

Twin Cities Area, Minnesota
**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

Year Ended December 31, 2012



A Component Unit of the State of Minnesota

METROPOLITAN COUNCIL
OF THE TWIN CITIES AREA
MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2012

A COMPONENT UNIT OF THE STATE OF MINNESOTA

Prepared by the Finance Unit

Issued June 2013



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, 2012**

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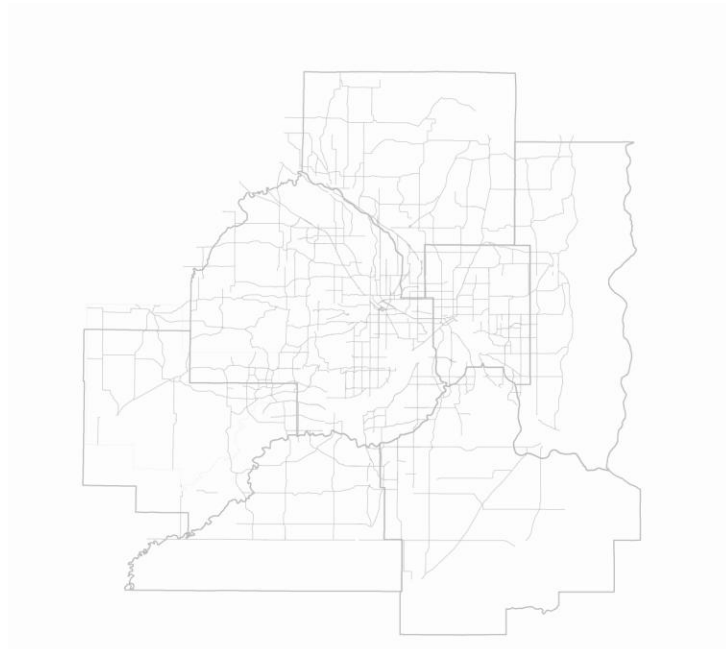
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INTRODUCTORY SECTION





Serving the Twin Cities seven-county metropolitan area

Metropolitan Council 2012 Comprehensive Annual Financial Report Transmittal Letter from the Chief Financial Officer

June 27, 2013

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, 2012. 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 unmodified (clean) audit opinion on the Metropolitan Council's financial statements for the year ended December 31, 2012. 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 2013.

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 2.87 million people. Additional legislative acts in 1974, 1976 and 1994 strengthened the Council's planning and policy roles, and merged the functions of three operating agencies (the Metropolitan Transit Commission, the Regional Transit Board and the Metropolitan Waste Control Commission) into the Metropolitan Council. Note that the operating agencies serve geographic areas less than the full jurisdictional area of the 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.

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 Council approves a preliminary budget in August and approves public comment drafts of the operating and capital budgets in October. The public comment period extends through the final adoption of the budget in mid-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 and Contracted Transit Service Special Revenue Funds, 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, and may be amended.

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 April 2012 and April 2013, total employment in the thirteen-county metropolitan area grew by 1.5 percent, slightly slower than national employment growth of 1.6 percent. With 1,796,000 jobs (seasonally adjusted) in the region, employment growth has nearly returned to its pre-recession peak level of 1,802,000 jobs in February 2008. (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, 112,700 jobs were added to the region's economy.

The unemployment rate in the seven-county metropolitan area is now down to 5.1 percent (April 2013), down from its recession peak of 8.4 percent. (DEED, Local Area Unemployment Statistics). In contrast, the nation's unemployment rate in April 2013 stood at 7.1 percent (not seasonally adjusted), compared to a recession peak of 10.6 percent.

With the recovery in the job market, has come recovery in the housing market. According to the University of St. Thomas and its Minneapolis-St. Paul Residential Real Estate Index, the median sales price of homes reached \$209,900 in March 2013, up more than 6 percent from the previous year. The volume of sales is up and is anticipated to continue to climb through the summer months. Distressed sales (foreclosed properties and short sales) are a declining portion of all sales (28 percent in March 2013), indicating that the overall health of the residential real estate market is on the upswing.

Residential construction is returning to pre-recession levels with 10,889 new residential units permitted in 2012, not including residential conversions. This is up 79 percent from 2011 and is the highest level of new residential construction since 2006. More than half of 2012's new construction is multifamily residential, with over 3,000 multifamily units permitted in Minneapolis alone. Single-family residential construction in 2012 was up 118 percent over 2011 levels. Trends to date indicate that 2013 numbers will continue this upward trend for both single-family and multifamily construction.

Per capita personal income in the thirteen-county metropolitan area increased by 4.6 percent from \$46,498 in 2010 to \$48,657 in 2011 (Bureau of Economic Analysis). The metro ranked 9th among the largest 25 metropolitan areas for per capita personal income. The thirteen-county metro's per capita real Gross Metro Product (GMP) totaled \$207.8 billion in 2011, making the region the 13th largest metropolitan economy.

For the first time in five years, the short-term outlook for the Twin Cities area economy is positive. Transit investments, such as the Metro Green Line, are attracting new development, and the job market has finally returned to pre-Great-Recession levels.

Delivering High-Performance Regional Services

Transit - Metro Transit is one of the country's largest transit systems, providing roughly 86 percent of the 93.9 million bus and train trips taken annually in the Twin Cities. Each weekday customers board Metro Transit buses and trains an average of 264,000 times.

Metro Transit operates 124 bus routes, the Hiawatha light-rail line, and the Northstar Commuter Rail line, using a fleet of 888 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 2012, the Hiawatha line carried 10.5 million passengers, the highest recorded ridership in the line's eight 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 2012, the Northstar Commuter Rail carried over 700,000 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 2012, Metro Mobility provided 1.6 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 2012, these routes carried 3.1 million passengers. Transit Link is a region-wide dial-a-ride program that assists people outside areas served by fixed-route transit and provided 312,600 rides in 2012. Suburban Transit Authority Providers comprise 12 communities selecting to manage their own transit service providing 5.1 million rides in 2012.

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.

Water services - Metropolitan Council Environmental Services (MCES) collects and treats an average of 210 million gallons of wastewater every day from 107 directly served communities in the Twin Cities region. The system has capacity to treat 210 million gallons per day. About 600 miles of sewer pipes from 5,000 miles of city sewers carry wastewater to one of seven MCES treatment plants (an 8th plant is under construction and expected to be operational in late 2013). The plants operate 24 hours a day, 365 days a year.

All seven MCES wastewater treatment plants continue to perform at a high level in complying with clean water discharge permits - achieving near-perfect compliance with federal and state clean water discharge limits. 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 Peak Performance Award for consecutive years of compliance through 2012: Hastings (22 years); St. Croix Valley (21); Seneca (12); Blue Lake (7); and Eagles Point (7). Six treatment plants received Certificates of Commendation in 2012 from the Minnesota Pollution Control Agency for their performance in 2011. Additional awards in 2012 include:

- Excellence in Management Gold Recognition from NACWA
- Communication Award from the American Society of Landscape Architects-Minnesota, George W. Burke, Jr. Safety Award from the Central States Water environment Association
- Two Governor's Continuous Improvement Awards in the categories of Energy Savings Initiative and Measurement System for Clean Water Funds
- Energy Efficiency Partner Award from Xcel Energy

The 2012 annual budget for Environmental Services operations was funded primarily from the metropolitan wastewater charge allocated to municipalities (\$173.6 million) pursuant to Minnesota Statute 473.517. Municipal sewer rates to local homes and businesses in the metro region are low – 40% lower than the national average. Municipal customer satisfaction is high. In addition, operating performance resulted in almost a \$2 million positive variance to the budget. The metropolitan wastewater charge, while limited to wastewater use, is not limited by statute, thus allowing the Council to set the rates as needed to maintain the approximately \$5 billion (replacement cost) in infrastructure.

Sewer Availability Charges (SAC) to communities for additional capacity demands resulting from new development remained low compared to historical receipts but recovered sharply from the recent years, as SAC units increased by 45.7% over 2011. Moreover, a 2010 law that allows shifting some of the costs ordinarily paid by SAC – the “future users” of the system – to current users continues to mitigate concerns about the long-term viability of this revenue source. \$4.3 million was shifted in 2012. While the availability of this mechanism provides revenue assurance, due to the growing receipts, a shift was not budgeted in 2013.

Water supply research and planning (a non-wastewater service of the MCES) grew substantially. These expenses are not funded from wastewater fees, but rather various tax-supported sources. In 2012, \$562,000 was spent, an increase of 60% from 2011. Additional increases are expected in the future as this is an area of high community and legislative interest.

Approximately \$92 million was expended on 42 major capital projects that were underway in 2012. 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 2012 for the wastewater system include:

- Construction of the Victoria Tunnels interceptor project to replace aging pump stations and to increase capacity was completed in 2012.
- Major rehabilitation of the interceptor system, including interceptors serving South St. Paul, Hopkins, St. Louis Park, Golden Valley, Maplewood, Woodbury, Shakopee, and Minneapolis.
- Approximately \$19 million worth of major upgrades to the Metropolitan Plant (in St. Paul, MN), including installation of non-condensing steam turbine generator for energy recovery.
- Construction of Liquid Treatment Phase 1 upgrades and Solids Improvements at the Blue Lake Plant (in Shakopee, MN) which were completed in 2012.

- Construction of pipelines and treatment facilities to serve East Bethel, Minnesota was initiated in 2011 and scheduled for completion 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 6,200 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 640 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 2012 unified operating budget was adopted by the Council in December 2011. The original adopted budget for operations, pass-through expenditures and debt service was \$780 million, representing a three percent increase from the budget adopted for 2011. During the year, the budget was revised to \$797 million primarily to recognize carry forward of budgeted expenses for projects initiated in the prior year but that are expected to be completed during 2012 and increased ridership demand for Metro Mobility transit services.

The Council relies on several funding sources. In the 2012 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 2012 Unified Capital Program in December 2011. 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 2012-2017 CIP defines \$5.5 billion in capital projects, of which \$662 million was authorized for spending in 2012.

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, 2011. This was the twenty-ninth 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 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 L. 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, 2011

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.



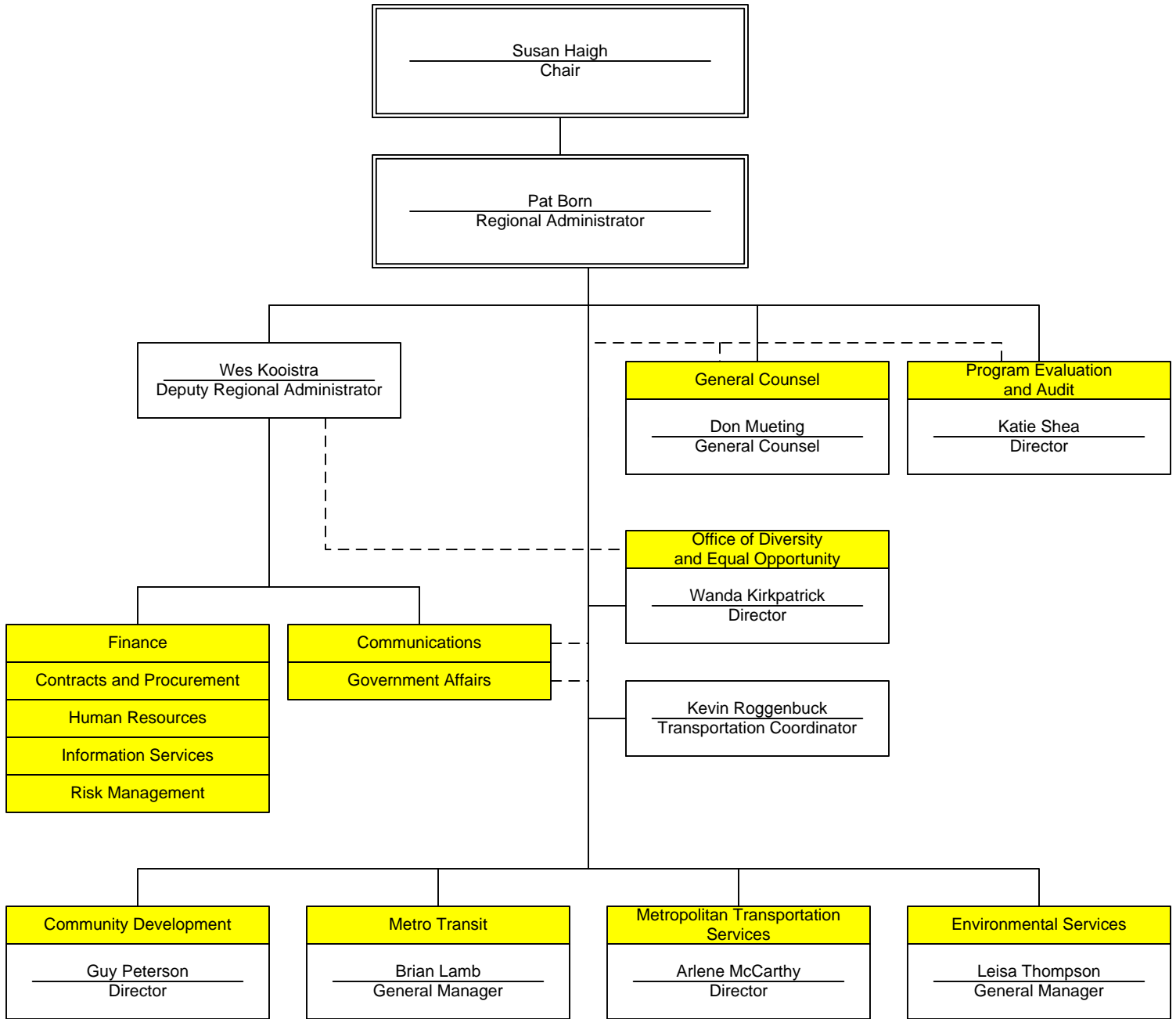
Christopher P. Moynell

President

Jeffrey R. Egan

Executive Director

Metropolitan Council Organizational Chart



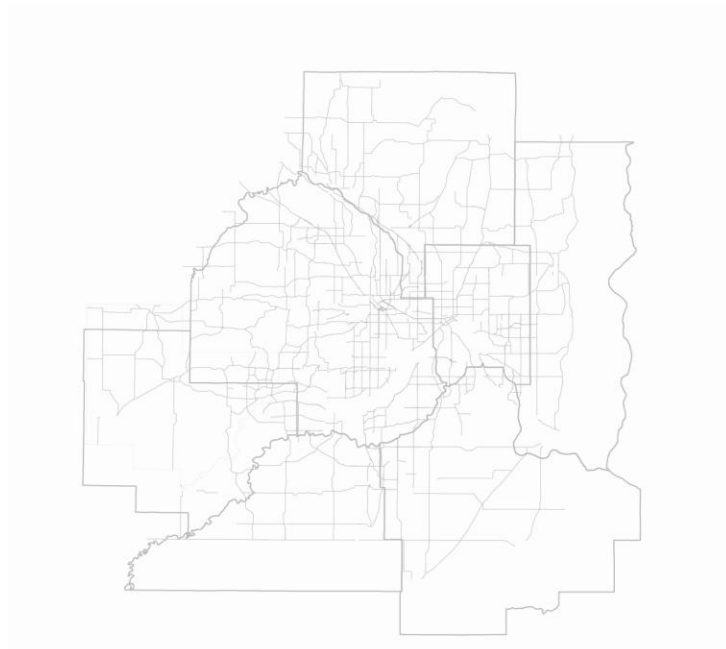
<i>COUNCIL MEMBERS:</i>	Term of Office	
	First Appointed	End of Term
Chair -		
Susan Haigh	Jan. 12, 2011	Jan. 1, 2015
District Members -		
District No. 1 -		
Roxanne Smith	March 2, 2011	Jan. 1, 2015
District No. 2 -		
Lona Schreiber	March 2, 2011	Jan. 1, 2015
District No. 3 -		
Jennifer Munt	March 2, 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 Duinck	March 2, 2011	Jan. 1, 2015
District No. 9 -		
Edward Reynoso	March 2, 2011	Jan. 1, 2015
District No. 10 -		
John Doan	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	1 st Vice-Chair
Mary Bogie	Treasurer
Emily Randleman	Secretary

***FINANCIAL
ADMINISTRATIVE
OFFICIALS***

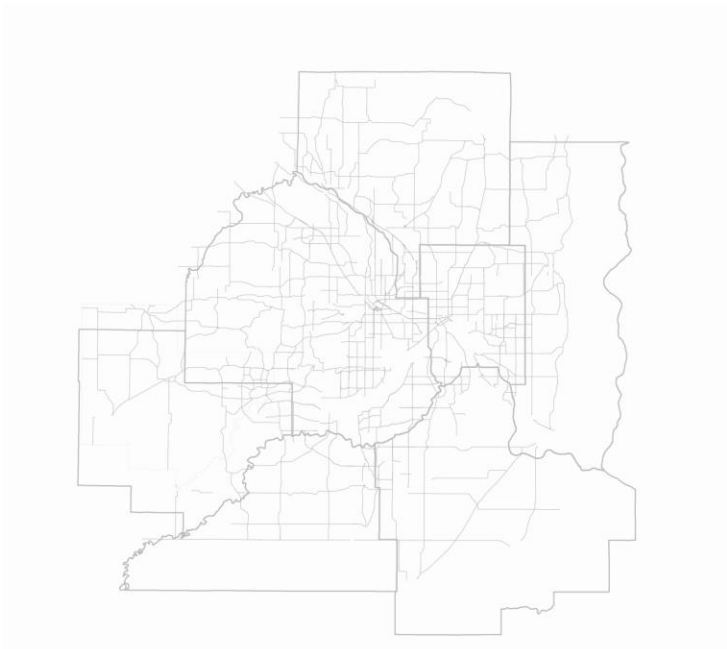
Pat Born	Regional Administrator
Wes Kooistra	Deputy Regional Administrator
Mary Bogie	Chief Financial Officer



Serving the Twin Cities seven-county metropolitan area

FINANCIAL SECTION





Serving the Twin Cities seven-county metropolitan area



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
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INDEPENDENT AUDITOR'S REPORT

Metropolitan Council of the Twin Cities Area
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2012, and the related notes to the financial statements, which collectively comprise the Metropolitan Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Metropolitan Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Metropolitan Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Metropolitan Council of the Twin Cities Area as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Council’s basic financial statements. The introductory section, the combining and individual fund statements and schedules, and the statistical section as 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. Such 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.

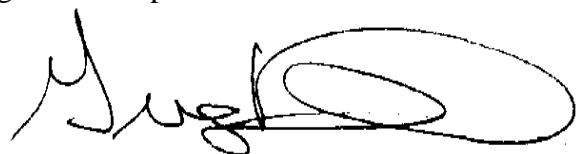
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metropolitan Council’s internal control over financial reporting and compliance.

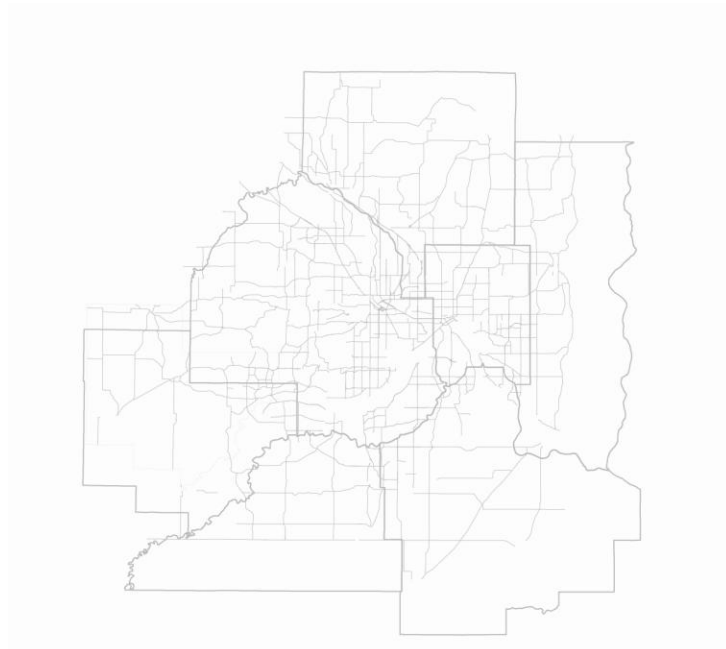


REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 27, 2013



Serving the Twin Cities seven-county metropolitan area

2012 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, 2012. 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 \$2.8 billion. Approximately 88 percent of this amount is invested in capital assets (net of related debt).

Total net position increased by \$362 million (15 percent) over the prior year. Net position from business-type activities added \$341 million, while governmental activities contributed \$21 million. Capital grants revenues, primarily in Metro Transit Light Rail activities, represented 48% of program revenues for business-type activities. Fiscal year 2012 was the second full year of construction for the Central Corridor Light Rail Project. The project was 84% complete as of the end of the fiscal year 2012. Overall, program revenues decreased by \$62 million; capital grants decreased by \$86 million, reflecting the closeout of the NorthStar Commuter Rail project, and operating grants and charges for services increased by \$20 and \$4 million, respectively.

The Council's governmental funds reported a combined ending fund balance of \$371 million. This represents an increase of \$55 million (17.6 percent) compared to the previous year. New general obligation bond issues for parks and transit capital expenditures, and refunding bond issues account for the increase.

At the close of the fiscal year, the General Fund reported a total fund balance of \$24 million, a slight increase compared to the previous year. The General Fund unassigned fund balance increased \$1.5 million, the committed balance increased by \$711 thousand and the assigned balance decreased by \$1.4 million.

The Council added \$723 million in general obligation bonds and loans, including \$454 of general obligation refunding bonds, while paying down \$344 million.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position 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 two 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.

The government-wide financial statements can be found on pages 20-21 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 twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Metro Mobility Special Revenue Fund, Contracted Transit Service Special Revenue Fund, and Debt Retirement Fund, since all four 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 30-56 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 59-63.

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 66-84 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 87-112 of this report.

Government-wide Financial Analysis

The following condensed financial information was derived from the government-wide Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. For the Metropolitan Council, assets exceeded liabilities by \$2.8 billion on December 31, 2012.

Metropolitan Council Net Position December 31, 2011 and 2012 (In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Current and other assets	\$ 345,304	\$417,061	\$ 544,297	\$ 961,321	\$ 889,601	\$ 1,378,382
Capital assets	78,964	95,485	3,176,328	3,504,023	3,255,292	3,599,508
Total assets	424,268	512,546	3,720,625	4,465,344	4,144,893	4,977,890
Long-term liabilities outstanding	239,117	288,338	1,253,478	1,627,597	1,492,595	1,915,935
Other liabilities	28,014	46,076	182,085	211,676	210,099	257,752
Total liabilities	267,131	334,414	1,435,563	1,839,273	1,702,694	2,173,687
Net position:						
Net investment in capital assets	34,482	50,807	2,119,631	2,426,834	2,154,113	2,477,641
Restricted	211,377	273,620	8,039	271,732	219,416	545,352
Unrestricted	(88,722)	(146,295)	157,392	(72,495)	68,670	(218,790)
Total net position	\$ 157,137	\$178,132	\$ 2,285,062	\$2,626,071	\$2,442,199	\$ 2,804,203

By far the largest portion of the Metropolitan Council's net position (\$2.5 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 position (\$545 million) represents resources that are subject to external restrictions. Net position restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. These components of net position consist of debt service, capital projects, highway right-of-way, economic development, environment, housing, and regional land use. The increase in the restricted net position (\$326 million) came primarily from Environmental Services debt and capital project programs.

The unrestricted net position for the governmental activities was negative \$146 million at year end. Negative unrestricted net position results from debt obligations being reported in governmental activities, while related capital assets are recognized in the business-type activities.

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

The Metropolitan Council's combined net position for governmental and business-type activities increased by \$362 million, a 15 percent increase for the year. Business-type activities contributed \$341 million (94 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 position changed during the year.

