

This document is made available electronically by the Minnesota Legislative Reference Library
as part of an ongoing digital archiving project. <http://www.leg.state.mn.us/lrl/lrl.asp>
Twin Cities Area, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2017

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, 2017

A COMPONENT UNIT OF THE STATE OF MINNESOTA

Prepared by the Finance Unit

Issued June 2018



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 81.9 million bus and rail passengers in 2017 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 percent 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, 2017**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	ix
GFOA Certificate of Achievement	xvi
Organization Chart	xvii
Council Members	xviii
Officers and Financial Administrative Officials	xix

FINANCIAL SECTION

Independent Auditor's Report	3
-------------------------------------------	---

MANAGEMENT'S DISCUSSION AND ANALYSIS	7
---------------------------------------------------	---

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statement:

Statement of Net Position	20
Statement of Activities	21

Fund Financial Statements

Governmental Funds Financial Statements

Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet to the Statement of Net Position.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	25

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METROPOLITAN COUNCIL
A COMPONENT UNIT OF THE STATE OF MINNESOTA
FOR THE YEAR ENDING DECEMBER 31, 2017**

TABLE OF CONTENTS

Proprietary Funds Financial Statements

Statement of Net Position - Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28

Fiduciary Fund Financial Statements

Statement of Fiduciary Net Position - Fiduciary Fund	29
------------------------------------------------------------	----

Notes to the Financial Statements

Notes to the Financial Statements Index.....	31
Notes to the Financial Statements	33

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules

Major Funds

General Fund	72
Metro Mobility Special Revenue Fund	73

Pension Schedules

Schedule of the Council's Proportionate Share of the Net Pension Liability

Minnesota State Retirement System - General Employees Fund (MSRS-GEF).....	74
Public Employees Retirement Association of Minnesota - Public Employees Police and Fire Plan.....	75

Schedule of Council's Contributions

Minnesota State Retirement System - General Employees Fund (MSRS-GEF).....	76
Public Employees Retirement Association of Minnesota - Public Employees Police and Fire Plan.....	77

Other Postemployment Benefits Plan

Schedule of Changes in the Metropolitan Council's Total OPEB

Liability and Related Ratios.....	78
-----------------------------------	----

Notes to the Required Supplementary Information	79
--------------------------------------------------------------	-----------

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METROPOLITAN COUNCIL
A COMPONENT UNIT OF THE STATE OF MINNESOTA
FOR THE YEAR ENDING DECEMBER 31, 2017**

TABLE OF CONTENTS

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Description of Nonmajor Governmental Funds.....	85
Combining Balance Sheet	
Nonmajor Governmental Funds	86
Nonmajor Governmental Funds - Special Revenue	87
Nonmajor Governmental Funds - Capital Projects	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
Nonmajor Governmental Funds	89
Nonmajor Governmental Funds - Special Revenue	90
Nonmajor Governmental Funds - Capital Projects	91
Budgetary Comparison Schedules	
Nonmajor Funds	
Livable Communities Special Revenue Fund	92
Transportation Planning Special Revenue Fund.....	93
Suburban Transit Providers Special Revenue Fund.....	94
Contracted Transit Service Special Revenue Fund	95
Other Special Revenue Fund	96
General Fund by Division.....	97
Statement of Changes in Assets and Liabilities - Fiduciary Fund.....	98
Bonds/Loans/Notes Outstanding	99
Schedule of Expenditures of Federal Awards	100
Notes to the Schedule of Expenditures of Federal Awards	103

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METROPOLITAN COUNCIL
A COMPONENT UNIT OF THE STATE OF MINNESOTA
FOR THE YEAR ENDING DECEMBER 31, 2017**

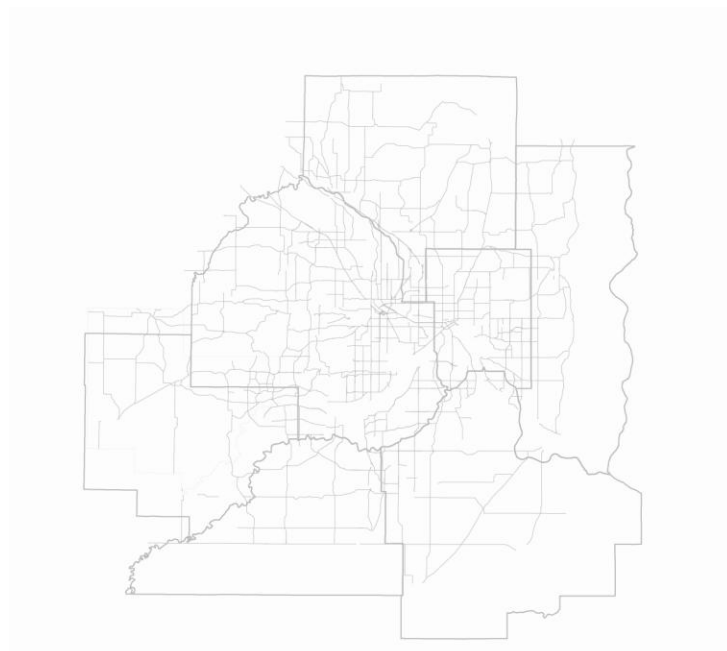
TABLE OF CONTENTS

STATISTICAL SECTION

Statistical Section Index	107
Financial Trends:	
Net Position by Component.....	108
Changes in Net Position.....	109
Fund Balances of Governmental Funds.....	110
Changes in Fund Balances of Governmental Funds.....	111
Revenue Capacity:	
General Governmental Revenues and Other Financing Sources by Source.....	112
Market Value and Net Tax Capacity Value of Taxable Property.....	113
Property Tax Rates and Levies - Direct and Overlapping Governments.....	114
Principal Property Taxpayers.....	115
Property Tax Levies and Collections.....	116
Debt Capacity:	
Ratios of General Bonded Debt Outstanding.....	117
Ratios of Outstanding Debt by Type.....	118
Compilation of Overlapping Debt.....	120
Legal Debt Margin Information.....	125
Pledged Revenue Coverage.....	126
Demographic and Economic Information:	
Demographic and Economic Statistics.....	127
Principal Employers.....	128
Operating Information:	
Employees by Function/Program.....	129
Operating Indicators by Function/Program.....	130
Capital Asset Statistics by Function/Program.....	131

INTRODUCTORY SECTION





Serving the Twin Cities seven-county metropolitan area

Metropolitan Council

2017 Comprehensive Annual Financial Report

Transmittal Letter from the Chief Financial Officer

June 18, 2018

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

Dear Chair Tchourumoff 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, 2017. 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, Other Post Employment Benefits (OPEB) schedule, 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 controls 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 controls 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, 2017. 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 June 2018.

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 3.55 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 Twin Cities metropolitan area experienced strong job growth last year, and its relatively low unemployment dipped even further. Rising demand in the housing market, combined with lagging supply, continued to push housing prices upward. Commercial and industrial real estate markets showed healthy signs in 2017.

Total employment in the sixteen-county Minneapolis-St. Paul-Bloomington metropolitan statistical area (MSA) grew by 2.26 percent (44,500 jobs) between December 2016 and December 2017 (preliminary seasonally-adjusted numbers). This was outpacing the national rate of 1.49 percent. This was the 7th highest job growth rate among the top 25 MSAs, placing the region between the Portland and Dallas metropolitan statistical areas. (U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics).

The seven-county metropolitan area unemployment rate dropped from 3.40 to 3.30 percent between December 2016 and December 2017. This brought regional unemployment to its lowest in over 10 years. By comparison, state and national unemployment rates during this same period were 3.30 and 3.90 percent, respectively (Minnesota Department of Employment and Economic Development, Local Area Unemployment Statistics, not seasonally adjusted). Minneapolis-St. Paul-Bloomington sixteen-county MSA unemployment is still relatively low compared with other large metropolitan areas, maintaining the 4th lowest unemployment rate among the 25 largest MSAs (U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics).

Between 2015 and 2016, the sixteen-county MSA real gross domestic product (GDP) grew by 0.80 percent. This was lower than the average national metropolitan growth rate of 1.70 percent, and markedly lower than last year's real GDP growth of 1.40 percent. The real GDP for the sixteen-county MSA in 2016 was \$217.57 billion, making it the 13th largest metropolitan economy in the nation. Per capita personal income for the sixteen-county MSA grew 2.00 percent (\$1,124) from 2015 to 2016, slightly above the national metropolitan average growth rate of 1.60 percent (U.S. Department of Commerce, Bureau of Economic Analysis).

Housing prices continued to rise in 2017, partially due to demand outpacing supply. According to the Minneapolis Area Association of Realtor (MAAR), median sale prices rose 7.00 percent between 2016 and 2017. During this same period, the number of new listings decreased by 2.20 percent. The inventory of homes for sale at the end of 2017 was 27.50 percent lower compared to the previous year (2017 Annual Housing Market Report). The University of St. Thomas' Minneapolis St. Paul Residential Real Estate Index October 2017, attributes much of this shortage of homes for sale to rising demand, sluggish home construction, low interest rates, and institutional investors continuing to buy single-family rentals. This shortage is particularly pronounced in the low to moderately priced housing market.

According to the U.S. Department of Commerce Building Permits Survey, residential building permit activity (not including residential conversions) rose from 11,700 units in 2016 to 11,875 units in 2017. Just under half of these new units, 47.70 percent, were multifamily units. The U.S. Department of Commerce building permits surveys for the Twin Cities are often lower than the Metropolitan Council building permits survey. The Council's survey, when released this spring, could show a higher or lower gain in permits between 2016 and 2017.

The Minneapolis-St. Paul area industrial market vacancy rates dropped in 2017. The CBRE quarterly reports state that the fourth quarter continued a 30-quarter streak of positive net absorption (CBRE Marketview, Minneapolis/St Paul Industrial, Q4 2017). The office market vacancy rates dropped below their 10-year average and asking rates remained stable. (CBRE Marketview, Minneapolis/St Paul Office, Q4 2017.) In the retail market, vacancy rates rose slightly between the 4th quarters of 2016 and 2017. Fourth quarter asking rates rose to pre-recession levels and year-to-year absorption rates were positive (CBRE Marketview, Minneapolis/St Paul Retail, Q4 2017).

Delivering High-Performance Regional Services

Transit - Metro Transit is one of the country's largest transit systems, providing over 85.00 percent of the 95.40 million regional bus and train trips taken annually in the Twin Cities in 2017. Each weekday customers board Metro Transit regional buses and trains an average of 264,000 times.

Metro Transit operates 128 bus routes, the METRO Blue Line Light Rail, the METRO Green Line Light Rail, and the Northstar Commuter Rail Line, using a fleet of 909 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 2017, the METRO Blue Line carried 10.7 million passengers. With average weekday ridership of 31,510, the line continued to exceed projections for the year 2020 by more than 20.00 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. In 2017 the METRO Green Line carried over 13.1 million passengers and experienced average weekday ridership of 40,554. The line continued to exceed projections for the year and nearly reaching 2030 ridership levels.

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 2017, the Northstar Commuter Rail carried 793,798 passengers, an increase of 11.60 percent over 2016 levels.

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 2017, Metro Mobility provided over 2.2 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 2017, these routes carried just over 2.6 million passengers. Transit Link is a region-wide dial-a-ride program that assists people outside areas served by fixed-route transit and provided 386,325 rides in 2017. Suburban Transit Authority Providers are comprised of 12 communities selecting to manage their own transit service, and provided 5.1 million rides in 2017.

Water services - Metropolitan Council Environmental Services (MCES) provides wastewater treatment directly to 109 connected local municipalities within the Twin Cities region. MCES owns and operates over 600 miles of interceptor collection sewers along with one rural and seven regional treatment plants which treat an average 247 million gallons of wastewater per day. The system, which operates 24 hours a day, 365 days a year, has capacity to treat 358 million gallons per day. The East Bethel Water Reclamation Facility began service in 2014 and does not discharge to a river. Its effluent is used for subsurface infiltration.

All eight 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 consecutive years or more of perfect discharge permit compliance through 2016 and awarded in 2017: Hastings (26 years), St. Croix Valley (25 years), Blue Lake (11 years), Eagles Point (11 years), Empire (9 years), and Metro (5 years). These compliance records are among the highest in the nation.

The 2017 annual budget for Environmental Services operations was funded primarily from the metropolitan wastewater charge allocated to municipalities (\$211.90 million) pursuant to Minnesota Statute 473.517. Municipal sewer rates to local homes and businesses in the metro region are low, approximately 40.00 percent lower than the national average. 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 \$7.00 billion (replacement cost) in infrastructure.

Sewer Availability Charge (SAC) units continue to indicate recovery from the recession, with units increasing by 22.00 percent in 2017 and 239.00 percent since the low in 2009.

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 2017, \$0.80 million was spent and expenses are budgeted at \$1.90 million in 2018.

Approximately \$130.00 million was spent on capital projects in 2017 to support the regional goals of maintaining infrastructure, accommodating growth, and protecting the environment. Highlights of the major ongoing capital improvement program in 2017 for the wastewater system include over \$116.00 million in major rehabilitation and improvements of the interceptor system, including interceptors serving the cities of Blaine, Bloomington, Brooklyn Park, Burnsville, Champlin, Chaska, Coon Rapids, Corcoran/Rogers, Excelsior, Fridley, Golden Valley, Hopkins, Minneapolis, Mound, Mounds View, Richfield, St. Louis Park, St. Paul, and Wayzata, and approximately \$5.40 million of major upgrades to the Metropolitan Plant, in St. Paul, including rehabilitation and renewal of the process facilities and the 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, 42 trails and 8 special recreation areas had nearly 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, improve water quality, promote best management practices, help integrate the park systems with housing and transportation and ensure that the park system is available to all residents of the region.

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 known as the Family Affordable Housing Program in 11 suburban cities throughout Anoka, Ramsey and Hennepin Counties. Additionally, the Council provides rent assistance to nearly 650 households through other state and federally funded rent assistance programs serving households with specialized needs such as disabled, homeless, 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: clean up contaminated land for redevelopment; promote efficient, connected development; and support the development and preservation of affordable and lifecycle housing. Currently, 96 metropolitan area communities are participating in the voluntary Livable Communities Act Local Housing Incentives program.

Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) issued a new statement that addresses accounting and financial reporting for Other Post Employment Benefits (OPEB) that is provided to the employees of state and local governmental employers. These complex requirements are found in GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which replaces the requirements of Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", as amended, and Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB". This statement requires governments providing defined benefit OPEB plan to recognize their full long-term obligation for OPEB benefits as a liability on their financial statements for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits.

The implementation of this statement required the Metropolitan Council to make a prior period adjustment due to the change in accounting principle. As a result, the beginning net positions were reduced by \$1.20 million for governmental activities and \$198.30 million for business type activities. Business type activities include \$61.70 million for Environmental Services fund, \$136.10 million for Metro Transit – Bus fund and \$0.50 million for Metro Transit – Light Rail fund.

The statement also enhances accountability and transparency through revised and new note disclosures. Additional information required for the GASB Statement No. 75 implementation are contained in the Notes to the Financial Statements and Required Supplementary Information of this report.

Financial Information

The 2017 unified budget was adopted by the Council on December 14, 2016. The original adopted budget for operations, pass-through expenditures and debt service was \$1.006 billion, representing a 3.30 percent increase from the budget adopted in 2016. During the year, the budget was revised to \$1.027 billion, primarily to recognize carry forward of budgeted expenses for projects initiated in the prior year but that are expected to be completed during 2017 and to recognize additional pass-through expenditures in 2017.

The Council budget relies on several funding sources. In the 2017 budget, \$333.10 million in revenues and transfer from other funds come from wastewater treatment service fees and transit fare revenues. Intergovernmental revenues from federal, state and local sources total \$509.70 million and \$83.60 million of revenues comes from property tax levies.

The Council receives a percentage of the state Motor Vehicle Sales Tax (MVST) to fund transit expenditures. In 2017, MVST revenues were projected at \$254.80 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 budgeted 95.00 percent of its share of forecasted revenues and does not budget the additional 5.00 percent until the following budget year if it is received.

