



Twin Cities Area, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2015

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, 2015

A COMPONENT UNIT OF THE STATE OF MINNESOTA

Prepared by the Finance Unit

Issued June 2016



390 Robert Street North, St. Paul, Minnesota 55101



The mission of the Metropolitan Council is to foster efficient and economic growth for a prosperous metropolitan region.

The Council provides these essential services to enhance the region's quality of life and economic competitiveness:

- *Operate Metro Transit, serving 85.8 million bus and rail passengers in 2015 with award-winning, energy-efficient fleets. Our strategic investments support a growing network of bus and rail transitways, and transit-oriented development.*
- *Collect and treat wastewater at rates 40% lower than peer agencies, while winning national awards for excellence.*
- *Work to ensure adequate clean water for the future, through our water supply planning and lake and river monitoring programs.*
- *Plan for future growth in partnership with communities and the public.*
- *Plan, acquire and develop a world-class regional parks and trails system.*
- *Provide affordable housing for qualifying low-income residents.*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METROPOLITAN COUNCIL
A COMPONENT UNIT OF THE STATE OF MINNESOTA
FOR THE YEAR ENDING DECEMBER 31, 2015**

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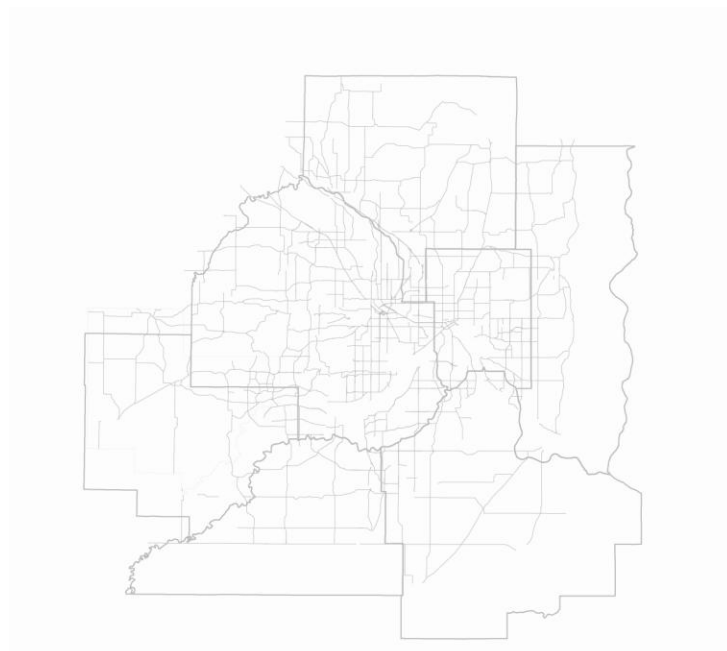
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INTRODUCTORY SECTION





Serving the Twin Cities seven-county metropolitan area

Metropolitan Council

2015 Comprehensive Annual Financial Report

Transmittal Letter from the Chief Financial Officer

June 16, 2016

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

Dear Chair Duininck 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, 2015. 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, budgetary comparison schedules, pension schedules, required supplementary information, combining and individual fund statement 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, 2015. 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 2016.

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 complement 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 3.46 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. A component unit should be included in the reporting entity financial statements using the blending method in any of these circumstances, (a) the component unit's governing body is substantively the same as the governing body of the primary government and there is a financial benefit or burden relationship between the primary government and the component unit or management of the primary government has operational responsibility for the component unit, (b) the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. Usually the services provided by a blended component unit are financing services provided solely to the primary government.

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 Special Revenue Fund, these comparisons are included in the Required Supplementary Information section. Budgetary Comparison Schedules for the nonmajor governmental funds are presented in the Combining and Individual Fund Financial Statements and Schedules section.

Budgets are prepared at the division and fund level. Budgetary control is provided primarily through the Council's accounting system. Council adopted budgets are established in the accounting system by fund. Operating divisions have the authority to reallocate budgets within a fund, but by policy, the Council 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

The metropolitan area continued its measured recovery from the Great Recession with steady employment growth and continued recovery in the real estate market during 2015.

Between January 2015 and January 2016, total employment in the sixteen-county Minneapolis-St. Paul-Bloomington, MN-WI metropolitan area grew by 1.76 percent (33,600 jobs), slightly lower than the national growth rate of 1.92 percent. With 1,947,300 jobs region wide in January 2016 (seasonally adjusted), net employment is now nearly 93,500 jobs higher than the pre-recession peak in February 2008 (Department of Labor Current Employment Statistics). While this pace was slower than most large Metropolitan Areas (19th among the 25 largest metro areas from January 2015-2016), the sixteen-county region has the 2nd lowest unemployment rate among the largest metro areas (December 2015 numbers from Local Area Unemployment Statistics).

The seven-county metropolitan area's comparatively low unemployment rate continues to drop. The latest monthly unemployment rate is 3.40 percent (January 2015, not seasonally adjusted), down from 3.90 percent at the same time last year (Minnesota Department of Employment and Economic Development, or DEED, Local Area Unemployment Statistics). The seven-county unemployment rate remains well below the national rate of 5.30 percent (January, not seasonally adjusted). The seven-county metropolitan area also had the lowest January 2016 unemployment rate for all five regions defined by DEED, i.e. Central, Northeast, Northwest, Southeast and Southwest Minnesota.

Per capita personal income in the sixteen-county metropolitan area increased 3.83 percent, \$51,183 in 2013 to \$53,166 in 2014 (U.S. Department of Commerce, Bureau of Economic Analysis). The metro ranked 10th among the largest 25 metropolitan areas for per capita personal income. The sixteen-county's Gross Metro Product (GMP) totaled \$216.9 billion in 2014, making the region the nation's 14th largest metropolitan economy.

The housing market also continued to climb out of the recent housing crises. According to the University of St. Thomas' Minneapolis-St. Paul Residential Real Estate Index August 2015, the 2015 median sales price of homes (in August) increased 2.7 percent from the previous year. The median price of traditional home sales in August 2015 was \$229,900. The report states that the inventory of homes for sale is historically low, leading to shorter sale times and more prices at or above asking price. This is especially true in the starter-home category. A recent Star Tribune article states that homes priced less than \$250,000 are down 35 percent compared with last year, creating a competitive market for first-time home buyers, and making many homeowners reluctant to put their homes up for sale over doubts about finding a similarly priced replacement ("Starter homes are in short supply across the Twin Cities", James Buchta, Star Tribune, March 12, 2016).

After a slight dip last year, residential permitting activity (preliminary data, not including residential conversions) picked up with about 12,402 units permitted in 2015. This was about 1,700 units higher than last year. Multifamily units constituted over 61 percent of these permits, continuing a trend that began in 2012.

Quarterly reports on commercial real estate activity published by CBRE, commercial real estate services, suggest that regional commercial real estate experienced a healthy year. Year-to-year vacancy rates (4th quarter) dropped in both the office and retail markets. Average office asking rates rose to a 10-year high, and continued interest in transit-accessible locations drove strong activity in both downtown markets. Year-to-year vacancies in industrial properties rose in 2015; however, net absorption increased and the region experienced its highest delivery of completed industrial properties since 2001, thanks in large part due to high activity in the region's Northwest submarket.

Delivering High-Performance Regional Services

Transit - Metro Transit is one of the country's largest transit systems, providing over 86.0 percent of the 98.8 million regional bus and train trips taken annually in the Twin Cities. Each weekday customers board regional buses and trains an average of 289,000 times.

Metro Transit operates 132 bus routes, the METRO Blue Line Light Rail, the METRO Green Line Light Rail, and the Northstar Commuter Rail Line, using a fleet of 911 buses, 86 light-rail passenger cars, 18 commuter rail passenger cars and 6 commuter rail locomotives.

The METRO Blue Line operates service between downtown Minneapolis, the MSP Airport, and the Mall of America in Bloomington, Minnesota. In 2015, the METRO Blue Line carried 10.6 million passengers. With average weekday ridership of 31,471, the line continued to exceed projections for the year 2020 by more than 10 percent.

The METRO Green Line Light Rail is an 11 mile line and links five major centers of activity in the Twin Cities Region – downtown Minneapolis, the University of Minnesota, the Midway area, the State Capitol complex and downtown St. Paul. The METRO Green Line carried nearly 12.4 million passengers and experienced average weekday ridership of 37,402. The line continued to exceed projections for the year 2020 by more than 5 percent.

The Northstar Commuter Rail provides service between Big Lake in Sherburne County and downtown Minneapolis. The 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 Saturday and Sunday. 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 stop at stations in Elk River, Ramsey, Anoka, Coon Rapids, and Fridley. In 2015, the Northstar Commuter Rail carried nearly 723,000 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 2015, Metro Mobility provided over 2.1 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 2015, these routes carried nearly 2.5 million passengers. Transit Link is a region-wide dial-a-ride program that assists people outside areas served by fixed-route transit and provided 326,000 rides in 2015. Suburban Transit Authority Providers are comprised of 12 communities selecting to manage their own transit service, and provided 5.1 million rides in 2015.

Water services - Metropolitan Council Environmental Services (MCES) collects and treats an average of 250 million gallons of wastewater every day from 108 directly served communities in the Twin Cities region. The system has capacity to treat 371 million gallons per day. About 643 miles of sewer pipes from 5,000 miles of city sewers carry wastewater to one of eight MCES treatment plants. The plants operate 24 hours a day, 365 days a year. The East Bethel Water Reclamation Facility began service in 2014 and does not discharge to a river. Its effluent is used to recharge the ground water.

All MCES wastewater treatment plants continue to perform at a high level in complying with clean water discharge permits. System-wide, wastewater was treated to 100 percent National Pollutant Discharge Elimination System (NPDES) compliance and all air emissions permits and stack tests were successfully passed. The interceptor system had no notices of violations.

Six MCES wastewater treatment plants earned Platinum Awards for the National Association of Clean Water Agencies (NACWA) for five years or more of perfect discharge permit compliance through 2014 and awarded in 2015: Hastings (24 years); St. Croix Valley (23 years); Seneca (14 years); Blue Lake (9 years); Eagles Point (9 years), and Empire (7 years). These compliance records are among the highest in the nation. Additionally, the conservation strategies and energy-saving measures resulted in a 23 percent reduction in purchased energy, this energy savings equaled about \$4 million in 2015.

The 2015 annual budget for Environmental Services operations was funded primarily from the metropolitan wastewater charge allocated to municipalities (\$190.7 million) pursuant to Minnesota Statute 473.517. Municipal sewer rates to local homes and businesses in the metro region are low, approximately 40.0 percent lower than the national average. Municipal customer satisfaction is high. The metropolitan wastewater charge, while limited to wastewater and certain total watershed management expenses, is not limited by statute, thus allowing the Council to set the rates as needed to maintain the approximately \$6 billion (replacement cost) in infrastructure.

Sewer Availability Charge (SAC) units continue to indicate recovery from the recession. In 2015, there were 24.0 percent more SAC units charged than in 2014.

Water supply research and planning continues to be an area of high community and legislative interest. Expenses for this program are not funded from wastewater fees, but from various other sources. In 2015, \$1.3 million was spent and expenses are budgeted at \$2.4 million in 2016.

Approximately \$144.0 million was spent on capital projects in 2015 to support regional goals of: 1) maintaining infrastructure, 2) accommodating growth, and 3) protecting the environment. Highlights of the major ongoing capital improvement program in 2015 for the wastewater system include:

- Over \$123.0 million in major rehabilitation and improvements of the interceptor system, including interceptors serving the Minnesota cities of Bloomington, Brooklyn Park, Burnsville, Eagan, Excelsior, Golden Valley, Hopkins, Minneapolis, Richfield, St. Louis Park, St. Paul, and Wayzata.
- Approximately \$13.0 million of major upgrades to the Metropolitan Plant (in St. Paul, MN), including major renovation of the solids processing facilities.

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 active living and wildlife habitat enhances the region’s livability and thus its economic strength.

The regional parks system, which includes 54 regional parks and park reserves, 40 trails and 8 special recreation areas had over 48 million visitors last year. 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 park system, 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 federal Housing Choice Voucher rent assistance program. The Council ensures all available federal funds provided are used to assist over 6,500 very low to extremely low income households. This includes 150 Council owned and operated housing units called the Family Affordable Housing Program in 11 cities in suburban Anoka, Ramsey and Hennepin Counties. Additionally, the Council provides rent assistance to nearly 650 households through other 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, 95 metropolitan area communities are participating in the voluntary Livable Communities Act Local Housing Incentives program.

Financial Information

The 2015 unified budget was adopted by the Council in December, 2014. The original adopted budget for operations, pass-through expenditures and debt service was \$928.0 million, representing a 4.60 percent increase from the budget adopted for 2014. During the year, the budget was revised to \$938.0 million, primarily to recognize carry forward of budgeted expenses for projects initiated in the prior year but that are expected to be completed during 2015.

The Council budget relies on several funding sources. In the 2016 budget, \$349.0 million in revenues and transfers in come from wastewater treatment service fees and transit fare revenues. Intergovernmental revenues from federal, state and local sources total \$459.0 million and \$80.0 million of revenue comes from a seven county property tax levy.

The Council receives a percentage of the state Motor Vehicle Sales Tax (MVST) to fund transit expenditures, in 2015 MVST revenues were projected at \$257.0 million. The sales tax on motor vehicle sales is a single sector tax and has historically experienced significant volatility in the amount generated from year to year. To address this volatility, the Council only budgets 95.0 percent of its share of forecasted revenues, with five percent unbudgeted in the event that actual receipts fall short of projections.

The Council also adopted its 2015 capital program as part of the unified budget adopted in December, 2014. The Capital Program includes authorized capital projects (ACP) and a six-year capital improvement plan (CIP) reflecting the Council's commitment to maintain and preserve regional investments in wastewater services, transit services and regional parks and trails. The 2015 Capital Program includes \$8.0 billion in capital projects, of which \$539.0 million is authorized for spending in 2015.

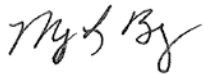
Awards and Acknowledgements

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, 2014. This was the thirty-second consecutive year 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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Metropolitan Council
of the Twin Cities Area
Minnesota**

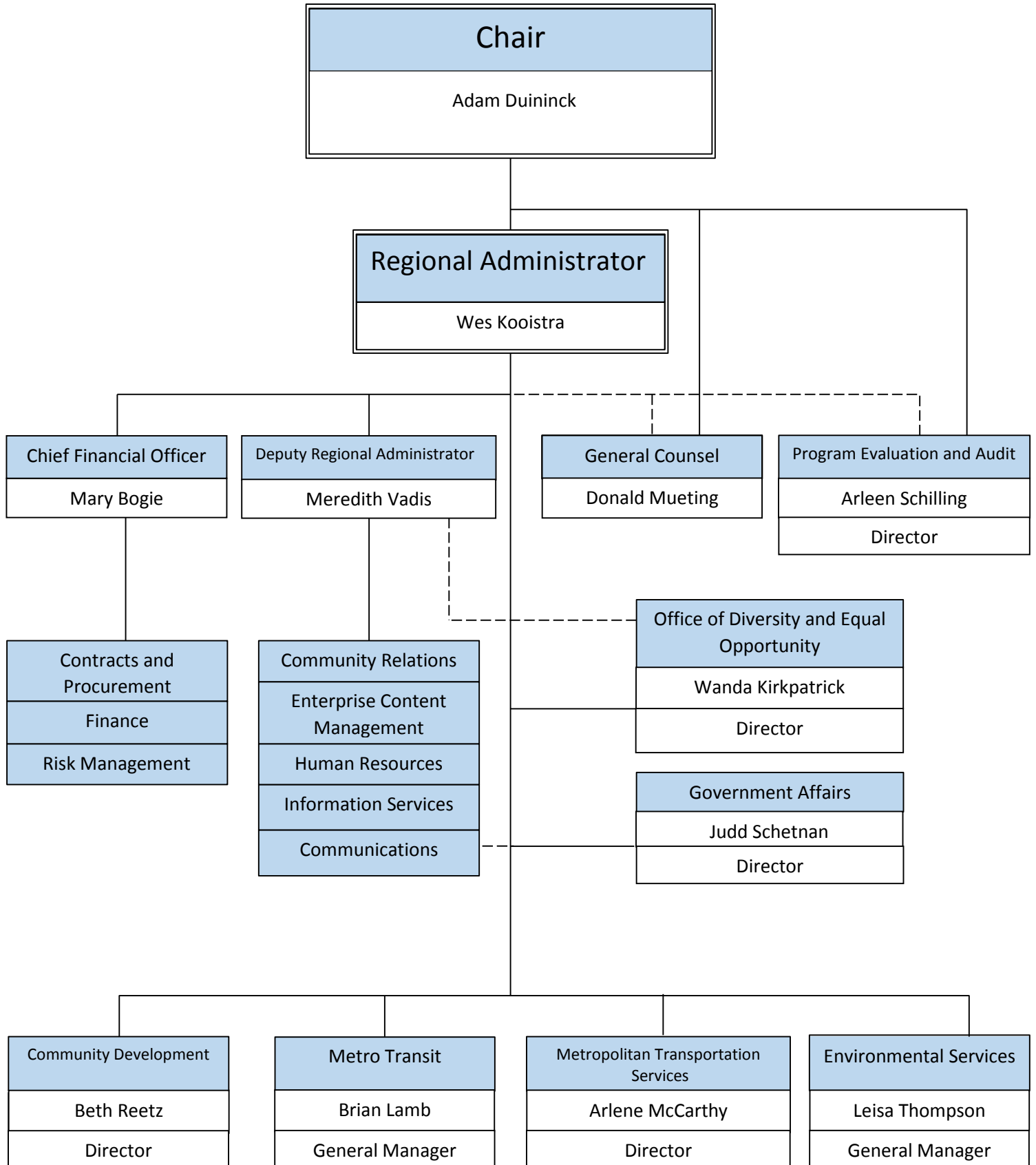
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

Metropolitan Council Organizational Chart

December 2015



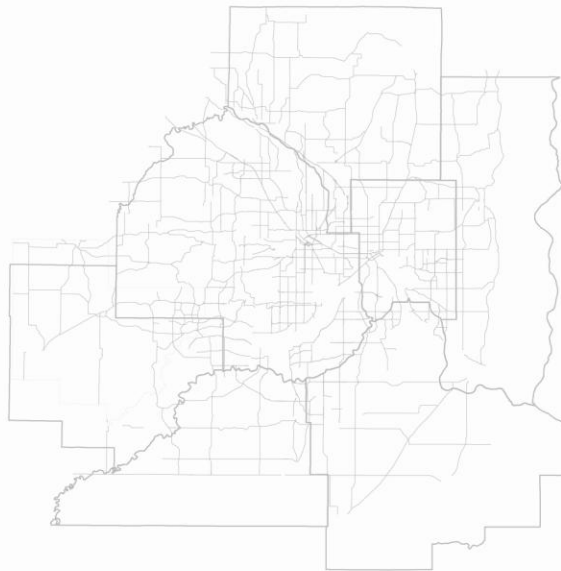
		Term of Office	
		<u>First Appointed</u>	<u>End of Term</u>
<u>COUNCIL MEMBERS</u>			
Chair:	Adam Duininck	January 16, 2015	January 7, 2019
District Members:			
District No. 1	Katie Rodriguez	July 17, 2013	January 7, 2019
District No. 2	Lona Schreiber	March 2, 2011	January 7, 2019
District No. 3	Jennifer Munt	March 2, 2011	January 7, 2019
District No. 4	Deb Barber	March 8, 2015	January 7, 2019
District No. 5	Steve Elkins	March 2, 2011	January 7, 2019
District No. 6	Gail Dorfman	March 8, 2015	January 7, 2019
District No. 7	Gary Cunningham	March 2, 2011	January 7, 2019
District No. 8	Cara Letofsky	March 8, 2015	January 7, 2019
District No. 9	Edward Reynoso	March 2, 2011	January 7, 2019
District No. 10	Marie McCarthy	November 30, 2013	January 7, 2019
District No. 11	Sandy Rummel	March 2, 2011	January 7, 2019
District No. 12	Harry Melander	March 2, 2011	January 7, 2019
District No. 13	Richard Kramer	March 2, 2011	January 7, 2019
District No. 14	Jon Commers	March 2, 2011	January 7, 2019
District No. 15	Steven Chávez	March 2, 2011	January 7, 2019
District No. 16	Wendy Wulff	April 22, 2009	January 7, 2019

OFFICERS

Chair	Adam Duininck, appointed
1 st Vice-Chair	Harry Melander
Treasurer	Mary Bogie
Secretary	Emily Getty

FINANCIAL ADMINISTRATIVE OFFICIALS

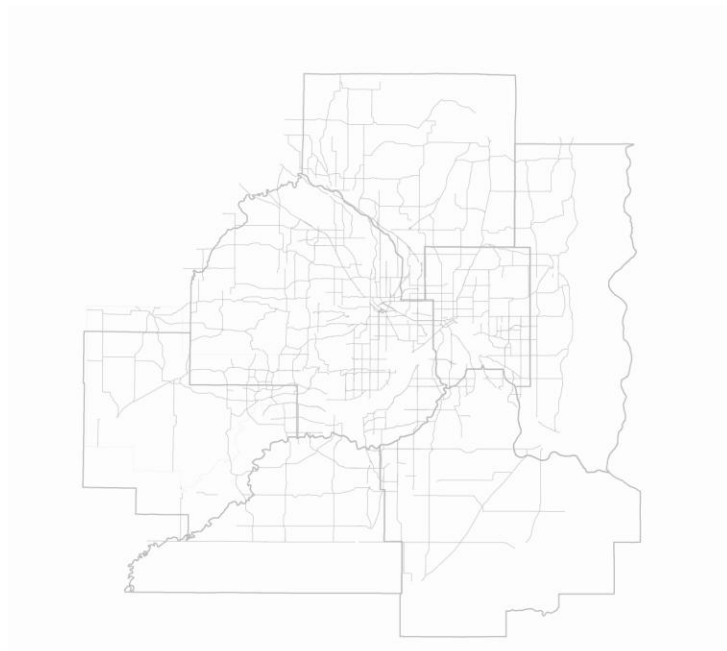
Regional Administrator	Wes Kooistra
Deputy Regional Administrator	Meredith Vadis
Chief Financial Officer	Mary Bogie



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
525 PARK STREET
SAINT PAUL, MN 55103-2139

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

INDEPENDENT AUDITOR'S REPORT

Members of the Council and Audit Committee
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, 2015, 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 from 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 as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 financial 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 financial 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.

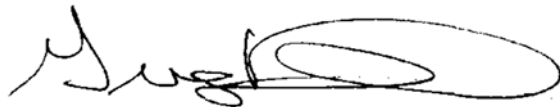
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2016, on our consideration of the Metropolitan Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metropolitan Council's internal control over financial reporting and compliance.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 16, 2016



Serving the Twin Cities seven-county metropolitan area

2015 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, 2015. 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 \$3.0 billion. Approximately 93.6 percent of this amount is invested in capital assets (net of related debt).

Total net position increased by \$151 million, 5.2 percent over the prior year's net position. Net position from business-type activities increased by \$117 million, while governmental activities increased \$34 million. Program revenues decreased by \$7 million: operating grants and contributions decreased by \$37 million mainly due to the first full year of the Metro Transit Green Line Light Rail, offset capital grants and contributions increased by \$18 million mainly due to increased spending in transportation for bus expansion, and charges for services increased by \$12 million due to a full year of operations for the Metro Transit Green Line Light Rail, which began service in June 2014.

The Council's governmental funds reported a combined ending fund balance of \$368 million. This represents a decrease of \$827 thousand, 0.2 percent, compared to the previous year.

At the close of the fiscal year, the General Fund reported a total fund balance of \$25 million, an increase of \$3 million compared to the previous year. The General Fund unassigned fund balance increased \$1.6 million, while the committed balance decreased by \$185 thousand and the assigned balance increased by \$1.6 million, mainly due to budget carry forward request for projects started in 2015 that will finish in 2016.

The Council added \$213 million in general obligation bonds and loans, while paying down \$449 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, the Housing and Redevelopment Authority, and internal service fund 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, and Debt Retirement Fund, since all three are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

The basic governmental fund financial statements can be found on pages 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 two types of proprietary funds—the enterprise funds and the internal service 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. Internal service funds are an accounting device used to accumulate and allocate costs internally for goods and services provided by one program of the Council to another. Because the activities reported by the internal service fund predominantly benefit business-type functions rather than governmental functions, the internal service funds have been included within business-type activities in the government-wide financial statements.

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 31-67 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 70-77.

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 80-99 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 103-128 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 \$3.0 billion on December 31, 2015.

Metropolitan Council Net Position December 31, 2014 and 2015 (In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Current and other assets	\$ 419,086	\$ 410,613	\$ 986,970	\$ 714,270	\$ 1,406,056	\$ 1,124,883
Capital assets	106,662	122,035	3,886,484	4,048,658	3,993,146	4,170,693
Total assets	525,748	532,648	4,873,454	4,762,928	5,399,202	5,295,576
Deferred outflows of resources:						
Outflows - derivative	-	-	10,010	10,661	10,010	10,661
Outflows - pension	1,855	4,994	18,138	45,860	19,993	50,854
Total deferred outflow of resources	1,855	4,994	28,148	56,521	30,003	61,515
Long-term liabilities outstanding	265,125	249,717	1,810,889	1,601,741	2,076,014	1,851,458
Other liabilities	48,080	40,317	205,739	222,482	253,819	262,799
Total liabilities	313,205	290,034	2,016,628	1,824,223	2,329,833	2,114,257
Deferred inflows of resources:						
Inflows - pension	20,428	19,496	170,020	163,105	190,448	182,601
Total deferred inflow of resources	20,428	19,496	170,020	163,105	190,448	182,601
Net position:						
Net investment in capital assets	58,521	77,789	2,560,539	2,786,866	2,619,060	2,864,655
Restricted	315,137	309,633	443,824	108,188	758,961	417,821
Unrestricted	(179,688)	(159,310)	(289,409)	(62,933)	(469,097)	(222,243)
Total net position	\$ 193,970	\$ 228,112	2,714,954	\$ 2,832,121	2,908,924	\$ 3,060,233

By far the largest portion of the Metropolitan Council's net position, \$2.9 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, \$418 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 revitalization, environment development, housing, and regional land use. The decrease in the restricted net position, \$341 million came primarily from debt service and capital project activities.

The unrestricted net position for the governmental activities was negative \$159 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 \$151 million, a 5.2 percent increase for the year. Business-type activities contributed \$117 million, 77.4 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, 2014 and 2015
(In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program revenues:						
Charges for services	\$ 9,684	\$ 10,445	\$ 336,119	\$ 347,417	\$ 345,803	\$ 357,862
Operating grants and contributions	109,086	117,803	369,833	323,292	478,919	441,095
Capital grants and contributions	40,498	54,921	177,690	181,712	218,188	236,633
General revenues:						
Property taxes	76,785	77,435	3,379	2,000	80,164	79,435
Investment earnings	12,035	3,371	37,611	6,227	49,646	9,598
Gain on sale of capital assets	275	310	261	-	536	310
Total revenues	248,363	264,285	924,893	860,648	1,173,256	1,124,933
Expenses:						
General government	12,544	6,159	-	-	12,544	6,159
Transportation	138,525	143,681	-	-	138,525	143,681
Culture and recreation	30,657	27,984	-	-	30,657	27,984
Economic revitalization	8,153	12,250	-	-	8,153	12,250
Environment development	5,918	7,268	-	-	5,918	7,268
Housing	1,847	1,404	-	-	1,847	1,404
Interest and other charges	6,622	2,297	-	-	6,622	2,297
Environmental services	-	-	233,979	207,812	233,979	207,812
Transit bus	-	-	314,305	334,213	314,305	334,213
Transit light rail	-	-	142,929	141,209	142,929	141,209
Transit commuter rail	-	-	23,541	24,478	23,541	24,478
Housing	-	-	62,697	64,869	58,911	64,869
Total expenses	204,266	201,043	777,451	772,581	981,717	973,624
Increase (decrease) in net position before transfers	44,097	63,242	147,442	88,067	191,539	151,309
Transfers	(24,628)	(29,100)	24,628	29,100	-	-
Increase (decrease) in net position	19,469	34,142	172,070	117,167	191,539	151,309
Net position, beginning	174,501	193,970	2,542,884	2,714,954	2,717,385	2,908,924
Net position, ending	\$193,970	\$ 228,112	\$2,714,954	\$2,832,121	\$ 2,908,924	\$3,060,233

Governmental Activities

Governmental activities increased the Council's net position by \$34 million, compared to \$19 million in 2014. Principal components of the change in net position are discussed in the following paragraphs.