Changes in Net Position
Fiscal Years Ended December 31, 2011 and 2012
(In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,462	\$ 7,988	\$ 302,432	\$ 307,253	\$ 310,894	\$ 315,241
Operating grants and contributions	56,884	56,503	86,776	107,104	143,660	163,607
Capital grants and contributions	34,963	62,693	494,132	380,174	529,095	442,867
General revenues:						
Property taxes	73,798	75,043	-	-	73,798	75,043
Property tax related state revenues	2,381	-	-	-	2,381	-
Motor vehicle sales tax	29,109	36,799	159,660	169,151	188,769	205,950
Investment earnings	7,675	4,419	7,966	19,850	15,641	24,269
Gain on sale of capital assets	-	350	-	-	-	350
Total revenues	<u>213,272</u>	<u>243,795</u>	<u>1,050,966</u>	<u>983,532</u>	<u>1,264,238</u>	<u>1,227,327</u>
Expenses:						
General government	10,601	11,310	-	-	10,601	11,310
Transportation	107,251	116,818	-	-	107,251	116,818
Culture and recreation	30,659	46,358	-	-	30,659	46,358
Economic development	4,684	9,446	-	-	4,684	9,446
Environment	3,973	8,476	-	-	3,973	8,476
Housing	1,393	1,348	-	-	1,393	1,348
Interest and other charges	5,953	7,391	-	-	5,953	7,391
Environmental services	-	-	198,406	200,342	198,406	200,342
Transit bus	-	-	302,758	310,737	302,758	310,737
Transit light rail	-	-	66,183	69,975	66,183	69,975
Transit commuter rail	-	-	21,860	24,716	21,860	24,716
Housing	-	-	57,682	58,406	57,682	58,406
Total expenses	<u>164,514</u>	<u>201,147</u>	<u>646,889</u>	<u>664,176</u>	<u>811,403</u>	<u>865,323</u>
Increase (decrease) in net position before transfers	48,758	42,648	404,077	319,356	452,835	362,004
Transfers	(29,465)	(21,653)	29,465	21,653	-	-
Increase (decrease) in net position	<u>19,293</u>	<u>20,995</u>	<u>433,542</u>	<u>341,009</u>	<u>452,835</u>	<u>362,004</u>
Net position, beginning	<u>137,844</u>	<u>157,137</u>	<u>1,851,520</u>	<u>2,285,062</u>	<u>1,989,364</u>	<u>2,442,199</u>
Net position, ending	<u>\$157,137</u>	<u>\$178,132</u>	<u>\$2,285,062</u>	<u>\$2,626,071</u>	<u>\$2,442,199</u>	<u>\$ 2,804,203</u>

Governmental Activities

Governmental activities increased the Council's net position by \$21 million, compared to \$19 million in 2011. Principle components of the change in net position are discussed in the following paragraphs.

Revenues

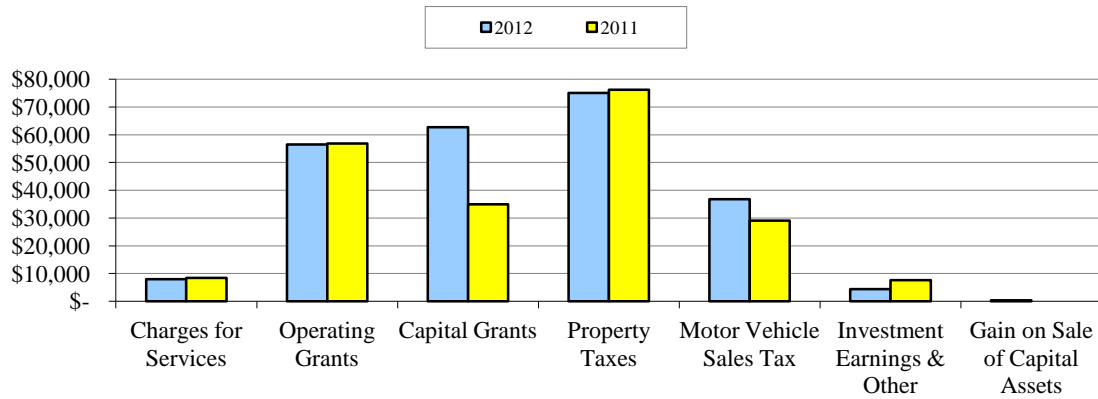
Governmental activities are supported by charges for services, and operating and capital grants and contributions. Additionally, general revenues cover any expenses after program specific revenues are applied. In 2012, the Council relied primarily on property taxes, motor vehicle sales tax (MVST), and investment earnings for funding governmental activities beyond program revenues. Specifically, property taxes supported the Council's general fund activity and transit and parks debt service activity, while MVST supported the Council's 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 \$127 million, increased by \$27 million (26.8 percent) compared to 2011. Capital grant program revenues account for nearly all this change. Federal capital reimbursements increased \$22 million primarily from regional transit fleet replacement activities, and state capital reimbursements increased by \$6 million for the parks program.

Total general revenues were \$117 million (an increase of \$4 million or 3.23 percent). Compared to 2011, allocation of MVST receipts to governmental activities increased by \$8 million while investment earnings decreased by \$3 million reflecting low market yields.

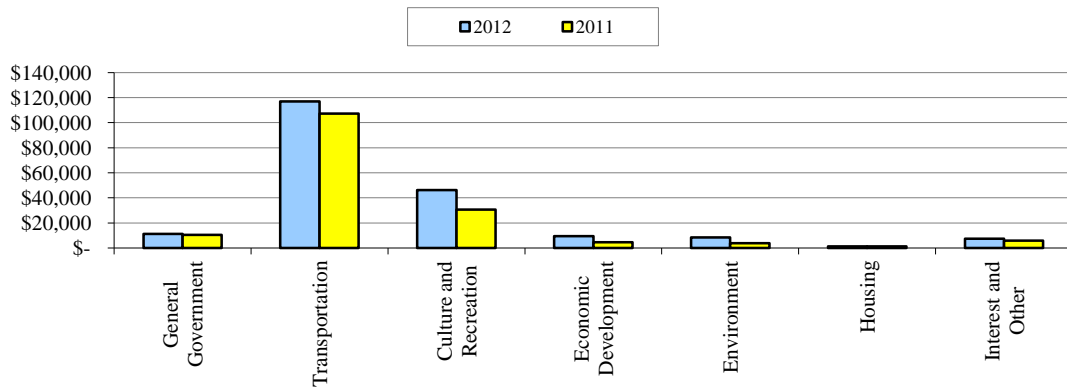
Governmental Activities Revenues
Fiscal Years Ended December 31, 2012 and 2011
(In Thousands)



Expenses

In 2012, expenses for governmental activities increased by \$36 million (22.3 percent) to \$201 million. Expenses related to culture and recreation increased by \$16 million as the Council’s regional parks received increased reimbursement requests under existing grants. Transportation increased by \$10 million reflecting regional fleet replacement activities. Interest expenses increased by \$1 million reflecting scheduled debt payments. The Council’s livable communities programs for environment and economic development and housing program increased due to the slow recovery of the housing market in the region. The unexpended balances of all livable community grants programs are reported as restricted net position.

Governmental Activities Program Expenses
Fiscal Years Ended December 31, 2012 and 2011
(In Thousands)



Depreciation for the year was \$16 million, an increase of \$1 million over 2011, reflecting increased capital spending on fleet replacement.

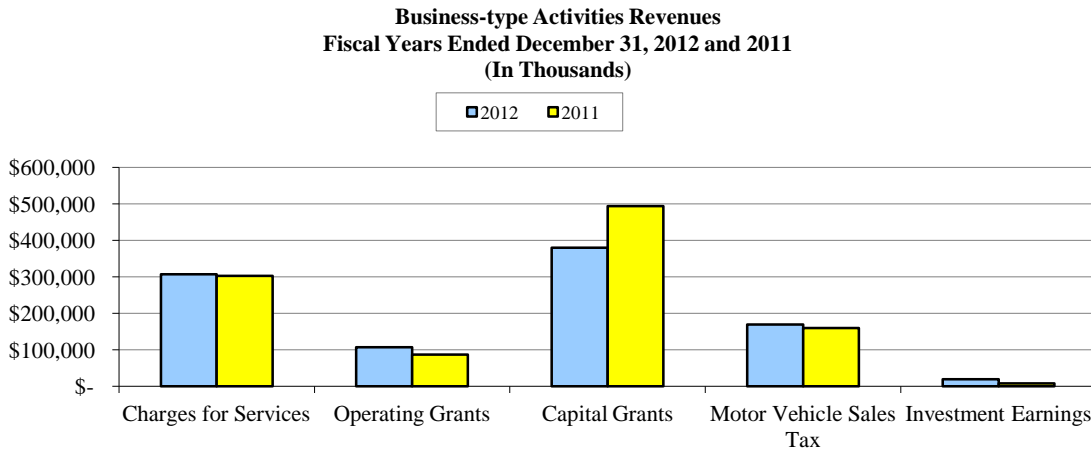
In 2012, net transfers to business-type activities decreased by \$7 million to \$22 million. Metro Transit Bus was the primary recipient of these transfers.

Net salaries and benefits stayed flat at \$10 million. Payments to outside transit providers increased by \$3 million due to the increase in service demands.

Business-Type Activities

Revenues

Program revenues for the Council’s business-type activities totaled \$794 million, or 120 percent of related expenses for fiscal year 2012 compared to \$883 million (137 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 increased by \$57 million while Metro Transit Bus and Metro Transit Commuter Rail decreased by \$13 million and \$158 million, respectively.

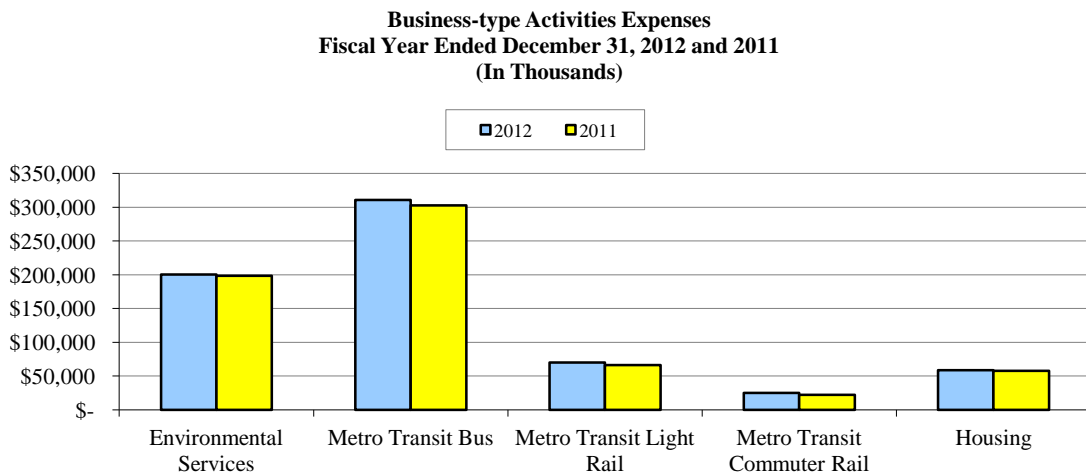


General revenues used to cover extra program expenses come from two sources: MVST and investment earnings. For 2012, MVST revenues increased by \$9 million to \$169 million. Investment earnings increased by \$12 million.

Net transfers decreased slightly by \$7 million to \$22 million as stated previously. Transfers are primarily capital expense reimbursements from governmental funds.

Expenses

Business-type activities in 2012 incurred expenses of \$664 million, an increase of \$17 million (3 percent) over the prior year. The Environmental Services program expenses increased by \$2 million (1 percent) and Housing and Redevelopment Authority increased slightly by \$1 million (1 percent). Taken together the three Metro Transit programs—Bus, Light Rail, and Commuter Rail—experienced an increase of \$15 million (4 percent).



Overall salaries and wage related expenses increased by \$3 million to \$289 million. Group medical insurance and workers compensation expenses were the primary contributors to the increase.

Depreciation expense for 2012 was \$151 million, a \$4 million increase over 2011, due primarily to increased capital spending in Environmental Services and Metro Transit Light Rail.

Contracted services increased in Environmental Services. These increases were partially offset by decreases in insurance and utilities. 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 \$371 million, an increase of \$55 million compared to the prior year. Of that total fund balance, \$341 million is considered restricted, \$36 million is committed, and \$4 million is assigned, leaving an unassigned balance of a negative \$10 million.

During 2012, the Council issued \$269 million of new general obligation bonds and \$454 million of general obligation refunding bonds.

Revenues from all governmental funds for the current year were \$245 million, an increase of \$33 million (15 percent) from the previous year. Of this total increase in revenues, federal funding increased by \$21 million. State funding increased by \$11.7 million and taxes increased by \$3.7 million. Investment earnings decreased by \$3.2 million. Other small variances in local and miscellaneous revenues made up the balance.

Expenditures for all governmental funds in the current year were \$265 million, an increase of \$59 million from the previous year. Culture and recreational program expenditures increased by \$16 million as the Council's regional parks increased reimbursement requests. The Council's livable communities programs (housing, economic development, and environment rehabilitation) spending increased by \$8 million, reflecting the housing market and regional government budget changes. Transportation expenditures increased by \$8 million to \$102 million due to grants out for the creation of the Cedar Avenue bus rapid transit line development and increase in ridership demand for Metro Mobility. Debt service principal and interest payments increased by \$2 million (total of \$54 million). Capital outlay increased by \$21 million to \$32 million due to fleet replacement for contracted transit service providers and the start of construction on the Cedar Avenue bus rapid transit line.

The General Fund is the Council's principal governmental operating fund. During the current year, the fund balance in the General Fund had a slight increase to \$24 million (3 percent increase). Actual general government expenditures were less than budgeted accounting for the majority of the increase in fund balance. At the end of 2012, \$6 million was committed for specific purposes and \$4 million was assigned for existing obligations, leaving \$14 million unassigned.

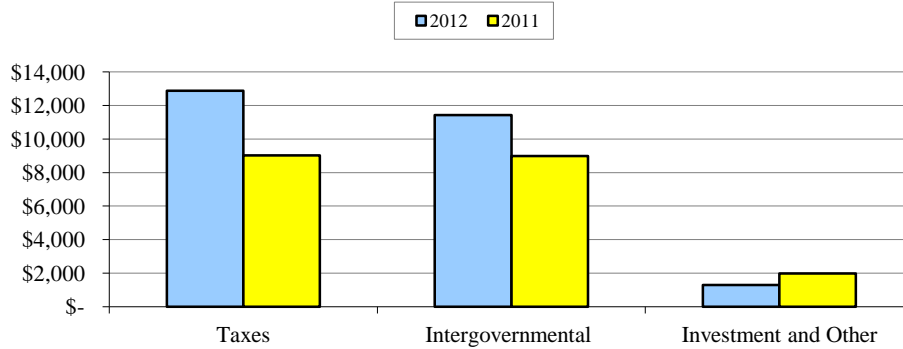
The following table provides the changes in revenues by source from 2011 to 2012.

**General Fund
Revenues by Source and Other Financing Sources
Fiscal Years Ended December 31, 2011 and 2012
(In Thousands)**

	2011		2012		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
Revenues by Source					
Taxes	\$ 9,023	45%	\$12,879	50%	\$ 3,856
Intergovernmental Revenues	8,986	45%	11,423	44%	2,437
Investment Income and Other	1,977	10%	1,298	5%	(679)
Total Revenue	\$19,986	100%	\$25,600	99%	\$ 5,614
Transfers In	-	0%	270	1%	270
Total Revenue and Other Financing Sources	\$19,986	100%	\$25,870	100%	\$ 5,884

General Fund revenues increased by \$6 million over the previous year due to an increase in the operating portion of the Council’s property tax levy and a federal Housing and Redevelopment Authority - HUD sustainable communities program grant. Investment income remained flat compared to 2011.

**General Fund
Revenues by Source and Other Financing Sources
Fiscal Years Ended 2012 and 2011
(In Thousands)**

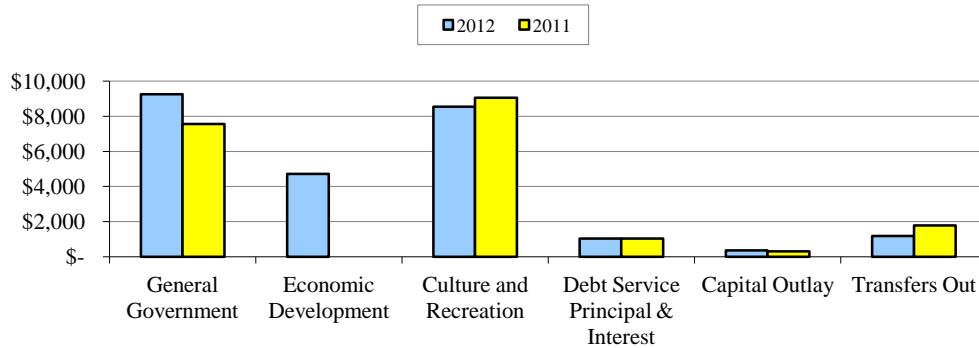


The following table provides the changes in expenditures by function from 2011 to 2012.

**General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2011 and 2012
(In Thousands)**

	2011		2012		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
Expenditures by Function					
General Government	\$ 7,559	38%	\$ 9,253	37%	\$ 1,694
Culture and Recreation	9,046	46%	8,540	34%	(506)
Economic Development	-	0%	4,716	19%	4,716
Debt Service (Principal Only)	575	3%	595	2%	20
Debt Service (Interest Only)	456	2%	437	2%	(19)
Capital Outlay	303	2%	355	1%	52
Total Expenditures	\$17,939	91%	\$23,896	95%	\$ 5,957
Transfers Out	1,781	9%	1,181	5%	(600)
Total Expenditures and Other Financing Uses	\$19,720	100%	\$25,077	100%	\$ 5,357

**General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2012 and 2011
(In Thousands)**



General Fund expenditures (net of allocations) during the current year were \$24 million, an increase of \$6 million from the previous year. Other financing uses--transfers out--decreased by \$0.6 million. The General Fund budgeted and transferred out \$1 million for livable communities as required by State legislation, \$160 thousand for reimbursement transfers to Environmental Services (a business-type activity) for reimbursement of water supply program expenditures and closeout of activities. As a result of Council-wide cost containment measures, actual expenditures for general government expenses were under budget.

In 2012, the Metro Mobility Fund balance decreased by \$1 million to \$23 million. Metro Mobility's total revenues decreased by \$3 million to \$45 million. State appropriations decreased by \$4 million. Fare revenues increased by 10% to \$6 million while the number of passenger trips and passenger miles increased by 7 percent. Total Metro Mobility expenditures increased by \$4 million to \$46 million, an increase of 11 percent, which is due to the increased passenger miles along with increased fuel costs and transit provider expense.

In 2012, the Contracted Transit Service Special Revenue Fund balance decreased by \$1 million to \$6 million. Contracted Transit Service's total revenues increased by \$28 million to \$52 million. Federal revenues increased \$18 million to \$28 million reflecting build-out of the Cedar Avenue bus rapid transitway. State appropriations decreased by \$5 million, while the motor vehicle sales taxes revenues increased to \$16 million. Fare revenues decreased by 13% to \$2 million. Total Contracted Transit Service expenditures increased by \$20 million to \$50 million, an increase of 67 percent, due to the capital outlay for the Cedar Avenue bus rapid transit construction.

The Debt Retirement Fund balance of \$108 million increased by \$28 million as anticipated for debt repayments. Property tax related revenues were \$2 million less at \$48 million. Investment earnings were flat. Total debt service payments were \$53 million, an increase of \$3 million.

Financial Analysis of Proprietary Funds

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

The Council has 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 a total net position of \$2.6 billion at December 31, 2012. The total net position for all enterprise funds increased by \$341 million during 2012. Capital contributions and intergovernmental revenues were the largest positive contributors.

The following table summarizes the total assets, total liabilities, operating income (loss), changes in net position, and net position balance for each of the five enterprise funds from 2011 to 2012.

**Enterprise Funds
Key Balance Sheet Account Balances and Revenue and Expense Activities
December 31, 2012 and 2011
(In Thousands)**

	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total 2012	Total 2011
		Bus	Light Rail	Commuter Rail			
Assets	\$2,146,367	\$691,658	\$1,380,330	\$223,614	\$ 26,764	\$4,468,733	\$3,720,625
Liabilities	1,453,627	113,671	268,362	5,001	2,001	1,842,662	1,435,563
Operating Income (Loss)	13,616	(226,228)	(58,241)	(22,143)	(57,877)	(350,873)	(334,415)
Changes in Net Position	20,270	36,022	288,073	(3,845)	489	341,009	433,542
Net Position	692,740	577,987	1,111,968	218,613	24,763	2,626,071	2,285,062

The Environmental Services Fund accounts for the operations, maintenance, and design of the regional wastewater (sanitary sewer) system. Normal operations were positive. Net capital assets increased by \$40 million.

Metro Transit Bus is the region's largest provider of directly provided bus transit service. For December 31, 2012, invested in capital assets, net of related debt was \$467 million, an increase of \$6 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, 2012, the invested in capital assets, net of related debt was \$1.1 billion, an increase of \$287 million. Capital contributions for the Central Corridor Light Rail Transit (CCLRT) project contributed significantly to the increase. Fiscal year 2012 was the second full year of construction for the CCLRT project. At year end, 84% of the project was completed.

The Metro Transit Commuter Rail Fund, which provides the region's commuter rail transit service, began operations on November 16, 2009. For December 31, 2012, the invested in capital assets, net of related debt was \$214 million, a decrease of \$5 million mostly from accumulated depreciation. Commuter rail was built by Metropolitan Council Metro Transit and the State of Minnesota Department of Transportation (MnDOT). The capital contribution in 2012 was the remainder of 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 position balance for the year ended December 31, 2012, was \$25 million, of which \$16 million was invested in capital assets, net of related debt.

General Fund Budgetary Highlights

The original expenditure budget was increased by \$4.2 million to arrive at the final budget of \$27.8 million. The increase came from:

- \$2.5 million in additional budget carryovers from 2011 including \$1.9 million for a Small Business Support Loan and Grant program for the business along the CCLRT, and
- \$1.7 million for enterprise wide financial systems and increased general government activities.

During the year, however, actual expenditures were \$3.9 million less than the final budget due primarily to lower salaries expenditures (\$1.1 million), governmental grants (\$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, 2012, was \$3.6 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, treatment plants, machinery, equipment, and vehicles.

**Metropolitan Council Capital Assets
(Net of Accumulated Depreciation)
December 31, 2012 and 2011
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Land and land improvements	\$ 6,958	\$ 6,958	\$ 187,498	\$ 214,747	\$ 194,456	\$ 221,705
Buildings and infrastructure	14,096	13,688	1,879,368	1,920,414	1,893,464	1,934,102
Vehicles and other equipment	57,874	72,606	543,771	549,167	601,645	621,773
Construction in progress	36	2,233	565,691	819,695	565,727	821,928
Total	\$78,964	\$ 95,485	\$3,176,328	\$ 3,504,023	\$3,255,292	\$3,599,508

The Metropolitan Council's net capital assets for governmental activities increased by \$16 million for the year.

The business-type activities had an increase of \$328 million including \$287 million in Metro Transit Light Rail for the Central Corridor project and \$6 million in Metro Transit Bus. Environmental Services increased by \$40 million.

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

Debt Administration

At the end of the fiscal year, the Metropolitan Council had total bonds and loans outstanding of \$1.7 billion. Of this amount, \$1.3 billion was for general obligation bonds issued by the Metropolitan Council, and \$458 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 \$1 million at year end.

Metropolitan Council Outstanding Debt
General Obligation Bonds and Loans
December 31, 2011 and 2012
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
General obligation bonds	\$204,185	\$249,135	\$497,440	\$1,020,170	\$ 701,625	\$ 1,269,305
State of Minnesota loans	<u>9,460</u>	<u>8,255</u>	<u>635,798</u>	<u>449,690</u>	<u>645,258</u>	<u>457,945</u>
Subtotal of general obligation bonds and loans	213,645	257,390	1,133,238	1,469,860	1,346,883	1,727,250
Revenue bonds	<u>2,670</u>	<u>1,365</u>	-	-	<u>2,670</u>	<u>1,365</u>
Total bonds and loans	<u>\$216,315</u>	<u>\$258,755</u>	<u>\$1,133,238</u>	<u>\$1,469,860</u>	<u>\$1,349,553</u>	<u>\$1,728,615</u>

The Metropolitan Council's total debt increased by \$379 million (28 percent) during the current year. General obligation bonds increased by \$568 million and the State of Minnesota Public Facilities Authority loans decreased by \$187 million. During the year, the Council issued \$214 million of new bonds and \$454 million of refunding bonds, while retiring \$1.5 million of general obligation bonds (original issue value of \$27 million). During the year, the Metropolitan Council drew down \$55 million in State of Minnesota loans and repaid \$243 million on existing State of Minnesota loans.

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

Minnesota statutes do not limit the amount of general obligation debt on wastewater bonds. The state statutes limit the amount of general obligation debt the Metropolitan Council may issue for regional recreation open space at \$40 million. Currently, the Council has unused authority of \$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 \$79.1 million of transit general obligation bonds.