The Council also adopted its 2017 capital program as part of the unified budget adopted in December 2016. The capital program includes authorized capital program (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 adopted 2017 capital program totaled \$7.00 billion, including \$2.10 billion in projects in the authorized capital program and \$4.90 billion in planned projects in the capital improvement plan. The adopted 2017 capital program included an annual capital budget of \$401.00 million.

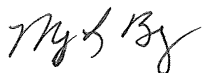
Awards and Acknowledgements

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, 2016. This was the thirty-fourth 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

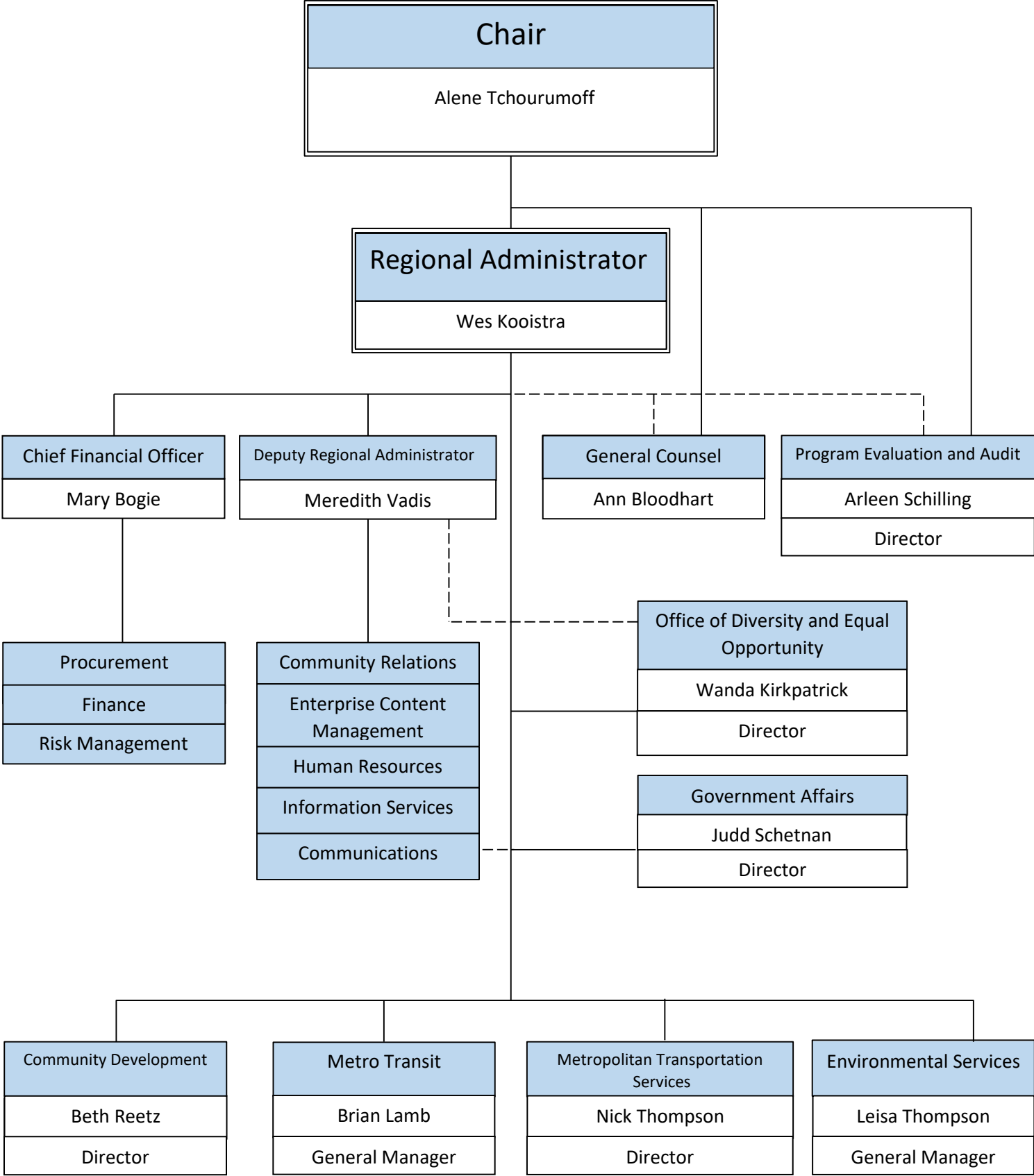
December 31, 2016

Christopher P. Morill

Executive Director/CEO

Metropolitan Council Organizational Chart

December 2017



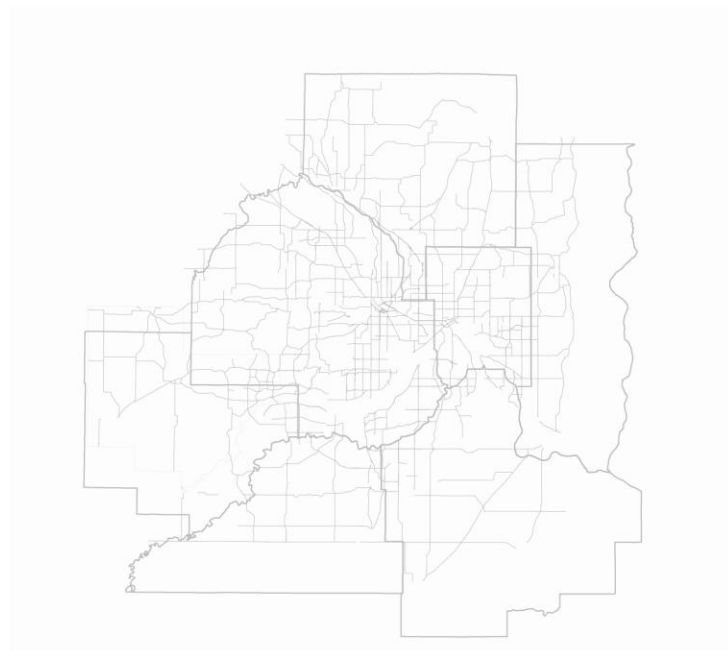
		Term of Office	
		<u>First Appointed</u>	<u>End of Term</u>
<u>COUNCIL MEMBERS</u>			
Chair:	Alene Tchourumoff	July 31, 2017	January 7, 2019
District Members:			
District No. 1	Katie Rodriguez	July 17, 2013	January 7, 2019
District No. 2	Lona Schreiber	March 2, 2011	January 7, 2019
District No. 3	Jennifer 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	Alene Tchourumoff, appointed
1 st Vice-Chair	Harry Melander
Treasurer	Mary Bogie
Secretary	Emily Getty

FINANCIAL ADMINISTRATIVE OFFICIALS

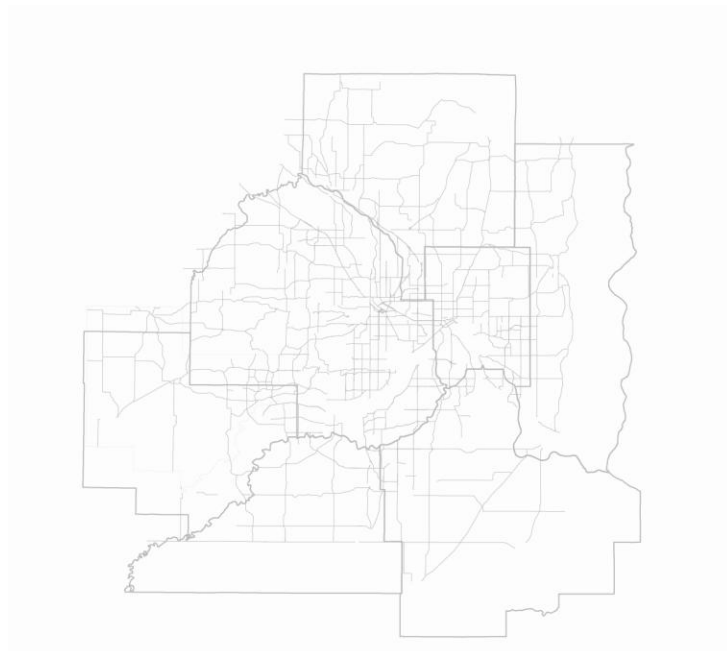
Regional Administrator	Wes Kooistra
Deputy Regional Administrator	Meredith Vadis
Chief Financial Officer	Mary Bogie



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, 2017, 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, 2017, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Notes I.C. and IV.K. to the financial statements, in 2017, the Metropolitan Council adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which represent a change in accounting principle. Our opinion is not modified with respect to this matter.

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 GASB, 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 18, 2018, 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 solely 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 effectiveness of the Metropolitan Council's 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.

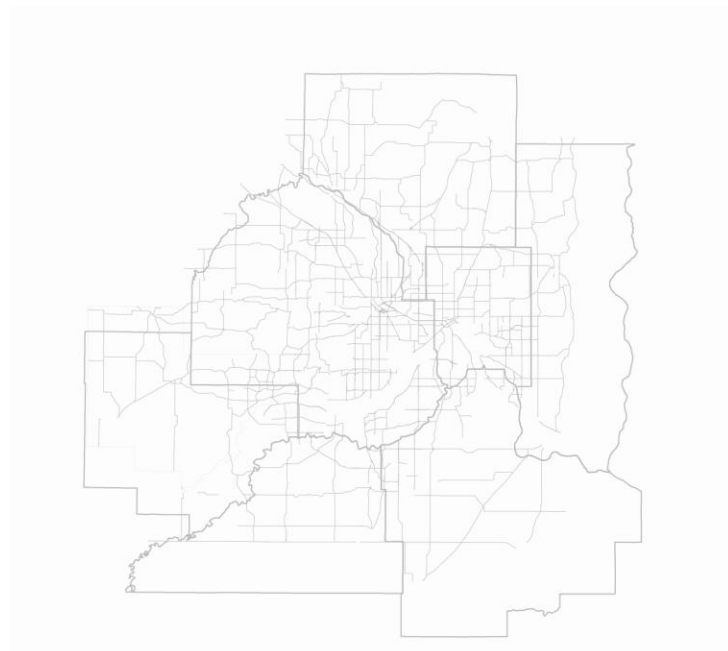


REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 18, 2018



Serving the Twin Cities seven-county metropolitan area

2017 Comprehensive Annual Financial Report

Management's Discussion and Analysis (Unaudited)

The following discussion and analysis of the Metropolitan Council financial performance provides an overview of the Council's financial activities for the fiscal year ending December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in our preceding transmittal letter and the Metropolitan Council's basic financial statements following this section.

Financial Highlights

- The assets and deferred outflows of resources of the Metropolitan Council exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2.91 billion. Of this amount, \$2.94 billion or 101.07 percent represents net investment in capital assets.
- The Metropolitan Council's total net position increased by \$106.77 million, or 3.80 percent compared to the prior year's restated net position. Net position from business-type activities increased by \$75.18 million, mainly due to increased activity on the Metro Transit Light Rail lines. Governmental activities net position increased by \$31.59 million due to transit capital activity and a non-base increase in state appropriation revenues in Metro Mobility.
- At the close of the current fiscal year, the Metropolitan Council's governmental funds reported combined fund balances of \$396.95 million, an increase of \$33.16 million, or 9.12 percent.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$28.16 million, an increase of \$2.77 million or 10.92 percent compared to the previous year's fund balance. Approximately \$17.43 million of this amount is unassigned fund balance and available for spending on the general purpose needs of the Council.
- The Metropolitan Council's total outstanding long-term debt increased by \$41.94 million. The Council issued \$172.88 million in general obligation bonds while paying down \$130.94 million during the current fiscal year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Metropolitan Council's basic financial statements. The Council's basic financial statements consist of three components:

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

This report also includes supplementary information intended to furnish addition detail to support the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to 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. They are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position presents financial information on all of the Council's assets and liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. 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. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes, accounts receivable and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Metropolitan Council that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Metropolitan Council include general government, housing, transportation, environment, economic development, and culture and recreation. The business-type activities of the Metropolitan Council include wastewater treatment, public transportation, housing and redevelopment, and internal service fund.

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 is used to maintain control over resources that have been segregated for specific activities or objectives. The Metropolitan Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Metropolitan Council can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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 assessing 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, which 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 in the combining and individual fund statements and schedules section of this report.

The Metropolitan Council adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-25 of this report.

Proprietary funds

The Metropolitan Council maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Metropolitan Council uses enterprises funds to account for its wastewater treatment, bus transportation, light rail transportation, commuter rail transportation and housing operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Metropolitan Council's various functions. The Metropolitan Council uses internal service funds to account for its self-insurance. Because this service is predominantly benefits business-type functions rather than governmental function, it has been included within business-type activities in the government-wide financial statements, with a small portion allocated to governmental funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary funds utilize accrual basis accounting which is the same method used by private-sector businesses. The proprietary fund financial statements provide separate information for wastewater treatment, bus transportation, light rail transportation, commuter rail transportation and housing operations, all five funds are considered to be major funds of the Metropolitan Council.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Metropolitan Council's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Metropolitan Council maintains one fiduciary fund. This agency fund reports resources held by the Metropolitan Council in a custodial capacity for individuals.

The 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 necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-69 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Metropolitan Council's in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 71-81 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements, bond statements, and schedules can be found on pages 83-103 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 105-131 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Metropolitan Council, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2.91 billion, at the end of 2017.

Metropolitan Council Net Position December 31, 2017 and 2016 (In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 442,160	\$ 419,487	\$ 825,152	\$ 678,392	\$ 1,267,312	\$ 1,097,879
Capital assets	148,794	138,379	4,253,877	4,147,083	4,402,671	4,285,462
Total assets	590,954	557,866	5,079,029	4,825,475	5,669,983	5,383,341
Deferred outflows of resources:						
Outflows - pension	63,717	90,383	537,638	760,289	601,355	850,672
Outflows - OPEB	192	-	9,814	-	10,006	-
Total deferred outflow of resources	63,909	90,383	547,452	760,289	611,361	850,672
Long-term liabilities outstanding	295,053	345,689	2,343,439	2,527,889	2,638,492	2,873,578
Other liabilities	43,519	53,085	236,273	202,048	279,792	255,133
Total liabilities	338,572	398,774	2,579,712	2,729,937	2,918,284	3,128,711
Deferred inflows of resources:						
Inflows - derivative	-	-	3,641	935	3,641	935
Inflows - pension	46,158	9,739	398,405	83,374	444,563	93,113
Inflows - OPEB	6	-	1,273	-	1,279	-
Inflows - advanced grants	-	-	-	4,950	-	4,950
Total deferred inflow of resources	46,164	9,739	403,319	89,259	449,483	98,998
Net position:						
Net investment in capital assets	88,398	81,285	2,856,278	2,840,890	2,944,676	2,922,175
Restricted	335,559	284,575	90,725	45,132	426,284	329,707
Unrestricted	(153,830)	(126,124)	(303,553)	(119,454)	(457,383)	(245,578)
Total net position, as reported	\$ 270,127	\$ 239,736	2,643,450	\$ 2,766,568	2,913,577	\$ 3,006,304
Change in accounting principle*		(1,202)		(198,300)		(199,502)
Total net position, as restated		\$ 238,534		\$ 2,568,268		\$ 2,806,802

* This is the first year the Council implemented the new OPEB accounting and financial reporting standard authorized by the Governmental Accounting Standards Board (GASB). To comply with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which replaces the requirements of Statements No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", as amended, and Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB", the Council had to make a prior year change in accounting principle to record the OPEB liability of \$199.5 million. See Note IV.K on page 56 of this report.

By far, the largest portion of the Metropolitan Council's net position, \$2.94 billion or 101.07 percent reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The Metropolitan Council uses these capital assets to provide services to citizens. Accordingly, 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 used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Metropolitan Council's net position, \$426.28 million or 14.63 percent reflects resources that are subject to external restrictions on how they may be used. Net position restrictions are primarily due to 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 increase in the restricted net position, \$96.58 million came primarily from debt service and capital project activities.

The remaining balance of negative \$457.38 million is unrestricted net position. Negative unrestricted net position results from debt obligations being reported in governmental activities, while related capital assets are recognized in the business-type activities.

