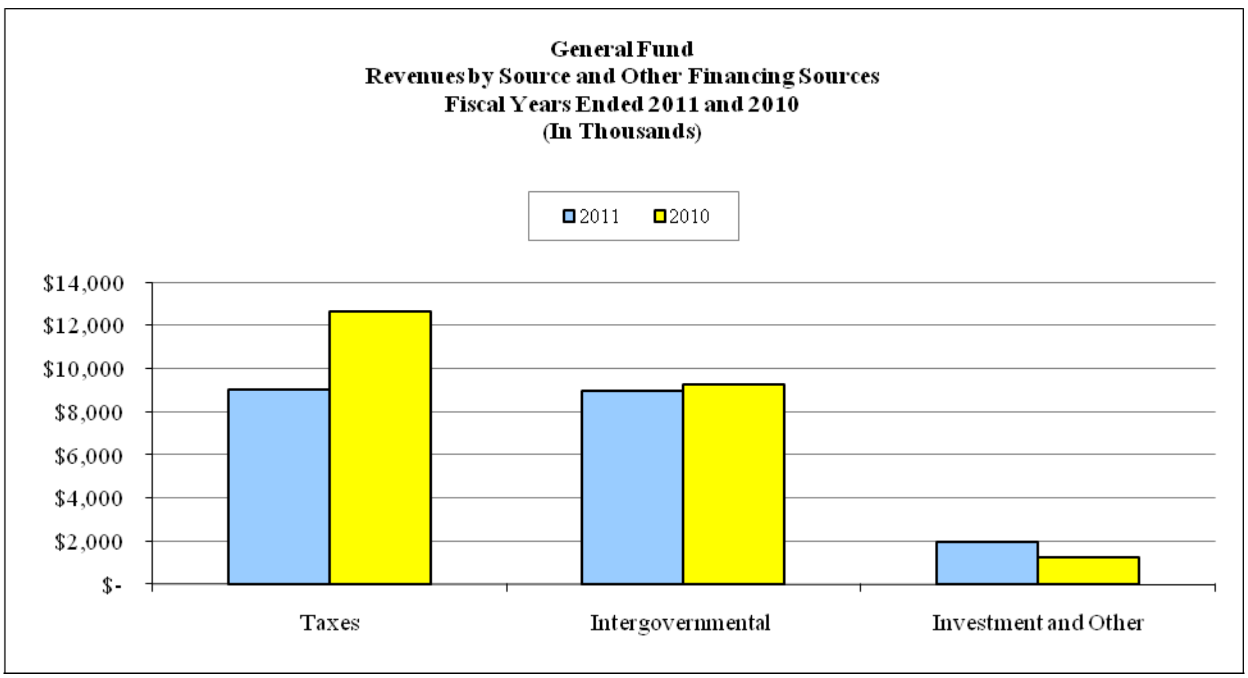
The General Fund is the Council's principal governmental operating fund. During the current year, the fund balance in the General Fund remained relatively consistent at $23 million (1 percent increase). Actual general government expenditures were less than budgeted accounting for the majority of the increase in fund balance. At the end of 2011, $5 million was committed for specific purposes, and $6 million was assigned for existing obligations, leaving $12 million unassigned.

The following table provides the changes in revenues by source from 2010 to 2011.

**General Fund**
**Revenues by Source and Other Financing Sources**
**Fiscal Years Ended December 31, 2010 and 2011**
**(In Thousands)**

| | 2010 | | 2011 | | |
|---|---|---|---|---|---|
| | Amount | Percent of Total | Amount | Percent of Total | Increase (Decrease) |
| **Revenues by Source** | | | | | |
| Taxes | $ 12,621 | 55% | $ 9,023 | 45% | $(3,598) |
| Intergovernmental Revenues | 9,253 | 40% | 8,986 | 45% | (267) |
| Investment Income and Other | 1,273 | 5% | 1,977 | 10% | 704 |
| Total Revenue | $23,147 | 100% | $19,986 | 100% | $(3,161) |
| Transfers In | - | 0% | - | 0% | - |
| Total Revenue and Other Financing Sources | $23,147 | 100% | $19,986 | 100% | $(3,161) |

General Fund revenues decreased by $3 million over the previous year due to a decrease in the operating portion of the Council's property tax levy. Both investment income and intergovernmental revenues remained flat compared to 2010. There have been no transfers in activity in the past two years.



The following table provides the changes in expenditures by function from 2010 to 2011.

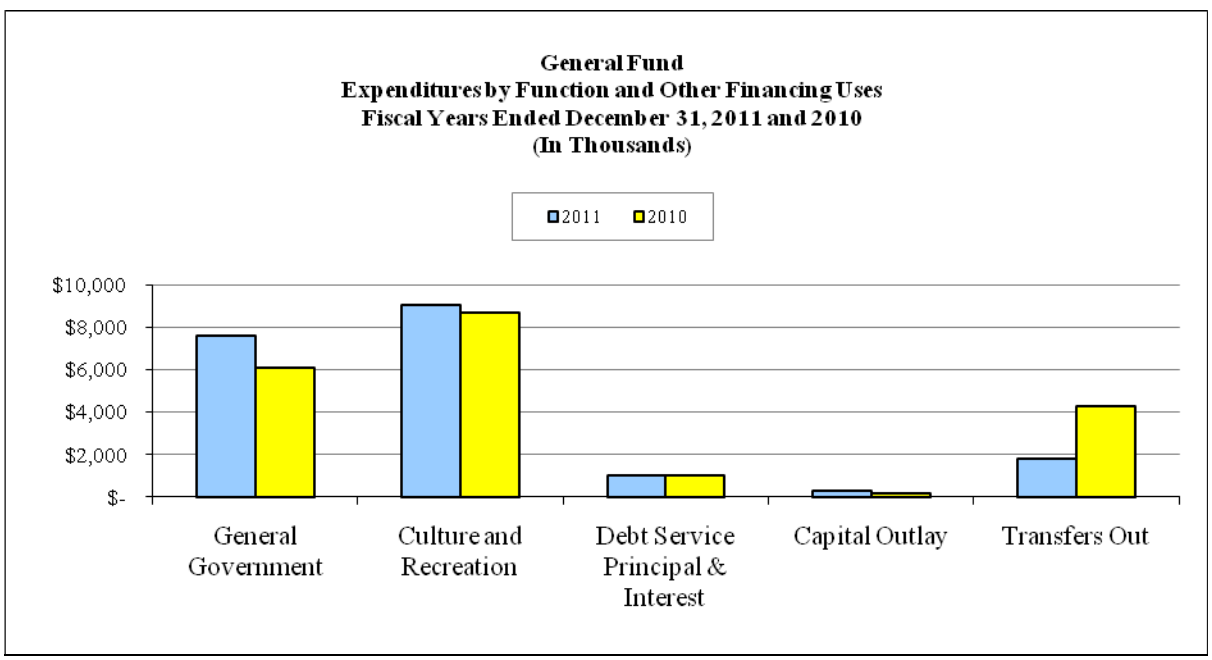
**General Fund**
**Expenditures by Function and Other Financing Uses**
**Fiscal Years Ended December 31, 2010 and 2011**
**(In Thousands)**

| | 2010 | | 2011 | | |
|---|---|---|---|---|---|
| | Amount | Percent of Total | Amount | Percent of Total | Increase (Decrease) |
| **Expenditures by Function** | | | | | |
| General Government | $ 6,096 | 30% | $ 7,559 | 38% | $ 1,463 |
| Culture and Recreation | 8,704 | 43% | 9,046 | 46% | 342 |
| Debt Service (Principal Only) | 560 | 3% | 575 | 3% | 15 |
| Debt Service (Interest Only) | 475 | 2% | 456 | 2% | (19) |
| Capital Outlay | 172 | 1% | 303 | 2% | 131 |
| Total Expenditures | $16,007 | 79% | $17,939 | 79% | $ 1,932 |
| Transfers Out | 4,253 | 21% | 1,781 | 9% | (2,472) |
| Total Expenditures and Other Financing Uses | $20,260 | 100% | $19,720 | 100% | $ (540) |

General Fund expenditures (net of allocations) during the current year were $18 million, an increase of $2 million from the previous year. Other financing uses--transfers out--were decreased by $2 million. The General Fund budgeted and transferred out $1 million for livable communities as required by State legislation, $701 thousand for reimbursement transfers to Environmental Services (a business-type activity) for reimbursement of water supply program expenditures and closeout of activities. In addition, $75 thousand in rental expenditure reimbursements to two divisions. As a result of Council-wide cost containment measures, actual expenditures for general government expenses were under budget.

In 2011, the Metro Mobility Fund balance increased by $6 million to $24 million. Metro Mobility's total revenues increased by $10 million to $48 million. State appropriations increased by $11 million. Total Metro Mobility expenditures increased by $2 million to $41 million, an increase of 6 percent, due to increased fuel costs and transit provider expense.

The Debt Retirement Fund balance of $79 million increased by $2 million as anticipated for debt repayments. Property tax related revenues were $4 million more at $51 million. Investment earnings were flat. Total retirement payments were $51 million, a decrease of $10 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 $2.3 billion at December 31, 2011. Total net assets for all enterprise funds increased by $434 million during 2011. Capital contributions and net transfers were the largest positive contributors.

The following table summarizes the total assets, total liabilities, operating income (loss), changes in net assets, and net asset balance for each of the five enterprise funds from 2010 to 2011.

**Enterprise Funds**
**Key Balance Sheet Account Balances and Revenue and Expense Activities**
**December 31, 2011 and 2010**
**(In Thousands)**

| | Environmental Services | Metro Transit: Bus | Metro Transit: Light Rail | Metro Transit: Commuter Rail | Metropolitan Housing and Redevelopment Authority | Total 2011 | Total 2010 |
|---|---|---|---|---|---|---|---|
| Assets | $1,818,351 | $654,378 | $992,787 | $228,792 | $ 26,317 | $3,720,625 | $3,157,683 |
| Liabilities | 1,145,881 | 112,413 | 168,892 | 6,334 | 2,043 | 1,435,563 | 1,306,163 |
| Operating Income (Loss) | 17,618 | (221,004) | (54,633) | (19,189) | (57,207) | (334,415) | (321,528) |
| Changes in Net Assets | 14,710 | 28,858 | 232,321 | 158,128 | (475) | 433,542 | 114,183 |
| Net Assets | 672,470 | 541,965 | 823,895 | 222,458 | 24,274 | 2,285,062 | 1,851,520 |

The Environmental Services Fund accounts for the operations, maintenance, and design for the regional wastewater (sanitary sewer) system. Normal operations were positive. Net capital assets increased by $48 million.

Metro Transit Bus is the region's largest provider of directly provided bus transit service. For December 31, 2011, invested in capital assets, net of related debt was $461 million, an increase of $21 million. Motor vehicle sales taxes revenues contributed significantly to the increase.

The Metro Transit Light Rail Fund provides the region's light rail transit service. For December 31, 2011, the invested in capital assets, net of related debt was $817 million, an increase of $232 million. Capital contributions for the Central Corridor Light Rail (CCLR) project contributed significantly to the increase. Fiscal year 2011 was the first full year of construction for the CCLR project. At year end, 45% of the project was completed.

The Metro Transit Commuter Rail, which provides the region's commuter rail transit service, began operations on November 16, 2009. For December 31, 2011, the invested in capital assets, net of related debt was $219 million, an increase of $157 million mostly from capital contribution. Commuter rail was built by Metropolitan Council Metro Transit and the State of Minnesota Department of Transportation (MnDOT). The capital contribution in 2011 was the transfer of ownership from MnDOT to the Metropolitan Council Metro Transit.

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, 2011, was $24 million, of which $17 million was invested in capital assets, net of related debt.

## General Fund Budgetary Highlights

The original expenditure budget was increased by $3.3 million to arrive at the final budget of $21.5 million. The increase came from:

- $1.7 million in additional budget carryovers from 2010 and
- $1.6 million in increased general government activities

During the year, however, actual expenditures were $3.5 million less than the final budget due primarily to lower salaries expenditures ($1.1 million), grants governmental ($1 million) and consultant expenditures ($874 thousand). The balance was spread between various expenditure categories.

## 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, 2011, was $3.3 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, treatment plants, machinery, equipment, and vehicles.

**Metropolitan Council Capital Assets**
**(Net of Accumulated Depreciation)**
**December 31, 2011 and 2010**
**(In Thousands)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| Land and land improvements | $ 6,955 | $ 6,958 | $ 96,015 | $ 187,498 | $ 102,970 | $ 194,456 |
| Buildings and infrastructure | 14,505 | 14,096 | 1,929,591 | 1,879,368 | 1,944,096 | 1,893,464 |
| Vehicles and other equipment | 60,613 | 57,874 | 330,752 | 543,771 | 391,365 | 601,645 |
| Construction in progress | 164 | 36 | 363,969 | 565,691 | 364,133 | 565,727 |
| Total | $82,237 | $78,964 | $2,720,327 | $3,176,328 | $2,802,564 | $3,255,292 |

The Metropolitan Council's net capital assets for governmental activities decreased by $3 million for the year.

The business-type activities had an increase of $456 million. Metro Transit Light Rail had a $232 million increase related to the Central Corridor project and Metro Transit Commuter Rail had an increase of $157 million due to the transfer of ownership. In 2011, the State of Minnesota Department of Transportation transferred its share of ownership of the Commuter Rail to the Metropolitan Council Metro Transit. Metro Transit Bus had an increase of $21 million spread over all areas. Environmental Services had an increase of $48 million.

Additional information on the Metropolitan Council's capital assets can be found in Note IV.E on pages 45-46 of this report.

### Debt Administration

At the end of the fiscal year, the Metropolitan Council had total bonds and loans outstanding of $1.3 billion, similar to the amount at the end of 2010. Of this amount, $702 million was for general obligation bonds issued by the Metropolitan Council, and $645 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 $3 million at year end.

**Metropolitan Council Outstanding Debt**
**General Obligation Bonds and Loans**
**December 31, 2010 and 2011**
**(In Thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| General obligation bonds | $244,655 | $204,185 | $435,415 | $497,440 | $ 680,070 | $ 701,625 |
| State of Minnesota loans | 10,635 | 9,460 | 598,107 | 635,798 | 608,742 | 645,258 |
| Subtotal of general obligation bonds and loans | 255,290 | 213,645 | 1,033,522 | 1,133,238 | 1,288,812 | 1,346,8883 |
| Revenue Bonds | 3,915 | 2,670 | - | - | 3,915 | 2,670 |
| Total bonds and loans | $259,205 | $216,315 | $1,033,522 | $1,133,238 | $1,292,727 | $1,349,553 |

The Metropolitan Council's total debt increased by $57 million (4 percent) during the current year. General obligation bonds increased by $21 million and the State of Minnesota Public Facilities Authority loans increased by $36 million. During the year, the Council issued $99 million of new bonds, while retiring $25 million of general obligation bonds (original issue value of $77 million). During the year, the Metropolitan Council drew down $68 million in State of Minnesota loans and repaid $32 million on existing State of Minnesota loans.

## Metropolitan Council

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 $29 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 $91.5 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 48-52 of this report.

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

The certified property tax levy approved by the Council for 2012 represents a 0.04 percent increase over the previous year's levy, which is 80.5 percent of its statutory levy limits. Tax revenue collections have historically been in line with budgeted original estimates. Even though the State's economy is not strong, the Council's revenues are unaffected because the Council does not receive any direct income tax revenues.

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

# BASIC FINANCIAL STATEMENTS

Serving the Twin Cities seven-county metropolitan area

# STATEMENT OF NET ASSETS
## DECEMBER 31, 2011
## IN THOUSANDS

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Metropolitan Sports Facilities Commission |
| **ASSETS** | | | | |
| Cash and investments | $ 256,657 | $ 239,171 | $ 495,828 | $ 12,299 |
| Receivables, net | 9,375 | 12,699 | 22,074 | 2,499 |
| Due from other governmental units | 30,505 | 22,346 | 52,851 | - |
| Inventory | - | 28,365 | 28,365 | - |
| Prepaids and other | 1,098 | 2,952 | 4,050 | 438 |
| Loans and advances | 47,669 | 1,795 | 49,464 | - |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | 166,798 | 166,798 | - |
| Receivables, net | - | 8,021 | 8,021 | 27 |
| Due from other governmental units | - | 60,674 | 60,674 | - |
| Deferred charges | - | 1,476 | 1,476 | - |
| Capital assets not being depreciated | | | | |
| Land | 6,958 | 187,498 | 194,456 | 8,700 |
| Construction in progress | 36 | 565,691 | 565,727 | - |
| Capital assets (net of accumulated depreciated | | | | |
| Buildings and infrastructure | 14,096 | 1,879,368 | 1,893,464 | 18,523 |
| Vehicles | 55,715 | 310,780 | 366,495 | - |
| Equipment | 2,159 | 232,991 | 235,150 | 580 |
| Total assets | 424,268 | 3,720,625 | 4,144,893 | 43,066 |
| **LIABILITIES** | | | | |
| Accounts payable and other current liabilities | 24,946 | 41,262 | 66,208 | 1,531 |
| Accrued interest payable | 3,068 | - | 3,068 | - |
| Unearned revenue | - | 7,076 | 7,076 | 128 |
| Liabilities payable from restricted assets | - | 89,754 | 89,754 | - |
| Unearned revenue-restricted | - | 43,993 | 43,993 | - |
| Noncurrent liabilites: | | | | - |
| Due within one year | 49,422 | 107,958 | 157,380 | 139 |
| Due in more than one year | 189,695 | 1,145,520 | 1,335,215 | 122 |
| Total liabilities | 267,131 | 1,435,563 | 1,702,694 | 1,920 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | 34,482 | 2,119,631 | 2,154,113 | 27,803 |
| Restricted for: | | | | |
| Debt service | 28,161 | - | 28,161 | - |
| Capital projects | 65,990 | 8,039 | 74,029 | - |
| Grants and loans | 117,226 | - | 117,226 | - |
| Unrestricted | (88,722) | 157,392 | 68,670 | 13,343 |
| Total net assets | $ 157,137 | $ 2,285,062 | $ 2,442,199 | $ 41,146 |

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

## STATEMENT OF ACTIVITIES
## DECEMBER 31, 2011
## IN THOUSANDS

| Function/program | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary government:** | | | | |
| Governmental activities: | | | | |
| General government | $ 10,601 | $ 285 | $ 12 | $ - |
| Transportation | 107,251 | 8,177 | 47,072 | 13,377 |
| Culture and recreation | 30,659 | - | 8,390 | 21,586 |
| Economic development | 4,684 | - | - | - |
| Environment | 3,973 | - | - | - |
| Housing | 1,393 | - | - | - |
| Interest and other charges | 5,953 | - | 1,410 | - |
| Total governmental activities | 164,514 | 8,462 | 56,884 | 34,963 |
| Business-type activities: | | | | |
| Environmental services | 198,406 | 205,847 | 3,322 | 534 |
| Transit bus | 302,758 | 82,387 | 4,888 | 66,269 |
| Transit light rail | 66,183 | 10,748 | 12,977 | 265,327 |
| Transit commuter rail | 21,860 | 2,671 | 9,305 | 162,002 |
| Housing | 57,682 | 779 | 56,284 | - |
| Total business-type activities | 646,889 | 302,432 | 86,776 | 494,132 |
| **Total primary government** | $ 811,403 | $ 310,894 | $ 143,660 | $ 529,095 |
| **Component unit:** | | | | |
| Sports facilities | $ 24,660 | $ 16,347 | $ - | $ - |

General revenues:
Property taxes
Market value credit
Motor vehicle sales tax
Investment earnings
Transfers
Total general revenues and transfers
Extraordinary item
Insurance recovery
Change in net assets
Net assets, beginning
Net assets, ending

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

| Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---|---|---|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-type Activities | Total | Metropolitan Sports Facilities Commission |
| $ (10,304) | $ - | $ (10,304) | $ - |
| (38,625) | - | (38,625) | - |
| (683) | - | (683) | - |
| (4,684) | - | (4,684) | - |
| (3,973) | - | (3,973) | - |
| (1,393) | - | (1,393) | - |
| (4,543) | - | (4,543) | - |
| (64,205) | - | (64,205) | - |
| - | 11,297 | 11,297 | - |
| - | (149,214) | (149,214) | - |
| - | 222,869 | 222,869 | - |
| - | 152,118 | 152,118 | - |
| - | (619) | (619) | - |
| - | 236,451 | 236,451 | - |
| (64,205) | 236,451 | 172,246 | - |
| - | - | - | (8,313) |
| 73,798 | - | 73,798 | - |
| 2,381 | - | 2,381 | - |
| 29,109 | 159,660 | 188,769 | - |
| 7,675 | 7,966 | 15,641 | 390 |
| (29,465) | 29,465 | - | - |
| 83,498 | 197,091 | 280,589 | 390 |
| - | - | - | 22,788 |
| 19,293 | 433,542 | 452,835 | 14,865 |
| 137,844 | 1,851,520 | 1,989,364 | 26,281 |
| $ 157,137 | $ 2,285,062 | $ 2,442,199 | $ 41,146 |

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**DECEMBER 31, 2011**
**IN THOUSANDS**

| | General | Metro Mobility Special Revenue | Debt Retirement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 25,885 | $ 12,552 | $ 78,084 | $ 140,136 | $ 256,657 |
| Receivables, (net) | 12 | 138 | - | 3,716 | 3,866 |
| Delinquent taxes receivable | 817 | - | 2,753 | 946 | 4,516 |
| Interest receivable | 99 | 50 | 303 | 541 | 993 |
| Due from other funds | - | - | - | 4 | 4 |
| Due from other governmental units | 59 | 17,434 | 141 | 12,871 | 30,505 |
| Loans and advances | 205 | - | - | 47,464 | 47,669 |
| Total assets | $ 27,077 | $ 30,174 | $ 81,281 | $ 205,678 | $ 344,210 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts/contracts/subgrantees payable | $ 1,384 | $ 6,383 | $ 5 | $ 15,332 | $ 23,104 |
| Salaries payable | 1,842 | - | - | - | 1,842 |
| Due to other funds | 4 | - | - | - | 4 |
| Deferred revenue | 663 | - | 2,076 | 757 | 3,496 |
| Total liabilities | 3,893 | 6,383 | 2,081 | 16,089 | 28,446 |
| Fund balances: | | | | | |
| Restricted | - | - | 79,200 | 227,705 | 306,905 |
| Committed | 5,297 | 23,791 | - | 6,373 | 35,461 |
| Assigned | 5,662 | - | - | - | 5,662 |
| Unassigned | 12,225 | - | - | (44,489) | (32,264) |
| Total fund balances | 23,184 | 23,791 | 79,200 | 189,589 | 315,764 |
| Total liabilities and fund balances | $ 27,077 | $ 30,174 | $ 81,281 | $ 205,678 | $ 344,210 |

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

# RECONCILIATION OF THE BALANCE SHEET
# TO THE STATEMENT OF NET ASSETS
# DECEMBER 31, 2011
# IN THOUSANDS

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

| | |
|---|---|
| Fund balances-total governmental funds (page 22) | $ 315,764 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 78,964 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | 4,594 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (242,185) |
| Net assets of governmental activities (page 19) | $ 157,137 |

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2011**
**IN THOUSANDS**

| | General | Metro Mobility Special Revenue | Debt Retirement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes | $ 9,023 | $ - | $ 47,314 | $ 16,321 | $ 72,658 |
| Intergovernmental revenue: | | | | | |
| Federal | 12 | 2,750 | - | 15,698 | 18,460 |
| Build America bonds interest subsidy | - | - | 825 | - | 825 |
| State | 8,858 | 39,291 | 2,732 | 52,490 | 103,371 |
| Local/other | 116 | - | - | 1,377 | 1,493 |
| Investment income | 1,735 | 234 | 1,649 | 4,057 | 7,675 |
| Other | 242 | 5,288 | - | 2,120 | 7,650 |
| Total revenues | 19,986 | 47,563 | 52,520 | 92,063 | 212,132 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government | 7,559 | - | - | 1,302 | 8,861 |
| Transportation | - | 41,211 | - | 26,207 | 67,418 |
| Intergovernmental: | | | | | |
| Transportation | - | - | - | 26,144 | 26,144 |
| Culture and recreation | 9,046 | - | - | 21,613 | 30,659 |
| Economic development | - | - | - | 4,684 | 4,684 |
| Environment | - | - | - | 3,973 | 3,973 |
| Housing | - | - | - | 1,393 | 1,393 |
| Debt service: | | | | | |
| Principal | 575 | - | 42,890 | - | 43,465 |
| Interest and other charges | 456 | - | 7,687 | - | 8,143 |
| Capital outlay | 303 | 4 | - | 11,173 | 11,480 |
| Total expenditures | 17,939 | 41,215 | 50,577 | 96,489 | 206,220 |
| Excess (deficiency) of revenues over (under) expenditures | 2,047 | 6,348 | 1,943 | (4,426) | 5,912 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers in | - | 21 | - | 1,672 | 1,693 |
| Transfers out | (1,781) | - | - | (29,377) | (31,158) |
| Sale of capital assets | - | - | - | 164 | 164 |
| Total other financing sources (uses) | (1,781) | 21 | - | (27,541) | (29,301) |
| Net change in fund balances | 266 | 6,369 | 1,943 | (31,967) | (23,389) |
| Fund balances, beginning | 22,918 | 17,422 | 77,257 | 221,556 | 339,153 |
| Fund balances, ending | $ 23,184 | $ 23,791 | $ 79,200 | $ 189,589 | $ 315,764 |