Revenues

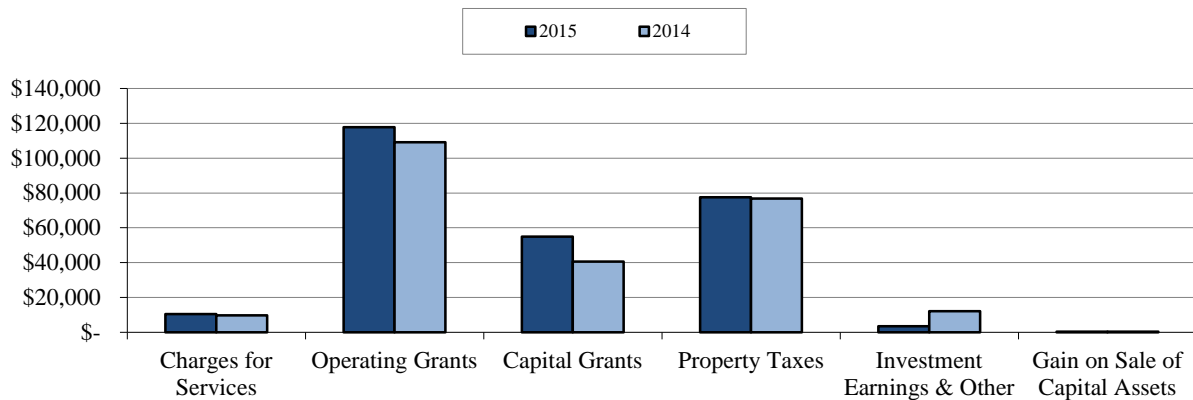
Governmental activities are supported by charges for services, operating grants, and capital grants and contributions. Additionally, general revenues cover any expenses after program specific revenues are applied. In 2015, the Council relied primarily on property taxes, for funding governmental activities beyond program revenues. Specifically, property taxes supported the Council's general fund activity and transit and parks debt service activity.

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 \$183 million, increased by \$23.9 million, 15.0 percent, compared to 2014. An increase in operating grant program revenues of \$8.7 million and an increase of \$14.4 million in capital grant programs account for most of this change. This is mainly due to bus purchases for the region.

Total general revenues were \$81 million, a decrease of \$8.0 million or 9.0 percent over the prior year. Investment earnings decreased \$8.6 million, reflecting low market yields.

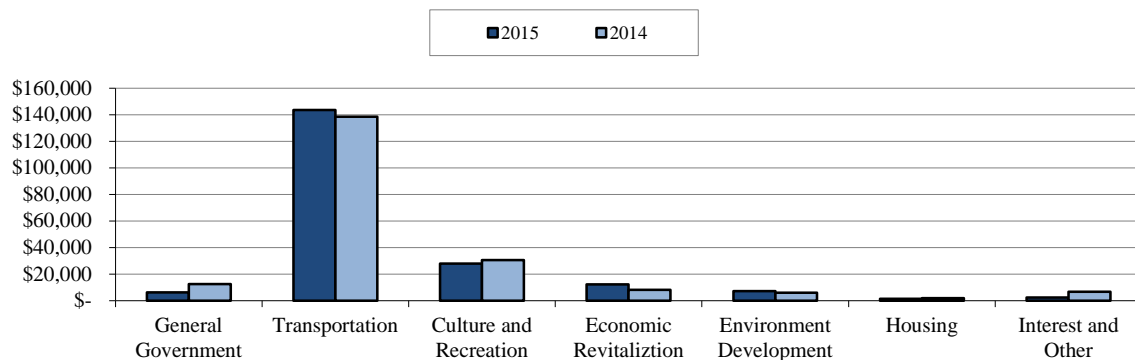
Governmental Activities Revenues
Fiscal Years Ended December 31, 2015 and 2014
(In Thousands)



Expenses

In 2015, expenses for governmental activities decreased by \$3.2 million, 1.60 percent, to \$201 million. Expenses related to culture and recreation decreased by \$2.7 million relative to the timing of regional parks grant expenditures. Transportation increased by \$5.2 million reflecting regional fleet replacement activities, increase Metro Mobility services and interest expense decreased by \$4.3 million for the year. The Council's livable communities programs for economic revitalization and environment development increased by \$5 million offset by general governmental expenses decrease of \$6.3 million. The unexpended balances of all livable community grants programs are reported as restricted net position.

Governmental Activities Program Expenses
Fiscal Years Ended December 31, 2015 and 2014
(In Thousands)



Depreciation for the year was \$18.7 million, an increase of \$2.2 million over 2014, reflecting increased capital spending on fleet replacement and bus equipment.

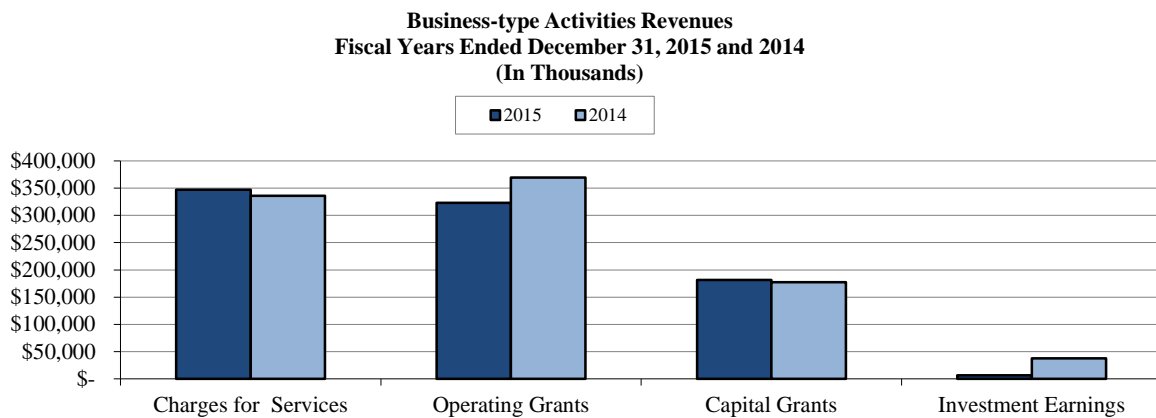
In 2015, net transfers to business-type activities increased by \$4.4 million to \$29 million. Transfers were primarily capital expense reimbursements, with Metro Transit Bus and Light Rail as the primary recipients.

Net salaries and benefits decreased \$1.0 million which was a result of an increase of indirect charges to the divisions. Payments to outside transit providers increased by \$6.2 million due to the increase in service demands.

Business-Type Activities

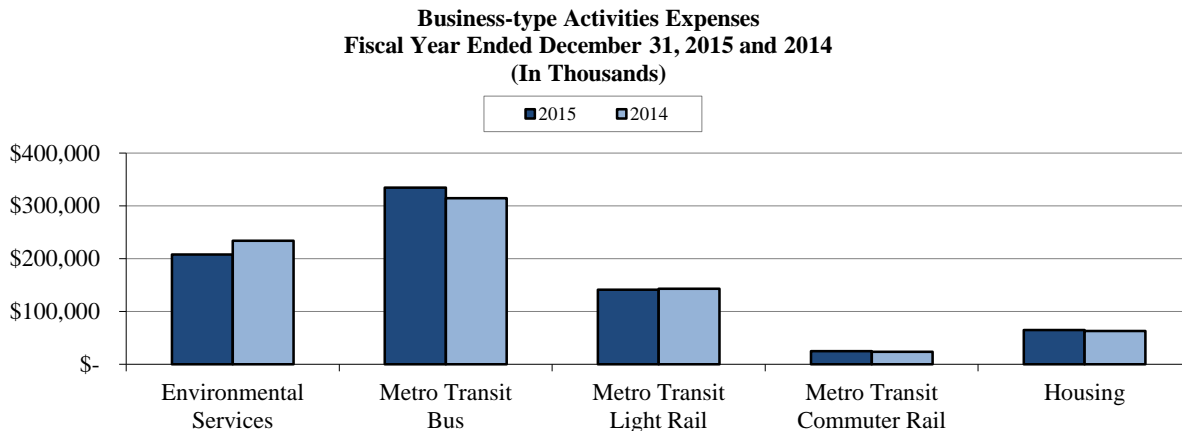
Revenues

Program revenues for the Council's business-type activities totaled \$852.4 million, or 110.3 percent of related expenses for fiscal year 2015 compared to \$883.6 million, 113.7 percent of related expenses, in the prior year. Decreases in state and local operating grant revenues were mainly for Metro Transit Light Rail being in its first full year of service. Capital contributions increased \$4 million. Investment earnings decreased by \$31 million.



Expenses

Business-type activities in 2015 incurred expenses of \$773 million, a decrease \$5 million, 0.6 percent, over the prior year. The Environmental Services program expenses decreased by \$26 million, 11.2 percent, mainly due to lower costs in salaries, contracted services, and utilities. Metro Transit Bus increase expenses by \$20 million mainly due to an increase in insurance and additional contributions to OPEB. Metro Transit Light Rail decreased expenses by \$2 million and Metro Transit Commuter Rail increased expenses by \$1 million. Housing increased expenses by \$2 million due to housing assistance payments.



Overall salaries and benefit related expenses increased by \$12 million to \$315 million. The main increase, \$13 million, was due to Metro Transit Light Rail in a full year of operations, compared to a half year in 2014. There was also an increase of \$1 million in Metro Transit commuter rail, this was offset by a decrease in Environmental Services of \$2 million.

Depreciation expense increased \$23 million to \$198 million from \$175 million in 2014.

General inflationary factors account for increases to other operating expense categories (contracted services, utilities, insurance).

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 \$368 million, a decrease of \$827 thousand compared to the prior year. Of that total fund balance, \$310 million is considered restricted, \$59 million is committed, and \$6 million is assigned, leaving an unassigned balance of a negative \$7 million.

During 2015, the governmental funds issued \$51 million of new general obligation bonds.

Revenues from all governmental funds for the current year were \$264 million, an increase of \$18 million, 7.2 percent, over the previous year. Governmental funds share of state appropriations allocation increased by \$8 million. Federal capital grants increased \$16 million related to the timing of capital project expenses. Taxes increased by \$2 million. Investment earnings decreased by \$8 million.

Expenditures for all governmental funds in the current year were \$297 million, an increase of \$44 million from the previous year. Culture and recreational program expenditures decreased by \$3 million reflecting decreased reimbursement requests from regional parks. The Council's livable communities programs (housing, economic revitalization, and environment development) spending increased by \$5 million, reflecting the housing market and regional government budget changes. Transportation expenditures increased by \$3 million to \$125 million due to increased transportation planning, pass-through of Motor Vehicle Excise Tax to suburban transit providers and an increase in ridership demand for Metro Mobility. Debt service principal and interest payments increased by \$24 million, for a total of \$74 million. Capital outlay increased by \$18 million to \$29 million due to the bus expansion for the region.

The General Fund is the Council's principal governmental operating fund. During the current year, the fund balance in the General Fund increased by \$3 million to \$25 million, 13.6 percent. This increase accounts for carry over amounts for projects started in 2015 that will be completed in 2016. At the end of 2015, \$6 million was committed for specific purposes and \$6 million was assigned for existing obligations, leaving \$13 million unassigned.

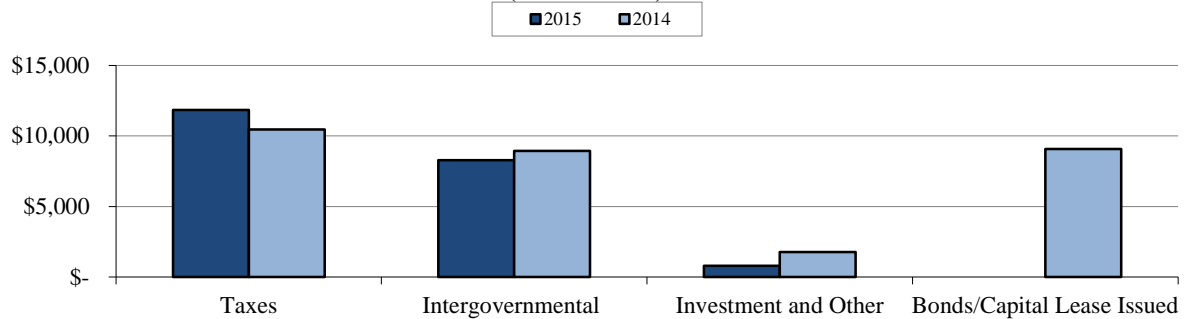
The following table provides the changes in revenues by source from 2014 to 2015.

General Fund
Revenues by Source and Other Financing Sources
Fiscal Years Ended December 31, 2014 and 2015
(In Thousands)

	2014		2015		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
<u>Revenues by Source</u>					
Taxes	\$10,458	34%	\$11,852	56%	\$ 1,394
Intergovernmental Revenues	8,936	30%	8,294	40%	(642)
Investment Income and Other	1,786	6%	806	4%	(980)
Bonds/Capital Lease Issued	9,077	30%	-	0%	(9,077)
Total Revenue and Other Financing Sources	\$30,257	100%	\$20,952	100%	\$(9,305)

General Fund revenues decreased by \$228 thousand over the previous year. The operating portion of the Council's property tax levy increased by \$1 million, which was offset by an investment income decrease of \$1 million. Other small variances in state and local revenues make up the balance.

**General Fund
Revenues by Source and Other Financing Sources
Fiscal Years Ended 2015 and 2014
(In Thousands)**

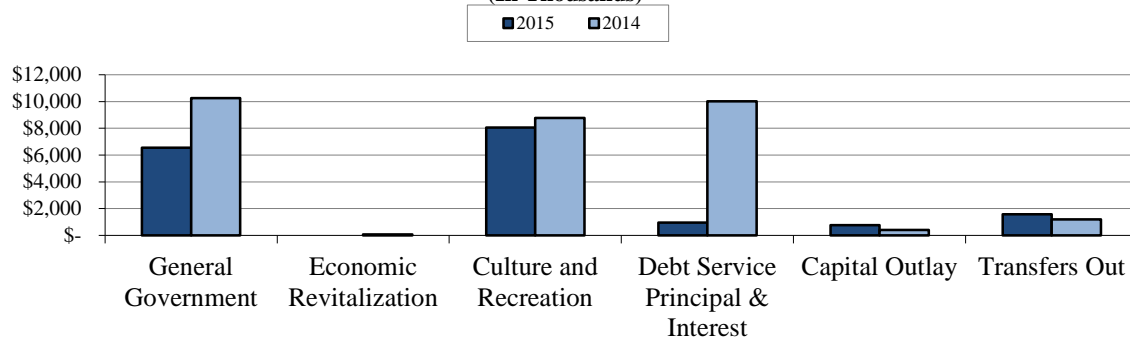


The following table provides the changes in expenditures by function from 2014 to 2015.

**General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2014 and 2015
(In Thousands)**

	2014		2015		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
<u>Expenditures by Function</u>					
General Government	\$ 10,249	34%	\$ 6,543	37%	\$ (3,706)
Culture and Recreation	8,765	29%	8,048	45%	(717)
Economic Revitalization	73	0%	-	0%	(73)
Debt Service (Principal Only)	9,610	31%	695	4%	(8,915)
Debt Service (Interest Only)	402	1%	269	1%	(133)
Capital Outlay	404	1%	766	4%	362
Total Expenditures	\$ 29,503	96%	\$ 16,321	91%	\$ (13,182)
Transfers Out	1,202	4%	1,572	9%	370
Total Expenditures and Other Financing Uses	\$ 30,705	100%	\$ 17,893	100%	\$ (12,812)

**General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2015 and 2014
(In Thousands)**



General Fund expenditures (net of allocations) during the current year were \$16 million, a decrease of \$13 million from the previous year.

Other financing uses-transfers out decreased by \$370 thousand. The General Fund budgeted and transferred out \$1 million for livable communities as required by State legislation and planned use of reserves noted earlier, \$362 thousand for Metropolitan Housing and Redevelopment Authority and \$210 thousand to Environmental Services (both business-type activities) for administration allocation expense and reimbursement of water supply program expenditures and closeout of activities, respectively. Actual expenditures for general government expenses were under budget due to lower than anticipated spending on technology and maintenance projects, community development project and equity grant program. These projects will carry-forward into 2016 through the budget process.

In 2015, the Metro Mobility Fund balance decreased by \$4 million to \$37 million. This was a planned use of fund reserves. Metro Mobility's total revenues increased by \$9 million to \$55 million. State appropriation revenues increased by \$9 million. Fare revenues increased by 13.1 percent to \$7.7 million while the number of passenger trips and passenger miles increased by 6.0 percent and 7.8 percent respectively. Total Metro Mobility expenditures increased by \$3 million to \$58 million, an increase of 5.5 percent, which is due to the increased passenger miles along with increased transit provider expense.

The Debt Retirement Fund balance decreased by \$17 million to \$101 million as anticipated for debt repayments. Property tax related revenues increased \$425 thousand more than the prior year to \$50 million. Investment earnings decreased by \$2 million. Total debt service payments were \$73 million, an increase of \$33 million from the prior year.

Financial Analysis of Proprietary Funds

The Metropolitan Council's proprietary 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. Additionally the Council has one Internal Service fund. Each enterprise fund is reported as a major fund. The Internal Service fund accounts for self-insured medical and dental insurance related to Regional Administration, Metro Transit, and Environmental Services.

Overall, the enterprise funds had a total net position of \$2.8 billion at December 31, 2015. The total net position for all proprietary funds increased by \$113 million during 2015. 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 and the internal service fund from 2014 to 2015.

Proprietary Funds
Key Balance Sheet Account Balances and Revenue and Expense Activities
Fiscal Years Ended December 31, 2014 and 2015
(In Thousands)

	Enterprise Funds					Metropolitan Housing and Redevelopment Authority	Total 2014	Total 2015	Internal Service
	Environmental Services	Metro Transit		Commuter Rail					
		Bus	Light Rail						
Assets	\$ 2,191,695	\$776,313	\$ 1,527,694	\$ 211,340	\$ 25,267	\$ 4,845,651	\$ 4,732,309	\$ 32,333	
Deferred outflows of resources	7,718	41,562	6,192	595	454	28,148	56,521	-	
Liabilities	1,473,019	235,987	99,607	7,294	3,517	2,010,624	1,819,424	4,985	
Deferred inflows of resources	30,131	109,246	20,111	1,845	1,772	170,020	163,105	-	
Operating Income (Loss)	28,477	(260,092)	(117,657)	(22,002)	(63,757)	(392,990)	(435,031)	3,215	
Changes in Net Position	39,668	33,303	48,444	(8,702)	433	162,577	113,146	3,601	
Net Position	696,263	472,642	1,414,168	202,796	20,432	2,693,155	2,806,301	27,348	

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 \$98 million.

Metro Transit Bus is the region's largest provider of directly provided bus transit service. For December 31, 2015, net investment in capital assets was \$503 million, an increase of \$8 million. This increase was due to investment in buses.

The Metro Transit Light Rail Fund provides the region's light rail transit service. For December 31, 2015, the net investment in capital assets was \$1.4 billion, an increase of \$242 thousand. This increase was due to construction in progress for planning of Light Rail extensions.

The Metro Transit Commuter Rail Fund provides the region's commuter rail transit service. For December 31, 2015, the net investment in capital assets was \$199 million, a decrease of \$7 million mostly from accumulated depreciation.

The Metropolitan Housing and Redevelopment Authority provides affordable housing under the Federal Section 8 housing choice voucher program. The net position balance for the year ended December 31, 2015, was \$20 million, of which \$13 million was net investment in capital assets.

General Fund Budgetary Highlights

The original expenditure budget was increased by \$2.2 million to arrive at the final budget of \$21.9 million. The increase came from:

- \$1,807 thousand in additional budget carryovers from 2014 including; \$307 thousand to audio visual system upgrade, \$500 thousand for the enterprise video content management system project and \$1 million for capital maintenance for the Council's central office building.
- \$850 thousand for expansion of the Council's central office.

During the year, however, actual operating expenditures were \$5.6 million lower than the final budget. This amount includes \$3.4 million in carryovers to 2016, the balance was mainly a result of an increase of indirect charges to the divisions.

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, 2015, was \$4.2 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)
Fiscal Years Ended December 31, 2014 and 2015
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2015	2014	2015	2014	2015
Land and land improvements	\$ 6,958	\$ 6,958	\$ 244,261	\$ 249,032	\$ 251,219	\$ 255,990
Buildings and infrastructure	12,870	19,943	2,587,770	2,657,316	2,600,640	2,677,259
Vehicles and other equipment	76,493	94,089	761,718	752,720	838,211	846,809
Construction in progress	10,341	1,045	292,735	389,590	303,076	390,635
Total	\$ 106,662	\$ 122,035	\$ 3,886,484	\$ 4,048,658	\$3,993,146	\$4,170,693

The Metropolitan Council's net capital assets for governmental activities increased by \$15.4 million for the year.

The business-type activities had an increase of \$162 million including \$65 million in Metro Transit Light Rail and \$8 million in Metro Transit Bus. Environmental Services increased by \$97 million.

Additional information on the Metropolitan Council's capital assets can be found in Note IV.E on pages 47-48 of this report.

Debt Administration

At the end of the fiscal year, the Metropolitan Council had total bonds and loans outstanding of \$1.5 billion. Of this amount, \$913 million was for general obligation bonds issued by the Metropolitan Council, \$573 million was for loans from the State of Minnesota Public Facilities Authority, and \$2 million was for loans from the Counties Transit Improvement Board. General obligation bonds and loans are backed by the full faith and credit of the Metropolitan Council.

Metropolitan Council Outstanding Debt
General Obligation Bonds and Loans
December 31, 2014 and 2015
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2014	2015	2014	2015	2014	2015
General obligation bonds and notes	\$ 214,995	\$ 201,525	\$ 966,385	\$ 711,710	\$ 1,181,380	\$ 913,235
State of Minnesota loans	5,780	4,495	536,843	568,275	542,623	572,770
Counties Transit Improvement Board loan	-	-	-	1,949	-	1,949
Total of general obligation bonds and loans	\$ 220,775	\$ 206,020	\$1,503,228	\$ 1,281,934	\$ 1,724,003	\$ 1,487,954

The Metropolitan Council's total debt decreased by \$236 million, 13.7 percent, during the current year. General obligation bonds and notes decreased by \$268 million, the State of Minnesota Public Facilities Authority loans increased by \$30 million and the Council has a notes payable with the Counties Transit Improvement board for \$2 million. During the year, the Council issued \$151 million of new bonds, while retiring \$388 million of bonds, loans and notes. Also during 2015, the Metropolitan Council drew down \$60 million in State of Minnesota loans and repaid \$30 million on existing State of Minnesota loans.

The Metropolitan Council maintains an AAA rating from Standard and Poor's and an 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 \$27.4 million.

Transit debt is subject to limited amounts as authorized by statute. At the end of the year, the Metropolitan Council had unissued authority of \$120.2 million of transit general obligation bonds.

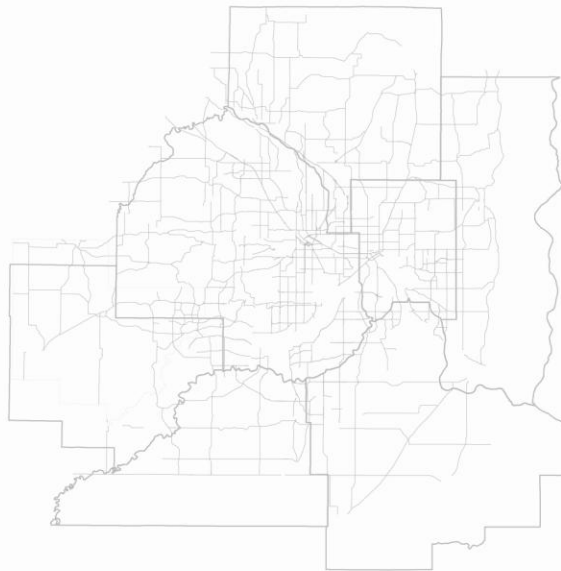
Additional information on the Metropolitan Council's long-term debt can be found in Note IV.H on pages 50-54 of this report.

Economic Factors and Next Year's Budgets and Rates

The Council's operating budget relies on several funding sources. For 2016, total state revenues (state general fund appropriations and motor vehicle sales taxes), representing 38.0 percent of total operating revenue increased 7.0 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 38.0 percent of total operating revenues and increased 4.0 percent from the 2015 operating budget reflecting continued economic recovery and strong ridership. The certified property tax levy approved by the Council for payable in 2016 represents a 2.0 percent increase over the previous year's levy. The general purposes levy is 100 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 55101-1805.