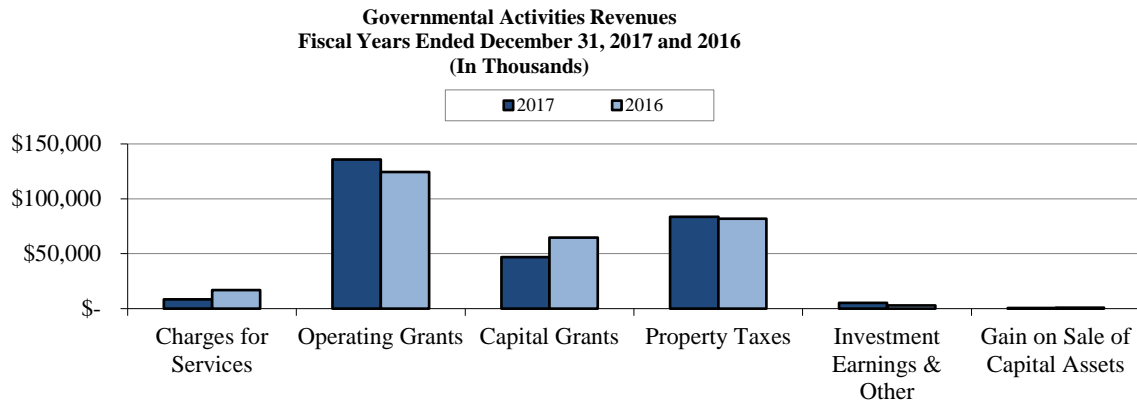
At the end of the current fiscal year, the Metropolitan Council is able to report positive balances in two of the three categories of net position. Governmental activities and business-type activities both had positive balances in two of the three categories. The Metropolitan Council's combined net position for governmental and business-type activities increased by \$106.77 million, or 3.80 percent increase from the prior year's restated net position. The reasons for this overall increase are discussed in the following sections for the governmental activities and business-type activities.

Changes in Net Position
Fiscal Years Ended December 31, 2017 and 2016
(In Thousands)

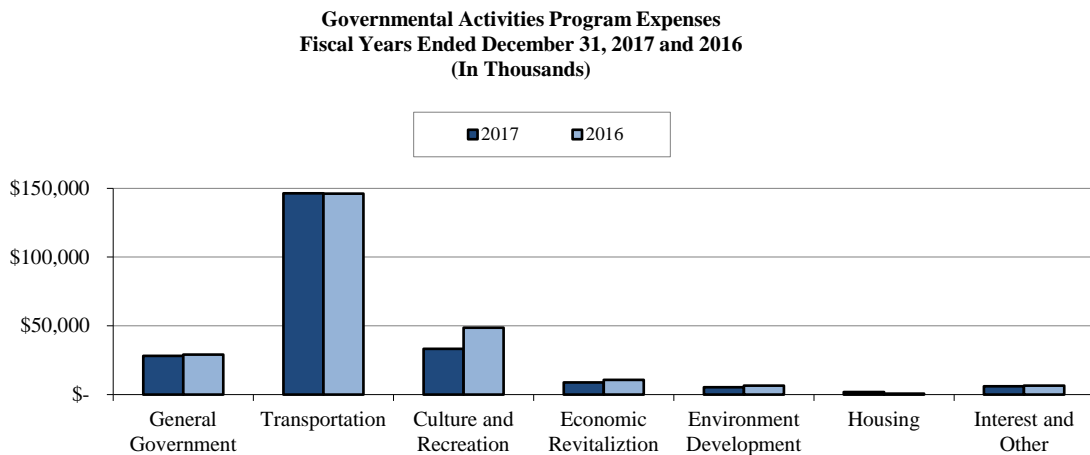
	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,369	\$ 16,856	\$ 369,333	\$ 359,459	\$ 377,702	\$ 376,315
Operating grants and contributions	135,895	124,564	416,209	373,874	552,104	498,438
Capital grants and contributions	46,970	64,569	174,810	156,981	221,780	221,550
General revenues:						
Property taxes	83,620	81,859	-	-	83,620	81,859
Investment earnings	5,360	2,891	47,482	26,841	52,842	29,732
Gain on sale of capital assets	473	813	20	-	493	813
Total revenues	280,687	291,552	1,007,854	917,155	1,288,541	1,208,707
Expenses:						
General government	28,128	29,151	-	-	28,128	29,151
Transportation	146,429	146,214	-	-	146,429	146,214
Culture and recreation	33,277	48,704	-	-	33,277	48,704
Economic revitalization	8,812	10,756	-	-	8,812	10,756
Environment development	5,347	6,413	-	-	5,347	6,413
Housing	1,859	732	-	-	1,859	732
Interest and other charges	5,979	6,496	-	-	5,979	6,496
Environmental services	-	-	245,869	274,544	245,869	274,544
Transit bus	-	-	431,815	475,809	431,815	475,809
Transit light rail	-	-	172,079	166,464	172,079	166,464
Transit commuter rail	-	-	26,738	27,936	26,738	27,936
Housing	-	-	75,434	69,417	75,434	69,417
Total expenses	229,831	248,466	951,935	1,014,170	1,181,766	1,262,636
Increase (decrease) in net position before transfers	50,856	43,086	55,919	(97,015)	106,775	(53,929)
Transfers	(19,263)	(31,462)	19,263	31,462	-	-
Increase (decrease) in net position	31,593	11,624	75,182	(65,553)	106,775	(53,929)
Net position, beginning, as restated	238,534*	228,112	2,568,268*	2,832,121	2,806,802*	3,060,233
Net position, ending, as reported	\$ 270,127	\$ 239,736	\$ 2,643,450	\$ 2,766,568	\$ 2,913,577	\$ 3,006,304

*Amount includes a change in accounting principle. See Note IV.K on page 56 of this report.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$31.59 million or 13.24 percent of the difference from the restated prior fiscal year for an ending balance of \$270.13 million.



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 2017, 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 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. Governmental activities program revenues totaled \$191.23 million, a decrease of \$14.75 million, or 7.16 percent, compared to 2016. A decrease in capital grant revenues of \$17.59 million, an increase in operating grant program revenues of \$11.33 million, and a decrease in charges for services revenues of \$8.49 million account for this change. The change in capital grant revenue was primarily due to the timing of regional parks activity. Total governmental activities general revenues were \$89.45 million, an increase of \$3.89 million or 4.55 percent over the prior year. This is mainly due to an increase in investment earnings, reflecting improved market yields. Property taxes supporting general fund activity and parks debt service activity increased by \$1.76 million.

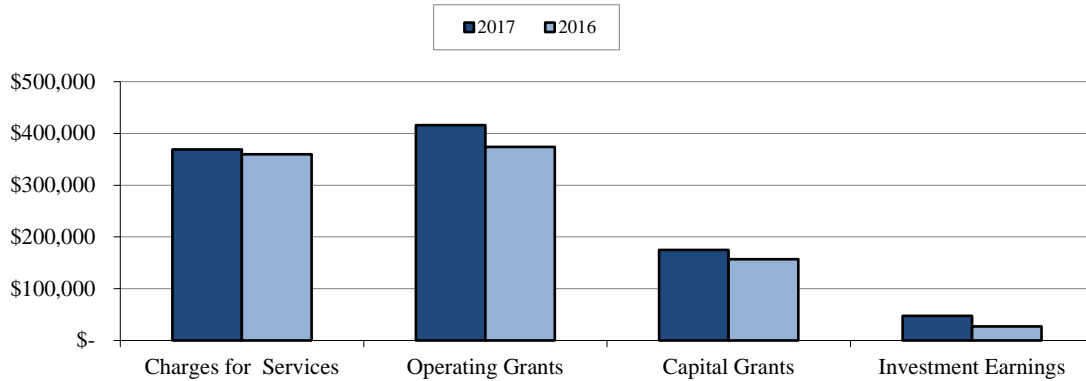


In 2017, expenses for governmental activities decreased by \$18.63 million, 7.50 percent, to \$229.83 million. Culture and recreation decreased by \$15.43 million relative to the timing of regional parks grant expenditures, and the Council's livable communities programs for housing, economic revitalization, and environment development decreased by \$1.88 million. The unexpended balances of all livable community grants programs are reported as restricted net position. General government expenses decreased by \$1.02 million and interest expenses decreased by \$0.52 million for the year. These decreases were offset by a slight (0.15%) increase in transportation expenses.

Depreciation for the year was \$20.96 million, an increase of \$0.22 million from 2016. Net transfers to business-type activities decreased by \$12.20 million to \$19.26 million. Transfers were primarily capital expense reimbursements, with Metro Transit Bus the primary recipient. Net salaries and benefits decreased \$0.61 million which was mainly due to lower actuarial pension expenses. Payments to outside transit providers increased by \$2.13 million due to an increase in the cost of metro mobility service.

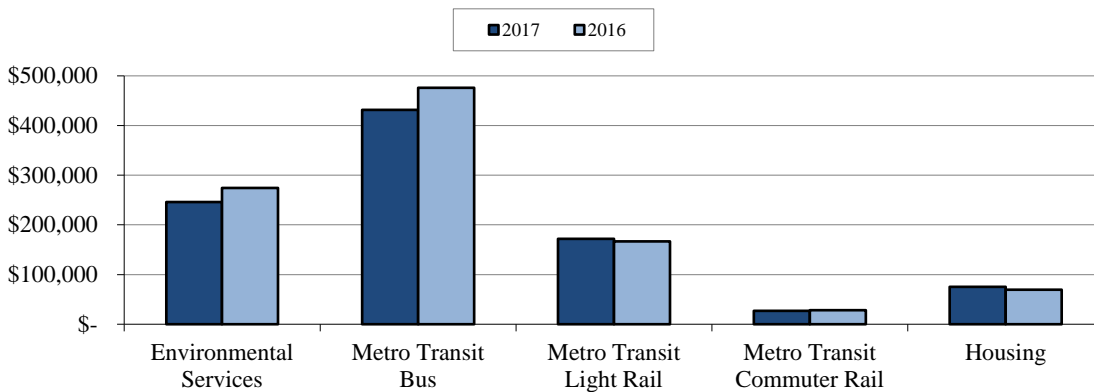
Business-type Activities. For the Metropolitan Council's business-type activities, the results for the current fiscal year increased the overall net position to reach an ending balance of \$2.64 billion. The total increase in net position for business-type activities (Environmental services, Transit bus, Transit light rail, Transit commuter rail, and Housing) was \$75.18 million or 2.93 percent from the prior fiscal year's restated net position.

Business-type Activities Revenues
Fiscal Years Ended December 31, 2017 and 2016
(In Thousands)



Program revenues for the Council's business-type activities totaled \$960.35 million, or 100.88 percent of related expenses for fiscal year 2017 compared to \$890.31 million, 87.79 percent of related expenses, in the prior year. Charges for services revenues increased by \$9.87 million, mainly due to an increase in wastewater rates, and operating grants revenue increased by \$42.33 million mainly due to Metro Transit Bus motor vehicle sales tax and Metro Transit Light Rail maintenance grants. Capital contributions increased by \$17.83 million, primarily due to increased activity on the Green Line and Blue Line extensions. Investment earnings increased by \$20.64 million.

Business-type Activities Expenses
Fiscal Year Ended December 31, 2017 and 2016
(In Thousands)



Business-type activities in 2017 incurred expenses of \$951.93 million, a decrease of \$62.23 million, or 6.14 percent, from the prior year. Lower actuarial pension expenses account for most of the decrease. Environmental Services program expenses decreased by \$28.67 million, 10.44 percent, Metro Transit Bus expenses decreased by \$43.99 million, and Metro Transit Commuter Rail expenses decreased by \$1.20 million. These decreases were slightly offset by increases of \$5.61 million in Metro Transit Light Rail due to increased activity on the Green Line and Blue Line extensions, and \$6.02 million in Housing due to increased housing assistance payments.

Overall salaries and benefit related expenses decreased by \$43.41 million to \$474.75 million. The main decrease, \$53.79 million, was due to actuarial pension expense. This decrease was offset by increases in housing expenses (\$5.51 million), insurance claims (\$1.96 million) and depreciation expense (\$0.82 million). Depreciation expense increased to \$202.57 million from \$201.75 million in 2016. General inflationary factors account for increases to other operating expense categories (materials and supplies).

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 spendable resources. 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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose at the end of the fiscal year.

At December 31, 2017, the Metropolitan Council's governmental funds had combined fund balances of \$396.95 million, an increase of \$33.16 million in comparison with the prior year. Approximately \$17.43 million of this amount is available for spending at the Council's discretion as unassigned fund balance in the General Fund. Negative unassigned fund balance, \$38.20 million, in Nonmajor Governmental Funds represent Parks and Open Space Grants and is deemed unassigned because the restricted amounts for future grant payments are to be funded by future bonding and State reimbursements. The remainder of the fund balance is either restricted, committed or assigned to indicate that it is: restricted for particular purposes, \$335.56 million; committed for particular purposes, \$78.18 million; or assigned for particular purposes, \$3.98 million.

Revenues from all governmental funds for the current year were \$279.64 million, a decrease of \$10.72 million, 3.69 percent, from the previous year. Governmental funds share of state appropriations allocation increased by \$15.12 million due to a one-time, non-base appropriation from the state legislature. Parks capital grants decreased by \$15.46 million related to the timing of capital project expenses. Taxes increased by \$1.56 million. Investment earnings increased by \$2.47 million.

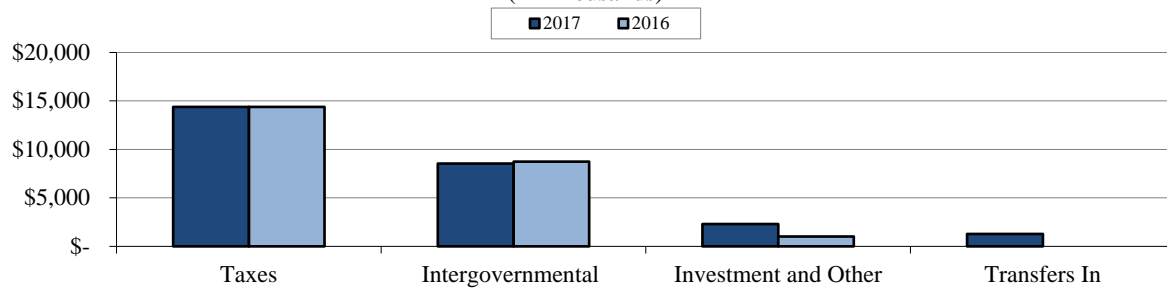
Expenditures for all governmental funds in the current year were \$271.51 million, a decrease of \$37.81 million from the previous year. Culture and recreational program expenditures decreased by \$15.43 million primarily due to the timing of regional parks activity. The Council's livable communities programs (housing, economic revitalization, and environment development) spending decreased by \$1.88 million, reflecting the environment and economic development projects in a planning phase during the year. Transportation expenditures increased by \$0.41 million to \$126.82 million. Debt service principal and interest payments decreased by \$18.34 million, for a total of \$50.12 million. Capital outlay decreased by \$5.34 million to \$31.94 million mainly due to completion of a transit capital project.

The General Fund is the main operating fund of the Metropolitan Council. At the end of 2017, \$7.34 million was committed for specific purposes and \$3.39 million was assigned for existing obligations, leaving \$17.43 million unassigned. The General Fund increased by \$2.77 million to \$28.16 million, or 10.92 percent over the prior year. Approximately \$0.69 million of the increase is due to incomplete projects carried over to 2018, with the remainder due to regular council operations.