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

# RECONCILIATION OF THE STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2011 IN THOUSANDS

| | |
|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Net change in fund balances--total governmental funds (page 24) | $ (23,389) |
| 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. | (3,082) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to increase net assets. | (191) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | 1,140 |
| 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. | 45,655 |
| 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. | (840) |
| Change in net assets of governmental activities (page 21) | $ 19,293 |

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

# STATEMENT OF NET ASSETS
# PROPRIETARY FUNDS
# DECEMBER 31, 2011
# IN THOUSANDS

| | Business-type Activities - Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | | Metro Transit | | | Metropolitan Housing and Redevelopment Authority | |
| | Environmental Services | Bus | Light Rail | Commuter Rail | | Total |
| **ASSETS** | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | $ 84,506 | $ 143,910 | $ 2,009 | $ 971 | $ 7,775 | $ 239,171 |
| Receivables, net | 5,567 | 6,230 | 206 | 568 | 128 | 12,699 |
| Due from other governmental units | 250 | 15,862 | 2,219 | 3,855 | 160 | 22,346 |
| Inventory | 8,073 | 14,062 | 5,180 | 1,050 | - | 28,365 |
| Prepaids and other | 331 | 2,539 | 52 | 30 | - | 2,952 |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | 49,006 | 2,973 | 114,819 | - | - | 166,798 |
| Receivables, net | 7,558 | 10 | 453 | - | - | 8,021 |
| Due from other governmental units | - | 6,032 | 51,134 | 3,508 | - | 60,674 |
| Total current assets | 155,291 | 191,618 | 176,072 | 9,982 | 8,063 | 541,026 |
| Noncurrent assets: | | | | | | |
| Capital assets: | | | | | | |
| Land | 20,278 | 36,203 | 28,469 | 96,142 | 6,406 | 187,498 |
| Buildings and infrastructure | 2,381,716 | 310,041 | 282,212 | 71,841 | 21,367 | 3,067,177 |
| Vehicles | 7,437 | 367,664 | 95,168 | 50,376 | - | 520,645 |
| Equipment | 26,763 | 95,213 | 197,379 | 10,654 | 100 | 330,109 |
| Construction in progress | 132,430 | 14,100 | 419,157 | 4 | - | 565,691 |
| Less accumulated depreciation | (907,439) | (361,771) | (205,756) | (10,207) | (9,619) | (1,494,792) |
| Net capital assets | 1,661,185 | 461,450 | 816,629 | 218,810 | 18,254 | 3,176,328 |
| Deferred charges-restricted | 1,390 | - | 86 | - | - | 1,476 |
| Advances and loans | 485 | 1,310 | - | - | - | 1,795 |
| Total noncurrent assets | 1,663,060 | 462,760 | 816,715 | 218,810 | 18,254 | 3,179,599 |
| Total assets | 1,818,351 | 654,378 | 992,787 | 228,792 | 26,317 | 3,720,625 |
| **LIABILITIES** | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 5,576 | 10,635 | 383 | 1,263 | 366 | 18,223 |
| Salaries payable | 3,822 | 14,876 | 96 | 17 | 200 | 19,011 |
| Compensated absences payable | 3,514 | 11,874 | 825 | 144 | 72 | 16,429 |
| Due to other governmental units | - | - | 424 | 1,420 | - | 1,844 |
| Unearned revenue | 5,589 | 1,487 | - | - | - | 7,076 |
| Accrued claims | 284 | 3,416 | 56 | 8 | - | 3,764 |
| Other | 329 | 1,855 | - | - | - | 2,184 |
| Restricted liabilities: | | | | | | |
| Payables from restricted assets | 19,793 | 4,076 | 55,007 | 482 | - | 79,358 |
| Accrued interest payable from restricted assets | 9,959 | - | 128 | - | - | 10,087 |
| Bonds/loans payable from restricted assets | 62,765 | - | 25,000 | - | - | 87,765 |
| Unearned revenue from restricted assets | 23,097 | 126 | 20,770 | - | - | 43,993 |
| Other liabilities from restricted assets | - | 309 | - | - | - | 309 |
| Total current liabilities | 134,728 | 48,654 | 102,689 | 3,334 | 638 - | 290,043 |
| Noncurrent liabilities: | | | | | | |
| Compensated absences payable | 4,632 | 1,859 | - | - | - | 6,491 |
| Accrued claims | 355 | 9,604 | 1,125 | 3,000 | - | 14,084 |
| Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding) | 991,136 | - | 65,078 | - | 1,405 | 1,057,619 |
| OPEB liability | 15,030 | 52,296 | - | - | - | 67,326 |
| Total noncurrent liabilities | 1,011,153 | 63,759 | 66,203 | 3,000 | 1,405 | 1,145,520 |
| Total liabilities | 1,145,881 | 112,413 | 168,892 | 6,334 | 2,043 | 1,435,563 |
| **NET ASSETS** | | | | | | |
| Invested in capital assets, net of related debt | 605,893 | 461,450 | 816,629 | 218,810 | 16,849 | 2,119,631 |
| Restricted for: | | | | | | |
| Capital projects | - | 4,504 | 509 | 3,026 | - | 8,039 |
| Unrestricted | 66,577 | 76,011 | 6,757 | 622 | 7,425 | 157,392 |
| Total net assets | $ 672,470 | $ 541,965 | $ 823,895 | $ 222,458 | $ 24,274 | $ 2,285,062 |

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

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
## PROPRIETARY FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS

| | Business-type Activities--Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | | Metro Transit | | | Metropolitan Housing and | |
| | Environmental Services | Bus | Light Rail | Commuter Rail | Redevelopment Authority | Total |
| Operating revenues: | | | | | | |
| Charges for services: | | | | | | |
| Wastewater and industrial strength charges | $ 186,473 | $ - | $ - | $ - | $ - | $ 186,473 |
| Transit fares | - | 78,308 | 10,139 | 2,671 | - | 91,118 |
| Tenant rent | - | - | - | - | 475 | 475 |
| Advertising and auxiliary | - | 2,749 | 609 | - | - | 3,358 |
| Total operating revenues | 186,473 | 81,057 | 10,748 | 2,671 | 475 | 281,424 |
| Operating expenses: | | | | | | |
| Salaries and employee benefits | 64,687 | 194,594 | 19,168 | 4,683 | 3,027 | 286,159 |
| Contracted services | 12,819 | 9,727 | 869 | 5,179 | 2,141 | 30,735 |
| Materials and supplies | 7,746 | 35,695 | 11,747 | 1,213 | 28 | 56,429 |
| Insurance | 1,091 | 1,374 | 233 | 1,390 | 86 | 4,174 |
| Utilities | 17,080 | 3,900 | 2,515 | 605 | 198 | 24,298 |
| Advertising | - | 1,058 | 25 | 37 | - | 1,120 |
| Housing related expenses | - | - | - | - | 50,790 | 50,790 |
| Other | 10,170 | 806 | 1,695 | 2,566 | 343 | 15,580 |
| Depreciation | 55,262 | 54,907 | 29,129 | 6,187 | 1,069 | 146,554 |
| Total operating expenses | 168,855 | 302,061 | 65,381 | 21,860 | 57,682 | 615,839 |
| Operating income (loss) | 17,618 | (221,004) | (54,633) | (19,189) | (57,207) | (334,415) |
| Nonoperating revenues (expenses): | | | | | | |
| Intergovernmental | 3,322 | 160,233 | 24,456 | 14,685 | 56,284 | 258,980 |
| Pass-through grants | - | (1,137) | (224) | - | - | (1,361) |
| Sewer availability charges | 18,915 | - | - | - | - | 18,915 |
| Investment income | 3,117 | 3,279 | 1,730 | 155 | 144 | 8,425 |
| Interest and fiscal charges | (26,625) | - | (129) | - | - | (26,754) |
| Gain/(loss) on sale of capital assets | (2,120) | 440 | - | - | - | (1,680) |
| Other | (806) | 1,330 | (449) | - | 304 | 379 |
| Total nonoperating revenues (expenses) | (4,197) | 164,145 | 25,384 | 14,840 | 56,732 | 256,904 |
| Income (loss) before contributions and transfers | 13,421 | (56,859) | (29,249) | (4,349) | (475) | (77,511) |
| Capital contributions | 534 | 64,551 | 254,534 | 161,969 | - | 481,588 |
| Transfers in | 755 | 21,166 | 7,036 | 508 | - | 29,465 |
| Total contributions and transfers | 1,289 | 85,717 | 261,570 | 162,477 | - | 511,053 |
| Change in net assets | 14,710 | 28,858 | 232,321 | 158,128 | (475) | 433,542 |
| Total net assets, beginning | 657,760 | 513,107 | 591,574 | 64,330 | 24,749 | 1,851,520 |
| Total net assets, ending | $ 672,470 | $ 541,965 | $ 823,895 | $ 222,458 | $ 24,274 | $ 2,285,062 |

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

**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2011**
**IN THOUSANDS**

| | Business-type Activities--Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | | Metro Transit | | | Metropolitan Housing and | |
| | Environmental Services | Bus | Light Rail | Commuter Rail | Redevelopment Authority | Total |
| **Cash flows from operating activities** | | | | | | |
| Receipts from customers and users | $ 186,103 | $ 80,051 | $ 10,195 | $ 2,105 | $ 483 | $ 278,937 |
| Payments to suppliers | (48,318) | (53,393) | (18,075) | (11,465) | (53,575) | (184,826) |
| Payments to employees | (61,570) | (185,401) | (19,107) | (4,662) | (2,971) | (273,711) |
| Receipts from (payments to) others | 701 | 4,079 | 708 | - | 305 | 5,793 |
| Net cash provided (used) by operating activities | 76,916 | (154,664) | (26,279) | (14,022) | (55,758) | (173,807) |
| **Cash flows from noncapital financing activities** | | | | | | |
| Transfers in | 755 | 8,202 | - | - | - | 8,957 |
| Intergovernmental receipts | 3,322 | 164,787 | 25,323 | 13,855 | 56,333 | 263,620 |
| Pass-through grant payments | - | (1,137) | (224) | - | - | (1,361) |
| Net cash provided by non-capital financing activities | 4,077 | 171,852 | 25,099 | 13,855 | 56,333 | 271,216 |
| **Cash flows from capital and related financing activities** | | | | | | |
| Transfers in - for capital purposes | - | 12,964 | 7,036 | 508 | - | 20,508 |
| Capital contributions | 534 | 63,332 | 198,964 | 159,543 | - | 422,373 |
| Proceeds from capital debt | 74,727 | - | 90,120 | - | - | 164,847 |
| Proceeds from sewer availability charges | 20,803 | - | - | - | - | 20,803 |
| Proceeds from sale of capital assets | 250 | - | - | - | - | 250 |
| Purchase of capital assets | (95,744) | (74,815) | (228,918) | (162,514) | - | (561,991) |
| Principal paid on capital debt | (67,857) | - | - | - | - | (67,857) |
| Interest paid on capital debt | (35,220) | - | - | - | - | (35,220) |
| Net cash provided by (used in) capital and related financing activities | (102,507) | 1,481 | 67,202 | (2,463) | - | (36,287) |
| **Cash flows from investing activities** | | | | | | |
| Interest received/paid | 4,676 | 3,117 | 1,597 | 166 | 132 | 9,688 |
| Net cash provided by (used in) investing activities | 4,676 | 3,117 | 1,597 | 166 | 132 | 9,688 |
| Net increase (decrease) in cash and cash equivalents | (16,838) | 21,786 | 67,619 | (2,464) | 707 | 70,810 |
| Balances, beginning | 150,350 | 125,097 | 49,209 | 3,435 | 7,068 | 335,159 |
| Balances, ending | $ 133,512 | $ 146,883 | $ 116,828 | $ 971 | $ 7,775 | $ 405,969 |
| **Reconciliation of operating income (loss) to net cash provided (used) by operating activities** | | | | | | |
| Operating income (loss) | $ 17,618 | $ (221,004) | $ (54,633) | $ (19,189) | $ (57,207) | $ (334,415) |
| Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation | 55,262 | 54,907 | 29,129 | 6,187 | 1,069 | 146,554 |
| Other non-operating | 701 | 1,330 | 99 | - | 304 | 2,434 |
| Change in assets and liabilities: | | | | | | |
| Accounts receivable | (695) | 1,327 | 57 | (565) | 37 | 161 |
| Due from employees | 39 | - | - | - | - | 39 |
| Due from other governments | 164 | - | - | - | - | 164 |
| Materials and supplies (inventory) | 591 | (1,225) | (891) | (492) | - | (2,017) |
| Prepaid expenses and other current assets | (167) | 2,493 | (1) | (5) | - | 2,320 |
| Accounts payable | (167) | 333 | (100) | 22 | (17) | 71 |
| Accrued payroll liabilities | 91 | 261 | 61 | 20 | 56 | 489 |
| Accrued OPEB liabilities | 2,987 | 8,933 | - | - | - | 11,920 |
| Unearned revenues | 325 | 415 | - | - | - | 740 |
| Other liabilities | 167 | (2,434) | - | - | - | (2,267) |
| Net cash provided (used) by operating activities | $ 76,916 | $ (154,664) | $ (26,279) | $ (14,022) | $ (55,758) | $ (173,807) |

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

Environmental Services had a non-cash loss of $2,121 thousand related to the disposition of property, plant, and equipment.

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

# STATEMENT OF FIDUCIARY NET ASSETS
## FIDUCIARY FUND
## DECEMBER 31, 2011
## IN THOUSANDS

| | Agency Fund |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 1,040 |
| | |
| **LIABILITIES** | |
| Due to participants | $ 1,040 |

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

# NOTES TO THE FINANCIAL STATEMENTS

# 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 unit

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. Interfund services, such as administrative and financial services, provided and used are not eliminated in the process of consolidation.

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 fund 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, 2011, are backed by a combination of FDIC insurance and collateral in the form of statutorily approved securities. The hedging margin account cash is not collateralized, but is generally swept into a money market fund.

#### b. Investments

The Council and its component unit 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.

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. Sewer 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, 2011, the allowances for doubtful accounts were (dollars in thousands):

| Enterprise Fund | Balance |
|---|---|
| Environmental Services | $ 20 |
| Metro Transit Bus | 209 |
| Total | $ 229 |

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, 2011, the allowances for obsolete inventory accounts were (dollars in thousands):

| Enterprise Fund | Balance |
|---|---|
| Environmental Services | $ 50 |
| Metro Transit Bus | 686 |
| Total | $ 736 |

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. Sewer Availability Charge (SAC) assets – which are restricted to fund reserve capacity cost of capital projects;
b. Construction and capital acquisition assets 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 the asset's life 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 $34,007,000. Of this amount, $7,382,000 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:

| Assets | Useful Life |
|---|---|
| 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:

| Assets | Useful Life |
|---|---|
| Buildings | 9 to 30 years up to Year 2016 |
| Equipment | 3 to 10 years up to Year 2016 |

## 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 at 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, 2011 (dollars in thousands):

| Unrestricted net assets account | Balance |
|---|---|
| Operating account | $ 8,379 |
| Repairs, replacements, and improvements account | 3,220 |
| Concessions reserve account | 1,744 |
| Total unrestricted net assets | $13,343 |

# 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 $78,964,000 difference are as follows:

| | *In thousands* |
|---|---|
| Land | $ 6,958 |
| Building – net of accumulated depreciation | 14,096 |
| Vehicles – net of accumulated depreciation | 55,715 |
| Equipment – net of accumulated depreciation | 2,159 |
| Construction in progress | 36 |
| Net adjustment to increase *fund balances – total governmental funds* to arrive at *net assets – governmental activities* | $ 78,964 |

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 $4,594,000 difference are as follows:

| | *In thousands* |
|---|---|
| Receivables – delinquent property taxes | $ 3,496 |
| Other assets – bond issuance costs and deferred inflows | 1,098 |
| Net adjustment to increase *fund balances- total governmental funds* to arrive at *net assets – governmental activities* | $ 4,594 |

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 the $(242,185,000) difference are as follows:

| | *In thousands* |
|---|---|
| General obligation bonds payable | $ (213,645) |
| Revenue bonds | (2,670) |
| Net issuance premiums (to be amortized as interest expense) | (4,875) |
| Accrued interest and arbitrage payable | (3,715) |
| Compensated absences | (3,158) |
| Capital lease payable | (10,820) |
| OPEB liability | (3,302) |
| Net adjustment to reduce *fund balances – total governmental funds* to arrive at *net assets – governmental activities* | $ (242,185) |

## 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 $(3,082,000) difference are as follows:

| | *In thousands* |
|---|---|
| Capital outlay | $ 11,480 |
| Depreciation expense | (14,562) |
| Net adjustment to reduce *net changes* in *fund balances- total governmental funds* to arrive at changes in *net assets of governmental activities* | $ (3,082) |

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 $(191,000) difference are as follows:

| | *In thousands* |
|---|---|
| The statement of activities reports *gains* or *losses* 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 | $ (191) |

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 $1,140,000 difference is as follows:

| | *In thousands* |
|---|---|
| Deferred property tax revenue – December | $ 3,497 |
| Deferred property tax revenue – January 1 | (2,357) |
| Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *net assets of governmental activities* | $ 1,140 |

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 $45,655,000 difference are as follows:

| | *In thousands* |
|---|---|
| Bond discount/(premium) amortization | $ 2,068 |
| Change in accrued interest | (40) |
| Amortization of cost of issuance | 162 |
| Principal payments of general obligation bonds/loans | 42,890 |
| Capital lease payment | 575 |
| Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at changes in *net assets of governmental activities* | $ 45,655 |

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 ($840,000) difference are as follows:

| | *In thousands* |
|---|---|
| Change in compensated absences for year | $ (80) |
| Change in OPEB liability | (760) |
| Net adjustment to decrease *net changes in fund balances- total governmental funds* to arrive at changes in *net assets of governmental activities* | $ (840) |

## 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, Metro Transit 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 percent 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 fund had expenditures in excess of their budget for the year ended December 31, 2011:

| | *Dollars in thousands* | | | |
|---|---|---|---|---|
| **Special Revenue:** | **Original Budget** | **Final Budget** | **Actual** | **Variance with Final Budget Over/(Under)** |
| Contracted Transit Services – a nonmajor fund | $25,637 | $30,632 | $36,951 | $6,319 |

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 $30,000 of petty cash and mutilated coin, the amount of the Council's bank accounts was $573,000 all of which is covered by Federal depository insurance (FDIC). Due to Dodd-Frank Legislation, beginning December 31, 2010 through December 31, 2012, FDIC insurance is unlimited on all noninterest bearing transaction accounts.

At December 31, 2011, the carrying amount of the MSFC's bank accounts was $1,410,000. Bank balances were $1,635,000 of which $250,000 was covered by Federal depository insurance and the remaining $1,385,000 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 $105,697,000 United States Treasury and agency investments, the Council has a custodial credit risk exposure of $3,002,000 because the related securities are held by a custodial agent in the broker's name.

The Council has no foreign currency exposure.

Following is a summary of the fair values of securities at December 31, 2011:

| Metropolitan Council | Credit Risk | Custodial Credit Risk | Par | Fair Value | Book Value | Portfolio |
|---|---|---|---|---|---|---|
| | | | *Dollars in thousands* | | | |
| U.S. Agency Securities: | | | | | | |
| Federal National Mortgage Association | Aaa | Custody (a) | $ 78,250 | $ 78,490 | $ 78,584 | 11.9% |
| Federal National Mortgage Association | Aaa | Broker Held (b) | 3,000 | 3,002 | 3,002 | 0.5% |
| Federal Home Loan Mortgage Corporation | Aaa | Custody (a) | 14,688 | 14,731 | 14,640 | 2.2% |
| Mortgage Backed Securities: | | | | | | |
| Federal National Mortgage Association | Aaa | Custody (a) | 5,986 | 6,444 | 6,455 | 1.0% |
| Federal Home Loan Mortgage Corporation | Aaa | Custody (a) | 2,944 | 3,030 | 2,994 | 0.5% |
| Certificates of Participation (U.S. GSA) | N.R. (c) | Custody (a) | 3,145 | 3,280 | 3,144 | 0.5% |
| Commercial Paper (each <5%) | AI/PI/FI | Custody (a) | 100,000 | 99,851 | 99,908 | 15.0% |
| Municipal Bonds (each <5%) | Aa3 (d) | Custody (a) | 135,211 | 141,548 | 135,211 | 21.3% |
| MN State Pool (OPEB Pool, Equities, etc) | N.R. (c) | Custody (e) | 105,702 | 106,218 | 105,702 | 16.0% |
| Money Market Funds | Aaa | n.a. | 215,743 | 215,743 | 215,743 | 32.5% |
| Cash for Fuel Hedging Margin Acct. | n.a. | Broker Held (f) | (1,020) | (1,020) | (1,020) | -0.2% |
| Cash for Operations (g) | n.a. | Collateralized (h) | (7,681) | (7,681) | (7,681) | -1.2% |
| Petty Cash/Coin & Mutilated Coins | n.a. | Council Held | 30 | 30 | 30 | 0.0% |
| Total Cash and Investments | | | $655,998 | $663,666 | $656,712 | 100.0% |

| Component Unit: | Credit Risk | Custodial Credit Risk | Par | Fair Value | Portfolio |
|---|---|---|---|---|---|
| | | | *Dollars in thousands* | | |
| **MSFC:** | | | | | |
| Federal National Mortgage Association | Aaa | Custody (i) | $ 3,014 | $ 3,446 | 28.0% |
| Federal Home Loan Mortgage Corporation | Aaa | Custody (i) | 2,468 | 2,814 | 22.9% |
| Governmental National Mortgage Association | Aaa | Custody (i) | 1,131 | 1,280 | 10.4% |
| Money Market Funds | (j) | (k) | 4,564 | 4,564 | 37.1% |
| Cash for Operations & Petty Cash | n.a. | (k) | 195 | 195 | 1.6% |
| Total Cash and Investments | | | $11,372 | $12,299 | 100.0% |

**a)** Securities held in custody/escrow are in the Council's name.
**b)** Securities held by the Bank of NYC are in the broker's name.
**c)** N.R. = Not Rated.
**d)** Municipal bond ratings range from Aaa/AAA to A2/A, average rating is Aa3/AA-.
**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)** Due to Dodd-Frank legislation, FDIC insurance is now unlimited on all non-interest bearing checking accounts through December 31, 2012. For the HUD savings account, balances less than or equal to $250,000 are FDIC insured. 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)** $3,349,000 invested in Aaa money market fund and $1,215,000 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 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, 2011. Excluding the OPEB equity portfolio, the remaining investment portfolio has an average market yield of 1.1 percent, modified duration of 2.7 years, effective duration of 1.5 years and convexity of (0.19).

| | *Dollars in thousands* Estimated Fair Value, Parallel Shift of Yield Curve | | | |
|---|---|---|---|---|
| **Metropolitan Council** | **+50 Basis Points** | **+100 Basis Points** | **+150 Basis Points** | **+200 Basis Points** |
| U.S. Agency Securities: | | | | |
| Federal National Mortgage Association | $78,501 | $78,171 | $77,711 | $76,650 |
| Federal National Mortgage Association | 2,974 | 2,945 | 2,915 | 2,796 |
| Federal Home Loan Mortgage Corporation | 14,570 | 14,073 | 13,470 | 12,844 |
| Mortgage Backed Securities: | | | | |
| Federal National Mortgage Association | 6,946 | 6,854 | 6,743 | 6,615 |
| Federal Home Loan Mortgage Corporation | 3,049 | 2,985 | 2,911 | 2,831 |
| Certificates of Participation (U.S. GSA) | 3,436 | 3,380 | 3,326 | 3,273 |
| Commercial Paper (each <5%) | 89,836 | 89,853 | 89,870 | 89,888 |
| Municipal Bonds (each <5%) | 145,155 | 142,423 | 139,713 | 137,055 |
| MN State Pool (OPEB Pool, Equities, etc) | 106,218 | 106,218 | 106,218 | 106,218 |
| Money Market Funds | 215,743 | 215,743 | 215,743 | 215,743 |
| Cash for Fuel Hedging Margin Account | (1,020) | (1,020) | (1,020) | (1,020) |
| Cash for Operations | (7,681) | (7,681) | (7,681) | (7,681) |
| Petty Cash/Coin & Mutilated Coins | 30 | 30 | 30 | 30 |
| Total Cash and Investments | $ 657,757 | $ 653,974 | $ 649,949 | $645,242 |

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, 2011. The investment portfolio has an average yield of 2.63 percent, modified duration of 1.4 years, effective duration of 1.4 years and convexity of (0.5) as of December 31, 2011.

| | *Dollars in thousands* Estimated Fair Value, Parallel Shift of Yield Curve | | | |
|---|---|---|---|---|
| **Component Unit:** | **+50 Basis Points** | **+100 Basis Points** | **+150 Basis Points** | **+200 Basis Points** |
| **MSFC:** | | | | |
| Federal National Mortgage Association | $ 3,512 | $ 3,484 | $ 3,453 | $ 3,420 |
| Federal Home Loan Mortgage Corporation | 2,802 | 2,780 | 2,755 | 2,729 |
| Government National Mortgage Association | 1,304 | 1,294 | 1,282 | 1,270 |
| Money Market Funds | 4,564 | 4,564 | 4,564 | 4,564 |
| Cash for Operations and Petty Cash | 195 | 195 | 195 | 195 |
| Total Cash and Investments | $12,377 | $12,317 | $12,249 | $12,178 |

## B. Energy forward pricing mechanisms

Pursuant to Minnesota Statute 473.1293, the Council may enter into Energy Forward Pricing Mechanisms (EFPMs) as a budget risk reduction strategy. Such EFPMs are solely commodity-based and are comprised of futures, options, contracts, and similar serving derivative instruments. Since inception of the EFPM 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 percent 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 percent of projected diesel-related fuel consumption and 80 percent 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 EFPMs. The initial cash value of each contract is zero; thereafter, the change in the value of each contract is directly correlated with the simultaneous and offsetting increase/decrease in the cost of the fuel in the marketplace and at the time of delivery. At the end of 2011, these values are reported in the “Prepaids and Other” and offset in “Accounts Payable and Other Current Liabilities.”