Serving the Twin Cities seven-county metropolitan area

BASIC FINANCIAL STATEMENTS



**STATEMENT OF NET POSITION
DECEMBER 31, 2015
IN THOUSANDS**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 311,935	\$ 368,090	\$ 680,025
Receivables, net	5,018	15,139	20,157
Internal balances	1,528	(1,528)	-
Due from other governmental units	47,711	44,131	91,842
Inventory	-	30,212	30,212
Prepays and other	-	1,314	1,314
Loans and advances	44,421	1,288	45,709
Restricted assets:			
Cash and cash equivalents	-	168,416	168,416
Cash with fiscal agent	-	67,134	67,134
Receivables, net	-	4,035	4,035
Due from other governmental units	-	16,023	16,023
Loans receivable	-	16	16
Capital assets not being depreciated			
Land	6,958	249,032	255,990
Construction in progress	1,045	389,590	390,635
Capital assets (net of accumulated depreciated)			
Buildings and infrastructure	19,943	2,657,316	2,677,259
Vehicles	91,172	524,600	615,772
Equipment	2,917	228,120	231,037
Total assets	<u>532,648</u>	<u>4,762,928</u>	<u>5,295,576</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows derivative	-	10,661	10,661
Deferred outflows pension	4,994	45,860	50,854
Total deferred outflows of resources	<u>4,994</u>	<u>56,521</u>	<u>61,515</u>
LIABILITIES			
Accounts payable and other current liabilities	37,636	51,767	89,403
Accrued interest payable	2,391	-	2,391
Unearned revenue	290	11,132	11,422
Liabilities payable from restricted assets	-	71,584	71,584
Unearned revenue-restricted	-	87,999	87,999
Noncurrent liabilities:			
Due within one year	55,611	192,298	247,909
Due in more than one year	174,642	1,190,163	1,364,805
OPEB liability	4,022	83,209	87,231
Net pension liability	15,442	136,071	151,513
Total liabilities	<u>290,034</u>	<u>1,824,223</u>	<u>2,114,257</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow pension	19,496	163,105	182,601
Total deferred inflows of resources	<u>19,496</u>	<u>163,105</u>	<u>182,601</u>
NET POSITION			
Net investment in capital assets	77,789	2,786,866	2,864,655
Restricted for:			
Debt service	100,944	83,196	184,140
Capital projects	84,324	24,758	109,082
Highway right-of-way	56,949	-	56,949
Economic revitalization	45,330	-	45,330
Environment development	17,642	-	17,642
Housing	3,130	234	3,364
Regional land use	1,314	-	1,314
Unrestricted	(159,310)	(62,933)	(222,243)
Total net position	<u>\$ 228,112</u>	<u>\$ 2,832,121</u>	<u>\$ 3,060,233</u>

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
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	\$ 6,159	\$ 140	\$ -	\$ 1,532	\$ (4,487)	\$ -	\$ (4,487)
Transportation	143,681	10,305	109,724	31,630	7,978	-	7,978
Culture and recreation	27,984	-	8,079	21,759	1,854	-	1,854
Economic revitalization	12,250	-	-	-	(12,250)	-	(12,250)
Environment development	7,268	-	-	-	(7,268)	-	(7,268)
Housing	1,404	-	-	-	(1,404)	-	(1,404)
Interest and other charges	2,297	-	-	-	(2,297)	-	(2,297)
Total governmental activities	201,043	10,445	117,803	54,921	(17,874)	-	(17,874)
Business-type activities:							
Environmental services	207,812	243,035	3,191	-	-	38,414	38,414
Transit bus	334,213	76,450	224,334	54,951	-	21,522	21,522
Transit light rail	141,209	24,339	20,098	126,722	-	29,950	29,950
Transit commuter rail	24,478	2,481	11,908	39	-	(10,050)	(10,050)
Housing	64,869	1,112	63,761	-	-	4	4
Total business-type activities	772,581	347,417	323,292	181,712	-	79,840	79,840
Total governmental and business-type activities	\$ 973,624	\$ 357,862	\$ 441,095	\$ 236,633	(17,874)	79,840	61,966
General revenues:							
Property taxes					77,435	2,000	79,435
Investment earnings					3,371	6,227	9,598
Gain on sale of capital assets					310	-	310
Transfers					(29,100)	29,100	-
Total general revenues and transfers					52,016	37,327	89,343
Change in net position					34,142	117,167	151,309
Net position, beginning					193,970	2,714,954	2,908,924
Net position, ending					\$ 228,112	\$ 2,832,121	\$ 3,060,233

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015
IN THOUSANDS**

	General	Metro Mobility Special Revenue	Debt Retirement	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 29,332	\$ 20,254	\$ 99,997	\$ 162,352	\$ 311,935
Receivables, (net)	1	6	-	-	7
Delinquent taxes receivable	648	-	2,618	590	3,856
Interest receivable	226	48	341	540	1,155
Due from other governmental units	79	23,694	-	23,938	47,711
Loans and advances	148	-	-	44,273	44,421
Total assets	<u>\$ 30,434</u>	<u>\$ 44,002</u>	<u>\$ 102,956</u>	<u>\$ 231,693</u>	<u>\$ 409,085</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts/contracts/subgrantees payable	\$ 3,852	\$ 6,761	\$ -	\$ 26,389	\$ 37,002
Salaries payable	634	-	-	-	634
Unearned revenues	-	-	-	290	290
Total liabilities	<u>4,486</u>	<u>6,761</u>	<u>-</u>	<u>26,679</u>	<u>37,926</u>
Deferred Inflows of resources:					
Unavailable revenue - taxes	<u>449</u>	<u>-</u>	<u>2,012</u>	<u>436</u>	<u>2,897</u>
Fund balances:					
Restricted	-	-	100,944	208,689	309,633
Committed	6,153	37,241	-	15,963	59,357
Assigned	5,832	-	-	-	5,832
Unassigned	13,514	-	-	(20,074)	(6,560)
Total fund balances	<u>25,499</u>	<u>37,241</u>	<u>100,944</u>	<u>204,578</u>	<u>368,262</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,434</u>	<u>\$ 44,002</u>	<u>\$ 102,956</u>	<u>\$ 231,693</u>	<u>\$ 409,085</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, 2015
IN THOUSANDS**

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

Fund balances-total governmental funds (page 22)	\$ 368,262
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	122,035
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in business-type activities in the Statement of Net Position, a portion of the internal service fund is attributable to governmental funds.	1,528
Long-term liabilities, including bonds and interest payable, are not due and payable in the current period and therefore are not reported in governmental funds.	(252,108)
Deferred inflows resulting from taxes are not available to pay for current period expenditures, and therefore, are not reported as revenue in governmental funds.	2,897
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in governmental funds.	
Deferred outflows related to pensions	4,994
Deferred inflows related to pensions	(19,496)
Net position of governmental activities (page 20)	<u>\$ 228,112</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, 2015
IN THOUSANDS

	General	Metro Mobility Special Revenue	Debt Retirement	Nonmajor Governmental Funds	Total
REVENUES					
Taxes	\$ 11,852	\$ -	\$ 49,409	\$ 16,505	\$ 77,766
Intergovernmental revenue:					
Federal	-	-	-	36,677	36,677
Build America bonds interest subsidy	-	-	800	-	800
State	8,079	46,714	-	78,695	133,488
Local/other	215	-	-	1,974	2,189
Investment income	806	93	752	1,720	3,371
Other	-	7,719	-	2,296	10,015
Total revenues	<u>20,952</u>	<u>54,526</u>	<u>50,961</u>	<u>137,867</u>	<u>264,306</u>
EXPENDITURES					
Current:					
General government	6,543	-	10	2,360	8,913
Transportation	-	58,107	-	27,080	85,187
Intergovernmental:					
Transportation	-	-	-	40,705	40,705
Culture and recreation	8,048	-	-	19,936	27,984
Economic revitalization	-	-	-	12,250	12,250
Environment development	-	-	-	7,268	7,268
Housing	-	-	-	1,404	1,404
Debt service:					
Principal	695	-	65,755	-	66,450
Interest and other charges	269	-	7,427	-	7,696
Capital outlay	766	-	-	38,343	39,109
Total expenditures	<u>16,321</u>	<u>58,107</u>	<u>73,192</u>	<u>149,346</u>	<u>296,966</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,631</u>	<u>(3,581)</u>	<u>(22,231)</u>	<u>(11,479)</u>	<u>(32,660)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	4,018	4,018
Transfers out	(1,572)	-	-	(27,074)	(28,646)
Bonds/capital lease issued	-	-	-	51,000	51,000
Premium on bonds and capital related debt	-	-	5,119	-	5,119
Sale of capital assets	-	-	-	342	342
Total other financing sources (uses)	<u>(1,572)</u>	<u>-</u>	<u>5,119</u>	<u>28,286</u>	<u>31,833</u>
Net change in fund balances	3,059	(3,581)	(17,112)	16,807	(827)
Fund balances, beginning	<u>22,440</u>	<u>40,822</u>	<u>118,056</u>	<u>187,771</u>	<u>369,089</u>
Fund balances, ending	<u>\$ 25,499</u>	<u>\$ 37,241</u>	<u>\$ 100,944</u>	<u>\$ 204,578</u>	<u>\$ 368,262</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, 2015
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)	\$ (827)
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.	20,451
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to decrease net position.	(5,078)
Internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service fund activities reported with governmental activities.	(420)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(331)
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 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.	15,730
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>4,617</u>
Change in net position of governmental activities (page 21)	<u><u>\$ 34,142</u></u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015
IN THOUSANDS

	Business-type Activities						
	Enterprise Funds						Internal Service Fund
	Environmental Services	Metro Transit		Commuter Rail	Metropolitan Housing and Redevelopment Authority	Total	
		Bus	Light Rail				
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 106,099	\$ 195,904	\$ 14,243	\$ 9,937	\$ 9,574	\$ 335,757	\$ 32,333
Receivables, net	5,609	8,035	845	34	616	15,139	-
Due from other governmental units	813	31,891	10,444	446	537	44,131	-
Due from restricted assets	-	-	-	186	-	186	-
Inventory	8,383	12,284	8,183	1,362	-	30,212	-
Prepays and other	-	707	90	517	-	1,314	-
Restricted assets:							
Cash and cash equivalents	83,310	17,612	66,932	-	562	168,416	-
Cash with fiscal agent	67,134	-	-	-	-	67,134	-
Receivables, net	3,740	54	241	-	-	4,035	-
Due from other governmental units	-	6,156	9,444	213	-	15,813	-
Loans receivable	16	-	-	-	-	16	-
Total current assets	275,104	272,643	110,422	12,695	11,289	682,153	32,333
Noncurrent assets:							
Capital assets:							
Land	21,475	45,589	76,002	99,560	6,406	249,032	-
Buildings and infrastructure	2,740,694	371,478	1,059,432	74,102	21,367	4,267,073	-
Vehicles	9,816	438,037	307,364	56,861	-	812,078	-
Equipment	29,766	118,802	225,774	11,897	100	386,339	-
Construction in progress	234,500	14,987	140,103	-	-	389,590	-
Less accumulated depreciation	(1,120,195)	(486,186)	(391,403)	(43,775)	(13,895)	(2,055,454)	-
Net capital assets	1,916,056	502,707	1,417,272	198,645	13,978	4,048,658	-
Due from other governments-restricted	210	-	-	-	-	210	-
Advances and loans	325	963	-	-	-	1,288	-
Total noncurrent assets	1,916,591	503,670	1,417,272	198,645	13,978	4,050,156	-
Total assets	2,191,695	776,313	1,527,694	211,340	25,267	4,732,309	32,333
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflow derivative	-	10,661	-	-	-	10,661	-
Deferred outflow pension	7,718	30,901	6,192	595	454	45,860	-
Total deferred outflows of resources	7,718	41,562	6,192	595	454	56,521	-
LIABILITIES							
Current liabilities:							
Accounts payable	5,536	7,010	1,130	978	112	14,766	4,964
Salaries payable	3,032	14,148	185	16	143	17,524	-
Compensated absences payable	3,460	15,043	1,974	149	75	20,701	-
Due to other governmental units	-	34	2,391	1,399	-	3,824	-
Unearned revenue	6,422	4,687	2	-	-	11,111	21
Accrued claims	305	4,473	1,870	14	-	6,662	-
Other	1	10,688	-	-	-	10,689	-
Restricted liabilities:							
Payables from restricted assets	19,716	6,093	31,976	27	-	57,812	-
Accrued interest payable from restricted assets	12,752	-	26	-	-	12,778	-
Bonds/loans payable from restricted assets	154,055	-	10,880	-	-	164,935	-
Due to other governmental units from restricted assets	-	-	994	-	-	994	-
Due to current assets	-	-	-	186	-	186	-
Unearned revenue from restricted assets	55,061	2,733	30,205	-	-	87,999	-
Total current liabilities	260,340	64,909	81,633	2,769	330	409,981	4,985
Noncurrent liabilities:							
Compensated absences payable	3,868	1,612	-	-	50	5,530	-
Accrued claims	453	10,059	1,500	3,000	328	15,340	-
Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding)	1,167,888	-	-	-	1,405	1,169,293	-
Pension liability	23,864	92,804	16,474	1,525	1,404	136,071	-
OPEB liability	16,606	66,603	-	-	-	83,209	-
Total noncurrent liabilities	1,212,679	171,078	17,974	4,525	3,187	1,409,443	-
Total liabilities	1,473,019	235,987	99,607	7,294	3,517	1,819,424	4,985
DEFERRED INFLOWS OF RESOURCES							
Deferred inflow pension	30,131	109,246	20,111	1,845	1,772	163,105	-
NET POSITION							
Net investment in capital assets	666,548	502,707	1,406,393	198,645	12,573	2,786,866	-
Restricted for:							
Debt service	74,243	-	8,953	-	-	83,196	-
Capital projects	5,300	14,996	4,462	-	-	24,758	-
Housing operations	-	-	-	-	234	234	-
Unrestricted	(49,828)	(45,061)	(5,640)	4,151	7,625	(88,753)	27,348
Total net position	\$ 696,263	\$ 472,642	\$ 1,414,168	\$ 202,796	\$ 20,432	\$ 2,806,301	\$ 27,348
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time						25,820	
Net position of business-type activities (page 20)						\$ 2,832,121	
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, 2015
IN THOUSANDS

Business-type Activities							
Enterprise Funds							
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total	Internal Service Fund
		Bus	Light Rail	Commuter Rail			
Operating revenues:							
Charges for services:							
Wastewater and industrial strength charges	\$ 205,007	\$ -	\$ -	\$ -	\$ -	\$ 205,007	\$ -
Transit fares	-	71,383	22,379	2,476	-	96,238	-
Tenant rent	-	-	-	-	558	558	-
Advertising and auxiliary	-	3,308	1,731	-	-	5,039	-
Insurance premiums	-	-	-	-	-	-	70,552
Miscellaneous	-	-	-	-	554	554	598
Total operating revenues	205,007	74,691	24,110	2,476	1,112	307,396	71,150
Operating expenses:							
Salaries and employee benefits	59,169	203,709	43,810	4,516	3,854	315,058	-
Contracted services	18,315	12,579	2,376	5,962	1,998	41,230	323
Materials and supplies	10,047	52,019	11,557	1,932	31	75,586	-
Insurance	1,185	2,330	2,295	1,123	77	7,010	-
Utilities	16,921	3,541	5,756	640	194	27,052	-
Advertising	-	1,569	11	-	-	1,580	-
Housing related expenses	-	-	-	-	57,198	57,198	-
Claims	-	-	-	-	-	-	62,970
Other	11,543	2,955	3,532	1,529	448	20,007	4,642
Depreciation	59,350	56,081	72,430	8,776	1,069	197,706	-
Total operating expenses	176,530	334,783	141,767	24,478	64,869	742,427	67,935
Operating income (loss)	28,477	(260,092)	(117,657)	(22,002)	(63,757)	(435,031)	3,215
Nonoperating revenues (expenses):							
Taxes	-	2,000	-	-	-	2,000	-
Intergovernmental	3,191	224,334	20,098	11,908	63,761	323,292	-
Pass-through grants	(132)	(1,843)	-	-	-	(1,975)	-
Sewer availability charges	35,124	-	-	-	-	35,124	-
Investment income	2,205	4,276	(394)	106	67	6,260	386
Interest and fiscal charges	(31,001)	-	578	-	-	(30,423)	-
Gain/(loss) on sale of capital assets	(769)	(4)	(20)	-	-	(793)	-
Other	2,363	1,283	229	5	-	3,880	-
Total nonoperating revenues (expenses)	10,981	230,046	20,491	12,019	63,828	337,365	386
Income (loss) before contributions and transfers	39,458	(30,046)	(97,166)	(9,983)	71	(97,666)	3,601
Capital contributions	-	54,951	126,722	39	-	181,712	-
Transfers in	210	24,512	18,888	1,242	362	45,214	-
Transfers out	-	(16,114)	-	-	-	(16,114)	-
Total contributions and transfers	210	63,349	145,610	1,281	362	210,812	-
Change in net position	39,668	33,303	48,444	(8,702)	433	113,146	3,601
Total net position, beginning	656,595	439,339	1,365,724	211,498	19,999		23,747
Total net position, ending	\$ 696,263	\$ 472,642	\$ 1,414,168	\$ 202,796	\$ 20,432		\$ 27,348
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.						4,021	
Changes in net position of business-type activities (page 21)						\$ 117,167	

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, 2015
IN THOUSANDS

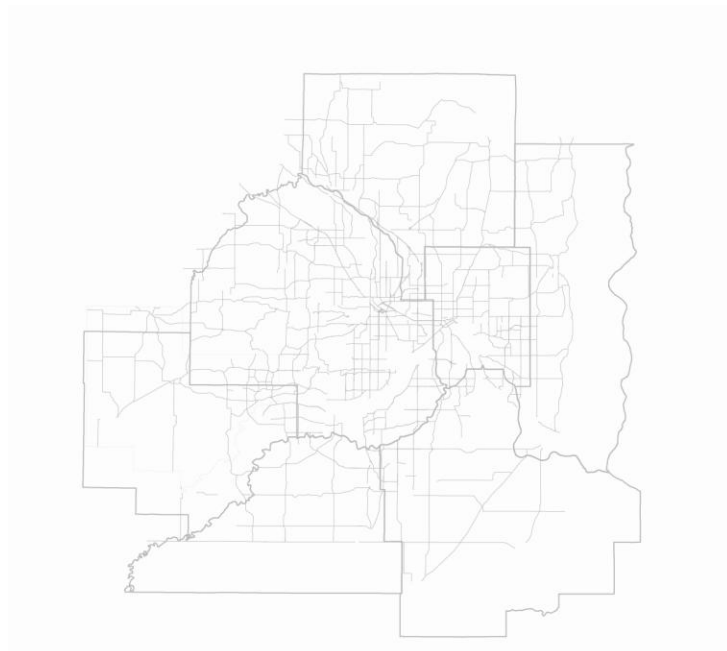
	Business-type Activities						
	Enterprise Funds						
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total	Internal Service Fund
		Bus	Light Rail	Commuter Rail			
Cash flows from operating activities							
Receipts from customers and users	\$ 204,667	\$ 72,713	\$ 22,477	\$ 2,476	\$ 1,123	\$ 303,456	\$ -
Payments connected with interfund services	-	-	-	-	-	-	70,711
Payments to suppliers	(61,117)	(75,251)	(26,202)	(11,221)	(60,444)	(234,235)	(69,151)
Payments to employees	(68,002)	(223,941)	(45,688)	(4,888)	(4,167)	(346,686)	-
Receipts from others	2,363	4,591	1,960	5	-	8,919	598
Net cash provided (used) by operating activities	77,911	(221,888)	(47,453)	(13,628)	(63,488)	(268,546)	2,158
Cash flows from noncapital financing activities							
Transfers in	210	10,269	-	-	362	10,841	-
Intergovernmental receipts	4,916	217,217	21,788	11,652	63,624	319,197	-
Pass-through grant payments	(132)	(1,843)	-	-	-	(1,975)	-
Net cash provided by non-capital financing activities	4,994	225,643	21,788	11,652	63,986	328,063	-
Cash flows from capital and related financing activities							
Transfers in (out) - for capital purposes	-	(1,871)	18,888	1,242	-	18,259	-
Capital contributions	-	56,308	162,687	1,020	-	220,015	-
Proceeds from capital debt	171,843	-	1,949	-	-	173,792	-
Proceeds from sewer availability charges	43,957	-	-	-	-	43,957	-
Proceeds from sale of capital assets	769	-	-	-	-	769	-
Purchase of capital assets	(162,882)	(64,126)	(75,741)	(2,243)	-	(304,992)	-
Principal paid on capital debt	(206,044)	-	(177,100)	-	-	(383,144)	-
Interest paid on capital debt	(30,706)	-	(2,584)	-	-	(33,290)	-
Net cash provided by (used in) capital and related financing activities	(183,063)	(9,689)	(71,901)	19	-	(264,634)	-
Cash flows from investing activities							
Proceeds from sale of investments	131,799	-	-	-	-	131,799	-
Interest received (paid)	2,115	4,374	(421)	112	67	6,247	386
Net cash provided by (used in) investing activities	133,914	4,374	(421)	112	67	138,046	386
Net increase (decrease) in cash and cash equivalents	33,756	(1,560)	(97,987)	(1,845)	565	(67,071)	2,544
Balances, beginning	155,653	215,076	179,162	11,782	9,571	571,244	29,789
Balances, ending	\$ 189,409	\$ 213,516	\$ 81,175	\$ 9,937	\$ 10,136	\$ 504,173	\$ 32,333
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	\$ 28,477	\$ (260,092)	\$ (117,657)	\$ (22,002)	\$ (63,757)	\$ (435,031)	\$ 3,215
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	59,350	56,081	72,430	8,776	1,069	197,706	-
Other non-operating	2,363	1,283	229	5	-	3,880	-
Change in assets and liabilities:							
Accounts receivable	(806)	536	96	-	(552)	(726)	173
Due from employees	37	-	-	-	-	37	-
Materials and supplies (inventory)	(88)	505	(719)	45	-	(257)	-
Prepaid expenses and other current assets	156	(162)	17	(108)	-	(97)	-
Accounts payable	(3,175)	(601)	27	28	64	(3,657)	(1,216)
Accrued payroll liabilities	(1,363)	1,917	2,397	4	117	3,072	-
Accrued OPEB liabilities	(205)	3,940	-	-	-	3,735	-
Deferred outflow of derivative	-	(651)	-	-	-	(651)	-
Deferred outflow of pension	(4,852)	(17,822)	(4,337)	(426)	(285)	(27,722)	-
Deferred inflow of pension	(1,440)	(5,061)	(317)	(12)	(85)	(6,915)	-
Pension liability	(1,009)	(3,206)	379	62	(59)	(3,833)	-
Unearned revenues	466	794	2	-	-	1,262	(14)
Other liabilities	-	651	-	-	-	651	-
Net cash provided (used) by operating activities	\$ 77,911	\$ (221,888)	\$ (47,453)	\$ (13,628)	\$ (63,488)	\$ (268,546)	\$ 2,158
Non-cash investing, capital and related financing activities:							
Transferred/donated assets	\$ -	\$ -	\$ 40,177	\$ -	\$ -	\$ 40,177	\$ -
Loss on disposition of capital assets	(805)	-	-	-	-	(805)	-
Change in fair value of investments	93	280	610	35	(19)	999	-
Contribution from governmental activities capital assets							
Vehicles	-	4,472	-	-	-	4,472	-

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2015
IN THOUSANDS

	Agency Fund
ASSETS	
Cash and cash equivalents	<u>\$ 2,747</u>
LIABILITIES	
Due to participants	<u>\$ 2,747</u>

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



Serving the Twin Cities seven-county metropolitan area

NOTES TO THE FINANCIAL STATEMENTS

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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.

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 for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items properly not 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.

Governmental Fund Types – These funds account for the acquisition, use and balances of expendable financial resources and the related current liabilities. The fund types included in the category are the General Fund, Metro Mobility special revenue fund, and Debt retirement fund. The Council reports the following major governmental funds:

- General Fund is the Council’s primary operation fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- 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 main source of revenue for Metro Mobility special revenue fund is state general fund appropriation.
- Debt Retirement fund, is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Fund Types – These funds focus on determining net income, changes in net position, financial position, and cash flows. Generally accepted accounting principles, similar to those used by private sector businesses, are followed in accounting for these funds. The Council reports the following major proprietary funds:

- Environmental Services fund, accounts for the activities of the regional wastewater collection and treatment system.
- Metro Transit Bus fund, accounts for the activities of the regional bus transit system.
- Metro Transit Light Rail fund, accounts for the activities of the regional light rail transit system.
- Metro Transit Commuter Rail fund, accounts for the activities of the regional commuter rail transit system.
- Metropolitan Housing and Redevelopment Authority fund, accounts for the activities of the Council’s housing programs.

Additionally, the Council reports the following internal service fund:

- Internal Service fund, accounts for the financing of services provided to other funds on a cost reimbursement or other basis. The activities reported as an internal service fund include the employee self-insurance health plan and the employee self-insurance dental plan.

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 non-operating 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.

The Council also reports Agency funds. 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.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Minnesota State Retirement System-General Employees Fund (MSRS-GEF) and Public Employees Retirement Association of Minnesota - Public Employees Police and Fire Fund (PERA-PEPFF) and additions to/deductions from both these funds, (GEF, PEPFF) fiduciary net positions have been determined on the same basis as they are reported by MSRS and PERA. For this purpose, plan contributions are recognized as of the employer payroll dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

During the year ended December 31, 2015, the Council adopted GASB Statement No. 72, “Fair Value Measurement and Application”. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

During the year ended December 31, 2015, the Council adopted GASB Statement No. 82, "Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73". This statement addresses issues regarding 1) the presentation of payroll-related measures in required supplementary information, 2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and 3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

D. Assets, liabilities, deferred outflows/inflows of resources 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. A portion of Council bank deposits, at December 31, 2015, are backed by a combination of FDIC insurance and collateral in the form of statutorily qualified securities. The hedging margin account cash is not collateralized.

b. Investments

The Council may invest idle funds as authorized by Minnesota Statute, Section 118A, and the Council's internal investment policy.

- 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;
- Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- 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;
- Bankers' acceptances of United States banks;
- 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
- With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Pursuant to Minnesota Statute (MS) 471.6175, the Council may establish a trust account to pay other post-employment benefits (OPEB). The trust account administrator may, subject to additional conditions, be any combination of the following three entities: the Minnesota Public Employees Retirement Association (PERA); a bank; an insurance company. If the Council places OPEB money with a bank or insurance company, investments are limited to those listed in MS 356A.06 and further provisioned by either subdivision 6 or subdivision 7.

The majority of the Council's OPEB investments are held in a revocable trust currently administered by the Minnesota Public Employees Retirement Association (PERA) and invested by the Minnesota State Board of Investments (SBI). The SBI offers four investment choices for the Council's OPEB plan: an S&P500 equivalent; Barclays aggregate (fixed income); U.S. Treasury securities; a cash equivalent. Typically, less than 2.0 percent of the investments to meet the OPEB liability are held outside of the trust in the Council's internal investment pool which is invested in accordance with MS118A and further limited by Council policy as represented above.

Pooled investment earnings for the year ending December 31, 2015 was \$9,598,000

Investments for the Council are stated at fair value. A market approach is used to value all investments other than money market funds, which are measured at the net asset value. The Council implemented GASB Statement No. 72, "Fair Value Measurement and Application", for year ended December 31, 2015.

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, accounts receivables are reported net of allowance for doubtful accounts. As of December 31, 2015, the allowances for doubtful accounts were (dollars in thousands):

<u>Enterprise Fund</u>	<u>Balance</u>
Environmental Services	\$ 20
Metro Transit Bus	247
Total	<u>\$ 267</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 inflows of resources. For government-wide and proprietary fund financial statements there is no offset to deferred inflows of resources. 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, and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. When appropriate, an associated allowance for obsolete inventory has been established. As of December 31, 2015, the allowances for obsolete inventory accounts were (dollars in thousands):

<u>Enterprise Fund</u>	<u>Balance</u>
Environmental Services	\$ 50
Metro Transit Bus	632
Total	<u>\$ 682</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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Restricted assets

Restricted assets include:

- Sewer Availability Charge (SAC) assets – which are restricted to fund reserve capacity cost of capital projects;
- 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
- 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 acquisition value (entry price) 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 \$31,001,000. Additionally, \$5,723,000 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 30 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 outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Council has two items that qualify for reporting in this category. One item is the derivative used in energy forward pricing mechanisms. The other deferred outflow is related to pension obligations. A portion of this deferred outflow are pension contributions subsequent to the pension plan's measurement date, and the remaining are deferred and the length of the expense recognition period is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents resources for a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the Council has two types of deferred inflows. The governmental funds report unavailable revenues from delinquent taxes receivable, for amounts that are not considered to be available to liquidate liabilities of the current period. These amounts are deferred and recognized as revenue in the period that the amounts become available. The Council also has deferred inflows related to pension obligations. The differences between projected and actual earnings on pension plan investments are recognized over a five year period. The other deferred inflows related to pension are deferred and the length of the expense recognition period is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

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.

Governmental activities and 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 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 amounts not in spendable form and 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.

The restricted fund balance classification should be reported when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. The committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the Council's highest level of decision-making authority. Also, such constraints can only be removed or changed by the same form of formal action. The assigned fund balance classification reflects amounts that are constrained by the government's intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint. The unassigned fund balance classification is the residual classification for the general fund only. It is also where *negative residual amounts* for all other governmental funds would be reported.

12. Net position

A portion of the debt carried in the governmental activities column is related to the capital assets carried in the business-type activities column for the Metropolitan Transit Bus, Light Rail and Commuter Rail enterprise funds. 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.

Net position in the government-wide and business type financial statements are classified in the following categories:

Net investment in capital assets: The amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position: The amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position: The amount of net position that does not meet the definition of restricted or net investment in capital assets.