General Fund Revenues by Source and Other Financing Sources Fiscal Years Ended December 31, 2017 and 2016 (In Thousands)

	2017		2016		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
<u>Revenues by Source</u>					
Taxes	\$14,387	54%	\$14,371	60%	\$ 16
Intergovernmental Revenues	8,553	32%	8,745	36%	(192)
Investment Income and Other	2,308	9%	1,008	4%	1,300
Transfers In	1,282	5%	-	-%	1,282
Total Revenue and Other Financing Sources	\$26,530	100%	\$24,124	100%	\$ 2,406

General Fund
Revenues by Source and Other Financing Sources
Fiscal Years Ended 2017 and 2016
(In Thousands)

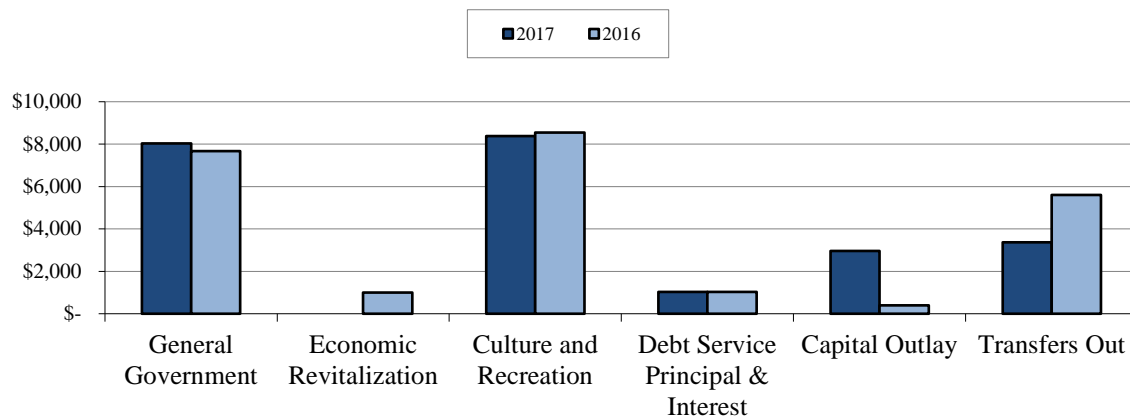


General Fund revenues increased by \$2.41 million over the previous year. Investment and other income increased by \$1.30 million primarily due to improved market yields. The General Fund received operating transfers-in of \$1.28 million during 2017 for capital outlay to upgrade enterprise wide information services networks. These increases were slightly offset by \$0.19 million decrease in intergovernmental revenue.

General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2017 and 2016
(In Thousands)

	2017		2016		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
<u>Expenditures by Function</u>					
General Government	\$ 8,033	34%	\$ 7,677	32%	\$ 356
Culture and Recreation	8,375	35%	8,540	35%	(165)
Economic Revitalization	-	0%	1,000	4%	(1,000)
Debt Service (Principal Only)	825	3%	790	3%	35
Debt Service (Interest Only)	200	1%	232	1%	(32)
Capital Outlay	2,960	13%	389	2%	2,571
Total Expenditures	\$ 20,393	86%	\$ 18,628	77%	\$ 1,765
Transfers Out	3,365	14%	5,608	23%	(2,243)
Total Expenditures and Other Financing Uses	\$ 23,758	100%	\$ 24,236	100%	\$ (478)

General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2017 and 2016
(In Thousands)



General Fund expenditures (net of allocations) during the current year were \$20.39 million, an increase of \$1.76 million over the previous year. Other financing uses-transfers out decreased by \$2.24 million. The General Fund budgeted and transferred out \$1.00 million for livable communities as required by State statute. Transfers out for business activities included \$2.16 million to Environmental Services for reimbursement of water supply program expenditures and \$0.20 million to HRA for the housing choice voucher program. Actual expenditures for general government expenses were under budget due to lower than anticipated spending on contracted services. These projects will carry-forward into 2018 through the budget process.

In 2017, the Metro Mobility Fund balance increased by \$13.54 million to \$56.61 million. Metro Mobility's total revenues increased by \$15.30 million to \$79.23 million. State revenues increased by \$15.12 million due to a one-time, non-base appropriation. The number of passenger trips and passenger miles increased by 2.02 percent and 2.23 percent respectively, however fare revenues increased only 0.53 percent to \$5.72 million, due to the change from paper tickets to smart cards. Total Metro Mobility expenditures were \$65.69 million for the year, an increase of \$7.59 million compared to 2016. The increase was primarily due to increased demand for service and a driver wage adjustment.

The Debt Retirement Fund balance increased by \$7.93 million to \$105.48 million as anticipated for debt repayments. Property tax related revenues increased \$1.53 million more than the prior year to \$52.37 million. Investment earnings increased by \$0.61 million. Total debt service payments were \$49.10 million, a decrease of \$18.26 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.

Proprietary Funds

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. The Regional Administration related portion of the Internal Service fund is allocated to the governmental activities, which is accounted for in the governmental funds to governmental activities reconciliation.

Overall, the enterprise funds had a total net position of \$2.61 billion at December 31, 2017. The total net position for all enterprise funds increased by \$74.84 million during 2017 compared to the prior year's restated net position. Higher investment earnings and lower actuarial pension expenses account for most of this increase.

Proprietary Funds Key Balance Sheet Account Balances and Revenue and Expense Activities Fiscal Years Ended December 31, 2017 and 2016 (In Thousands)

	Enterprise Funds					Metropolitan Housing and Redevelopment Authority	Total 2017	Total 2016*	Internal Service
	Environmental Services	Metro Transit							
		Bus	Light Rail	Commuter Rail					
Assets	\$ 2,345,750	\$878,743	\$ 1,602,203	\$ 196,551	\$ 21,784	\$ 5,045,031	\$ 4,791,522	\$ 35,017	
Deferred outflows of resources	112,268	351,820	70,934	6,638	5,792	547,452	760,289	-	
Liabilities	1,721,203	689,455	141,216	13,308	8,952	2,574,134	2,724,063	5,895	
Deferred inflows of resources	70,387	269,347	54,242	5,147	4,196	403,319	89,259	-	
Operating Income (Loss)	14,631	(356,536)	(146,352)	(24,221)	(74,615)	(587,093)	(642,870)	(1,566)	
Changes in Net Position	38,363	(9,091)	61,362	(11,253)	(4,540)	74,841	(67,812)	(1,048)	
Net Position	666,428	271,761	1,477,679	184,734	14,428	2,615,030	2,540,189*	29,122	

*Amount includes a change in accounting principle. See Note IV.K on pages 56 of this report.

The Environmental Services Fund accounts for the operations, maintenance, and design of the regional wastewater (sanitary sewer) system. Normal operations were positive, mainly due to lower actuarial pension expense and increased charges for services. Net capital assets increased by \$58.64 million.

Metro Transit Bus is the region's largest provider of directly provided bus transit service. For December 31, 2017, net investment in capital assets was \$497.83 million, a decrease of \$23.10 million. This decrease was mostly due to accumulated depreciation.

The Metro Transit Light Rail Fund provides the region's light rail transit service. For December 31, 2017, the net investment in capital assets was \$1.50 billion, an increase of \$55.96 million. 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, 2017, the net investment in capital assets was \$183.05 million, a decrease of \$9.14 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, 2017, was \$14.43 million, of which \$10.43 million was net investment in capital assets.

General Fund Budgetary Highlights

The original expenditure budget was increased by \$1.01 million to arrive at the final budget of \$26.77 million. The increase came from:

- \$526.60 thousand in additional budget carryovers from 2016 for equity grant programs.
- \$192.40 thousand in additional budget carryovers from 2016 for central office building upgrades.
- \$290.00 thousand in additional budget carryovers from 2016 for community development projects.

During the year, however, actual operating expenditures were \$6.38 million lower than the final budget. This amount includes \$0.69 million in carryovers to 2018, the balance was mainly a result of lower consulting costs.

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, 2017, amounts to \$4.40 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, water treatment plants, machinery, equipment, and vehicles. The total increase in capital assets for the current fiscal year was approximately 2.74 percent.

**Metropolitan Council Capital Assets
(Net of Accumulated Depreciation)
Fiscal Years Ended December 31, 2017 and 2016
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Land and land improvements	\$ 6,958	\$ 6,958	\$ 257,490	\$ 255,504	\$ 264,448	\$ 262,462
Buildings and infrastructure	34,431	19,445	2,816,165	2,637,547	2,850,596	2,656,992
Vehicles and other equipment	107,405	99,647	552,473	744,438	659,878	844,085
Construction in progress	-	12,329	627,749	509,594	627,749	521,923
Total	\$ 148,794	\$ 138,379	\$ 4,253,877	\$ 4,147,083	\$ 4,402,671	\$4,285,462

Major capital asset events during the current fiscal year included the following:

The Metropolitan Council's net capital assets for governmental activities increased by \$10.41 million for the year.

The business-type activities had an increase of \$106.79 million. Increases of \$76.10 million in Metro Transit Light Rail and \$58.64 million in Environmental Services were offset by decreases of \$17.94 million in Metro Transit Bus, \$8.94 million in Metro Commuter Rail and \$1.07 million in Metropolitan Housing and Redevelopment Authority.

Additional information on the Metropolitan Council's capital assets can be found in Note IV.E on pages 48-49 of this report.

Debt Administration

At the end of the fiscal year, the Metropolitan Council had total bonds and loans outstanding of \$1.48 billion. Of this amount, \$923.22 million was for general obligation bonds issued by the Metropolitan Council, \$558.30 million was for loans from the State of Minnesota Public Facilities Authority, and \$2.71 million was for loans from Hennepin County. 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, 2017 and 2016
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds and notes	\$ 184,225	\$ 184,445	\$ 738,995	\$ 681,320	\$ 923,220	\$ 865,765
State of Minnesota loans	1,880	3,185	556,423	571,751	558,303	574,936
Hennepin County Notes Payable	-	-	2,713	1,597	2,713	1,597
Total of general obligation bonds and loans	\$ 186,105	\$ 187,630	\$ 1,298,131	\$ 1,254,668	\$ 1,484,236	\$ 1,442,298

The Metropolitan Council's total debt decreased by \$41.94 million, or 2.91 percent, during the year. General obligation bonds and notes increased by \$57.45 million, the State of Minnesota Public Facilities Authority loans decreased by \$16.63 million and notes payable with Hennepin County increased by \$1.12 million. The Council issued \$145.00 million of new bonds, while retiring \$87.54 million of bonds, loans and notes. Also during 2017, the Metropolitan Council drew down \$23.96 million in State of Minnesota loans and repaid \$40.59 million on existing State of Minnesota loans.

The Metropolitan Council maintains an “AAA” rating from Standard and Poor's and Fitch Ratings and an “Aaa” rating from Moody's Investors service for general obligation debt.

Minnesota statutes does 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 \$40.00 million. The current unused authority is \$35.35 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 \$176.20 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 51-54 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the Metropolitan Council and were considered in developing the 2018 fiscal year budget.

- The Council's operating budget relies on several funding sources. For 2018, total state revenues (state general fund appropriations and motor vehicle sales taxes) are expected to represent 38.90 percent of total operating revenue, an increase of 8.80 percent from 2017.
- The Council uses the state November forecast to establish budget parameters for motor vehicle sales taxes. The state February forecast projects motor vehicle sales taxes will be 0.80 percent higher than forecasted in November. 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 37.20 percent of total operating revenues for 2018, an increase of 5.70 percent from the 2017 operating budget. This increase reflects rate increases enacted in 2017 and strong ridership growth.
- The certified property tax levy approved by the Council for amounts payable in 2018 represents a 2.00 percent increase over the previous year's levy. The general purposes levy is 100.00 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, 2017
IN THOUSANDS

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and investments	\$ 340,176	\$ 478,105	\$ 818,281
Receivables, net	7,938	15,060	22,998
Internal balances	702	(702)	-
Due from other governmental units	48,170	50,237	98,407
Inventory	-	32,908	32,908
Prepays and other	-	4,701	4,701
Loans and advances	45,174	1,065	46,239
Restricted assets:			
Cash and cash equivalents	-	215,748	215,748
Receivables, net	-	5,385	5,385
Due from other governmental units	-	22,552	22,552
Loans receivable	-	93	93
Capital assets not being depreciated			
Land	6,958	257,490	264,448
Construction in progress	-	627,749	627,749
Capital assets (net of accumulated depreciated)			
Buildings and infrastructure	34,431	2,816,165	2,850,596
Vehicles	102,166	488,713	590,879
Equipment	5,239	63,760	68,999
Total assets	<u>590,954</u>	<u>5,079,029</u>	<u>5,669,983</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows pension	63,717	537,638	601,355
Deferred outflows OPEB	192	9,814	10,006
Total deferred outflows of resources	<u>63,909</u>	<u>547,452</u>	<u>611,361</u>
LIABILITIES			
Accounts payable and other current liabilities	40,507	50,456	90,963
Accrued interest payable	2,854	-	2,854
Unearned revenue	158	16,010	16,168
Liabilities payable from restricted assets	-	56,960	56,960
Unearned revenue-restricted	-	112,847	112,847
Noncurrent liabilities:			
Due within one year	41,988	125,766	167,754
Due in more than one year	171,287	1,287,049	1,458,336
OPEB liability	5,460	298,968	304,428
Net pension liability	76,318	631,656	707,974
Total liabilities	<u>338,572</u>	<u>2,579,712</u>	<u>2,918,284</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows derivative	-	3,641	3,641
Deferred inflows pension	46,158	398,405	444,563
Deferred inflows OPEB	6	1,273	1,279
Total deferred inflows of resources	<u>46,164</u>	<u>403,319</u>	<u>449,483</u>
NET POSITION			
Net investment in capital assets	88,398	2,856,278	2,944,676
Restricted for:			
Debt service	105,480	25,187	130,667
Capital projects	101,796	65,538	167,334
Highway right-of-way	57,049	-	57,049
Economic revitalization	48,696	-	48,696
Environment development	15,972	-	15,972
Housing	5,670	-	5,670
Regional land use	896	-	896
Unrestricted	(153,830)	(303,553)	(457,383)
Total net position	<u>\$ 270,127</u>	<u>\$ 2,643,450</u>	<u>\$ 2,913,577</u>

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
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	\$ 28,128	\$ 89	\$ -	\$ 1,333	\$ (26,706)	\$ -	\$ (26,706)
Transportation	146,429	8,280	127,492	21,469	10,812	-	10,812
Culture and recreation	33,277	-	8,403	24,168	(706)	-	(706)
Economic revitalization	8,812	-	-	-	(8,812)	-	(8,812)
Environment development	5,347	-	-	-	(5,347)	-	(5,347)
Housing	1,859	-	-	-	(1,859)	-	(1,859)
Interest and other charges	5,979	-	-	-	(5,979)	-	(5,979)
Total governmental activities	229,831	8,369	135,895	46,970	(38,597)	-	(38,597)
Business-type activities:							
Environmental services	245,869	265,497	3,077	-	-	22,705	22,705
Transit bus	431,815	74,727	264,569	38,346	-	(54,173)	(54,173)
Transit light rail	172,079	25,772	67,005	135,632	-	56,330	56,330
Transit commuter rail	26,738	2,518	11,769	832	-	(11,619)	(11,619)
Housing	75,434	819	69,789	-	-	(4,826)	(4,826)
Total business-type activities	951,935	369,333	416,209	174,810	-	8,417	8,417
Total governmental and business-type activities	<u>\$ 1,181,766</u>	<u>\$ 377,702</u>	<u>\$ 552,104</u>	<u>\$ 221,780</u>	<u>(38,597)</u>	<u>8,417</u>	<u>(30,180)</u>
General revenues:							
Property taxes					83,620	-	83,620
Investment earnings					5,360	47,482	52,842
Gain on sale of capital assets					473	20	493
Transfers					(19,263)	19,263	-
Total general revenues and transfers					70,190	66,765	136,955
Change in net position					31,593	75,182	106,775
Net position, beginning, as restated*					238,534	2,568,268	2,806,802
Net position, ending					<u>\$ 270,127</u>	<u>\$ 2,643,450</u>	<u>\$ 2,913,577</u>

* See note IV. K (page 56)