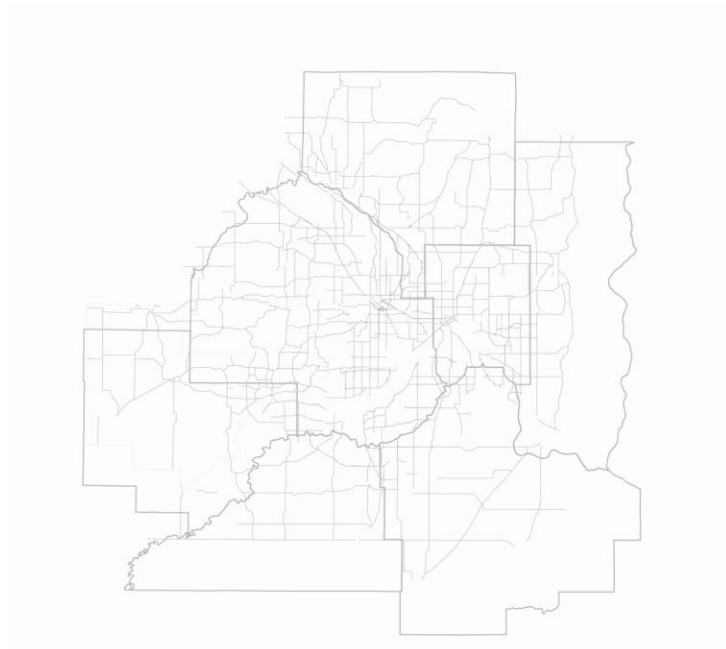
Additional information on the Metropolitan Council's long-term debt can be found in Note IV.H on pages 46-50 of this report.

Economic Factors and Next Year's Budgets and Rates

The Council's operating budget relies on several funding sources. For 2013, total state revenues (state general fund appropriations and motor vehicle sales taxes) representing 42 percent of total operating revenue increased 12.2 percent. The Council uses the state November forecast to establish budget parameters for motor vehicle sales taxes. The February forecast showed favorable variance. Receipts in excess of budget fall to reserve balances and are considered in the next budget cycle. User fees from wastewater treatment and transit services represent 40 percent of total operating revenues and increase 3 percent for the 2013 operating budget reflecting continued economic recovery and strong ridership. The certified property tax levy approved by the Council for payable in 2013 represents a 2.0 percent increase over the previous year's levy. The general purposes levy is 75.9 percent of its statutory levy limit. Property tax revenue collections have historically been in line with budgeted original estimates.

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.



Serving the Twin Cities seven-county metropolitan area

BASIC FINANCIAL STATEMENTS



STATEMENT OF NET POSITION
DECEMBER 31, 2012
IN THOUSANDS

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 269,778	\$ 272,860	\$ 542,638
Cash with fiscal agent	31,352	-	31,352
Receivables, net	4,479	18,663	23,142
Internal balances	-	-	-
Due from other governmental units	62,393	22,712	85,105
Inventory	-	31,361	31,361
Prepays and other	1,345	2,357	3,702
Loans and advances	47,714	1,663	49,377
Restricted assets:			
Cash and cash equivalents	-	251,124	251,124
Cash with fiscal agent	-	241,684	241,684
Receivables, net	-	13,476	13,476
Due from other governmental units	-	102,897	102,897
Deferred charges	-	2,524	2,524
Capital assets not being depreciated			
Land	6,958	214,747	221,705
Construction in progress	2,233	819,695	821,928
Capital assets (net of accumulated depreciated)			
Buildings and infrastructure	13,688	1,920,414	1,934,102
Vehicles	70,555	317,066	387,621
Equipment	2,051	232,101	234,152
Total assets	<u>512,546</u>	<u>4,465,344</u>	<u>4,977,890</u>
LIABILITIES			
Accounts payable and other current liabilities	41,675	39,433	81,108
Accrued interest payable	3,725	-	3,725
Unearned revenue	676	11,906	12,582
Liabilities payable from restricted assets	-	88,039	88,039
Unearned revenue-restricted	-	72,298	72,298
Noncurrent liabilities:			
Due within one year	42,103	120,350	162,453
Due in more than one year	246,235	1,507,247	1,753,482
Total liabilities	<u>334,414</u>	<u>1,839,273</u>	<u>2,173,687</u>
NET POSITION			
Net investment in capital assets	50,807	2,426,834	2,477,641
Restricted for:			
Debt service	64,277	-	64,277
Capital projects	87,803	271,959	359,762
Special revenue funds	121,540	-	121,540
Unrestricted	(146,295)	(72,722)	(219,017)
Total net position	<u>\$ 178,132</u>	<u>\$ 2,626,071</u>	<u>\$ 2,804,203</u>

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

Function/program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 11,310	\$ 124	\$ -	\$ -	\$ (11,186)	\$ -	\$ (11,186)
Transportation	116,818	7,864	43,737	34,834	(30,383)	-	(30,383)
Culture and recreation	46,358	-	8,575	27,859	(9,924)	-	(9,924)
Economic development	9,446	-	2,781	-	(6,665)	-	(6,665)
Environment	8,476	-	-	-	(8,476)	-	(8,476)
Housing	1,348	-	-	-	(1,348)	-	(1,348)
Interest and other charges	7,391	-	1,410	-	(5,981)	-	(5,981)
Total governmental activities	<u>201,147</u>	<u>7,988</u>	<u>56,503</u>	<u>62,693</u>	<u>(73,963)</u>	<u>-</u>	<u>(73,963)</u>
Business-type activities:							
Environmental services	200,342	207,900	4,893	706	-	13,157	13,157
Transit bus	310,737	84,465	16,348	53,213	-	(156,711)	(156,711)
Transit light rail	69,975	11,410	16,904	322,352	-	280,691	280,691
Transit commuter rail	24,716	2,576	11,063	3,903	-	(7,174)	(7,174)
Housing	58,406	902	57,896	-	-	392	392
Total business-type activities	<u>664,176</u>	<u>307,253</u>	<u>107,104</u>	<u>380,174</u>	<u>-</u>	<u>130,355</u>	<u>130,355</u>
Total governmental and business-type activities	<u>\$ 865,323</u>	<u>\$ 315,241</u>	<u>\$ 163,607</u>	<u>\$ 442,867</u>	<u>(73,963)</u>	<u>130,355</u>	<u>56,392</u>
General revenues:							
Property taxes					75,043	-	75,043
Motor vehicle sales tax					36,799	169,151	205,950
Investment earnings					4,419	19,850	24,269
Gain on sale of capital assets					350	-	350
Transfers					(21,653)	21,653	-
Total general revenues and transfers					<u>94,958</u>	<u>210,654</u>	<u>305,612</u>
Change in net position					20,995	341,009	362,004
Net position, beginning					<u>157,137</u>	<u>2,285,062</u>	<u>2,442,199</u>
Net position, ending					<u>\$ 178,132</u>	<u>\$ 2,626,071</u>	<u>\$2,804,203</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012
IN THOUSANDS**

	General	Metro Mobility Special Revenue	Contracted Transit Service Special Revenue	Debt Retirement	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 22,989	\$ 6,694	\$ -	\$ 75,296	\$ 164,799	\$ 269,778
Cash with fiscal agents	-	-	-	31,352	-	31,352
Receivables, (net)	42	113	-	-	-	155
Delinquent taxes receivable	544	-	-	2,117	518	3,179
Interest receivable	91	-	19	326	709	1,145
Due from other funds	4,548	-	-	-	-	4,548
Due from other governmental units	1,192	21,917	17,890	141	21,253	62,393
Loans and advances	183	-	-	-	47,531	47,714
Total assets	<u>\$ 29,589</u>	<u>\$ 28,724</u>	<u>\$ 17,909</u>	<u>\$ 109,232</u>	<u>\$ 234,810</u>	<u>\$ 420,264</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts/contracts/subgrantees payable	\$ 2,389	\$ 5,568	\$ 7,893	\$ 108	\$ 23,460	\$ 39,418
Salaries payable	2,199	-	-	-	-	2,199
Due to other funds	-	-	3,836	-	712	4,548
Due to other governmental units	-	-	58	-	-	58
Deferred revenue	1,024	-	-	1,472	337	2,833
Total liabilities	<u>5,612</u>	<u>5,568</u>	<u>11,787</u>	<u>1,580</u>	<u>24,509</u>	<u>49,056</u>
Fund balances:						
Restricted	-	-	-	107,652	233,018	340,670
Committed	6,008	23,156	6,122	-	958	36,244
Assigned	4,218	-	-	-	-	4,218
Unassigned	13,751	-	-	-	(23,675)	(9,924)
Total fund balances	<u>23,977</u>	<u>23,156</u>	<u>6,122</u>	<u>107,652</u>	<u>210,301</u>	<u>371,208</u>
Total liabilities and fund balances	<u>\$ 29,589</u>	<u>\$ 28,724</u>	<u>\$ 17,909</u>	<u>\$ 109,232</u>	<u>\$ 234,810</u>	<u>\$ 420,264</u>

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

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012
IN THOUSANDS**

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

Fund balances-total governmental funds (page 22)	\$	371,208
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		95,485
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		3,502
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(292,063)</u>
Net position of governmental activities (page 20)	\$	<u><u>178,132</u></u>

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, 2012
IN THOUSANDS

	<u>General</u>	<u>Metro Mobility Special Revenue</u>	<u>Contracted Transit Service Special Revenue</u>	<u>Debt Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES						
Taxes	\$ 12,879	\$ -	\$ -	\$ 46,800	\$ 16,703	\$ 76,382
Intergovernmental revenue:						
Federal	2,781	4,250	27,715	-	4,187	38,933
Build America bonds interest subsidy	-	-	-	1,037	-	1,037
State	8,575	34,868	21,245	1,410	48,989	115,087
Local/other	67	-	882	-	113	1,062
Investment income	1,095	-	-	814	2,510	4,419
Other	203	5,826	1,835	-	-	7,864
Total revenues	<u>25,600</u>	<u>44,944</u>	<u>51,677</u>	<u>50,061</u>	<u>72,502</u>	<u>244,784</u>
EXPENDITURES						
Current:						
General government	9,253	-	353	290	1,018	10,914
Transportation	-	45,600	20,357	-	4,071	70,028
Economic development	866	-	-	-	-	866
Intergovernmental:						
Transportation	-	-	6,089	-	25,527	31,616
Culture and recreation	8,540	-	-	-	37,818	46,358
Economic development	3,850	-	-	-	4,730	8,580
Environment	-	-	-	-	8,476	8,476
Housing	-	-	-	-	1,348	1,348
Debt service:						
Principal	595	-	-	46,285	-	46,880
Interest and other charges	437	-	-	7,045	-	7,482
Capital outlay	355	-	23,508	-	8,513	32,376
Total expenditures	<u>23,896</u>	<u>45,600</u>	<u>50,307</u>	<u>53,620</u>	<u>91,501</u>	<u>264,924</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,704</u>	<u>(656)</u>	<u>1,370</u>	<u>(3,559)</u>	<u>(18,999)</u>	<u>(20,140)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	270	21	-	279	1,232	1,802
Transfers out	(1,181)	-	(200)	(822)	(21,501)	(23,704)
Proceeds from bonds	-	-	-	-	59,000	59,000
Premium on bonds and capital related debt	-	-	-	-	5,388	5,388
Refunding bonds issued	-	-	-	29,725	-	29,725
Premium on refunding bonds	-	-	-	2,829	-	2,829
Sale of capital assets	-	-	-	-	544	544
Total other financing sources (uses)	<u>(911)</u>	<u>21</u>	<u>(200)</u>	<u>32,011</u>	<u>44,663</u>	<u>75,584</u>
Net change in fund balances	793	(635)	1,170	28,452	25,664	55,444
Fund balances, beginning	<u>23,184</u>	<u>23,791</u>	<u>4,952</u>	<u>79,200</u>	<u>184,637</u>	<u>315,764</u>
Fund balances, ending	<u>\$ 23,977</u>	<u>\$ 23,156</u>	<u>\$ 6,122</u>	<u>\$ 107,652</u>	<u>\$ 210,301</u>	<u>\$ 371,208</u>

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, 2012
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)	\$ 55,444
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.	16,544
The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to reduce net position.	(23)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(1,339)
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 position. 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.	(49,078)
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.	<u>(553)</u>
Change in net position of governmental activities (page 21)	<u><u>\$ 20,995</u></u>

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012
IN THOUSANDS**

	Business-type Activities - Enterprise Funds					Total
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	
		Bus	Light Rail	Commuter Rail		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 88,049	\$ 169,878	\$ 2,540	\$ 3,837	\$ 8,556	\$ 272,860
Receivables, net	9,622	8,212	246	469	114	18,663
Due from other funds	-	3,046	-	-	-	3,046
Due from other governmental units	250	15,161	4,248	2,712	341	22,712
Due from restricted assets	-	-	-	343	-	343
Inventory	8,129	15,681	6,344	1,207	-	31,361
Prepays and other	-	1,660	57	640	-	2,357
Restricted assets:						
Cash and cash equivalents	81,543	4,708	164,306	-	567	251,124
Cash with fiscal agent	241,684	-	-	-	-	241,684
Receivables, net	12,743	21	712	-	-	13,476
Due from other governmental units	-	4,625	97,868	404	-	102,897
Total current assets	<u>442,020</u>	<u>222,992</u>	<u>276,321</u>	<u>9,612</u>	<u>9,578</u>	<u>960,523</u>
Noncurrent assets:						
Capital assets:						
Land	20,831	39,878	48,071	99,561	6,406	214,747
Buildings and infrastructure	2,505,204	322,420	285,176	71,786	21,367	3,205,953
Vehicles	7,937	376,882	95,187	50,448	-	530,454
Equipment	28,443	98,691	205,330	10,908	100	343,472
Construction in progress	102,645	11,002	706,048	-	-	819,695
Less accumulated depreciation	(963,546)	(381,427)	(235,937)	(18,701)	(10,687)	(1,610,298)
Net capital assets	1,701,514	467,446	1,103,875	214,002	17,186	3,504,023
Deferred charges-restricted	2,390	-	134	-	-	2,524
Advances and loans	443	1,220	-	-	-	1,663
Total noncurrent assets	<u>1,704,347</u>	<u>468,666</u>	<u>1,104,009</u>	<u>214,002</u>	<u>17,186</u>	<u>3,508,210</u>
Total assets	<u>2,146,367</u>	<u>691,658</u>	<u>1,380,330</u>	<u>223,614</u>	<u>26,764</u>	<u>4,468,733</u>
LIABILITIES						
Current liabilities:						
Accounts payable	6,836	6,465	473	1,198	102	15,074
Salaries payable	4,324	18,419	100	13	180	23,036
Compensated absences payable	3,485	12,582	861	117	52	17,097
Due to other funds	-	-	3,046	-	-	3,046
Due to other governmental units	-	-	-	232	-	232
Unearned revenue	9,759	2,147	-	-	-	11,906
Accrued claims	205	3,332	107	19	-	3,663
Other	-	1,091	-	-	-	1,091
Restricted liabilities:						
Payables from restricted assets	13,494	3,708	58,079	79	-	75,360
Accrued interest payable from restricted assets	11,902	-	297	-	-	12,199
Bonds/loans payable from restricted assets	79,590	-	20,000	-	-	99,590
Due to other governmental units from restricted assets	-	-	143	-	-	143
Due to current assets	-	-	-	343	-	343
Unearned revenue from restricted assets	34,483	424	37,391	-	-	72,298
Other liabilities from restricted assets	-	337	-	-	-	337
Total current liabilities	<u>164,078</u>	<u>48,505</u>	<u>120,497</u>	<u>2,001</u>	<u>334</u>	<u>335,415</u>
Noncurrent liabilities:						
Compensated absences payable	4,435	1,595	-	-	35	6,065
Accrued claims	332	8,457	1,000	3,000	227	13,016
Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding)	1,269,122	-	146,865	-	1,405	1,417,392
OPEB liability	15,660	55,114	-	-	-	70,774
Total noncurrent liabilities	<u>1,289,549</u>	<u>65,166</u>	<u>147,865</u>	<u>3,000</u>	<u>1,667</u>	<u>1,507,247</u>
Total liabilities	<u>1,453,627</u>	<u>113,671</u>	<u>268,362</u>	<u>5,001</u>	<u>2,001</u>	<u>1,842,662</u>
NET POSITION						
Net investment in capital assets	625,730	467,446	1,103,875	214,002	15,781	2,426,834
Restricted for:						
Debt service	232,647	-	-	-	-	232,647
Capital projects	33,633	4,885	245	(18)	-	38,745
Housing operations	-	-	-	-	340	340
Unrestricted	(199,270)	105,656	7,848	4,629	8,642	(72,495)
Total net position	<u>\$ 692,740</u>	<u>\$ 577,987</u>	<u>\$ 1,111,968</u>	<u>\$ 218,613</u>	<u>\$ 24,763</u>	<u>\$ 2,626,071</u>

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

	Business-type Activities--Enterprise Funds					Total
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	
		Bus	Light Rail	Commuter Rail		
Operating revenues:						
Charges for services:						
Wastewater and industrial strength charges	\$ 185,281	\$ -	\$ -	\$ -	\$ -	\$ 185,281
Transit fares	-	79,789	10,308	2,567	-	92,664
Tenant rent	-	-	-	-	529	529
Advertising and auxiliary	-	3,207	910	6	-	4,123
Total operating revenues	<u>185,281</u>	<u>82,996</u>	<u>11,218</u>	<u>2,573</u>	<u>529</u>	<u>282,597</u>
Operating expenses:						
Salaries and employee benefits	61,508	199,222	20,505	4,707	3,094	289,036
Contracted services	15,857	9,851	993	5,588	1,552	33,841
Materials and supplies	7,769	40,324	13,090	1,758	39	62,980
Insurance	966	-	67	1,221	90	2,344
Utilities	16,591	3,952	2,286	567	200	23,596
Advertising	-	1,105	22	56	-	1,183
Housing related expenses	-	-	-	-	51,827	51,827
Other	11,850	613	2,138	2,325	535	17,461
Depreciation	57,124	54,157	30,358	8,494	1,069	151,202
Total operating expenses	<u>171,665</u>	<u>309,224</u>	<u>69,459</u>	<u>24,716</u>	<u>58,406</u>	<u>633,470</u>
Operating income (loss)	<u>13,616</u>	<u>(226,228)</u>	<u>(58,241)</u>	<u>(22,143)</u>	<u>(57,877)</u>	<u>(350,873)</u>
Nonoperating revenues (expenses):						
Intergovernmental	4,893	187,380	27,756	14,458	57,896	292,383
Pass-through grants	-	(1,513)	-	-	-	(1,513)
Sewer availability charges	22,360	-	-	-	-	22,360
Investment income	7,212	11,873	850	77	97	20,109
Interest and fiscal charges	(25,509)	-	(467)	-	-	(25,976)
Gain/(loss) on sale of capital assets	(159)	342	(49)	-	-	134
Other	(3,009)	1,127	192	3	373	(1,314)
Total nonoperating revenues (expenses)	<u>5,788</u>	<u>199,209</u>	<u>28,282</u>	<u>14,538</u>	<u>58,366</u>	<u>306,183</u>
Income (loss) before contributions and transfers	<u>19,404</u>	<u>(27,019)</u>	<u>(29,959)</u>	<u>(7,605)</u>	<u>489</u>	<u>(44,690)</u>
Capital contributions	706	47,965	311,575	3,800	-	364,046
Transfers in	160	15,325	6,457	-	-	21,942
Transfers out	-	(249)	-	(40)	-	(289)
Total contributions and transfers	<u>866</u>	<u>63,041</u>	<u>318,032</u>	<u>3,760</u>	<u>-</u>	<u>385,699</u>
Change in net position	20,270	36,022	288,073	(3,845)	489	341,009
Total net position, beginning	<u>672,470</u>	<u>541,965</u>	<u>823,895</u>	<u>222,458</u>	<u>24,274</u>	<u>2,285,062</u>
Total net position, ending	<u>\$ 692,740</u>	<u>\$ 577,987</u>	<u>\$ 1,111,968</u>	<u>\$ 218,613</u>	<u>\$ 24,763</u>	<u>\$ 2,626,071</u>

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, 2012
IN THOUSANDS

	Business-type Activities--Enterprise Funds					Total
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	
		Bus	Light Rail	Commuter Rail		
Cash flows from operating activities						
Receipts from customers and users	\$ 185,487	\$ 78,637	\$ 10,264	\$ 2,682	\$ 521	\$ 277,591
Payments to suppliers	(51,830)	(61,521)	(19,675)	(12,348)	(54,248)	(199,622)
Payments to employees	(60,660)	(193,558)	(20,539)	(4,726)	(3,100)	(282,583)
Receipts from others	671	4,335	1,103	9	374	6,492
Net cash provided (used) by operating activities	73,668	(172,107)	(28,847)	(14,383)	(56,453)	(198,122)
Cash flows from noncapital financing activities						
Transfers in	160	200	-	-	-	360
Short-term loan to other funds	-	(3,046)	-	-	-	(3,046)
Short-term loan from other funds	-	-	3,046	-	-	3,046
Intergovernmental receipts	4,895	188,082	25,302	14,413	57,714	290,406
Pass-through grant payments	-	(1,513)	-	-	-	(1,513)
Net cash provided by non-capital financing activities	5,055	183,723	28,348	14,413	57,714	289,253
Cash flows from capital and related financing activities						
Transfers in (out) - for capital purposes	-	15,125	6,457	(40)	-	21,542
Capital contributions	706	49,670	261,536	6,903	-	318,815
Proceeds from capital debt	573,556	-	101,781	-	-	675,337
Proceeds from sewer availability charges	33,141	-	-	-	-	33,141
Proceeds from sale of capital assets	87	342	77	-	-	506
Purchase of capital assets	(104,448)	(60,742)	(294,849)	(4,088)	-	(464,127)
Principal paid on capital debt	(272,675)	-	(25,000)	-	-	(297,675)
Interest paid on capital debt	(38,785)	-	(340)	-	-	(39,125)
Net cash provided by (used in) capital and related financing activities	191,582	4,395	49,662	2,775	-	248,414
Cash flows from investing activities						
Investment purchased/sale	(241,684)	-	-	-	-	(241,684)
Interest received/paid	7,459	11,692	855	61	87	20,154
Net cash provided by (used in) investing activities	(234,225)	11,692	855	61	87	(221,530)
Net increase (decrease) in cash and cash equivalents	36,080	27,703	50,018	2,866	1,348	118,015
Balances, beginning	133,512	146,883	116,828	971	7,775	405,969
Balances, ending	\$ 169,592	\$ 174,586	\$ 166,846	\$ 3,837	\$ 9,123	\$ 523,984
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 13,616	\$ (226,228)	\$ (58,241)	\$ (22,143)	\$ (57,877)	\$ (350,873)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	57,124	54,157	30,358	8,494	1,069	151,202
Other non-operating	671	1,127	193	3	374	2,368
Change in assets and liabilities:						
Accounts receivable	(3,964)	(1,812)	(44)	115	24	(5,681)
Due from employees	42	91	-	-	-	133
Materials and supplies (inventory)	(56)	(1,619)	(1,164)	(157)	-	(2,996)
Prepaid expenses and other current assets	331	879	(5)	(610)	-	595
Accounts payable	1,260	(4,170)	90	(65)	(38)	(2,923)
Accrued payroll liabilities	175	2,755	(34)	(20)	(5)	2,871
Accrued OPEB liabilities	630	2,818	-	-	-	3,448
Unearned revenues	4,170	660	-	-	-	4,830
Other liabilities	(331)	(765)	-	-	-	(1,096)
Net cash provided (used) by operating activities	\$ 73,668	\$ (172,107)	\$ (28,847)	\$ (14,383)	\$ (56,453)	\$ (198,122)
Non-cash capital and related financing activities:						
Transferred/donated assets	\$ -	\$ -	\$ 19,667	\$ -	\$ -	\$ 19,667
Loss on disposition of capital assets	2,121	-	-	-	-	2,121
Contribution from governmental activities capital assets						
Vehicles	-	(249)	-	-	-	(249)

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

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2012
IN THOUSANDS**

	Agency Fund
ASSETS	
Cash and cash equivalents	<u>\$ 1,315</u>
LIABILITIES	
Due to participants	<u>\$ 1,315</u>

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

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I. Summary of significant accounting policies

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

A. Reporting entity

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.