Since 2004, the Council has hedged most of its annual 9 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 consumptions for its Environmental Services, Metro Transit-Bus, and Metro Transit Commuter Rail-business-type units, which annually, in total, consume about five million therms.

In 2009, the Council adopted GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments.” This Statement addresses the recognition, measurement and disclosure of information regarding derivative instrument. 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 2011, the Council performed a retrospective statistical analysis test and determined that the liquidated hedges were essentially effective.

As of December 31, 2011, the Council had 196 New York Mercantile Exchange (NYMEX) heating oil futures contracts (8.2 million gallons) with acquisition (effective) dates ranging from 02/01/2010 through 12/01/2011. Termination dates range from 01/31/2012 to 02/28/2013. The Council also had 19 natural gas futures contracts (190,000 MMbtu) with acquisition dates ranging from 05/17/2010 through 10/19/2010. Termination dates for these contracts range from 01/27/2012 to 09/26/2012. As of December 31, 2011, the heating oil and natural gas futures contracts had a fair value of $23,603,000 and ($588,140), respectively. The Council can hedge its projected consumption (up to 80 percent in natural gas and 90 percent 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, 2011, the Council's futures accounts at Royal Bank of Canada (RBC) Wealth Management contained cash and a money market fund with a value of $(1,020,000), and a U.S. agency security with a fair value of $3,002,000.

*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 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:

| | *Dollars in thousands* | | | | |
|---|---|---|---|---|---|
| **Receivables – current** | **Accounts** | **Allowance for Uncollectable** | **Delinquent Taxes** | **Interest** | **Total Receivable** |
| **Governmental Activities:** | | | | | |
| General Fund | $ 12 | $ - | $ 817 | $ 99 | $ 928 |
| Metro Mobility | 138 | - | - | 50 | 188 |
| Debt Retirement | - | - | 2,753 | 303 | 3,056 |
| Nonmajor Governmental | 3,716 | - | 946 | 541 | 5,203 |
| Total Governmental | $ 3,866 | $ - | $4,516 | $ 993 | $ 9,375 |
| **Business-type Activities:** | | | | | |
| Environmental Services | $ 5,376 | $ (20) | $ - | $ 211 | $ 5,567 |
| Metro Transit – Bus | 6,115 | (209) | - | 324 | 6,230 |
| Metro Transit – Light Rail | 202 | - | - | 4 | 206 |
| Metro Transit - Commuter Rail | 566 | - | - | 2 | 568 |
| Metropolitan Housing and Redevelopment Authority | 98 | - | - | 30 | 128 |
| Total Business-type | $12,357 | $ (229) | $ - | $ 571 | $12,699 |
| **Receivables – restricted** | | | | | |
| **Business-type Activities:** | | | | | |
| Environmental Services | $ 7,349 | $ - | $ - | $ 209 | $ 7,558 |
| Metro Transit – Bus | - | - | - | 10 | 10 |
| Metro Transit – Light Rail | 1 | - | - | 452 | 453 |
| Total Business-type | $ 7,350 | $ - | $ - | $ 671 | $ 8,021 |

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):

| | Unavailable |
|---|---|
| Delinquent property taxes receivable (General fund) | $ 663 |
| Delinquent property taxes receivable (Debt retirement fund) | 2,076 |
| Delinquent property taxes receivable (Nonmajor governmental funds) | 757 |
| Total deferred/unearned revenue for governmental funds | $3,496 |

## 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 are no property tax levy limits for the debt service levy, or for the transit Tax Anticipation Certificate levy. In 2011, the Council levied $9,346,000 for the General Operating levy; $8,184,000 for the Livable Communities Demonstration Account levy; $7,124,000 for Parks Debt Retirement; $3,591,000 for Highway Right-Of-Way Acquisition Loan; and $42,179,000 in Transit Debt Retirement 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 Credit (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:

| | *Dollars in thousands* | | | |
|---|---|---|---|---|
| | **Levy Limit** | **Council Levy** | **Less: MVC** | **Adjusted Levy** |
| Operating Levy | $ 13,360 | $ 9,346 | $ (461) | $ 8,885 |
| Tax Base Revitalization | 5,000 | 5,000 | - | 5,000 |
| Highway Right-of-Way | 3,591 | 3,591 | (177) | 3,414 |
| Livable Communities | 10,486 | 8,184 | (404) | 7,780 |
| Parks Debt Retirement | 7,124 | 7,124 | (352) | 6,772 |
| Transit Debt Retirement | 42,179 | 42,179 | (959) | 41,220 |
| Total | $ 81,740 | $ 75,424 | $ (2,353) | $ 73,071 |

## E. Capital assets

### 1. Primary government

Capital assets for the year ended December 31, 2011, was as follows:

| | *Dollars in thousands* | | | |
|---|---|---|---|---|
| **Governmental Activities:** | **Beginning Balance** | **Additions** | **Deductions/ Adjustments** | **Ending Balance** |
| Capital assets, not being depreciated | | | | |
| Land | $ 6,955 | $ 3 | $ - | $ 6,958 |
| Construction in progress | 164 | 36 | (164) | 36 |
| Total capital assets, not being depreciated | 7,119 | 39 | (164) | 6,994 |
| Capital assets, being depreciated | | | | |
| Building | 16,344 | - | - | 16,344 |
| Vehicles | 113,587 | 12,252 | (2,984) | 122,855 |
| Equipment | 8,376 | 310 | (2,827) | 5,859 |
| Total capital assets, being depreciated | 138,307 | 12,562 | (5,811) | 145,058 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,839 | 409 | - | 2,248 |
| Vehicles | 57,338 | 12,601 | (2,799) | 67,140 |
| Equipment | 4,012 | 1,552 | (1,864) | 3,700 |
| Total accumulated depreciation | 63,189 | 14,562 | (4,663) | 73,088 |
| Total capital assets, being depreciated, net | 75,118 | (2,000) | (1,148) | 71,970 |
| Governmental activities capital assets, net | $ 82,237 | $ (1,961) | $ (1,312) | $ 78,964 |
| **Business-type Activities:** | | | | |
| Capital assets, not being depreciated | | | | |
| Land | $ 96,015 | $ 91,504 | $ (21) | $ 187,498 |
| Construction in progress | 363,969 | 355,881 | (154,159) | 565,691 |
| Total capital assets, not being depreciated | 459,984 | 447,385 | (154,180) | 753,189 |
| Capital assets, being depreciated | | | | |
| Buildings and infrastructure | 3,041,519 | 234,316 | (208,658) | 3,067,177 |
| Vehicles | 481,365 | 63,979 | (24,699) | 520,645 |
| Equipment | 133,928 | 13,961 | 182,220 | 330,109 |
| Total capital assets, being depreciated | 3,656,812 | 312,256 | (51,137) | 3,917,931 |
| Less accumulated depreciation for: | | | | |
| Buildings and infrastructure | 1,111,928 | 93,580 | (17,699) | 1,187,809 |
| Vehicles | 199,553 | 34,222 | (23,910) | 209,865 |
| Equipment | 84,988 | 18,752 | (6,622) | 97,118 |
| Total accumulated depreciation | 1,396,469 | 146,554 | (48,231) | 1,494,792 |
| Total capital assets, being depreciated, net | 2,260,343 | 165,702 | (2,906) | 2,423,139 |
| Business-type activities capital assets, net | $ 2,720,327 | $ 613,087 | $ (157,086) | $ 3,176,328 |

During the year, Metro Transit Bus enterprise fund transferred capital assets with a net book value of zero 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 is no current financial resource provided. The transferred amounts of $504,000 in vehicles and $504,000 of accumulated depreciation are reflected in the above capital asset activity for the year.

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

| **Governmental activities:** | *Dollars in thousands* |
|---|---|
| General government | $ 873 |
| Transportation | 13,689 |
| Total depreciation expense-governmental activities | $ 14,562 |
| | |
| **Business-type activities:** | |
| Environmental Services | $ 55,262 |
| Metro Transit – Bus | 54,907 |
| Metro Transit – Light Rail | 29,129 |
| Metro Transit – Commuter Rail | 6,187 |
| Metropolitan Housing and Redevelopment Authority | 1,069 |
| Total depreciation expense-business-type activities | $ 146,554 |

## 2. Discretely presented component unit

Activity for the Metropolitan Sports Facilities Commission for the year ended December 31, 2011, was as follows:

| | *Dollars in thousands* | | | |
|---|---|---|---|---|
| **Business-type activities:** | **Beginning Balance** | **Additions** | **Deductions** | **Ending Balance** |
| Capital assets, not being depreciated | | | | |
| Land | $ 8,700 | $ - | $ - | $ 8,700 |
| Capital Assets, being depreciated | | | | |
| Building | 98,585 | 21,092 | (8,470) | 111,207 |
| Equipment | 12,290 | 129 | (146) | 12,273 |
| Total capital assets, being depreciated | 110,875 | 21,221 | (8,616) | 123,480 |
| Less accumulated depreciation for: | | | | |
| Buildings | 96,548 | 4,358 | (8,222) | 92,684 |
| Equipment | 12,072 | (266) | (113) | 11,693 |
| Total accumulated depreciation | 108,620 | 4,092 | (8,335) | 104,377 |
| Total capital assets, being depreciated, net | 2,255 | 17,129 | (281) | 19,103 |
| Metropolitan Sports Facilities Commission, capital assets, net | $ 10,955 | $ 17,129 | $ (281) | $ 27,803 |

# F. Inter-fund receivables, payables, and transfers

During normal operations, the Council processes routine transactions between funds, including loans, expenditures, and transfers of resources for administrative and program services and compliance with legal mandates. In the fund financial statements, these transactions are generally recorded as transfers in/transfers out and due from other funds/due to other funds. The outstanding balances between funds mainly result from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund balances as of December 31, 2011, is as follows:

| **Receivable Fund** | **Payable Fund** | *Dollars in thousands* |
|---|---|---|
| Nonmajor Governmental | General Fund | $ 4 |

Transfers generally represent legally authorized transfers between funds authorized to receive revenue and funds authorized to make expenditures.

| | *Dollars in thousands* Transfers Out | | |
|---|---|---|---|
| Transfers In | **General Fund** | **Nonmajor Governmental** | **Total** |
| Nonmajor Governmental | $ 1,005 | $ 667 | $ 1,672 |
| Metro Mobility | 21 | - | 21 |
| Environmental Services | 755 | - | 755 |
| Metro Transit Bus | - | 21,166 | 21,166 |
| Metro Transit Light Rail | - | 7,036 | 7,036 |
| Metro Transit Commuter Rail | - | 508 | 508 |
| Total | $ 1,781 | $ 29,377 | $ 31,158 |

## 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 2011 were $488,000 for Metro Transit Bus enterprise fund, $585,000 for Metro Transit Light Rail enterprise fund, $163,000 for Metro Transit Commuter Rail enterprise fund, and $202,000 for Environmental Services enterprise fund. Commitments under operating lease agreements provide for minimum annual rental payments as follows:

| | *Dollars in thousands* | | | | |
|---|---|---|---|---|---|
| | | **Metro Transit** | | | |
| **Year** | **Environmental Services** | **Bus** | **Light Rail** | **Commuter Rail** | **Total** |
| 2012 | $ 125 | $ 328 | $ 598 | $ 40 | $ 1,091 |
| 2013 | 125 | 250 | 746 | 10 | 1,131 |
| 2014 | 125 | 122 | 662 | 9 | 918 |
| 2015 | 62 | 125 | 296 | 4 | 487 |
| 2016 | - | 125 | 304 | 1 | 430 |
| 2017-2021 | - | 185 | 827 | 3 | 1,015 |
| 2022-2026 | - | 100 | - | 3 | 103 |
| 2027-2031 | - | 100 | - | 3 | 103 |
| 2032-2036 | - | 100 | - | 2 | 102 |
| 2037-2041 | - | 7 | - | - | 7 |
| Total | $ 437 | $ 1,442 | $ 3,433 | $ 75 | $ 5,387 |

## 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*

| Year Ending | Nonmajor Governmental Fund |
|---|---|
| 2012 | $ 1,032 |
| 2013 | 1,030 |
| 2014 | 1,031 |
| 2015 | 1,026 |
| 2016 | 1,029 |
| 2017-2021 | 5,126 |
| 2022-2026 | 4,086 |
| Total minimum lease payments | $ 14,360 |
| Less amount representing interest | (3,540) |
| Present value of minimum lease payments | $ 10,820 |

# H. Long-term obligations

## 1. General obligation debt

The Council issues general obligation bonds for parks, wastewater, and transit. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the Council's full faith and credit and taxing powers.

Parks bonds are issued to acquire and develop regional park land. Bonds are issued, subject to a limitation of $40 million of outstanding debt, as a 40 percent match to state appropriations. Parks bonds are generally issued as 5-year serial bonds and are secured by taxes levied upon all taxable property in the region. Transit bonds are issued for the acquisition of transit vehicles, equipment and facilities and transit system improvements. Transit bonds are generally issued as 20-year serial bonds and are secured by tax levies. Wastewater bonds are issued for acquisition and improvement of the wastewater disposal system. The bonds are generally issued as 20-year serial bonds. The bonds are secured by municipal wastewater charges together with the full faith, credit, and unlimited taxing powers of the Council.

The liability for parks and transit bonds is recognized in the government-wide statement of net assets. Bonds issued for wastewater purposes are recognized both in the enterprise funds and in the government-wide statements.

The original amount of general obligation bonds issued in prior years was $963,190,000. During the year, $9,230,000 of general obligation wastewater refunding bonds and no general obligation certificates of indebtedness were issued.

General obligation bonds currently outstanding on December 31, 2011, are as follows:

| Purpose | Interest Rates | *Dollars in Thousands* |
|---|---|---|
| Governmental activities | 0.60-5.50% | $ 176,160 |
| Governmental activities – refunding | 2.50-5.00% | 28,025 |
| Business-type activities | 2.00-5.00% | 340,085 |
| Business-type activities – refunding | 2.00-5.25% | 67,355 |
| Total general obligation bonds | | $ 611,625 |

In addition to general obligation bonds, the Council has general obligation backed loan agreements with the Minnesota Public Facilities Authority (PFA). The loans are drawn down on a reimbursement basis and fund the same purposes as general obligation bonds. The original amount of Minnesota Public Facilities Authority (PFA) loans drawn down in prior years was $770,978,000. During the year, $68,343,000 of Minnesota PFA loans was drawn down--entirely by business-type activities.

Public Facilities Authority general obligation backed loans currently outstanding on December 31, 2011, are as follows:

| Purpose | Interest Rates | *Dollars in Thousands* |
|---|---|---|
| Governmental activities | 1.79-2.71% | $ 9,460 |
| Business-type activities | 0.00-5.38% | 635,798 |
| Total Public Facilities Authority loans | | $ 645,258 |

During the year, the Council issued $90,000,000 of general obligation grant anticipation notes to provide cash flows for the Central Corridor light rail project in anticipation of receipt of federal funds that were awarded the project. The notes were issued as 3-year serial notes and are secured by a Federal Transit Administration grant award together with the full faith, credit and unlimited taxing powers of the Council.

General obligation grant anticipation notes currently outstanding on December 31, 2011, are as follows:

| Purpose | Interest Rates | *Dollars in Thousands* |
|---|---|---|
| Business-type activities | 0.45-1.00% | $ 90,000 |

The following is a summary of bond and PFA loan transactions of the Council for the year ended December 31, 2011:

| | *Dollars in thousands* | |
|---|---|---|
| | Governmental Activities | Business-type Activities |
| Balance, January 1, 2011 | $ 262,210 | $ 1,045,217 |
| Bonds issued, net of discount/premium | - | 9,599 |
| Grant anticipation notes issued, net of discount/premium | - | 90,077 |
| PFA drawdown | - | 68,343 |
| Amortization of discount/premium | (2,075) | (1,358) |
| Amortization of deferred amount on refunding | - | (42) |
| Less principal payments | (41,645) | (67,857) |
| Balance, December 31, 2011 | $ 218,490 | $ 1,143,979 |

As of December 31, 2011, the annual debt service requirements to amortize all general obligation bonds, grant anticipation notes and PFA loans outstanding, including interest of $45,825,000 on the governmental activities debt and $306,278,000 on the business-type activities debt, are as follows:

| | *Dollars in thousands* | | | | | |
|---|---|---|---|---|---|---|
| Year Ending | Governmental Activities | | | Business-type Activities | | |
| December 31 | Principal | Interest | Total | Principal | Interest | Total |
| 2012 | $ 44,980 | $ 7,036 | $ 52,016 | $ 87,765 | $ 35,774 | $ 123,539 |
| 2013 | 22,340 | 6,087 | 28,427 | 83,495 | 34,445 | 117,940 |
| 2014 | 21,715 | 5,359 | 27,074 | 107,862 | 32,280 | 140,142 |
| 2015 | 19,115 | 4,672 | 23,787 | 66,091 | 30,109 | 96,200 |
| 2016 | 16,155 | 4,064 | 20,219 | 68,928 | 27,858 | 96,786 |
| 2017-2021 | 59,040 | 12,393 | 71,433 | 382,831 | 100,916 | 483,747 |
| 2022-2026 | 19,065 | 4,964 | 24,029 | 261,422 | 39,215 | 300,637 |
| 2027-2031 | 11,235 | 1,250 | 12,485 | 74,844 | 5,681 | 80,525 |
| Subtotal | $ 213,645 | $ 45,825 | $ 259,470 | $ 1,133,238 | $ 306,278 | $ 1,439,516 |
| Net unamortized | | | | | | |
| Discounts/premiums | 4,845 | - | 4,845 | 10,831 | - | 10,831 |
| Deferred on refunding | - | - | - | (90) | - | (90) |
| Total payments | $ 218,490 | $ 45,825 | $ 264,315 | $ 1,143,979 | $ 306,278 | $ 1,450,257 |

As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the Council issued $43,000,000 (2009A) and $69,000,000 (2010E) of General Obligation Transit bonds, and $36,000,000 (2010B) and $65,000,000 (2010F) of General Obligation Wastewater bonds. The bonds are direct pay tax credit Build American Bonds (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.

Taking into consideration the above BAB interest credit, as of December 31, 2011, the Council's net annual debt service requirements to amortize all general obligation bonds, grant anticipation notes and loans outstanding, including interest of $36,818,000 on the governmental activities debt and $283,883,000 on the business-type activities debt, are as follows:

| | *Dollars in thousands* | | | | |
|---|---|---|---|---|---|
| **Governmental Activities: Year Ending December 31** | **Principal** | **Interest** | **Federal Subsidy** | **Net Interest** | **Net Payment** |
| 2012 | $ 44,980 | $ 7,036 | $ (1,042) | $ 5,994 | $ 50,974 |
| 2013 | 22,340 | 6,087 | (978) | 5,109 | 27,449 |
| 2014 | 21,715 | 5,359 | (926) | 4,433 | 26,148 |
| 2015 | 19,115 | 4,672 | (863) | 3,809 | 22,924 |
| 2016 | 16,155 | 4,064 | (792) | 3,272 | 19,427 |
| 2017-2021 | 59,040 | 12,393 | (2,690) | 9,703 | 68,743 |
| 2022-2026 | 19,065 | 4,964 | (1,306) | 3,658 | 22,723 |
| 2027-2031 | 11,235 | 1,250 | (410) | 840 | 12,075 |
| Subtotal | $ 213,645 | $ 45,825 | $ (9,007) | $ 36,818 | $250,463 |
| Net unamortized: | | | | | |
| Discounts/premiums | 4,845 | - | - | - | 4,845 |
| Total payments | $ 218,490 | $ 45,825 | $ (9,007) | $ 36,818 | $255,308 |
| | | | | | |
| **Business-type Activities: Year Ending December 31** | | | | | |
| 2012 | $ 87,765 | $ 35,774 | $ (1,876) | $ 33,898 | $121,663 |
| 2013 | 83,495 | 34,445 | (1,829) | 32,616 | 116,111 |
| 2014 | 107,862 | 32,280 | (1,774) | 30,506 | 138,368 |
| 2015 | 66,091 | 30,109 | (1,723) | 28,386 | 94,477 |
| 2016 | 68,928 | 27,858 | (1,677) | 26,181 | 95,109 |
| 2017-2021 | 382,831 | 100,916 | (7,427) | 93,489 | 476,320 |
| 2022-2026 | 261,422 | 39,215 | (4,777) | 34,438 | 295,860 |
| 2027-2031 | 74,844 | 5,681 | (1,312) | 4,369 | 79,213 |
| Subtotal | $1,133,238 | $ 306,278 | $(22,395) | $283,883 | $1,417,121 |
| Net unamortized | | | | | |
| Discounts/premiums | 10,831 | - | - | - | 10,831 |
| Deferred on refunding | (90) | - | - | - | (90) |
| Total payments | $1,143,979 | $ 306,278 | $(22,395) | $ 283,883 | $ 1,427,862 |

## 2. Loans payable

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

## 3. Revenue bonds

On November 1, 1999, the Council, on behalf of the Metropolitan Radio Board, issued $14,280,000 of Revenue Bonds. The bonds were to be paid over a 15-year period. The proceeds were used to purchase the elements of the first phase of a region-wide public safety radio communications system. On June 30, 2005, the Metropolitan Radio Board ceased operations with the remaining principal and interest payments being transferred to the Council.

On March 15, 2007, the Council issue $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, 2011:

| | *Dollars in thousands* |
|---|---|
| Balance, January 1, 2011 | $ 3,938 |
| Less principal payment | (1,245) |
| Amortization of discount | 7 |
| Balance, December 31, 2011 | $ 2,700 |

As of December 31, 2011, the annual requirements to amortize all revenue bonds outstanding, including interest of $108,000, are as follows:

| | *Dollars in thousands* | | |
|---|---|---|---|
| **Year Ending December 31** | **Principal** | **Interest** | **Total** |
| 2012 | $ 1,305 | $ 81 | $ 1,386 |
| 2013 | 1,365 | 27 | 1,392 |
| Subtotal | 2,670 | 108 | 2,778 |
| Net unamortized discount/premium | 30 | - | 30 |
| Balance, December 31, 2011 | $ 2,700 | $ 108 | $ 2,808 |

## 4. Refunded bonds

The Council sold one refunding bond in 2011 as follows:

| | | *Dollars in thousands* | | | | |
|---|---|---|---|---|---|---|
| Bond Number | Type | Par Value | Present Value Savings | Debt Service Savings | Refunded Loan | Loan Maturities |
| 2011B | Wastewater | $ 9,230 | $ 646 | $ 683 | 2002B | 2011-2016 |

## 5. Facilities cost credits

MSFC created the facilities cost credit in 1998 to assist the major users with enhancing revenues and/or reducing event day cost of operations 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 teams' events, the tax is not waived or pledged to the team. Facilities cost credit was $3,438,000 in 2011 for the Minnesota Vikings.