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
IN THOUSANDS**

	General	Metro Mobility Special Revenue	Debt Retirement	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 33,223	\$ 47,600	\$ 104,418	\$ 154,935	\$ 340,176
Receivables, (net)	2	119	-	1,808	1,929
Delinquent taxes receivable	812	-	3,443	750	5,005
Interest receivable	84	143	311	466	1,004
Due from other funds	-	-	-	515	515
Due from other governmental units	79	21,651	-	26,440	48,170
Loans and advances	139	-	-	45,035	45,174
Total assets	<u>\$ 34,339</u>	<u>\$ 69,513</u>	<u>\$ 108,172</u>	<u>\$ 229,949</u>	<u>\$ 441,973</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts/contracts/subgrantees payable	\$ 3,208	\$ 12,900	\$ 3	\$ 22,006	\$ 38,117
Salaries payable	2,390	-	-	-	2,390
Due to other funds	-	-	-	515	515
Unearned revenue	-	-	-	158	158
Total liabilities	<u>5,598</u>	<u>12,900</u>	<u>3</u>	<u>22,679</u>	<u>41,180</u>
Deferred inflows of resources:					
Unavailable revenue - taxes	<u>582</u>	<u>-</u>	<u>2,689</u>	<u>570</u>	<u>3,841</u>
Fund balances:					
Restricted	-	-	105,480	230,079	335,559
Committed	7,339	56,613	-	14,231	78,183
Assigned	3,387	-	-	592	3,979
Unassigned	17,433	-	-	(38,202)	(20,769)
Total fund balances	<u>28,159</u>	<u>56,613</u>	<u>105,480</u>	<u>206,700</u>	<u>396,952</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 34,339</u>	<u>\$ 69,513</u>	<u>\$ 108,172</u>	<u>\$ 229,949</u>	<u>\$ 441,973</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, 2017
IN THOUSANDS**

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

Fund balances-total governmental funds (page 22)	\$ 396,952
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	148,794
An internal service fund is 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.	702
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.	(297,907)
Deferred inflows resulting from taxes are not available to pay for current period expenditures, and therefore, are not reported as revenue in governmental funds.	3,841
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	63,717
Deferred inflows related to pensions	(46,158)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in governmental funds.	
Deferred outflows related to OPEB	192
Deferred inflows related to OPEB	(6)
Net position of governmental activities (page 20)	<u>\$ 270,127</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, 2017
IN THOUSANDS

	General	Metro Mobility Special Revenue	Debt Retirement	Nonmajor Governmental Funds	Total
REVENUES					
Taxes	\$ 14,387	\$ -	\$ 52,367	\$ 16,294	\$ 83,048
Intergovernmental revenue:					
Federal	-	-	-	24,159	24,159
Build America bonds interest subsidy	-	-	664	-	664
State	8,403	73,245	-	71,505	153,153
Local	150	-	-	4,828	4,978
Investment income	1,913	267	1,055	2,125	5,360
Other	395	5,717	-	2,168	8,280
Total revenues	<u>25,248</u>	<u>79,229</u>	<u>54,086</u>	<u>121,079</u>	<u>279,642</u>
EXPENDITURES					
Current:					
General government	8,033	-	147	5,157	13,337
Transportation	-	65,688	-	28,669	94,357
Intergovernmental:					
Transportation	-	-	-	32,460	32,460
Culture and recreation	8,375	-	-	24,902	33,277
Economic revitalization	-	-	-	8,812	8,812
Environment development	-	-	-	5,347	5,347
Housing	-	-	-	1,859	1,859
Debt service:					
Principal	825	-	41,525	-	42,350
Interest and other charges	200	-	7,575	-	7,775
Capital outlay	2,960	-	-	28,980	31,940
Total expenditures	<u>20,393</u>	<u>65,688</u>	<u>49,247</u>	<u>136,186</u>	<u>271,514</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,855</u>	<u>13,541</u>	<u>4,839</u>	<u>(15,107)</u>	<u>8,128</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,282	-	-	1,620	2,902
Transfers out	(3,365)	-	(730)	(18,070)	(22,165)
Bonds/capital lease issued	-	-	-	40,000	40,000
Premium on bonds and capital related debt	-	-	3,823	-	3,823
Sale of capital assets	-	-	-	473	473
Total other financing sources (uses)	<u>(2,083)</u>	<u>-</u>	<u>3,093</u>	<u>24,023</u>	<u>25,033</u>
Net change in fund balances	2,772	13,541	7,932	8,916	33,161
Fund balances	<u>25,387</u>	<u>43,072</u>	<u>97,548</u>	<u>197,784</u>	<u>363,791</u>
Fund balances, ending	<u>\$ 28,159</u>	<u>\$ 56,613</u>	<u>\$ 105,480</u>	<u>\$ 206,700</u>	<u>\$ 396,952</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, 2017
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)	\$ 33,161
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.	10,975
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to decrease net position.	(560)
An 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.	(1,389)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	572
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.	323
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.	(11,489)
Change in net position of governmental activities (page 21)	<u>\$ 31,593</u>

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017
IN THOUSANDS**

	Business-type Activities						
	Enterprise Funds						Internal Service Fund
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metro Transit Commuter Rail	Metropolitan Housing and Redevelopment Authority	Total	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 135,609	\$ 284,367	\$ 7,958	\$ 6,692	\$ 8,566	\$ 443,192	\$ 34,913
Receivables, net	4,399	9,200	588	20	749	14,956	104
Due from other governmental units	475	33,872	11,619	3,791	480	50,237	-
Due from restricted assets	-	-	-	317	-	317	-
Inventory	8,859	12,448	10,137	1,464	-	32,908	-
Prepays and other	-	3,989	111	601	-	4,701	-
Restricted assets:							
Cash and cash equivalents	159,163	27,625	28,811	-	149	215,748	-
Receivables, net	5,220	79	86	-	-	5,385	-
Due from other governmental units	-	3,352	18,452	415	-	22,219	-
Loans receivable	93	-	-	-	-	93	-
Total current assets	313,818	374,932	77,762	13,300	9,944	789,756	35,017
Noncurrent assets:							
Capital assets:							
Land	22,304	51,700	77,519	99,561	6,406	257,490	-
Buildings and infrastructure	2,965,120	386,558	1,212,801	74,140	21,367	4,659,986	-
Vehicles	10,054	473,990	308,587	56,834	-	849,465	-
Equipment	25,539	108,618	82,307	15,337	100	231,901	-
Construction in progress	220,563	33,814	372,992	380	-	627,749	-
Less accumulated depreciation	(1,212,234)	(551,681)	(529,765)	(63,001)	(16,033)	(2,372,714)	-
Net capital assets	2,031,346	502,999	1,524,441	183,251	11,840	4,253,877	-
Due from other governments-restricted	333	-	-	-	-	333	-
Advances and loans	253	812	-	-	-	1,065	-
Total noncurrent assets	2,031,932	503,811	1,524,441	183,251	11,840	4,255,275	-
Total assets	2,345,750	878,743	1,602,203	196,551	21,784	5,045,031	35,017
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflow pension	109,801	344,501	70,906	6,638	5,792	537,638	-
Deferred outflow OPEB	2,467	7,319	28	-	-	9,814	-
Total deferred outflows of resources	112,268	351,820	70,934	6,638	5,792	547,452	-
LIABILITIES							
Current liabilities:							
Accounts payable	6,363	7,574	2,215	847	130	17,129	5,895
Salaries payable	3,491	17,335	277	14	152	21,269	-
Compensated absences payable	3,584	15,215	1,995	125	106	21,025	-
Due to other governmental units	-	3,023	1,478	1,627	-	6,128	-
Unearned revenue	9,893	6,117	-	-	-	16,010	-
Accrued claims	239	6,719	644	-	-	7,602	-
Other	4	31	-	-	-	35	-
Restricted liabilities:							
Payables from restricted assets	19,686	5,165	19,026	197	-	44,074	-
Accrued interest payable from restricted assets	12,886	-	-	-	-	12,886	-
Bonds/loans payable from restricted assets	94,426	-	2,713	-	-	97,139	-
Due to current assets	-	-	-	317	-	317	-
Unearned revenue from restricted assets	78,410	2,292	32,145	-	-	112,847	-
Total current liabilities	228,982	63,471	60,493	3,127	388	356,461	5,895
Noncurrent liabilities:							
Compensated absences payable	3,677	1,427	-	-	71	5,175	-
Accrued claims	396	6,594	1,500	3,000	150	11,640	-
Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding)	1,268,829	-	-	-	1,405	1,270,234	-
Pension liability	138,421	400,732	78,384	7,181	6,938	631,656	-
OPEB liability	80,898	217,231	839	-	-	298,968	-
Total noncurrent liabilities	1,492,221	625,984	80,723	10,181	8,564	2,217,673	-
Total liabilities	1,721,203	689,455	141,216	13,308	8,952	2,574,134	5,895
DEFERRED INFLOWS OF RESOURCES							
Deferred inflow derivative	-	3,641	-	-	-	3,641	-
Deferred inflow pension	70,387	264,438	54,237	5,147	4,196	398,405	-
Deferred inflow OPEB	-	1,268	5	-	-	1,273	-
Total deferred inflows of resources	70,387	269,347	54,242	5,147	4,196	403,319	-
NET POSITION							
Net investment in capital assets	662,255	497,834	1,502,700	183,054	10,435	2,856,278	-
Restricted for:							
Debt service	25,187	-	-	-	-	25,187	-
Capital projects	18,585	28,766	17,989	198	-	65,538	-
Unrestricted	(39,599)	(254,839)	(43,010)	1,482	3,993	(331,973)	29,122
Total net position	\$ 666,428	\$ 271,761	\$ 1,477,679	\$ 184,734	\$ 14,428	\$ 2,615,030	\$ 29,122
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						28,420	
Net position of business-type activities (page 20)						<u>\$ 2,643,450</u>	

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS

Business-type Activities

Enterprise Funds

	Metro Transit				Metropolitan Housing and Redevelopment Authority	Total	Internal Service Fund
	Environmental Services	Bus	Light Rail	Commuter Rail			
Operating revenues:							
Charges for services:							
Wastewater and industrial strength charges	\$ 226,164	\$ -	\$ -	\$ -	\$ -	\$ 226,164	\$ -
Transit fares	-	68,329	24,144	2,517	-	94,990	-
Tenant rent	-	-	-	-	733	733	-
Advertising and auxiliary	-	3,135	1,583	-	-	4,718	-
Insurance premiums	-	-	-	-	-	-	75,539
Miscellaneous	-	-	-	-	86	86	1,512
Total operating revenues	226,164	71,464	25,727	2,517	819	326,691	77,051
Operating expenses:							
Salaries and employee benefits	87,680	306,966	67,703	6,691	5,712	474,752	-
Contracted services	19,186	14,086	3,784	6,210	2,112	45,378	798
Materials and supplies	9,815	38,936	24,351	1,665	54	74,821	-
Insurance	1,226	-	829	1,458	81	3,594	-
Utilities	16,437	4,356	5,884	643	560	27,880	-
Advertising	-	1,347	1	-	-	1,348	-
Housing related expenses	-	-	-	-	65,325	65,325	-
Claims	-	-	-	-	-	-	72,258
Other	14,502	2,260	731	104	521	18,118	5,561
Depreciation	62,687	60,049	68,796	9,967	1,069	202,568	-
Total operating expenses	211,533	428,000	172,079	26,738	75,434	913,784	78,617
Operating income (loss)	14,631	(356,536)	(146,352)	(24,221)	(74,615)	(587,093)	(1,566)
Nonoperating revenues (expenses):							
Intergovernmental	3,077	264,569	67,005	11,769	69,789	416,209	-
Pass-through grants	(1,053)	(2,225)	-	-	-	(3,278)	-
Sewer availability charges	38,345	-	-	-	-	38,345	-
Investment income	14,698	32,700	79	102	86	47,665	518
Interest and fiscal charges	(27,354)	-	-	-	-	(27,354)	-
Gain/(loss) on sale of capital assets	14	(222)	6	-	-	(202)	-
Other	(5,608)	2,038	45	1	-	(3,524)	-
Total nonoperating revenues (expenses)	22,119	296,860	67,135	11,872	69,875	467,861	518
Income (loss) before contributions and transfers	36,750	(59,676)	(79,217)	(12,349)	(4,740)	(119,232)	(1,048)
Capital contributions	-	38,346	135,632	832	-	174,810	-
Transfers in	2,165	15,049	4,947	264	200	22,625	-
Transfers out	(552)	(2,810)	-	-	-	(3,362)	-
Total contributions and transfers	1,613	50,585	140,579	1,096	200	194,073	-
Change in net position	38,363	(9,091)	61,362	(11,253)	(4,540)	74,841	(1,048)
Total net position, beginning * as restated *	628,065	280,852	1,416,317	195,987	18,968		30,170
Total net position, ending	\$ 666,428	\$ 271,761	\$ 1,477,679	\$ 184,734	\$ 14,428		\$ 29,122

Adjustment for the net effect of the current year activity between
the internal service funds and the enterprise funds.

Changes in net position of business-type activities (page 21)

341
\$ 75,182

* See note IV. K (page 56)

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, 2017
IN THOUSANDS

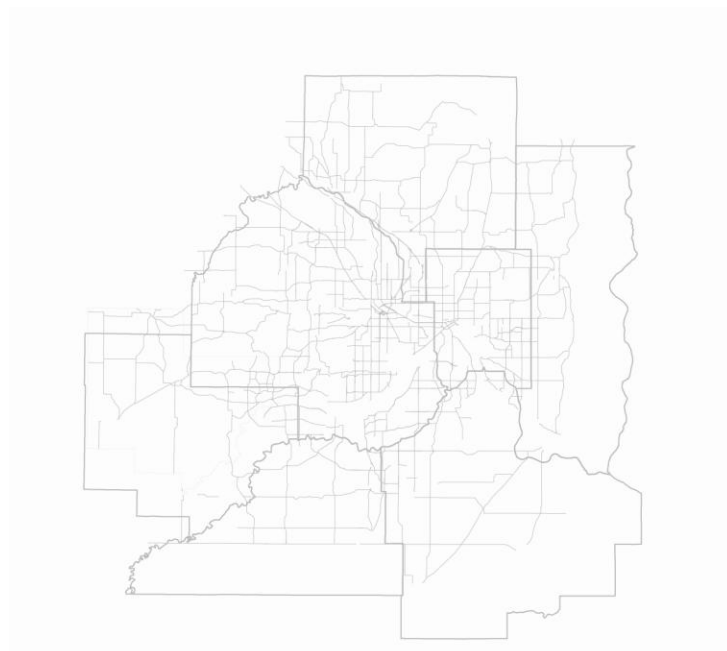
	Business-type Activities							
	Enterprise Funds							
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total	Internal Service Fund	
		Bus	Light Rail	Commuter Rail				
Cash flows from operating activities								
Receipts from customers and users	\$ 232,107	\$ 69,070	\$ 23,881	\$ 2,521	\$ 818	\$ 328,397	\$ -	
Payments connected with interfund services	-	-	-	-	-	-	75,436	
Payments to suppliers	(64,147)	(61,843)	(36,064)	(9,706)	(68,394)	(240,154)	(79,573)	
Payments to employees	(66,598)	(241,697)	(54,882)	(5,650)	(4,689)	(373,516)	-	
Receipts from others	-	3,135	1,583	-	-	4,718	-	
Other non-operating expenses	(6,653)	-	-	-	-	(6,653)	-	
Other non-operating revenues	5,814	259,077	40,518	1	5,654	311,064	1,513	
Net cash provided (used) by operating activities	100,523	27,742	(24,964)	(12,834)	(66,611)	23,856	(2,624)	
Cash flows from non-capital financing activities								
Intergovernmental receipts	-	8,521	19,887	9,163	59,354	96,925	-	
Pass-through grant payments	(1,053)	(2,225)	-	-	-	(3,278)	-	
Net cash provided by non-capital financing activities	(1,053)	6,296	19,887	9,163	59,354	93,647	-	
Cash flows from capital and related financing activities								
Transfers in (out) - for capital purposes	-	12,239	4,947	264	-	17,450	-	
Capital contributions	-	40,406	137,952	1,343	-	179,701	-	
Proceeds from capital debt	139,037	-	3,917	-	-	142,954	-	
Proceeds from sewer availability charges	54,275	-	-	-	-	54,275	-	
Proceeds from sale of capital assets	91	(222)	5	-	-	(126)	-	
Purchase of capital assets	(111,126)	(40,904)	(144,699)	(829)	-	(297,558)	-	
Principal paid on capital debt	(86,613)	-	(2,800)	-	-	(89,413)	-	
Interest paid on capital debt	(38,558)	-	-	-	-	(38,558)	-	
Net cash provided by (used in) capital and related financing activities	(42,894)	11,519	(678)	778	-	(31,275)	-	
Cash flows from investing activities								
Proceeds from sale of investments	19	-	-	-	-	19	-	
Interest received (paid)	15,392	32,655	123	111	97	48,378	518	
Net cash provided by (used in) investing activities	15,411	32,655	123	111	97	48,397	518	
Net increase (decrease) in cash and cash equivalents	71,987	78,212	(5,632)	(2,782)	(7,160)	134,625	(2,106)	
Balances, beginning	222,785	233,780	42,401	9,474	15,875	524,315	37,019	
Balances, ending	\$ 294,772	\$ 311,992	\$ 36,769	\$ 6,692	\$ 8,715	\$ 658,940	\$ 34,913	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities								
Operating income (loss)	\$ 14,631	\$ (356,536)	\$ (146,352)	\$ (24,221)	\$ (74,615)	\$ (587,093)	\$ (1,566)	
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation	62,687	60,049	68,796	9,967	1,069	202,568	-	
Change in assets and liabilities:								
Accounts receivable	5,312	(1,070)	(261)	4	397	4,382	(104)	
Due from employees	40	-	-	-	-	40	-	
Due to other governments	-	(1,639)	-	-	-	(1,639)	-	
Materials and supplies (inventory)	(221)	24	(622)	(9)	-	(828)	-	
Prepaid expenses and other current assets	-	(15)	(22)	34	-	(3)	-	
Accounts payable	(2,763)	767	160	349	(138)	(1,625)	(955)	
Accrued payroll liabilities	50	4,222	593	(62)	(2)	4,801	-	
Pension liability	(80,358)	(293,709)	(60,657)	(5,751)	(4,710)	(445,185)	-	
OPEB liability	2,094	10,032	313	-	-	12,439	-	
Deferred outflow of pension	46,495	141,302	29,654	2,776	2,424	222,651	-	
Deferred outflow of OPEB	(2,467)	(7,319)	(28)	-	-	(9,814)	-	
Deferred inflow of pension	55,228	209,473	42,941	4,078	3,310	315,030	-	
Deferred inflow of OPEB	-	1,268	5	-	-	1,273	-	
Unearned revenues	632	1,811	(2)	-	-	2,441	1	
Other liabilities	2	5	-	-	-	7	-	
Other non-operating expenses	(6,653)	-	-	-	-	(6,653)	-	
Other non-operating revenues	5,814	259,077	40,518	1	5,654	311,064	-	
Net cash provided (used) by operating activities	\$ 100,523	\$ 27,742	\$ (24,964)	\$ (12,834)	\$ (66,611)	\$ 23,856	\$ (2,624)	
Non-cash investing, capital and related financing activities:								
Transferred/donated assets	\$ -	\$ -	\$ 451	\$ -	\$ -	\$ 451	\$ -	
Loss on disposition of capital assets	(77)	-	-	-	-	(77)	-	
Change in fair value of investments	10,889	27,582	(110)	(2)	-	38,359	-	
Unrealized gain on derivative	-	3,641	-	-	-	3,641	-	