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 of 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 governmental funds.” The details of this \$122,035,000 difference are as follows:

	<u><i>In thousands</i></u>
Land	\$ 6,958
Building – net of accumulated depreciation	19,943
Vehicles – net of accumulated depreciation	91,172
Equipment – net of accumulated depreciation	2,917
Construction in progress	1,045
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 122,035</u>

Another element of that reconciliation explains that “Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in business-type activities in the Statement of Net Position, a portion of the internal service fund is attributable to governmental funds.” The detail of this \$1,528,000 difference is as follows:

	<u><i>In thousands</i></u>
Net position of the internal service fund	\$ 27,348
Less: Internal payable representing charges in the excess of cost to Business-type activities – prior years	(21,799)
Less: Internal payable representing charges in the excess of cost to Business-type activities-current year	<u>(4,021)</u>
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 1,528</u>

Another element of that reconciliation explains that “Long-term liabilities, including bonds and interest payable, are not due and payable in the current period and therefore are not reported in governmental funds.” The details of the \$(252,108,000) difference are as follows:

	<u><i>In thousands</i></u>
General obligation bonds payable	\$ (206,020)
Net issuance premiums (to be amortized as interest expense)	(12,224)
Accrued interest	(2,391)
Compensated absences	(4,134)
Capital lease payable	(7,875)
OPEB liability	(4,022)
Pension liability	<u>(15,442)</u>
Net adjustment to reduce <i>fund balances – total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (252,108)</u>

Another element of that reconciliation explains that “Deferred inflows resulting from taxes are not available to pay for current period expenditures and therefore, are not reported as revenue in governmental funds.” The details of this \$2,897,000 difference are as follows:

	<u><i>In thousands</i></u>
Unavailable revenue- property taxes	\$ 2,897
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 2,897</u>

The final elements of that reconciliation explains that “Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental fund.” The details of the \$4,994,000 deferred outflows and the \$ (19,496,000) deferred inflows differences are as follows:

	<u><i>In thousands</i></u>
Deferred outflows – pension obligations	\$ 4,994
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 4,994</u>
	<u><i>In thousands</i></u>
Deferred inflows – pension obligations	\$ (19,496)
Net adjustment to reduce <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (19,496)</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. This is the amount by which capital outlays exceeded depreciation in the current period.” The details of this \$20,451,000 difference are as follows:

	<u><i>In thousands</i></u>
Capital outlay	\$ 39,109
Depreciation expense	<u>(18,658)</u>
Net adjustment to increase <i>net changes in fund balances- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 20,451</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 decrease net position.” The details of this \$ (5,078,000) 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.	<u>\$ (5,078)</u>
Net adjustment to decrease <i>net changes in fund balances- total governmental funds</i> to arrive at <i>changes in net position of governmental</i>	<u>\$ (5,078)</u>

Another element of that reconciliation explains that “Internal service fund is used by management to charge the cost of certain activities to individual funds. The net revenue (expense) of internal service fund activities reported with governmental activities.” The detail of this \$ (420,000) difference is as follows:

	<u><i>In thousands</i></u>
Change in net position of the internal service fund	\$ 3,601
Less: excess from charges to business-type activities	<u>(4,021)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ (420)</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 \$ (331,000) difference is as follows:

	<u><i>In thousands</i></u>
Change in deferred property tax revenue	\$ (331)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ (331)</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 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.” The details of this \$ 15,730,000 difference are as follows:

	<u><i>In thousands</i></u>
Issuance of general obligation bonds	\$ (51,000)
Less: discount/(premium on bonds)	(5,119)
Bond (discount)/premium amortization	4,531
Change in accrued interest	868
Principal payments of general obligation bonds/loans	65,755
Capital lease payment	695
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>\$ 15,730</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 \$ 4,617,000 difference are as follows:

	<u><i>In thousands</i></u>
Change in compensated absences for year	\$ (188)
Change in Pension liability and related deferred inflow and outflow	4,724
Change in OPEB liability	81
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>\$ 4,617</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 five percent of the operating expenses. Variances in expenses are accumulated for contingency reserves. All annual appropriations lapse at year-end.

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during subsequent years. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of items that were authorized and initiated in the 2015 budget but not completely expended in 2015 were \$ 3,351,000. This total is all from the General Fund.

B. Excess of expenditures over appropriations

The following nonmajor governmental funds had expenditures in excess of their budget for the year ended December 31, 2015 (dollars in thousands):

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Livable Communities	\$ 18,446	\$ 18,446	\$ 20,922	\$ 2,476
Suburban Transit Providers	31,833	33,273	35,176	1,903

The Livable Communities special revenue fund's excess expenditures were funded by property tax revenue. The Suburban Transit Providers special revenue fund's excess expenditures were funded by actual motor vehicle sales tax receipts in excess of budget that statutorily pass-through to transit providers.

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. The Council's policy for cash and investments follows Minnesota statute requirements. \$19,000 of petty cash and mutilated coin was not deposited at a bank. The amount of cash in Council's bank accounts was \$35,158,000 (at US Bank and Wells Fargo Bank), of which \$504,000 was covered by the Federal Depository Insurance Corporation (FDIC), \$34,654,000 was collateralized at least 110 percent with securities held by Bank of New York Mellon.

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. The Council did not participate in any Securities Lending Programs in 2015.

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 – investment: 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 fuel consumption, all securities purchased by the Council are held by a third party safekeeping agent appointed as custodian. Of the \$206,663,000 United States agency investments, the Council has a custodial credit risk exposure of \$2,016,000 because the related hedging margin account securities are held by a custodial agent in the broker's name.

The Council has no foreign currency risk exposure.

Following is a summary of the fair values of securities at December 31, 2015:

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)	\$ 67,134	\$ 67,134	\$ 67,134	7.3%
U.S. Agency Securities:						
Federal Home Loan Bank	Aaa	Custody (a)	42,000	40,655	41,982	4.4%
Federal National Mortgage Association	Aaa	Custody (a)	47,000	46,826	47,009	5.1%
Federal Farm Credit Bank	Aaa	Custody (a)	55,000	54,304	54,998	5.9%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	60,000	59,771	60,000	6.5%
Federal Home Loan Mortgage Corporation	Aaa	Broker Held (b)	2,000	2,016	2,001	0.2%
Mortgage Backed Securities:						
Federal National Mortgage Association	Aaa	Custody (a)	1,308	1,405	1,390	0.2%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	1,658	1,685	1,686	0.2%
Certificates of Participation (U.S. GSA)	N.R. (c)	Custody (a)	2,025	2,149	2,025	0.2%
Commercial Paper (each <5%)	A-1/P-1/F-1	Custody (a)	57,000	56,962	56,966	6.2%
Federal Discount Notes (each <5%)	Aaa	Custody (a)	40,000	39,987	39,988	4.4%
Municipal Bonds (each <5%)	Aaa (d)	Custody (a)	109,960	113,568	109,776	12.4%
MN State Pool (OPEB Pool, Equities, etc.)	N.R. (c)	Custody (e)	141,045	207,095	141,045	22.6%
Money Market Funds	Aaa	n.a.	182,799	182,799	182,799	19.9%
Cash for Fuel Hedging Margin Acct	n.a.	Broker Held (f)	11,146	11,146	11,146	1.2%
Cash for Operations (g)	n.a.	Collateralized (h)	30,801	30,801	30,801	3.3%
Petty Cash/Coin & Mutilated Coins	n.a.	Council Held	19	19	19	0.0%
Total Cash and Investments			\$ 850,895	\$ 918,322	\$ 850,765	100%

- 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), US Treasuries, and cash equivalents.
- f) Held by the broker in the Council's name.
- g) Cash in bank accounts, less outstanding checks.
- h) Individual balances less than or equal to \$250,000 are FDIC insured. Individual balances greater than \$250,000 are collateralized with securities held by Bank of New York Mellon in 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 (GASB) 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, 2015. Excluding the OPEB equity portfolio, cash and escrow accounts, the remaining investment portfolio has an average market yield of 1.29 percent, modified duration of 2.67 years, effective duration of 1.80 years and convexity of (0.45).

	<i>Dollars in thousands</i>			
	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, Cash)	\$ 67,134	\$ 67,134	\$ 67,134	\$ 67,134
U.S. Agency Securities:				
Federal Home Loan Bank	38,362	37,002	35,569	34,213
Federal National Mortgage Association	46,551	46,009	45,467	44,926
Federal Farm Credit Bank	33,185	32,257	31,278	30,319
Federal Home Loan Mortgage Corporation	10,007	9,955	9,906	9,858
Federal Home Loan Mortgage Corporation	1,976	1,935	1,894	1,852
Mortgage Backed Securities:				
Federal National Mortgage Association	1,492	1,469	1,444	1,419
Federal Home Loan Mortgage Corporation	1,669	1,619	1,568	1,519
Certificates of Participation (U.S. GSA)	2,152	2,136	2,121	2,106
Commercial Paper (each <5%)	46,968	46,968	46,968	46,968
Federal Discount Notes (each <5%)	39,987	39,987	39,987	39,987
Municipal Bonds (each <5%)	110,819	109,133	107,408	105,651
MN State Pool (OPEB Pool, Equities, etc.)	206,800	206,509	206,222	205,940
Money Market Funds	182,799	182,799	182,799	182,799
Cash for Fuel Hedging Margin Acct	11,146	11,146	11,146	11,146
Cash for Operations (g)	30,801	30,801	30,801	30,801
Petty Cash/Coin & Mutilated Coins	19	19	19	19
Total Cash and Investments	\$ 831,867	\$ 826,878	\$ 821,731	\$816,657

The Council categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Federal discount notes classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt, commercial and residential mortgage-back securities and equity securities classified in Level 2 of the fair value hierarchy are valued using a market approach pricing technique, more specifically matrix pricing was used for commercial paper. Because investing is a key part of the Council's activities, the Council shows greater disaggregation in its disclosures than otherwise required. Assets valued at net asset value held by the Council consist of money market funds. These funds are highly liquid assets that the Council has in addition to their cash to ensure adequate cash flow for operating activities.

The following is a summary of Investment Instruments Measured at Fair Value at December 31, 2015 (*dollars in thousands*):

	Fair Value Measurements Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
12/31/2015			
Investments by fair value level			
Debt securities			
U.S. Treasury securities	\$ 67,134	\$ -	\$ 67,134
U.S. Treasury securities (OPEB pool)	23,982	-	23,982
Federal Home Loan Bank	40,655	-	40,655
Federal National Mortgage Association	46,826	-	46,826
Federal Farm Credit Bank	54,304	-	54,304
Federal Home Loan Mortgage Corporation	61,787	-	61,787
Mortgage-Backed securities	3,090	-	3,090
Municipal Bonds	113,568	-	113,568
Certificate of Participation	2,149	-	2,149
Commercial Paper	56,962	-	56,962
Federal Discount Notes	39,987	39,987	-
Total debt securities	\$ 510,444	\$ 39,987	\$ 470,457
Equity securities			
MN State Pool (OPEB pool)	183,113	183,113	-
Total equity securities	\$ 183,113	\$ 183,113	-
Total Investments by fair value level	693,557	\$ 223,100	\$ 470,457
Investment measured at the net asset value (NAV)			
Goldman Sachs Government Fund	82,405		
Morgan Stanley Government Institutional Fund	97,647		
US Bank Trust Account	2,747		
Total investments measured at the NAV	\$ 182,799		
Cash and cash equivalents	41,966		
Total investments measured at fair value and Cash and cash equivalents	\$ 918,322		

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 2015, these values are reported in the “Deferred Outflows of Resources” and offset in “Accounts Payable and Other Current Liabilities.”

Since 2004, the Council has hedged most of its annual 8 million gallons of diesel fuel consumed by the Metro Transit Bus, a business-type unit.

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 instruments. GASB Statement No. 53 requires an evaluation of effectiveness of the hedge at the end of each reporting period. A hedge is considered effective if the changes in fair value of the hedged item and hedging derivative offset each other to a significant extent. For 2015, the Council performed a retrospective statistical analysis test and determined that the liquidated hedges were essentially effective.

As of December 31, 2015, the Council had 314 New York Mercantile Exchange (NYMEX) heating oil futures contracts (13.2 million gallons) with acquisition (effective) dates ranging from 05/13/2014 through 12/29/2015. Termination dates range from 01/29/2016 to 10/31/2017. As of December 31, 2015, the heating oil futures contracts had a fair value of \$17,554,000. 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, 2015, the Council’s futures accounts at R.J.O’Brien contained a cash balance in the amount of \$11,146,000 and a U.S. agency security with a fair value of \$2,016,000.

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	\$ 1	\$ -	\$ 648	\$ 226	\$ 875
Metro Mobility	6	-	-	48	54
Debt Retirement	-	-	2,618	341	2,959
Nonmajor Governmental	-	-	590	540	1,130
Total Governmental	\$ 7	\$ -	\$ 3,856	\$ 1,155	\$ 5,018
Business-type Activities:					
Environmental Services	\$ 5,366	\$ (20)	\$ -	\$ 263	\$ 5,609
Metro Transit – Bus	7,811	(247)	-	471	8,035
Metro Transit – Light Rail	797	-	-	48	845
Metro Transit – Commuter Rail	7	-	-	27	34
Metropolitan Housing and Redevelopment Authority	583	-	-	33	616
Total Business - type	\$ 14,564	\$ (267)	\$ -	\$ 842	\$ 15,139
Receivables – restricted					
Business – type Activities:					
Environmental Services	\$ 3,486	\$ -	\$ -	\$ 254	\$ 3,740
Metro Transit – Bus	-	-	-	54	54
Metro Transit – Light Rail	5	-	-	236	241
Total Business - type	\$ 3,491	\$ -	\$ -	\$ 544	\$ 4,035

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows (dollars in thousands):

	Unavailable
Delinquent property taxes receivable (General fund)	\$ 449
Delinquent property taxes receivable (Debt retirement fund)	2,012
Delinquent property taxes receivable (Nonmajor governmental funds)	436
Total deferred inflows of resources for governmental funds	\$ 2,897

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 2015, the Council levied \$14,451,000 for the General Operating levy; \$11,342,000 for the Livable Communities Demonstration Account levy; \$6,401,000 for Parks Debt Retirement; and \$43,237,000 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.

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

	Levy Limit	Council Levy
Operating Levy	\$ 14,451	\$ 14,451
Tax Base Revitalization	5,000	5,000
Highway Right-of-Way	3,884	-
Livable Communities	11,342	11,342
Parks Debt Retirement	6,401	6,401
Transit Debt Retirement	43,237	43,237
Total	<u>\$ 84,315</u>	<u>\$ 80,431</u>

E. Capital assets

Capital assets for the year ended December 31, 2015, was as follows:

	<i>Dollars in thousands</i>			
Governmental Activities:	Beginning Balance	Additions	Deductions/ Adjustments	Ending Balance
Capital assets, not being depreciated				
Land	\$ 6,958	\$ -	\$ -	\$ 6,958
Construction in progress	10,341	1,077	(10,373)	1,045
Total capital assets, not being depreciated	17,299	1,077	(10,373)	8,003
Capital assets, being depreciated				
Building	16,344	7,482	-	23,826
Vehicles	158,633	40,081	(14,140)	184,574
Equipment	10,873	819	-	11,692
Total capital assets being depreciated	185,850	48,382	(14,140)	220,092
Less accumulated depreciation for:				
Buildings	3,474	409	-	3,883
Vehicles	85,711	16,776	(9,085)	93,402
Equipment	7,302	1,473	-	8,775
Total accumulated depreciation	96,487	18,658	(9,085)	106,060
Total capital assets, being depreciated, net	89,363	29,724	(5,055)	114,032
Governmental activities capital assets, net	<u>\$ 106,662</u>	<u>\$ 30,801</u>	<u>\$ (15,428)</u>	<u>\$ 122,035</u>

	<i>Dollars in thousands</i>			
Business-type Activities:	Beginning Balance	Additions	Deductions/ Adjustments	Ending Balance
Capital assets, not being depreciated				
Land	\$ 244,261	\$ 4,771	\$ -	\$ 249,032
Construction in progress	292,735	201,324	(104,469)	389,590
Total capital assets, not being depreciated	536,996	206,095	(104,469)	638,622
Capital assets, being depreciated				
Building	4,071,983	205,958	(10,868)	4,267,073
Vehicles	785,811	44,983	(18,716)	812,078
Equipment	376,878	10,123	(662)	386,339
Total capital assets being depreciated	5,234,672	261,064	(30,246)	5,465,490
Less accumulated depreciation for:				
Buildings	1,484,213	135,956	(10,412)	1,609,757
Vehicles	259,466	44,908	(16,896)	287,478
Equipment	141,505	16,842	(128)	158,219
Total accumulated depreciation	1,885,184	197,706	(27,436)	2,055,454
Total capital assets, being depreciated, net	3,349,488	63,358	(2,810)	3,410,036
Business-type activities capital assets, net	\$ 3,886,484	\$ 269,453	\$ (107,279)	\$ 4,048,658

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

	<i>Dollars in thousands</i>
<u>Governmental activities:</u>	
General government	\$ 869
Transportation	17,789
Total depreciation expense-governmental activities	<u>\$ 18,658</u>
<u>Business-type activities:</u>	
Environmental Services	\$ 59,350
Metro Transit – Bus	56,081
Metro Transit – Light Rail	72,430
Metro Transit – Commuter Rail	8,776
Metropolitan Housing and Redevelopment Authority	1,069
Total depreciation expense-business-type activities	<u>\$ 197,706</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. As of December 31, 2015 there were no outstanding balances in the inter-fund.

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

Transfers in	<i>Dollars in thousands</i>			
	General Fund	Nonmajor Governmental	Transfers out	
			Metro Transit Bus	Total
Nonmajor Governmental	\$ 1,000	\$ 3,018	\$ -	\$ 4,018
Environmental Services	210	-	-	210
Metro Transit Bus	-	20,040	-	20,040
Metro Transit Light Rail	-	2,774	16,114	18,888
Metro Transit Commuter Rail	-	1,242	-	1,242
Metropolitan Housing and Redevelopment Authority	362	-	-	362
Total	<u>\$ 1,572</u>	<u>\$ 27,074</u>	<u>\$ 16,114</u>	<u>\$ 44,760</u>

Additionally, the Metro Transit Bus enterprise fund received transferred capital assets with a net book value of \$4,472,000 from 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 expended.

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 2015 were \$323,000 for Metro Transit Bus enterprise fund, \$1,210,000 for Metro Transit-Light Rail enterprise fund, \$61,000 for Metro Transit Commuter Rail enterprise fund, and \$225,000 for Environmental Services enterprise fund. Commitments under operating lease agreements provide for minimum annual rental payments as follows:

Year	<i>Dollars in thousands</i>				
	Metro Transit				Total
	Environmental Services	Bus	Light Rail	Commuter Rail	
2016	\$ 149	\$ 260	\$ 682	\$ 16	\$ 1,107
2017	153	137	695	10	995
2018	156	106	712	9	983
2019	160	83	414	9	666
2020	81	83	229	5	398
2021-2025	-	278	236	2	516
2026-2030	-	292	-	2	294
2031-2035	-	249	-	-	249
2036-2040	-	35	-	-	35
Total	<u>\$ 699</u>	<u>\$ 1,523</u>	<u>\$ 2,968</u>	<u>\$ 53</u>	<u>\$ 5,243</u>

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. On March 20, 2014, the Council paid the principal and interest payment due on the Council's Certificates of Participation, Series 2004G and redeemed the June 1, 2015 through June 1, 2025 maturities of the Series 2004G Certificates. New refunding certificates of participation, Series 2014E were issued on March 20, 2014. 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.

Capital Leases
Dollars in thousands

Year Ending	Nonmajor Governmental Fund
2016	\$ 1,022
2017	1,025
2018	1,025
2019	1,024
2020	1,023
2021-2024	<u>3,846</u>
Total minimum lease payments	\$ 8,965
Less amount representing interest	<u>(1,090)</u>
Present value of minimum lease payments	<u><u>\$ 7,875</u></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 \$1,307,270,000.

During the year, \$6,000,000 of general obligation park bonds; \$45,000,000 of general obligation transit bonds; and \$100,000,000 general obligation wastewater bonds were issued.

General obligation bonds currently outstanding on December 31, 2015, are as follows:

Purpose	Interest Rates	<i>Dollars in Thousands</i>
Governmental activities	0.60-5.50%	\$ 161,125
Governmental activities – refunding	2.00-5.00%	40,400
Business-type activities	2.00-5.00%	357,730
Business-type activities – refunding	0.25-5.25%	<u>345,280</u>
Total general obligation bonds		<u><u>\$ 904,535</u></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 \$682,522,000. During the year, \$59,909,000 of Minnesota PFA loans were drawn down, entirely by business-type activities. The remaining available balance for the Council to drawdown on the Minnesota PFA loan is \$52,639,000.

Public Facilities Authority general obligation backed loans currently outstanding on December 31, 2015, are as follows:

Purpose	Interest Rates	<i>Dollars in Thousands</i>
Governmental activities	1.79-2.71%	\$ 4,495
Business-type activities	1.60-3.18%	<u>568,275</u>
Total Public Facilities Authority loans		<u>\$ 572,770</u>

General obligation grant anticipation notes currently outstanding on December 31, 2015, are as follows:

Purpose	Interest Rates	<i>Dollars in Thousands</i>
Business-type activities	1.00-4.00%	<u>\$ 8,700</u>
Total grant anticipation notes		<u>\$ 8,700</u>

The Council entered into a loan agreement with the Counties Transit Improvement Board (CTIB). The loan is drawn down on a reimbursement basis and will fund the purchase of five light rail vehicles. The loan is interest free, and backed by a security agreement. During the year, \$1,948,566 of the CTIB loan was drawn down, entirely by business-type activities.

The following is a summary of general obligation bond, CTIB and PFA loan transactions of the Council for the year ended December 31, 2015:

	<i>Dollars in thousands</i>	
	Governmental Activities	Business-type Activities
Balance, January 1, 2015	\$ 232,411	\$ 1,547,617
PFA drawdown	-	59,909
CTIB drawdown	-	1,949
Bond issued, net of discount/premium	56,119	111,933
Amortization of discount/premium	(4,531)	(5,457)
Deferred amount on refunding		16
Less principal payment	(65,755)	(383,144)
Balance, December 31, 2015	<u>\$ 218,244</u>	<u>\$ 1,332,823</u>

As of December 31, 2015, the annual debt service requirements to amortize all general obligation bonds, grant anticipation notes CTIB and PFA loans outstanding, including interest of \$37,130,000 on the governmental activities debt and \$276,544,000 on the business-type activities debt was as follows:

	<i>Dollars in thousands</i>					
Year Ending	Governmental Activities			Business-type Activities		
December 31	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 52,340	\$ 7,457	\$ 59,797	\$ 164,704	\$ 37,224	\$ 201,928
2017	25,335	5,704	31,039	81,961	33,203	115,164
2018	23,075	4,818	27,893	86,720	30,925	117,645
2019	19,515	3,968	23,483	91,310	28,625	119,935
2020	15,690	3,237	18,927	99,072	25,980	125,052
2021-2025	47,420	9,118	56,538	437,819	85,088	522,907
2026-2030	18,340	2,698	21,038	237,202	29,935	267,137
2031-2035	4,305	130	4,435	83,146	5,564	88,710
Subtotal	\$ 206,020	\$ 37,130	\$ 243,150	\$ 1,281,934	\$ 276,544	\$ 1,558,478
Net unamortized:						
Discounts/premium	12,224	-	12,224	50,889	-	50,889
Total payments	<u>\$ 218,244</u>	<u>\$ 37,130</u>	<u>\$ 255,374</u>	<u>\$ 1,332,823</u>	<u>\$ 276,544</u>	<u>\$ 1,609,367</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 percent credit on bond interest paid. The Council has complied with all requirements of ARRA to be eligible for the BAB interest credit. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 the refundable credit has been reduced by 7.3 percent from sequestration through September 30, 2015 and 6.8 percent for the remainder of the year.

Taking into consideration the above BAB interest credit, as of December 31, 2015, the Council's net annual debt service requirements to amortize all general obligation bonds, grant anticipation notes and loans outstanding, including interest of \$31,932,000 on the governmental activities debt and \$261,351,000 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
2016	\$ 52,340	\$ 7,457	\$ (792)	\$ 6,665	\$ 59,005
2017	25,335	5,704	(713)	4,991	30,326
2018	23,075	4,818	(626)	4,192	27,267
2019	19,515	3,968	(530)	3,438	22,953
2020	15,690	3,237	(446)	2,791	18,481
2021-2025	47,420	9,118	(1,487)	7,631	55,051
2026-2030	18,340	2,698	(590)	2,108	20,448
2031-2035	4,305	130	(14)	116	4,421
Subtotal	\$ 206,020	\$ 37,130	\$ (5,198)	\$ 31,932	\$ 237,952
Net unamortized: Discounts/premiums	12,224	-	-	-	12,224
Total payments	\$ 218,244	\$ 37,130	\$ (5,198)	\$ 31,932	\$ 250,176

Business-type Activities: Year Ending December 31					
2016	\$ 164,704	\$ 37,224	\$ (1,677)	\$ 35,547	\$ 200,251
2017	81,961	33,203	(1,629)	31,574	113,535
2018	86,720	30,925	(1,594)	29,331	116,051
2019	91,310	28,625	(1,519)	27,106	118,416
2020	99,072	25,980	(1,404)	24,576	123,648
2021-2025	437,819	85,088	(5,362)	79,726	517,545
2026-2030	237,202	29,935	(2,008)	27,927	265,129
2031-2035	83,146	5,564	-	5,564	88,710
Subtotal	\$ 1,281,934	\$ 276,544	\$(15,193)	\$ 261,351	\$1,543,285
Net unamortized: Discounts/premiums	50,889	-	-	-	50,889
Total payments	\$ 1,332,823	\$ 276,544	\$(15,193)	\$ 261,351	\$1,594,174

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. Refunded bonds

The following is a summary of refunding bond activities affecting the Council for the year ended December 31, 2015:

Bond Number	Type	<i>Dollars in thousands</i>			Refunded Bond	Bond Maturities
		Par Value	Present Value Savings	Debt Service Savings		
2012E	Wastewater	\$ 55,880	\$ 6,942	\$ 7,436	2005B	2016-2025
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

4. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

Governmental activities:	<i>Dollars in thousands</i>				Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Bonds/loans payable:					
General obligation debt	\$ 220,775	\$ 51,000	\$ (65,755)	\$ 206,020	\$ 52,340
Discounts/premiums	11,636	5,119	(4,531)	12,224	-
Total general obligation debt	232,411	56,119	(70,286)	218,244	52,340
Capital lease	8,570	-	(695)	7,875	790
Compensated absences	3,946	2,998	(2,810)	4,134	2,481
Governmental long-term liabilities	\$ 244,927	\$ 59,117	\$ (73,791)	\$ 230,253	\$ 55,611

Business Type Activities:	<i>Dollars in thousands</i>				Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Bonds/loans/notes payable:					
General obligation debt	\$ 1,317,420	\$ 159,909	\$ (206,044)	\$1,271,285	\$ 154,055
Grant anticipation notes	185,800	-	(177,100)	8,700	8,700
Counties Transit Improvement Board					
Loan		1,949	-	1,949	1,949
Loans payable	1,405	-	-	1,405	-
Discounts/premiums	44,413	11,933	(5,457)	50,889	231
Deferred on refunding	(16)	-	16	-	-
Total bonds/loans payable	1,549,022	173,791	(388,585)	1,334,228	164,935
Compensated absences	25,515	36,468	(35,752)	26,231	20,701
Accrued claims	16,966	11,485	(6,449)	22,002	6,662
Business-type long-term liabilities	\$ 1,591,503	\$ 221,744	\$ (430,786)	\$1,382,461	\$ 192,298

Capital leases in the Governmental Activities have been liquidated by funding from the General Fund in 2015 and prior years. 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. Actual payments of compensated absences are made directly from the same Governmental funds that incurred the salary expenditures. Prior years compensated absences were paid from the General Fund, Special Revenue funds, non-major governmental funds, and Enterprise funds.

Accrued claims include \$328,000 for the Family Self Sufficiency program escrow accounts in the Metropolitan Housing and Redevelopment fund.

I. Compensated absences

In 2015, the General fund liability for compensated absences earned but not taken increased from \$3,946,000 to \$4,134,000. This liability is reported in the government-wide statement of net position. The following summary of changes during 2015 includes \$294,000 in payroll taxes:

	<i>Dollars in thousands</i>
Balance, January 1, 2015	\$ 3,946
Transferred from Enterprise Funds	15
Leave Earned	2,983
Leave Taken or Paid Off	(2,810)
Balance, December 31, 2015	<u>\$ 4,134</u>

J. Fund balance

Fund balance is divided into five classifications based primarily on the extent to which the Council is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Fund balance classifications are as follows:

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 classifications within the *spendable* category are 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 special revenue fund and the Contracted Transit Service and Transportation Planning 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. Pursuant to Council resolution, the Chief Financial Officer is authorized to establish assignment of fund balance.