## 6. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

| | *Dollars in thousands* | | | | |
|---|---|---|---|---|---|
| **Governmental activities:** | **Beginning Balance** | **Additions** | **Reductions** | **Ending Balance** | **Due Within One Year** |
| Bonds/loans payable: | | | | | |
| General obligation debt | $ 255,290 | $ | $ (41,645) | $ 213,645 | $ 44,980 |
| Discounts/premiums | 6,920 | - | (2,075) | 4,845 | - |
| Net general obligation debt | 262,210 | - | (43,720) | 218,490 | 44,980 |
| Revenue bonds (see Note IV.H.3.) | 3,915 | - | (1,245) | 2,670 | 1,305 |
| Discounts/premiums | 23 | - | 7 | 30 | - |
| Net revenue bonds | 3,938 | - | (1,238) | 2,700 | 1,305 |
| Total bonds/loans payable | 266,148 | - | (44,958) | 221,190 | 46,285 |
| Capital lease | 11,395 | - | (575) | 10,820 | 595 |
| Compensated absences | 3,078 | 2,577 | (2,497) | 3,158 | 1,895 |
| Arbitrage liability | 647 | - | - | 647 | 647 |
| OPEB liability | 2,542 | 760 | - | 3,302 | - |
| Governmental long-term liabilities | $ 283,810 | $ 3,337 | $ (48,030) | $ 239,117 | $ 49,422 |
| | | | | | |
| **Business-type activities:** | | | | | |
| Bonds/loans payable | | | | | |
| General obligation debt | $ 1,033,522 | $ 77,573 | $ (67,857) | $1,043,238 | $ 62,765 |
| Grant anticipation notes | - | 90,000 | - | 90,000 | 25,000 |
| Loans payable | 1,405 | - | - | 1,405 | - |
| Discounts/premiums | 11,743 | 446 | (1,358) | 10,831 | - |
| Deferred on refunding | (48) | 40 | (82) | (90) | - |
| Total bonds/loans payable | 1,046,622 | 168,059 | (69,297) | 1,145,384 | 87,765 |
| Compensated absences | 5,381 | 41,047 | (23,508) | 22,920 | 16,429 |
| OPEB liability | 55,406 | 11,920 | - | 67,326 | - |
| Accrued claims | 18,746 | 5,572 | (6,470) | 17,848 | 3,764 |
| Business-type long-term liabilities | $ 1,126,155 | $ 226,598 | $ (99,275) | $1,253,478 | $ 107,958 |

For governmental activities, capital leases and compensated absences are generally liquidated by the General fund. Business-type activities additions to compensated absences include a change in classification from salaries payable to compensated absences.

# I. Compensated absences

## 1. Primary government

In 2011, the General fund liability for compensated absences earned but not taken increased from $3,078,000 to $3,158,000. This liability is reported in the government-wide statement of net assets. The following summary of changes during 2011 includes $224,000 in payroll taxes:

| | *Dollars in thousands* |
|---|---|
| Balance, January 1, 2011 | $ 3,078 |
| Transferred from Enterprise Funds | 11 |
| Leave Earned | 2,566 |
| Leave Taken or Paid Off | (2,497) |
| Balance, December 31, 2011 | $ 3,158 |

### 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, 2011, was:

*Dollars in thousands*

| Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|
| $212 | $180 | $131 | $261 | $139 |

## 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.* Fund balances classified as *nonspendable* include assets that will never convert to cash, such as prepaid items and inventories of supplies; assets that will not convert to cash soon enough to affect the current period, such as the long-term portion of loans receivable; and resources that must be maintained intact pursuant to legal or contractual requirements, such as the principal of an endowment or the capital of a revolving loan fund. Normally, the long-term portion of the Council's loans receivable would be included as part of *nonspendable* fund balance. However, since the amounts eventually collected are subject to an externally enforceable restriction on how they can be spent, they are reported instead as a part of restricted fund balance.

*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; the remaining fund balances of the Highway Right-of-Way Acquisition Loan, Livable Communities, and Other Special Revenue special revenue funds (all non-major funds); and the remaining fund balance of the North Mississippi Park, Parks and Open Space Grants, and Transit capital projects funds (all non-major funds) as *restricted* due to the legal restrictions imposed.

*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 fund balances of the Metro Mobility Special Revenue fund and the Suburban Transit Providers and Contracted Transit Service special revenue funds (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. The amount recognized as encumbrances are approved by the Council in the carry forward budget amendment. All other assigned items are approved by the Chief Financial Officer.

*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 the Parks and Open Space Grants 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* | | | | |
|---|---|---|---|---|---|
| | Major Funds | | | Nonmajor | |
| | General Fund | Metro Mobility Special Revenue | Debt Retirement | Governmental Funds | Total |
| **Fund Balances:** | | | | | |
| **Spendable:** | | | | | |
| Restricted for: | | | | | |
| Debt Retirement Reserve | $ - | $ - | $ 79,200 | $ - | $ 79,200 |
| Highway Right-of-Way Program | - | - | - | 49,914 | 49,914 |
| Economic Revitalization | - | - | - | 20,523 | 20,523 |
| Environment Development | - | - | - | 42,293 | 42,293 |
| Incentive Housing | - | - | - | 3,277 | 3,277 |
| Regional Land Use | - | - | - | 1,219 | 1,219 |
| North Mississippi Park Improvements | - | - | - | 1,176 | 1,176 |
| Regional Parks Capital Improvements | - | - | - | 71,767 | 71,767 |
| Transit Capital Improvements | - | - | - | 37,536 | 37,536 |
| Committed for: | | | | | |
| Self Insurance | 1,500 | - | - | - | 1,500 |
| Other Post Employment Benefits | 3,302 | - | - | - | 3,302 |
| Regional Water Supply Program | 495 | - | - | - | 495 |
| Regional ADA Transit Service | - | 23,791 | - | - | 23,791 |
| Regional Transit Provider Services | - | - | - | 6,373 | 6,373 |
| Assigned for: | | | | | |
| Encumbrances | 2,504 | - | - | - | 2,504 |
| Compensated Absences | 3,158 | - | - | - | 3,158 |
| Unassigned | 12,225 | - | - | (44,489) | (32,264) |
| Total fund balances | $ 23,184 | $ 23,791 | $ 79,200 | $ 189,589 | $ 315,764 |

# 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 purchases both 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 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 2010 or 2011.

### 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 worker's 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 2.89 percent.

The self-insurance retention limit for workers' compensation is $1,840,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses the Council.

Changes in the balance of workers compensation liabilities during 2010 and 2011 are as follows:

| | *Dollars in thousands* | | | | |
|---|---|---|---|---|---|
| | **Metro Transit** | | | | |
| **2010 Balance:** | **Bus** | **Light Rail** | **Commuter Rail** | **Environmental Services** | **Total** |
| Beginning Balance | $13,682 | $ 1,524 | $ - | $ 603 | $ 15,809 |
| Current year claims and changes in estimates | 6,797 | (268) | 3,000 | 577 | 10,106 |
| Payments on claims | (6,416) | (110) | - | (643) | (7,169) |
| Ending balance | $14,063 | $ 1,146 | $ 3,000 | $ 537 | $ 18,746 |
| **2011 Balance:** | | | | | |
| Beginning Balance | $14,063 | $ 1,146 | $ 3,000 | $ 537 | $ 18,746 |
| Current year claims and changes in estimates | 4,410 | 159 | 97 | 906 | 5,572 |
| Payments on claims | (5,453) | (124) | (89) | (804) | ( 6,470) |
| Ending balance | $13,020 | $ 1,181 | $ 3,008 | $ 639 | $ 17,848 |

### 6. Component Unit

The MSFC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omission; work related injuries; and natural disasters. The MSFC purchased all-risk property insurance, terrorism insurance, general and umbrella liability insurance, automobile insurance, crime insurance, workers compensation insurance, and public officials and employee liability insurance. There have been no significant reductions in insurance coverage from the prior year. Within the past three fiscal years, no settled claims have exceeded commercial coverage.

## 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; from July 1, 2009 to June 30 2010 the rate was 4.75 percent; and on July 1, 2010 the rate changed to 5.0 percent. Employer contributions to MSRS (which equaled the required contributions for each year) were:

| | *Dollars in thousands* | |
|---|---|---|
| **Year** | **Council** | **Component Unit MSFC** |
| 2009 | $ 8,799 | $ 114 |
| 2010 | 9,516 | 75 |
| 2011 | 9,907 | 66 |

## 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. Prior to July 1, 2010, plan members were required to contribute 4.0 percent of their annual covered salary. On July 1, 2010, the plan member contribution was changed to 5.0 percent. 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:

| | *Dollars in thousands* | |
|---|---|---|
| **Year** | **Council** | **Component Unit MSFC** |
| 2009 | $ 126 | $ 4 |
| 2010 | 141 | 4 |
| 2011 | 122 | 4 |

# C. Other postemployment benefits

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

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

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

**Funding Policy:** Currently, the Council does not fund its OPEB benefits in an irrevocable trust. However, the Council has separately invested assets with a fair market value of $106,218,000 as of December 31, 2011, 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 $31,217,000 is 11.4 percent of annual covered payroll. The Council's OPEB cost for the current year and related information are as follows (dollars in thousands):

| | Metro Transit | Environmental Services | General Fund | Total |
|---|---|---|---|---|
| Annual Required Contribution (ARC) | $ 22,246 | $ 7,725 | $ 1,246 | $ 31,217 |
| Interest on net OPEB obligation | 2,342 | 711 | 114 | 3,167 |
| Adjustments to Annual Required Contribution (ARC) | (4,291) | (1,233) | (237) | (5,761) |
| Annual OPEB cost (expense) | 20,297 | 7,203 | 1,123 | 28,623 |
| Contributions made | (11,364) | (4,216) | (363) | (15,943) |
| Increase in Net OPEB Obligation | 8,933 | 2,987 | 760 | 12,680 |
| Net OPEB obligation beginning of year | 43,363 | 12,043 | 2,542 | 57,948 |
| Net OPEB obligation end of year | $ 52,296 | $ 15,030 | $ 3,302 | $ 70,628 |

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, 2011, were as follows (dollars in thousands):

| | Annual OPEB Cost | Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 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 |
| 12/31/2010 | 19,659 | 10,149 | 52% | 43,363 |
| 12/31/2011 | 20,297 | 11,364 | 56% | 52,296 |
| 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 |
| 12/31/2010 | 6,983 | 3,689 | 53% | 12,043 |
| 12/31/2011 | 7,203 | 4,216 | 59% | 15,030 |
| 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 |
| 12/31/2010 | 1,083 | 339 | 31% | 2,542 |
| 12/31/2011 | 1,123 | 363 | 32% | 3,302 |
| 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 |
| 12/31/2010 | 27,725 | 14,177 | 51% | 57,948 |
| 12/31/2011 | 28,623 | 15,943 | 56% | 70,628 |

**Funded Status and Funded Progress:** As of December 31, 2011, the actuarial accrued liability (AAL) for benefits was $337,805,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $275,037,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 122.8 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.

The actuarial valuation completed January 1, 2010, used the projected unit credit actuarial cost method with service prorated. Under this method, the total present value of benefits is determined by projecting the benefit to be paid after the expected retirement date (or other event) and discounting those amounts to the valuation date. The actuarial assumptions include a percent investment rate of return per annum (compounded annually) composed of 5.4 percent for Metro Transit, 5.9 percent for Environmental Services, and 4.5 percent for General Fund net of administrative expenses. The projected annual health care cost trend rate is 9.5 percent initially, reduced by decrements to an ultimate rate of 5 percent for the year 2023 and beyond. The baselines inflation rate is 3 percent. The initial UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2011, was 25 years.

## D. Sub-grantee programs

During the year ended December 31, 2011, the Council was involved with the following sub-grantee programs:

**General Fund:**
Parks (Maintenance and Operation Grants)

**Nonmajor 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)
Environmental Services Inflow and Infiltration Grants
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, 2011, the Council had a total arbitrage rebate liability of $647,000.

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 bus transit services totaled approximately $73,966,000 as of December 31, 2011. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately $234,696,000 will be paid from the Metro Transit Light Rail fund. Future commitments for commuter rail transit services of approximately $5,548,000 as of December 31, 2011, will be paid from the Metro Transit Commuter Rail fund. Future commitments for regional transit services are approximately $307,233,000 as of December 31, 2011. These commitments will be paid from Regional Transit special revenue funds. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately $48,476,000 as of December 31, 2011. 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.

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. Metrodome roof collapse and restoration

On December 12, 2010, a combination of record snowfall and high winds led to the accumulation of large amounts of snow and ice on the Metrodome roof. The snow and ice slid across the roof and ruptured three roof panels which caused it to collapse. Subsequent to the initial collapse, two additional roof panels ruptured. Due to the unsafe condition created by the excessive snow loads on several roof panels, the impossibility of safely re-inflating the roof, and the need to assess damage to the roof system, the Commission determined that the Metrodome was unsuitable for playing the two remaining home games for the Vikings 2010 football season. All other events that were scheduled after December 12, 2010, through August 2011, were canceled except for the Rollerdome and Minnesota Distance Running Association which were held in the concourses.

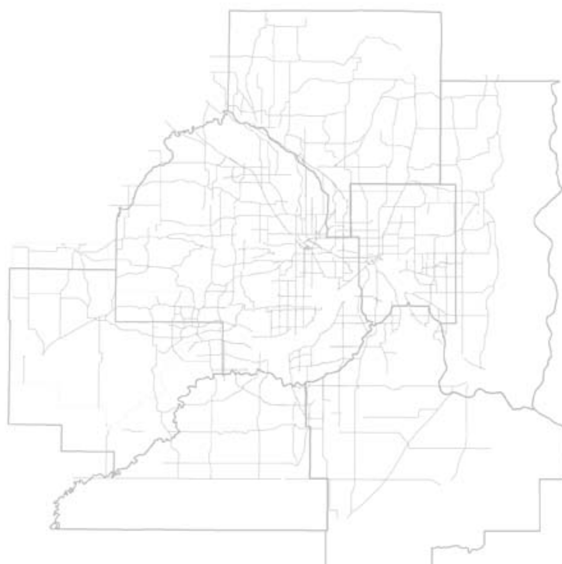
Remediation efforts began immediately to remove the unsafe ice and snow loads and stabilize the roof structure. In February 2011, the Commission determined that as a result of the movement of snow and ice, both during and after the roof collapse, the entire roof fabric membrane must be replaced. A contract with the original roof fabricator was executed and roof restoration efforts began in

March 2011. Then in July 2011 it was determined that the artificial playing surface was damaged beyond repair and needed to be replaced. A contract was executed and the artificial turf replacement project began immediately. By mid-July the roof was inflated and by mid-August the playing surface was replaced. On August 20, 2011, an Open House event was held at the Metrodome, events then resumed and the Vikings first preseason game was held on August 27, 2011 at the Metrodome.

Insurance coverage for the Metrodome includes both property damage and business interruption. The property policies had a net deductible of $25,000. Total claimed expenses for the roof restoration project were $22,756,000 and the business interruption loss was $2,533,000. Insurance proceeds for $2,229,000 were recognized in the 2010 financial statements and proceeds of $22,788,000 are recognized in these financial statements as an extraordinary item.

## G. Subsequent events

On May 14, 2012, Governor Mark Dayton signed into law a stadium bill which provides for construction and operation of a new National Football League stadium to be located on the Metrodome site. The bill establishes a new Minnesota Stadium Authority and requires that members be appointed within 30 days, it requires the Metropolitan Sports Facilities Commission transfer its assets, liabilities, and obligations to the Authority within 90 days and then it is abolished, and it provides for various funding sources for the construction and operation of the new football stadium. The Council will have no oversight responsibility for the new Authority.



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# REQUIRED SUPPLEMENTARY INFORMATION

# BUDGETARY COMPARISON SCHEDULE
## GENERAL FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS

| | Budgeted Amounts | | Actual | Variance with Final Budget- Over |
|---|---|---|---|---|
| | Original | Final | Amounts | (Under) |
| **REVENUES** | | | | |
| Taxes | $ 8,855 | $ 8,855 | $ 9,023 | $ 168 |
| Intergovernmental revenue: | | | | |
| Federal | - | - | 12 | 12 |
| State | 9,230 | 9,230 | 8,858 | (372) |
| Local/other | 86 | 86 | 116 | 30 |
| Investment income | 672 | 672 | 1,735 | 1,063 |
| Other | - | 100 | 242 | 142 |
| Total revenues | 18,843 | 18,943 | 19,986 | 1,043 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | 7,596 | 10,895 | 7,559 | (3,336) |
| Intergovernmental: | | | | |
| Culture and recreation | 8,880 | 8,880 | 9,046 | 166 |
| Debt service: | | | | |
| Principal | 575 | 575 | 575 | - |
| Interest and other charges | 457 | 457 | 456 | (1) |
| Capital outlay | 664 | 664 | 303 | (361) |
| Total expenditures | 18,172 | 21,471 | 17,939 | (3,532) |
| Excess (deficiency) of revenues over (under) expenditures | 671 | (2,528) | 2,047 | 4,575 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | (1,175) | (1,175) | (1,781) | (606) |
| Total other financing sources (uses) | (1,175) | (1,175) | (1,781) | (606) |
| Net change in fund balance | (504) | (3,703) | 266 | 3,969 |
| Fund balance, beginning | 22,918 | 22,918 | 22,918 | - |
| Fund balance, ending | $ 22,414 | $ 19,215 | $ 23,184 | $ 3,969 |

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

## BUDGETARY COMPARISON SCHEDULE
## METRO MOBILITY SPECIAL REVENUE FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS

| | Budgeted Amounts | | Actual | Variance with Final Budget- Over |
|---|---|---|---|---|
| | Original | Final | Amounts | (Under) |
| **REVENUES** | | | | |
| Intergovernmental revenue: | | | | |
| Federal | $ 4,250 | $ 2,750 | $ 2,750 | $ - |
| State | 31,836 | 31,836 | 39,291 | 7,455 |
| Investment income | 55 | 55 | 234 | 179 |
| Other | 5,251 | 5,751 | 5,288 | (463) |
| Total revenues | 41,392 | 40,392 | 47,563 | 7,171 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Transportation | 41,007 | 41,507 | 41,211 | (296) |
| Capital outlay | - | - | 4 | 4 |
| Total expenditures | 41,007 | 41,507 | 41,215 | (292) |
| Excess (deficiency) of revenues over (under) expenditures | 385 | (1,115) | 6,348 | 7,463 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 21 | 21 | 21 | - |
| Total other financing sources (uses) | 21 | 21 | 21 | - |
| Net change in fund balance | 406 | (1,094) | 6,369 | 7,463 |
| Fund balance, beginning | 17,422 | 17,422 | 17,422 | - |
| Fund balance, ending | $ 17,828 | $ 16,328 | $ 23,791 | $ 7,463 |

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

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
## DECEMBER 31, 2011

### 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 | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance with Final Budget Over (Under) |
| Regional Administration | $ 5,294 | $ 5,795 | $ 4,778 | $ (1,017) |
| Community Development | 12,878 | 15,676 | 13,161 | (2,515) |
| Total General Fund | $ 18,172 | $ 21,471 | $ 17,939 | $ (3,532) |

#### C. Postemployment Benefits

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

## Schedule of Funding Progress

### Dollars In Thousands

| Actuarial Valuation Date – January 1, 2010 | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (c) Unfunded Actuarial Accrued Liability (UAAL) (b - a) | (d) Funded Ratio (a/b) | (e) Covered Payroll | (f) UAAL as a Percentage of Covered Payroll (c/e) |
|---|---|---|---|---|---|---|
| **Metro Transit** | | | | | | |
| 1/1/06 | $ - | $ 200,409 | $ 200,409 | 0.00% | $ 152,769 | 131.18% |
| 1/1/08 | - | 219,529 | 219,529 | 0.00% | 154,302 | 142.27% |
| 1/1/10 | - | 233,054 | 233,054 | 0.00% | 184,796 | 126.11% |
| **Environmental Services** | | | | | | |
| 1/1/06 | - | 65,513 | 65,513 | 0.00% | 53,830 | 121.70% |
| 1/1/08 | - | 70,726 | 70,726 | 0.00% | 53,875 | 131.28% |
| 1/1/10 | - | 82,328 | 82,328 | 0.00% | 58,430 | 140.90% |
| **General Fund** | | | | | | |
| 1/1/06 | - | 9,045 | 9,045 | 0.00% | 24,043 | 37.62% |
| 1/1/08 | - | 11,023 | 11,023 | 0.00% | 24,067 | 45.80% |
| 1/1/10 | - | 13,046 | 13,046 | 0.00% | 28,862 | 45.20% |
| **Total** | | | | | | |
| 1/1/06 | - | 274,967 | 274,967 | 0.00% | 230,642 | 119.22% |
| 1/1/08 | - | 301,278 | 301,278 | 0.00% | 232,244 | 129.72% |
| 1/1/10 | - | 328,428 | 328,428 | 0.00% | 272,088 | 120.71% |

## Schedule of Employer Contributions

### Dollars in Thousands

| Year Ended | Annual Required Contribution | Employer Contribution | Percentage Contribution |
|---|---|---|---|
| **Metro Transit** | | | |
| 12/31/07 | $ 19,365 | $ 8,516 | 44% |
| 12/31/08 | 20,751 | 9,182 | 44% |
| 12/31/09 | 21,309 | 9,874 | 46% |
| 12/31/10 | 19,659 | 10,149 | 52% |
| 12/31/11 | 22,246 | 11,364 | 51% |
| **Environmental Services** | | | |
| 12/31/07 | 5,999 | 2,879 | 48% |
| 12/31/08 | 6,104 | 3,214 | 53% |
| 12/31/09 | 6,213 | 3,474 | 56% |
| 12/31/10 | 6,983 | 3,689 | 53% |
| 12/31/11 | 7,725 | 4,216 | 55% |
| **General Fund** | | | |
| 12/31/07 | 741 | 230 | 31% |
| 12/31/08 | 901 | 261 | 29% |
| 12/31/09 | 909 | 262 | 29% |
| 12/31/10 | 1,083 | 339 | 31% |
| 12/31/11 | 1,246 | 363 | 29% |
| **Total** | | | |
| 12/31/07 | 26,105 | 11,625 | 45% |
| 12/31/08 | 27,756 | 12,657 | 46% |
| 12/31/09 | 28,431 | 13,610 | 48% |
| 12/31/10 | 27,725 | 14,177 | 51% |
| 12/31/11 | 31,217 | 15,943 | 51% |

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# COMBINING AND INDIVIDUAL

# FUND FINANCIAL STATEMENTS

# AND SCHEDULES

## Nonmajor Governmental Funds

### Special Revenue Funds

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

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

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

Suburban Transit Providers and Contracted Transit Services 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 and sustainable communities programs.