On May 14, 2012, Governor Mark Dayton signed into law a stadium bill which provided for construction and operation of a new National Football League stadium. The law established a new Minnesota Stadium Authority and abolished the Metropolitan Sports Facilities Commission (MSFC). The MSFC was a discretely presented component unit of the Council in the prior year. Assets, liabilities, and obligations of the MSFC transferred to the new Authority on August 1, 2012. There were no audited financials issued. The Council has no oversight responsibility for the new Authority.

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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.

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 *Contracted Transit Service special revenue fund* accounts for activities of the regional transit system for which the Council contracts with outside transit service providers.

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 wastewater collection and treatment 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 Council 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.

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.

The Council implemented GASB Statement 63 for the year ended December 31, 2012, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position (rather than net assets) in a statement of financial position.

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 and Metro Transit Commuter Rail enterprise funds are fares charged to customers for rail transportation. For the Metropolitan Housing and Redevelopment Authority (HRA) enterprise fund housing rental is 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 position 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, 2012, 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 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 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, 2012, the allowances for doubtful accounts were (dollars in thousands):

<u>Enterprise Fund</u>	<u>Balance</u>
Environmental Services	\$ 20
Metro Transit Bus	<u>209</u>
Total	<u>\$ 229</u>

Property tax levies are set by the Council in December each year, and are certified to the seven counties for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The counties spread all levies over assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the Council at that date. Revenues are accrued in the year collectible, net of delinquencies. Real property taxes may be paid by

taxpayers in two equal installments, on May 15 and October 15. The counties provide tax settlements to regional agencies and other local governments two times a year, in July and December.

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

3. Due from other governmental units

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

4. Inventories and prepaid items

Inventories in the enterprise funds are valued at cost using the weighted average costing method. When appropriate, an associated allowance for obsolete inventory has been established. As of December 31, 2012, the allowances for obsolete inventory accounts were (dollars in thousands):

<u>Enterprise Fund</u>	<u>Balance</u>
Environmental Services	\$ 50
Metro Transit Bus	762
Total	<u>\$ 812</u>

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

5. Restricted assets

Restricted assets include:

- a. 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. 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 \$29,666,000. Of this amount, \$4,157,000 was included as part of the cost of capital assets under construction with the wastewater treatment facilities construction projects.

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

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

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 contributions for bus costs that had not been incurred at year-end. 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.

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 position. 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 position

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 position contributes to the negative unrestricted net position balance in the governmental activities column.

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 position

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

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 \$95,485,000 difference are as follows:

	<i>In thousands</i>
Land	\$ 6,958
Building – net of accumulated depreciation	13,688
Vehicles – net of accumulated depreciation	70,555
Equipment – net of accumulated depreciation	2,051
Construction in progress	2,233
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 95,485</u>

Another element of that reconciliation explains that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.” The details of this \$3,502,000 difference are as follows:

	<i>In thousands</i>
Receivables – delinquent property taxes	\$ 2,157
Other assets – bond issuance costs	1,345
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 3,502</u>

Another element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$(292,063,000) difference are as follows:

	<i>In thousands</i>
General obligation bonds payable	\$ (257,390)
Revenue bonds	(1,365)
Net issuance premiums (to be amortized as interest expense)	(12,345)
Accrued interest and arbitrage payable	(3,725)
Compensated absences	(3,271)
Capital lease payable	(10,225)
OPEB liability	(3,742)
Net adjustment to reduce <i>fund balances – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (292,063)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position 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 \$16,544,000 difference are as follows:

	<u><i>In thousands</i></u>
Capital outlay	\$ 32,376
Depreciation expense	<u>(15,832)</u>
Net adjustment to increase <i>net changes in fund balances- total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ 16,544</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to reduce net position.” The details of this \$(23,000) difference are as follows:

	<u><i>In thousands</i></u>
The statement of activities reports <i>gains</i> or <i>losses</i> arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or (loss) on a trade-in of capital assets.	\$ (194)
Transfers of capital assets (\$498,000 less accumulated depreciation of \$249,000) increase net position in the statement of activities, but do not appear in governmental funds because they are not financial resources.	249
Adjustment to construction in progress	(36)
Other miscellaneous transactions involving capital assets	<u>(42)</u>
Net adjustment to reduce <i>net changes in fund balances- total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ (23)</u>

Another element of that reconciliation explains that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.” The detail of this \$(1,339,000) difference is as follows:

	<u><i>In thousands</i></u>
Change in deferred property tax revenue	<u>\$ (1,339)</u>
Net adjustment to reduce <i>net changes in fund balances – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ (1,339)</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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 \$(49,078,000) difference are as follows:

	<u><i>In thousands</i></u>
Issuance of general obligation bonds	\$ (59,000)
Issuance of refunding bonds	(29,725)
Less: (premium) discount on bonds	(8,217)
Less: cost of issuance on new bonds	603
Bond discount/(premium) amortization	747
Change in accrued interest	(657)
Amortization of cost of issuance	(356)
Principal payments of general obligation bonds/loans	46,285
Capital lease payment	595
Change in arbitrage liability	<u>647</u>
Net adjustment to reduce <i>net changes in fund balances – total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ (49,078)</u>

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this (\$553,000) difference are as follows:

	<u><i>In thousands</i></u>
Change in compensated absences for year	\$ (113)
Change in OPEB liability	<u>(440)</u>
Net adjustment to decrease <i>net changes in fund balances- total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ (553)</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles for the General fund, all budgeted special revenue funds, and the Metro Transit Light Rail, Metro Transit Bus, 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, prepare budgets. These budgets are reviewed by division management and are then submitted to the Regional Administrator’s office for review. Budget discussions begin with the Council in June and the budget is adopted in December. The budget is prepared by division, program, and fund. The legal level of control is division within fund. The only fund that has more than one division is the General fund. The divisions of the General fund are Regional Administration and Community Development. Transfers between funds require approval of the Council. The Council approved several supplemental appropriations during the year, the effects of which were not material.

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

IV. Detailed notes on all funds

A. Cash and investments

1. Deposits

Minnesota statutes require that all Council deposits be protected by insurance, surety bonds or collateral pledged to the Council. Collateral pledged shall be at least ten percent more than the amount of excess deposits. In addition to \$19,000 of petty cash and mutilated coin, the amount of the Council’s bank accounts was \$893,000 all of which is covered by Federal depository insurance (FDIC). From December 31, 2010 through December 31, 2012, due to Dodd-Frank Legislation, FDIC insurance was unlimited on all noninterest bearing transaction accounts.

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 \$198,829,000 United States agency investments, the Council has a custodial credit risk exposure of \$2,007,000 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, 2012:

Metropolitan Council	Credit Risk	Custodial Credit Risk	Dollars in thousands			
			Par	Fair Value	Book Value	Portfolio
U.S. Treasury Securities:						
Escrow Account, Debt (SLGS, Cash)	n.a.	Escrow (a)	\$ 273,036	\$ 273,036	\$ 273,036	25.6%
U.S. Agency Securities:						
Federal Home Loan Bank	Aaa	Custody (a)	100,000	100,062	99,941	9.4%
Federal Home Loan Mortgage Corporation	Aaa	Broker Held (b)	2,000	2,007	1,998	0.2%
Federal National Mortgage Association	Aaa	Custody (a)	55,000	55,170	55,022	5.2%
Federal Farm Credit Bank	Aaa	Custody (a)	35,000	34,900	34,998	3.3%
Mortgage Backed Securities:						
Federal National Mortgage Association	Aaa	Custody (a)	3,732	4,004	4,005	0.4%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	2,609	2,686	2,653	0.3%
Certificates of Participation (U.S. GSA)	N.R. (c)	Custody (a)	2,860	2,996	2,860	0.3%
Commercial Paper (each <5%)	AI/PI/FI	Custody (a)	168,250	168,116	168,139	15.7%
Municipal Bonds (each <5%)	Aaa (d)	Custody (a)	186,790	197,277	187,257	18.5%
MN State Pool (OPEB Pool, Equities, etc)	N.R. (c)	Custody (e)	115,558	130,808	115,558	12.2%
Money Market Funds	Aaa	n.a.	98,201	98,201	98,201	9.2%
Cash for Fuel Hedging Margin Acct.	n.a.	Broker Held (f)	2,945	2,945	2,945	0.3%
Cash for Operations (g)	n.a.	Collateralized (h)	(4,114)	(4,114)	(4,114)	-0.4%
Petty Cash/Coin & Mutilated Coins	n.a.	Council Held	19	19	19	0.0%
Total Cash and Investments			<u>\$1,041,886</u>	<u>\$1,068,113</u>	<u>\$1,042,518</u>	<u>100.0%</u>

- a) Securities held in custody/escrow are in the Council's name.
- b) Securities held by the Bank of NYC 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 was 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.

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, 2012. Excluding the OPEB equity portfolio, the remaining investment portfolio has an average market yield of 1.32 percent, modified duration of 4.2 years, effective duration of 2.5 years and convexity of (0.79).

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. Treasury Securities:				
Escrow Account, Debt (SLGS and Cash)	\$ 273,036	\$ 273,036	\$ 273,036	\$ 273,036
U.S. Agency Securities:				
Federal Home Loan Bank	99,241	96,651	93,996	90,665
Federal Home Loan Mortgage Corporation	1,993	1,972	1,951	1,870
Federal National Mortgage Association	54,937	53,491	52,249	51,049
Federal Farm Credit Bank	34,084	32,689	31,317	30,006
Mortgage Backed Securities:				
Federal National Mortgage Association	4,292	4,236	4,170	4,096
Federal Home Loan Mortgage Corporation	2,691	2,607	2,524	2,441
Certificates of Participation (U.S. GSA)	3,155	3,110	3,066	3,023
Commercial Paper (each <5%)	168,061	168,042	168,024	168,006
Municipal Bonds (each <5%)	204,115	200,239	196,357	192,504
MN State Pool (OPEB Pool, Equities, etc)	130,808	130,808	130,808	130,808
Money Market Funds	98,201	98,201	98,201	98,201
Cash for Fuel Hedging Margin Acct.	2,945	2,945	2,945	2,945
Cash for Operations (g)	(4,114)	(4,114)	(4,114)	(4,114)
Petty Cash/Coin & Mutilated Coins	19	19	19	19
Total Cash and Investments	<u>\$1,073,464</u>	<u>\$1,063,932</u>	<u>\$1,054,549</u>	<u>\$ 1,044,555</u>

B. Energy forward pricing mechanisms

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

Statutorily, the Council may not hedge more than 100 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 EFPs. The initial cash value of each contract is zero; thereafter, the change in the value of each contract is directly correlated with the simultaneous and offsetting increase/decrease in the cost of the fuel in the marketplace and at the time of delivery. At the end of 2012, these values are reported in the "Prepays and Other" and offset in "Accounts Payable and Other Current Liabilities."

Since 2004, the Council has hedged most of its annual 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 2012, the Council discontinued fuel hedging for Metro Mobility, a governmental fund, and its natural gas hedging program for all funds.

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 2012, the Council performed a retrospective statistical analysis test and determined that the liquidated hedges were essentially effective.

As of December 31, 2012, the Council had 273 New York Mercantile Exchange (NYMEX) heating oil futures contracts (11.5 million gallons) with acquisition (effective) dates ranging from 08/26/2011 through 12/11/2012. Termination dates range from 01/31/2013 to 11/28/2014. As of December 31, 2012, the heating oil futures contracts had a fair value of \$ 34,230,000. The Council can hedge its projected consumption (up to 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, 2012, the Council's futures accounts at Royal Bank of Canada (RBC) Wealth Management contained cash and a money market fund with a value of \$2,945,000, and a U.S. agency security with a fair value of \$2,007,000.

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.

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

C. Receivables

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

	<i>Dollars in thousands</i>				
	Accounts	Allowance for Uncollectable	Delinquent Taxes	Interest	Total Receivable
Receivables – current					
Governmental Activities:					
General Fund	\$ 42	\$ -	\$ 544	\$ 91	\$ 677
Metro Mobility	113	-	-	-	113
Contracted Transit Service	-	-	-	19	19
Debt Retirement	-	-	2,117	326	2,443
Nonmajor Governmental	-	-	518	709	1,227
Total Governmental	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ 3,179</u>	<u>\$ 1,145</u>	<u>\$ 4,479</u>
Business-type Activities:					
Environmental Services	\$ 9,340	\$ (20)	\$ -	\$ 302	\$ 9,622
Metro Transit – Bus	7,834	(209)	-	587	8,212
Metro Transit – Light Rail	246	-	-	-	246
Metro Transit - Commuter Rail	451	-	-	18	469
Metropolitan Housing and Redevelopment Authority	75	-	-	39	114
Total Business-type	<u>\$17,946</u>	<u>\$ (229)</u>	<u>\$ -</u>	<u>\$ 946</u>	<u>\$18,663</u>
Receivables – restricted					
Business-type Activities:					
Environmental Services	\$ 12,422	\$ -	\$ -	\$ 321	\$12,743
Metro Transit – Bus	-	-	-	21	21
Metro Transit – Light Rail	2	-	-	710	712
Total Business-type	<u>\$ 12,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,052</u>	<u>\$13,476</u>

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

	<u>Unavailable</u>
Delinquent property taxes receivable (General fund)	\$ 348
Due from other governmental units (General fund)	676
Delinquent property taxes receivable (Debt retirement fund)	1,472
Delinquent property taxes receivable (Nonmajor governmental funds)	337
Total deferred/unearned revenue for governmental funds	<u>\$2,833</u>

D. Property taxes

Minnesota State Law requires the State of Minnesota Commissioner of Revenue to determine property tax levy limits. The levy limit generally represents the prior year's levy limit multiplied by the percentage increase in total market value of taxable property. There are no property tax levy limits for the debt service levy, or for the transit Tax Anticipation Certificate levy. In 2012, the Council levied \$12,986,000 for the General Operating levy; \$8,184,000 for the Livable Communities Demonstration Account levy; \$4,404,000 for Parks Debt Retirement; \$3,591,000 for Highway Right-Of-Way Acquisition Loan; and \$42,769,000 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.

In prior years Council levies were reduced by a Market Value Credit (MVC). The MVC was a property tax reduction taken by counties and paid directly to the Council by the State of Minnesota. Beginning in 2012, the Minnesota legislature eliminated the MVC.

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

	<u>Levy Limit</u>	<u>Council Levy</u>
Operating Levy	\$ 13,740	\$ 12,986
Tax Base Revitalization	5,000	5,000
Highway Right-of-Way	3,693	3,591
Livable Communities	10,785	8,184
Parks Debt Retirement	4,404	4,404
Transit Debt Retirement	42,769	42,769
Total	<u>\$ 80,391</u>	<u>\$ 76,934</u>

E. Capital assets

Capital assets for the year ended December 31, 2012, was as follows:

	<i>Dollars in thousands</i>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 6,958	\$ -	\$ -	\$ 6,958
Construction in progress	36	2,233	(36)	2,233
Total capital assets, not being depreciated	<u>6,994</u>	<u>2,233</u>	<u>(36)</u>	<u>9,191</u>
Capital assets, being depreciated				
Building	16,344	-	-	16,344
Vehicles	122,855	29,316	(7,692)	144,479
Equipment	5,859	1,326	-	7,185
Total capital assets, being depreciated	<u>145,058</u>	<u>30,642</u>	<u>(7,692)</u>	<u>168,008</u>
Less accumulated depreciation for:				
Buildings	2,248	408	-	2,656
Vehicles	67,140	13,990	(7,206)	73,924
Equipment	3,700	1,434	-	5,134
Total accumulated depreciation	<u>73,088</u>	<u>15,832</u>	<u>(7,206)</u>	<u>81,714</u>
Total capital assets, being depreciated, net	<u>71,970</u>	<u>14,810</u>	<u>(486)</u>	<u>86,294</u>
Governmental activities capital assets, net	<u>\$ 78,964</u>	<u>\$ 17,043</u>	<u>\$ (522)</u>	<u>\$ 95,485</u>

	<i>Dollars in thousands</i>			
Business-type Activities:	Beginning Balance	Additions	Deductions/ Adjustments	Ending Balance
Capital assets, not being depreciated				
Land	\$ 187,498	\$ 28,586	\$ (1,337)	\$ 214,747
Construction in progress	565,691	622,693	(368,689)	819,695
Total capital assets, not being depreciated	753,189	651,279	(370,026)	1,034,442
Capital assets, being depreciated				
Buildings and infrastructure	3,067,177	152,652	(13,876)	3,205,953
Vehicles	520,645	42,759	(32,950)	530,454
Equipment	330,109	16,177	(2,814)	343,472
Total capital assets, being depreciated	3,917,931	211,588	(49,640)	4,079,879
Less accumulated depreciation for:				
Buildings and infrastructure	1,187,809	98,790	(1,060)	1,285,539
Vehicles	209,865	36,078	(32,555)	213,388
Equipment	97,118	16,334	(2,081)	111,371
Total accumulated depreciation	1,494,792	151,202	(35,696)	1,610,298
Total capital assets, being depreciated, net	2,423,139	60,386	(13,944)	2,469,581
Business-type activities capital assets, net	<u>\$ 3,176,328</u>	<u>\$ 711,665</u>	<u>\$ (383,970)</u>	<u>\$ 3,504,023</u>

During the year, Metro Transit Bus enterprise fund transferred capital assets with a net book value of \$249,000 to a nonmajor governmental fund. The transfer was not recognized in the governmental funds statement of revenues, expenditures, and changes in fund balances because no current financial resources were provided. The transferred amounts in vehicles and 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:

	<i>Dollars in thousands</i>
<u>Governmental activities:</u>	
General government	\$ 949
Transportation	14,883
Total depreciation expense-governmental activities	<u>\$ 15,832</u>
<u>Business-type activities:</u>	
Environmental Services	\$ 57,124
Metro Transit – Bus	54,157
Metro Transit – Light Rail	30,358
Metro Transit – Commuter Rail	8,494
Metropolitan Housing and Redevelopment Authority	1,069
Total depreciation expense-business-type activities	<u>\$ 151,202</u>

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, 2012, is as follows:

Receivable Fund	Payable Fund	<i>Dollars in thousands</i>
General Fund	Contracted Transit Service	\$3,836
General Fund	Nonmajor Governmental	712
Metro Transit Bus	Metro Transit Light Rail	3,046

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

Dollars in thousands

Transfers in	Transfers out					Total
	General Fund	Contracted Transit Service	Debt Retirement	Nonmajor Governmental	Metro Transit Commuter Rail	
General Fund	\$ -	\$ -	\$270	\$ -	\$ -	\$ 270
Metro Mobility	21	-	-	-	-	21
Debt Retirement	-	-	-	279	-	279
Nonmajor Governmental	1,000	-	-	232	-	1,232
Environmental Services	160	-	-	-	-	160
Metro Transit Bus	-	200	-	15,125	-	15,325
Metro Transit Light Rail	-	-	552	5,865	40	6,457
Total	\$1,181	\$200	\$822	\$21,501	\$40	\$23,744

Additionally, the Metro Transit Bus enterprise fund transferred capital assets with a net book value of \$249,000 to a nonmajor governmental fund. The transfer was not recognized in the governmental funds statement of revenues, expenditures and changes in fund balances because there were no current financial resources provided.

G. Leases

1. Operating leases

The Council leases building and office facilities, storage facilities, and other operating equipment under non-cancelable operating leases. Total operating lease costs in fiscal year 2012 were \$501,000 for Metro Transit Bus enterprise fund, \$613,000 for Metro Transit-Light Rail enterprise fund, \$61,000 for Metro Transit Commuter Rail enterprise fund, and \$199,000 for Environmental Services enterprise fund. Commitments under operating lease agreements provide for minimum annual rental payments as follows:

Year	Metro Transit					Total
	Environmental Services	Bus	Light Rail	Commuter Rail		
2013	\$ 125	\$ 276	\$ 718	\$ 10	\$ 1,129	
2014	125	140	677	9	951	
2015	62	143	199	4	408	
2016	-	154	415	1	570	
2017	-	52	423	1	476	
2018-2022	-	153	691	2	846	
2023-2027	-	100	-	2	102	
2028-2032	-	100	-	-	100	
2033-2037	-	86	-	-	86	
Total	\$ 312	\$ 1,204	\$ 3,123	\$ 29	\$ 4,668	

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.

<u>Year Ending</u>	<i>Dollars in thousands</i>
	Nonmajor Governmental Fund
2013	\$ 1,030
2014	1,031
2015	1,026
2016	1,029
2017	1,026
2018-2022	5,123
2023-2025	<u>3,063</u>
Total minimum lease payments	\$ 13,328
Less amount representing interest	<u>(3,103)</u>
Present value of minimum lease payments	<u>\$ 10,225</u>

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 position. 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 \$895,445,000. During the year, \$7,000,000 of general obligation park bonds; \$52,000,000 of general obligation transit bonds; \$29,725,000 of general obligation transit refunding bonds; \$55,110,000 general obligation wastewater bonds; \$423,860,000 of general obligation wastewater refunding bonds and no general obligation certificates of indebtedness were issued.

General obligation bonds currently outstanding on December 31, 2012, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<i>Dollars in Thousands</i>
Governmental activities	0.60-5.50%	\$ 198,365
Governmental activities – refunding	2.00-5.00%	50,770
Business-type activities	2.00-5.00%	384,595
Business-type activities – refunding	0.25-5.25%	<u>470,575</u>
Total general obligation bonds		<u>\$ 1,104,305</u>

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 \$839,321,000. During the year, \$55,327,000 of Minnesota PFA loans was drawn down--entirely by business-type activities.