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			Nonmajor	Total
	General Fund	Metro Mobility Special Revenue	Debt Retirement	Governmental Funds	
Fund Balances:					
Spendable:					
Restricted for:					
Debt Retirement Reserve	\$ -	\$ -	\$ 100,944	\$ -	\$ 100,944
Highway Right-of-Way Program	-	-	-	56,949	56,949
Economic Revitalization	-	-	-	17,642	17,642
Environment Development	-	-	-	45,330	45,330
Incentive Housing	-	-	-	3,130	3,130
Regional Land Use	-	-	-	1,314	1,314
North Mississippi Park Improvements	-	-	-	1,297	1,297
Regional Parks Capital Improvements	-	-	-	64,812	64,812
Transit Capital Improvements	-	-	-	18,215	18,215
Committed for:					
Self Insurance	1,500	-	-	-	1,500
Other Post Employment Benefits	4,022	-	-	-	4,022
Regional Water Supply Program	631	-	-	-	631
Regional ADA Transit Service	-	37,241	-	-	37,241
Regional Transit Provider Services	-	-	-	15,963	15,963
Assigned for:					
Capital Maintenance	3,351	-	-	-	3,351
Compensated Absences	2,481	-	-	-	2,481
Unassigned	13,514	-	-	(20,074)	(6,560)
Total fund balances	\$ 25,499	\$ 37,241	\$ 100,944	\$ 204,578	\$ 368,262

V. Other information

A. Risk management

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

1. Liability

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

2. Automobile

The Council purchases auto property insurance for the Metro Transit Bus enterprise fund to cover buses and vehicles for damage other than collision, upset or overturn. The Council administers a self-funded program for other risks associated with automobile liability and physical damage.

3. Errors and omissions

The Council self-insures for errors and omissions risk. There were no claims for 2014 or 2015.

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, Environmental Services since 1993, and the rest of the Council since 1995. Prior to July 1, 1996, Environmental Services 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 3.02 percent.

The self-insurance retention limit for workers' compensation is \$1,960,000 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 2014 and 2015 are as follows:

<i>Dollars in thousands</i>					
	Metro Transit				Total
	Bus	Light Rail	Commuter Rail	Environmental Services	
2014 Balance:					
Beginning Balance	\$ 11,429	\$ 1,180	\$ 3,053	\$ 980	\$ 16,642
Current year claims and changes in estimates	5,129	105	5	483	5,722
Payments on claims	(4,817)	(204)	(38)	(633)	(5,692)
Ending balance	\$ 11,741	\$ 1,081	\$ 3,020	\$ 830	\$ 16,672
2015 Balance:					
Beginning Balance	\$ 11,741	\$ 1,081	\$ 3,020	\$ 830	\$ 16,672
Current year claims and changes in estimates	8,262	2,540	62	417	11,281
Payments on claims	(5,471)	(251)	(68)	(489)	(6,279)
Ending balance	\$ 14,532	\$ 3,370	\$ 3,014	\$ 758	\$ 21,674

6. Internal service fund

In 2013 the Metropolitan Council created an internal service fund for employee and retiree medical coverage and assumed all liability for medical claims. As of the beginning of 2014, the Metropolitan Council also uses the internal service fund for employee and retiree dental coverage and assumed all liability for dental claims. The self-funded programs within the fund establish claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not paid, and of claims that have been incurred, but not reported. These estimates are agreed to by the insurance carriers and the Metropolitan Council and are reviewed for accuracy and reasonableness. The estimates are based on claim experience and claim lag timetables provided by the carriers and do not include additional estimates for subrogation, salvage, or unallocated claim adjustments.

<i>Dollars in thousands</i>	
2014 Balance:	Internal Service Fund
Beginning Balance	\$ 4,601
Incurred claims	58,870
Payments on claims	(57,291)
Ending Balance	\$ 6,180
2015 Balance:	
Beginning Balance	\$ 6,180
Incurred claims	62,970
Payments on claims	(64,186)
Ending Balance	\$ 4,964

B. Pension obligations

Metropolitan Council has 3,881 employees that are covered by a retirement plan administered by Minnesota State Retirement System (MSRS) under the General Employees Fund (GEF). The Metropolitan Council metro transit police has 156 employees that are covered by a plan administered by Public Employees Retirement Association of Minnesota (PERA) under the Public employees Police and Fire Fund (PEPFF). The Metropolitan Council also has 27 people under an Unclassified Employees Retirement Fund (UER) administered by MSRS.

The following disclosures are made to comply with GASB Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68."

1. Defined benefit pension plans

a. Minnesota State Retirement System - General Employees Fund (MSRS-GEF) General information

Plan Description: The majority of the employees of the Metropolitan Council are covered by the General Employees Fund (GEF), a cost sharing multiple-employer defined benefit pension plan administered by the Minnesota State Retirement System. Chapter 352 of the Minnesota Statutes grants the authority to establish and amend the benefit terms to MSRS. MSRS's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. MSRS issues a publicly available financial report that can be obtained at, www.msrs.state.mn.us/financial-information; by writing to MSRS at 60 Empire Drive, #300, St. Paul, Minnesota, 55103-3000; or by calling (651)296-2761 or 1-800-657-5757.

Benefits provided: MSRS-GEF provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January, and are related to the funded ratio of the plan. Annuitants receive benefit increases of 2.0 percent each year. When the fund reaches a 90 percent funded status for two consecutive years, annuitants will receive a 2.50 percent increase.

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.20 percent of the high-five average salary for each of the first 10 years of covered service, plus 1.70 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.70 percent of the high-five average salary of all years of covered service, and full benefits are available at normal retirement age.

Disability benefits are determined; 1) at least three years of allowable service and meeting the definition of disability or 2) at least five years of service if hired on or after June 30, 2010, and meeting the definition of disability. Totally and permanently disabled is defined as the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that has existed or is expected to continue for a period of at least one year. Disability benefits are calculated following the same formulas as a regular retirement benefit.

Death benefits are calculated; if a member dies while still an active employee, the spouse is eligible for 100 percent survivor annuity or a refund if 1) the member was hired prior to July 1, 2010, and had at least three years of service at death, or 2) the member was hired after June 30, 2010, and had at least five years of service at death. Dependent children are eligible for the monthly benefit until age 20 if there is no surviving spouse.

Contributions: Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 5.50 percent of their annual covered salary. The rate increased from 5.0 percent to 5.50 percent on July 1, 2014. The Metropolitan Council's contribution to the General Plan for the fiscal year ending December 31, 2015 was \$13,040,102. These contributions were equal to the contractually required contributions for each year as set by state statute.

1. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.

At December 31, 2015, the Metropolitan Council reported a liability of \$ 140,378,000 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Metropolitan Council's proportion of the net pension liability was based on the contributions received by MSRS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2015, the Metropolitan Council's proportion was 9.119 percent, which was an increase of 0.096 percent from its proportion measured as of June 30, 2014.

Two changes in benefit provisions affected the measurement of the total pension liability since the prior measurement date. The post-retirement benefit increase rate was changed from 2.0 percent per year through 2015 and 2.5 percent thereafter to 2.0 percent per year through 2043 and 2.50 percent thereafter. Effective July 1, 2015 a provision was added so that if the 2.50 percent post-retirement benefit increase is triggered and the funding ratio (determined on a market value of assets basis) subsequently drops below 80.0 percent or less for the most recent valuation year or 85.0 percent or less for two consecutive years, the post-retirement benefit increase will change to 2.0 percent until the plan again reaches a 90.0 percent funding ratio for two consecutive years.

No changes in assumptions affected the measurement of the total pension liability since the prior measurement date.

For the year ended December 31, 2015, the Metropolitan Council recognized negative pension expense of \$29,905,000 for its proportionate share of the MSRS-GEF pension expense. At December 31, 2015, the Metropolitan Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<i>(Dollars in thousands)</i>	
Differences between expected and actual experience	\$ -	\$ 38,363
Changes of assumptions	-	79,979
Net difference between projected and actual earnings on investments	28,665	56,919
Changes in proportion and differences between actual contributions and proportionate share of contributions	10,778	1,981
Contributions paid to MSRS subsequent to the measurement date	5,958	-
Total	\$ 45,401	\$ 177,242

Amounts reported as deferred outflows of resources related to pensions resulting from Metropolitan Council contributions subsequent to the measurement date will be recognized as a reductions of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense
	<i>(Dollars in thousands)</i>
2016	\$ 46,876
2017	44,900
2018	44,900
2019	1,123
2020	-
Thereafter	-
	<u>\$ 137,799</u>

Actuarial Assumptions: The Metropolitan Council's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent per year
Active Member Payroll Growth	3.50 percent per year
Investment Rate of Return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 generational mortality tables for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees are assumed to be 2.0 percent every January 1st through 2043 and 2.50 percent thereafter.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experiences studies for the period July 1, 2008, through June 30, 2014.

The long-term expected rate of return on pension plan investments is 7.90 percent. The rate assumption was selected as a result of a 2014 actuarial review of assumptions. The review combined the asset class target allocations and long-term rate of return expectations from the State Board of Investment (SBI) with return expectations from eight other investment consultants. The review also factored in information from the Social Security Trustees Report, U.S. Department of the Treasury yield curve rates, and historical observations of inflation statistics and investment returns.

The SBI, which manages the investments of MSRS, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best estimates of expected future real rates of return are developed for each major asset class. These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>SBI's Long-Term Expected Real Rate of Return (Geometric Mean)</u>
Domestic Stocks	45%	5.50%
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability as of June 30, 2015, was 7.90 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council's proportionate share of the net pension liability to changes in the discount rate: The following presents the Metropolitan Council's proportionate share of the net pension liability, calculated using the discount rate of 7.90 percent, as well as what the Metropolitan Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.90 percent) or 1 percentage point higher (8.90 percent) than the current rate (dollars in thousands):

	<u>1% Decrease (6.90%)</u>	<u>Current Discount Rate (7.90%)</u>	<u>1% Increase (8.90%)</u>
Council's proportionate share of the Net pension liability (MSRS)	\$ 287,352	\$ 140,378	\$ 18,067

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the MSRS's Comprehensive Annual Financial Report, available on the MSRS website (www.msrs.state.mn.us/financial-information); by writing to MSRS at 60 Empire Drive, #300, St. Paul, Minnesota, 55103-3000; or by calling (651)296-2761 or 1-800-657-5757.

b. Public Employees Retirement Association of Minnesota - Public Employees Police and Fire Fund (PERA-PEPFF)
General information

Plan Description: The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets administration to PERA.

Metro Transit Police Officers who qualify for membership by statute, are covered by the Public Employees Police and Fire Fund (PEPFF), a cost sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). Chapter 353 of the Minnesota Statutes grants the authority to establish and amend the benefit terms to PERA. PERA's defined pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. PERA issues a publicly available financial report that can be obtained at; www.mnpera.org; by writing to PERA at 60 Empire Drive, #200, St. Paul, Minnesota, 55103-2088; or by calling (651)296-7460 or 1-800-652-9026.

Benefits provided: For members first hired after June 30, 2010 but before July 1, 2014, benefits vest after five years of public service. Benefits for members first hired after June 30, 2014, have a vesting period of 10 years.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reached 90 percent for two consecutive years, the benefit increase will revert to 2.50 percent. If, after reverting to a 2.50 percent increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

Retirement benefits are determined for employees as 3.0 percent of their high-five average salary for each of their years of service. An unreduced retirement annuity is payable to employees when they meet the following conditions; 1) age 55 with a minimum of three years of service (five years if hired after June 30, 2010) the vesting period for hires after June 30, 2014 will be 10 years of public service with full benefits available after 20 years or 2) age plus years of service equal at least 90, if hired before July 1, 1989. A reduced retirement annuity is available to members between the ages of 50 and 55. There is a 1.20 percent reduction in benefits for each year a member retires prior to qualifying for an unreduced retirement benefit. For members hired or rehired after June 30, 2007, the reduction is 2.40 percent per year. Also under legislation enacted in the 2013 session of the Legislature, the reduction for early retirement will begin increasing July 2014, culminating in a 5.0 percent per year reduction in 2019.

Disability benefits are determined if the employee is unable to work because of a physical or mental disability. Disability is defined by statute, and PERA may require periodic medical examinations of those receiving these benefits. For these employees there is a minimum benefit of 60 percent of salary if disabled while engaged in hazardous activities related to the occupation. Disability under any other circumstances results in a minimum of 45 percent of salary.

Death benefits are calculated if a member dies while still an active employee, they are based on either 50 percent of the member's average salary during the six months prior to death or a formula using the member's total years of service, high-five salary, age at death and age of the spouse. Dependent children of active or disabled employees are eligible for benefits until age 18, or age 23 if full-time student. In this case, the maximum family benefit is 75 percent of the member's average monthly salary.

Contributions: Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions and may be amended by Minnesota Legislature. Employees are required to contribute 10.80 percent of their annual covered salary in 2015. The Metropolitan Council required contribution rate is 16.20 percent of annual covered salary in 2015. The rate increased for both the employee and employer 0.60 percent and 0.90 percent respectfully, as of January 1, 2015. It was actuarially determined when the employer rate when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Council were \$1,458,869 for the year ending December 31, 2015.

1. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the Metropolitan Council reported a liability of \$ 11,135,000 for its proportionate share of PERA' net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Metropolitan Council's proportion of the net pension liability was based on the contributions received by PERA during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the Metropolitan Council's proportion was 0.980 percent, which was an increase of .091 percent from its proportion measured as of June 30, 2014.

There was one change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date. The post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.50 percent thereafter to 1.0 percent per year through 2037 and 2.50 percent thereafter. This change was treated as a difference between expected and actual experience.

No changes in assumptions affected the measurement of the total pension liability since the prior measurement date.

For the year ended December 31, 2015, the Metropolitan Council recognized pension expense of \$1,209,000 for its proportionate share of the PEPFF's pension expense. At December 31, 2015, the Metropolitan Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Dollars in thousands)	
Differences between expected and actual experience	\$ 11	\$ 1,806
Changes of assumptions	1,920	-
Net difference between projected and actual earnings on investments	1,940	3,553
Changes in proportion and differences between actual contributions and proportionate share of contributions	819	-
Contributions paid to PERA subsequent to the measurement date	763	-
Total	<u>\$ 5,453</u>	<u>\$ 5,359</u>

Amounts reported as deferred outflows of resources related to pensions resulting from Metropolitan Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense
	<i>Dollars in thousands</i>
2016	\$ 414
2017	414
2018	414
2019	(770)
2020	197
Thereafter	-
	<u>\$ 669</u>

Actuarial Assumptions: The Metropolitan Council's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent per year
Active Member Payroll Growth	3.50 percent per year
Investment Rate of Return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 generational mortality tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1.0 percent every January 1st through 2037 and 2.50 percent thereafter.

Actuarial assumptions used in the June 30, 2015 valuation are reviewed annually. The most recent 5-year experience study for the PEPEF was completed in 2010. The economic assumptions are based on a review of inflation and investment return assumptions dated September 11, 2014.

The long-term expected rate of return on pension plan investments is 7.90 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>SBI's Long-Term Expected Real Rate of Return (Geometric Mean)</u>
Domestic Stocks	45%	5.50%
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability as of June 30, 2015, was 7.90 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council's proportionate share of the net pension liability to changes in the discount rate: The following presents the Metropolitan Council's proportionate share of the net pension liability, calculated using the discount rate of 7.90 percent, as well as what the Metropolitan Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.90 percent) or 1 percentage point higher (8.90 percent) than the current rate (dollars in thousands):

	<u>1% Decrease (6.90%)</u>	<u>Current Discount Rate (7.90%)</u>	<u>1% Increase (8.90%)</u>
Council's proportionate share of the Net pension liability (PERA)	\$ 21,702	\$ 11,135	\$ 2,405

Pension plan fiduciary net position: Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report is available on the PERA's website (www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

c. Summary of defined benefit plans: For the year ended December 31, 2015, the Metropolitan Council recognized negative pension expense of \$28,696,000 for its proportionate share of the MSRS-GEF pension expense and its proportionate share of the PEPFF's pension expense. Actual payments of pension liability are made directly from the same Governmental funds that incurred the salary expenditures. Prior years pension liability were paid from the General Fund, Special Revenue funds, non-major governmental funds, and Enterprise funds.

2. Defined contribution pension plan

a. Minnesota State Retirement System – Unclassified Employees Retirement Fund (MSRS-UER) **General information**

The Unclassified Employees Retirement Fund is a tax deferred, defined contribution fund entirely composed of a single, multiple-employer defined contribution plan. Participation is limited to certain specified employees. Minnesota statutes, section 352D.01 authorized creation of this plan.

It is considered a money purchase plan, i.e. participants vest only to the extent of the value of their accounts (employee contributions plus employer contributions plus/minus investment gains/losses, less administrative expenses), but functions as a hybrid between a defined contribution plan and a defined benefit plan.

Retirement and disability benefits are available to some participants through conversion, at the participant's option, to the General Plan provided the employee has at least 10 years of allowable service in the Unclassified and/or the General Plan if hired prior to July 1, 2010, or has more than seven years of service if hired after June 30, 2010.

Minnesota Statutes, section 352D.04, subdivision 2, requires a contribution rate of 5.5 percent of salary from participating employees. The employer contribution rate is 6.0 percent of salary.

For the year ending December 31, 2015 employer contributions were \$186,450. The plan did not have any forfeitures in the current period.

C. Other postemployment benefits (OPEB) obligations

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 \$207,095,000 as of December 31, 2015, 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. Actual payments of OPEB liability are made directly from the same Governmental funds that incurred the salary expenditures. Prior years OPEB liability were paid from the General Fund and each Enterprise fund.

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 \$20,339,000 is 5.98 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)	\$ 15,040	\$ 5,049	\$ 250	\$ 20,339
Interest on net OPEB obligation	4,386	1,177	287	5,850
Adjustments to Annual Required Contribution (ARC)	(6,880)	(1,846)	(450)	(9,176)
Annual OPEB cost (expense)	12,546	4,380	87	17,013
Contributions made	(8,606)	(4,585)	(168)	(13,359)
Increase in Net OPEB Obligation	3,940	(205)	(80)	3,655
Net OPEB obligation beginning of year	62,663	16,811	4,103	83,577
Net OPEB obligation end of year	\$ 66,603	\$ 16,606	\$ 4,022	\$ 87,231

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, 2015, were as follows (dollars in thousands):

	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Metro Transit				
12/31/2013	\$ 14,155	\$ 10,870	77%	\$ 58,399
12/31/2014	12,715	8,451	66%	62,663
12/31/2015	12,546	8,606	69%	66,603
Environmental Services				
12/31/2013	4,822	4,239	88%	16,243
12/31/2014	4,402	3,834	87%	16,811
12/31/2015	4,380	4,585	105%	16,606
General Fund				
12/31/2013	685	244	36%	4,183
12/31/2014	84	164	195%	4,103
12/31/2015	87	167	192%	4,023
Total				
12/31/2013	19,662	15,353	78%	78,825
12/31/2014	17,201	12,449	72%	83,577
12/31/2015	17,013	13,359	79%	87,231

Funded Status and Funded Progress: As of December 31, 2015, the actuarial accrued liability (AAL) for benefits was \$209,378,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$339,990,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 61.60 percent.

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

Actuarial Methods and Assumptions: The actuarial valuation completed January 1, 2014, used the entry age normal method. This method is in the family of projected benefit cost methods, which required an estimate of projected benefit payable at retirement to determine costs and liabilities. Under this method, the present value of future benefits is equal to the value of the projected benefit payable at retirement discounted back to the participant's current age. The actuarial assumption also uses a 7.0 percent discount rate net of administrative expenses for the Metro Transit, Environmental Services and the General Fund. Discounts include such items as interest and mortality. The projected annual health care cost trend rate is 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent for the year 2038 and beyond. The baseline inflation rate is 3.0 percent. The initial UAAL is being amortized as a level dollar amount over a 30-year period. Gains and losses are amortized on a level-dollar basis over 15 years. The remaining amortization period at December 31, 2015, was 21 years.

D. Sub-grantee programs

During the year ended December 31, 2015, the Council was involved with the following sub-grantee programs:

General Fund:

Parks (Maintenance and Operation Grants)

Nonmajor Governmental Funds:

Federal Highway Administration (Pass-Through and Study Grants)
 Federal Transit Administration (Capital and Operating Assistance Grant Programs)
 Federal Transit Administration (Pass-Through and Study Grants)
 Livable Communities (Metropolitan Development)
 Parks (Capital Improvement)

Enterprise Funds:

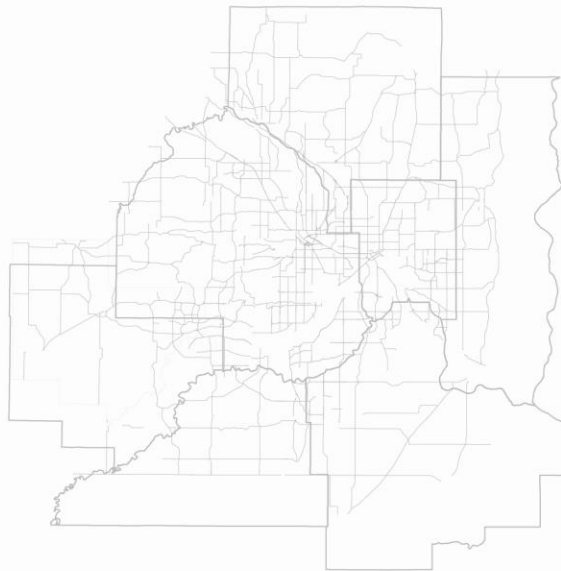
Environmental Services Inflow and Infiltration Grants
 Federal Emergency Management Agency (Security Grants)
 Federal Transit Administration (Capital and Operating Assistance Grant Programs)
 Housing and Redevelopment Authority (HUD Housing Choice Voucher Program)
 Housing and Redevelopment Authority (HUD Shelter Plus Care 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 \$419,776,000 as of December 31, 2015. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$85,544,000 will be paid from the Metro Transit Light Rail fund. Future commitments for commuter rail transit services of approximately \$8,685,000 as of December 31, 2015, will be paid from the Metro Transit Commuter Rail fund. Future commitments for regional transit services are approximately \$24,226,000 as of December 31, 2015. These commitments will be paid from Regional Transit special revenue nonmajor fund. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately \$113,680,000 as of December 31, 2015. These commitments will be paid from the Environmental Services enterprise fund. At year end the amount of items that were authorized and initiated in the 2015 budget but not completely expended in 2015 were \$ 3,351,000. This total is all from the General 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.



Serving the Twin Cities seven-county metropolitan area

REQUIRED SUPPLEMENTARY INFORMATION



**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS**

	Budgeted Amounts			Variance with Final Budget- Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 11,579	\$ 11,579	\$ 11,852	\$ 273
Intergovernmental revenue:				
State	8,540	8,540	8,079	(461)
Local/other	-	-	215	215
Investment income	518	518	806	288
Total revenues	20,637	20,637	20,952	315
EXPENDITURES				
Current:				
General government	8,300	9,463	6,543	(2,920)
Intergovernmental:				
Culture and recreation	8,540	8,540	8,048	(492)
Economic revitalization	1,500	1,500	-	(1,500)
Debt service:				
Principal	660	660	695	35
Interest and other charges	366	366	269	(97)
Capital outlay	404	1,404	766	(638)
Total expenditures	19,770	21,933	16,321	(5,612)
Excess (deficiency) of revenues over (under) expenditures	867	(1,296)	4,631	5,927
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,109)	(2,109)	(1,572)	537
Net change in fund balance	(1,242)	(3,405)	3,059	6,464
Fund balance, beginning	22,440	22,440	22,440	-
Fund balance, ending	\$ 21,198	\$ 19,035	\$ 25,499	\$ 6,464

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, 2015
IN THOUSANDS**

	Budgeted Amounts			Variance with Final Budget- Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenue:				
State	\$ 52,119	\$ 46,895	\$ 46,714	\$ (181)
Investment income	-	-	93	93
Other	7,201	7,201	7,719	518
Total revenues	59,320	54,096	54,526	430
EXPENDITURES				
Current:				
Transportation	62,232	62,234	58,107	(4,127)
Net change in fund balance	(2,912)	(8,138)	(3,581)	4,557
Fund balance, beginning	40,822	40,822	40,822	-
Fund balance, ending	\$ 37,910	\$ 32,684	\$ 37,241	\$ 4,557

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

**SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MINNESOTA STATE RETIREMENT SYSTEM - GENERAL EMPLOYEES FUND
LAST TEN YEARS*
IN THOUSANDS (EXCEPT PERCENTAGES)**

Fiscal Year **	Council's proportion of the net pension liability (asset)	Council's proportionate share of the net pension liability	Council's covered payroll	Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	9.023%	\$ 146,314	\$ 230,978	63.35%	87.64%
2015	9.119%	\$ 140,378	\$ 242,551	57.88%	88.32%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** The amounts presented for each fiscal year were determined as of June 30.

**SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA - PUBLIC EMPLOYEES POLICE AND FIRE
LAST TEN YEARS*
IN THOUSANDS (EXCEPT PERCENTAGES)**

Fiscal Year **	Council's proportion of the net pension liability (asset)	Council's proportionate share of the net pension liability	Council's covered payroll	Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.889%	\$ 9,602	\$ 7,686	124.92%	87.07%
2015	0.980%	\$ 11,135	\$ 8,986	123.91%	86.61%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** The amounts presented for each fiscal year were determined as of June 30.

**SCHEDULE OF COUNCIL'S CONTRIBUTIONS
MINNESOTA STATE RETIREMENT SYSTEM - GENERAL EMPLOYEES FUND
LAST TEN YEARS*
IN THOUSANDS (EXCEPT PERCENTAGES)**

Fiscal Year **	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Council's covered payroll	Contributions as a percentage of covered payroll
2014	\$ 12,423	\$ 12,423	\$ -	\$ 237,074	5.24%
2015	\$ 13,040	\$ 13,040	\$ -	\$ 237,093	5.50%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** The amounts presented for each fiscal year were determined as of December 31.

SCHEDULE OF COUNCIL'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA - PUBLIC EMPLOYEES POLICE AND FIRE FUND
LAST TEN YEARS*
IN THOUSANDS (EXCEPT PERCENTAGES)

Fiscal Year **	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Council's covered payroll	Contributions as a percentage of covered payroll
2014	\$ 1,339	\$ 1,339	\$ -	\$ 8,753	15.30%
2015	\$ 1,459	\$ 1,459	\$ -	\$ 9,005	16.20%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** The amounts presented for each fiscal year were determined as of December 31.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2015

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	\$ 2,317	\$ 4,475	\$ 756	\$ (3,719)
Community Development	17,453	17,458	15,565	(1,893)
Total General Fund	<u>\$ 19,770</u>	<u>\$ 21,933</u>	<u>\$ 16,321</u>	<u>\$ (5,612)</u>

C. Pension Obligations

Changes of benefit terms for Minnesota State Retirement System – General Employees Fund: The amounts reported in 2015 reflect the post-retirement benefit increase rate from 2.0 percent per year through 2015 and 2.5 percent thereafter to 2.0 percent per year through 2043 and 2.5 percent thereafter. The amounts reported in 2015 also reflect a provision added, effective July 1, 2015, so that if the 2.5 percent post-retirement benefit increase is triggered and the funding ratio (determined on a market value of asset basis) subsequently drops below 80.0 percent or less for the most recent valuation year or 85.0 percent or less for two consecutive years, the post-retirement benefit increase will change to 2.0 percent until the plan again reaches a 90.0 percent funding ratio for two consecutive years.

Contributions also changed, effective July 1, 2014. The rates went from 5.0 percent for both employee and employer to 5.5 percent for both employee and employer.

Changes of benefit terms for Public Employees Retirement Association of Minnesota – Public Employees Police and Fire Fund: The amounts reported in 2015 reflect a post-retirement benefit increase from 1.0 percent per year through 2030 and 2.5 percent thereafter to 1.0 percent per year through 2037 and 2.5 percent thereafter. The amounts reported in 2015 also reflect a provision added so post-retirement benefit increase to be paid after attainment of the 90.0 percent threshold was changed from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

Contributions also changed, effective January 1, 2015. The rates went from 10.2 percent for employee and 15.30 percent for employer to 10.8 percent for employee and 16.2 percent for employer.