### 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.

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# COMBINING BALANCE SHEET
# NONMAJOR GOVERNMENTAL FUNDS
# DECEMBER 31, 2011
# IN THOUSANDS

| | Total Special Revenue | Total Capital Projects | Total Nonmajor Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 79,136 | $ 61,000 | $ 140,136 |
| Receivables, (net) | - | 3,716 | 3,716 |
| Delinquent taxes receivable | 946 | - | 946 |
| Interest receivable | 301 | 240 | 541 |
| Due from other funds | 4 | - | 4 |
| Due from other governmental units | 5,663 | 7,208 | 12,871 |
| Loans and advances | 47,464 | - | 47,464 |
| Total assets | $ 133,514 | $ 72,164 | $ 205,678 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts/contracts/subgrantees payable | $ 9,158 | $ 6,174 | $ 15,332 |
| Deferred revenue | 757 | - | 757 |
| Total liabilities | 9,915 | 6,174 | 16,089 |
| Fund balances: | | | |
| Restricted | 117,226 | 110,479 | 227,705 |
| Committed | 6,373 | - | 6,373 |
| Unassigned | - | (44,489) | (44,489) |
| Total fund balances | 123,599 | 65,990 | 189,589 |
| Total liabilities and fund balances | $ 133,514 | $ 72,164 | $ 205,678 |

## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
## DECEMBER 31, 2011
## IN THOUSANDS

| | Highway Right-of-Way Acquisition Loan | Livable Communities | Suburban Transit Providers | Contracted Transit Services | Other Special Revenue | Total Special Revenue |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and cash equivalents | $ 4,450 | $ 67,468 | $ 729 | $ 5,321 | $ 1,168 | $ 79,136 |
| Delinquent taxes receivable | 283 | 663 | - | - | - | 946 |
| Interest receivable | 17 | 259 | - | 21 | 4 | 301 |
| Due from other funds | - | - | - | 4 | - | 4 |
| Due from other governmental units | - | - | 1,415 | 4,232 | 16 | 5,663 |
| Loans and advances | 45,389 | 2,044 | - | - | 31 | 47,464 |
| Total assets | $ 50,139 | $ 70,434 | $ 2,144 | $ 9,578 | $ 1,219 | $ 133,514 |
| **LIABILITIES AND FUND BALANCES** | | | | | | |
| Liabilities: | | | | | | |
| Accounts/contracts/subgrantees payable | $ - | $ 3,809 | $ 2,144 | $ 3,205 | $ - | $ 9,158 |
| Deferred revenue | 225 | 532 | - | - | - | 757 |
| Total liabilities | 225 | 4,341 | 2,144 | 3,205 | - | 9,915 |
| Fund balances: | | | | | | |
| Restricted | 49,914 | 66,093 | - | - | 1,219 | 117,226 |
| Committed | - | - | - | 6,373 | - | 6,373 |
| Total fund balances | 49,914 | 66,093 | - | 6,373 | 1,219 | 123,599 |
| Total liabilities and fund balances | $ 50,139 | $ 70,434 | $ 2,144 | $ 9,578 | $ 1,219 | $ 133,514 |

## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
## DECEMBER 31, 2011
## IN THOUSANDS

| | North Mississippi Park | Parks and Open Space Grants | Transit | Total Capital Projects |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 1,174 | $ 21,656 | $ 38,170 | $ 61,000 |
| Receivables, (net) | - | 3,716 | - | 3,716 |
| Interest receivable | 2 | 87 | 151 | 240 |
| Due from other governmental units | - | 7,208 | - | 7,208 |
| Total assets | $ 1,176 | $ 32,667 | $ 38,321 | $ 72,164 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| Liabilities: | | | | |
| Accounts/contracts/subgrantees payable | $ - | $ 5,389 | $ 785 | $ 6,174 |
| Total liabilities | - | 5,389 | 785 | 6,174 |
| Fund balances: | | | | |
| Restricted | 1,176 | 71,767 | 37,536 | 110,479 |
| Unassigned | - | (44,489) | - | (44,489) |
| Total fund balances | 1,176 | 27,278 | 37,536 | 65,990 |
| Total liabilities and fund balances | $ 1,176 | $ 32,667 | $ 38,321 | $ 72,164 |

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## NONMAJOR GOVERNMENTAL FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS

| | Total Special Revenue | Total Capital Projects | Total Nonmajor Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes | $ 16,321 | $ - | $ 16,321 |
| Intergovernmental revenue: | | | |
| Federal | 15,698 | - | 15,698 |
| State | 30,904 | 21,586 | 52,490 |
| Local/other | 1,377 | - | 1,377 |
| Investment income | 2,259 | 1,798 | 4,057 |
| Other | 2,120 | - | 2,120 |
| Total revenues | 68,679 | 23,384 | 92,063 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | 1,302 | - | 1,302 |
| Transportation | 25,207 | 1,000 | 26,207 |
| Intergovernmental: | | | |
| Transportation | 23,194 | 2,950 | 26,144 |
| Culture and recreation | - | 21,613 | 21,613 |
| Economic development | 4,684 | - | 4,684 |
| Environment | 3,973 | - | 3,973 |
| Housing | 1,393 | - | 1,393 |
| Capital outlay | 8,367 | 2,806 | 11,173 |
| Total expenditures | 68,120 | 28,369 | 96,489 |
| Excess (deficiency) of revenues over (under) expenditures | 559 | (4,985) | (4,426) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | 1,057 | 615 | 1,672 |
| Transfers out | (8,202) | (21,175) | (29,377) |
| Sale of capital assets | - | 164 | 164 |
| Total other financing sources (uses) | (7,145) | (20,396) | (27,541) |
| Net change in fund balances | (6,586) | (25,381) | (31,967) |
| Fund balances, beginning | 130,185 | 91,371 | 221,556 |
| Fund balances, ending | $ 123,599 | $ 65,990 | $ 189,589 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE**
**FOR THE YEAR ENDED DECEMBER 31, 2011**
**IN THOUSANDS**

| | Highway Right-of-Way Acquisition Loan | Livable Communities | Suburban Transit Providers | Contracted Transit Services | Other Special Revenue | Total Special Revenue |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Taxes | $ 3,450 | $ 12,871 | $ - | $ - | $ - | $ 16,321 |
| Intergovernmental revenue: | | | | | | |
| Federal | - | - | - | 15,481 | 217 | 15,698 |
| State | 180 | 410 | 20,970 | 9,344 | - | 30,904 |
| Local/other | - | - | - | 1,377 | - | 1,377 |
| Investment income | 171 | 1,722 | - | 334 | 32 | 2,259 |
| Other | - | - | - | 2,120 | - | 2,120 |
| Total revenues | 3,801 | 15,003 | 20,970 | 28,656 | 249 | 68,679 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | 1,153 | 149 | 1,302 |
| Transportation | - | - | - | 25,207 | - | 25,207 |
| Intergovernmental: | | | | | | |
| Transportation | - | - | 20,970 | 2,224 | - | 23,194 |
| Economic development | - | 4,611 | - | - | 73 | 4,684 |
| Environment | - | 3,973 | - | - | - | 3,973 |
| Housing | - | 1,393 | - | - | - | 1,393 |
| Capital outlay | - | - | - | 8,367 | - | 8,367 |
| Total expenditures | - | 9,977 | 20,970 | 36,951 | 222 | 68,120 |
| Excess (deficiency) of revenues over (under) expenditures | 3,801 | 5,026 | - | (8,295) | 27 | 559 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Transfers in | - | 1,000 | - | 52 | 5 | 1,057 |
| Transfers out | (8,100) | - | - | (102) | - | (8,202) |
| Total other financing sources (uses) | (8,100) | 1,000 | - | (50) | 5 | (7,145) |
| Net change in fund balances | (4,299) | 6,026 | - | (8,345) | 32 | (6,586) |
| Fund balances, beginning | 54,213 | 60,067 | - | 14,718 | 1,187 | 130,185 |
| Fund balances, ending | $ 49,914 | $ 66,093 | $ - | $ 6,373 | $ 1,219 | $ 123,599 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS**
**FOR THE YEAR ENDED DECEMBER 31, 2011**
**IN THOUSANDS**

| | North Mississippi Park | Parks and Open Space Grants | Transit | Total Capital Projects |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental revenue: | | | | |
| State | $ - | $ 21,586 | $ - | $ 21,586 |
| Investment income | 16 | 623 | 1,159 | 1,798 |
| Total revenues | 16 | 22,209 | 1,159 | 23,384 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Transportation | - | - | 1,000 | 1,000 |
| Intergovernmental: | | | | |
| Transportation | - | - | 2,950 | 2,950 |
| Culture and recreation | - | 21,613 | - | 21,613 |
| Capital outlay | - | - | 2,806 | 2,806 |
| Total expenditures | - | 21,613 | 6,756 | 28,369 |
| Excess (deficiency) of revenues over (under) expenditures | 16 | 596 | (5,597) | (4,985) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 615 | - | - | 615 |
| Transfers out | - | (615) | (20,560) | (21,175) |
| Sale of capital assets | - | - | 164 | 164 |
| Total other financing sources (uses) | 615 | (615) | (20,396) | (20,396) |
| Net change in fund balances | 631 | (19) | (25,993) | (25,381) |
| Fund balances, beginning | 545 | 27,297 | 63,529 | 91,371 |
| Fund balances, ending | $ 1,176 | $ 27,278 | $ 37,536 | $ 65,990 |

## BUDGETARY COMPARISON SCHEDULE
## LIVABLE COMMUNITIES SPECIAL REVENUE FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS

| | Budgeted Amounts | | | Variance with Final Budget- |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Over (Under) |
| **REVENUES** | | | | |
| Taxes | $ 12,754 | $ 12,754 | $ 12,871 | $ 117 |
| Intergovernmental revenue: | | | | |
| State | 307 | 307 | 410 | 103 |
| Local | - | - | - | - |
| Investment income | 1,160 | 1,160 | 1,722 | 562 |
| Total revenues | 14,221 | 14,221 | 15,003 | 782 |
| **EXPENDITURES** | | | | |
| Intergovernmental: | | | | |
| Economic development | 5,350 | 5,350 | 4,611 | (739) |
| Environment | 8,311 | 8,311 | 3,973 | (4,338) |
| Housing | 1,560 | 1,560 | 1,393 | (167) |
| Total expenditures | 15,221 | 15,221 | 9,977 | (5,244) |
| Excess (deficiency) of revenues over (under) expenditures | (1,000) | (1,000) | 5,026 | 6,026 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 1,000 | 1,000 | 1,000 | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | 1,000 | 1,000 | 1,000 | - |
| Net change in fund balance | - | - | 6,026 | 6,026 |
| Fund balance, beginning | 60,067 | 60,067 | 60,067 | - |
| Fund balance, ending | $ 60,067 | $ 60,067 | $ 66,093 | $ 6,026 |

# BUDGETARY COMPARISON SCHEDULE
# SUBURBAN TRANSIT PROVIDERS SPECIAL REVENUE FUND
# FOR THE YEAR ENDED DECEMBER 31, 2011
# IN THOUSANDS

| | Budgeted Amounts | | Actual | Variance with Final Budget- Over |
|---|---|---|---|---|
| | Original | Final | Amounts | (Under) |
| **REVENUES** | | | | |
| Intergovernmental revenue: | | | | |
| State | $ 25,646 | $ 20,970 | $ 20,970 | $ - |
| Total revenues | 25,646 | 20,970 | 20,970 | - |
| **EXPENDITURES** | | | | |
| Intergovernmental: | | | | - |
| Transportation | 25,646 | 20,970 | 20,970 | - |
| Total expenditures | 25,646 | 20,970 | 20,970 | - |
| Excess (deficiency) of revenues over (under) expenditures | - | - | - | - |
| Net change in fund balance | - | - | - | - |
| Fund balance, beginning | - | - | - | - |
| Fund balance, ending | $ - | $ - | $ - | $ - |

# BUDGETARY COMPARISON SCHEDULE
# CONTRACTED TRANSIT SERVICES SPECIAL REVENUE FUND
# FOR THE YEAR ENDED DECEMBER 31, 2011
# IN THOUSANDS

| | Budgeted Amounts | | Actual | Variance with Final Budget- Over |
|---|---|---|---|---|
| | Original | Final | Amounts | (Under) |
| **REVENUES** | | | | |
| Intergovernmental revenue: | | | | |
| Federal | $ 7,755 | $ 9,681 | $ 15,481 | $ 5,800 |
| State | 11,374 | 11,273 | 9,344 | (1,929) |
| Local/Other | 585 | 923 | 1,377 | 454 |
| Investment income | 175 | 175 | 334 | 159 |
| Other | 2,503 | 2,503 | 2,120 | (383) |
| Total revenues | 22,392 | 24,555 | 28,656 | 4,101 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | - | - | 1,153 | 1,153 |
| Transportation | 25,637 | 30,632 | 25,207 | (5,425) |
| Intergovernmental: | | | | |
| Transportation | - | - | 2,224 | 2,224 |
| Capital outlay | - | - | 8,367 | 8,367 |
| Total expenditures | 25,637 | 30,632 | 36,951 | 6,319 |
| Excess (deficiency) of revenues over (under) expenditures | (3,245) | (6,077) | (8,295) | (2,218) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | - | - | 52 | 52 |
| Transfers out | - | - | (102) | (102) |
| Total other financing sources (uses) | - | - | (50) | (50) |
| Net change in fund balance | (3,245) | (6,077) | (8,345) | (2,268) |
| Fund balance, beginning | 14,718 | 14,718 | 14,718 | - |
| Fund balance, ending | $ 11,473 | $ 8,641 | $ 6,373 | $ (2,268) |

## BUDGETARY COMPARISON SCHEDULE
## OTHER SPECIAL REVENUE FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget-Over (Under) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental revenue: | | | | |
| Federal | $ - | $ 1,800 | $ 217 | $ (1,583) |
| Investment income | 35 | 35 | 32 | (3) |
| Total revenues | 35 | 1,835 | 249 | (1,586) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | - | 1,800 | 149 | (1,651) |
| Intergovernmental: | | | | |
| Economic development | - | - | 73 | 73 |
| Total expenditures | - | 1,800 | 222 | (1,578) |
| Excess (deficiency) of revenues over (under) expenditures | 35 | 35 | 27 | (8) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | - | - | 5 | 5 |
| Total other financing sources and uses | - | - | 5 | $ 5 |
| Net change in fund balance | 35 | 35 | 32 | (3) |
| Fund balance, beginning | 1,187 | 1,187 | 1,187 | - |
| Fund balance, ending | $ 1,222 | $ 1,222 | $ 1,219 | $ (3) |

**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND BY DIVISION**
**FOR THE YEAR ENDED DECEMBER 31, 2011**
**IN THOUSANDS**

| | Regional Administration | | | Community Development | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Budget | Actual | Variance | Budget | Actual | Variance | Budget | Actual | Variance |
| **REVENUES** | | | | | | | | | |
| Taxes | $ 5,022 | $ 5,117 | $ 95 | $ 3,833 | $ 3,906 | $ 73 | $ 8,855 | $ 9,023 | $ 168 |
| Intergovernmental revenue: | | | | | | | | | |
| Federal | - | 12 | 12 | - | - | - | - | 12 | 12 |
| State | 231 | 468 | 237 | 8,999 | 8,390 | (609) | 9,230 | 8,858 | (372) |
| Local/other | 86 | 116 | 30 | - | - | - | 86 | 116 | 30 |
| Investment income | 626 | 1,616 | 990 | 46 | 119 | 73 | 672 | 1,735 | 1,063 |
| Other | 100 | 242 | 142 | - | - | - | 100 | 242 | 142 |
| Total revenues | 6,065 | 7,571 | 1,506 | 12,878 | 12,415 | (463) | 18,943 | 19,986 | 1,043 |
| **EXPENDITURES** | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | 4,099 | 3,444 | (655) | 6,796 | 4,115 | (2,681) | 10,895 | 7,559 | (3,336) |
| Intergovernmental: | | | | | | | | | |
| Culture and recreation | - | - | - | 8,880 | 9,046 | 166 | 8,880 | 9,046 | 166 |
| Debt service: | | | | | | | | | |
| Principal | 575 | 575 | - | - | - | - | 575 | 575 | - |
| Interest and other charges | 457 | 456 | (1) | - | - | - | 457 | 456 | (1) |
| Capital outlay | 664 | 303 | (361) | - | - | - | 664 | 303 | (361) |
| Total expenditures | 5,795 | 4,778 | (1,017) | 15,676 | 13,161 | (2,515) | 21,471 | 17,939 | (3,532) |
| Excess (deficiency) of revenues over (under) expenditures | 270 | 2,793 | 2,523 | (2,798) | (746) | 2,052 | (2,528) | 2,047 | 4,575 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | | |
| Transfers out | (1,175) | (1,781) | (606) | - | - | - | (1,175) | (1,781) | (606) |
| Total other financing sources (uses) | (1,175) | (1,781) | (606) | - | - | - | (1,175) | (1,781) | (606) |
| Net change in fund balance | $ (905) | $ 1,012 | $ 1,917 | $ (2,798) | $ (746) | $ 2,052 | $ (3,703) | $ 266 | $ 3,969 |

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
## FIDUCIARY FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS

| | Balance January 1, 2011 | Additions | Deductions | Balance December 31, 2011 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 793 | $ 260 | $ 13 | $ 1,040 |
| **LIABILITIES** | | | | |
| Due to participants | $ 793 | $ 260 | $ 13 | $ 1,040 |

**METROPOLITAN COUNCIL**
**BONDS/LOANS OUTSTANDING**
**AS OF DECEMBER 31, 2011**
**IN THOUSANDS**

| Issues | Date | Final Maturity Date | Original Issue | Payments Prior Years | Payments Year Ended 12/31/11 | Bonds/Loans Issued/ Drawn Down in 2011 | Bonds/ Loans Outstanding 12/31/2011 | Maturing in 2012 | Future Maturities |
|---|---|---|---|---|---|---|---|---|---|
| **GENERAL OBLIGATION BONDS/LOANS PAYABLE:** | | | | | | | | | |
| **GOVERNMENTAL ACTIVITIES:** | | | | | | | | | |
| General Obligation Park Bonds: | | | | | | | | | |
| 2003B, Refunding | 1-Oct-03 | 1-Jan-11 | $ 7,240 | $ 6,065 | $ 1,175 | $ - | $ - | $ - | $ - |
| 2007C | 15-Feb-07 | 1-Feb-12 | 9,500 | 8,245 | 630 | - | 625 | 625 | - |
| 2009B | 1-Sep-09 | 1-Mar-14 | 10,000 | 7,505 | 820 | - | 1,675 | 550 | 1,125 |
| 2010D | 22-Dec-10 | 1-Mar-14 | 8,600 | - | - | - | 8,600 | 5,750 | 2,850 |
| Total General Obligation Park Bonds | | | 35,340 | 21,815 | 2,625 | - | 10,900 | 6,925 | 3,975 |
| General Obligation Transit Bonds: | | | | | | | | | |
| 1998D, Refunding | 1-Dec-98 | 1-Feb-13 | 1,365 | 1,125 | 75 | - | 165 | 80 | 85 |
| 2002C | 1-Nov-02 | 1-Feb-22 (a) | 50,000 | 36,670 | 13,330 | - | - | - | - |
| 2003C, Refunding | 1-Sep-03 | 1-Feb-17 | 3,355 | 1,485 | 285 | - | 1,585 | 280 | 1,305 |
| 2004A | 1-Apr-04 | 1-Feb-24 | 41,375 | 25,140 | 2,515 | - | 13,720 | 2,595 | 11,125 |
| 2004F, Refunding | 1-Nov-04 | 1-Feb-13 | 2,910 | 1,385 | 500 | - | 1,025 | 505 | 520 |
| 2005C | 1-May-05 | 1-Feb-25 | 32,000 | 19,090 | 1,675 | - | 11,235 | 1,725 | 9,510 |
| 2005C, Refunding | 1-May-05 | 1-Feb-20 | 13,285 | 4,865 | 885 | - | 7,535 | 865 | 6,670 |
| 2007A | 15-Feb-07 | 1-Feb-24 | 36,400 | 14,680 | 4,990 | - | 16,730 | 2,130 | 14,600 |
| 2007E, Refunding | 15-Mar-07 | 1-Feb-22 | 10,110 | - | - | - | 10,110 | 3,295 | 6,815 |
| 2008B | 12-Mar-08 | 1-Mar-28 | 40,300 | 10,365 | 3,340 | - | 26,595 | 3,385 | 23,210 |
| 2009A | 1-Sep-09 | 1-Mar-29 | 43,000 | 7,655 | 7,365 | - | 27,980 | 2,875 | 25,105 |
| 2009E, Refunding | 1-Dec-09 | 1-Feb-18 | 10,490 | - | 2,885 | - | 7,605 | 1,955 | 5,650 |
| 2010E | 22-Dec-10 | 1-Feb-31 | 69,000 | - | - | - | 69,000 | 17,160 | 51,840 |
| Total General Obligation Transit Bonds | | | 353,590 | 122,460 | 37,845 | - | 193,285 | 36,850 | 156,435 |
| Minnesota Public Facilities Authority Loans--Transit | | | | | | | | | |
| (Backed by General Obligation Notes): | 12-Mar-99 | 15-Feb-20 | 21,025 | 17,435 | 320 | - | 3,270 | 330 | 2,940 |
| | 24-Jan-08 | 15-Feb-18 | 10,000 | 2,955 | 855 | - | 6,190 | 875 | 5,315 |
| Total Minnesota Public Facility Authority Loans--Transit | | | 31,025 | 20,390 | 1,175 | - | 9,460 | 1,205 | 8,255 |
| Total Governmental Activities General Obligation Bonds/Loans Payable | | | 419,955 | 164,665 | 41,645 | - | 213,645 | 44,980 | 168,665 |
| **BUSINESS-TYPE ACTIVITIES:** | | | | | | | | | |
| General Obligation Grant Anticipation Notes--Transit: | | | | | | | | | |
| 2011C | 14-Sep-11 | 1-Mar-14 | 90,000 | - | - | 90,000 | 90,000 | 25,000 | 65,000 |
| General ObligationWastewater Bonds: | | | | | | | | | |
| 2002B, Refunding | 1-Jul-02 | 1-Dec-16 | 19,735 | 9,210 | 10,525 | - | - | - | - |
| 2003A, Refunding | 1-Sep-03 | 1-Mar-16 | 121,490 | 80,655 | 9,635 | - | 31,200 | 9,825 | 21,375 |
| 2004B | 1-Apr-04 | 1-Dec-23 | 25,000 | 1,650 | 500 | - | 22,850 | 2,100 | 20,750 |
| 2005A, Refunding | 1-Jun-05 | 1-Sep-12 | 17,395 | 14,175 | 2,345 | - | 875 | 875 | - |
| 2005B | 1-May-05 | 1-May-25 | 90,405 | 9,285 | 2,685 | - | 78,435 | 2,800 | 75,635 |
| 2005B, Refunding | 1-May-05 | 1-May-14 | 7,525 | 2,190 | 1,270 | - | 4,065 | 1,235 | 2,830 |
| 2007B | 15-Feb-07 | 1-Dec-27 | 80,000 | 14,000 | 500 | - | 65,500 | 500 | 65,000 |
| 2008C | 12-Mar-08 | 1-Mar-28 | 80,000 | 5,000 | 1,500 | - | 73,500 | 500 | 73,000 |
| 2008D, Refunding | 12-Mar-08 | 1-Mar-14 | 8,955 | 2,680 | 1,445 | - | 4,830 | 1,520 | 3,310 |
| 2009F, Refunding | 1-Dec-09 | 1-Dec-15 | 6,720 | - | 1,880 | - | 4,840 | 1,930 | 2,910 |
| 2010A, Refunding | 22-Feb-10 | 1-Feb-15 | 16,035 | - | 2,220 | - | 13,815 | 3,250 | 10,565 |
| 2010B | 22-Feb-10 | 1-Feb-30 | 36,000 | - | 1,200 | - | 34,800 | 2,700 | 32,100 |
| 2010F | 22-Dec-10 | 1-Dec-30 | 65,000 | - | - | - | 65,000 | 2,000 | 63,000 |
| 2011B, Refunding | 15-Mar-11 | 1-Dec-15 | 9,230 | - | 1,500 | 9,230 | 7,730 | 2,005 | 5,725 |
| Total General Obligation Wastewater Bonds | | | 583,490 | 138,845 | 37,205 | 9,230 | 407,440 | 31,240 | 376,200 |
| Minnesota Public Facilities Authority Loans--Wastewater: | | | | | | | | | |
| (Backed by General Obligation Notes) | | | | | | | | | |
| | 3-Oct-97 | 20-Aug-17 | 40,000 | 17,800 | 2,475 | - | 19,725 | 1,750 | 17,975 |
| | 31-Dec-98 | 20-Aug-19 | 60,000 | 21,690 | 3,345 | - | 34,965 | 3,290 | 31,675 |
| | 27-Jul-00 | 20-Aug-20 | 60,000 | 15,590 | 2,965 | - | 41,445 | 2,845 | 38,600 |
| | 14-Nov-01 | 20-Aug-21 | 75,000 | 18,000 | 3,500 | - | 53,500 | 3,700 | 49,800 |
| | 20-Dec-02 | 20-Feb-22 | 100,000 | 19,325 | 4,215 | - | 76,460 | 4,620 | 71,840 |
| | 1-Sep-03 | 20-Feb-16 | 4,953 | 3,541 | 352 | - | 1,060 | 382 | 678 |
| | 26-Nov-03 | 20-Aug-23 | 100,000 | 17,000 | 3,500 | - | 79,500 | 3,750 | 75,750 |
| | 20-Oct-04 | 20-Feb-25 | 50,000 | 13,000 | 2,000 | - | 35,000 | 2,000 | 33,000 |
| | 10-Nov-05 | 20-Feb-25 | 40,000 | 4,600 | 600 | - | 34,800 | 600 | 34,200 |
| | 30-Aug-06 | 20-Aug-26 | 50,000 | 7,500 | 700 | - | 41,800 | 250 | 41,550 |
| | 11-Oct-07 | 20-Aug-27 | 80,000 | 2,800 | 1,000 | - | 76,200 | 500 | 75,700 |
| | 10-Sep-09 | 20-Aug-29 | 49,411 | 616 | 3,090 | - | 45,705 | 2,935 | 42,770 |
| | 28-Oct-09 | 20-Aug-29 | 30,589 | 384 | 1,910 | - | 28,295 | 1,815 | 26,480 |
| | 12-Jan-11 | 20-Aug-30 (b) | 68,343 | - | 1,000 | 68,343 | 67,343 | 3,088 | 64,255 |
| Total Minnesota Public Facility Authority Loans--Wastewater | | | 808,296 | 141,846 | 30,652 | 68,343 | 635,798 | 31,525 | 604,273 |
| Total General Obligation Wastewater Bonds/Loans Payable | | | 1,391,786 | 280,691 | 67,857 | 77,573 | 1,043,238 | 62,765 | 980,473 |
| Total Business-type Activities General Obligation Bonds/Loans Payable | | | 1,481,786 | 280,691 | 67,857 | 167,573 | 1,133,238 | 87,765 | 1,045,473 |
| Total General Obligation Bonds/Loans Payable | | | $1,901,741 | $ 445,356 | $ 109,502 | $ 167,573 | $1,346,883 | $ 132,745 | $1,214,138 |
| **REVENUE BONDS (Not tax supported)** | | | | | | | | | |
| Radio Board, Series 2007D, Refunding | 15-Mar-07 | 1-Feb-13 | $ 7,265 | $ 3,350 | $ 1,245 | $ - | $ 2,670 | $ 1,305 | $ 1,365 |