Public Facilities Authority general obligation backed loans currently outstanding on December 31, 2012, are as follows:

Purpose	Interest Rates	<i>Dollars in Thousands</i>
Governmental activities	1.79-2.71%	\$ 8,255
Business-type activities	1.60-3.18%	449,690
Total Public Facilities Authority loans		<u>\$ 457,945</u>

During the year, the Council issued \$100,000,000 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 4-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, 2012, are as follows:

Purpose	Interest Rates	<i>Dollars in Thousands</i>
Business-type activities	0.45-1.00%	\$ 65,000
Business-type activities	1.00-2.00%	100,000
Total grant anticipation notes		<u>\$ 165,000</u>

The following is a summary of general obligation bond and PFA loan transactions of the Council for the year ended December 31, 2012:

	<i>Dollars in thousands</i>	
	Governmental Activities	Business-type Activities
Balance, January 1, 2012	\$ 218,490	\$ 1,143,979
Bonds issued, net of discount/premium	96,942	523,946
Grant anticipation notes issued, net of discount/premium	-	101,867
PFA drawdown	-	55,327
Amortization of discount/premium	(720)	(11,908)
Deferred amount on refunding	-	82
Amortization of deferred amount on refunding	-	(41)
Less principal payments	(44,980)	(297,675)
Balance, December 31, 2012	<u>\$ 269,732</u>	<u>\$ 1,515,577</u>

As of December 31, 2012, the annual debt service requirements to amortize all general obligation bonds, grant anticipation notes and PFA loans outstanding, including interest of \$51,728,000 on the governmental activities debt and \$304,207,000 on the business-type activities debt was as follows:

Year Ending December 31	<i>Dollars in thousands</i>			<i>Dollars in thousands</i>		
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 38,160	\$ 9,216	\$ 47,376	\$ 99,590	\$ 43,554	\$ 143,144
2014	31,455	7,735	39,190	149,664	41,266	190,930
2015	47,235	6,231	53,466	234,159	36,403	270,562
2016	20,360	4,975	25,335	186,966	28,124	215,090
2017	20,460	4,272	24,732	72,627	24,471	97,098
2018-2022	63,285	12,823	76,108	393,539	90,216	483,755
2023-2027	21,685	5,209	26,894	256,509	34,604	291,113
2028-2032	14,750	1,267	16,017	76,806	5,569	82,375
Subtotal	\$ 257,390	\$ 51,728	\$ 309,118	\$ 1,469,860	\$ 304,207	\$ 1,774,067
Net unamortized:						
Discounts/premiums	12,342	-	12,342	45,766	-	45,766
Deferred on refunding	-	-	-	(49)	-	(49)
Total payments	<u>\$ 269,732</u>	<u>\$ 51,728</u>	<u>\$ 321,460</u>	<u>\$ 1,515,577</u>	<u>\$ 304,207</u>	<u>\$ 1,819,784</u>

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, 2012, the Council's net annual debt service requirements to amortize all general obligation bonds, grant anticipation notes and loans outstanding, including interest of \$43,764,000 on the governmental activities debt and \$283,688,000 on the business-type activities debt, was as follows:

<i>Dollars in thousands</i>					
Governmental Activities:					
Year Ending December 31	Principal	Interest	Federal Subsidy	Net Interest	Net Payment
2013	\$ 38,160	\$ 9,216	\$ (978)	\$ 8,238	\$ 46,398
2014	31,455	7,735	(926)	6,809	38,264
2015	47,235	6,231	(863)	5,368	52,603
2016	20,360	4,975	(792)	4,183	24,543
2017	20,460	4,272	(713)	3,559	24,019
2018-2022	63,285	12,823	(2,300)	10,523	73,808
2023-2027	21,685	5,209	(1,139)	4,070	25,755
2028-2032	14,750	1,267	(253)	1,014	15,764
Subtotal	\$ 257,390	\$ 51,728	\$ (7,964)	\$ 43,764	\$301,154
Net unamortized:					
Discounts/premiums	12,342	-	-	-	12,342
Total payments	\$ 269,732	\$ 51,728	\$ (7,964)	\$ 43,764	\$ 313,496
Business-type Activities:					
Year Ending December 31					
2013	\$ 99,590	\$ 43,554	\$ (1,829)	\$ 41,725	\$ 141,315
2014	149,664	41,266	(1,774)	39,492	189,156
2015	234,159	36,403	(1,723)	34,680	268,839
2016	186,966	28,124	(1,677)	26,447	213,413
2017	72,627	24,471	(1,629)	22,842	95,469
2018-2022	393,539	90,216	(6,989)	83,227	476,766
2023-2027	256,509	34,604	(4,130)	30,474	286,983
2028-2032	76,806	5,569	(768)	4,801	81,607
Subtotal	\$1,469,860	\$ 304,207	\$(20,519)	\$283,688	\$1,753,548
Net unamortized					
Discounts/premiums	45,766	-	-	-	45,766
Deferred on refunding	(49)	-	-	-	(49)
Total payments	\$1,515,577	\$ 304,207	\$(20,519)	\$283,688	\$1,799,265

2. Loans payable

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

3. Revenue bonds

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

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

The following is a summary of revenue bond transactions of the Council for the year ended December 31, 2012:

	<i>Dollars in thousands</i>
Balance, January 1, 2012	\$ 2,700
Less principal payment	(1,305)
Amortization of discount	(27)
Balance, December 31, 2012	<u>\$ 1,368</u>

As of December 31, 2012, the annual requirements to amortize all revenue bonds outstanding, including interest of \$27,300, are as follows:

	<i>Dollars in thousands</i>		
	Principal	Interest	Total
Year ending December 31, 2013	\$ 1,365	\$ 27	\$ 1,392
Net unamortized discount/premium	3	-	3
Balance, December 31, 2012	<u>\$ 1,368</u>	<u>\$ 27</u>	<u>\$ 1,395</u>

4. Refunded bonds

The Council sold five refunding bonds in 2012 as follows:

Bond Number	Type	<i>Dollars in thousands</i>			Refunded Bond	Bond Maturities
		Par Value	Present Value Savings	Debt Service Savings		
2012C	Transit	\$ 5,105	\$ 887	\$ 889	2004A	2015-2024
2012E	Wastewater	10,365	675	615	2003A	2014-2016
		16,345	2,264	2,546	2004B	2015-2023
		55,880	6,942	7,436	2005B	2016-2025
		18,220	3,185	3,219	1997 PFA Note	2013-2017
2012F	Wastewater	33,540	4,485	4,495	1998 PFA Note	2013-2019
		39,205	7,331	7,521	2000 PFA Note	2013-2020
		50,620	9,338	9,599	2001 PFA Note	2013-2021
		72,450	7,126	6,843	2002 PFA Note	2013-2022
		980	87	87	2003C	2014-2017
2012H	Transit	8,190	628	628	2007A	2016-2024
		15,450	1,447	1,449	2008B	2016-2028
2012I	Wastewater	61,350	5,869	5,871	2007B	2016-2027
		65,885	6,928	6,930	2008C	2017-2028

5. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	<i>Dollars in thousands</i>				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds/loans payable:					
General obligation debt	\$ 213,645	\$ 88,725	\$ (44,980)	\$ 257,390	\$ 38,160
Discounts/premiums	4,845	8,217	(720)	12,342	-
Net general obligation debt	218,490	96,942	(45,700)	269,732	38,160
Revenue bonds	2,670	-	(1,305)	1,365	1,365
Discounts/premiums	30	-	(27)	3	-
Net revenue bonds	2,700	-	(1,332)	1,368	1,365
Total bonds/loans payable	221,190	96,942	(47,032)	271,100	39,525
Capital lease	10,820	-	(595)	10,225	615
Compensated absences	3,158	2,821	(2,708)	3,271	1,963
Arbitrage liability	647	-	(647)	-	-
OPEB liability	3,302	440	-	3,742	-
Governmental long-term liabilities	<u>\$ 239,117</u>	<u>\$ 100,203</u>	<u>\$ (50,982)</u>	<u>\$ 288,338</u>	<u>\$ 42,103</u>

Dollars in thousands

Business Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds/loans/notes payable:					
General obligation debt	\$ 1,043,238	\$ 534,297	\$ (272,675)	\$1,304,860	\$ 79,590
Grant anticipation notes	90,000	100,000	(25,000)	165,000	20,000
Loans payable	1,405	-	-	1,405	-
Discounts/premiums	10,831	46,843	(11,908)	45,766	-
Deferred on refunding	(90)	82	(41)	(49)	-
Total bonds/loans payable	1,145,384	681,222	(309,624)	1,516,982	99,590
Compensated absences	22,920	25,065	(24,823)	23,162	17,097
OPEB liability	67,326	3,448	-	70,774	-
Accrued claims	17,848	4,839	(6,008)	16,679	3,663
Business-type long-term liabilities	\$ 1,253,478	\$ 714,574	\$ (340,455)	\$1,627,597	\$ 120,350

For governmental activities, capital leases and compensated absences are generally liquidated by the General fund. The majority of Metro Transit Bus, Metro Transit Light Rail, and Metro Transit Commuter Rail employees earn vacation in one year that must be used within the following year.

Accrued claims include \$227,000 for the Family Self Sufficiency program escrow accounts in the Metropolitan Housing and Redevelopment fund.

I. Compensated absences

In 2012, the General fund liability for compensated absences earned but not taken increased from \$3,158,000 to \$3,271,000. This liability is reported in the government-wide statement of net position. The following summary of changes during 2012 includes \$232,000 in payroll taxes:

	<i>Dollars in thousands</i>
Balance, January 1, 2012	\$ 3,158
Transferred from Enterprise Funds	9
Leave Earned	2,812
Leave Taken or Paid Off	<u>(2,708)</u>
Balance, December 31, 2012	<u>\$ 3,271</u>

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, or resolutions, 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 and Contracted Transit Service special revenue funds and the Transportation Planning and Suburban Transit Providers special revenue funds (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. By Council policy, the Chief Financial Officer has been delegated authority to assign fund balances for other purposes.

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:

<i>Dollars in thousands</i>						
Major Funds						
General	Metro Mobility	Contracted	Debt	Nonmajor		
Fund	Special Revenue	Transit Service	Retirement	Governmental	Funds	Total
Fund Balances:						
Spendable:						
Restricted for:						
Debt Retirement Reserve	\$ -	\$ -	\$ -	\$ 107,652	\$ -	\$ 107,652
Highway Right-of-Way Program	-	-	-	-	53,596	53,596
Economic Revitalization	-	-	-	-	42,060	42,060
Environment Development	-	-	-	-	21,139	21,139
Incentive Housing	-	-	-	-	3,508	3,508
Regional Land Use	-	-	-	-	1,237	1,237
North Mississippi Park Improvements	-	-	-	-	1,241	1,241
Regional Parks Capital Improvements	-	-	-	-	48,548	48,548
Transit Capital Improvements	-	-	-	-	61,689	61,689
Committed for:						
Self Insurance	1,500	-	-	-	-	1,500
Other Post Employment Benefits	3,742	-	-	-	-	3,742
Regional Water Supply Program	766	-	-	-	-	766
Regional ADA Transit Service	-	23,156	-	-	-	23,156
Regional Transit Provider Services	-	-	6,122	-	958	7,080
Assigned for:						
Encumbrances	947	-	-	-	-	947
Compensated Absences	3,271	-	-	-	-	3,271
Unassigned	13,751	-	-	-	(23,675)	(9,924)
Total fund balances	\$ 23,977	\$ 23,156	\$ 6,122	\$ 107,652	\$ 210,301	\$ 371,208

V. Other information

A. Risk management

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

1. Liability

The Council purchases general liability insurance to protect against various liability risks in all divisions of the Council. Metro Transit Bus recognizes a current liability for incurred, reported claims and 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 2011 or 2012.

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 2011 and 2012 are as follows:

	<i>Dollars in thousands</i>				Total
	Metro Transit			Environmental Services	
2011 Balance:	Bus	Light Rail	Commuter Rail		
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
2012 Balance:					
Beginning Balance	\$13,020	\$ 1,181	\$ 3,008	\$ 639	\$ 17,848
Current year claims and changes in estimates	3,905	133	90	484	4,612
Payments on claims	(5,136)	(207)	(79)	(586)	(6,008)
Ending balance	\$11,789	\$ 1,107	\$ 3,019	\$ 537	\$ 16,452

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 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:

	<i>Dollars in thousands</i>
Year	
2010	\$ 9,516
2011	9,907
2012	10,071

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). 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) is required to contribute 6.0 percent of the covered payroll. Employer contributions to MSRS (which equaled the required contributions for each year) were:

<u>Year</u>	<u>Dollars in thousands</u>
2010	\$ 141
2011	122
2012	133

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 \$130,808,000 as of December 31, 2012, 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 \$22,341,000 is 8.5 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)	\$ 16,150	\$ 5,381	\$ 810	\$ 22,341
Interest on net OPEB obligation	2,824	887	149	3,860
Adjustments to Annual Required Contribution (ARC)	(5,175)	(1,537)	(308)	(7,020)
Annual OPEB cost (expense)	13,799	4,731	651	19,181
Contributions made	(10,981)	(4,101)	(211)	(15,293)
Increase in Net OPEB Obligation	2,818	630	440	3,888
Net OPEB obligation beginning of year	52,296	15,030	3,302	70,628
Net OPEB obligation end of year	\$ 55,114	\$ 15,660	\$ 3,742	\$ 74,516

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, 2012, were as follows (dollars in thousands):

	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Metro Transit				
12/31/2010	\$ 19,659	\$ 10,149	52%	\$ 43,363
12/31/2011	20,297	11,364	56%	52,296
12/31/2012	13,799	10,981	80%	55,114
Environmental Services				
12/31/2010	6,983	3,689	53%	12,043
12/31/2011	7,203	4,216	59%	15,030
12/31/2012	4,731	4,101	87%	15,660
General Fund				
12/31/2010	1,083	339	31%	2,542
12/31/2011	1,123	363	32%	3,302
12/31/2012	651	211	32%	3,742
Total				
12/31/2010	27,725	14,177	51%	57,948
12/31/2011	28,623	15,943	56%	70,628
12/31/2012	19,181	15,293	80%	74,516

Funded Status and Funded Progress: As of December 31, 2012, the actuarial accrued liability (AAL) for benefits was \$261,699,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$263,063,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 99.48 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, 2012, 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 9.0 percent initially, reduced by decrements to an ultimate rate of 5 percent for the year 2023 and beyond. The baseline 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, 2012, was 24 years.

D. Sub-grantee programs

During the year ended December 31, 2012, the Council was involved with the following sub-grantee programs:

General Fund:

- Parks (Maintenance and Operation Grants)
- Housing and Redevelopment Authority (HUD Sustainable Communities Program)

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

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 \$63,211,000 as of December 31, 2012. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$290,875,000 will be paid from the Metro Transit Light Rail fund. Future commitments for commuter rail transit services of approximately \$4,577,000 as of December 31, 2012, will be paid from the Metro Transit Commuter Rail fund. Future commitments for regional transit services are approximately \$246,966,000 as of December 31, 2012. These commitments will be paid from Regional Transit special revenue funds. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately \$74,876,000 as of December 31, 2012. 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. Subsequent events

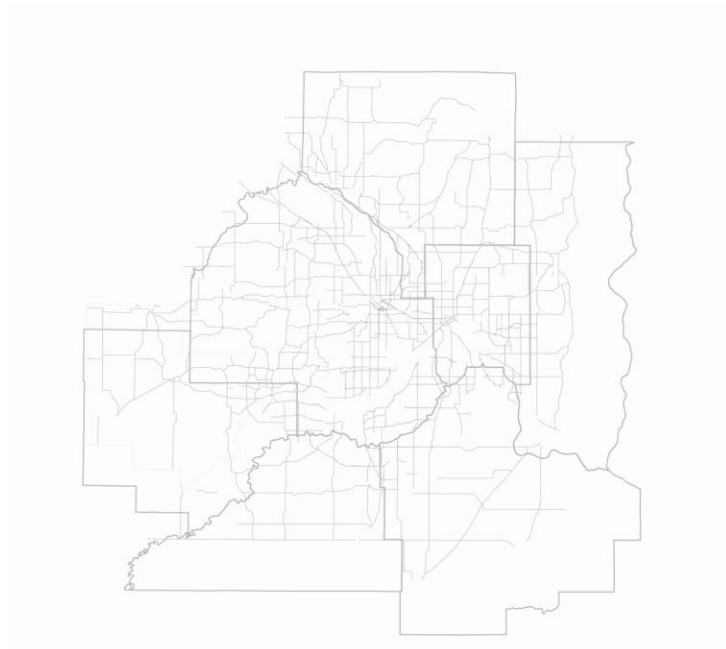
Beginning in 2013, the Council transitioned from a fully-insured healthcare plan for employee medical benefits to a self-insured plan. Related activity and balances will be accounted for in an Internal Service fund for 2013.

To ensure that each district represents roughly the same number of people, the Legislature is required to adjust the geographic district boundaries by the third year following the decennial federal census. A redistricting plan that redraws the Council's sixteen districts took effect May 17, 2013, the day after the Governor signed a new law.

On May 22, 2013, the Council agreed to a \$40,000,000 loan (2013A) from the Minnesota Public Facilities Authority for financing eligible wastewater capital expenditures.

REQUIRED SUPPLEMENTARY INFORMATION





Serving the Twin Cities seven-county metropolitan area

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 12,791	\$ 12,791	\$ 12,879	\$ 88
Intergovernmental revenue:				
Federal	3,000	3,000	2,781	(219)
State	8,540	8,540	8,575	35
Local/other	86	86	67	(19)
Investment income	700	700	1,095	395
Other	-	75	203	128
	<u>25,117</u>	<u>25,192</u>	<u>25,600</u>	<u>408</u>
EXPENDITURES				
Current:				
General government	10,419	12,729	9,253	(3,476)
Economic development	-	-	866	866
Intergovernmental:				
Culture and recreation	8,880	8,880	8,540	(340)
Economic development	3,000	4,900	3,850	(1,050)
Debt service:				
Principal	595	595	595	-
Interest and other charges	437	437	437	-
Capital outlay	294	294	355	61
	<u>23,625</u>	<u>27,835</u>	<u>23,896</u>	<u>(3,939)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,492</u>	<u>(2,643)</u>	<u>1,704</u>	<u>4,347</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	270	270	-
Transfers out	(1,275)	(1,275)	(1,181)	94
	<u>(1,275)</u>	<u>(1,005)</u>	<u>(911)</u>	<u>94</u>
Net change in fund balance	<u>217</u>	<u>(3,648)</u>	<u>793</u>	<u>4,441</u>
Fund balance, beginning	<u>23,184</u>	<u>23,184</u>	<u>23,184</u>	<u>-</u>
Fund balance, ending	<u>\$ 23,401</u>	<u>\$ 19,536</u>	<u>\$ 23,977</u>	<u>\$ 4,441</u>

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

**BUDGETARY COMPARISON SCHEDULE
METRO MOBILITY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Intergovernmental revenue:				
Federal	\$ 4,250	\$ 4,250	\$ 4,250	\$ -
State	34,868	34,868	34,868	-
Other	6,010	6,580	5,826	(754)
Total revenues	<u>45,128</u>	<u>45,698</u>	<u>44,944</u>	<u>(754)</u>
EXPENDITURES				
Current:				
Transportation	44,679	49,044	45,600	(3,444)
Excess (deficiency) of revenues over (under) expenditures	449	(3,346)	(656)	2,690
OTHER FINANCING SOURCES (USES)				
Transfers in	21	21	21	-
Net change in fund balance	470	(3,325)	(635)	2,690
Fund balance, beginning	23,791	23,791	23,791	-
Fund balance, ending	<u>\$ 24,261</u>	<u>\$ 20,466</u>	<u>\$ 23,156</u>	<u>\$ 2,690</u>

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

**BUDGETARY COMPARISON SCHEDULE
 CONTRACTED TRANSIT SERVICE SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012
 IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
Federal	\$ 3,976	\$ 4,127	\$ 27,715	\$ 23,588
State	14,232	14,232	21,245	7,013
Local/other	858	858	882	24
Investment income	125	125	-	(125)
Other	2,138	2,138	1,835	(303)
Total revenues	<u>21,329</u>	<u>21,480</u>	<u>51,677</u>	<u>30,197</u>
EXPENDITURES				
Current:				
General government	-	-	353	353
Transportation	21,620	21,771	20,357	(1,414)
Intergovernmental:				
Transportation	-	-	6,089	6,089
Capital outlay	-	-	23,508	23,508
Total expenditures	<u>21,620</u>	<u>21,771</u>	<u>50,307</u>	<u>28,536</u>
Excess (deficiency) of revenues over (under) expenditures	(291)	(291)	1,370	1,661
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(227)</u>	<u>(227)</u>	<u>(200)</u>	<u>27</u>
Net change in fund balance	(518)	(518)	1,170	1,688
Fund balance, beginning	<u>4,952</u>	<u>4,952</u>	<u>4,952</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 4,434</u></u>	<u><u>\$ 4,434</u></u>	<u><u>\$ 6,122</u></u>	<u><u>\$ 1,688</u></u>

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012**

Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General fund, and all budgeted special revenue funds. All annual appropriations lapse at year-end.

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

B. General Fund - Budget to Actual Comparison by Division

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

	Dollars in thousands			Variance with Final Budget Over (Under)
	Original Budget	Final Budget	Actual	
Regional Administration	\$ 7,252	\$ 9,254	\$ 6,882	\$ (2,372)
Community Development	16,373	18,581	17,014	(1,567)
Total General Fund	\$ 23,625	\$ 27,835	\$ 23,896	\$ (3,939)

C. Contracted Transit Service Special Revenue Fund - Excess of expenditures over appropriations

The Contracted Transit Service special revenue fund had expenditures in excess of budget for the year ended December 31, 2012:

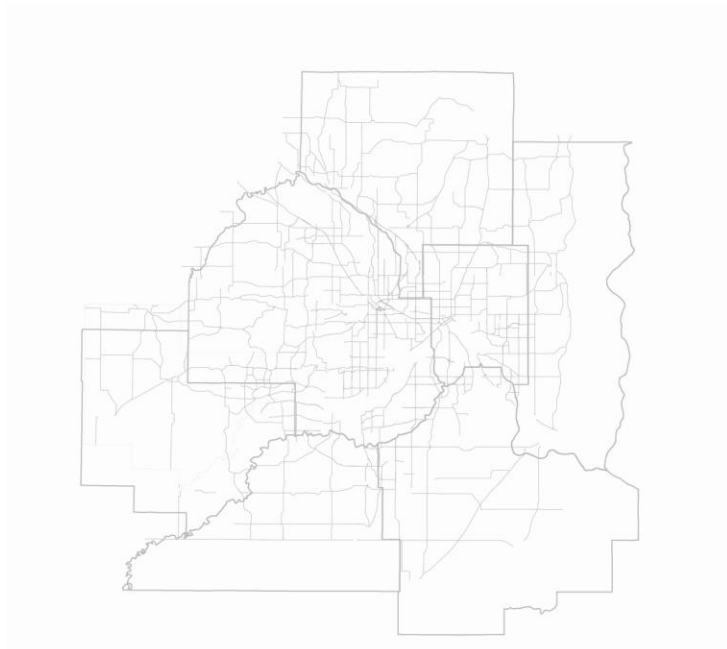
	Dollars in thousands			Variance with Final Budget Over (Under)
	Original Budget	Final Budget	Actual	
Contracted Transit Service	\$ 21,620	\$ 21,771	\$ 50,307	\$ 28,536

The Contracted Transit Service special revenue fund's excess expenditures were funded by state and federal capital grant revenues.

D. Postemployment Benefits

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

Schedule of Funding Progress						
Dollars In Thousands						
(a)	(b)	(c)	(d)	(e)	(f)	
Actuarial Valuation Date- January 1, 2012	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)
<u>Metro Transit</u>						
1/1/08	\$ -	\$ 219,529	\$ 219,529	0.00%	\$ 154,302	142.27%
1/1/10	-	233,054	233,054	0.00%	184,796	126.11%
1/1/12	-	187,818	187,818	0.00%	181,202	103.65%
<u>Environmental Services</u>						
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%
1/1/12	-	64,368	64,368	0.00%	51,413	125.20%
<u>General Fund</u>						
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%
1/1/12	-	9,513	9,513	0.00%	30,448	31.24%
<u>Total</u>						
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%
1/1/12	-	261,699	261,699	0.00%	263,063	99.48%



Serving the Twin Cities seven-county metropolitan area

**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.

Transportation Planning fund accounts for state appropriations, federal grants, and local revenues defined and legally restricted to conducting and coordinating the region's transportation planning.

Suburban Transit Providers fund accounts for Motor Vehicle Sales Taxes defined and legally restricted to regional transportation programs operated within the Metropolitan Council's boundaries by suburban providers.