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2017
IN THOUSANDS

	Agency Fund
ASSETS	
Cash and cash equivalents	<u>\$ 4,181</u>
LIABILITIES	
Due to participants	<u>\$ 4,181</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

I. Summary of significant accounting policies	
A. Reporting entity.....	33
B. Government-wide and fund financial statements.....	33
C. Measurement focus, basis of accounting, and financial statement presentation.....	33
D. Assets, liabilities, deferred outflows/inflows of resources and net position or equity	
1. Cash and investments	
a. Cash and cash equivalents.....	35
b. Investments.....	35
2. Receivables and payables.....	36
3. Due from other governmental units.....	36
4. Inventories and prepaid items.....	37
5. Restricted assets.....	37
6. Capital assets.....	37
7. Loans/advances receivable.....	37
8. Deferred outflows/inflows of resources.....	38
9. Compensated absences.....	38
10. Long-term obligations.....	38
11. Fund equity.....	38
12. Net position.....	39
13. Estimates.....	39
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.....	39
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.....	41
III. Stewardship, compliance, and accountability	
A. Budgetary information.....	42
B. Excess of expenditures over appropriations.....	43
IV. Detailed notes on all funds	
A. Cash and investments	
1. Deposits.....	43
2. Investments.....	43
B. Energy forward pricing mechanisms.....	46
C. Receivables.....	47
D. Property taxes.....	48
E. Capital assets.....	48
F. Inter-fund receivables, payables, and transfers.....	49
G. Leases	
1. Operating leases.....	50
2. Capital leases.....	50
H. Long-term obligations	
1. General obligation debt.....	51
2. Loans payable.....	53
3. Changes in long-term liabilities.....	54
4. Pollution remediation obligation.....	54
I. Compensated absences.....	55
J. Fund balance.....	55
K. Change in accounting principle.....	56

V. Other information	
A. Risk management	
1. Liability.....	57
2. Automobile.....	57
3. Errors and omissions.....	57
4. Property and crime.....	57
5. Workers' compensation.....	57
6. Internal service fund.....	58
B. Pension obligations	
1. Defined benefit pension plans	
a. Minnesota State Retirement System-General Employees Fund (MSRS-GEF)	
General information.....	59
1. Pension liabilities, pension expense, and deferred outflows of resources and	
deferred inflows of resources related to pensions.....	60
b. Public Employees Retirement Association of Minnesota-	
Public Employees Police and Fire Fund (PERA-PEPFF) General information.....	62
1. Pension liabilities, pension expense, and deferred outflows of resources and	
deferred inflows of resources related to pensions.....	63
c. Summary of defined benefit plans.....	65
2. Defined contribution pension plan	
a. Minnesota State Retirement System-	
Unclassified Employees Retirement Fund (MSRS-UER) General information.....	65
C. Other postemployment benefits (OPEB) obligations.....	65
D. Sub-grantee programs.....	68
E. Commitments and contingencies.....	69
F. Subsequent events.....	69

I. Summary of significant accounting policies

The accounting policies of the Metropolitan Council of the Twin Cities Area (Council) conform to accounting principles generally accepted in the United States of America (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, that are 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 *full 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, special revenue funds, capital project funds and debt service 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. Accounting principles generally accepted in the United States, 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 Council's self-insurance plans for health and dental care.

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 an Agency fund. 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. Plan investments are reported at fair value. The pension liability is liquidated by each fund that has personal services.

During the year ended December 31, 2017, the Metropolitan Council adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", as amended, and Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB". This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The primary object of this statement is to improve accounting and financial reporting for postemployment benefits other than pensions. Refer to Note IV.K for details regarding change in accounting principle and to Note V.C for details regarding Other postemployment benefits (OPEB) obligations.

During the year ended December 31, 2017, the Metropolitan Council also adopted GASB Statement No. 85 "Omnibus 2017". This statement addresses a variety of topics including issues related to postemployment benefits, pensions and OPEB. The requirements of this statement will enhance consistency in the application of accounting and financial reporting 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, 2017, 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 PERA and invested by the Minnesota State Board of Investment (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; and a cash equivalent. Typically, less than 2.00 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 MS 118A and further limited by Council policy as represented above.

Pooled investment earnings for the year ending December 31, 2017 was \$52,842,000.

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.

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, 2017, the allowances for doubtful accounts were (dollars in thousands):

<u>Enterprise Fund</u>	<u>Balance</u>
Environmental Services	\$ 20
Metro Transit Bus	360
Total	<u>\$ 380</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, 2017, the allowances for obsolete inventory accounts were (dollars in thousands):

<u>Enterprise Fund</u>	<u>Balance</u>
Environmental Services	\$ 50
Metro Transit Bus	617
Total	<u>\$ 667</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 \$27,354,000. Additionally, \$6,983,000 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 statements of financial position 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 types of deferred outflows. One deferred outflow is related to pension obligations. A portion of this deferred outflow are pension contributions subsequent to the pension plan's measurement date. The remaining deferred outflows 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. The second deferred outflow is related to OPEB obligations. The deferred outflows related to OPEB are deferred and the length of the expense recognition period is equal to the average of the expected remaining service lives of all the employees in the OPEB plan.

In addition to liabilities, the statements of financial position 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 four types of deferred inflows. The first item is the derivative used in energy forward pricing mechanisms. The second item for the Council is 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. The third item is deferred inflows related to OPEB obligations. The deferred inflows related to OPEB are deferred and the length of expense recognition period is equal to the average of the expected remaining service lives of all the employees in the OPEB plan. The fourth item is 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.

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.

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 columns 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.

13. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 \$148,794,000 difference are as follows:

	<i>In thousands</i>
Land	\$ 6,958
Building – net of accumulated depreciation	34,431
Vehicles – net of accumulated depreciation	102,166
Equipment – net of accumulated depreciation	5,239
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 148,794</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 \$702,000 difference is as follows:

	<u><i>In thousands</i></u>
Net position of the internal service fund	\$ 29,122
Less: Internal payable representing charges in the excess of cost to	
Business-type activities – prior years	(28,079)
Less: Internal payable representing charges in the excess of cost to	
Business-type activities – current year	<u>(341)</u>
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at	
<i>net position – governmental activities</i>	<u>\$ 702</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 this \$(297,907,000) difference are as follows:

	<u><i>In thousands</i></u>
General obligation bonds payable	\$ (186,105)
Net issuance premiums (to be amortized as interest expense)	(16,423)
Accrued interest	(2,854)
Compensated absences	(4,487)
Capital lease payable	(6,260)
OPEB liability	(5,460)
Net pension liability	<u>(76,318)</u>
Net adjustment to reduce <i>fund balances – total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (297,907)</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 \$3,841,000 difference are as follows:

	<u><i>In thousands</i></u>
Unavailable revenue- property taxes	\$ 3,841
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at	
<i>net position – governmental activities</i>	<u>\$ 3,841</u>

Another element 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 funds.” The details of the \$63,717,000 deferred outflows and the \$ (46,158,000) deferred inflows differences are as follows:

	<u><i>In thousands</i></u>
Deferred outflows – pension obligations	\$ 63,717
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at	
<i>net position – governmental activities</i>	<u>\$ 63,717</u>
	<u><i>In thousands</i></u>
Deferred inflows – pension obligations	\$ (46,158)
Net adjustment to reduce <i>fund balances- total governmental funds</i> to arrive at	
<i>net position – governmental activities</i>	<u>\$ (46,158)</u>

The final element of that reconciliation explains that “Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in the governmental funds.” The details of the \$192,000 deferred outflows and the \$ (6,000) deferred inflows differences are as follows:

	<i>In thousands</i>
Deferred outflows – OPEB obligations	\$ 192
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 192</u>
	<i>In thousands</i>
Deferred inflows – OPEB obligations	\$ (6)
Net adjustment to reduce <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (6)</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 \$10,975,000 difference are as follows:

	<i>In thousands</i>
Capital outlay	\$ 31,940
Depreciation expense	<u>(20,965)</u>
Net adjustment to increase <i>net changes in fund balances- total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ 10,975</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 \$ (560,000) difference are as follows:

	<i>In thousands</i>
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.	\$ (560)
Net adjustment to decrease <i>net changes in fund balances- total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ (560)</u>

Another element of that reconciliation explains that “An 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 \$ (1,389,000) difference is as follows:

	<i>In thousands</i>
Change in net position of the internal service fund	\$ (1,048)
Less: excess from charges to business-type activities	<u>(341)</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>\$ (1,389)</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 \$ 572,000 difference is as follows:

	<i>In thousands</i>
Change in deferred inflows of resources – unavailable property tax revenue	\$ 572
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 572</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 \$323,000 difference are as follows:

	<u><i>In thousands</i></u>
Issuance of general obligation bonds	\$ (40,000)
Less: discount/(premium on bonds)	(3,823)
Bond (discount)/premium amortization	1,901
Change in accrued interest	(105)
Principal payments of general obligation bonds/loans	41,525
Capital lease payment	825
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>\$ 323</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 \$ (11,489,000) difference are as follows:

	<u><i>In thousands</i></u>
Change in compensated absences for year	\$ (155)
Change in Pension liability and related deferred inflow and outflow	(11,280)
Change in OPEB liability and related deferred inflow and outflow, as restated	(54)
Net adjustment to decrease <i>net changes in fund balances- total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ (11,489)</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 2017 budget but not completely expended in 2017 were \$695,000. 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, 2017 (dollars in thousands):

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Suburban Transit Providers	\$ 28,026	\$ 29,715	\$ 30,672	\$ 957

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. \$39,000 of petty cash and mutilated coin was not deposited at a bank. The amount of cash in Council's bank accounts was \$30,517,000 (at US Bank and Wells Fargo Bank), of which \$446,000 was covered by the Federal Depository Insurance Corporation (FDIC), and \$30,071,000 was collateralized at least 110.00 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 2017.

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 \$315,276,000 United States agency investments, the Council has a custodial credit risk exposure of \$1,999,000 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, 2017:

			<i>Dollars in thousands</i>			
		Custodial Credit			Book	
Metropolitan Council	Credit Risk	Risk	Par	Fair Value	Value	Portfolio
U.S. Agency Securities:						
Federal Home Loan Bank	Aaa	Custody (a)	\$ 71,240	\$ 69,620	\$ 71,240	6.7%
Federal National Mortgage Association	Aaa	Custody (a)	77,000	75,762	76,996	7.3%
Federal Farm Credit Bank	Aaa	Custody (a)	110,000	108,254	110,000	10.4%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	58,500	57,753	58,499	5.6%
Federal Home Loan Mortgage Corporation	Aaa	Broker Held (b)	2,000	1,999	2,001	0.2%
Mortgage Backed Securities:						
Federal National Mortgage Association	Aaa	Custody (a)	835	884	888	0.1%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	1,014	1,004	1,032	0.1%
Certificates of Participation (U.S. GSA)	N.R. (c)	Custody (a)	1,245	1,269	1,245	0.1%
Commercial Paper (each <5%)	A-1/P-1/F-1	Custody (a)	50,000	49,928	49,938	4.8%
Federal Discount Notes (each <5%)	Aaa	Custody (a)	135,000	134,745	134,749	13.0%
Municipal Bonds (each<5%)	Aaa (d)	Custody (a)	73,680	76,289	73,651	7.3%
MN State Pool (OPEB Pool, Equities, etc.)	N.R. (c)	Custody (e)	150,493	274,267	150,493	26.4%
Money Market Funds	Aaa	n.a.	153,520	153,520	153,520	14.8%
Cash for Fuel Hedging Margin Acct	n.a.	Broker Held (f)	7,013	7,013	7,013	0.7%
Cash for Operations (g)	n.a.	Collateralized (h)	25,864	25,864	25,864	2.5%
Petty Cash/Coin & Mutilated Coins	n.a.	Council Held	39	39	39	0.0%
Total Cash and Investments			\$ 917,443	\$ 1,038,210	\$ 917,168	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 Governmental 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, 2017. Excluding the OPEB equity portfolio, cash and escrow accounts, the remaining investment portfolio has an average market yield of 1.83 percent, modified duration of 2.16 years, effective duration of 1.48 years and convexity of (0.28).