(a) Called prior to final maturity
(b) Of the $70 million note executed in 2011, only the amount shown was drawn down as of 12/31/11.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED DECEMBER 31, 2011
## In Thousands

| Federal Grantor<br>Pass-Through Agency<br>Grant Program Title | Federal CFDA Number | Contract Number/ Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **U.S. Department of Housing and Urban Development** | | | |
| Direct | | | |
| Shelter Plus Care | 14.238 | MN0046C5K010802 | $ 154 |
| Shelter Plus Care | 14.238 | MN0046C5K011003 | 530 |
| Shelter Plus Care | 14.238 | MN0068C5K030802 | 49 |
| Shelter Plus Care | 14.238 | MN0068C5K031003 | 154 |
| Shelter Plus Care | 14.238 | MN46C400001 | 192 |
| Shelter Plus Care | 14.238 | MN0010C5K000802 | 507 |
| Shelter Plus Care | 14.238 | MN0010C5K001003 | 1,019 |
| **Total CFDA #14.238** | | | **2,605** |
| Sustainable Communities Regional Planning Grant Program | 14.703 | MNRIP002310 | **217** |
| Section 8 Housing Choice Vouchers | 14.871 | MN163VO/MN163AF | **51,719** |
| Passed Through City of Minneapolis | | | |
| Housing Opportunities for Persons with AIDS | 14.241 | C-28344 | 314 |
| Housing Opportunities for Persons with AIDS | 14.241 | C-32012 | 139 |
| **Total CFDA #14.241** | | | **453** |
| **Total U.S. Department of Housing and Urban Development** | | | **54,994** |
| **U.S. Department of the Interior** | | | |
| Direct | | | |
| National Spatial Data Infrastructure Cooperative Agreements Program | 15.809 | G10AC00239 | **12** |
| **U.S. Department of Justice** | | | |
| Direct | | | |
| Bulletproof Vest Partnership Program | 16.607 | **N/A** | **2** |
| **U.S. Department of Transportation** | | | |
| Direct | | | |
| Federal Transit Administration | | | |
| Highway Planning and Construction | | | |
| 2004 Urban Guarantee Section 133 | 20.205 | MN-90-X201 | **53** |
| Federal Transit Cluster | | | |
| Federal Transit Capital Investment Grants | | | |
| 2000 Section 5309 | 20.500 | MN-03-0066 | 1,783 |
| 2003 Section 5309 | 20.500 | MN-03-0086 | 66 |
| 2003 - 2004 Section 5309 | 20.500 | MN-03-0106 | 9 |
| 2004 - 2005 Section 5309 | 20.500 | MN-03-0123 | 735 |
| 2005 Section 5309 | 20.500 | MN-03-0126 | 63 |

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED DECEMBER 31, 2011
## In Thousands

| Federal Grantor<br>Pass-Through Agency<br>Grant Program Title | Federal CFDA Number | Contract Number/ Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **U.S. Department of Transportation** | | | |
| Direct | | | |
| Federal Transit Administration | | | |
| Federal Transit Cluster | | | |
| Federal Transit Capital Investment Grants (Continued) | | | |
| 2006 Section 5309 | 20.500 | MN-03-0200 | 51,455 |
| 2007 Section 5309 | 20.500 | MN-04-0012 | 818 |
| 2006 Section 5309 | 20.500 | MN-04-0015 | 79 |
| 2006 Section 5309 | 20.500 | MN-04-0017 | 19 |
| 2006 Section 5309 | 20.500 | MN-04-0018 | 2,762 |
| 2006 Section 5309 | 20.500 | MN-05-0018 | 5,862 |
| 2007 - 2008 Section 5309 | 20.500 | MN-04-0026 | 84 |
| 2008 - 2009 Section 5309 | 20.500 | MN-04-0033 | 3,917 |
| 2007 - 2008 Section 5309 | 20.500 | MN-05-0019 | 266 |
| 2011 Section 5309 | 20.500 | MN-05-0020 | 466 |
| **Total CFDA #20.500** | | | **68,384** |
| Federal Transit Cluster | | | |
| Federal Transit Formula Grants | | | |
| 2003 Section 5307 | 20.507 | MN-90-X185 | 38 |
| 2002 - 2003 Section 5307 | 20.507 | MN-90-X190 | 20 |
| 2003 Section 5307 | 20.507 | MN-90-X204 | 14 |
| 2004 - 2005 Section 5307 | 20.507 | MN-90-X208 | 354 |
| 2003 - 2005 Section 5307 | 20.507 | MN-90-X215 | 168 |
| 2006 Section 5307 | 20.507 | MN-90-X226 | 143 |
| 2006 Section 5307 | 20.507 | MN-90-X230 | 3 |
| 2006 Section 5307 | 20.507 | MN-90-X235 | 5,239 |
| 2006 Section 5307 | 20.507 | MN-90-X238 | 2,134 |
| 2007 Section 5307 | 20.507 | MN-90-X242 | 46 |
| 2007 - 2008 Section 5307 | 20.507 | MN-90-X249 | 839 |
| 2007 - 2008 Section 5307 | 20.507 | MN-90-X260 | 3,375 |
| 2010 Section 5307 | 20.507 | MN-90-X274 | 46,359 |
| 2011 Section 5307 | 20.507 | MN-90-X283 | 2,750 |
| 2008 Section 5307 | 20.507 | MN-95-X006 | 174 |
| 2008 Section 5307 | 20.507 | MN-95-X007 | 18 |
| 2008 Section 5307 | 20.507 | MN-95-X010 | 383 |
| 2011 CMAQ | 20.507 | MN-95-X018 | 659 |
| 2009 - 2010 Section 5307 | 20.507 | MN-95-X019 | 72 |
| 2007 Section 5307 | 20.507 | MN-95-X001 | 2,429 |
| 2010 CMAQ | 20.507 | MN-95-0020 | 6,197 |
| 2010 Section 5307 | 20.507 | MN-90-X279 | 1,868 |
| 2006 Section 5307 | 20.507 | MN-90-217 | 1,614 |
| 2006 Section 5307 | 20.507 | MN-90-241 | 15 |
| 2007 - 2008 Section 5307 | 20.507 | MN-90-250 | 1,282 |
| 2009 - 2010 Section 5307 | 20.507 | MN-90-271 | 3,917 |
| **Total CFDA #20.507** | | | **80,110** |

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED DECEMBER 31, 2011
## In Thousands

| Federal Grantor<br>Pass-Through Agency<br>Grant Program Title | Federal CFDA Number | Contract Number/ Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **U.S. Department of Transportation** | | | |
| Direct | | | |
| Federal Transit Administration | | | |
| Federal Transit Cluster (Continued) | | | |
| Federal Transit Formula Grants -- ARRA | | | |
| 2009 Section 5307 | 20.507 | MN-96-002 | **49** |
| Transit Services Programs Cluster | | | |
| Job Access/Reverse Commute (JA/RC) | | | |
| 2006 Section 5307 | 20.516 | MN-37-011 | 202 |
| 2006 Section 5307 | 20.516 | MN-37-011 | 881 |
| **Total CFDA #20.516** | | | **1,083** |
| Transit Services Programs Cluster | | | |
| New Freedom Program | | | |
| 2011 JARC | 20.521 | MN-37-015 | 11 |
| 2006 - 2008 New Freedom | 20.521 | MN-57-002 | 454 |
| **Total CFDA #20.521** | | | **465** |
| Alternatives Analysis | | | |
| 2008 Section 5339 | 20.522 | MN-39-0002 | 968 |
| 2009 Section 5339 | 20.522 | MN-39-0003 | 309 |
| **Total CFDA #20.522** | | | **1,277** |
| Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions Cluster | | | |
| Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions | | | |
| 2011 Trigger | 20.523 | MN-77-001 | **654** |
| Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions- ARRA | 20.523 | MN-88-0001 | **62** |
| Passed Through Minnesota Department of Transportation | | | |
| Highway Planning and Construction | | | |
| Congestion Mitigation/Air Quality (CMAQ) | | | |
| 2009 Section 5307 | 20.205 | 95112 | 1,579 |
| Cycloplan | 20.205 | 95122 | 72 |
| **Total CFDA #20.205** | | | **1,651** |
| Metropolitan Transportation Planning | | | |
| Unified Planning Work Program (UPWP) 2011 - Section 5303 | 20.505 | 98158 | **2,828** |

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED DECEMBER 31, 2011
## In Thousands

| Federal Grantor<br>Pass-Through Agency<br>Grant Program Title | Federal CFDA Number | Contract Number/ Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **U.S. Department of Transportation** | | | |
| Passed Through Minnesota Department of Transportation | | | |
| Federal Transit Cluster | | | |
| Federal Transit Formula Grants | | | |
| Northstar Commuter Rail Funding Grant | 20.507 | MN-03-X201 | 4,211 |
| Van Pool CMAQ 34 | 20.507 | MN-95-001 | 55 |
| **Total CFDA #20.507** | | | **4,266** |
| Formula Grants for Other Than Urbanized Areas Cluster | | | |
| 2010 Section 5311 | 20.509 | 95832 | **609** |
| Formula Grants for Other Than Urbanized Areas -- ARRA | | | |
| 2010 Section 5311 | 20.509 | MN-96-017 | **385** |
| **Total U.S. Department of Transportation** | | | **161,876** |
| **U.S. Environmental Protection Agency** | | | |
| Passed Through Minnesota Public Facilities Authority | | | |
| Capitalization Grants for Clean Water - | | | |
| State Revolving Funds | 66.458 | MPFG -10-002t-R-FY11 | **68,750** |
| **U.S. Department of Homeland Security** | | | |
| Federal Emergency Management Agency (FEMA) | | | |
| Passed Through Minnesota Department of Public Safety | | | |
| Homeland Security Grant Program | 97.067 | HSGP-23526-2008-10873 | **58** |
| Rail and Transit Security Grant Program | 97.075 | 2007-RL-T7-0002 | (8) |
| Rail and Transit Security Grant Program | 97.075 | 2008-RL-T8-0014 | 224 |
| Rail and Transit Security Grant Program | 97.075 | 2009-RA-T9-0050 | 26 |
| Rail and Transit Security Grant Program | 97.075 | 2010-RA-T9-0044 | 85 |
| Rail and Transit Security Grant Program | 97.075 | EMW-2011-RA-K0000890S01 | 77 |
| **Total CFDA #97.075** | | | **404** |
| Rail and Transit Security Grant Program -- ARRA | 97.113 | 2009-RA-RA0088 | **373** |
| **Total U.S. Department of Homeland Security** | | | **835** |
| **Total Federal Awards** | | | **$ 286,469** |

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Metropolitan Council.

2. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Metropolitan Council under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Metropolitan Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Metropolitan Council.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the Metropolitan Council. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

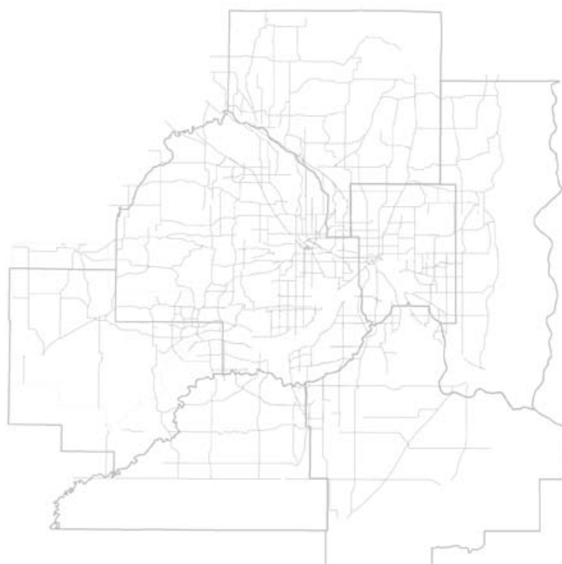
4. Subrecipients

Of the expenditures presented in the schedule, the Metropolitan Council provided federal awards to subrecipients as follows:

| CFDA Number | Program Name | Amount Provided to Subrecipients (In Thousands) |
|---|---|---|
| 14.703 | HUD Sustainable Communities | $ 73 |
| 20.205 | Highway Planning and Construction | 72 |
| 20.500 | Federal Transit Capital Investment Grants | 940 |
| 20.507 | Federal Transit Formula Grants | 1,884 |
| 20.516 | Job Access/Reverse Commute | 282 |
| 20.521 | New Freedom Program | 465 |
| 20.522 | Alternatives Analysis | 976 |
| | Total | $ 4,692 |

5. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.



Serving the Twin Cities seven-county metropolitan area

# STATISTICAL SECTION

Serving the Twin Cities seven-county metropolitan area

# 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**



Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

NET ASSETS BY COMPONENT
LAST TEN YEARS ENDED DECEMBER 31, 2011
IN THOUSANDS
(accrual basis of accounting)

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | $ 34,482 | $ 55,868 | $ 28,613 | $ 17,069 | $ 17,060 | $ 22,463 | $ 14,392 | $ 2,742 | $ 2,910 | $ 3,206 |
| Restricted | 211,377 | 246,986 | 162,814 | 152,325 | 107,253 | 105,856 | 113,196 | 119,696 | 91,617 | 110,340 |
| Unrestricted | (88,722) | (165,010) | (84,128) | (104,689) | (62,054) | (102,565) | (130,916) | (120,950) | (102,726) | (138,815) |
| Total governmental activities net assets | $ 157,137 | $ 137,844 | $ 107,299 | $ 64,705 | $ 62,259 | $ 25,754 | $ (3,328) | $ 1,488 | $ (8,199) | $ (25,269) |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | $ 2,119,631 | $ 1,695,361 | $ 1,590,590 | $ 1,451,577 | $ 1,376,046 | $ 1,390,948 | $ 1,353,995 | $ 1,369,820 | $ 1,284,499 | $ 1,089,774 |
| Restricted | 8,039 | 28,180 | 4,205 | 38,715 | 19,751 | 3,212 | 31,187 | 36,239 | 24,942 | 26,202 |
| Unrestricted | 157,392 | 127,979 | 142,542 | 76,411 | 139,993 | 105,006 | 77,035 | 57,429 | 43,881 | 64,893 |
| Total business-type activities net assets | $ 2,285,062 | $ 1,851,520 | $ 1,737,337 | $ 1,566,703 | $ 1,535,790 | $ 1,499,166 | $ 1,462,217 | $ 1,463,488 | $ 1,353,322 | $ 1,180,869 |
| Primary government | | | | | | | | | | |
| Invested in capital assets, net of related debt | $ 2,154,113 | $ 1,751,229 | $ 1,619,203 | $ 1,468,646 | $ 1,393,106 | $ 1,413,411 | $ 1,368,387 | $ 1,372,562 | $ 1,287,409 | $ 1,092,980 |
| Restricted | 219,416 | 275,166 | 167,019 | 191,040 | 127,004 | 109,068 | 144,383 | 155,935 | 116,559 | 136,542 |
| Unrestricted | 68,670 | (37,031) | 58,414 | (28,278) | 77,939 | 2,441 | (53,881) | (63,521) | (58,845) | (73,922) |
| Total primary government net assets | $ 2,442,199 | $ 1,989,364 | $ 1,844,636 | $ 1,631,408 | $ 1,598,049 | $ 1,524,920 | $ 1,458,889 | $ 1,464,976 | $ 1,345,123 | $ 1,155,600 |

Unaudited

**CHANGES IN NET ASSETS**
**LAST TEN YEARS ENDED DECEMBER 31, 2011**
**IN THOUSANDS**
**(accrual basis of accounting)**

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Expenses** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | $ 10,601 | $ 8,961 | $ 9,067 | $ 9,823 | $ 9,848 | $ 8,613 | $ 8,263 | $ 9,682 | $ 10,007 | $ 12,606 |
| Transportation | 107,251 | 107,087 | 107,715 | 102,476 | 92,732 | 88,510 | 89,662 | 84,197 | 77,622 | 71,005 |
| Culture and recreation | 30,659 | 31,860 | 28,151 | 39,007 | 26,377 | 16,084 | 18,752 | 21,149 | 30,521 | 25,675 |
| Economic development | 4,684 | 6,767 | 4,488 | 1,136 | 4,548 | 4,036 | 9,401 | 7,550 | 8,036 | 6,965 |
| Environment | 3,973 | 2,216 | 3,560 | 3,313 | 9,302 | 5,201 | 6,629 | 2,904 | 4,516 | 5,349 |
| Housing | 1,393 | 2,380 | 594 | 1,504 | 1,831 | 2,136 | 1,819 | 524 | 1,958 | 2,738 |
| Interest and other charges | 5,953 | 7,413 | 8,491 | 9,606 | 12,969 | 11,753 | 21,152 | 8,755 | 8,891 | 7,298 |
| Total governmental activities expenses | 164,514 | 166,684 | 162,066 | 166,865 | 157,607 | 136,333 | 155,678 | 134,761 | 141,551 | 131,636 |
| Business-type activities: | | | | | | | | | | |
| Environmental services | 198,406 | 190,406 | 192,990 | 218,856 | 190,763 | 173,090 | 161,748 | 161,054 | 153,373 | 154,842 |
| Transit bus | 302,758 | 301,905 | 302,669 | 299,435 | 264,612 | 246,264 | 237,695 | 218,748 | 226,769 | 229,342 |
| Transit light rail | 66,183 | 58,334 | 51,895 | 55,766 | 49,524 | 45,795 | 44,620 | 29,311 | 15,114 | 26,241 |
| Transit commuter rail | 21,860 | 19,576 | 6,834 | 770 | - | - | - | - | - | - |
| Housing | 57,682 | 56,574 | 56,201 | 53,880 | 55,432 | 56,595 | 56,198 | 57,604 | 56,222 | 50,398 |
| Total business-type activities expenses | 646,889 | 626,795 | 610,589 | 628,707 | 560,331 | 521,744 | 500,261 | 466,717 | 451,478 | 460,823 |
| Total primary government expenses | $ 811,403 | $ 793,479 | $ 772,655 | $ 795,572 | $ 717,938 | $ 658,077 | $ 655,939 | $601,478 | $ 593,029 | $592,459 |
| **Program Revenues** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Transit fares | $ 8,108 | $ 7,514 | $ 7,443 | $ 6,396 | $ 7,254 | $ 6,836 | $ 5,812 | $ 5,376 | $ 4,856 | $ 3,791 |
| Insurance reimbursements | 285 | 180 | 203 | 172 | 118 | 169 | 73 | 109 | 68 | 119 |
| Other activities | 69 | 29 | 6 | - | 89 | 43 | 20 | 40 | - | 75 |
| Operating grants and contributions | 56,884 | 50,720 | 45,563 | 46,842 | 53,051 | 42,835 | 42,542 | 42,411 | 43,022 | 27,897 |
| Capital grants and contributions | 34,963 | 38,315 | 49,379 | 32,812 | 38,336 | 19,791 | 13,483 | 9,578 | 18,074 | 8,831 |
| Total governmental activities program revenues | 100,309 | 96,758 | 102,594 | 86,222 | 98,848 | 69,674 | 61,930 | 57,514 | 66,020 | 40,713 |
| Business-type activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Wastewater | 205,847 | 209,960 | 210,535 | 203,292 | 190,491 | 187,374 | 177,995 | 160,498 | 174,747 | 171,716 |
| Transit fares | 95,806 | 92,537 | 89,913 | 86,293 | 80,111 | 77,222 | 69,858 | 56,183 | 65,957 | 68,847 |
| Other activities | 779 | 789 | 781 | 744 | 661 | 798 | 405 | 570 | 460 | 184 |
| Operating grants and contributions | 86,776 | 106,929 | 160,747 | 119,785 | 145,775 | 127,209 | 126,290 | 118,413 | 111,230 | 111,755 |
| Capital grants and contributions | 494,132 | 181,429 | 195,827 | 129,184 | 57,603 | 54,651 | 13,214 | 130,792 | 165,227 | 218,428 |
| Total business-type activities program revenues | 883,340 | 591,644 | 657,803 | 539,298 | 474,641 | 447,254 | 387,762 | 466,456 | 517,621 | 570,930 |
| Total primary government program revenues | $ 983,649 | $ 688,402 | $ 760,397 | $ 625,520 | $ 573,489 | $ 516,928 | $ 449,692 | $523,970 | $ 583,641 | $611,643 |
| **Net (Expense) Revenue** | | | | | | | | | | |
| Governmental activities | $ (64,205) | $ (69,926) | $ (59,472) | $ (80,643) | $ (58,759) | $ (66,659) | $ (93,748) | $ (77,247) | $ (75,531) | $ (90,923) |
| Business-type activities | 236,451 | (35,151) | 47,214 | (89,409) | (85,690) | (74,490) | (112,499) | (261) | 66,143 | 110,107 |
| Total primary government net (expenses) revenues | $ 172,246 | $ (105,077) | $ (12,258) | $ (170,052) | $ (144,449) | $ (141,149) | $ (206,247) | $ (77,508) | $ (9,388) | $ 19,184 |
| **General Revenues and Other Changes in Net Assets** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | $ 73,798 | $ 73,140 | $ 71,281 | $ 70,217 | $ 68,825 | $ 68,026 | $ 67,315 | $ 65,013 | $ 66,483 | $ 55,672 |
| Market value and other credits | 2,381 | 2,278 | 2,130 | 2,120 | 2,267 | 2,691 | 3,158 | 2,276 | 3,055 | 3,914 |
| Motor vehicle sales tax | 29,109 | 33,061 | 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 | 7,675 | 6,027 | 4,831 | 5,981 | 14,249 | 10,013 | 5,574 | 4,518 | 2,647 | 4,936 |
| Gain on sale of capital assets | - | - | 97 | 83 | 446 | 170 | - | - | - | 91 |
| Transfers | - | (14,035) | (11,967) | (27,097) | (17,739) | (12,618) | (18,721) | (15,831) | (19,536) | (22,385) |
| Total governmental activities | 112,963 | 100,471 | 102,066 | 83,089 | 95,264 | 95,741 | 88,932 | 88,360 | 88,448 | 57,835 |
| Business-type activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | - | - | - | - | - | - | - | - | - | 723 |
| Motor vehicle sales tax | 159,660 | 119,718 | 95,151 | 92,020 | 91,663 | 86,981 | 87,463 | 90,797 | 88,308 | 48,311 |
| Investment earnings | 7,966 | 15,581 | 16,302 | 1,205 | 12,912 | 11,840 | 5,045 | 3,798 | 3,514 | 4,708 |
| Gain on sale of capital assets | - | - | - | - | - | - | - | - | - | 6 |
| Transfers | - | 14,035 | 11,967 | 27,097 | 17,739 | 12,618 | 18,721 | 15,831 | 19,536 | 22,385 |
| Total business-type activities | 167,626 | 149,334 | 123,420 | 120,322 | 122,314 | 111,439 | 111,229 | 110,426 | 111,358 | 76,133 |
| Total primary government | $ 280,589 | $ 249,805 | $ 225,486 | $ 203,411 | $ 217,578 | $ 207,180 | $ 200,161 | $198,786 | $ 199,806 | $133,968 |
| **Changes in Net Assets** | | | | | | | | | | |
| Governmental activities | $ 48,758 | $ 30,545 | $ 42,594 | $ 2,446 | $ 36,505 | $ 29,082 | $ (4,816) | $ 11,113 | $ 12,917 | $ (33,088) |
| Business-type activities | 404,077 | 114,183 | 170,634 | 30,913 | 36,624 | 36,949 | (1,270) | 110,165 | 177,501 | 186,240 |
| Total primary government | $ 452,835 | $ 144,728 | $ 213,228 | $ 33,359 | $ 73,129 | $ 66,031 | $ (6,086) | $121,278 | $ 190,418 | $153,152 |