D. Postemployment Benefits

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

Schedule of Funding Progress						
Dollars In Thousands						
Actuarial Valuation Date— January 1, <u>2014</u>	(a) Actuarial Value of <u>Assets</u>	(b) Actuarial Accrued Liability <u>(AAL)</u>	(c) Unfunded Actuarial Accrued Liability (UAAL) <u>(b - a)</u>	(d) Funded Ratio <u>(a/b)</u>	(e) Covered <u>Payroll</u>	(f) UAAL as a Percentage of Covered Payroll <u>(c/e)</u>
<u>Metro Transit</u>						
1/1/10	\$ -	\$ 233,054	\$ 233,054	0.00%	\$ 184,796	126.1%
1/1/12	-	187,818	187,818	0.00%	181,202	103.7%
1/1/14	-	152,844	152,844	0.00%	230,941	66.2%
<u>Environmental Services</u>						
1/1/10	-	82,328	82,328	0.00%	58,430	140.9%
1/1/12	-	64,368	64,368	0.00%	51,413	125.2%
1/1/14	-	53,715	53,715	0.00%	62,487	86.0%
<u>General Fund</u>						
1/1/10	-	13,046	13,046	0.00%	28,862	45.2%
1/1/12	-	9,513	9,513	0.00%	30,448	31.2%
1/1/14	-	2,819	2,819	0.00%	39,787	7.1%
<u>Total</u>						
1/1/10	-	328,428	328,428	0.00%	272,088	120.7%
1/1/12	-	261,699	261,699	0.00%	263,063	99.5%
1/1/14	-	209,378	209,378	0.00%	333,215	62.8%



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 or administratively 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 and Contracted Transit Services funds account for state taxes, state appropriations, and federal grants used in defined and legally restricted regional transportation programs with the Metropolitan Council's boundaries.

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, state appropriations, and federal grants to finance the acquisition of transit vehicles, equipment and facilities.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015
IN THOUSANDS**

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 104,498	\$ 57,854	\$ 162,352
Delinquent taxes receivable	590	-	590
Interest receivable	329	211	540
Due from other governmental units	10,594	13,344	23,938
Loans and advances	44,273	-	44,273
Total assets	<u>\$ 160,284</u>	<u>\$ 71,409</u>	<u>\$ 231,693</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts/contracts/subgrantees payable	\$ 19,431	\$ 6,958	\$ 26,389
Unearned revenues	89	201	290
Total liabilities	<u>19,520</u>	<u>7,159</u>	<u>26,679</u>
Deferred Inflows of resources:			
Unavailable revenue - taxes	<u>436</u>	<u>-</u>	<u>436</u>
Fund balances:			
Restricted	124,365	84,324	208,689
Committed	15,963	-	15,963
Unassigned	-	(20,074)	(20,074)
Total fund balances	<u>140,328</u>	<u>64,250</u>	<u>204,578</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 160,284</u>	<u>\$ 71,409</u>	<u>\$ 231,693</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
DECEMBER 31, 2015
IN THOUSANDS

	Highway Right-of-Way Acquisition Loan	Livable Communities	Transportation Planning	Suburban Transit Providers	Contracted Transit Service	Other Special Revenue	Total Special Revenue
ASSETS							
Cash and cash equivalents	\$ 14,212	\$ 74,083	\$ 959	\$ 100	\$ 13,859	\$ 1,285	\$ 104,498
Delinquent taxes receivable	72	518	-	-	-	-	590
Interest receivable	49	251	2	-	23	4	329
Due from other governmental units	-	-	1,760	2,868	5,966	-	10,594
Loans and advances	42,704	1,544	-	-	-	25	44,273
Total assets	<u>\$ 57,037</u>	<u>\$ 76,396</u>	<u>\$ 2,721</u>	<u>\$ 2,968</u>	<u>\$ 19,848</u>	<u>\$ 1,314</u>	<u>\$ 160,284</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts/contracts/subgrantees payable	\$ 15	\$ 9,931	\$ 405	\$ 2,968	\$ 6,112	\$ -	\$ 19,431
Unearned revenue	-	-	89	-	-	-	89
Total liabilities	<u>15</u>	<u>9,931</u>	<u>494</u>	<u>2,968</u>	<u>6,112</u>	<u>-</u>	<u>19,520</u>
Deferred Inflows of resources:							
Unavailable revenue - taxes	<u>73</u>	<u>363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436</u>
Fund balances:							
Restricted	56,949	66,102	-	-	-	1,314	124,365
Committed	-	-	2,227	-	13,736	-	15,963
Total fund balances	<u>56,949</u>	<u>66,102</u>	<u>2,227</u>	<u>-</u>	<u>13,736</u>	<u>1,314</u>	<u>140,328</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 57,037</u>	<u>\$ 76,396</u>	<u>\$ 2,721</u>	<u>\$ 2,968</u>	<u>\$ 19,848</u>	<u>\$ 1,314</u>	<u>\$ 160,284</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
DECEMBER 31, 2015
IN THOUSANDS

	North Mississippi Park	Parks and Open Space Grants	Transit	Total Capital Projects
ASSETS				
Cash and cash equivalents	\$ 1,294	\$ 40,766	\$ 15,794	\$ 57,854
Interest receivable	3	141	67	211
Due from other governmental units	-	8,928	4,416	13,344
Total assets	<u>\$ 1,297</u>	<u>\$ 49,835</u>	<u>\$ 20,277</u>	<u>\$ 71,409</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts/contracts/subgrantees payable	\$ -	\$ 5,097	\$ 1,861	\$ 6,958
Unearned revenue	-	-	201	201
Total liabilities	<u>-</u>	<u>5,097</u>	<u>2,062</u>	<u>7,159</u>
Fund balances:				
Restricted	1,297	64,812	18,215	84,324
Unassigned	<u>-</u>	<u>(20,074)</u>	<u>-</u>	<u>(20,074)</u>
Total fund balances	<u>1,297</u>	<u>44,738</u>	<u>18,215</u>	<u>64,250</u>
Total liabilities and fund balances	<u>\$ 1,297</u>	<u>\$ 49,835</u>	<u>\$ 20,277</u>	<u>\$ 71,409</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 16,505	\$ -	\$ 16,505
Intergovernmental revenue:			
Federal	7,379	29,298	36,677
State	55,404	23,291	78,695
Local/other	1,614	360	1,974
Investment income	1,184	536	1,720
Other	2,296	-	2,296
Total revenues	<u>84,382</u>	<u>53,485</u>	<u>137,867</u>
EXPENDITURES			
Current:			
General government	2,329	31	2,360
Transportation	26,406	674	27,080
Intergovernmental:			
Transportation	36,482	4,223	40,705
Culture and recreation	-	19,936	19,936
Economic revitalization	12,250	-	12,250
Environment development	7,268	-	7,268
Housing	1,404	-	1,404
Capital Outlay	-	38,343	38,343
Total expenditures	<u>86,139</u>	<u>63,207</u>	<u>149,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,757)</u>	<u>(9,722)</u>	<u>(11,479)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,108	2,910	4,018
Transfers out	(2,526)	(24,548)	(27,074)
Bonds issued	-	51,000	51,000
Sale of capital assets	-	342	342
Total other financing sources (uses)	<u>(1,418)</u>	<u>29,704</u>	<u>28,286</u>
Net change in fund balances	(3,175)	19,982	16,807
Fund balances, beginning	<u>143,503</u>	<u>44,268</u>	<u>187,771</u>
Fund balances, ending	<u>\$ 140,328</u>	<u>\$ 64,250</u>	<u>\$ 204,578</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS

	Highway Right-of-Way Acquisition Loan	Livable Communities	Transportation Planning	Suburban Transit Providers	Contracted Transit Service	Other Special Revenue	Total Special Revenue
REVENUES							
Taxes	\$ -	\$ 16,505	\$ -	\$ -	\$ -	\$ -	\$ 16,505
Intergovernmental revenue:							
Federal	-	-	5,034	-	2,345	-	7,379
State	-	-	161	35,176	20,067	-	55,404
Local/other	-	-	70	-	1,544	-	1,614
Investment income	155	814	21	-	180	14	1,184
Other	-	-	-	-	2,296	-	2,296
Total revenues	<u>155</u>	<u>17,319</u>	<u>5,286</u>	<u>35,176</u>	<u>26,432</u>	<u>14</u>	<u>84,382</u>
EXPENDITURES							
Current:							
General government	-	-	1,330	-	999	-	2,329
Transportation	-	-	4,245	-	22,161	-	26,406
Intergovernmental:							
Transportation	-	-	692	35,176	614	-	36,482
Economic revitalization	-	12,250	-	-	-	-	12,250
Environment development	-	7,268	-	-	-	-	7,268
Housing	-	1,404	-	-	-	-	1,404
Total expenditures	<u>-</u>	<u>20,922</u>	<u>6,267</u>	<u>35,176</u>	<u>23,774</u>	<u>-</u>	<u>86,139</u>
Excess (deficiency) of revenues over (under) expenditures	155	(3,603)	(981)	-	2,658	14	(1,757)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	1,000	-	-	-	108	1,108
Transfers out	-	(35)	-	-	(2,418)	(73)	(2,526)
Total other financing sources (uses)	<u>-</u>	<u>965</u>	<u>-</u>	<u>-</u>	<u>(2,418)</u>	<u>35</u>	<u>(1,418)</u>
Net change in fund balances	155	(2,638)	(981)	-	240	49	(3,175)
Fund balances, beginning	<u>56,794</u>	<u>68,740</u>	<u>3,208</u>	<u>-</u>	<u>13,496</u>	<u>1,265</u>	<u>143,503</u>
Fund balances, ending	<u>\$ 56,949</u>	<u>\$ 66,102</u>	<u>\$ 2,227</u>	<u>\$ -</u>	<u>\$ 13,736</u>	<u>\$ 1,314</u>	<u>\$ 140,328</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS

	North Mississippi Park	Parks and Open Space Grants	Transit	Total Capital Projects
REVENUES				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ 29,298	\$ 29,298
State	-	21,759	1,532	23,291
Local/other	-	-	360	360
Investment income	10	430	96	536
Total revenues	<u>10</u>	<u>22,189</u>	<u>31,286</u>	<u>53,485</u>
EXPENDITURES				
Current:				
General government	-	31	-	31
Transportation	-	-	674	674
Intergovernmental:				
Transportation	-	-	4,223	4,223
Culture and recreation	-	19,936	-	19,936
Capital outlay	-	-	38,343	38,343
Total expenditures	<u>-</u>	<u>19,967</u>	<u>43,240</u>	<u>63,207</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10</u>	<u>2,222</u>	<u>(11,954)</u>	<u>(9,722)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	492	-	2,418	2,910
Transfers out	-	(492)	(24,056)	(24,548)
Bonds issued	-	6,000	45,000	51,000
Sale of capital assets	-	-	342	342
Total other financing sources (uses)	<u>492</u>	<u>5,508</u>	<u>23,704</u>	<u>29,704</u>
Net change in fund balances	502	7,730	11,750	19,982
Fund balances, beginning	<u>795</u>	<u>37,008</u>	<u>6,465</u>	<u>44,268</u>
Fund balances, ending	<u>\$ 1,297</u>	<u>\$ 44,738</u>	<u>\$ 18,215</u>	<u>\$ 64,250</u>

**BUDGETARY COMPARISON SCHEDULE
LIVABLE COMMUNITIES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Taxes	\$ 16,286	\$ 16,286	\$ 16,505	\$ 219
Investment income	1,195	1,195	814	(381)
Total revenues	17,481	17,481	17,319	(162)
EXPENDITURES				
Intergovernmental:				
Economic revitalization	11,536	11,536	12,250	714
Environment development	5,350	5,350	7,268	1,918
Housing	1,560	1,560	1,404	(156)
Total expenditures	18,446	18,446	20,922	2,476
Excess (deficiency) of revenues over (under) expenditures	(965)	(965)	(3,603)	(2,638)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	1,000	1,000	-
Transfers out	-	-	(35)	(35)
Total other financing sources (uses)	1,000	1,000	965	(35)
Net change in fund balance	35	35	(2,638)	(2,673)
Fund balance, beginning	68,740	68,740	68,740	-
Fund balance, ending	\$ 68,775	\$ 68,775	\$ 66,102	\$ (2,673)

**BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION PLANNING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Intergovernmental revenue:				
Federal	\$ 4,380	\$ 5,180	\$ 5,034	\$ (146)
State	-		161	161
Local/other	-	250	70	(180)
Investment income	-	-	21	21
Total revenues	<u>4,380</u>	<u>5,430</u>	<u>5,286</u>	<u>(144)</u>
EXPENDITURES				
Current:				
General government	1,237	1,239	1,330	91
Transportation	4,326	5,676	4,245	(1,431)
Intergovernmental:				
Transportation	<u>480</u>	<u>480</u>	<u>692</u>	<u>212</u>
Total expenditures	<u>6,043</u>	<u>7,395</u>	<u>6,267</u>	<u>(1,128)</u>
Net change in fund balance	(1,663)	(1,965)	(981)	984
Fund balance, beginning	<u>3,208</u>	<u>3,208</u>	<u>3,208</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,545</u>	<u>\$ 1,243</u>	<u>\$ 2,227</u>	<u>\$ 984</u>

**BUDGETARY COMPARISON SCHEDULE
SUBURBAN TRANSIT PROVIDERS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Intergovernmental revenue:				
State	\$ 31,833	\$ 33,273	\$ 35,176	\$ 1,903
EXPENDITURES				
Intergovernmental:				
Transportation	31,833	33,273	35,176	1,903
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BUDGETARY COMPARISON SCHEDULE
CONTRACTED TRANSIT SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Intergovernmental revenue:				
Federal	\$ 1,768	\$ 3,820	\$ 2,345	\$ (1,475)
State	19,848	19,048	20,067	1,019
Local/other	1,863	1,863	1,544	(319)
Investment income	100	100	180	80
Other	2,423	2,423	2,296	(127)
Total revenues	<u>26,002</u>	<u>27,254</u>	<u>26,432</u>	<u>(822)</u>
EXPENDITURES				
Current:				
General government	999	1,000	999	(1)
Transportation	25,571	25,571	22,161	(3,410)
Intergovernmental:				
Transportation	-	545	614	69
Total expenditures	<u>26,570</u>	<u>27,116</u>	<u>23,774</u>	<u>(3,342)</u>
Excess (deficiency) of revenues over (under) expenditures	(568)	138	2,658	2,520
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(2,418)	(2,418)	-
Net change in fund balance	(568)	(2,280)	240	2,520
Fund balance, beginning	13,496	13,496	13,496	-
Fund balance, ending	<u>\$ 12,928</u>	<u>\$ 11,216</u>	<u>\$ 13,736</u>	<u>\$ 2,520</u>

**BUDGETARY COMPARISON SCHEDULE
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Investment income	\$ 35	\$ 35	\$ 14	\$ (21)
EXPENDITURES				
Intergovernmental:				
Economic revitalization	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	108	108
Transfers out	-	-	(73)	(73)
Total other financing sources and uses	-	-	35	35
Net change in fund balance	35	35	49	14
Fund balance, beginning	1,265	1,265	1,265	-
Fund balance, ending	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 1,314</u>	<u>\$ 14</u>

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS**

	Regional Administration			Community Development			Total		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ 1,000	\$ 1,024	\$ 24	\$10,579	\$10,828	\$ 249	\$11,579	\$ 11,852	\$ 273
Intergovernmental revenue:									
State	-	-	-	8,540	8,079	(461)	8,540	8,079	(461)
Local/other	-	215	215	-	-	-	-	215	215
Investment income	518	806	288	-	-	-	518	806	288
Total revenues	<u>1,518</u>	<u>2,045</u>	<u>527</u>	<u>19,119</u>	<u>18,907</u>	<u>(212)</u>	<u>20,637</u>	<u>20,952</u>	<u>315</u>
EXPENDITURES									
Current:									
General government	2,045	(974)	(3,019)	7,418	7,517	99	9,463	6,543	(2,920)
Intergovernmental:									
Culture and recreation	-	-	-	8,540	8,048	(492)	8,540	8,048	(492)
Economic revitalization	-	-	-	1,500	-	(1,500)	1,500	-	(1,500)
Debt service:									
Principal	660	695	35	-	-	-	660	695	35
Interest and other charges	366	269	(97)	-	-	-	366	269	(97)
Capital outlay	1,404	766	(638)	-	-	-	1,404	766	(638)
Total expenditures	<u>4,475</u>	<u>756</u>	<u>(3,719)</u>	<u>17,458</u>	<u>15,565</u>	<u>(1,893)</u>	<u>21,933</u>	<u>16,321</u>	<u>(5,612)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,957)</u>	<u>1,289</u>	<u>4,246</u>	<u>1,661</u>	<u>3,342</u>	<u>1,681</u>	<u>(1,296)</u>	<u>4,631</u>	<u>5,927</u>
OTHER FINANCING SOURCES (USES)									
Transfers out	(443)	(210)	233	(1,666)	(1,362)	304	(2,109)	(1,572)	537
Net change in fund balance	<u>\$ (3,400)</u>	<u>\$ 1,079</u>	<u>\$ 4,479</u>	<u>\$ (5)</u>	<u>\$ 1,980</u>	<u>\$ 1,985</u>	<u>\$ (3,405)</u>	<u>\$ 3,059</u>	<u>\$ 6,464</u>

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS**

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
ASSETS				
Cash and cash equivalents	\$ 2,349	\$ 398	\$ -	\$ 2,747
LIABILITIES				
Due to participants	\$ 2,349	\$ 398	\$ -	\$ 2,747

**BONDS/LOANS/NOTES OUTSTANDING
AS OF DECEMBER 31, 2015
IN THOUSANDS**

Issues	Date	Final Maturity Date	Original Issue	Payments Prior Years	Payments Year Ended 12/31/15	Bonds/Loans/ Notes Issued/ Drawn Down in 2015	Bonds/ Loans/Notes Outstanding 12/31/2015	Refunded Bonds	Maturing in 2016	Future Maturities
GENERAL OBLIGATION BONDS/LOANS/NOTES PAYABLE:										
GOVERNMENTAL ACTIVITIES:										
G.O. Park Bonds:										
2010D	22-Dec-10	1-Feb-15	\$ 8,600	\$ 7,615	\$ 985	\$ -	\$ -	\$ -	\$ -	\$ -
2012D	8-Jun-12	1-Mar-17	7,000	3,515	1,135	-	2,350	-	1,160	1,190
2014B	6-Feb-14	1-Mar-16	8,000	-	3,725	-	4,275	-	4,275	-
2015B	6-Aug-15	1-Mar-20	6,000	-	-	6,000	6,000	-	1,450	4,550
Subtotal: G.O. Park Bonds			<u>29,600</u>	<u>11,130</u>	<u>5,845</u>	<u>6,000</u>	<u>12,625</u>	<u>-</u>	<u>6,885</u>	<u>5,740</u>
G.O. Transit Bonds:										
2005C	1-May-05	1-Feb-25	32,000	26,165	1,955	-	3,880	-	325	3,555
2005C, Refunding	1-May-05	1-Feb-20	13,285	8,350	865	-	4,070	-	850	3,220
2007A	15-Feb-07	1-Feb-24 (a)	36,400	25,945	10,455	-	-	-	-	-
2007E, Refunding	15-Mar-07	1-Feb-22	10,110	4,730	710	-	4,670	-	705	3,965
2008B	12-Mar-08	1-Mar-28 (a)	40,300	22,025	18,275	-	-	-	-	-
2009A	1-Sep-09	1-Mar-29	43,000	23,325	2,565	-	17,110	-	2,630	14,480
2009E, Refunding	1-Dec-09	1-Feb-18	10,490	6,730	940	-	2,820	-	940	1,880
2010E	22-Dec-10	1-Feb-31	69,000	25,920	4,440	-	38,640	-	3,950	34,690
2012C	8-Jun-12	1-Mar-32	52,000	15,335	3,000	-	33,665	-	2,960	30,705
2012C, Refunding	8-Jun-12	1-Mar-23	5,105	-	375	-	4,730	-	560	4,170
2012H, Refunding	29-Oct-12	1-Feb-28	24,620	260	250	-	24,110	-	4,970	19,140
2014C	6-Feb-14	1-Mar-16	25,000	-	14,795	-	10,205	-	10,205	-
2015A	6-Aug-15	1-Mar-25	45,000	-	-	45,000	45,000	-	16,050	28,950
Subtotal: G.O. Transit Bonds			<u>406,310</u>	<u>158,785</u>	<u>58,625</u>	<u>45,000</u>	<u>188,900</u>	<u>-</u>	<u>44,145</u>	<u>144,755</u>
Minnesota Public Facilities Authority Loans--Transit										
(Backed by General Obligation Notes):	12-Mar-99	15-Feb-20	21,025	18,765	360	-	1,900	-	365	1,535
	24-Jan-08	15-Feb-18	10,000	6,480	925	-	2,595	-	945	1,650
Subtotal: Minnesota Public Facility Authority Loans--Transit			<u>31,025</u>	<u>25,245</u>	<u>1,285</u>	<u>-</u>	<u>4,495</u>	<u>-</u>	<u>1,310</u>	<u>3,185</u>
Total Governmental Activities G.O. Bonds/Loans Payable			<u>466,935</u>	<u>195,160</u>	<u>65,755</u>	<u>51,000</u>	<u>206,020</u>	<u>-</u>	<u>52,340</u>	<u>153,680</u>
BUSINESS-TYPE ACTIVITIES:										
G.O. Grant Anticipation Transit Notes:										
2012G	29-Oct-12	1-Mar-16 (a)	100,000	15,000	85,000	-	-	-	-	-
2014A	6-Feb-14	1-Mar-16	100,800	-	92,100	-	8,700	-	8,700	-
Subtotal: G.O. Grant Anticipation Transit Notes:			<u>200,800</u>	<u>15,000</u>	<u>177,100</u>	<u>-</u>	<u>8,700</u>	<u>-</u>	<u>8,700</u>	<u>-</u>
Counties Transit Improvement Board Loans:										
CTIB Notes Payable	25-Sep-15	30-Jun-20 (e)	1,949	-	-	1,949	1,949	-	1,949	-
Subtotal: Counties Transit Improvement Board Loans:			<u>1,949</u>	<u>-</u>	<u>-</u>	<u>1,949</u>	<u>1,949</u>	<u>-</u>	<u>1,949</u>	<u>-</u>
G.O.Sewer Bonds:										
2005B	1-May-05	1-May-25 (a)	90,405	21,790	68,615	-	-	-	-	-
2007B	15-Feb-07	1-Dec-27 (a)	80,000	16,000	64,000	-	-	-	-	-
2008C	12-Mar-08	1-Mar-28	80,000	8,000	3,000	-	69,000	66,000 (b)	69,000	-
2009F, Refunding	1-Dec-09	1-Dec-15	6,720	5,750	970	-	-	-	-	-
2010A, Refunding	22-Feb-10	1-Feb-15	16,035	12,300	3,735	-	-	-	-	-
2010B	22-Feb-10	1-Feb-30	36,000	6,100	400	-	29,500	-	2,900	26,600
2010F	22-Dec-10	1-Dec-30	65,000	10,525	3,105	-	51,370	-	3,145	48,225
2011B, Refunding	15-Mar-11	1-Dec-15	9,230	7,760	1,470	-	-	-	-	-
2012B	8-Jun-12	1-Sep-32	55,110	3,300	2,950	-	48,860	-	1,250	47,610
2012E, Refunding	8-Jun-12	1-Sep-25	82,590	5,650	4,805	-	72,135	-	8,030	64,105
2012F, Refunding	29-Jun-12	1-Sep-22	214,035	44,600	23,525	-	145,910	-	23,625	122,285
2012I, Refunding	29-Oct-12	1-Mar-28	127,235	-	-	-	127,235	-	4,470	122,765
2014D	6-Feb-14	1-Sep-34	60,000	-	1,000	-	59,000	-	2,025	56,975
2015C	6-Aug-15	1-Mar-35	100,000	-	-	100,000	100,000	-	4,000	96,000
Subtotal: G.O. Sewer Bonds			<u>1,022,360</u>	<u>141,775</u>	<u>177,575</u>	<u>100,000</u>	<u>703,010</u>	<u>66,000</u>	<u>118,445</u>	<u>584,565</u>
Minnesota Public Facilities Authority Loans--Sewer:										
(Backed by General Obligation Notes)										
	1-Sep-03	20-Feb-16	4,045	3,928	64	-	53	-	53	-
	26-Nov-03	20-Aug-23	100,000	30,000	8,500	-	61,500	-	8,500	53,000
	20-Oct-04	20-Feb-25	50,000	21,300	2,200	-	26,500	-	2,300	24,200
	10-Nov-05	20-Feb-25	40,000	9,400	1,970	-	28,630	-	2,550	26,080
	30-Aug-06	20-Aug-26	50,000	8,950	2,500	-	38,550	-	2,000	36,550
	11-Oct-07	20-Aug-27	80,000	5,550	2,250	-	72,200	-	3,950	68,250
	10-Sep-09	20-Aug-29	49,411	11,271	155	-	37,985	-	155	37,830
	28-Oct-09	20-Aug-29	30,589	6,979	95	-	23,515	-	95	23,420
	12-Jan-11	20-Aug-30	70,000	10,429	3,255	-	56,316	-	3,312	53,004
	15-Feb-12	20-Aug-31	60,000	5,455	1,780	-	52,765	-	1,823	50,942
	23-May-13	20-Aug-32	40,000	400	2,700	-	36,900	-	4,000	32,900
	30-Dec-13	20-Aug-33	60,000	1,000	2,000	-	57,000	-	4,000	53,000
	10-Dec-14	20-Aug-34 (c)	60,000	-	1,000	42,548	59,000	-	2,500	56,500
	6-Nov-15	20-Aug-35 (d)	17,361	-	-	17,361	17,361	-	372	16,989
Subtotal: Minnesota Public Facility Authority Loans--Sewer			<u>711,406</u>	<u>114,662</u>	<u>28,469</u>	<u>59,909</u>	<u>568,275</u>	<u>-</u>	<u>35,610</u>	<u>532,665</u>
Total G.O.Sewer Bonds/Loans Payable			<u>1,733,766</u>	<u>256,437</u>	<u>206,044</u>	<u>159,909</u>	<u>1,271,285</u>	<u>66,000</u>	<u>154,055</u>	<u>1,117,230</u>
Total Business-type Activities G.O. Bonds/Loans/Notes Payable			<u>1,936,515</u>	<u>271,437</u>	<u>383,144</u>	<u>161,858</u>	<u>1,281,934</u>	<u>66,000</u>	<u>164,704</u>	<u>1,117,230</u>
Total General Obligation Bonds/Loans/Notes Payable			<u>\$ 2,403,450</u>	<u>\$ 466,597</u>	<u>\$ 448,899</u>	<u>\$ 212,858</u>	<u>\$ 1,487,954</u>	<u>\$ 66,000</u>	<u>\$ 217,044</u>	<u>\$ 1,270,910</u>

(a) Called prior to final maturity.

(b) Escrowed.