<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. Agency Securities:				
Federal Home Loan Bank	\$ 67,176	\$ 65,808	\$ 64,389	\$ 62,981
Federal National Mortgage Association	74,582	73,799	73,003	72,214
Federal Farm Credit Bank	105,881	104,242	102,572	100,912
Federal Home Loan Mortgage Corporation	56,889	56,200	55,508	54,824
Federal Home Loan Mortgage Corporation	1,996	1,992	1,988	1,984
Mortgage Backed Securities:				
Federal National Mortgage Association	935	921	908	894
Federal Home Loan Mortgage Corporation	995	975	953	932
Certificates of Participation (U.S. GSA)	1,270	1,263	1,257	1,251
Commercial Paper (each <5%)	49,928	49,928	49,928	49,928
Federal Discount Notes (each <5%)	134,745	134,745	134,745	134,745
Municipal Bonds (each <5%)	74,272	73,003	71,701	70,360
MN State Pool (OPEB Pool, Equities, etc.)	274,083	274,021	273,960	273,899
Money Market Funds	153,520	153,520	153,520	153,520
Cash for Fuel Hedging Margin Acct	7,013	7,013	7,013	7,013
Cash for Operations (g)	25,864	25,864	25,864	25,864
Petty Cash/Coin & Mutilated Coins	39	39	39	39
Total Cash and Investments	\$ 1,029,188	\$ 1,023,333	\$ 1,017,348	\$1,011,360

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 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, 2017 (*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)
Investments by fair value level	12/31/2017			
Debt securities				
U.S. Treasury securities (OPEB)	\$ 24,592	\$ -	\$ 24,592	\$ -
Federal Home Loan Bank	69,620	-	69,620	-
Federal National Mortgage Association	75,762	-	75,762	-
Federal Farm Credit Bank	108,254	-	108,254	-
Federal Home Loan Mortgage Corporation	59,752	-	59,752	-
Mortgage-Backed securities	1,888	-	1,888	-
Municipal Bonds	76,289	-	76,289	-
Certificate of Participation	1,269	-	1,269	-
Commercial Paper	49,928	-	49,928	-
Federal Discount Notes	134,745	134,745	-	-
Total Investments by fair value level	\$ 602,099	\$ 134,745	\$ 467,354	\$ -
Investment measured at the net asset value (NAV)				
Goldman Sachs Government Fund	42,295			
Morgan Stanley Government Institutional Fund	107,044			
US Bank Trust Account	4,181			
Total investments measured at the NAV	\$ 153,520			
Total investments measured at fair value and at the NAV	\$ 755,619			

The Council also holds \$249,675,000 in the Internal Equity Pool with the State Board of Investment (SBI), an external investment pool. The fair value of the investment is the fair value per share of the underlying portfolio. Pursuant to Minnesota Statute (MS) 471.6175, the Council may establish a trust account to pay other post-employment benefits (OPEB).

The Council's assets are invested by SBI pursuant to Minnesota Statute 11A.14. Minnesota Statutes section 11A.14, subdivision 1 provides for the establishment of investment vehicles for assets of the participating public retirement plans and nonretirement funds.

SBI requests a 72-hour notification prior to any withdrawal greater than \$1,000,000.

The Council invests in this pool due to the increased investment authority, historically high rate of return on investments, and to fund the post-employment benefit liability recorded in its financial statements.

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 100.00 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 90.00 percent of projected diesel-related fuel consumption and 80.00 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 2017, these values are reported in the "Deferred Inflows of Resources" and offset in "Prepays and Other Current Assets."

Since 2004, the Council has hedged most of its annual 8 million gallons of diesel fuel consumed by the Metro Transit Bus fund, 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 2017, the Council performed a retrospective statistical analysis test and determined that the liquidated hedges were essentially effective.

As of December 31, 2017, the Council had 296 New York Mercantile Exchange (NYMEX) heating oil futures contracts (12.43 million gallons) with acquisition (effective) dates ranging from 04/05/2016 through 12/21/2017. Termination dates range from 01/31/2018 to 09/30/2019. As of December 31, 2017, the heating oil futures contracts had a fair value of \$24,275,000. The Council can hedge its projected consumption (up to 90.00 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, 2017, the Council's futures accounts at R.J.O'Brien contained a cash balance in the amount of \$7,013,000 and a U.S. agency security with a fair value of \$1,999,000.

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>					
Receivables - current	Accounts	Allowance for Uncollectable	Delinquent Taxes	Interest	Total Receivable
Governmental funds:					
General Fund	\$ 2	\$ -	\$ 812	\$ 84	\$ 898
Metro Mobility	119	-	-	143	262
Debt Retirement	-	-	3,443	311	3,754
Nonmajor Governmental	1,808	-	750	466	3,024
Total Governmental funds	<u>\$ 1,929</u>	<u>\$ -</u>	<u>\$ 5,005</u>	<u>\$ 1,004</u>	<u>\$ 7,938</u>
Enterprise funds:					
Environmental Services	\$ 4,103	\$ (20)	\$ -	\$ 316	\$ 4,399
Metro Transit – Bus	9,021	(360)	-	539	9,200
Metro Transit – Light Rail	563	-	-	25	588
Metro Transit – Commuter Rail	-	-	-	20	20
Metropolitan Housing and Redevelopment Authority	723	-	-	26	749
Total Enterprise funds	<u>\$ 14,410</u>	<u>\$ (380)</u>	<u>\$ -</u>	<u>\$ 926</u>	<u>\$ 14,956</u>
Receivables – restricted					
Enterprise funds:					
Environmental Services	\$ 4,800	\$ -	\$ -	\$ 420	\$ 5,220
Metro Transit – Bus	-	-	-	79	79
Metro Transit – Light Rail	-	-	-	86	86
Total Enterprise funds	<u>\$ 4,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585</u>	<u>\$ 5,385</u>

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):

	<u>Unavailable</u>
Delinquent property taxes receivable (General fund)	\$ 582
Delinquent property taxes receivable (Debt retirement fund)	2,689
Delinquent property taxes receivable (Nonmajor governmental funds)	570
Total deferred inflows of resources for governmental funds	<u>\$ 3,841</u>

D. Property taxes

Minnesota State Law requires the State of Minnesota Commissioner of Revenue to determine property tax levy limits. The levy limit generally represents the prior year's levy limit multiplied by the percentage increase in total market value of taxable property. There are no property tax levy limits for the debt service levy, or for the transit Tax Anticipation Certificate levy.

In 2017, the Council levied \$14,482,000 for the General Operating levy, \$11,367,000 for the Livable Communities Demonstration Account levy, \$6,555,000 for Parks Debt Retirement, and \$46,217,000 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 (dollars in thousands):

	<u>Levy Limit</u>	<u>Council Levy</u>
Operating Levy	\$ 14,482	\$ 14,482
Tax Base Revitalization	5,000	5,000
Livable Communities	11,367	11,367
Parks Debt Retirement	6,555	6,555
Transit Debt Retirement	46,217	46,217
Total	<u>\$ 83,621</u>	<u>\$ 83,621</u>

E. Capital assets

Capital assets for the year ended December 31, 2017, 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	12,329	3,351	(15,680)	-
Total capital assets, not being depreciated	19,287	3,351	(15,680)	6,958
Capital assets, being depreciated				
Building and infrastructure	23,826	15,680	-	39,506
Vehicles	201,293	24,078	(14,776)	210,595
Equipment	11,736	4,856	(228)	16,364
Total capital assets being depreciated	236,855	44,614	(15,004)	266,465
Less accumulated depreciation for:				
Buildings and infrastructures	4,381	694	-	5,075
Vehicles	104,085	18,215	(13,871)	108,429
Equipment	9,297	2,056	(228)	11,125
Total accumulated depreciation	117,763	20,965	(14,099)	124,629
Total capital assets, being depreciated, net	119,092	23,649	(905)	141,836
Governmental activities capital assets, net	<u>\$ 138,379</u>	<u>\$ 27,000</u>	<u>\$ (16,585)</u>	<u>\$ 148,794</u>

	<i>Dollars in thousands</i>			
Business-type Activities:	Beginning Balance	Additions	Deductions/ Adjustments	Ending Balance
Capital assets, not being depreciated				
Land	\$ 255,504	\$ 2,062	\$ (76)	\$ 257,490
Construction in progress	509,594	287,770	(169,615)	627,749
Total capital assets, not being depreciated	765,098	289,832	(169,691)	885,239
Capital assets, being depreciated				
Building and infrastructure	4,351,692	174,421	133,873	4,659,986
Vehicles	841,068	11,686	(3,289)	849,465
Equipment	374,947	5,117	(148,163)	231,901
Total capital assets being depreciated	5,567,707	191,224	(17,579)	5,741,352
Less accumulated depreciation for:				
Buildings and infrastructures	1,714,145	139,126	(9,450)	1,843,821
Vehicles	319,485	48,070	(6,803)	360,752
Equipment	152,092	15,372	677	168,141
Total accumulated depreciation	2,185,722	202,568	(15,576)	2,372,714
Total capital assets, being depreciated, net	3,381,985	(11,344)	(2,003)	3,368,638
Business-type activities capital assets, net	<u>\$ 4,147,083</u>	<u>\$ 278,488</u>	<u>\$ (171,694)</u>	<u>\$ 4,253,877</u>

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

<u>Governmental activities:</u>	<i>Dollars in thousands</i>
General government	\$ 1,353
Transportation	19,612
Total depreciation expense-governmental activities	<u>\$ 20,965</u>
<u>Business-type activities:</u>	
Environmental Services	\$ 62,687
Metro Transit – Bus	60,049
Metro Transit – Light Rail	68,796
Metro Transit – Commuter Rail	9,967
Metropolitan Housing and Redevelopment Authority	1,069
Total depreciation expense-business-type activities	<u>\$ 202,568</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 interfund reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The composition of interfund balances as of December 31, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<i>Dollars in thousands</i>
Nonmajor Governmental- Special Revenue- Contracted Services	Nonmajor Governmental- Special Revenue- Suburban Transit Providers	\$ 515

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

Dollars in thousands

Transfers in	Transfers out					Total
	General Fund	Debt Retirement	Nonmajor Governmental	Environmental Services	Metro Transit Bus	
General Fund	\$ -	\$ 730	\$ -	\$ 552	\$ -	\$ 1,282
Nonmajor Governmental	1,000	-	620	-	-	1,620
Environmental Services	2,165	-	-	-	-	2,165
Metro Transit Bus	-	-	15,049	-	-	15,049
Metro Transit Light Rail	-	-	2,137	-	2,810	4,947
Metro Transit Commuter	-	-	264	-	-	264
Metropolitan Housing and Redevelopment Authority	200	-	-	-	-	200
Total	\$ 3,365	\$ 730	\$ 18,070	\$ 552	\$ 2,810	\$ 25,527

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 2017 were \$393,000 for Metro Transit Bus enterprise fund, \$109,000 for Metro Transit-Light Rail enterprise fund, \$61,000 for Metro Transit Commuter Rail enterprise fund, and \$242,000 for Environmental Services enterprise fund. Commitments under operating lease agreements provide for minimum annual rental payments as follows:

Year	Metro Transit				Total
	Environmental Services	Bus	Light Rail	Commuter Rail	
2018	\$ 156	\$ 432	\$ 1,087	\$ 38	\$ 1,713
2019	160	377	681	36	1,254
2020	81	340	120	26	567
2021	-	329	120	5	454
2022	-	319	10	-	329
2023-2027	-	731	46	-	777
2028-2032	-	93	46	-	139
2033-2037	-	80	46	-	126
2038-2042	-	-	46	-	46
2043-2047	-	-	32	-	32
Total	\$ 397	\$ 2,701	\$ 2,234	\$ 105	\$ 5,437

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	Governmental Fund
2018	\$ 1,025
2019	1,024
2020	1,023
2021	1,025
2022	1,022
2023-2024	1,799
Total minimum lease payments	\$ 6,918
Less amount representing interest	(658)
Present value of minimum lease payments	<u>\$ 6,260</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 40.00 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 \$1,140,375,000.

During the year, \$40,000,000 of general obligation transit bonds and \$105,000,000 general obligation wastewater bonds were issued.

General obligation bonds currently outstanding on December 31, 2017, are as follows:

Purpose	Interest Rates	<i>Dollars in Thousands</i>
Governmental activities	0.60-5.50%	\$ 157,275
Governmental activities – refunding	2.00-5.00%	26,950
Business-type activities	2.00-5.00%	444,450
Business-type activities – refunding	0.25-5.25%	294,545
Total general obligation bonds		<u>\$ 923,220</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 \$782,645,000. During the year, \$23,961,000 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 \$28,465,000.

Public Facilities Authority general obligation backed loans currently outstanding on December 31, 2017, are as follows:

Purpose	Interest Rates	<i>Dollars in Thousands</i>
Governmental activities	1.79-2.71%	\$ 1,880
Business-type activities	1.60-3.18%	556,423
Total Public Facilities Authority loans		<u>\$ 558,303</u>

In 2015, the Council entered into a loan agreement with the Counties Transit Improvement Board (CTIB). CTIB was dissolved effective September 30, 2017. An Assignment and Assumption agreement was signed for this loan agreement effective October 1, 2017 with Hennepin County. 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, \$3,916,000 of the Hennepin County loan was drawn down, entirely by business-type activities.

The following is a summary of general obligation bond, Hennepin County and PFA loan transactions of the Council for the year ended December 31, 2017:

	<i>Dollars in thousands</i>	
	Governmental Activities	Business-type Activities
Balance, January 1, 2017	\$ 202,131	\$ 1,317,430
PFA drawdown	-	23,961
Hennepin County drawdown	-	3,916
Bond issued, net of discount/premium	43,823	115,076
Amortization of discount/premium	(1,901)	(5,001)
Less principal payment	(41,525)	(89,414)
Balance, December 31, 2017	<u>\$ 202,528</u>	<u>\$ 1,365,968</u>

As of December 31, 2017, the annual debt service requirements to amortize all general obligation bonds, Hennepin County notes payable, and PFA loans outstanding, including interest of \$33,850,000 on the governmental activities debt and \$288,908,000 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
2018	\$ 38,445	\$ 7,222	\$ 45,667	\$ 97,139	\$ 39,318	\$ 136,457
2019	25,550	5,828	31,378	100,903	36,700	137,603
2020	21,405	4,795	26,200	110,226	33,676	143,902
2021	19,720	3,885	23,605	114,233	30,246	144,479
2022	16,145	3,121	19,266	111,445	26,621	138,066
2023-2027	50,090	7,732	57,822	425,741	83,728	509,469
2028-2032	14,750	1,267	16,017	237,332	32,251	269,583
2033-2037	-	-	-	101,112	6,368	107,480
Subtotal	\$ 186,105	\$ 33,850	\$ 219,955	\$ 1,298,131	\$ 288,908	\$ 1,587,039
Net unamortized: Discounts/premium	16,423	-	16,423	67,837	-	67,837
Total payments	<u>\$ 202,528</u>	<u>\$ 33,850</u>	<u>\$ 236,378</u>	<u>\$ 1,365,968</u>	<u>\$ 288,908</u>	<u>\$ 1,654,876</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 \$65,000,000 (2010F) of General Obligation Wastewater bonds.

The bonds are direct pay tax credit Build America Bonds (BAB), in which the Council receives a 35.00 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 6.90 percent from sequestration through September 30, 2017 and 6.60 percent for the remainder of the year.