Unaudited

**FUND BALANCES OF GOVERNMENTAL FUNDS**
**LAST TEN YEARS ENDED DECEMBER 31, 2011**
**IN THOUSANDS**
**(modified accrual basis of accounting)**

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| General Fund | | | | | | | | | | |
| Nonspendable | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 22 | $ 199 | $ 52 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Committed | 5,297 | 4,537 | 3,793 | 2,899 | 2,612 | 4,751 | 4,546 | 1,000 | 1,000 | 949 |
| Assigned | 5,662 | 4,796 | 3,025 | 2,915 | 3,279 | 3,207 | 2,778 | 2,820 | 3,503 | 2,688 |
| Unassigned | 12,225 | 13,585 | 13,213 | 11,748 | 11,766 | 7,975 | 6,697 | 6,098 | 5,562 | 4,387 |
| Total general fund | $ 23,184 | $ 22,918 | $ 20,031 | $ 17,562 | $ 17,657 | $ 15,933 | $ 14,021 | $ 9,940 | $ 10,264 | $ 8,076 |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | $ - | $ - | $ 45,724 | $ 41,875 | $ 37,712 | $ 35,861 | $ 26,505 | $ 29,705 | $ 27,433 | $ 27,320 |
| Restricted | 306,905 | 319,238 | 203,039 | 174,126 | 147,216 | 125,586 | 151,200 | 138,608 | 112,281 | 143,913 |
| Committed | 30,164 | 32,140 | 30,785 | 27,474 | 29,210 | 25,401 | 23,737 | 20,347 | 21,092 | 15,445 |
| Unassigned | (44,489) | (35,143) | (17,578) | (37,438) | (9,468) | (19,923) | - | (440) | (8,582) | (2,412) |
| Total all other governmental funds | $ 292,580 | $ 316,235 | $ 261,970 | $ 206,037 | $ 204,670 | $ 166,925 | $ 201,442 | $ 188,220 | $ 152,224 | $ 184,266 |
| Total all governmental funds | $ 315,764 | $ 339,153 | $ 282,001 | $ 223,599 | $ 222,327 | $ 182,858 | $ 215,463 | $ 198,160 | $ 162,488 | $ 192,342 |

Unaudited

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
## LAST TEN YEARS ENDED DECEMBER 31, 2011
## IN THOUSANDS
## (modified accrual basis of accounting)

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | | | |
| Taxes | $ 72,658 | $ 72,752 | $ 71,223 | $ 70,161 | $ 68,383 | $ 68,178 | $ 66,944 | $ 65,916 | $ 64,820 | $ 55,274 |
| Intergovernmental revenue: | | | | | | | | | | |
| Federal | 18,460 | 20,107 | 19,947 | 14,009 | 20,046 | 15,902 | 12,409 | 12,311 | 9,707 | 3,249 |
| Build America bonds interest subsidy | 825 | 423 | - | - | - | - | - | - | - | - |
| State | 103,371 | 103,583 | 112,758 | 99,548 | 97,324 | 76,864 | 76,076 | 74,338 | 90,245 | 52,195 |
| Local/other | 1,493 | 1,108 | 1,101 | 927 | 3,759 | 188 | 259 | 211 | 278 | 631 |
| Investment income | 7,675 | 6,027 | 4,831 | 5,981 | 14,249 | 10,013 | 5,574 | 4,518 | 2,647 | 4,936 |
| Other | 7,650 | 6,876 | 6,612 | 5,713 | 7,202 | 6,870 | 7,950 | 5,315 | 4,645 | 4,164 |
| Total revenues | 212,132 | 210,876 | 216,472 | 196,339 | 210,963 | 178,015 | 169,212 | 162,609 | 172,342 | 120,449 |
| **EXPENDITURES** | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 8,861 | 7,638 | 7,932 | 8,862 | 8,817 | 8,185 | 7,613 | 9,190 | 9,716 | 12,313 |
| Transportation | 67,418 | 63,424 | 58,175 | 60,468 | 54,233 | 51,112 | 51,281 | 48,383 | 46,900 | 43,467 |
| Culture and recreation | - | - | - | - | - | - | 26 | 71 | 143 | 121 |
| Intergovernmental: | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | - | - | - |
| Transportation | 26,144 | 30,474 | 38,100 | 31,616 | 30,262 | 29,780 | 31,615 | 29,488 | 25,994 | 24,723 |
| Culture and recreation | 30,659 | 31,860 | 28,151 | 39,007 | 26,377 | 16,084 | 18,726 | 21,078 | 30,378 | 25,554 |
| Economic development | 4,684 | 6,767 | 4,488 | 1,136 | 4,548 | 4,036 | 9,401 | 2,904 | 4,517 | 5,349 |
| Environment | 3,973 | 2,216 | 3,560 | 3,313 | 9,302 | 5,201 | 6,629 | 524 | 1,958 | 2,739 |
| Housing | 1,393 | 2,380 | 594 | 1,504 | 1,831 | 2,136 | 1,819 | 7,550 | 8,036 | 6,965 |
| Debt service: | | | | | | | | | | |
| Principal | 43,465 | 53,475 | 35,325 | 43,515 | 44,295 | 40,870 | 39,670 | 31,855 | 34,245 | 22,940 |
| Interest and other charges | 8,143 | 8,552 | 8,560 | 10,280 | 13,217 | 13,625 | 10,555 | 8,511 | 8,983 | 7,233 |
| Capital outlay | 11,480 | 10,945 | 18,916 | 5,796 | 22,198 | 26,998 | 16,908 | 8,434 | 21,717 | 7,220 |
| Total expenditures | 206,220 | 217,731 | 203,801 | 205,497 | 215,080 | 198,027 | 194,243 | 167,988 | 192,587 | 158,624 |
| Excess (deficiency) of revenues over (under) expenditures | 5,912 | (6,855) | 12,671 | (9,158) | (4,117) | (20,012) | (25,031) | (5,379) | (20,245) | (38,175) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | | | |
| Transfers in | 1,693 | 1,150 | 1,101 | 3,953 | 3,832 | 1,667 | 5,704 | 7,349 | 1,585 | 3,352 |
| Transfers out | (31,158) | (15,185) | (19,632) | (31,241) | (21,805) | (14,362) | (24,778) | (23,387) | (21,948) | (25,737) |
| Bonds issued | - | 77,600 | 53,000 | 50,300 | 45,900 | - | 38,000 | 47,375 | - | 71,550 |
| 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 | - | 296 | 588 | 841 | 698 | - | 1,965 | 3,570 | - | - |
| Payment to refunded bond escrow agent | - | - | - | (13,600) | (2,860) | - | - | (10,395) | - | - |
| Sale of capital assets | 164 | 146 | 184 | 177 | 446 | 102 | 274 | 165 | 27 | 169 |
| Total other financing sources (uses) | (29,301) | 64,007 | 45,731 | 10,430 | 43,586 | (12,593) | 42,335 | 41,051 | (9,610) | 49,334 |
| Net change in fund balances | $ (23,389) | $ 57,152 | $ 58,402 | $ 1,272 | $ 39,469 | $ (32,605) | $ 17,304 | $ 35,672 | $ (29,855) | $ 11,159 |
| Debt service as a percentage of noncapital expenditures | 26.5% | 30.0% | 23.7% | 26.9% | 29.8% | 31.9% | 28.3% | 25.3% | 25.3% | 19.9% |

Unaudited

## GENERAL GOVERNMENTAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE LAST TEN YEARS ENDED DECEMBER 31, 2011 [1] IN THOUSANDS

| | Taxes | | | Intergovernmental Revenue | | | | Investment Income | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | General | Special Revenue | Debt Service | Federal | Build America Bonds Interest Subsidy | State | Local/ Other | General and Special Revenue Funds | Debt Service Funds | Other Revenue and Financing Sources | Total Revenue and Other Financing Sources |
| 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 |
| 2010 | 12,621 | 16,287 | 43,844 | 20,107 | 423 | 79,129 | 1,108 | 3,620 | 1,648 | 7,897 | 186,684 |
| 2011 | 9,023 | 16,321 | 47,314 | 18,460 | 825 | 81,785 | 1,493 | 4,228 | 1,649 | 8,728 | 189,826 |

Unaudited

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

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## MARKET VALUE AND NET TAX CAPACITY VALUE OF TAXABLE PROPERTY LAST TEN YEARS ENDED DECEMBER 31, 2011 IN THOUSANDS (EXCEPT PERCENTAGES)

| | Real Property | Personal Property | Total | | | |
|---|---|---|---|---|---|---|
| Year | Market Value | Market Value | Market Value | Net Tax Capacity Value | Ratio of Net Tax Capacity Value to Market Value | Total Direct Tax Rate |
| 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 |
| 2010 | 291,973,299 | 2,900,339 | 294,873,638 | 3,510,991 | 1.2% | 0.01 |
| 2011 | 282,206,820 | 2,960,869 | 285,167,689 | 3,260,224 | 1.1% | 0.02 |

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.

## PROPERTY TAX RATES AND LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS
## LAST TEN YEARS ENDED DECEMBER 31, 2011
## IN THOUSANDS

| Year | General Fund | Highway Right-of-Way Fund | Special Revenue and Transit Funds | Debt Service Funds | Total Direct Tax Rate | School Districts | Counties | Cities and Townships | Other |
|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 2010 | 0.00 | 0.00 | 0.00 | 0.01 | 0.01 | 0.37 | 0.35 | 0.33 | 0.40 |
| 2011 | 0.00 | 0.00 | 0.00 | 0.02 | 0.02 | 0.40 | 0.37 | 0.36 | 0.45 |

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.

## PRINCIPAL PROPERTY TAX PAYERS
## CURRENT YEAR AND NINE YEARS AGO
## IN THOUSANDS

***Largest taxpayers in Hennepin and Ramsey counties***

| Taxpayer | 2011 Net Tax Capacity | 2011 Rank | 2011 Percentage of Total Tax Capacity[1,3] | 2002 Tax Capacity | 2002 Rank | 2002 Percentage of Total Tax Capacity[2,3] |
|---|---|---|---|---|---|---|
| MOAC Mall Holdings LLC | $ 10,857 | 1 | 0.33% | $ 16,917 | 2 | 0.80% |
| Xcel Energy / Northern States Power Co | 5,971 | 2 | 0.18% | 27,258 | 1 | 1.28% |
| 3M Company | 4,463 | 3 | 0.14% | 12,177 | 3 | 0.57% |
| MB Minneapolis 8th St. LLC | 3,465 | 4 | 0.11% | - | - | |
| Minneapolis 225 Holdings LLC | 3,433 | 5 | 0.11% | - | - | |
| NWC Limited Partnership | 3,313 | 6 | 0.10% | 5,908 | 4 | 0.28% |
| Wells Reit-800 Nicollett | 2,749 | 7 | 0.08% | - | - | |
| U S Bank NA BC-MN-H21N | 2,747 | 8 | 0.08% | - | - | |
| Best Buy Co. Inc. | 2,369 | 9 | 0.07% | - | - | |
| Ridgedale Joint Venture | 2,299 | 10 | 0.07% | - | - | |
| 601 Second Avenue LTD Partnership | - | - | - | 5,506 | 5 | 0.26% |
| First Minneapolis - Hines Co. | - | - | - | 5,177 | 6 | 0.24% |
| RREEF Funds | - | - | - | 4,776 | 7 | 0.22% |
| City Center Associates | - | - | - | 4,544 | 8 | 0.21% |
| Federal Reserve Bank of Minneapolis | - | - | - | 3,625 | 9 | 0.17% |
| Ridgedale Joint Venture | - | - | - | 3,460 | 10 | 0.16% |
| Total | $ 41,666 | | 1.27% | $ 89,348 | | 4.19% |

Unaudited

Source: Hennepin County abstract of property taxes (2011)
Ramsey County abstract of property taxes (2011)
Evensen Dodge, Inc. (2002)

Notes
[1] Net tax capacity value for 2011 = $3,260,224
[2] Net tax capacity value for 2002 = $2,124,742
[3] Net tax capacity value is determined by multiplying taxable market value by class rates for different types of property set by Minnesota state law.

## PROPERTY TAX LEVIES AND COLLECTIONS
## LAST TEN YEARS ENDED DECEMBER 31, 2011
## IN THOUSANDS (EXCEPT PERCENTAGES)

| Year | Total Tax Levy | State Levy Reduction | Net Taxes Levied for the Year | Collected within the Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---|---|---|---|---|---|---|---|---|
| | | | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 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% | 356 | 66,008 | 99.53% |
| 2005 | 70,648 | 3,116 | 67,532 | 66,615 | 98.64% | 533 | 67,148 | 99.43% |
| 2006 | 71,354 | 2,677 | 68,677 | 67,709 | 98.59% | 768 | 68,477 | 99.71% |
| 2007 | 71,067 | 2,267 | 68,800 | 67,750 | 98.47% | 851 | 68,601 | 99.71% |
| 2008 | 72,788 | 2,103 | 70,685 | 69,355 | 98.12% | 960 | 70,315 | 99.48% |
| 2009 | 73,886 | 2,101 | 71,785 | 70,248 | 97.86% | 838 | 71,086 | 99.03% |
| 2010 | 75,394 | 2,252 | 73,142 | 71,815 | 98.19% | 510 | 72,325 | 98.88% |
| 2011 | 75,424 | 2,353 | 73,071 | 71,923 | 98.43% | - | 71,923 | 98.43% |

Unaudited

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING
## LAST TEN YEARS ENDED DECEMBER 31, 2011
## IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)

| | General Bonded Debt Outstanding | | | | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | General Obligation Bonds Transit | General Obligation Bonds Parks | General Obligation Bonds Other | General Obligation Bonds Wastewater | Total | Percentage of Actual Taxable Value[1] of Property | Per Capita[2] |
| 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% | 197.82 |
| 2010 | 231,130 | 13,525 | - | 435,415 | 680,070 | 19.37% | 238.66 |
| 2011 | 193,285 | 10,900 | - | 407,440 | 611,625 | 18.76% | 214.64 |

Unaudited

Notes: Details regarding the Metopolitan 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 schedule for property value data.

[2] See demographic and economic statistics schedule for population data.

# RATIOS OF OUTSTANDING DEBT BY TYPE
## LAST TEN YEARS ENDED DECEMBER 31, 2011
## IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)

### Governmental Activities

| Fiscal Year | General Obligation Bonds-Transit | General Obligation Bonds-Parks | General Obligation Bonds-Other | Revenue Bonds[2] | PFA Transit Loan[1] | Capital Leases | Total Governmental Activities |
|---|---|---|---|---|---|---|---|
| 2002 | $ 174,455 | $ 27,670 | $ 3,145 | $ - | $ 16,430 | $ - | $ 221,700 |
| 2003 | 152,015 | 29,405 | 2,485 | - | 14,145 | - | 198,050 |
| 2004 | 170,490 | 21,910 | 1,790 | - | 11,895 | 13,530 | 219,615 |
| 2005 | 192,780 | 21,145 | 1,075 | 10,760 | 10,585 | 13,530 | 249,875 |
| 2006 | 162,415 | 13,170 | 735 | 9,915 | 9,240 | 13,530 | 209,005 |
| 2007 | 178,210 | 18,400 | 375 | 7,265 | 7,855 | 13,020 | 225,125 |
| 2008 | 174,745 | 8,625 | - | 6,235 | 16,210 | 12,495 | 218,310 |
| 2009 | 201,430 | 15,130 | - | 5,100 | 12,860 | 11,955 | 246,475 |
| 2010 | 231,130 | 13,525 | - | 3,915 | 10,635 | 11,395 | 270,600 |
| 2011 | 193,285 | 10,900 | - | 2,670 | 9,460 | 10,820 | 227,135 |

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] $10,760,000 revenue bonds issued in behalf of the Metropolitan Radio Board (ceased operations on June 30, 2005), which were refunded in 2007 with $7,265,000 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.

[4] Transit's grant anticipation notes are treated as general obligation debt. Loan repayments are similar for general obligation loan repayments. These notes are categorized under business activities since they are secured by grant receipts from the Federal Transit Administration.

| Business-Type Activities | | | | | | | |
|---|---|---|---|---|---|---|---|
| General Obligation Grant Anticipation Transit Notes[4] | General Obligation Bonds Wastewater | PFA Wastewater | Capital Leases | Total Business-Type Activities | Total Primary Government | Percentage of Personal Income[3] | Per Capita[3] |
| $ - | $ 159,205 | $ 448,285 | $ 648 | $ 608,138 | $ 829,838 | 0.72% | $ 306.34 |
| - | 261,895 | 419,940 | 441 | 682,276 | 880,326 | 0.74% | 321.17 |
| - | 263,865 | 506,747 | 376 | 770,988 | 990,603 | 0.78% | 357.49 |
| - | 310,090 | 515,332 | - | 825,422 | 1,075,297 | 0.81% | 382.64 |
| - | 277,925 | 552,943 | - | 830,868 | 1,039,873 | 0.74% | 368.52 |
| - | 331,340 | 564,956 | - | 896,296 | 1,121,421 | 0.75% | 393.62 |
| - | 381,635 | 576,213 | - | 957,848 | 1,176,158 | 0.76% | 409.78 |
| - | 353,520 | 592,293 | - | 945,813 | 1,192,288 | 0.80% | 413.73 |
| - | 435,415 | 598,107 | - | 1,033,522 | 1,304,122 | 0.84% | 457.66 |
| 90,000 | 407,440 | 635,798 | - | 1,133,238 | 1,360,373 | 0.88% | 477.40 |

## COMPILATION OF OVERLAPPING DEBT [1]
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS



| Jurisdiction | Net G.O. Debt Outstanding | Percent Applicable to Council | Overlapping Debt |
|---|---|---|---|
| **Counties:** | | | |
| Anoka | $ 150,439 | 100.0% | $ 150,439 |
| Carver | 25,465 | 100.0% | 25,465 |
| Dakota | 57,880 | 99.7% | 57,706 |
| Hennepin | 1,145,270 | 99.9% | 1,144,125 |
| Ramsey | 246,097 | 100.0% | 246,097 |
| Scott | 76,805 | 97.7% | 75,038 |
| Washington | 150,225 | 100.0% | 150,225 |
| Total counties | 1,852,181 | | 1,849,095 |
| **School districts:** | | | |
| SSD #1 Minneapolis | 316,841 | 100.0% | 316,841 |
| SSD #6 South St. Paul | 17,123 | 100.0% | 17,123 |
| ISD #11 Anoka | 143,253 | 100.0% | 143,253 |
| ISD #12 Centennial | 82,525 | 100.0% | 82,525 |
| ISD #13 Columbia Heights | 22,435 | 100.0% | 22,435 |
| ISD #14 Fridley | 41,890 | 100.0% | 41,890 |
| ISD #15 St. Francis | 40,630 | 92.0% | 37,380 |
| ISD #16 Spring Lake Park | 127,655 | 100.0% | 127,655 |
| ISD #108 Norwood-Young America | 10,860 | 96.8% | 10,512 |
| ISD #110 Waconia | 55,710 | 100.0% | 55,710 |
| ISD #111 Watertown-Mayer | 48,710 | 90.3% | 43,985 |
| ISD #112 Chaska | 184,980 | 100.0% | 184,980 |
| ISD #191 Burnsville | 101,350 | 100.0% | 101,350 |
| ISD #192 Farmington | 238,900 | 100.0% | 238,900 |
| ISD #194 Lakeville | 177,262 | 100.0% | 177,262 |
| ISD #195 Randolph | 7,540 | 88.0% | 6,635 |
| ISD #196 Rosemount | 134,160 | 100.0% | 134,160 |
| ISD #197 West St. Paul | 53,830 | 100.0% | 53,830 |
| ISD #199 Inver Grove Heights | 50,620 | 100.0% | 50,620 |
| ISD #200 Hastings | 55,350 | 99.9% | 55,295 |
| ISD #252 Cannon Falls | 20,705 | 4.6% | 952 |
| ISD #270 Hopkins-Golden Valley | 184,860 | 100.0% | 184,860 |
| ISD #271 Bloomington | 147,835 | 100.0% | 147,835 |
| ISD #272 Eden Prairie | 85,370 | 100.0% | 85,370 |
| ISD #273 Edina | 123,075 | 100.0% | 123,075 |
| ISD #276 Minnetonka | 141,635 | 100.0% | 141,635 |
| ISD #277 Westonka | 6,740 | 100.0% | 6,740 |
| ISD #278 Orono | 56,790 | 100.0% | 56,790 |
| ISD #279 Osseo | 196,925 | 100.0% | 196,925 |
| ISD #280 Richfield | 56,540 | 100.0% | 56,540 |
| ISD #281 Robbinsdale | 216,145 | 100.0% | 216,145 |
| ISD #282 St Anthony-New Brighton | 24,680 | 100.0% | 24,680 |
| ISD #283 St. Louis Park | 50,565 | 100.0% | 50,565 |
| ISD #284 Wayzata | 57,525 | 100.0% | 57,525 |
| ISD #286 Brooklyn Center | 31,750 | 100.0% | 31,750 |
| ISD #424 Lester Prairie | 140 | 0.3% | 0 |
| ISD #621 Mounds View | 188,348 | 100.0% | 188,348 |
| ISD #622 North St. Paul-Maplewood-Oakdale | 149,505 | 100.0% | 149,505 |
| ISD #623 Roseville | 47,765 | 100.0% | 47,765 |
| ISD #624 White Bear Lake | 108,130 | 100.0% | 108,130 |
| ISD #625 St. Paul | 329,485 | 100.0% | 329,485 |
| ISD #659 Northfield | 64,020 | 15.0% | 9,603 |

## COMPILATION OF OVERLAPPING DEBT [1]
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS



| Jurisdiction | Net G.O. Debt Outstanding | Percent Applicable to Council | Overlapping Debt |
|---|---|---|---|
| **School districts (continued):** | | | |
| ISD #716 Belle Plaine | 37,335 | 87.1% | 32,519 |
| ISD #717 Jordan | 15,185 | 100.0% | 15,185 |
| ISD #719 Prior lake | 125,420 | 100.0% | 125,420 |
| ISD #720 Shakopee | 143,855 | 100.0% | 143,855 |
| ISD #721 New Prague | 65,315 | 61.9% | 40,430 |
| ISD #728 Elk River | 265,345 | 32.8% | 87,033 |
| ISD #831 Forest Lake | 32,920 | 87.1% | 28,673 |
| ISD #832 Mahtomedi | 78,360 | 100.0% | 78,360 |
| ISD #833 South Washington | 330,275 | 100.0% | 330,275 |
| ISD #834 Stillwater | 62,980 | 100.0% | 62,980 |
| ISD #877 Buffalo-Hanover-Montrose | 67,230 | 16.3% | 10,958 |
| ISD #879 Delano | 24,880 | 37.5% | 9,330 |
| ISD #883 Rockford | 34,245 | 68.4% | 23,424 |
| ISD #916 Special Intermediate-Vo Tech | 6,285 | 100.0% | 6,285 |
| ISD #2144 Chisago Lakes | 23,165 | 3.9% | 903 |
| ISD #2397 LeSueur-Henderson | 16,465 | 1.2% | 198 |
| ISD #2687 Howard Lake-Waverly-Winsted | 26,150 | 0.5% | 131 |
| ISD #2859 Glencoe-Silver Lake | 2,105 | 0.1% | 2 |
| Total school districts | 5,557,672 | | 5,112,525 |
| **Cities:** | | | |
| Afton | 3,655 | 100.0% | 3,655 |
| Andover | 20,686 | 100.0% | 20,686 |
| Anoka | 7,050 | 100.0% | 7,050 |
| Apple Valley | 38,460 | 100.0% | 38,460 |
| Arden Hills | 1,065 | 100.0% | 1,065 |
| Bayport | 690 | 100.0% | 690 |
| Belle Plaine | 15,030 | 100.0% | 15,030 |
| Bethel | 605 | 100.0% | 605 |
| Birchwood | 225 | 100.0% | 225 |
| Blaine | 35,850 | 100.0% | 35,850 |
| Bloomington | 70,215 | 100.0% | 70,215 |
| Brooklyn Center | 20,575 | 100.0% | 20,575 |
| Brooklyn Park | 49,040 | 100.0% | 49,040 |
| Burnsville | 62,519 | 100.0% | 62,519 |
| Carver | 14,632 | 100.0% | 14,632 |
| Centerville | 9,326 | 100.0% | 9,326 |
| Champlin | 12,270 | 100.0% | 12,270 |
| Chanhassen | 41,705 | 100.0% | 41,705 |
| Chaska | 82,120 | 100.0% | 82,120 |
| Circle Pines | 6,860 | 100.0% | 6,860 |
| Cologne | 10,011 | 100.0% | 10,011 |
| Columbia Heights | 17,525 | 100.0% | 17,525 |
| Columbus | 14,498 | 100.0% | 14,498 |
| Coon Rapids | 35,570 | 100.0% | 35,570 |
| Corcoran | 1,184 | 100.0% | 1,184 |
| Cottage Grove | 16,865 | 100.0% | 16,865 |
| Crystal | 13,506 | 100.0% | 13,506 |
| Dayton | 37,058 | 100.0% | 37,058 |
| Eagan | 22,040 | 100.0% | 22,040 |
| East Bethel | 22,301 | 100.0% | 22,301 |
| Eden Prairie | 40,630 | 100.0% | 40,630 |
| Edina | 103,350 | 100.0% | 103,350 |
| Elko/New Market | 10,890 | 100.0% | 10,890 |
| Excelsior | 3,540 | 100.0% | 3,540 |