(c) Of the \$60 million note executed in 2014, only the amount shown was drawn down as of 12/31/15

(d) Of the \$70 million note executed in 2015, only the amount shown was drawn down as of 12/31/15

(e) Of the \$14 million note executed in 2015, only the amount shown was drawn down as of 12/31/15

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS**

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Federal Grantor/ Pass-Through Agency/ Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct				
Shelter Plus Care	14.238	MN0046L5K011306	\$ 257	\$ -
Shelter Plus Care	14.238	MN0046L5K011407	457	-
Shelter Plus Care	14.238	MN0068L5K031306	70	-
Shelter Plus Care	14.238	MN0068L5K031407	146	-
Shelter Plus Care	14.238	MN0010L5K001306	785	-
Shelter Plus Care	14.238	MN0010L5K001407	1,019	-
Total CFDA #14.238			2,734	-
Section 8 Housing Choice Vouchers	14.871	MN163VO/MN163AF	58,964	-
Passed through City of Minneapolis				
Housing Opportunities for Person with Aids	14.241	C-38346	192	-
Housing Opportunities for Person with Aids	14.241	C-40303	243	-
Total CFDA #14.241			435	-
Total U. S. Department of Housing and Urban Development			62,133	-
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 \$1,327)	20.205	MN-90-X201	978	-
Federal Transit Cluster				
Federal Transit Capital Investment Grants				
2003 Section 5309	20.500	MN-03-0086	36	-
2000 Section 5309	20.500	MN-03-0101	705	-
2005 Section 5309	20.500	MN-03-0126	73	73
2006 Section 5309	20.500	MN-03-0200	87,678	717
2010 Section 5309	20.500	MN-04-0031	146	146
2010 Section 5309 D2010-BUSP-05	20.500	MN-04-0039	703	-
2011 Section 5309	20.500	MN-04-0040	617	-
2013 Section 5309	20.500	MN-04-0049	582	-
2012 Section 5309	20.500	MN-04-0050	435	435
2015 Section 5309	20.500	MN-04-0053	155	-
2007-2008 Section 5309	20.500	MN-05-0019	104	-
2011 Section 5309	20.500	MN-05-0020	567	-
2012-2015 Section 5309 (Total Federal Transit Cluster \$183,345)	20.500	MN-05-0022	1,024	-
Total CFDA #20.500			92,825	1,371
Federal Transit Formula Grants				
2000 Section 5307	20.507	MN-90-X177	19	-
2003 Section 5307	20.507	MN-90-X204	10	-
2006 Section 5307	20.507	MN-90-X217	331	-
2003-2005 Section 5307	20.507	MN-90-X226	62	-
2006 Section 5307	20.507	MN-90-X235	946	-
2006 Section 5307	20.507	MN-90-X238	12	-
2007 Section 5307	20.507	MN-90-X242	210	-

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, 2015
IN THOUSANDS**

Page (2 of 4)

Federal Grantor/ Pass-Through Agency/ Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Direct				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit Formula Grants (Continued)				
2007 - 2008 Section 5307	20.507	MN-90-X260	23	-
2009 - 2010 Section 5307	20.507	MN-90-X271	347	-
2010 Section 5307	20.507	MN-90-X274	144	-
2010 Section 5307	20.507	MN-90-X279	16	-
2011 Section 5307	20.507	MN-90-X282	164	-
2011 Section 5307	20.507	MN-90-X289	242	-
2012 Section 5307	20.507	MN-90-X296	1,149	-
2012 Section 5307	20.507	MN-90-X297	410	-
2012 Section 5307	20.507	MN-90-X299	94	-
2012 - 2013 Section 5307	20.507	MN-90-X300	827	-
2013 Section 5307	20.507	MN-90-X301	2	-
2013 Section 5307	20.507	MN-90-X305	846	-
2013 Section 5307	20.507	MN-90-X307	1,305	-
2013 Section 5307	20.507	MN-90-X308	2,463	-
2012 Section 5307	20.507	MN-90-X309	5,652	350
2012-2013 Section 5307	20.507	MN-90-X311	1,449	-
2013 Section 5307	20.507	MN-90-X312	919	-
2013 Section 5307	20.507	MN-90-X315	60	-
2013 Section 5307	20.507	MN-90-X318	310	-
2013-2014 Section 5307	20.507	MN-90-X323	14,133	137
2014 Section 5307	20.507	MN-90-X324	12,350	-
2013 Section 5307	20.507	MN-90-X328	177	-
2015 Section 5307	20.507	MN-90-X331	243	-
2015 Section 5307	20.507	MN-90-X332	1,186	-
2014 Section 5307	20.507	MN-90-X333	369	-
2015 Section 5307	20.507	MN-90-X337	8,104	-
2014 Section 5307	20.507	MN-90-X340	637	-
2007 Section 5307	20.507	MN-95-X001	2,030	196
2008 CMAQ	20.507	MN-95-X008	1,098	-
2010 -2013 CMAQ	20.507	MN-95-X015	267	-
2010 Section 5307	20.507	MN-95-X018	10	10
2012 Section 5307	20.507	MN-95-X026	929	929
2012 Section 5307	20.507	MN-95-X031	155	-
2013 Section 5307	20.507	MN-95-X037	7,326	411
2014 CMAQ	20.507	MN-95-X040	1,096	1,096
2014 CMAQ	20.507	MN-95-X041	2,788	-
2015 CMAQ	20.507	MN-95-X042	4,573	-
2014 CMAQ	20.507	MN-95-X043	3,126	-
2015 CMAQ	20.507	MN-95-X044	2,484	-
Total CFDA #20.507			81,093	3,129
State of Good Repair Grants Program				
Rail Assoc Capital Maint	20.525	MN-54-0002	2,085	-
Bus Hoists & Tire Lease	20.525	MN-54-0003	1,255	-
2014 MT Buses	20.525	MN-54-0004	3,737	-
LRT and Facility Upgrades	20.525	MN-54-0005	435	-
2015 Rail Projects	20.525	MN-54-0006	51	-
(Total Federal Transit Cluster \$183,345)				
Total CFDA #20.525			7,563	-

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, 2015
IN THOUSANDS**

Page (3 of 4)

Federal Grantor/ Pass-Through Agency/ Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Direct				
Federal Transit Administration				
Federal Transit Cluster (Continued)				
Bus and Bus Facilities Formula Program				
2014 Section 5339	20.526	MN-34-0002	<u>1,864</u>	<u>-</u>
(Total Federal Transit Cluster \$183,345)				
Transit Services Programs Cluster				
Job Access and Reverse Commute Program				
2010-2012 Section 5316	20.516	MN-37-X015	<u>308</u>	<u>194</u>
New Freedom Program				
2011-2013 New Freedom	20.521	MN-57-X006	<u>557</u>	<u>534</u>
(Total Transit Services Cluster \$865)				
Alternatives Analysis				
2008 Section 5339	20.522	MN-39-0002	256	232
2011 -2012 Section 5339	20.522	MN-39-0005	<u>61</u>	<u>21</u>
Total CFDA #20.522			<u>317</u>	<u>253</u>
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions				
2011 TIGGER II	20.523	MN-88-0001	<u>11</u>	<u>-</u>
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction				
Travel Behavior Inventory	20.205	94801	<u>349</u>	<u>-</u>
(Total Highway Planning and Construction 20.205 \$1,327)				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				
2012 Unified Planning Work Program (UPWP)	20.505	07304	<u>3,865</u>	<u>15</u>
Formula Grants for Rural Areas				
2010 Section 5311	20.509	07210	<u>846</u>	<u>-</u>
Total U.S. Department of Transportation			<u>190,576</u>	<u>5,496</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	MPFA -15-0026R-FY15	42,548	-
State Revolving Funds	66.458	MPFA -16-0004R-FY16	<u>17,361</u>	<u>-</u>
Total CFDA #66.458			<u>59,909</u>	<u>-</u>

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, 2015
IN THOUSANDS**

Page (4 of 4)

Federal Grantor/ Pass-Through Agency/ Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Federal Emergency Management Agency (FEMA)				
Passed Through Minnesota Department of Public Safety				
Homeland Security Grant Program				
2014 State Homeland Security Program	97.067	A-SHSP-2014-METCOUN-00012	<u>91</u>	<u>-</u>
Rail and Transit Security Grant Program	97.075	EMW-2014-RA00014	<u>193</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>284</u>	<u>-</u>
Total Federal Awards			<u><u>\$ 312,902</u></u>	<u><u>\$ 5,496</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, 2015**

1. Reporting Entity

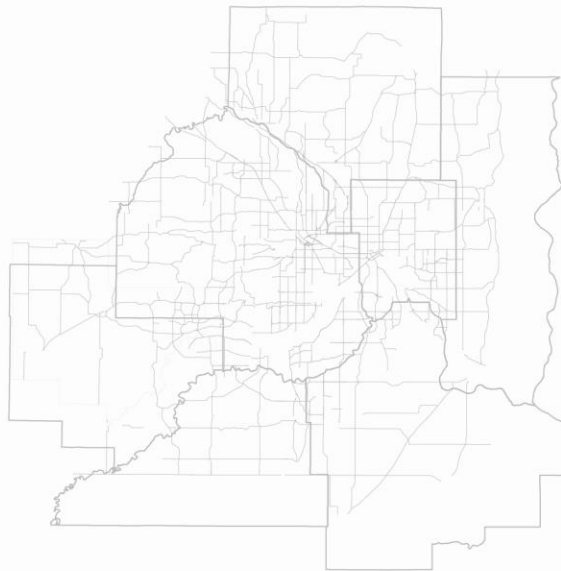
The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Metropolitan Council. The Council's reporting entity is defined in Note I.A. to the financial statements.

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, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 position, or cash flows of the Metropolitan Council.

3. Summary of Significant Accounting Policies

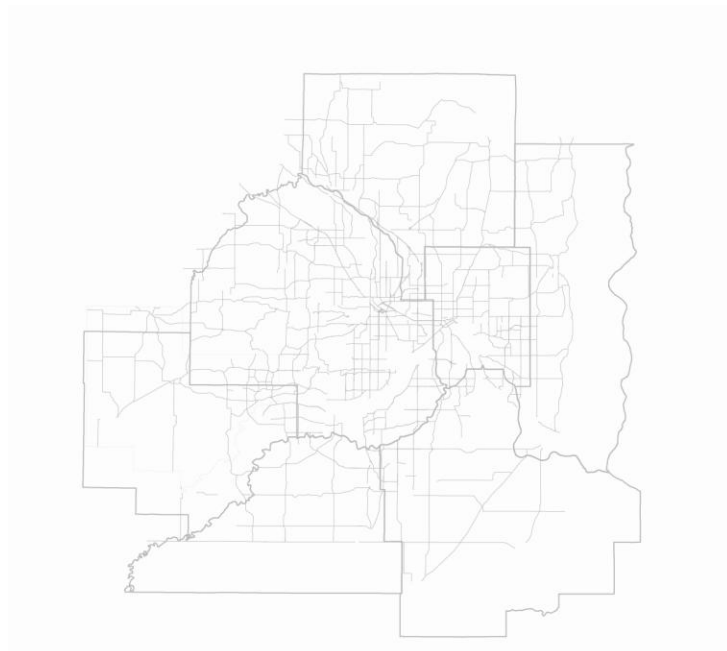
Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the Metropolitan Council. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Metropolitan Council has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Serving the Twin Cities seven-county metropolitan area

STATISTICAL SECTION





Serving the Twin Cities seven-county metropolitan area

STATISTICAL SECTION

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

Contents	Page
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.	104-107
Revenue Capacity These schedules contain information to help the reader assess the Council's most significant local revenue source, the property tax.	108-112
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.	113-122
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.	123-124
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.	125-128

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
IN THOUSANDS
(accrual basis of accounting)

	2015	2014	2013	2012¹	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$ 77,789	\$ 58,521	\$ 58,498	\$ 50,807	\$ 34,482	\$ 55,868	\$ 28,613	\$ 17,069	\$ 17,060	\$ 22,463
Restricted	309,633	315,137	230,051	273,620	211,377	246,986	162,814	152,325	107,253	105,856
Unrestricted	(159,310)	(179,688)	(75,745)	(146,295)	(88,722)	(165,010)	(84,128)	(104,689)	(62,054)	(102,565)
Total governmental activities net position	<u>\$ 228,112</u>	<u>\$ 193,970</u>	<u>\$ 212,804</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 2,786,866	\$ 2,560,539	\$ 2,660,971	\$ 2,426,834	\$ 2,119,631	\$ 1,695,361	\$ 1,590,590	\$ 1,451,577	\$ 1,376,046	\$ 1,390,948
Restricted	108,188	443,824	295,447	271,732	8,039	28,180	4,205	38,715	19,751	3,212
Unrestricted	(62,933)	(289,409)	(106,789)	(72,722)	157,392	127,979	142,542	76,411	139,993	105,006
Total business-type activities net position	<u>\$ 2,832,121</u>	<u>\$ 2,714,954</u>	<u>\$ 2,849,629</u>	<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>
Total										
Net investment in capital assets	\$ 2,864,655	\$ 2,619,060	\$ 2,719,469	\$ 2,477,641	\$ 2,154,113	\$ 1,751,229	\$ 1,619,203	\$ 1,468,646	\$ 1,393,106	\$ 1,413,411
Restricted	417,821	758,961	525,498	545,352	219,416	275,166	167,019	191,040	127,004	109,068
Unrestricted	(222,243)	(469,097)	(182,534)	(219,017)	68,670	(37,031)	58,414	(28,278)	77,939	2,441
Total governmental and business-type activities net position	<u>\$ 3,060,233</u>	<u>\$ 2,908,924</u>	<u>\$ 3,062,433</u>	<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>

Notes:

¹Table restated for 2012.

Unaudited

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

	2015	2014 ¹	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities:										
General government	\$ 6,159	\$ 12,544	\$ 11,903	\$ 11,310	\$ 10,601	\$ 8,961	\$ 9,067	\$ 9,823	\$ 9,848	\$ 8,613
Transportation	143,681	138,525	126,384	116,818	107,251	107,087	107,715	102,476	92,732	88,510
Culture and recreation	27,984	30,657	37,337	46,358	30,659	31,860	28,151	39,007	26,377	16,084
Economic revitalization	12,250	8,153	12,733	9,446	4,684	6,767	4,488	1,136	4,548	4,036
Environment development	7,268	5,918	5,946	8,476	3,973	2,216	3,560	3,313	9,302	5,201
Housing	1,404	1,847	1,759	1,348	1,393	2,380	594	1,504	1,831	2,136
Interest and other charges	2,297	6,622	9,445	7,391	5,953	7,413	8,491	9,606	12,969	11,753
Total governmental activities expenses	<u>201,043</u>	<u>204,266</u>	<u>205,507</u>	<u>201,147</u>	<u>164,514</u>	<u>166,684</u>	<u>162,066</u>	<u>166,865</u>	<u>157,607</u>	<u>136,333</u>
Business-type activities:										
Environmental services	207,812	233,979	253,333	200,342	198,406	190,406	192,990	218,856	190,763	173,090
Transit bus	334,213	314,305	316,005	310,737	302,758	301,905	302,669	299,435	264,612	246,264
Transit light rail	141,209	142,929	66,082	69,975	66,183	58,334	51,895	55,766	49,524	45,795
Transit commuter rail	24,478	23,541	22,944	24,716	21,860	19,576	6,834	770	-	-
Housing	64,869	62,697	58,911	58,406	57,682	56,574	56,201	53,880	55,432	56,595
Total business-type activities expenses	<u>772,581</u>	<u>777,451</u>	<u>717,275</u>	<u>664,176</u>	<u>646,889</u>	<u>626,795</u>	<u>610,589</u>	<u>628,707</u>	<u>560,331</u>	<u>521,744</u>
Total expenses	<u>\$ 973,624</u>	<u>\$ 981,717</u>	<u>\$ 922,782</u>	<u>\$ 865,323</u>	<u>\$ 811,403</u>	<u>\$ 793,479</u>	<u>\$ 772,655</u>	<u>\$ 795,572</u>	<u>\$ 717,938</u>	<u>\$ 658,077</u>
Program Revenues										
Governmental activities:										
Charges for services										
Transit fares	\$ 10,015	\$ 9,214	\$ 8,825	\$ 7,661	\$ 8,108	\$ 7,514	\$ 7,443	\$ 6,396	\$ 7,254	\$ 6,836
Insurance reimbursements	140	208	196	124	285	180	203	172	118	169
Other activities	290	262	74	203	69	29	6	-	89	43
Operating grants and contributions	117,803	109,086	90,856	56,503	56,884	50,720	45,563	46,842	53,051	42,835
Capital grants and contributions	54,921	40,498	52,380	62,693	34,963	38,315	49,379	32,812	38,336	19,791
Total governmental activities program revenues	<u>183,169</u>	<u>159,268</u>	<u>152,331</u>	<u>127,184</u>	<u>100,309</u>	<u>96,758</u>	<u>102,594</u>	<u>86,222</u>	<u>98,848</u>	<u>69,674</u>
Business-type activities:										
Charges for services										
Wastewater	243,035	233,468	221,381	207,900	205,847	209,960	210,535	203,292	190,491	187,374
Transit fares	103,270	101,638	98,644	98,451	95,806	92,537	89,913	86,293	80,111	77,222
Other activities	1,112	1,013	994	902	779	789	781	744	661	798
Operating grants and contributions	323,292	369,833	262,658	276,255	246,436	226,647	255,898	211,805	237,438	214,190
Capital grants and contributions	181,712	177,690	288,045	380,174	494,132	181,429	195,827	129,184	57,603	54,651
Total business-type activities program revenues	<u>852,421</u>	<u>883,642</u>	<u>871,722</u>	<u>963,682</u>	<u>1,043,000</u>	<u>711,362</u>	<u>752,954</u>	<u>631,318</u>	<u>566,304</u>	<u>534,235</u>
Total program revenues	<u>\$ 1,035,590</u>	<u>\$ 1,042,910</u>	<u>\$ 1,024,053</u>	<u>\$ 1,090,866</u>	<u>\$ 1,143,309</u>	<u>\$ 808,120</u>	<u>\$ 855,548</u>	<u>\$ 717,540</u>	<u>\$ 665,152</u>	<u>\$ 603,909</u>
Net (Expense) Revenue										
Governmental activities	\$ (17,874)	\$ (44,998)	\$ (53,176)	\$ (73,963)	\$ (64,205)	\$ (69,926)	\$ (59,472)	\$ (80,643)	\$ (58,759)	\$ (66,659)
Business-type activities	79,840	106,191	154,447	299,506	396,111	84,567	142,365	2,611	5,973	12,491
Total net (expenses) revenues	<u>\$ 61,966</u>	<u>\$ 61,193</u>	<u>\$ 101,271</u>	<u>\$ 225,543</u>	<u>\$ 331,906</u>	<u>\$ 14,641</u>	<u>\$ 82,893</u>	<u>\$ (78,032)</u>	<u>\$ (52,786)</u>	<u>\$ (54,168)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property tax	\$ 77,435	\$ 76,785	\$ 77,533	\$ 75,043	\$ 73,798	\$ 73,140	\$ 71,281	\$ 70,217	\$ 68,825	\$ 68,026
Market value and other credits	-	-	-	-	2,381	2,278	2,130	2,120	2,267	2,691
Motor vehicle sales tax	-	-	49,094	36,799	29,109	33,061	35,694	31,785	27,216	27,459
Investment earnings	3,371	12,035	(4,146)	4,419	7,675	6,027	4,831	5,981	14,249	10,013
Gain on sale of capital assets	310	275	378	350	-	-	97	83	446	170
Transfers	(29,100)	(24,628)	(35,011)	(21,653)	(29,465)	(14,035)	(11,967)	(27,097)	(17,739)	(12,618)
Total governmental activities	<u>52,016</u>	<u>64,467</u>	<u>87,848</u>	<u>94,958</u>	<u>83,498</u>	<u>100,471</u>	<u>102,066</u>	<u>83,089</u>	<u>95,264</u>	<u>95,741</u>
Business-type activities:										
Taxes										
Property tax	2,000	3,379	-	-	-	-	-	-	-	-
Investment earnings	6,227	37,611	33,878	19,850	7,966	15,581	16,302	1,205	12,912	11,840
Gain on sale of capital assets	-	261	222	-	-	-	-	-	-	-
Transfers	29,100	24,628	35,011	21,653	29,465	14,035	11,967	27,097	17,739	12,618
Total business-type activities	<u>37,327</u>	<u>65,879</u>	<u>69,111</u>	<u>41,503</u>	<u>37,431</u>	<u>29,616</u>	<u>28,269</u>	<u>28,302</u>	<u>30,651</u>	<u>24,458</u>
Total general revenues and other changes in net position	<u>\$ 89,343</u>	<u>\$ 130,346</u>	<u>\$ 156,959</u>	<u>\$ 136,461</u>	<u>\$ 120,929</u>	<u>\$ 130,087</u>	<u>\$ 130,335</u>	<u>\$ 111,391</u>	<u>\$ 125,915</u>	<u>\$ 120,199</u>
Changes in Net Position										
Governmental activities	\$ 34,142	\$ 19,469	\$ 34,672	\$ 20,995	\$ 19,293	\$ 30,545	\$ 42,594	\$ 2,446	\$ 36,505	\$ 29,082
Business-type activities	117,167	172,070	223,558	341,009	433,542	114,183	170,634	30,913	36,624	36,949
Total changes in net position	<u>\$ 151,309</u>	<u>\$ 191,539</u>	<u>\$ 258,230</u>	<u>\$ 362,004</u>	<u>\$ 452,835</u>	<u>\$ 144,728</u>	<u>\$ 213,228</u>	<u>\$ 33,359</u>	<u>\$ 73,129</u>	<u>\$ 66,031</u>

Unaudited

¹ 2014 beginning net position was restated due to a change in accounting principle for pensions and a prior period adjustment for business-type capital assets.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund										
Committed	\$ 6,153	\$ 6,338	\$ 6,363	\$ 6,008	\$ 5,297	\$ 4,537	\$ 3,793	\$ 2,899	\$ 2,612	\$ 4,751
Assigned	5,832	4,176	4,242	4,218	5,662	4,796	3,025	2,915	3,279	3,207
Unassigned	13,514	11,926	12,283	13,751	12,225	13,585	13,213	11,748	11,766	7,975
Total general fund	<u>\$ 25,499</u>	<u>\$ 22,440</u>	<u>\$ 22,888</u>	<u>\$ 23,977</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>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,724	\$ 41,875	\$ 37,712	\$ 35,861
Restricted	309,633	315,137	287,965	340,670	306,905	319,238	203,039	174,126	147,216	125,586
Committed	53,204	57,526	63,338	30,236	30,164	32,140	30,785	27,474	29,210	25,401
Unassigned	(20,074)	(26,014)	(22,261)	(23,675)	(44,489)	(35,143)	(17,578)	(37,438)	(9,468)	(19,923)
Total all other governmental funds	<u>\$ 342,763</u>	<u>\$ 346,649</u>	<u>\$ 329,042</u>	<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>
Total all governmental funds	<u>\$ 368,262</u>	<u>\$ 369,089</u>	<u>\$ 351,930</u>	<u>\$ 371,208</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>

Unaudited

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES										
Taxes	\$ 77,766	\$ 75,327	\$ 77,920	\$ 76,382	\$ 72,658	\$ 72,752	\$ 71,223	\$ 70,161	\$ 68,383	\$ 68,178
Intergovernmental revenue:										
Federal	36,677	20,950	22,629	38,933	18,460	20,107	19,947	14,009	20,046	15,902
Build America bonds interest subsidy	800	859	937	1,037	825	423	-	-	-	-
State	133,488	125,895	165,201	115,087	103,371	103,583	112,758	99,548	97,324	76,864
Local/other	2,189	2,350	3,653	1,062	1,493	1,108	1,101	927	3,759	188
Investment income	3,371	12,035	(4,146)	4,419	7,675	6,027	4,831	5,981	14,249	10,013
Other	10,015	9,214	9,005	7,864	7,650	6,876	6,612	5,713	7,202	6,870
Total revenues	264,306	246,630	275,199	244,784	212,132	210,876	216,472	196,339	210,963	178,015
EXPENDITURES										
Current:										
General government	8,913	12,496	11,232	10,914	8,861	7,638	7,932	8,862	8,817	8,185
Transportation	85,187	83,119	75,611	70,028	67,418	63,424	58,175	60,468	54,233	51,112
Economic development	-	49	275	866	-	-	-	-	-	-
Intergovernmental:										
Transportation	40,705	39,682	36,289	31,616	26,144	30,474	38,100	31,616	30,262	29,780
Culture and recreation	27,984	30,657	37,337	46,358	30,659	31,860	28,151	39,007	26,377	16,084
Economic revitalization	12,250	8,104	12,458	8,580	4,684	6,767	4,488	1,136	4,548	4,036
Environment development	7,268	5,918	5,946	8,476	3,973	2,216	3,560	3,313	9,302	5,201
Housing	1,404	1,847	1,759	1,348	1,393	2,380	594	1,504	1,831	2,136
Debt service:										
Principal	66,450	41,065	40,140	46,880	43,465	53,475	35,325	43,515	44,295	40,870
Interest and other charges	7,696	9,107	9,659	7,482	8,143	8,552	8,560	10,280	13,217	13,625
Capital outlay	39,109	21,399	29,292	32,376	11,480	10,945	18,916	5,796	22,198	26,998
Total expenditures	296,966	253,443	259,998	264,924	206,220	217,731	203,801	205,497	215,080	198,027
Excess (deficiency) of revenues over (under) expenditures	(32,660)	(6,813)	15,201	(20,140)	5,912	(6,855)	12,671	(9,158)	(4,117)	(20,012)
OTHER FINANCING SOURCES (USES)										
Transfers in	4,018	1,478	2,316	1,802	1,693	1,150	1,101	3,953	3,832	1,667
Transfers out	(28,646)	(22,199)	(37,327)	(23,704)	(31,158)	(15,185)	(19,632)	(31,241)	(21,805)	(14,362)
Bonds issued	51,000	42,077	-	59,000	-	77,600	53,000	50,300	45,900	-
Refunding bonds issued	-	-	-	29,725	-	-	10,490	-	17,375	-
Certificates of indebtedness issued	-	-	-	-	-	-	-	-	-	-
Capital lease issued	-	-	-	-	-	-	-	-	-	-
Premium on bonds and capital related debt	5,119	2,362	-	5,388	-	296	588	841	698	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(13,600)	(2,860)	-
Premium on refunding bonds	-	-	-	2,829	-	-	-	-	-	-
Sale of capital assets	342	254	532	544	164	146	184	177	446	102
Total other financing sources (uses)	31,833	23,972	(34,479)	75,584	(29,301)	64,007	45,731	10,430	43,586	(12,593)
Net change in fund balances	\$ (827)	\$ 17,159	\$ (19,278)	\$ 55,444	\$ (23,389)	\$ 57,152	\$ 58,402	\$ 1,272	\$ 39,469	\$ (32,605)
Debt service as a percentage of noncapital expenditures	28.8%	21.6%	21.6%	23.4%	26.5%	30.0%	23.7%	26.9%	29.8%	31.9%

Unaudited

**GENERAL GOVERNMENTAL REVENUES AND
OTHER FINANCING SOURCES BY SOURCE
LAST TEN YEARS ENDED DECEMBER 31 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	
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
2013	10,602	18,983	48,335	22,629	937	133,559	1,666	(1,033)	(1,884)	11,026	244,820
2014	10,458	15,885	48,984	8,568	859	101,210	1,984	6,866	3,214	21,681	219,709
2015	11,852	16,505	49,409	7,379	800	110,197	1,829	2,083	752	16,242	217,048

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
IN THOUSANDS (EXCEPT PERCENTAGES)**

Year	Real Property	Personal Property	Total		Ratio of Net Tax Capacity Value to Market Value	Total Direct Tax Rate
	Market Value	Market Value	Market Value	Net Tax Capacity Value		
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
2013	271,603,265	3,175,512	274,778,777	3,150,328	1.1%	0.03
2014	295,616,567	3,319,277	298,935,844	3,426,187	1.1%	0.01
2015	312,067,619	3,522,198	315,589,817	3,634,111	1.2%	0.01

Unaudited

Source: State of Minnesota, Department of Revenue.

Note: Net tax capacity is determined by reducing the property market value by various percentages as legislated.