Other Special Revenue fund account 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.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012
IN THOUSANDS**

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 79,929	\$ 84,870	\$ 164,799
Delinquent taxes receivable	518	-	518
Interest receivable	343	366	709
Due from other governmental units	3,622	17,631	21,253
Loans and advances	47,531	-	47,531
Total assets	<u>\$ 131,943</u>	<u>\$ 102,867</u>	<u>\$ 234,810</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts/contracts/subgrantees payable	\$ 8,396	\$ 15,064	\$ 23,460
Due to other funds	712	-	712
Deferred revenue	337	-	337
Total liabilities	<u>9,445</u>	<u>15,064</u>	<u>24,509</u>
Fund balances:			
Restricted	121,540	111,478	233,018
Committed	958	-	958
Unassigned	-	(23,675)	(23,675)
Total fund balances	<u>122,498</u>	<u>87,803</u>	<u>210,301</u>
Total liabilities and fund balances	<u>\$ 131,943</u>	<u>\$ 102,867</u>	<u>\$ 234,810</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
DECEMBER 31, 2012
IN THOUSANDS

	Highway Right-of-Way Acquisition Loan	Livable Communities	Transportation Planning	Suburban Transit Providers	Other Special Revenue	Total Special Revenue
ASSETS						
Cash and cash equivalents	\$ 7,967	\$ 70,755	\$ -	\$ -	\$ 1,207	\$ 79,929
Delinquent taxes receivable	157	361	-	-	-	518
Interest receivable	34	304	-	-	5	343
Due from other governmental units	-	-	2,207	1,415	-	3,622
Loans and advances	45,540	1,966	-	-	25	47,531
Total assets	\$ 53,698	\$ 73,386	\$ 2,207	\$ 1,415	\$ 1,237	\$ 131,943
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts/contracts/subgrantees payable	\$ -	\$ 6,444	\$ 537	\$ 1,415	\$ -	\$ 8,396
Due to other funds	-	-	712	-	-	712
Deferred revenue	102	235	-	-	-	337
Total liabilities	102	6,679	1,249	1,415	-	9,445
Fund balances:						
Restricted	53,596	66,707	-	-	1,237	121,540
Committed	-	-	958	-	-	958
Total fund balances	53,596	66,707	958	-	1,237	122,498
Total liabilities and fund balances	\$ 53,698	\$ 73,386	\$ 2,207	\$ 1,415	\$ 1,237	\$ 131,943

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
DECEMBER 31, 2012
IN THOUSANDS

	North Mississippi Park	Parks and Open Space Grants	Transit	Total Capital Projects
ASSETS				
Cash and cash equivalents	\$ 1,237	\$ 18,515	\$ 65,118	\$ 84,870
Interest receivable	4	80	282	366
Due from other governmental units	-	17,631	-	17,631
Total assets	\$ 1,241	\$ 36,226	\$ 65,400	\$ 102,867
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts/contracts/subgrantees payable	\$ -	\$ 11,353	\$ 3,711	\$ 15,064
Total liabilities	-	11,353	3,711	15,064
Fund balances:				
Restricted	1,241	48,548	61,689	111,478
Unassigned	-	(23,675)	-	(23,675)
Total fund balances	1,241	24,873	61,689	87,803
Total liabilities and fund balances	\$ 1,241	\$ 36,226	\$ 65,400	\$ 102,867

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 16,703	\$ -	\$ 16,703
Intergovernmental revenue:			
Federal	4,187	-	4,187
State	21,130	27,859	48,989
Local/other	113	-	113
Investment income	1,186	1,324	2,510
Total revenues	<u>43,319</u>	<u>29,183</u>	<u>72,502</u>
EXPENDITURES			
Current:			
General government	985	33	1,018
Transportation	3,370	701	4,071
Intergovernmental:			
Transportation	21,559	3,968	25,527
Culture and recreation	-	37,818	37,818
Economic development	4,730	-	4,730
Environment	8,476	-	8,476
Housing	1,348	-	1,348
Capital outlay	-	8,513	8,513
Total expenditures	<u>40,468</u>	<u>51,033</u>	<u>91,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,851</u>	<u>(21,850)</u>	<u>(18,999)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,000	232	1,232
Transfers out	-	(21,501)	(21,501)
Bonds issued	-	59,000	59,000
Premium on bonds and capital related debt	-	5,388	5,388
Sale of capital assets	-	544	544
Total other financing sources (uses)	<u>1,000</u>	<u>43,663</u>	<u>44,663</u>
Net change in fund balances	3,851	21,813	25,664
Fund balances, beginning	<u>118,647</u>	<u>65,990</u>	<u>184,637</u>
Fund balances, ending	<u>\$ 122,498</u>	<u>\$ 87,803</u>	<u>\$ 210,301</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

	Highway Right-of-Way Acquisition Loan	Livable Communities	Transportation Planning	Suburban Transit Providers	Other Special Revenue	Total Special Revenue
REVENUES						
Taxes	\$ 3,569	\$ 13,134	\$ -	\$ -	\$ -	\$ 16,703
Intergovernmental revenue:						
Federal	-	-	4,187	-	-	4,187
State	-	-	213	20,917	-	21,130
Local/other	-	-	113	-	-	113
Investment income	134	1,034	-	-	18	1,186
Total revenues	<u>3,703</u>	<u>14,168</u>	<u>4,513</u>	<u>20,917</u>	<u>18</u>	<u>43,319</u>
EXPENDITURES						
Current:						
General government	21	-	964	-	-	985
Transportation	-	-	3,370	-	-	3,370
Intergovernmental:						
Transportation	-	-	642	20,917	-	21,559
Economic development	-	4,730	-	-	-	4,730
Environment	-	8,476	-	-	-	8,476
Housing	-	1,348	-	-	-	1,348
Total expenditures	<u>21</u>	<u>14,554</u>	<u>4,976</u>	<u>20,917</u>	<u>-</u>	<u>40,468</u>
Excess (deficiency) of revenues over (under) expenditures	3,682	(386)	(463)	-	18	2,851
OTHER FINANCING SOURCES (USES)						
Transfers in	-	1,000	-	-	-	1,000
Net change in fund balances	3,682	614	(463)	-	18	3,851
Fund balances, beginning	<u>49,914</u>	<u>66,093</u>	<u>1,421</u>	<u>-</u>	<u>1,219</u>	<u>118,647</u>
Fund balances, ending	<u>\$ 53,596</u>	<u>\$ 66,707</u>	<u>\$ 958</u>	<u>\$ -</u>	<u>\$ 1,237</u>	<u>\$ 122,498</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

	<u>North Mississippi Park</u>	<u>Parks and Open Space Grants</u>	<u>Transit</u>	<u>Total Capital Projects</u>
REVENUES				
Intergovernmental revenue:				
State	\$ -	\$ 27,859	\$ -	\$ 27,859
Investment income	22	237	1,065	1,324
Total revenues	<u>22</u>	<u>28,096</u>	<u>1,065</u>	<u>29,183</u>
EXPENDITURES				
Current:				
General government	-	33	-	33
Transportation	-	-	701	701
Intergovernmental:				
Transportation	-	-	3,968	3,968
Culture and recreation	189	37,629	-	37,818
Capital outlay	-	-	8,513	8,513
Total expenditures	<u>189</u>	<u>37,662</u>	<u>13,182</u>	<u>51,033</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(167)</u>	<u>(9,566)</u>	<u>(12,117)</u>	<u>(21,850)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	232	-	-	232
Transfers out	-	(512)	(20,989)	(21,501)
Bonds issued	-	7,000	52,000	59,000
Premium on bonds and capital related debt	-	673	4,715	5,388
Sale of capital assets	-	-	544	544
Total other financing sources (uses)	<u>232</u>	<u>7,161</u>	<u>36,270</u>	<u>43,663</u>
Net change in fund balances	65	(2,405)	24,153	21,813
Fund balances, beginning	<u>1,176</u>	<u>27,278</u>	<u>37,536</u>	<u>65,990</u>
Fund balances, ending	<u>\$ 1,241</u>	<u>\$ 24,873</u>	<u>\$ 61,689</u>	<u>\$ 87,803</u>

**BUDGETARY COMPARISON SCHEDULE
LIVABLE COMMUNITIES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Over (Under)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 13,061	\$ 13,061	\$ 13,134	\$ 73
Investment income	1,160	1,160	1,034	(126)
Total revenues	<u>14,221</u>	<u>14,221</u>	<u>14,168</u>	<u>(53)</u>
EXPENDITURES				
Intergovernmental:				
Economic development	5,350	5,350	4,730	(620)
Environment	8,311	8,311	8,476	165
Housing	1,560	1,560	1,348	(212)
Total expenditures	<u>15,221</u>	<u>15,221</u>	<u>14,554</u>	<u>(667)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(1,000)	(386)	614
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Net change in fund balance	-	-	614	614
Fund balance, beginning	<u>66,093</u>	<u>66,093</u>	<u>66,093</u>	<u>-</u>
Fund balance, ending	<u>\$ 66,093</u>	<u>\$ 66,093</u>	<u>\$ 66,707</u>	<u>\$ 614</u>

**BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION PLANNING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
Federal	\$ 5,435	\$ 5,435	\$ 4,187	\$ (1,248)
State	196	196	213	17
Local/other	<u>103</u>	<u>103</u>	<u>113</u>	<u>10</u>
Total revenues	<u>5,734</u>	<u>5,734</u>	<u>4,513</u>	<u>(1,221)</u>
EXPENDITURES				
Current:				
General government	1,004	1,004	964	(40)
Transportation	4,595	4,595	3,370	(1,225)
Intergovernmental:				
Transportation	<u>940</u>	<u>940</u>	<u>642</u>	<u>(298)</u>
Total expenditures	<u>6,539</u>	<u>6,539</u>	<u>4,976</u>	<u>(1,563)</u>
Net change in fund balance	(805)	(805)	(463)	342
Fund balance, beginning	<u>1,421</u>	<u>1,421</u>	<u>1,421</u>	<u>-</u>
Fund balance, ending	<u>\$ 616</u>	<u>\$ 616</u>	<u>\$ 958</u>	<u>\$ 342</u>

**BUDGETARY COMPARISON SCHEDULE
SUBURBAN TRANSIT PROVIDERS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
State	\$ 20,931	\$ 20,931	\$ 20,917	\$ (14)
EXPENDITURES				
Intergovernmental:				
Transportation	<u>20,931</u>	<u>20,931</u>	<u>20,917</u>	<u>(14)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**BUDGETARY COMPARISON SCHEDULE
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Over (Under)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	\$ 35	\$ 35	\$ 18	\$ (17)
EXPENDITURES				
Intergovernmental:				
Economic development	-	-	-	-
Net change in fund balance	35	35	18	(17)
Fund balance, beginning	<u>1,219</u>	<u>1,219</u>	<u>1,219</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,254</u></u>	<u><u>\$ 1,254</u></u>	<u><u>\$ 1,237</u></u>	<u><u>\$ (17)</u></u>

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

	<u>Regional Administration</u>			<u>Community Development</u>			<u>Total</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES									
Taxes	\$ 8,364	\$ 8,422	\$ 58	\$ 4,427	\$ 4,457	\$ 30	\$12,791	\$12,879	\$ 88
Intergovernmental revenue:									
Federal	-	-	-	3,000	2,781	(219)	3,000	2,781	(219)
State	-	35	35	8,540	8,540	-	8,540	8,575	35
Local/other	86	67	(19)	-	-	-	86	67	(19)
Investment income	634	992	358	66	103	37	700	1,095	395
Other	-	203	203	75	-	(75)	75	203	128
Total revenues	<u>9,084</u>	<u>9,719</u>	<u>635</u>	<u>16,108</u>	<u>15,881</u>	<u>(227)</u>	<u>25,192</u>	<u>25,600</u>	<u>408</u>
EXPENDITURES									
Current:									
General government	7,928	5,495	(2,433)	4,801	3,758	(1,043)	12,729	9,253	(3,476)
Economic development	-	-	-	-	866	866	-	866	866
Intergovernmental:									
Culture and recreation	-	-	-	8,880	8,540	(340)	8,880	8,540	(340)
Economic development	-	-	-	4,900	3,850	(1,050)	4,900	3,850	(1,050)
Debt service:									
Principal	595	595	-	-	-	-	595	595	-
Interest and other charges	437	437	-	-	-	-	437	437	-
Capital outlay	294	355	61	-	-	-	294	355	61
Total expenditures	<u>9,254</u>	<u>6,882</u>	<u>(2,372)</u>	<u>18,581</u>	<u>17,014</u>	<u>(1,567)</u>	<u>27,835</u>	<u>23,896</u>	<u>(3,939)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(170)</u>	<u>2,837</u>	<u>3,007</u>	<u>(2,473)</u>	<u>(1,133)</u>	<u>1,340</u>	<u>(2,643)</u>	<u>1,704</u>	<u>4,347</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	270	270	-	-	-	-	270	270	-
Transfers out	(1,275)	(1,181)	94	-	-	-	(1,275)	(1,181)	94
Total other financing sources (uses)	<u>(1,005)</u>	<u>(911)</u>	<u>94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,005)</u>	<u>(911)</u>	<u>94</u>
Net change in fund balance	<u>\$ (1,175)</u>	<u>\$ 1,926</u>	<u>\$ 3,101</u>	<u>\$ (2,473)</u>	<u>\$ (1,133)</u>	<u>\$ 1,340</u>	<u>\$ (3,648)</u>	<u>\$ 793</u>	<u>\$ 4,441</u>

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2012</u>
ASSETS				
Cash and cash equivalents	<u>\$ 1,040</u>	<u>\$ 275</u>	<u>\$ -</u>	<u>\$ 1,315</u>
 LIABILITIES				
Due to participants	<u>\$ 1,040</u>	<u>\$ 275</u>	<u>\$ -</u>	<u>\$ 1,315</u>

**BONDS/LOANS/NOTES OUTSTANDING
AS OF DECEMBER 31, 2012
IN THOUSANDS**

<u>Issues</u>	<u>Date</u>	<u>Final Maturity Date</u>	<u>Original Issue</u>	<u>Payments Prior Years</u>	<u>Payments Year Ended 12/31/12</u>	<u>Bonds/Loans/ Notes Issued/ Drawn Down in 2012</u>	<u>Bonds/ Loans/Notes Outstanding 12/31/2012</u>	<u>Refunded Bonds</u>	<u>Maturing in 2013</u>	<u>Future Maturities</u>
GENERAL OBLIGATION BONDS/LOANS/NOTES PAYABLE:										
GOVERNMENTAL ACTIVITIES:										
G.O. Park Bonds:										
2007C	15-Feb-07	1-Feb-12	\$ 9,500	\$ 8,875	\$ 625	\$ -	\$ -	\$ -	\$ -	\$ -
2009B	1-Sep-09	1-Mar-14	10,000	8,325	550	-	1,125	-	555	570
2010D	22-Dec-10	1-Mar-14	8,600	-	5,750	-	2,850	-	915	1,935
2012D	8-Jun-12	1-Mar-17	7,000	-	-	7,000	7,000	-	2,400	4,600
Subtotal: G.O. Park Bonds			<u>35,100</u>	<u>17,200</u>	<u>6,925</u>	<u>7,000</u>	<u>10,975</u>	<u>-</u>	<u>3,870</u>	<u>7,105</u>
G.O. Transit Bonds:										
1998D, Refunding	1-Dec-98	1-Feb-13	1,365	1,200	80	-	85	-	85	-
2003C, Refunding	1-Sep-03	1-Feb-17 (a)	3,355	1,770	280	-	1,305	1,030	1,305	-
2004A	1-Apr-04	1-Feb-24	41,375	27,655	2,595	-	11,125	5,685 (b)	2,675	8,450
2004F, Refunding	1-Nov-04	1-Feb-13	2,910	1,885	505	-	520	-	520	-
2005C	1-May-05	1-Feb-25	32,000	20,765	1,725	-	9,510	-	1,780	7,730
2005C, Refunding	1-May-05	1-Feb-20	13,285	5,750	865	-	6,670	-	850	5,820
2007A	15-Feb-07	1-Feb-24	36,400	19,670	2,130	-	14,600	8,435 (b)	2,085	12,515
2007E, Refunding	15-Mar-07	1-Feb-22	10,110	-	3,295	-	6,815	-	720	6,095
2008B	12-Mar-08	1-Mar-28	40,300	13,705	3,385	-	23,210	15,660 (b)	2,420	20,790
2009A	1-Sep-09	1-Mar-29	43,000	15,020	2,875	-	25,105	-	2,920	22,185
2009E, Refunding	1-Dec-09	1-Feb-18	10,490	2,885	1,955	-	5,650	-	950	4,700
2010E	22-Dec-10	1-Feb-31	69,000	-	17,160	-	51,840	-	4,365	47,475
2012C	8-Jun-12	1-Mar-32	52,000	-	-	52,000	52,000	-	12,390	39,610
2012C, Refunding	8-Jun-12	1-Mar-23	5,105	-	-	5,105	5,105	-	-	5,105
2012H, Refunding	29-Oct-12	1-Feb-28	24,620	-	-	24,620	24,620	-	-	24,620
Subtotal: G.O. Transit Bonds			<u>385,315</u>	<u>110,305</u>	<u>36,850</u>	<u>81,725</u>	<u>238,160</u>	<u>30,810</u>	<u>33,065</u>	<u>205,095</u>
Minnesota Public Facilities Authority Loans--Transit (Backed by General Obligation Notes):										
	12-Mar-99	15-Feb-20	21,025	17,755	330	-	2,940	-	335	2,605
	24-Jan-08	15-Feb-18	10,000	3,810	875	-	5,315	-	890	4,425
Subtotal: Minnesota Public Facility Authority Loans--Transit			<u>31,025</u>	<u>21,565</u>	<u>1,205</u>	<u>-</u>	<u>8,255</u>	<u>-</u>	<u>1,225</u>	<u>7,030</u>
Total Governmental Activities G.O. Bonds/Loans Payable			<u>451,440</u>	<u>149,070</u>	<u>44,980</u>	<u>88,725</u>	<u>257,390</u>	<u>30,810</u>	<u>38,160</u>	<u>219,230</u>
BUSINESS-TYPE ACTIVITIES:										
G.O. Grant Anticipation Transit Notes:										
2011C	14-Sep-11	1-Mar-14	90,000	-	25,000	-	65,000	-	20,000	45,000
2012G	29-Oct-12	1-Mar-16	100,000	-	-	100,000	100,000	-	-	100,000
Subtotal: G.O. Grant Anticipation Transit Notes:			<u>190,000</u>	<u>-</u>	<u>25,000</u>	<u>100,000</u>	<u>165,000</u>	<u>-</u>	<u>20,000</u>	<u>145,000</u>
G.O.Sewer Bonds:										
2003A, Refunding	1-Sep-03	1-Mar-16	121,490	90,290	9,825	-	21,375	11,325 (b)	21,375	-
2004B	1-Apr-04	1-Dec-23	25,000	2,150	2,100	-	20,750	18,750 (b)	1,000	19,750
2005A, Refunding	1-Jun-05	1-Sep-12	17,395	16,520	875	-	-	-	-	-
2005B	1-May-05	1-May-25	90,405	11,970	2,800	-	75,635	63,390 (b)	3,430	72,205
2005B, Refunding	1-May-05	1-May-14	7,525	3,460	1,235	-	2,830	-	1,395	1,435
2007B	15-Feb-07	1-Dec-27	80,000	14,500	500	-	65,000	63,500 (b)	500	64,500
2008C	12-Mar-08	1-Mar-28	80,000	6,500	500	-	73,000	66,000 (b)	500	72,500
2008D, Refunding	12-Mar-08	1-Mar-14	8,955	4,125	1,520	-	3,310	-	1,600	1,710
2009F, Refunding	1-Dec-09	1-Dec-15	6,720	1,880	1,930	-	2,910	-	970	1,940
2010A, Refunding	22-Feb-10	1-Feb-15	16,035	2,220	3,250	-	10,565	-	3,320	7,245
2010B	22-Feb-10	1-Feb-30	36,000	1,200	2,700	-	32,100	-	1,600	30,500
2010F	22-Dec-10	1-Dec-30	65,000	-	2,000	-	63,000	-	5,250	57,750
2011B, Refunding	15-Mar-11	1-Dec-15	9,230	1,500	2,005	-	5,725	-	2,090	3,635
2012B	8-Jun-12	1-Sep-32	55,110	-	-	55,110	55,110	-	400	54,710
2012E, Refunding	8-Jun-12	1-Sep-25	82,590	-	-	82,590	82,590	-	-	82,590
2012F, Refunding	29-Jun-12	1-Sep-22	214,035	-	-	214,035	214,035	-	22,100	191,935
2012I, Refunding	29-Oct-12	1-Mar-28	127,235	-	-	127,235	127,235	-	-	127,235
Subtotal: G.O. Sewer Bonds			<u>1,042,725</u>	<u>156,315</u>	<u>31,240</u>	<u>478,970</u>	<u>855,170</u>	<u>222,965</u>	<u>65,530</u>	<u>789,640</u>
Minnesota Public Facilities Authority Loans--Sewer: (Backed by General Obligation Notes):										
	3-Oct-97	20-Aug-17 (a)	40,000	20,275	19,725	-	-	-	-	-
	31-Dec-98	20-Aug-19 (a)	60,000	25,035	34,965	-	-	-	-	-
	27-Jul-00	20-Aug-20 (a)	60,000	18,555	41,445	-	-	-	-	-
	14-Nov-01	20-Aug-21 (a)	75,000	21,500	53,500	-	-	-	-	-
	20-Dec-02	20-Feb-22 (a)	100,000	23,540	76,460	-	-	-	-	-
	1-Sep-03	20-Feb-16	4,954	3,894	382	-	678	-	398	280
	26-Nov-03	20-Aug-23	100,000	20,500	3,750	-	75,750	-	250	75,500
	20-Oct-04	20-Feb-25	50,000	15,000	2,000	-	33,000	-	2,100	30,900
	10-Nov-05	20-Feb-25	40,000	5,200	600	-	34,200	-	1,500	32,700
	30-Aug-06	20-Aug-26	50,000	8,200	250	-	41,550	-	250	41,300
	11-Oct-07	20-Aug-27	80,000	3,800	500	-	75,700	-	500	75,200
	10-Sep-09	20-Aug-29	49,411	3,706	2,935	-	42,770	-	2,160	40,610
	28-Oct-09	20-Aug-29	30,589	2,294	1,815	-	26,480	-	1,340	25,140
	12-Jan-11	20-Aug-30 (c)	69,646	1,000	3,088	1,303	65,558	-	3,126	62,432
	15-Feb-12	20-Aug-31 (d)	54,024	-	20	54,024	54,004	-	2,436	51,568
Subtotal: Minnesota Public Facility Authority Loans--Sewer			<u>863,624</u>	<u>172,499</u>	<u>241,435</u>	<u>55,327</u>	<u>449,690</u>	<u>-</u>	<u>14,060</u>	<u>435,630</u>
Total G.O.Sewer Bonds/Loans Payable			<u>1,906,349</u>	<u>328,814</u>	<u>272,675</u>	<u>534,297</u>	<u>1,304,860</u>	<u>222,965</u>	<u>79,590</u>	<u>1,225,270</u>
Total Business-type Activities G.O. Bonds/Loans/Notes Payable			<u>2,096,349</u>	<u>328,814</u>	<u>297,675</u>	<u>634,297</u>	<u>1,469,860</u>	<u>222,965</u>	<u>99,590</u>	<u>1,370,270</u>
Total General Obligation Bonds/Loans/Notes Payable			<u>\$ 2,547,789</u>	<u>\$ 477,884</u>	<u>\$ 342,655</u>	<u>\$ 723,022</u>	<u>\$ 1,727,250</u>	<u>\$ 253,775</u>	<u>\$ 137,750</u>	<u>\$ 1,589,500</u>
REVENUE BONDS (Not tax supported)										
Radio Board, Series 2007D, Refunding	15-Mar-07	1-Feb-13	\$ 7,265	\$ 4,595	\$ 1,305	\$ -	1,365	\$ -	\$ 1,365	\$ -

(a) Called prior to final maturity.
(b) Escrowed.
(c) Of the \$70 million note executed in 2011, only the amount shown was drawn down as of 12/31/12.
(d) Of the \$60 million note executed in 2012, only the amount shown was drawn down as of 12/31/12.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS**

Federal Grantor/ Pass-Through Agency/ 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 Program	14.238	MN0046C5K011003	\$ 207
Shelter Plus Care Program	14.238	MN0046C5K011104	582
Shelter Plus Care Program	14.238	MN0068C5K031003	56
Shelter Plus Care Program	14.238	MN0068C5K031104	166
Shelter Plus Care Program	14.238	MN0010C5K001003	786
Shelter Plus Care Program	14.238	MN0010C5K001104	1,087
Total CFDA #14.238			2,884
Sustainable Communities Regional Planning Grant Program	14.703	MNRIP002310	2,781
Section 8 HUD Housing Choice Vouchers	14.871	MN163VO/MN163AF	52,137
Passed through City of Minneapolis			
Housing Opportunities for Person with Aids	14.241	C-32012	341
Housing Opportunities for Person with Aids	14.241	C-35801	157
Total CFDA #14.241			498
Total U. S. Department of Housing and Urban Development			58,300
U.S. Department of Transportation			
Direct			
Federal Transit Administration			
Highway Planning and Construction			
2004 Urban Guarantee Section 133 (Total Highway Planning and Construction 20.205 \$1,065)	20.205	MN-90-X201	17
Federal Transit Cluster			
Federal Transit Capital Investment Grants			
2003 Section 5309	20.500	MN-03-0086	79
2003 - 2004 Section 5309	20.500	MN-03-0106	108
2004 - 2005 Section 5309	20.500	MN-03-0123	8
2005 Section 5309	20.500	MN-03-0126	256
2006 Section 5309	20.500	MN-03-0200	92,351
2006 Section 5309	20.500	MN-04-0015	229
2006 Section 5309	20.500	MN-04-0018	(8)
2007 - 2008 Section 5309	20.500	MN-04-0026	522
2010 Section 5309 E2010-BUSP-121	20.500	MN-04-0035	47
2009 Section 5309 E2009-BUSP-499	20.500	MN-04-0041	718
2006 Section 5309	20.500	MN-05-0018	6,508
2007 - 2008 Section 5309	20.500	MN-05-0019	1,787
2011 Section 5309	20.500	MN-05-0020	1,167
2009-2011 Section 5309	20.500	MN-05-0021	21,290
2012-2015 Section 5309	20.500	MN-05-0022	17
Total CFDA #20.500			125,079