## COMPILATION OF OVERLAPPING DEBT [1]
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS



| Jurisdiction | Net G.O. Debt Outstanding | Percent Applicable to Council | Overlapping Debt |
|---|---|---|---|
| **Cities (continued):** | | | |
| Falcon Heights | 235 | 100.0% | 235 |
| Farmington | 38,644 | 100.0% | 38,644 |
| Forest Lake | 12,475 | 100.0% | 12,475 |
| Fridley | 14,945 | 100.0% | 14,945 |
| Gem Lake | 1,255 | 100.0% | 1,255 |
| Golden Valley | 82,820 | 100.0% | 82,820 |
| Grant | 116 | 100.0% | 116 |
| Greenfield | 4,420 | 100.0% | 4,420 |
| Hamburg | 2,499 | 100.0% | 2,499 |
| Ham Lake | 4,780 | 100.0% | 4,780 |
| Hampton | 1,775 | 100.0% | 1,775 |
| Hastings | 30,805 | 100.0% | 30,805 |
| Hopkins | 23,495 | 100.0% | 23,495 |
| Hugo | 14,375 | 100.0% | 14,375 |
| Independence | 2,231 | 100.0% | 2,231 |
| Inver Grove Heights | 60,605 | 100.0% | 60,605 |
| Jordan | 24,208 | 100.0% | 24,208 |
| Lake Elmo | 12,255 | 100.0% | 12,255 |
| Lakeland | 1,765 | 100.0% | 1,765 |
| Lake St. Croix Beach | 304 | 100.0% | 304 |
| Lakeville | 89,575 | 100.0% | 89,575 |
| Landfall | 222 | 100.0% | 222 |
| Lauderdale | 800 | 100.0% | 800 |
| Lexington | 1,672 | 100.0% | 1,672 |
| Lilydale | 1,795 | 100.0% | 1,795 |
| Lino Lakes | 21,506 | 100.0% | 21,506 |
| Little Canada | 8,430 | 100.0% | 8,430 |
| Long Lake | 1,428 | 100.0% | 1,428 |
| Loretto | 607 | 100.0% | 607 |
| Mahtomedi | 14,240 | 100.0% | 14,240 |
| Maple Grove | 115,140 | 100.0% | 115,140 |
| Maple Plain | 3,297 | 100.0% | 3,297 |
| Maplewood | 78,017 | 100.0% | 78,017 |
| Marine | 152 | 100.0% | 152 |
| Mayer | 14,065 | 100.0% | 14,065 |
| Medina | 11,365 | 100.0% | 11,365 |
| Mendota | 29 | 100.0% | 29 |
| Mendota Heights | 13,890 | 100.0% | 13,890 |
| Minneapolis | 910,081 | 100.0% | 910,081 |
| Minnetonka | 14,185 | 100.0% | 14,185 |
| Minnetonka Beach | 795 | 100.0% | 795 |
| Minnetrista | 11,101 | 100.0% | 11,101 |
| Mound | 44,355 | 100.0% | 44,355 |
| Mounds View | 2,535 | 100.0% | 2,535 |
| New Brighton | 50,455 | 100.0% | 50,455 |
| New Germany | 9,075 | 100.0% | 9,075 |
| New Hope | 11,527 | 100.0% | 11,527 |
| Newport | 2,406 | 100.0% | 2,406 |
| North St. Paul | 19,695 | 100.0% | 19,695 |
| Norwood-Young America | 29,160 | 100.0% | 29,160 |
| Nowthen | 1,080 | 100.0% | 1,080 |
| Oakdale | 29,995 | 100.0% | 29,995 |

## COMPILATION OF OVERLAPPING DEBT [1]
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS



| Jurisdiction | Net G.O. Debt Outstanding | Percent Applicable to Council | Overlapping Debt |
|---|---|---|---|
| **Cities (continued):** | | | |
| Oak Grove | 2,451 | 100.0% | 2,451 |
| Oak Park Heights | 6,855 | 100.0% | 6,855 |
| Orono | 10,780 | 100.0% | 10,780 |
| Osseo | 11,341 | 100.0% | 11,341 |
| Plymouth | 24,320 | 100.0% | 24,320 |
| Prior Lake | 41,440 | 100.0% | 41,440 |
| Ramsey | 13,635 | 100.0% | 13,635 |
| Richfield | 43,115 | 100.0% | 43,115 |
| Robbinsdale | 14,532 | 100.0% | 14,532 |
| Rogers | 14,450 | 100.0% | 14,450 |
| Rosemount | 21,000 | 100.0% | 21,000 |
| Roseville | 20,135 | 100.0% | 20,135 |
| St. Anthony | 24,145 | 100.0% | 24,145 |
| St. Bonifacius | 3,642 | 100.0% | 3,642 |
| St. Francis | 15,849 | 100.0% | 15,849 |
| St. Louis Park | 39,935 | 100.0% | 39,935 |
| St. Paul | 459,779 | 100.0% | 459,779 |
| St. Paul Park | 3,885 | 100.0% | 3,885 |
| Savage | 84,116 | 100.0% | 84,116 |
| Scandia | 1,540 | 100.0% | 1,540 |
| Shakopee | 35,030 | 100.0% | 35,030 |
| Shoreview | 21,820 | 100.0% | 21,820 |
| Shorewood | 12,845 | 100.0% | 12,845 |
| South St. Paul | 12,135 | 100.0% | 12,135 |
| Spring Lake Park | 4,370 | 100.0% | 4,370 |
| Spring Park | 1,065 | 100.0% | 1,065 |
| Stillwater | 24,705 | 100.0% | 24,705 |
| Sunfish Lake | 318 | 100.0% | 318 |
| Vadnais Heights | 9,360 | 100.0% | 9,360 |
| Vermillion | 380 | 100.0% | 380 |
| Victoria | 39,662 | 100.0% | 39,662 |
| Waconia | 41,626 | 100.0% | 41,626 |
| Watertown | 8,703 | 100.0% | 8,703 |
| Wayzata | 14,090 | 100.0% | 14,090 |
| West St. Paul | 20,755 | 100.0% | 20,755 |
| White Bear Lake | 3,070 | 100.0% | 3,070 |
| Woodbury | 56,345 | 100.0% | 56,345 |
| Woodland | 334 | 100.0% | 334 |
| Total cities | 3,851,786 | | 3,851,786 |
| | | | |
| **Townships:** | | | |
| Credit River | 705 | 100.0% | 705 |
| Empire | 1,410 | 100.0% | 1,410 |
| Greenvale | 71 | 100.0% | 71 |
| Hassan | 1,445 | 100.0% | 1,445 |
| Laketown | 232 | 100.0% | 232 |
| New Market | 61 | 100.0% | 61 |
| Sand Creek | 610 | 100.0% | 610 |
| Spring Lake | 3,012 | 100.0% | 3,012 |
| White Bear | 9,580 | 100.0% | 9,580 |
| Total townships | 17,126 | | 17,126 |

## COMPILATION OF OVERLAPPING DEBT [1]
## FOR THE YEAR ENDED DECEMBER 31, 2011
## IN THOUSANDS



| Jurisdiction | Net G.O. Debt Outstanding | Percent Applicable to Council | Overlapping Debt |
|---|---|---|---|
| **Miscellaneous:** | | | |
| Anoka County HRA | 35,085 | 100.0% | 35,085 |
| Anoka Tax Increment | 7,710 | 100.0% | 7,710 |
| Blaine EDA/HRA | 4,000 | 100.0% | 4,000 |
| Bloomington Port Authority | 21,820 | 100.0% | 21,820 |
| Brooklyn Park EDA | 5,225 | 100.0% | 5,225 |
| Capital Region Watershed District | 1,340 | 100.0% | 1,340 |
| Carver County CDA | 25,235 | 100.0% | 25,235 |
| Cedar Lake Sewer Sanitary District | 1,374 | 50.6% | 695 |
| Chanhassen HRA | 960 | 100.0% | 960 |
| Circle Pines Tax Increment | 4,010 | 100.0% | 4,010 |
| Columbia Heights Tax Increment | 580 | 100.0% | 580 |
| Coon Rapids Tax Increment | 795 | 100.0% | 795 |
| Dakota County CDA | 405,054 | 100.0% | 405,054 |
| Hastings EDA | 2,855 | 100.0% | 2,855 |
| Hennepin County Regional Park | 85,785 | 100.0% | 85,785 |
| Hennepin Regional Railroad Authority | 40,505 | 100.0% | 40,505 |
| Hilltop Tax Increment | 40 | 100.0% | 40 |
| Hopkins HRA | 2,185 | 100.0% | 2,185 |
| HRA of St. Paul | 179,707 | 100.0% | 179,707 |
| Maple Grove HRA | 2,010 | 100.0% | 2,010 |
| Metropolitan Airports Commission | 1,523,165 | 100.0% | 1,523,165 |
| Minnesota Municipal Power Agency | 297,862 | 66.7% | 198,674 |
| Mound HRA | 7,896 | 100.0% | 7,896 |
| North Suburban Hospital District | 2,865 | 100.0% | 2,865 |
| Norwood-Young America EDA | 8,320 | 100.0% | 8,320 |
| Prior Lake-Spring Lake Watershed District | 1,355 | 100.0% | 1,355 |
| Plymouth HRA | 16,685 | 100.0% | 16,685 |
| Ramsey-Washington Metro Watershed District | 698 | 100.0% | 698 |
| Regional Railroad Authority-Anoka County | 29,285 | 100.0% | 29,285 |
| Scott County CDA | 36,640 | 100.0% | 36,640 |
| South Washington Watershed District | 6,740 | 100.0% | 6,740 |
| St. Anthony HRA | 9,345 | 100.0% | 9,345 |
| St. Paul Port Authority | 57,389 | 100.0% | 57,389 |
| Waconia HRA | 18,451 | 100.0% | 18,451 |
| Washington County HRA | 54,520 | 100.0% | 54,520 |
| Total miscellaneous | 2,897,491 | | 2,797,624 |
| Subtotal, overlapping debt | $ 14,176,256 | | 13,628,156 |
| Metropolitan Council direct debt | | | 227,135 |
| **Total direct and overlapping debt** | | | **$13,855,291** |

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 The debt of jurisdictions that include tax base both within and outside of the Metropolitan Council's jurisdiction is split in proportion to the taxable net tax capacity inside and outside the Metropolitan Council's jurisdiction. The debt of the Minnesota Municipal Power Agency is split in proportion to the population inside and outside the Metropolitan Council's jurisdiction.

**LEGAL DEBT MARGIN INFORMATION**
**LAST TEN YEARS ENDED DECEMBER 31, 2011**
**IN THOUSANDS (EXCEPT PERCENTAGE)**

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| Debt limit | $ 305,145 | $ 338,265 | $ 345,190 | $ 330,655 | $ 306,495 | $ 317,995 | $ 316,905 | $ 274,635 | $ 300,230 | $ 274,205 |
| Total net debt applicable to limit | 213,645 | 255,290 | 229,420 | 199,580 | 198,870 | 169,100 | 209,125 | 199,945 | 184,375 | 209,515 |
| Legal debt margin | $ 91,500 | $ 82,975 | $ 115,770 | $ 131,075 | $ 107,625 | $ 148,895 | $ 107,780 | $ 74,690 | $ 115,855 | $ 64,690 |
| Total net debt applicable to the limit as a percentage of debt limit | 70.01% | 75.47% | 66.46% | 60.36% | 64.89% | 53.18% | 65.99% | 72.80% | 61.41% | 76.41% |

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.

# PLEDGED-REVENUE COVERAGE
# LAST SEVEN YEARS ENDED DECEMBER 31, 2011
# IN THOUSANDS (EXCEPT COVERAGE)

| | Radio Revenue Bonds | | | | |
|---|---|---|---|---|---|
| Year | Total Bond Outstanding[1,3] | 911 Fee Revenue [2] | Principal[1,5] | Interest | Coverage[4] |
| 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 |
| 2010 | 3,915 | 1,452 | 1,185 | 199 | 1.05 |
| 2011 | 2,670 | 1,410 | 1,245 | 138 | 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 $14,280,000. 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--$890,000 plus interest for the year --$476,000.

[5] In 2007, the original bond principal payment was $890,000. The remaining $9,025,000 payments came from refund proceeds and old debt service fund required reserve balance.

## DEMOGRAPHIC AND ECONOMIC STATISTICS
## LAST TEN YEARS ENDED DECEMBER 31, 2011

| Year | Population [1] | Personal Income [1] (In Millions) | Per Capita [1] Income | Unemployment Rate [2] |
|---|---|---|---|---|
| 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 | 154,421 | 48,207 | 5.10% |
| 2009 | 2,881,812 | 149,795 | 45,262 | 7.90% |
| 2010 | 2,849,567 | 154,479 | 46,819 | 7.20% |
| 2011 | 2,849,567 | 154,479 | 46,819 | 6.40% |

Unaudited

Source: [1] U.S. Commerce Department, Bureau of Economic Analysis for the Minneapolis-St. Paul Metropolitan Statistical Area (2002). Other years internally updated (2003-2011).
[2] State of Minnesota, Department of Employment and Economic Development (Seven-county area).

## PRINCIPAL EMPLOYERS
## CURRENT YEAR AND NINE YEARS AGO
## IN THOUSANDS (EXCEPT PERCENTAGE)

***Employers in Minnesota by number of Minnesota only employees***

| | 2011 | | | 2002* | | |
|---|---|---|---|---|---|---|
| **Employer** | **Employees** | **Rank** | **Percentage of Total Employment** | **Employees** | **Rank** | **Percentage of Total Employment** |
| State of Minnesota | 56 | 1 | 3.24% | 56 | 1 | 3.27% |
| Mayo Clinic | 39 | 2 | 2.25% | 25 | 5 | 1.46% |
| United States Federal Government | 34 | 3 | 1.96% | 35 | 2 | 2.04% |
| Target Corporation | 31 | 4 | 1.79% | 32 | 3 | 1.87% |
| University of Minnesota | 25 | 5 | 1.44% | 31 | 4 | 1.81% |
| Allina Health System | 23 | 6 | 1.33% | 22 | 6 | 1.28% |
| Wal-Mart Stores Inc. | 20 | 7 | 1.16% | 18 | 8 | 1.05% |
| Fairview Health Services | 20 | 8 | 1.16% | - | - | - |
| Wells Fargo Minnesota | 20 | 9 | 1.16% | 15 | 10 | 0.88% |
| 3M Co. | 15 | 10 | 0.87% | 19 | 7 | 1.11% |
| Northwest Airlines Corp. | - | - | - | 18 | 9 | 1.05% |
| Total | 283 | | 16.36% | 271 | | 15.82% |

Unaudited.

Source: Twin Cities Business B.I.G. Book, 2012 and City Business - The Business Journal Book of Lists 2001-02.

Notes: Available list covers employment for entire State of Minnesota. Data for seven county area not available.
*2001 list was used due to unavailablity of 2002 list.

## EMPLOYEES BY FUNCTION/PROGRAM
## LAST TEN YEARS ENDED DECEMBER 31, 2011

| | Full-time Equivalent Employees as of December 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Regional Administration | | | | | | | | | | |
| Human Resources | 33 | 33 | 33 | 33 | 33 | 31 | 33 | 32 | 25 | 26 |
| Information Services | 79 | 75 | 64 | 62 | 54 | 56 | 66 | 66 | 81 | 81 |
| Finance/Central Services | 42 | 38 | 38 | 37 | 38 | 35 | 25 | 26 | 30 | 28 |
| Other | 79 | 75 | 75 | 67 | 77 | 57 | 75 | 74 | 86 | 78 |
| Total Regional Administration | 233 | 221 | 210 | 199 | 202 | 179 | 199 | 198 | 222 | 213 |
| Community Development | | | | | | | | | | |
| Metro HRA | 34 | 33 | 33 | 33 | 34 | 34 | 33 | 32 | 32 | 34 |
| Other | 35 | 34 | 41 | 42 | 45 | 44 | 51 | 51 | 60 | 58 |
| Total Community Development | 69 | 67 | 74 | 75 | 79 | 78 | 84 | 83 | 92 | 92 |
| Environmental Services Division | | | | | | | | | | |
| Environmental Quality Assurance | 98 | 103 | 109 | 109 | 110 | 106 | 121 | 122 | 122 | 128 |
| Treatment Services | 526 | 528 | 505 | 501 | 502 | 490 | 565 | 582 | 594 | 606 |
| Other | 20 | 20 | 32 | 28 | 28 | 30 | 15 | 15 | 16 | 21 |
| Total Environmental Services Division | 644 | 651 | 646 | 638 | 640 | 626 | 701 | 719 | 732 | 755 |
| Transportation Division | | | | | | | | | | |
| Metro Mobility | 9 | 10 | 14 | 15 | 13 | 13 | 13 | 13 | 13 | 13 |
| Transportation Planning | 28 | 29 | 28 | 26 | 28 | 24 | 17 | 17 | 17 | 20 |
| Other | - | - | - | - | - | - | 13 | 13 | 14 | 14 |
| Total Transportation Planning | 37 | 39 | 42 | 41 | 41 | 37 | 43 | 43 | 44 | 47 |
| Metro Transit Bus | | | | | | | | | | |
| Operations | 1,502 | 1,500 | 1,346 | 1,291 | 1,273 | 1,280 | 1,413 | 1,474 | 1,475 | 1,592 |
| Maintenance | 429 | 470 | 417 | 442 | 437 | 420 | 432 | 456 | 457 | 469 |
| Administration/Clerical | 448 | 420 | 439 | 540 | 545 | 505 | 590 | 683 | 628 | 676 |
| Total Metro Transit | 2,379 | 2,390 | 2,202 | 2,273 | 2,255 | 2,205 | 2,435 | 2,613 | 2,560 | 2,737 |
| Metro Transit Commuter Rail | | | | | | | | | | |
| Maintenance | 28 | 27 | 28 | - | - | - | - | - | - | - |
| Administration/Clerical | 9 | 10 | 8 | - | - | - | - | - | - | - |
| Total Metro Transit | 37 | 37 | 36 | - | - | - | - | - | - | - |
| Metro Transit Light Rail | | | | | | | | | | |
| Operations | 57 | 57 | 50 | 44 | 44 | 44 | 45 | 45 | - | - |
| Maintenance | 81 | 80 | 70 | 69 | 60 | 57 | 51 | 51 | - | - |
| Administration/Clerical | 100 | 82 | 45 | 42 | 39 | 35 | 30 | 30 | - | - |
| Total Metro Transit | 238 | 219 | 165 | 155 | 143 | 136 | 126 | 126 | - | - |
| Total | 3,637 | 3,624 | 3,375 | 3,381 | 3,360 | 3,261 | 3,588 | 3,782 | 3,650 | 3,844 |

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

## OPERATING INDICATORS BY FUNCTION/PROGRAM
## FOR THE LAST TEN YEARS ENDED DECEMBER 31, 2011

| Function/Program | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|
| Governmental activities | | | | |
| Metro Mobility-passenger miles | 15,503,454 | 15,534,246 | 13,634,343 | 13,452,124 |
| Metro Mobility-passenger trips | 1,516,901 | 1,410,369 | 1,237,570 | 1,220,775 |
| Parks visits to Metro Parks System | 43,924,400 | 40,867,500 | 38,062,600 | 33,047,700 |
| Business-type activities | | | | |
| Wastewater | | | | |
| Average daily sewage treatment (millions of gallons) | 259 | 260 | 230 | 249 |
| Transit-bus | | | | |
| Total route miles | 28,763,822 | 28,894,682 | 29,703,751 | 30,268,310 |
| Passenger trips | 69,782,602 | 66,882,361 | 66,401,218 | 71,614,056 |
| Transit-commuter rail | | | | |
| Total route miles | 556,631 | 601,119 | 69,320 | - |
| Passenger trips | 703,427 | 710,426 | 78,782 | - |
| Transit-light rail | | | | |
| Total passenger car miles | 2,101,289 | 2,056,261 | 2,041,244 | 2,024,493 |
| Passenger trips | 10,400,864 | 10,423,862 | 9,863,042 | 10,221,682 |
| Housing | | | | |
| Metro HRA unit months leased | 82,247 | 81,455 | 80,243 | 78,658 |

Unaudited

Sources: Various Metropolitan Council Divisions

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

| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| 11,470,739 | 12,923,008 | 11,527,114 | 12,887,085 | 11,392,031 | 11,018,524 |
| 1,162,872 | 1,222,821 | 1,104,879 | 1,153,983 | 1,125,857 | 1,088,192 |
| 33,171,200 | 33,235,000 | 33,437,100 | 30,473,900 | 30,513,600 | 30,068,500 |
| 250 | 256 | 255 | 255 | 266 | 290 |
| 28,416,623 | 29,048,980 | 29,979,730 | 27,113,045 | 30,969,504 | 32,291,090 |
| 67,865,688 | 64,398,724 | 61,797,145 | 53,962,653 | 67,235,776 | 69,589,375 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,931,754 | 1,817,930 | 1,565,965 | 512,110 | - | - |
| 9,098,297 | 9,356,982 | 7,901,668 | 2,938,777 | - | - |
| 81,634 | 81,273 | 80,575 | 80,770 | 79,617 | 78,828 |

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
## FOR THE LAST TEN YEARS ENDED DECEMBER 31, 2011

| Function/Program | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental activities | | | | | | | | | | |
| Metro Mobility | | | | | | | | | | |
| Total fleet size | 340 | 314 | 274 | 265 | 262 | 264 | 257 | 245 | 229 | 244 |
| Number of Parks/Trails | 95 | 89 | 89 | 85 | 83 | 82 | 77 | 74 | 71 | 70 |
| Acres of Regional Parks and Trails open to the public | 54,631 | 54,633 | 53,111 | 52,918 | 52,661 | 52,617 | 52,299 | 50,356 | 50,276 | 48,916 |
| Business-type activities | | | | | | | | | | |
| Wastewater | | | | | | | | | | |
| Treatment Plants | 7 | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Miles of MCES Interceptors | 626 | 625 | 624 | 615 | 585 | 586 | 578 | 569 | 569 | 569 |
| Wastewater Treatment Plant Capacities (millions of gallons) | 370 | 370 | 370 | 370 | 370 | 370 | 358 | 358 | 358 | 351 |
| Transit-bus | | | | | | | | | | |
| Total fleet size | 876 | 888 | 929 | 1,093 | 979 | 940 | 930 | 942 | 982 | 980 |
| Transit-commuter rail | | | | | | | | | | |
| Total fleet size | 6 | 6 | 6 | - | - | - | - | - | - | - |
| Transit-light rail | | | | | | | | | | |
| Total fleet size | 27 | 27 | 27 | 27 | 27 | 25 | 23 | 22 | - | - |
| Housing | | | | | | | | | | |
| Metro HRA unit months available | 83,173 | 82,668 | 81,613 | 79,270 | 83,732 | 83,592 | 82,709 | 81,976 | 82,769 | 79,428 |
| Family Affordable Housing Units | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 136 | 104 | 40 |

Unaudited

Source: Metropolitan Council external and internal reports.

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

Metropolitan Council

# 2011 Comprehensive Annual Financial Report


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