**PROPERTY TAX RATES AND LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS ENDED DECEMBER 31
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
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
2013	0.00	0.00	0.01	0.02	0.03	0.43	0.39	0.38	0.46
2014	0.00	0.00	0.00	0.01	0.01	0.40	0.36	0.35	0.44
2015	0.00	0.00	0.00	0.01	0.01	0.39	0.34	0.34	0.41

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>	2015			2006		
	Net Tax Capacity	Rank	Percentage of Total Tax Capacity^{1,3}	2006 Tax Capacity	Rank	Percentage of Total Tax Capacity^{2,3}
Xcel Energy / Northern States Power Co	\$ 16,124	1	0.44%	\$ 7,809	2	0.22%
MOA Mall Holdings LLC	12,984	2	0.36%	9,345	1	0.26%
3M Company	4,551	3	0.13%	5,678	3	0.16%
IDS MB Minneapolis 8th St LLC	4,199	4	0.12%	-	-	-
NWC Limited Partnership	3,865	5	0.11%	3,079	5	0.09%
Minneapolis 225 Holdings LLC	3,758	6	0.10%	-	-	-
Wells REIT-800 Nicollet	2,911	7	0.08%	2,599	7	0.07%
US Bank Corp	2,890	8	0.08%	-	-	-
Best Buy Co. Inc	2,784	9	0.08%	2,748	6	0.08%
SRI Ten City Center LLC	2,776	10	0.08%	-	-	-
Flanagan-AMEX	-	-	-	2,319	9	0.06%
80 South Eight LLC	-	-	-	3,339	4	0.09%
First Minneapolis - Hines Co.	-	-	-	2,239	10	0.06%
The Mills Corporation	-	-	-	2,487	8	0.07%
Total	<u>\$ 56,842</u>		<u>1.58%</u>	<u>\$ 41,642</u>		<u>1.16%</u>

Unaudited

Source: Hennepin County abstract of property taxes
Ramsey County abstract of property taxes

- Notes
- ¹ Net tax capacity value for 2015 = \$3,634,111
 - ² Net tax capacity value for 2006 = \$3,584,479
 - 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
IN THOUSANDS (EXCEPT PERCENTAGES)**

Year	Total Tax Levy	State Levy Reduction¹	Net Taxes Levied for the Year	Collected within the Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
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%	1,017	70,372	99.56%
2009	73,886	2,101	71,785	70,248	97.86%	905	71,153	99.12%
2010	75,394	2,252	73,142	71,815	98.19%	316	72,131	98.62%
2011	75,424	2,353	73,071	71,923	98.43%	275	72,198	98.81%
2012	76,934	-	76,934	75,989	98.77%	149	76,138	98.97%
2013	78,452	-	78,452	77,651	98.98%	225	77,876	99.27%
2014	80,041	-	80,041	78,624	98.23%	947	79,571	99.41%
2015	80,431	-	80,431	79,757	99.16%	-	79,757	99.16%

Unaudited

Notes ¹ In 2012 State Levy Reduction (Market Value Credits) eliminated by the State of Minnesota due to budget reductions.

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS ENDED DECEMBER 31
IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)⁴**

Fiscal Year	General Bonded Debt Outstanding						Percentage of	
	General Obligation Bonds Transit ³	General Obligation Bonds Parks ³	General Obligation Bonds Other	General Obligation Bonds Wastewater ³	Less: Amounts Available in Debt Service Fund ⁴	Total ³	Actual Taxable Value ¹ of Property	Per Capita ²
2006	\$ 169,181	\$ 13,302	\$ 735	\$ 289,244	\$ 77,182	\$ 395,280	11.03%	\$ 140.08
2007	184,981	18,544	375	342,336	89,734	456,502	11.82%	160.23
2008	181,870	8,707	-	394,367	72,300	512,644	13.09%	178.61
2009	208,420	15,358	-	365,241	89,403	499,616	13.26%	173.37
2010	237,600	13,975	-	447,158	77,257	621,476	17.70%	218.09
2011	197,811	11,219	-	421,662	79,200	551,492	16.92%	191.93
2012	249,700	11,778	-	901,980	107,652	1,055,806	33.93%	308.51
2013	215,848	7,647	-	834,764	102,860	955,399	30.33%	276.20
2014	213,503	13,128	-	823,068	118,056	931,643	27.19%	266.55
2015	200,370	13,379	-	754,129	100,944	866,934	23.86%	248.04

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.

³ Presented net of original issuance discounts and premiums.

⁴ This is the amount restricted for debt service principal payments.

RATIOS OF OUTSTANDING DEBT BY TYPE⁶
LAST TEN YEARS ENDED DECEMBER 31
IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)

Governmental Activities							
Fiscal Year	General Obligation Bonds-Transit⁵	General Obligation Bonds-Parks⁵	General Obligation Bonds-Other	Revenue Bonds²	PFA Transit Loan¹	Capital Leases	Total Governmental Activities⁵
2006	\$ 169,181	\$ 13,302	\$ 735	\$ 9,813	\$ 9,240	\$ 13,530	\$ 215,801
2007	184,981	18,544	375	7,319	7,855	13,020	232,094
2008	181,870	8,707	-	6,279	16,210	12,495	225,561
2009	208,420	15,358	-	5,134	12,860	11,955	253,727
2010	237,600	13,975	-	3,938	10,635	11,395	277,543
2011	197,811	11,219	-	2,700	9,460	10,820	232,010
2012	249,700	11,778	-	1,368	8,255	10,225	281,326
2013	215,848	7,647	-	-	7,030	9,610	240,135
2014	213,503	13,128	-	-	5,780	8,570	240,981
2015	200,370	13,379	-	-	4,495	7,875	226,119

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.

⁵ Presented net of original issuance discounts and premiums.

⁶ Table restated net of original issuance discounts and premiums.

Business-Type Activities

General Obligation Grant Anticipation Transit Notes⁴	General Obligation Bonds Wastewater⁵	PFA Wastewater⁵	CTIB Loan	Loan Payable	Total Business- Type Activities⁶	Total Primary Government⁶	Percentage of Personal Income³	Per Capita³
\$ -	\$ 289,244	\$ 552,573	\$ -	\$ 1,405	\$ 843,222	\$ 1,059,023	0.76%	\$ 375.30
-	342,336	564,673	-	1,405	908,414	1,140,508	0.76%	400.32
-	394,367	576,010	-	1,405	971,782	1,197,343	0.78%	417.16
-	365,241	592,169	-	1,405	958,815	1,212,542	0.81%	420.76
-	447,158	598,059	-	1,405	1,046,622	1,324,165	0.87%	464.69
88,567	421,662	633,750	-	1,405	1,145,384	1,377,394	0.85%	479.35
165,558	901,980	448,039	-	1,405	1,516,982	1,798,308	1.05%	525.47
143,224	834,764	483,124	-	1,405	1,462,517	1,702,652	0.96%	492.22
188,573	823,068	535,984	-	1,405	1,549,030	1,790,011	0.96%	512.14
8,931	754,130	567,813	1,949	1,405	1,334,228	1,560,347	0.84%	446.43

COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS

Page (1 of 5)

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Counties:			
Anoka	\$ 118,321	100.0%	\$ 118,321
Carver	24,650	100.0%	24,650
Dakota	23,420	99.8%	23,361
Hennepin	1,037,450	99.9%	1,036,724
Ramsey	207,722	100.0%	207,722
Scott	78,735	97.9%	77,050
Washington	164,020	100.0%	164,020
Total counties	1,654,318		1,651,848
School districts:			
ISD #11 Anoka	58,620	100.0%	58,620
ISD #12 Centennial	96,174	100.0%	96,174
ISD #13 Columbia Heights	15,705	100.0%	15,705
ISD #14 Fridley	35,155	100.0%	35,155
ISD #15 St. Francis	35,300	92.6%	32,688
ISD #16 Spring Lake Park	168,780	100.0%	168,780
ISD #108 Norwood-Young America	11,685	96.1%	11,229
ISD #110 Waconia	121,705	100.0%	121,705
ISD #111 Watertown-Mayer	57,575	88.8%	51,127
ISD #112 Chaska	208,400	100.0%	208,400
ISD #191 Burnsville	162,490	100.0%	162,490
ISD #192 Farmington	277,935	100.0%	277,935
ISD #194 Lakeville	145,930	100.0%	145,930
ISD #195 Randolph	5,670	88.7%	5,029
ISD #196 Rosemount	97,380	100.0%	97,380
ISD #197 West St. Paul	15,450	100.0%	15,450
ISD #199 Inver Grove Heights	93,460	100.0%	93,460
ISD #200 Hastings	39,225	99.9%	39,186
ISD #252 Cannon Falls	20,185	5.9%	1,191
ISD #270 Hopkins-Golden Valley	167,575	100.0%	167,575
ISD #271 Bloomington	53,870	100.0%	53,870
ISD #272 Eden Prairie	66,315	100.0%	66,315
ISD #273 Edina	176,255	100.0%	176,255
ISD #276 Minnetonka	154,775	100.0%	154,775
ISD #277 Westonka	27,720	100.0%	27,720
ISD #278 Orono	49,315	100.0%	49,315
ISD #279 Osseo	185,165	100.0%	185,165
ISD #280 Richfield	43,465	100.0%	43,465
ISD #281 Robbinsdale	153,042	100.0%	153,042
ISD #282 St Anthony-New Brighton	29,085	100.0%	29,085
ISD #283 St. Louis Park	46,420	100.0%	46,420
ISD #284 Wayzata	175,910	100.0%	175,910
ISD #286 Brooklyn Center	48,350	100.0%	48,350
ISD #424 Lester Prairie	3,795	0.2%	8
ISD #621 Mounds View	118,030	100.0%	118,030
ISD #622 North St. Paul-Maplewood-Oakdale	114,100	100.0%	114,100
ISD #623 Roseville	39,470	100.0%	39,470
ISD #624 White Bear Lake	93,420	100.0%	93,420
ISD #625 St. Paul	354,005	100.0%	354,005
ISD #659 Northfield	40,355	16.0%	6,457
ISD #716 Belle Plaine	29,395	84.1%	24,721

COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS

Page (2 of 5)

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
School districts (continued):			
ISD #717 Jordan	41,415	100.0%	41,415
ISD #719 Prior Lake	112,710	100.0%	112,710
ISD #720 Shakopee	216,945	100.0%	216,945
ISD #721 New Prague	101,165	47.2%	47,750
ISD #728 Elk River	287,380	35.4%	101,733
ISD #831 Forest Lake	30,325	87.5%	26,534
ISD #832 Mahtomedi	50,740	100.0%	50,740
ISD #833 South Washington	226,475	100.0%	226,475
ISD #834 Stillwater	136,865	100.0%	136,865
ISD #877 Buffalo-Hanover-Montrose	83,075	13.9%	11,547
ISD #879 Delano	18,045	36.4%	6,568
ISD #883 Rockford	69,350	65.2%	45,216
ISD #916 Special Intermediate-Vo Tech	82,995	100.0%	82,995
SSD #991 Minneapolis	361,291	100.0%	361,291
SSD #996 South St. Paul	38,450	100.0%	38,450
ISD #2144 Chisago Lakes	13,155	4.8%	631
ISD #2397 LeSueur-Henderson	13,045	1.2%	157
ISD #2687 Howard Lake-Waverly-Winsted	66,470	0.6%	399
ISD #2859 Glencoe-Silver Lake	23,695	0.2%	47
Total school districts	<u>5,810,247</u>		<u>5,273,575</u>
Cities:			
Afton	6,705	100.0%	6,705
Andover	25,050	100.0%	25,050
Anoka	4,570	100.0%	4,570
Apple Valley	46,725	100.0%	46,725
Arden Hills	-	100.0%	-
Bayport	2,165	100.0%	2,165
Belle Plaine	17,952	100.0%	17,952
Bethel	740	100.0%	740
Birchwood	64	100.0%	64
Blaine	34,770	100.0%	34,770
Bloomington	59,300	100.0%	59,300
Brooklyn Center	50,505	100.0%	50,505
Brooklyn Park	40,210	100.0%	40,210
Burnsville	61,600	100.0%	61,600
Carver	19,637	100.0%	19,637
Centerville	7,615	100.0%	7,615
Champlin	9,545	100.0%	9,545
Chanhassen	19,210	100.0%	19,210
Chaska	105,570	100.0%	105,570
Circle Pines	13,410	100.0%	13,410
Cologne	8,919	100.0%	8,919
Columbia Heights	21,925	100.0%	21,925
Columbus	16,379	100.0%	16,379
Coon Rapids	53,975	100.0%	53,975
Corcoran	8,525	100.0%	8,525
Cottage Grove	25,185	100.0%	25,185
Crystal	15,892	100.0%	15,892
Dayton	50,685	100.0%	50,685
Delwood	665	100.0%	665
Eagan	21,275	100.0%	21,275
East Bethel	20,864	100.0%	20,864
Eden Prairie	46,055	100.0%	46,055
Edina	111,090	100.0%	111,090
Elko/New Market	11,814	100.0%	11,814
Excelsior	3,311	100.0%	3,311

COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS

(Page 3 of 5)

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Cities (continued):			
Falcon Heights	1,070	100.0%	1,070
Farmington	31,087	100.0%	31,087
Forest Lake	37,750	100.0%	37,750
Fridley	9,600	100.0%	9,600
Gem Lake	1,520	100.0%	1,520
Golden Valley	70,140	100.0%	70,140
Greenfield	2,355	100.0%	2,355
Hamburg	1,884	100.0%	1,884
Ham Lake	3,790	100.0%	3,790
Hampton	2,091	100.0%	2,091
Hastings	27,645	100.0%	27,645
Hopkins	44,010	100.0%	44,010
Hugo	8,795	100.0%	8,795
Independence	2,835	100.0%	2,835
Inver Grove Heights	47,355	100.0%	47,355
Jordan	22,541	100.0%	22,541
Lake Elmo	21,985	100.0%	21,985
Lakeland	2,645	100.0%	2,645
Lake St. Croix Beach	(3,990)	100.0%	(3,990)
Lakeville	109,955	100.0%	109,955
Lexington	1,895	100.0%	1,895
Lilydale	2,491	100.0%	2,491
Lino Lakes	24,611	100.0%	24,611
Little Canada	9,530	100.0%	9,530
Long Lake	660	100.0%	660
Loretto	453	100.0%	453
Mahtomedi	16,750	100.0%	16,750
Maple Grove	122,695	100.0%	122,695
Maple Plain	7,539	100.0%	7,539
Maplewood	70,270	100.0%	70,270
Marine	70	100.0%	70
Mayer	8,113	100.0%	8,113
Medina	15,135	100.0%	15,135
Mendota	7,700	100.0%	7,700
Mendota Heights	18,675	100.0%	18,675
Minneapolis	612,355	100.0%	612,355
Minnetonka	6,900	100.0%	6,900
Minnetonka Beach	1,840	100.0%	1,840
Minnetrista	16,334	100.0%	16,334
Mound	59,668	100.0%	59,668
Mounds View	789	100.0%	789
New Brighton	55,270	100.0%	55,270
New Germany	9,018	100.0%	9,018
New Hope	19,987	100.0%	19,987
Newport	5,580	100.0%	5,580
North Oaks	445	100.0%	445
North St. Paul	22,460	100.0%	22,460
Northfield	40,997	100.0%	40,997
Norwood-Young America	19,373	100.0%	19,373
Nowthen	906	100.0%	906

COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS

(Page 4 of 5)

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Cities (continued):			
Oakdale	28,635	100.0%	28,635
Oak Grove	1,810	100.0%	1,810
Oak Park Heights	14,385	100.0%	14,385
Orono	10,805	100.0%	10,805
Osseo	11,255	100.0%	11,255
Plymouth	17,805	100.0%	17,805
Prior Lake	43,020	100.0%	43,020
Ramsey	28,370	100.0%	28,370
Richfield	54,147	100.0%	54,147
Robbinsdale	23,235	100.0%	23,235
Rogers & Hassan Combined	15,135	100.0%	15,135
Rosemount	21,465	100.0%	21,465
Roseville	31,245	100.0%	31,245
St. Anthony	24,745	100.0%	24,745
St. Bonifacius	3,713	100.0%	3,713
St. Francis	39,323	100.0%	39,323
St. Louis Park	38,670	100.0%	38,670
St. Paul	448,897	100.0%	448,897
St. Paul Park	4,952	100.0%	4,952
Savage	73,375	100.0%	73,375
Scandia	745	100.0%	745
Shakopee	16,640	100.0%	16,640
Shoreview	29,325	100.0%	29,325
Shorewood	9,300	100.0%	9,300
South St. Paul	24,532	100.0%	24,532
Spring Lake Park	5,518	100.0%	5,518
Spring Park	2,655	100.0%	2,655
Stillwater	28,965	100.0%	28,965
Sunfish Lake	515	100.0%	515
Vadnais Heights	7,265	100.0%	7,265
Vermillion	135	100.0%	135
Victoria	26,715	100.0%	26,715
Waconia	49,791	100.0%	49,791
Watertown	8,434	100.0%	8,434
Wayzata	12,250	100.0%	12,250
West St. Paul	33,755	100.0%	33,755
White Bear Lake	3,405	100.0%	3,405
Woodbury	52,427	100.0%	52,427
Woodland	147	100.0%	147
Total cities	<u>3,812,980</u>		<u>3,812,980</u>
Townships:			
Cedar Lake	227	100.0%	227
Credit River	2,700	100.0%	2,700
Empire	670	100.0%	670
Laketown	103	100.0%	103
Randolph	214	100.0%	214
Ravenna	127	100.0%	127
Sand Creek	460	100.0%	460
Spring Lake	2,753	100.0%	2,753
White Bear	4,095	100.0%	4,095
Total townships	<u>11,349</u>		<u>11,349</u>

COMPILATION OF OVERLAPPING DEBT ¹
FOR THE YEAR ENDED DECEMBER 31, 2015
IN THOUSANDS

(Page 5 of 5)

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Miscellaneous:			
Anoka County HRA	21,905	100.0%	21,905
Anoka Tax Increment	6,115	100.0%	6,115
Blaine EDA/HRA	3,750	100.0%	3,750
Bloomington Port Authority	7,150	100.0%	7,150
Brooklyn Park EDA	1,790	100.0%	1,790
Capital Region Watershed District	3,918	100.0%	3,918
Carver County CDA	24,645	100.0%	24,645
Cedar Lake Sewer Sanitary District	706	65.5%	462
Chanhassen HRA	-	100.0%	-
Circle Pines Tax Increment	1,995	100.0%	1,995
Columbia Heights Tax Increment	410	100.0%	410
Dakota County CDA	283,409	100.0%	283,409
Hastings EDA	2,380	100.0%	2,380
Hennepin City Park	72,145	100.0%	72,145
Hennepin Regional Railroad Authority	34,695	100.0%	34,695
HRA of St. Paul	112,714	100.0%	112,714
Logis(Local Gov Info Sys)	2,152	100.0%	2,152
Maple Grove HRA	700	100.0%	700
Metropolitan Airports Commission	1,346,640	100.0%	1,346,640
Minnesota Municipal Power Agency	251,476	61.4%	154,406
MN Valley Transit Auth	5,295	100.0%	5,295
Mound HRA	2,590	100.0%	2,590
Norwood-Young America EDA	7,505	100.0%	7,505
Prior Lake-Spring Lake Watershed District	950	100.0%	950
Plymouth HRA	12,545	100.0%	12,545
Ramsey-Washington Metro Watershed District	1,233	100.0%	1,233
Ramsey Regional Rail	10,065	100.0%	10,065
Regional Railroad Authority-Anoka County	52,600	100.0%	52,600
Rice Creek Watershed	200	100.0%	200
Scott County CDA	47,340	100.0%	47,340
South Washington Watershed District	4,408	100.0%	4,408
St. Anthony HRA	7,865	100.0%	7,865
St. Paul Port Authority	72,255	100.0%	72,255
Tech & Info Edu Serv	4,319	100.0%	4,319
Waconia HRA	11,418	100.0%	11,418
Washington County HRA	55,891	100.0%	55,891
Total miscellaneous	<u>2,475,174</u>		<u>2,377,860</u>
Subtotal, overlapping debt	<u>\$ 13,764,068</u>		13,127,612
Metropolitan Council direct debt			<u>226,119</u>
Total direct and overlapping debt			<u>\$ 13,353,731</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
IN THOUSANDS (EXCEPT PERCENTAGE)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt limit	\$ 353,595	\$ 413,505	\$ 367,025	\$ 365,515	\$ 334,245	\$ 338,265	\$ 345,190	\$ 330,655	\$ 306,495	\$ 317,995
Total net debt applicable to limit	<u>206,020</u>	<u>220,775</u>	<u>219,230</u>	<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>
Legal debt margin	<u>\$ 147,575</u>	<u>\$ 192,730</u>	<u>\$ 147,795</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	<u>58.26%</u>	<u>53.39%</u>	<u>59.73%</u>	<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>

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 NINE YEARS ENDED DECEMBER 31
IN THOUSANDS (EXCEPT COVERAGE)**

Radio Revenue Bonds					
Year	Total Bond Outstanding^{1,3}	911 Fee Revenue²	Principal^{1,5}	Interest	Coverage⁴
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
2013	-	705	1,365	27	0.51
2014	-	-	-	-	-
2015	-	-	-	-	-

Unaudited

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.

⁶ On February, 1, 2013, the council paid the Metropolitan Radio Board Bond. Currently, there are no revenue bonds outstanding at this time.

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS ENDED DECEMBER 31**

Year	Population ^{1,3}	Personal Income ^{1,3} (In Millions)	Per Capita ^{1,3} Income	Unemployment Rate ²
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	3,422,264	172,004	50,260	5.50%
2013	3,459,146	177,051	51,183	4.80%
2014	3,495,176	185,825	53,166	3.90%
2015	3,495,176	185,825	53,166	3.40%

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 2015 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	2015			2006		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Minnesota	54	1	2.88%	55	1	3.09%
Mayo Clinic	40	2	2.14%	33	3	1.85%
United States Federal Government	31	3	1.66%	35	2	1.96%
Target Corporation	30	4	1.60%	24	5	1.35%
Allina Health System	26	5	1.39%	23	6	1.29%
University of Minnesota	26	6	1.39%	30	4	1.68%
HealthPartners Inc.	23	7	1.23%	-	-	-
Wal-Mart Stores Inc.	22	8	1.18%	18	9	1.01%
Fairview Health Services	21	9	1.12%	19	8	1.07%
Wells Fargo Minnesota	20	10	1.07%	19	7	1.07%
3M Co.	-	-	-	16	10	0.90%
Total	<u>293</u>		<u>15.66%</u>	<u>272</u>		<u>15.27%</u>

Unaudited.

Source: Minneapolis/St. Paul Business Journal Book of Lists, December 25, 2015 and The Business Journal Book of Lists , December 23, 2005.

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

State of Minnesota includes Minnesota State Colleges & Universities.

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

Full-time Equivalent Employees as of December 31										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>Regional Administration</u>										
Human Resources	42	40	36	32	33	33	33	33	33	31
Information Services	107	98	90	81	79	75	64	62	54	56
Finance/Central Services	53	50	46	44	42	38	38	37	38	35
Other	108	95	89	84	79	75	75	67	77	57
Total Regional Administration	310	283	261	241	233	221	210	199	202	179
<u>Community Development</u>										
Metro HRA	40	40	38	37	34	33	33	33	34	34
Other	36	36	36	35	35	34	41	42	45	44
Total Community Development	76	76	74	72	69	67	74	75	79	78
<u>Environmental Services Division</u>										
Environmental Quality Assurance	101	102	100	95	98	103	109	109	110	106
Treatment Services	506	532	527	514	526	528	505	501	502	490
Other	27	25	24	22	20	20	32	28	28	30
Total Environmental Services Division	634	659	651	631	644	651	646	638	640	626
<u>Transportation Division</u>										
Metro Mobility	12	11	10	10	9	10	14	15	13	13
Transportation Planning	33	32	30	27	28	29	28	26	28	24
Other	-	-	-	-	-	-	-	-	-	-
Total Transportation Planning	45	43	40	37	37	39	42	41	41	37
<u>Metro Transit Bus</u>										
Operations	1,617	1,600	1,566	1,512	1,502	1,500	1,346	1,291	1,273	1,280
Maintenance	432	428	424	422	429	470	417	442	437	420
Administration/Clerical	616	607	507	465	448	420	439	540	545	505
Total Metro Transit	2,665	2,635	2,497	2,399	2,379	2,390	2,202	2,273	2,255	2,205
<u>Metro Transit Commuter Rail</u>										
Maintenance	28	29	27	28	28	27	28	-	-	-
Administration/Clerical	4	7	7	8	9	10	8	-	-	-
Total Metro Transit	32	36	34	36	37	37	36	-	-	-
<u>Metro Transit Light Rail</u>										
Operations	62	85	76	56	57	57	50	44	44	44
Maintenance	138	92	72	80	81	80	70	69	60	57
Administration/Clerical	231	230	184	134	100	82	45	42	39	35
Total Metro Transit	431	407	332	270	238	219	165	155	143	136
Total	4,193	4,139	3,889	3,686	3,637	3,624	3,375	3,381	3,360	3,261

Unaudited

Source: Metropolitan Council Budget Department and Metro Transit

Notes: 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**

Function/Program	2015	2014	2013	2012
Governmental activities				
Metro Mobility-passenger miles	22,168,347	20,570,713	17,918,147	16,562,355
Metro Mobility-passenger trips	2,020,700	1,905,563	1,747,911	1,628,051
Parks visits to Metro Parks System	48,687,143	48,687,143	47,304,800	45,843,800
Business-type activities				
Wastewater				
Average daily sewage treatment (millions of gallons)	234	255	242	210
Transit-bus				
Total route miles	31,198,704	30,661,418	29,490,406	28,817,105
Passenger trips*	62,106,089	67,814,305	70,418,593	69,854,994
Transit-commuter rail				
Total route miles	547,051	546,092	529,007	521,537
Passenger trips*	722,637	721,214	787,241	700,276
Transit-light rail				
Total passenger car miles	5,202,174	4,081,921	2,370,943	2,103,215
Passenger trips*	23,003,457	15,999,993	10,162,919	10,498,236
Housing				
Metro HRA unit months leased	86,076	81,425	82,612	82,264

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.
 * UPT - Unlinked Passenger Trips is the number of passengers who board

2011	2010	2009	2008	2007	2006
15,503,454	15,534,246	13,634,343	13,452,124	11,470,739	12,923,008
1,516,901	1,410,369	1,237,570	1,220,775	1,162,872	1,222,821
44,111,200	40,867,500	38,062,600	33,047,700	33,171,200	33,235,000
259	260	230	249	250	256
28,763,822	28,894,682	29,703,751	30,268,310	28,416,623	29,048,980
69,782,602	66,882,361	66,401,218	71,614,056	67,865,688	64,398,724
556,631	601,119	69,320	0	0	0
703,427	710,426	78,782	0	0	0
2,101,289	2,056,261	2,041,244	2,024,493	1,931,754	1,817,930
10,400,864	10,423,862	9,863,042	10,221,682	9,098,297	9,356,982
82,247	81,455	80,243	78,658	81,634	81,273

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

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Metro Mobility										
Total fleet size	485	442	407	399	340	314	274	265	262	264
Number of Parks/Trails	102	102	97	95	95	89	89	85	83	82
Acres of Regional Parks and Trails open to the public	54,488	54,307	54,581	54,842	54,631	54,633	53,111	52,918	52,661	52,617
Business-type activities										
Wastewater										
Treatment Plants	8	8	7	7	7	7	7	8	8	8
Miles of MCES Interceptors	643	643	643	645	626	625	624	615	585	586
Wastewater Treatment Plant Capacities (millions of gallons)	358	371	370	370	370	370	370	370	370	370
Transit-bus										
Total fleet size	907	905	912	888	876	888	929	1,093	979	940
Transit-commuter rail										
Total fleet size	6	6	6	6	6	6	6	-	-	-
Transit-light rail										
Total fleet size	86	86	62	27	27	27	27	27	27	25
Housing										
Metro HRA unit months available	86,539	84,288	83,979	83,795	83,173	82,668	81,613	79,270	83,732	83,592
Family Affordable Housing Units	150	150	150	150	150	150	150	150	150	150

Unaudited

Source: Metropolitan Council external and internal reports.

Note: Commuter Rail began limited operation on November 16, 2009.
Transit-light rail expansions due to additional line opening mid-2014.

Twin Cities Area, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2015

A Component Unit of the State of Minnesota



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