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, 2012
IN THOUSANDS**

Federal Grantor/ Pass-Through Agency/ 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			
2003 Section 5307	20.507	MN-90-X185	1
2002-2003 Section 5307	20.507	MN-90-X190	18
2003 Section 5307	20.507	MN-90-X204	22
2003-2005 Section 5307	20.507	MN-90-X215	590
2006 Section 5307	20.507	MN-90-X235	26,893
2006 Section 5307	20.507	MN-90-X238	138
2007 Section 5307	20.507	MN-90-X242	37
2007 - 2008 Section 5307	20.507	MN-90-X249	76
2007 - 2008 Section 5307	20.507	MN-90-X260	426
2010 Section 5307	20.507	MN-90-X274	1,626
2009 - 2010 Section 5307	20.507	MN-90-X283	15,133
2012 Section 5307	20.507	MN-90-X299	5,836
2007 Section 5307	20.507	MN-95-X001	2,790
2008 Section 5307	20.507	MN-95-X007	2
2011 Section 5307	20.507	MN-95-X008	2,589
2010 -2013 CMAQ	20.507	MN-95-X015	2,382
2011 Section 5307	20.507	MN-95-X022	4,114
2010 CMAQ	20.507	MN-95-X020	4,030
2012 Section 5307	20.507	MN-95-X020	198
2012 Section 5307	20.507	MN-95-X026	100
2010 Section 5307	20.507	MN-90-X279	1,093
2011 Section 5307	20.507	MN-90-X282	3,550
2011 Section 5307	20.507	MN-90-X286	2,287
2011 Section 5307	20.507	MN-90-X289	1,024
2011 Section 5307	20.507	MN-90-X295	11
2012 Section 5307	20.507	MN-90-X296	10
2012 Section 5307	20.507	MN-90-X297	225
2006 Section 5307	20.507	MN-90-217	428
2009 - 2010 Section 5307	20.507	MN-90-271	2,643
Total CFDA #20.507			78,272
Transit Services Programs Cluster			
Job Access/Reverse Commute (JA/RC)			
2006 Section 5307	20.516	MN-37-011	33
2006 Section 5307	20.516	MN-37-015	419
2006 Section 5307	20.516	MN-37-015	195
Total CFDA #20.516			647
Transit Services Programs Cluster			
New Freedom Program			
2006-2008 New Freedom	20.521	MN-57-002	32
2011-2013 New Freedom	20.521	MN-57-006	154
Total CFDA #20.521			186
Alternatives Analysis			
2008 Section 5339	20.522	MN-39-0002	692
2011 Section 5339	20.522	MN-39-004	500
2011 Section 5339	20.522	MN-39-004	78
2011 - 2012 Section 5339	20.522	MN-39-005	323
Total CFDA #20.522			1,593

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, 2012
IN THOUSANDS**

Federal Grantor/ Pass-Through Agency/ Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Transportation (Continued)			
Direct			
Federal Transit Administration			
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions 2011 Trigger	20.523	MN-88-0001	<u>1,507</u>
Passed Through Minnesota Department of Transportation Highway Planning and Construction Travel Behavior Inventory (Total Highway Planning and Construction 20.205 \$1,065)	20.205	94801	<u>1,048</u>
Metropolitan Transportation Planning 2012 UPWP	20.505	98158	<u>2,690</u>
Formula Grants for Other Than Urbanized Areas 2010 Section 5311	20.509	95832	<u>576</u>
Total U.S. Department of Transportation			<u>211,615</u>
U.S. Environmental Protection Agency			
Passed Through Minnesota Public Facilities Authority Capitalization Grants for Clean Water - State Revolving Funds			
State Revolving Funds	66.458	MPFG -10-002t-R-FY11	1,738
State Revolving Funds	66.458	MPFA -11-0069R-FY12	<u>54,024</u>
Total CFDA #66.458			<u>55,762</u>
U.S. Department of Homeland Security			
Federal Emergency Management Agency (FEMA) Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Disaster Flood Relief	97.036	N/A	387
North Minneapolis Tornado FEMA Claim	97.036	Project 56735	<u>26</u>
Total CFDA #97.036			<u>413</u>
Homeland Security Grant Program	97.067	HSGP-Metroanpd-10710	<u>64</u>
Rail and Transit Security Grant Program	97.075	2009-RA-T9-0050	5
Rail and Transit Security Grant Program	97.075	2010-RA-T9-0044	185
Rail and Transit Security Grant Program	97.075	EMW-2011-RA-K0000890S01	<u>242</u>
Total CFDA #97.075			<u>432</u>
Rail and Transit Security Grant Program - ARRA	97.113	2009-RA-RI0088	<u>473</u>
Total U.S. Department of Homeland Security			<u>1,382</u>
Total Federal Awards			<u><u>\$ 327,059</u></u>

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, 2012**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Metropolitan Council. The Council's reporting entity is defined in Note I.A. to the financial statements.

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, 2012. 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. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Federal Transit Cluster	\$ 203,351
Transit Services Programs Cluster	833

5. Subrecipients

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

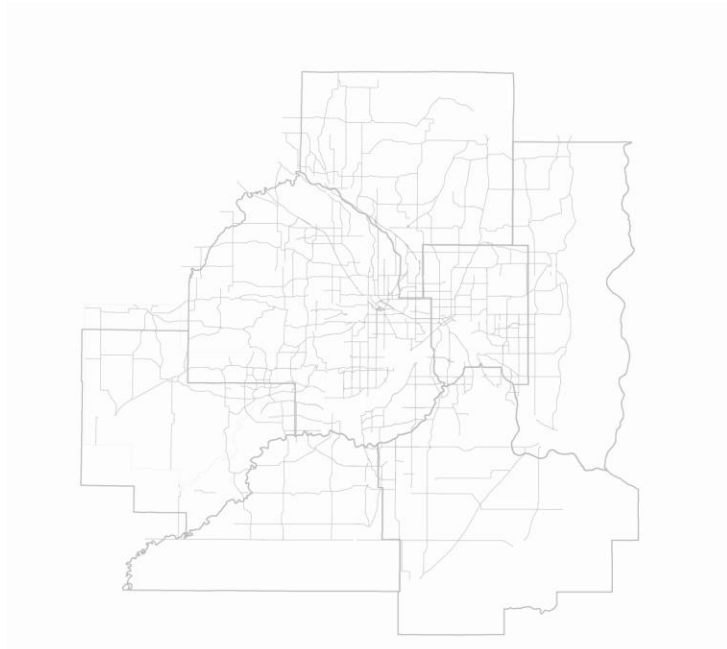
CFDA Number	Program Name	Amount Provided to Subrecipients (In Thousands)
14.703	HUD Sustainable Communities	\$ 1,915
20.500	Federal Transit Capital Investment Grants	3,526
20.507	Federal Transit Formula Grants	2,546
20.516	Job Access/Reverse Commute	409
20.521	New Freedom Program	169
20.522	Alternatives Analysis	1,515
	Total	\$ 10,080

6. 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.

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
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	86-90
Revenue Capacity These schedules contain information to help the reader assess the Council's most significant local revenue source, the property tax.	91-94
Debt Capacity These schedules present information to help the reader assess the affordability of the Council's current levels of outstanding debt and the Council's ability to issue additional debt in the future.	95-104
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Council's financial activities take place.	105-107
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Council's financial report relates to the services the Council provides and the activities it performs.	108-110

Sources:

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

NET POSITION BY COMPONENT
LAST TEN YEARS ENDED DECEMBER 31, 2012
IN THOUSANDS
(accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Net investment in capital assets	\$ 50,807	\$ 34,482	\$ 55,868	\$ 28,613	\$ 17,069	\$ 17,060	\$ 22,463	\$ 14,392	\$ 2,742	\$ 2,910
Restricted	273,620	211,377	246,986	162,814	152,325	107,253	105,856	113,196	119,696	91,617
Unrestricted	(146,295)	(88,722)	(165,010)	(84,128)	(104,689)	(62,054)	(102,565)	(130,916)	(120,950)	(102,726)
Total governmental activities net position	<u>\$ 178,132</u>	<u>\$ 157,137</u>	<u>\$ 137,844</u>	<u>\$ 107,299</u>	<u>\$ 64,705</u>	<u>\$ 62,259</u>	<u>\$ 25,754</u>	<u>\$ (3,328)</u>	<u>\$ 1,488</u>	<u>\$ (8,199)</u>
Business-type activities										
Net investment in capital assets	\$ 2,426,834	\$ 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
Restricted	271,732	8,039	28,180	4,205	38,715	19,751	3,212	31,187	36,239	24,942
Unrestricted	(72,495)	157,392	127,979	142,542	76,411	139,993	105,006	77,035	57,429	43,881
Total business-type activities net position	<u>\$ 2,626,071</u>	<u>\$ 2,285,062</u>	<u>\$ 1,851,520</u>	<u>\$ 1,737,337</u>	<u>\$ 1,566,703</u>	<u>\$ 1,535,790</u>	<u>\$ 1,499,166</u>	<u>\$ 1,462,217</u>	<u>\$ 1,463,488</u>	<u>\$ 1,353,322</u>
Total										
Net investment in capital assets	\$ 2,477,641	\$ 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
Restricted	545,352	219,416	275,166	167,019	191,040	127,004	109,068	144,383	155,935	116,559
Unrestricted	(218,790)	68,670	(37,031)	58,414	(28,278)	77,939	2,441	(53,881)	(63,521)	(58,845)
Total governmental and business-type activities net position	<u>\$ 2,804,203</u>	<u>\$ 2,442,199</u>	<u>\$ 1,989,364</u>	<u>\$ 1,844,636</u>	<u>\$ 1,631,408</u>	<u>\$ 1,598,049</u>	<u>\$ 1,524,920</u>	<u>\$ 1,458,889</u>	<u>\$ 1,464,976</u>	<u>\$ 1,345,123</u>

Unaudited

**CHANGES IN NET POSITION
LAST TEN YEARS ENDED DECEMBER 31, 2012
IN THOUSANDS
(accrual basis of accounting)**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
General government	\$ 11,310	\$ 10,601	\$ 8,961	\$ 9,067	\$ 9,823	\$ 9,848	\$ 8,613	\$ 8,263	\$ 9,682	\$ 10,007
Transportation	116,818	107,251	107,087	107,715	102,476	92,732	88,510	89,662	84,197	77,622
Culture and recreation	46,358	30,659	31,860	28,151	39,007	26,377	16,084	18,752	21,149	30,521
Economic development	9,446	4,684	6,767	4,488	1,136	4,548	4,036	9,401	7,550	8,036
Environment	8,476	3,973	2,216	3,560	3,313	9,302	5,201	6,629	2,904	4,516
Housing	1,348	1,393	2,380	594	1,504	1,831	2,136	1,819	524	1,958
Interest and other charges	7,391	5,953	7,413	8,491	9,606	12,969	11,753	21,152	8,755	8,891
Total governmental activities expenses	201,147	164,514	166,684	162,066	166,865	157,607	136,333	155,678	134,761	141,551
Business-type activities:										
Environmental services	200,342	198,406	190,406	192,990	218,856	190,763	173,090	161,748	161,054	153,373
Transit bus	310,737	302,758	301,905	302,669	299,435	264,612	246,264	237,695	218,748	226,769
Transit light rail	69,975	66,183	58,334	51,895	55,766	49,524	45,795	44,620	29,311	15,114
Transit commuter rail	24,716	21,860	19,576	6,834	770	-	-	-	-	-
Housing	58,406	57,682	56,574	56,201	53,880	55,432	56,595	56,198	57,604	56,222
Total business-type activities expenses	664,176	646,889	626,795	610,589	628,707	560,331	521,744	500,261	466,717	451,478
Total expenses	\$ 865,323	\$ 811,403	\$ 793,479	\$ 772,655	\$ 795,572	\$ 717,938	\$ 658,077	\$ 655,939	\$ 601,478	\$ 593,029
Program Revenues										
Governmental activities:										
Charges for services										
Transit fares	\$ 7,661	\$ 8,108	\$ 7,514	\$ 7,443	\$ 6,396	\$ 7,254	\$ 6,836	\$ 5,812	\$ 5,376	\$ 4,856
Insurance reimbursements	124	285	180	203	172	118	169	73	109	68
Other activities	203	69	29	6	-	89	43	20	40	-
Operating grants and contributions	56,503	56,884	50,720	45,563	46,842	53,051	42,835	42,542	42,411	43,022
Capital grants and contributions	62,693	34,963	38,315	49,379	32,812	38,336	19,791	13,483	9,578	18,074
Total governmental activities program revenues	127,184	100,309	96,758	102,594	86,222	98,848	69,674	61,930	57,514	66,020
Business-type activities:										
Charges for services										
Wastewater	207,900	205,847	209,960	210,535	203,292	190,491	187,374	177,995	160,498	174,747
Transit fares	98,451	95,806	92,537	89,913	86,293	80,111	77,222	69,858	56,183	65,957
Other activities	902	779	789	781	744	661	798	405	570	460
Operating grants and contributions	107,104	86,776	106,929	160,747	119,785	145,775	127,209	126,290	118,413	111,230
Capital grants and contributions	380,174	494,132	181,429	195,827	129,184	57,603	54,651	13,214	130,792	165,227
Total business-type activities program revenues	794,531	883,340	591,644	657,803	539,298	474,641	447,254	387,762	466,456	517,621
Total program revenues	\$ 921,715	\$ 983,649	\$ 688,402	\$ 760,397	\$ 625,520	\$ 573,489	\$ 516,928	\$ 449,692	\$ 523,970	\$ 583,641
Net (Expense) Revenue										
Governmental activities	\$ (73,963)	\$ (64,205)	\$ (69,926)	\$ (59,472)	\$ (80,643)	\$ (58,759)	\$ (66,659)	\$ (93,748)	\$ (77,247)	\$ (75,531)
Business-type activities	130,355	236,451	(35,151)	47,214	(89,409)	(85,690)	(74,490)	(112,499)	(261)	66,143
Total net (expenses) revenues	\$ 56,392	\$ 172,246	\$ (105,077)	\$ (12,258)	\$ (170,052)	\$ (144,449)	\$ (141,149)	\$ (206,247)	\$ (77,508)	\$ (9,388)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 75,043	\$ 73,798	\$ 73,140	\$ 71,281	\$ 70,217	\$ 68,825	\$ 68,026	\$ 67,315	\$ 65,013	\$ 66,483
Market value and other credits	-	2,381	2,278	2,130	2,120	2,267	2,691	3,158	2,276	3,055
Motor vehicle sales tax	36,799	29,109	33,061	35,694	31,785	27,216	27,459	31,606	32,384	35,799
Investment earnings	4,419	7,675	6,027	4,831	5,981	14,249	10,013	5,574	4,518	2,647
Gain on sale of capital assets	350	-	-	97	83	446	170	-	-	-
Transfers	(21,653)	(29,465)	(14,035)	(11,967)	(27,097)	(17,739)	(12,618)	(18,721)	(15,831)	(19,536)
Total governmental activities	94,958	83,498	100,471	102,066	83,089	95,264	95,741	88,932	88,360	88,448
Business-type activities:										
Taxes										
Motor vehicle sales tax	169,151	159,660	119,718	95,151	92,020	91,663	86,981	87,463	90,797	88,308
Investment earnings	19,850	7,966	15,581	16,302	1,205	12,912	11,840	5,045	3,798	3,514
Transfers	21,653	29,465	14,035	11,967	27,097	17,739	12,618	18,721	15,831	19,536
Total business-type activities	210,654	197,091	149,334	123,420	120,322	122,314	111,439	111,229	110,426	111,358
Total general revenues and other changes in net position	\$ 305,612	\$ 280,589	\$ 249,805	\$ 225,486	\$ 203,411	\$ 217,578	\$ 207,180	\$ 200,161	\$ 198,786	\$ 199,806
Changes in Net Position										
Governmental activities	\$ 20,995	\$ 19,293	\$ 30,545	\$ 42,594	\$ 2,446	\$ 36,505	\$ 29,082	\$ (4,816)	\$ 11,113	\$ 12,917
Business-type activities	341,009	433,542	114,183	170,634	30,913	36,624	36,949	(1,270)	110,165	177,501
Total changes in net position	\$ 362,004	\$ 452,835	\$ 144,728	\$ 213,228	\$ 33,359	\$ 73,129	\$ 66,031	\$ (6,086)	\$ 121,278	\$ 190,418

Unaudited

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS ENDED DECEMBER 31, 2012
IN THOUSANDS
(modified accrual basis of accounting)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22	\$ 199
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	13,751	5,297	4,537	3,793	2,899	2,612	4,751	4,546	1,000	1,000
Assigned	4,218	5,662	4,796	3,025	2,915	3,279	3,207	2,778	2,820	3,503
Unassigned	13,751	12,225	13,585	13,213	11,748	11,766	7,975	6,697	6,098	5,562
Total general fund	<u>\$ 31,720</u>	<u>\$ 23,184</u>	<u>\$ 22,918</u>	<u>\$ 20,031</u>	<u>\$ 17,562</u>	<u>\$ 17,657</u>	<u>\$ 15,933</u>	<u>\$ 14,021</u>	<u>\$ 9,940</u>	<u>\$ 10,264</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ 45,724	\$ 41,875	\$ 37,712	\$ 35,861	\$ 26,505	\$ 29,705	\$ 27,433
Restricted	340,670	306,905	319,238	203,039	174,126	147,216	125,586	151,200	138,608	112,281
Committed	30,236	30,164	32,140	30,785	27,474	29,210	25,401	23,737	20,347	21,092
Unassigned	(23,675)	(44,489)	(35,143)	(17,578)	(37,438)	(9,468)	(19,923)	-	(440)	(8,582)
Total all other governmental funds	<u>\$ 347,231</u>	<u>\$ 292,580</u>	<u>\$ 316,235</u>	<u>\$ 261,970</u>	<u>\$ 206,037</u>	<u>\$ 204,670</u>	<u>\$ 166,925</u>	<u>\$ 201,442</u>	<u>\$ 188,220</u>	<u>\$ 152,224</u>
Total all governmental funds	<u>\$ 378,951</u>	<u>\$ 315,764</u>	<u>\$ 339,153</u>	<u>\$ 282,001</u>	<u>\$ 223,599</u>	<u>\$ 222,327</u>	<u>\$ 182,858</u>	<u>\$ 215,463</u>	<u>\$ 198,160</u>	<u>\$ 162,488</u>
Unaudited										

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS ENDED DECEMBER 31, 2012
IN THOUSANDS
(modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES										
Taxes	\$ 76,382	\$ 72,658	\$ 72,752	\$ 71,223	\$ 70,161	\$ 68,383	\$ 68,178	\$ 66,944	\$ 65,916	\$ 64,820
Intergovernmental revenue:										
Federal	38,933	18,460	20,107	19,947	14,009	20,046	15,902	12,409	12,311	9,707
Build America bonds interest subsidy	1,037	825	423	-	-	-	-	-	-	-
State	115,087	103,371	103,583	112,758	99,548	97,324	76,864	76,076	74,338	90,245
Local/other	1,062	1,493	1,108	1,101	927	3,759	188	259	211	278
Investment income	4,419	7,675	6,027	4,831	5,981	14,249	10,013	5,574	4,518	2,647
Other	7,864	7,650	6,876	6,612	5,713	7,202	6,870	7,950	5,315	4,645
Total revenues	244,784	212,132	210,876	216,472	196,339	210,963	178,015	169,212	162,609	172,342
EXPENDITURES										
Current:										
General government	10,914	8,861	7,638	7,932	8,862	8,817	8,185	7,613	9,190	9,716
Transportation	70,028	67,418	63,424	58,175	60,468	54,233	51,112	51,281	48,383	46,900
Culture and recreation	-	-	-	-	-	-	-	26	71	143
Economic development	866	-	-	-	-	-	-	-	-	-
Intergovernmental:										
Transportation	31,616	26,144	30,474	38,100	31,616	30,262	29,780	31,615	29,488	25,994
Culture and recreation	46,358	30,659	31,860	28,151	39,007	26,377	16,084	18,726	21,078	30,378
Economic development	8,580	4,684	6,767	4,488	1,136	4,548	4,036	9,401	2,904	4,517
Environment	8,476	3,973	2,216	3,560	3,313	9,302	5,201	6,629	524	1,958
Housing	1,348	1,393	2,380	594	1,504	1,831	2,136	1,819	7,550	8,036
Debt service:										
Principal	46,880	43,465	53,475	35,325	43,515	44,295	40,870	39,670	31,855	34,245
Interest and other charges	7,482	8,143	8,552	8,560	10,280	13,217	13,625	10,555	8,511	8,983
Capital outlay	32,376	11,480	10,945	18,916	5,796	22,198	26,998	16,908	8,434	21,717
Total expenditures	264,924	206,220	217,731	203,801	205,497	215,080	198,027	194,243	167,988	192,587
Excess (deficiency) of revenues over (under) expenditures	(20,140)	5,912	(6,855)	12,671	(9,158)	(4,117)	(20,012)	(25,031)	(5,379)	(20,245)
OTHER FINANCING SOURCES (USES)										
Transfers in	1,802	1,693	1,150	1,101	3,953	3,832	1,667	5,704	7,349	1,585
Transfers out	(23,704)	(31,158)	(15,185)	(19,632)	(31,241)	(21,805)	(14,362)	(24,778)	(23,387)	(21,948)
Bonds issued	59,000	-	77,600	53,000	50,300	45,900	-	38,000	47,375	-
Refunding bonds issued	29,725	-	-	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	5,388	-	296	588	841	698	-	1,965	3,570	-
Payment to refunded bond escrow agent	-	-	-	-	(13,600)	(2,860)	-	-	(10,395)	-
Premium on refunding bonds	2,829	-	-	-	-	-	-	-	-	-
Sale of capital assets	544	164	146	184	177	446	102	274	165	27
Total other financing sources (uses)	75,584	(29,301)	64,007	45,731	10,430	43,586	(12,593)	42,335	41,051	(9,610)
Net change in fund balances	\$ 55,444	\$ (23,389)	\$ 57,152	\$ 58,402	\$ 1,272	\$ 39,469	\$ (32,605)	\$ 17,304	\$ 35,672	\$ (29,855)
Debt service as a percentage of noncapital expenditures	23.4%	26.5%	30.0%	23.7%	26.9%	29.8%	31.9%	28.3%	25.3%	25.3%

Unaudited

**GENERAL GOVERNMENTAL REVENUES AND
OTHER FINANCING SOURCES BY SOURCE
LAST TEN YEARS ENDED DECEMBER 31, 2012 ¹
IN THOUSANDS**

Year	Taxes			Intergovernmental Revenue				Investment Income			Total Revenue and Other Financing Sources
	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	
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
2012	12,879	16,703	46,800	38,933	1,037	87,228	\$1,062	2,281	814	41,988	249,725

Unaudited

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

**MARKET VALUE AND NET TAX CAPACITY
VALUE OF TAXABLE PROPERTY
LAST TEN YEARS ENDED DECEMBER 31, 2012
IN THOUSANDS (EXCEPT PERCENTAGES)**

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>		<u>Ratio of Net Tax Capacity Value to Market Value</u>	<u>Total Direct Tax Rate</u>
	<u>Market Value</u>	<u>Market Value</u>	<u>Market Value</u>	<u>Net Tax Capacity Value</u>		
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
2012	268,503,058	3,126,112	271,629,170	3,111,683	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, 2012
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
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
2012	0.00	0.00	0.00	0.02	0.02	0.42	0.39	0.38	0.47

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

<u>Taxpayer</u>	2012			2003		
	Net Tax Capacity	Rank	Percentage of Total Tax Capacity^{1,3}	2003 Tax Capacity	Rank	Percentage of Total Tax Capacity^{2,3}
MOAC Mall Holdings LLC	\$ 11,144	1	0.36%	\$ 16,917	2	0.66%
Xcel Energy / Northern States Power Co	8,982	2	0.29%	27,258	1	1.06%
3M Company	4,438	3	0.14%	12,177	3	0.47%
MB Minneapolis 8th St. LLC	3,425	4	0.11%	-	-	-
Minneapolis 225 Holdings LLC	3,275	5	0.11%	-	-	-
NWC Limited Partnership	3,179	6	0.10%	5,908	4	0.23%
Compass Retail Inc	2,998	7	0.10%	-	-	-
St. Paul Fire and Marine Ins Co	2,819	8	0.09%	-	-	-
Wells Reit	2,633	9	0.08%	-	-	-
CMS Corp	2,624	10	0.08%	-	-	-
601 Second Avenue LTD Partnership	-	-	-	5,506	5	0.21%
First Minneapolis - Hines Co.	-	-	-	5,177	6	0.20%
RREEF Funds	-	-	-	4,776	7	0.19%
City Center Associates	-	-	-	4,544	8	0.18%
Federal Reserve Bank of Minneapolis	-	-	-	3,625	9	0.14%
Ridgedale Joint Venture	-	-	-	3,460	10	0.13%
Total	\$ 45,517		1.46%	\$ 89,348		3.48%

Unaudited

Source: Hennepin County abstract of property taxes (2012)
 Ramsey County abstract of property taxes (2012)
 Evensen Dodge, Inc. (2003)

Notes ¹ Net tax capacity value for 2012 = \$3,111,683
² Net tax capacity value for 2003 = \$2,568,680
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, 2012
IN THOUSANDS (EXCEPT PERCENTAGES)**

<u>Year</u>	<u>Total Tax Levy</u>	<u>State Levy Reduction¹</u>	<u>Net Taxes Levied for the Year</u>	<u>Collected within the Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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%	878	68,628	99.75%
2008	72,788	2,103	70,685	69,355	98.12%	987	70,342	99.51%
2009	73,886	2,101	71,785	70,248	97.86%	853	71,101	99.05%
2010	75,394	2,252	73,142	71,815	98.19%	400	72,215	98.73%
2011	75,424	2,353	73,071	71,923	98.43%	435	72,358	99.02%
2012	76,934	-	76,934	75,989	98.77%	-	75,989	98.77%

Unaudited

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS ENDED DECEMBER 31, 2012
IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)**

Fiscal Year	General Bonded Debt Outstanding					Percentage of	
	General Obligation Bonds Transit	General Obligation Bonds Parks	General Obligation Bonds Other	General Obligation Bonds Wastewater	Total	Actual Taxable Value ¹ of Property	Per Capita ²
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%	212.85
2012	238,160	10,975	-	855,170	1,104,305	35.49%	384.31

Unaudited

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

Ratios are calculated using population from prior year.

¹ See market value and net tax capacity value of taxable property 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, 2012
IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)**

Governmental Activities

Fiscal Year	General Obligation Bonds- Transit	General Obligation Bonds- Parks	General Obligation Bonds- Other	Revenue Bonds²	PFA Transit Loan¹	Capital Leases	Total Governmental Activities
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
2012	238,160	10,975	-	1,365	8,255	10,225	268,980

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 to 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

<u>General Obligation Grant Anticipation Transit Notes⁴</u>	<u>General Obligation Bonds Wastewater</u>	<u>PFA Wastewater</u>	<u>Capital Leases</u>	<u>Total Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income³</u>	<u>Per Capita³</u>
\$ -	\$ 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	0.85%	457.66
90,000	407,440	635,798	-	1,133,238	1,360,373	0.84%	473.43
165,000	855,170	449,690	-	1,469,860	1,738,840	1.08%	605.14

COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS

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<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
Counties:			
Anoka	\$ 151,020	100.0%	\$ 151,020
Carver	24,070	100.0%	24,070
Dakota	52,255	99.7%	52,098
Hennepin	1,068,640	99.9%	1,067,571
Ramsey	210,552	100.0%	210,552
Scott	96,795	98.0%	94,859
Washington	167,100	100.0%	167,100
Total counties	1,770,432		1,767,270
School districts:			
SSD #1 Minneapolis	320,751	100.0%	320,751
SSD #6 South St. Paul	15,285	100.0%	15,285
ISD #11 Anoka	102,511	100.0%	102,511
ISD #12 Centennial	71,680	100.0%	71,680
ISD #13 Columbia Heights	21,955	100.0%	21,955
ISD #14 Fridley	51,290	100.0%	51,290
ISD #15 St. Francis	36,435	92.2%	33,593
ISD #16 Spring Lake Park	124,525	100.0%	124,525
ISD #108 Norwood-Young America	10,195	96.6%	9,848
ISD #110 Waconia	52,680	100.0%	52,680
ISD #111 Watertown-Mayer	48,450	89.9%	43,557
ISD #112 Chaska	221,350	100.0%	221,350
ISD #191 Burnsville	113,620	100.0%	113,620
ISD #192 Farmington	227,475	100.0%	227,475
ISD #194 Lakeville	166,123	100.0%	166,123
ISD #195 Randolph	10,575	87.7%	9,274
ISD #196 Rosemount	142,835	100.0%	142,835
ISD #197 West St. Paul	51,545	100.0%	51,545
ISD #199 Inver Grove Heights	48,680	100.0%	48,680
ISD #200 Hastings	52,855	99.9%	52,802
ISD #252 Cannon Falls	19,960	5.0%	998
ISD #270 Hopkins-Golden Valley	150,345	100.0%	150,345
ISD #271 Bloomington	103,895	100.0%	103,895
ISD #272 Eden Prairie	101,440	100.0%	101,440
ISD #273 Edina	116,100	100.0%	116,100
ISD #276 Minnetonka	142,195	100.0%	142,195
ISD #277 Westonka	35,280	100.0%	35,280
ISD #278 Orono	55,295	100.0%	55,295
ISD #279 Osseo	145,755	100.0%	145,755
ISD #280 Richfield	54,040	100.0%	54,040
ISD #281 Robbinsdale	168,430	100.0%	168,430
ISD #282 St Anthony-New Brighton	23,515	100.0%	23,515
ISD #283 St. Louis Park	51,690	100.0%	51,690
ISD #284 Wayzata	65,135	100.0%	65,135
ISD #286 Brooklyn Center	5,510	100.0%	5,510
ISD #424 Lester Prairie	4,275	0.3%	13
ISD #621 Mounds View	183,433	100.0%	183,433
ISD #622 North St. Paul-Maplewood-Oakdale	159,355	100.0%	159,355
ISD #623 Roseville	46,010	100.0%	46,010
ISD #624 White Bear Lake	125,540	100.0%	125,540
ISD #625 St. Paul	360,829	100.0%	360,829
ISD #659 Northfield	70,310	15.6%	10,968
ISD #716 Belle Plaine	60,200	86.9%	52,314

COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS

Page (2 of 5)

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
School districts (continued):			
ISD #717 Jordan	13,930	100.0%	13,930
ISD #719 Prior Lake	136,490	100.0%	136,490
ISD #720 Shakopee	176,155	100.0%	176,155
ISD #721 New Prague	92,695	63.1%	58,491
ISD #728 Elk River	274,380	33.4%	91,643
ISD #831 Forest Lake	29,930	87.5%	26,189
ISD #832 Mahtomedi	66,370	100.0%	66,370
ISD #833 South Washington	280,425	100.0%	280,425
ISD #834 Stillwater	63,145	100.0%	63,145
ISD #877 Buffalo-Hanover-Montrose	94,230	16.5%	15,548
ISD #879 Delano	23,585	37.8%	8,915
ISD #883 Rockford	32,125	69.6%	22,359
ISD #916 Special Intermediate-Vo Tech	5,145	100.0%	5,145
ISD #2144 Chisago Lakes	21,000	4.3%	903
ISD #2397 LeSueur-Henderson	29,030	1.2%	348
ISD #2687 Howard Lake-Waverly-Winsted	25,500	0.5%	128
ISD #2859 Glencoe-Sliver Lake	1,605	0.2%	3
Total school districts	5,505,092		5,005,651
Cities:			
Afton	3,545	100.0%	3,545
Andover	31,769	100.0%	31,769
Anoka	6,430	100.0%	6,430
Apple Valley	35,690	100.0%	35,690
Arden Hills	810	100.0%	810
Bayport	565	100.0%	565
Belle Plaine	20,645	100.0%	20,645
Bethel	920	100.0%	920
Birchwood	181	100.0%	181
Blaine	34,585	100.0%	34,585
Bloomington	73,280	100.0%	73,280
Brooklyn Center	18,160	100.0%	18,160
Brooklyn Park	40,590	100.0%	40,590
Burnsville	65,835	100.0%	65,835
Carver	13,978	100.0%	13,978
Centerville	9,295	100.0%	9,295
Champlin	11,265	100.0%	11,265
Chanhassen	37,305	100.0%	37,305
Chaska	83,350	100.0%	83,350
Circle Pines	11,275	100.0%	11,275
Cologne	9,670	100.0%	9,670
Columbia Heights	16,425	100.0%	16,425
Columbus	17,669	100.0%	17,669
Coon Rapids	32,975	100.0%	32,975
Corcoran	5,375	100.0%	5,375
Cottage Grove	16,725	100.0%	16,725
Crystal	14,651	100.0%	14,651
Dayton	35,409	100.0%	35,409
Eagan	14,685	100.0%	14,685
East Bethel	22,053	100.0%	22,053
Eden Prairie	54,365	100.0%	54,365
Edina	99,704	100.0%	99,704
Elko/New Market	9,404	100.0%	9,404
Excelsior	3,300	100.0%	3,300

COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS

(Page 3 of 5)

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
Cities (continued):			
Falcon Heights	170	100.0%	170
Farmington	35,512	100.0%	35,512
Forest Lake	12,150	100.0%	12,150
Fridley	14,730	100.0%	14,730
Gem Lake	1,155	100.0%	1,155
Golden Valley	69,575	100.0%	69,575
Grant	91	100.0%	91
Greenfield	3,465	100.0%	3,465
Hamburg	2,382	100.0%	2,382
Ham Lake	4,555	100.0%	4,555
Hampton	2,236	100.0%	2,236
Hastings	28,380	100.0%	28,380
Hopkins	28,955	100.0%	28,955
Hugo	13,115	100.0%	13,115
Independence	2,027	100.0%	2,027
Inver Grove Heights	50,030	100.0%	50,030
Jordan	24,240	100.0%	24,240
Lake Elmo	12,555	100.0%	12,555
Lakeland	1,675	100.0%	1,675
Lake St. Croix Beach	230	100.0%	230
Lakeville	109,755	100.0%	109,755
Landfall	160	100.0%	160
Lauderdale	575	100.0%	575
Lexington	2,004	100.0%	2,004
Lilydale	2,670	100.0%	2,670
Lino Lakes	21,121	100.0%	21,121
Little Canada	6,425	100.0%	6,425
Long Lake	1,130	100.0%	1,130
Loretto	570	100.0%	570
Mahtomedi	13,625	100.0%	13,625
Maple Grove	111,760	100.0%	111,760
Maple Plain	4,520	100.0%	4,520
Maplewood	79,477	100.0%	79,477
Marine	128	100.0%	128
Mayer	9,033	100.0%	9,033
Medina	19,540	100.0%	19,540
Mendota	14	100.0%	14
Mendota Heights	13,960	100.0%	13,960
Minneapolis	747,312	100.0%	747,312
Minnetonka	16,935	100.0%	16,935
Minnetonka Beach	2,280	100.0%	2,280
Minnetrista	12,260	100.0%	12,260
Mound	51,342	100.0%	51,342
Mounds View	2,014	100.0%	2,014
New Brighton	48,040	100.0%	48,040
New Germany	10,035	100.0%	10,035
New Hope	14,881	100.0%	14,881
Newport	2,188	100.0%	2,188
North Oaks	421	100.0%	421
North St. Paul	22,330	100.0%	22,330
Norwood-Young America	32,010	100.0%	32,010
Nowthen	1,633	100.0%	1,633

COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS

(Page 4 of 5)

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
Cities (continued):			
Oakdale	32,450	100.0%	32,450
Oak Grove	2,263	100.0%	2,263
Oak Park Heights	11,720	100.0%	11,720
Orono	9,670	100.0%	9,670
Osseo	10,487	100.0%	10,487
Plymouth	31,345	100.0%	31,345
Prior Lake	47,420	100.0%	47,420
Ramsey	36,345	100.0%	36,345
Richfield	44,940	100.0%	44,940
Robbinsdale	16,892	100.0%	16,892
Rogers & Hassan Combined	15,040	100.0%	15,040
Rosemount	18,860	100.0%	18,860
Roseville	34,385	100.0%	34,385
St. Anthony	32,050	100.0%	32,050
St. Bonifacius	3,002	100.0%	3,002
St. Francis	23,289	100.0%	23,289
St. Louis Park	37,605	100.0%	37,605
St. Paul	450,181	100.0%	450,181
St. Paul Park	4,098	100.0%	4,098
Savage	84,071	100.0%	84,071
Scandia	1,235	100.0%	1,235
Shakopee	37,345	100.0%	37,345
Shoreview	19,725	100.0%	19,725
Shorewood	12,015	100.0%	12,015
South St. Paul	16,497	100.0%	16,497
Spring Lake Park	3,600	100.0%	3,600
Spring Park	1,010	100.0%	1,010
Stillwater	27,825	100.0%	27,825
Sunfish Lake	286	100.0%	286
Vadnais Heights	8,625	100.0%	8,625
Vermillion	320	100.0%	320
Victoria	33,454	100.0%	33,454
Waconia	38,755	100.0%	38,755
Watertown	9,690	100.0%	9,690
Wayzata	14,955	100.0%	14,955
West St. Paul	27,875	100.0%	27,875
White Bear Lake	5,205	100.0%	5,205
Woodbury	55,012	100.0%	55,012
Woodland	288	100.0%	288
Total cities	3,779,089		3,779,089
Townships:			
Credit River	1,725	100.0%	1,725
Empire	1,295	100.0%	1,295
Greenvale	55	100.0%	55
Hassan	1,445	100.0%	1,445
Laketown	201	100.0%	201
Sand Creek	575	100.0%	575
Spring Lake	2,735	100.0%	2,735
White Bear	8,090	100.0%	8,090
Total townships	16,121		16,121

COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2012
IN THOUSANDS

(Page 5 of 5)

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
Miscellaneous:			
Anoka County HRA	44,790	100.0%	44,790
Anoka Tax Increment	7,585	100.0%	7,585
Blaine EDA/HRA	4,000	100.0%	4,000
Bloomington Port Authority	20,425	100.0%	20,425
Brooklyn Park EDA	2,330	100.0%	2,330
Capital Region Watershed District	1,280	100.0%	1,280
Carver County CDA	25,490	100.0%	25,490
Cedar Lake Sewer Sanitary District	1,216	79.0%	961
Chanhassen HRA	775	100.0%	775
Circle Pines Tax Increment	3,925	100.0%	3,925
Columbia Heights Tax Increment	580	100.0%	580
Coon Rapids Tax Increment	240	100.0%	240
Dakota County CDA	335,340	100.0%	335,340
Hastings EDA	2,750	100.0%	2,750
Hennepin County Regional Park	96,005	100.0%	96,005
Hennepin Regional Railroad Authority	39,110	100.0%	39,110
HRA of St. Paul	168,120	100.0%	168,120
Maple Grove HRA	1,690	100.0%	1,690
Metropolitan Airports Commission	1,511,915	100.0%	1,511,915
Minnesota Municipal Power Agency	264,193	72.1%	190,483
Mound HRA	2,777	100.0%	2,777
North Suburban Hospital District	2,065	100.0%	2,065
Norwood-Young America EDA	14,268	100.0%	14,268
Prior Lake-Spring Lake Watershed District	1,305	100.0%	1,305
Plymouth HRA	23,120	100.0%	23,120
Ramsey-Washington Metro Watershed District	1,733	100.0%	1,733
Ramsey Regional Rail	20,000	100.0%	20,000
Regional Railroad Authority-Anoka County	28,380	100.0%	28,380
Scott County CDA	42,955	100.0%	42,955
South Washington Watershed District	6,320	100.0%	6,320
St. Anthony HRA	8,960	100.0%	8,960
St. Paul Port Authority	69,502	100.0%	69,502
Waconia HRA	16,754	100.0%	16,754
Washington County HRA	51,990	100.0%	51,990
Total miscellaneous	<u>2,821,888</u>		<u>2,747,923</u>
Subtotal, overlapping debt	<u>\$ 13,892,622</u>		13,316,054
Metropolitan Council direct debt			<u>268,980</u>
Total direct and overlapping debt			<u>\$ 13,585,034</u>

Unaudited

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

Notes: ¹ Jurisdictions in two counties are included if the assessed property value is greater than 50 percent (home) in one of the seven metropolitan area counties and excluded if it (home) is not. Debt of jurisdiction included using this method is shown at 100 percent. The error resulting from using this method is significantly less than 1 percent. 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 and Cedar Lake Sewer Sanitary District are split in proportion to the population inside and outside the Metropolitan Council's jurisdiction.

**LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS ENDED DECEMBER 31, 2012
IN THOUSANDS (EXCEPT PERCENTAGE)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt limit	\$ 365,515	\$ 334,245	\$ 338,265	\$ 345,190	\$ 330,655	\$ 306,495	\$ 317,995	\$ 316,905	\$ 274,635	\$ 300,230
Total net debt applicable to limit	<u>257,390</u>	<u>213,645</u>	<u>255,290</u>	<u>229,420</u>	<u>199,580</u>	<u>198,870</u>	<u>169,100</u>	<u>209,125</u>	<u>199,945</u>	<u>184,375</u>
Legal debt margin	<u>\$ 108,125</u>	<u>\$ 120,600</u>	<u>\$ 82,975</u>	<u>\$ 115,770</u>	<u>\$ 131,075</u>	<u>\$ 107,625</u>	<u>\$ 148,895</u>	<u>\$ 107,780</u>	<u>\$ 74,690</u>	<u>\$ 115,855</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>70.42%</u>	<u>63.92%</u>	<u>75.47%</u>	<u>66.46%</u>	<u>60.36%</u>	<u>64.89%</u>	<u>53.18%</u>	<u>65.99%</u>	<u>72.80%</u>	<u>61.41%</u>

Unaudited

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

**PLEDGED-REVENUE COVERAGE
LAST EIGHT YEARS ENDED DECEMBER 31, 2012
IN THOUSANDS (EXCEPT COVERAGE)**

Radio Revenue Bonds

<u>Year</u>	<u>Total Bond Outstanding</u> ^{1,3}	<u>911 Fee Revenue</u> ²	<u>Principal</u> ^{1,5}	<u>Interest</u>	<u>Coverage</u> 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
2012	1,365	1,410	1,305	81	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, 2012**

Year	Population ^{1,3}	Personal Income ^{1,3} (In Millions)	Per Capita ^{1,3} Income	Unemployment Rate ²
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	152,789	46,498	7.20%
2011	2,873,444	161,468	48,657	6.40%
2012	2,873,444	161,468	48,657	5.50%

Unaudited

Source: ¹ Internally updated information based on the U.S. Commerce Department and Bureau of Economic Analysis for the Minneapolis-St. Paul Metropolitan Statistical Area.

² State of Minnesota, Department of Employment and Economic Development (Seven-county area).

³ 2012 Data not available at time of report.

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

Employers in Minnesota by number of Minnesota only employees

Employer	2012			2003*		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Minnesota	54	1	3.07%	56	1	3.25%
United States Federal Government	45	2	2.56%	35	2	2.03%
Mayo Clinic	33	3	1.88%	25	5	1.45%
Target Corporation	31	4	1.76%	32	3	1.86%
University of Minnesota	25	5	1.42%	31	4	1.80%
Allina Health System	24	6	1.37%	22	6	1.28%
Wal-Mart Stores Inc.	21	7	1.20%	-	-	-
Wells Fargo Minnesota	20	8	1.14%	15	10	0.87%
Fairview Health Services	20	9	1.14%	18	8	1.05%
United Health Group, Inc.	18	10	1.02%	-	-	-
Northwest Airlines Corp.	-	-	-	18	9	1.05%
3M Co.	-	-	-	19	7	1.10%
Total	<u>291</u>		<u>16.56%</u>	<u>271</u>		<u>15.74%</u>

Unaudited.

Source: Twin Cities Business B.I.G. Book, 2013 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 unavailability of 2003 list.

**EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS ENDED DECEMBER 31, 2012**

	Full-time Equivalent Employees as of December 31									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<u>Regional Administration</u>										
Human Resources	32	33	33	33	33	33	31	33	32	25
Information Services	81	79	75	64	62	54	56	66	66	81
Finance/Central Services	44	42	38	38	37	38	35	25	26	30
Other	84	79	75	75	67	77	57	75	74	86
Total Regional Administration	241	233	221	210	199	202	179	199	198	222
<u>Community Development</u>										
Metro HRA	37	34	33	33	33	34	34	33	32	32
Other	35	35	34	41	42	45	44	51	51	60
Total Community Development	72	69	67	74	75	79	78	84	83	92
<u>Environmental Services Division</u>										
Environmental Quality Assurance	95	98	103	109	109	110	106	121	122	122
Treatment Services	514	526	528	505	501	502	490	565	582	594
Other	22	20	20	32	28	28	30	15	15	16
Total Environmental Services Division	631	644	651	646	638	640	626	701	719	732
<u>Transportation Division</u>										
Metro Mobility	10	9	10	14	15	13	13	13	13	13
Transportation Planning	27	28	29	28	26	28	24	17	17	17
Other	-	-	-	-	-	-	-	13	13	14
Total Transportation Planning	37	37	39	42	41	41	37	43	43	44
<u>Metro Transit Bus</u>										
Operations	1,512	1,502	1,500	1,346	1,291	1,273	1,280	1,413	1,474	1,475
Maintenance	422	429	470	417	442	437	420	432	456	457
Administration/Clerical	465	448	420	439	540	545	505	590	683	628
Total Metro Transit	2,399	2,379	2,390	2,202	2,273	2,255	2,205	2,435	2,613	2,560
<u>Metro Transit Commuter Rail</u>										
Maintenance	28	28	27	28	-	-	-	-	-	-
Administration/Clerical	8	9	10	8	-	-	-	-	-	-
Total Metro Transit	36	37	37	36	-	-	-	-	-	-
<u>Metro Transit Light Rail</u>										
Operations	56	57	57	50	44	44	44	45	45	-
Maintenance	80	81	80	70	69	60	57	51	51	-
Administration/Clerical	134	100	82	45	42	39	35	30	30	-
Total Metro Transit	270	238	219	165	155	143	136	126	126	-
Total	3,686	3,637	3,624	3,375	3,381	3,360	3,261	3,588	3,782	3,650

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, 2012**

Function/Program	2012	2011	2010	2009
Governmental activities				
Metro Mobility-passenger miles	16,562,355	15,503,454	15,534,246	13,634,343
Metro Mobility-passenger trips	1,628,051	1,516,901	1,410,369	1,237,570
Parks visits to Metro Parks System	45,854,000	44,111,200	40,867,500	38,062,600
Business-type activities				
Wastewater				
Average daily sewage treatment (millions of gallons)	210	259	260	230
Transit-bus				
Total route miles	28,817,105	28,763,822	28,894,682	29,703,751
Passenger trips	69,854,994	69,782,602	66,882,361	66,401,218
Transit-commuter rail				
Total route miles	521,537	556,631	601,119	69,320
Passenger trips	700,276	703,427	710,426	78,782
Transit-light rail				
Total passenger car miles	2,103,215	2,101,289	2,056,261	2,041,244
Passenger trips	10,498,236	10,400,864	10,423,862	9,863,042
Housing				
Metro HRA unit months leased	82,264	82,247	81,455	80,243
Unaudited				

Sources: Various Metropolitan Council Divisions

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

2008	2007	2006	2005	2004	2003
13,452,124	11,470,739	12,923,008	11,527,114	12,887,085	11,392,031
1,220,775	1,162,872	1,222,821	1,104,879	1,153,983	1,125,857
33,047,700	33,171,200	33,235,000	33,437,100	30,473,900	30,513,600
249	250	256	255	255	266
30,268,310	28,416,623	29,048,980	29,979,730	27,113,045	30,969,504
71,614,056	67,865,688	64,398,724	61,797,145	53,962,653	67,235,776
-	-	-	-	-	-
-	-	-	-	-	-
2,024,493	1,931,754	1,817,930	1,565,965	512,110	-
10,221,682	9,098,297	9,356,982	7,901,668	2,938,777	-
78,658	81,634	81,273	80,575	80,770	79,617

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
FOR THE LAST TEN YEARS ENDED DECEMBER 31, 2012**

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Metro Mobility										
Total fleet size	399	340	314	274	265	262	264	257	245	229
Number of Parks/Trails	95	95	89	89	85	83	82	77	74	71
Acres of Regional Parks and Trails open to the public	54,842	54,631	54,633	53,111	52,918	52,661	52,617	52,299	50,356	50,276
Business-type activities										
Wastewater										
Treatment Plants	7	7	7	7	8	8	8	8	8	8
Miles of MCES Interceptors	645	626	625	624	615	585	586	578	569	569
Wastewater Treatment Plant Capacities (millions of gallons)	370	370	370	370	370	370	370	358	358	358
Transit-bus										
Total fleet size	888	876	888	929	1,093	979	940	930	942	982
Transit-commuter rail										
Total fleet size	6	6	6	6	-	-	-	-	-	-
Transit-light rail										
Total fleet size	27	27	27	27	27	27	25	23	22	-
Housing										
Metro HRA unit months available	83,795	83,173	82,668	81,613	79,270	83,732	83,592	82,709	81,976	82,769
Family Affordable Housing Units	150	150	150	150	150	150	150	150	136	104
Unaudited										

Source: Metropolitan Council external and internal reports.

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

Twin Cities Area, Minnesota
**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**



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