Taking into consideration the above BAB interest credit, as of December 31, 2017, the Council's net annual debt service requirements to amortize all general obligation bonds and loans outstanding, including interest of \$30,159,000 on the governmental activities debt and \$280,638,000 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
2018	\$ 38,445	\$ 7,222	\$ (626)	\$ 6,596	\$ 45,041
2019	25,550	5,828	(529)	5,299	30,849
2020	21,405	4,795	(445)	4,350	25,755
2021	19,720	3,885	(375)	3,510	23,230
2022	16,145	3,121	(324)	2,797	18,942
2023-2027	50,090	7,732	(1,139)	6,593	56,683
2028-2032	14,750	1,267	(253)	1,014	15,764
Subtotal	\$ 186,105	\$ 33,850	\$ (3,691)	\$ 30,159	\$ 216,264
Net unamortized: Discounts/premiums	16,423	-	-	-	16,423
Total payments	\$ 202,528	\$ 33,850	\$ (3,691)	\$ 30,159	\$ 232,687

Business-type Activities: Year Ending December 31					
2018	\$ 96,067	\$ 39,318	\$ (1,140)	\$ 38,178	\$ 134,245
2019	100,903	36,700	(1,088)	35,612	136,515
2020	110,226	33,676	(1,000)	32,676	142,902
2021	114,233	30,246	(902)	29,344	143,577
2022	111,445	26,621	(838)	25,783	137,228
2023-2027	425,741	83,728	(2,779)	80,949	506,690
2028-2032	237,332	32,251	(523)	31,728	269,060
2033-2037	102,184	6,368	-	6,368	108,552
Subtotal	\$ 1,298,131	\$ 288,908	\$ (8,270)	\$ 280,638	\$1,578,769
Net unamortized: Discounts/premiums	67,837	-	-	-	67,837
Total payments	\$ 1,365,968	\$ 288,908	\$ (8,270)	\$ 280,638	\$1,646,606

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. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

<i>Dollars in thousands</i>					
Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds/loans payable:					
General obligation debt	\$ 187,630	\$ 40,000	\$ (41,525)	\$ 186,105	\$ 38,445
Discounts/premiums	14,501	3,823	(1,901)	16,423	-
Total general obligation debt	202,131	43,823	(43,426)	202,528	38,445
Capital lease	7,085	-	(825)	6,260	850
Compensated absences	4,332	3,591	(3,436)	4,487	2,693
Governmental long-term liabilities	\$ 213,548	\$ 47,414	\$ (47,687)	\$ 213,275	\$ 41,988

<i>Dollars in thousands</i>					
Business Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds/loans/notes payable:					
General obligation debt	\$ 1,253,071	\$ 128,961	\$ (86,614)	\$ 1,295,418	\$ 94,426
Hennepin County note	1,597	3,916	(2,800)	2,713	2,713
Loans payable	1,405	-	-	1,405	-
Discounts/premiums	62,762	10,076	(5,001)	67,837	-
Total bonds/loans payable	1,318,835	142,953	(94,415)	1,367,373	97,139
Compensated absences	26,922	29,933	(30,655)	26,200	21,025
Accrued claims	17,062	10,534	(8,354)	19,242	7,602
Business-type long-term liabilities	\$ 1,362,819	\$ 183,420	\$ (133,424)	\$ 1,412,815	\$ 125,766

Capital leases in the Governmental Activities have been liquidated by funding from the General Fund in 2017 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 \$150,000 for the Family Self Sufficiency program escrow accounts in the Metropolitan Housing and Redevelopment fund.

4. Pollution Remediation Obligation

The Metropolitan Council is financially responsible to remediate certain known pollution present on Council owned land. The Council voluntarily assumed responsibility for the Snelling Garage site, which includes the assessment and clean-up activities.

Pollution remediation obligation liability as of December 31, 2017 was \$3,000,000. The pollution remediation amounts are estimated through an analysis of the existing polluted site. The liability is measured at current value, and is subject to change due to inflation, technology, improvements, or changes to applicable laws and regulations. Funding for this pollution remediation will come from Property Taxes.

I. Compensated absences

In 2017, the General fund liability for compensated absences earned but not taken increased from \$4,332,000 to \$4,487,000. This liability is reported in the government-wide statement of net position. The following summary of changes during 2017 includes \$319,000 in payroll taxes:

	<i>Dollars in thousands</i>
Balance, January 1, 2017	\$ 4,332
Transferred from Enterprise Funds	51
Leave Earned	3,540
Leave Taken or Paid Off	(3,436)
Balance, December 31, 2017	<u>\$ 4,487</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 and Transit Capital projects (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 Other Special Revenue fund, assigned amounts are intended to be used for planning assistance. In the General fund, amounts intended to be used for capital maintenance and compensated absences are assigned. The amount recognized as capital maintenance 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 Governmental Funds	Total
	General Fund	Metro Mobility Special Revenue	Debt Retirement		
Fund Balances:					
Spendable:					
Restricted for:					
Debt Retirement Reserve	\$ -	\$ -	\$ 105,480	\$ -	\$ 105,480
Highway Right-of-Way Program	-	-	-	57,049	57,049
Economic Revitalization	-	-	-	15,972	15,972
Environment Development	-	-	-	48,696	48,696
Incentive Housing	-	-	-	5,670	5,670
Regional Land Use	-	-	-	896	896
North Mississippi Park Improvements	-	-	-	2,513	2,513
Regional Parks Capital Improvements	-	-	-	83,949	83,949
Transit Capital Improvements	-	-	-	15,334	15,334
Committed for:					
Self Insurance	1,500	-	-	-	1,500
Other Post Employment Benefits	5,274	-	-	-	5,274
Regional Water Supply Program	565	-	-	-	565
Regional ADA Transit Service	-	56,613	-	-	56,613
Regional Transit Provider Services	-	-	-	14,231	14,231
Assigned for:					
Capital Maintenance	695	-	-	-	695
Compensated Absences	2,692	-	-	-	2,692
Planning Assistance	-	-	-	592	592
Unassigned	17,433	-	-	(38,202)	(20,769)
Total fund balances	\$ 28,159	\$ 56,613	\$ 105,480	\$ 206,700	\$ 396,952

K. Change in accounting principle

GASB recently issued a pronouncement that affect the Metropolitan Council financial statements. The new standard applies to governmental employers who provide OPEB to their employees.

During the year ended December 31, 2017, the Council adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which replaces the requirements of Statements No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", as amended, and Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB", revises and establishes new financial reporting requirements, note disclosures, and RSI for postemployment benefits other than pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regards to providing decision-useful information, supporting assessments of accountability and creating additional transparency.

The implementation of this statement required the Metropolitan Council to make a prior period adjustment due to the change in accounting principle. As a result, the beginning net positions were reduced by \$1.20 million for governmental activities and \$198.30 million for business type activities. Restatement of net positions were also reduced for the following major Enterprise funds: \$61.70 million for Environmental Services fund, \$136.10 million for Metro Transit – Bus fund and \$0.50 million for Metro Transit – Light Rail fund.

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 either purchases general liability insurance or self-insures 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 2016 or 2017.

4. Property and crime

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

5. Workers' compensation

Metro Transit Bus has been self-insured for workers' compensation since 1982, 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 2.904 percent.

The self-insurance retention limit for workers' compensation is \$2,000,000 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 2016 and 2017 are as follows:

<i>Dollars in thousands</i>					
Metro Transit					
2016 Balance:	Bus	Light Rail	Commuter Rail	Environmental Services	Total
Beginning Balance	\$ 14,532	\$ 3,370	\$ 3,014	\$ 758	\$ 21,674
Current year claims and changes in estimates	2,121	(1,138)	79	743	1,805
Payments on claims	(5,097)	(631)	(71)	(846)	(6,645)
Ending balance	<u>\$ 11,556</u>	<u>\$ 1,601</u>	<u>\$ 3,022</u>	<u>\$ 655</u>	<u>\$ 16,834</u>
2017 Balance:					
Beginning Balance	\$ 11,556	\$ 1,601	\$ 3,022	\$ 655	\$ 16,834
Current year claims and changes in estimates	8,797	1,021	17	573	10,408
Payments on claims	(7,040)	(478)	(39)	(593)	(8,150)
Ending balance	<u>\$ 13,313</u>	<u>\$ 2,144</u>	<u>\$ 3,000</u>	<u>\$ 635</u>	<u>\$ 19,092</u>

6. Internal service fund

The Metropolitan Council has an internal service fund for its self-insurance plans for health and dental care. The Council assumes all liability for medical and 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>	
2016 Balance:	Internal Service Fund
Beginning Balance	\$ 4,964
Incurred claims	70,299
Payments on claims	(68,414)
Ending Balance	<u>\$ 6,849</u>
2017 Balance:	
Beginning Balance	\$ 6,849
Incurred claims	72,258
Payments on claims	(73,212)
Ending Balance	<u>\$ 5,895</u>

B. Pension obligations

Metropolitan Council has 4,022 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 157 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 18 people under an Unclassified Employees Retirement Fund (UER) administered by MSRS. Investments at these pensions plans are reported at fair value.

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 2.00 percent each year. When the fund reaches a 90.00 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 100.00 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 Metropolitan Council's contribution to the General Plan for the fiscal year ending December 31, 2017 was \$14,922,000. 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, 2017, the Metropolitan Council reported a liability of \$ 693,797,000 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2017, the Metropolitan Council's proportion was 9.353 percent, which was a decrease of 0.041 percent from its proportion measured as of June 30, 2016.

There was one change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date. The actuarial equivalent factors were updated to reflect current mortality and interest assumptions, effective January 1, 2017.

The following two changes in assumptions affected the measurement of the total pension liability since the prior measurement date. The combined service annuity (CSA) loads were 1.20 percent for active member liability and 40.00 percent for vested and non-vested deferred member liability. The revised CSA loads are now 0.00 percent for active member liability, 4.00 percent for vested deferred member liability and 5.00 percent for non-vested deferred member liability. The single discount rate was changed from 4.17 percent to 5.42 percent per annum.

For the year ended December 31, 2017, the Metropolitan Council recognized pension expense of \$117,466,000 for its proportionate share of the MSRS-GEF pension expense. At December 31, 2017, 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	\$ 4,911	\$ 18,784
Changes of assumptions	558,641	377,674
Net difference between projected and actual earnings on investments	-	16,108
Changes in proportion and differences between actual contributions and proportionate share of contributions	8,785	7,052
Contributions paid to MSRS subsequent to the measurement date	6,908	-
Total	<u>\$ 579,245</u>	<u>\$ 419,618</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, 2018. 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>
2018	\$ 55,741
2019	99,518
2020	101,037
2021	(103,576)
	<u>\$ 152,720</u>

Actuarial Assumptions: The Metropolitan Council's net pension liability was measured as of June 30, 2017, 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	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 generational mortality tables for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees are assumed to be 2.00 percent every January 1st.

Actuarial assumptions used in the June 30, 2017 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 7.50 percent. During MSRS's fiscal year 2016, the State Board of Investment (SBI) hired an outside consultant to perform a thorough asset and liability study. Based on the study, the SBI staff proposed an update to the asset allocation, which yields a lower nominal expected return. As a result of this study and keeping in mind the national trends towards lower investment rate assumptions, the MSRS Board of Directors approved the use of a 7.50 percent long term expected rate of return assumption for MSRS's fiscal year 2017 actuarial valuations.

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 future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates, and target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio. Results are summarized in the following table:

Asset Class	Target Allocation	SBI's Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	39%	5.10%
International Equity	19	5.30
Private Markets	20	5.90
Domestic Bonds	20	0.75
Cash	2	0.00
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability as of June 30, 2017, was 5.42 percent. The single discount rate was based on an expected rate of return on pension plan investments of 7.50 percent and a municipal bond rate of 3.56 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, 2017, was projected to be available to make all projected future benefit payments of current active and inactive employees through the year ending June 30, 2049. Therefore, the long-term expected rate of return on pension plan investments was applied to project benefit payments through the year ending June 30, 2049, and the municipal bond rate was applied to all benefit payments after the point of depletion.

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 5.42 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 1.00 percentage point lower (4.42 percent) or 1.00 percentage point higher (6.42 percent) than the current rate (dollars in thousands):

	1.00% Decrease (4.42%)	Current Discount Rate (5.42%)	1.00% Increase (6.42%)
Council's proportionate share of the Net pension liability (MSRS)	\$ 972,093	\$ 693,797	\$ 466,390

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 Public Employees Police and Fire Fund (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 Public Employees Retirement Association (PERA).

Metro Transit Police Officers who qualify for membership by statute, are covered by the Public Employees Police and Fire Fund, a cost sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota. 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: Benefits for plan members hired prior to July 1, 2010, vest after three years of credited service. For members first hired after June 30, 2010 but before July 1, 2014, benefits vest on a prorated basis from 50.00 percent after five years up to 100.00 percent after ten years of credited service. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50.00 percent after ten years up to 100.00 percent after twenty years of credited service.

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 the funding ratio of the plan. Benefit recipients receive a future annual 1.00 percent post-retirement benefit increase. If the funding ratio reached 90.00 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 80.00 percent for one year or less than 85.00 percent for two consecutive years, the benefit increase will decrease to 1.00 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 3.00 percent of average salary for each of their years of service. A full unreduced retirement annuity is earned when members meet the following conditions: age 55 and vested or age plus years of service equal at least 90 if first hired prior to July 1, 1989. A reduced retirement annuity is available to members between the ages of 50 and 55. Under legislation enacted in the 2013 session of the Legislature, the reduction for Police and Fire plan early retirement began increasing incrementally in July 2014. It will culminate in a 5.00 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 60.00 percent of salary if disabled while engaged in hazardous activities related to the occupation. Disability under any other circumstances results in a minimum of 45.00 percent of salary.

Death benefits are calculated if a member dies while still an active employee, they are based on either 50.00 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 70.00 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 2017. The Metropolitan Council required contribution rate is 16.20 percent of annual covered salary in 2017. The rate did not change from the previous year. 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 \$1,762,000 for the year ending December 31, 2017.

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

At December 31, 2017, the Metropolitan Council reported a liability of \$14,177,000 for its proportionate share of PERA's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Metropolitan Council's proportion was 1.0500 percent, which was an increase of .0480 percent from its proportion measured as of June 30, 2016.

There were no changes in benefit provisions that affected the measurement of the total pension liability since the prior measurement date.

The following changes in assumptions affected the measurement of the total pension liability since the prior measurement date. The assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. The assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table, with a base year of 2006, with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. The assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. The assumed age difference was changed from separate assumptions for male members, wives assumed to be three years younger, and female members, husbands assumed to be four years older, to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate changed from 5.60 percent per annum to 7.50 percent per annum.

For the year ended December 31, 2017, the Metropolitan Council recognized pension expense of \$2,993,000 for its proportionate share of the PEPFF's pension expense. At December 31, 2017, 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	\$ 332	\$ 3,592
Changes of assumptions	18,664	20,127
Net difference between projected and actual earnings on investments	-	1,226
Changes in proportion and differences between actual contributions and proportionate share of contributions	2,263	-
Contributions paid to PERA subsequent to the measurement date	851	-
Total	<u>\$ 22,110</u>	<u>\$ 24,945</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, 2018. 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>
2018	\$ (175)
2019	1,009
2020	42
2021	(923)
2022	(3,639)
	<u>\$ (3,686)</u>

Actuarial Assumptions: The Metropolitan Council's net pension liability was measured as of June 30, 2017, 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	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 generational mortality tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1.00 percent through 2064 and 2.50 percent per annum thereafter.

Actuarial assumptions used in the June 30, 2017 valuation are reviewed annually. The most recent 5-year experience study for the PEPFF was completed August 30, 2016. The economic assumptions are based on a review of inflation and investment return assumptions dated September 11, 2014 and September 11, 2017, and a recent asset liability study obtained by the State Board of Investment.

The long-term expected rate of return on pension plan investments is 7.50 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:

Asset Class	Target Allocation	SBI's Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Stocks	39%	5.10%
International Stocks	19	5.30
Bonds/Fixed Income	20	7.50
Alternative Assets	20	5.90
Cash	2	0.00
Total	<u>100%</u>	

Discount Rate: The discount rate used to measure the total pension liability as of June 30, 2017, was 7.50 percent. This single discount rate was based on the expected rate of return on pension plan investments of 7.50 percent and the municipal bond rate of 3.56 percent. The projection of cash flows used to determine this single discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance all projected future benefit payments of current plan members. 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 7.50 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 1.00 percentage point lower (6.50 percent) or 1.00 percentage point higher (8.50 percent) than the current rate (dollars in thousands):

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Council's proportionate share of the Net pension liability (PERA)	\$ 26,698	\$ 14,177	\$ 3,839

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, 2017, the Metropolitan Council recognized pension expense of \$120,459,000 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. Pension liability is 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 5.50 percent of salary from participating employees. The employer contribution rate is 6.00 percent of salary.

For the year ending December 31, 2017 employer contributions were \$182,000. 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.

Funding Policy: As of December 31, 2017, the Metropolitan Council had separately invested assets in a revocable trust account with a fair market value of \$274,267,000. The trust account is administered by the Public Employees Retirement Association (PERA) under MS 471.6175 (Trust for Postemployment Benefits) and are invested by the SBI pursuant to Minnesota Statutes section 11A.14, which provides for the establishment of investment vehicles for assets of the participating public retirement plans and nonretirement funds.

Minnesota Statute 471.6175, subdivision 5 specifies that the Metropolitan Council may provide investment direction to PERA as the trust administrator, and PERA must certify (and decertify) Metropolitan Council's assets to the SBI for investment under section 11A.14, subject to the policies and procedures established by the SBI.

The Metropolitan Council's internal funding policy includes funding and investing the revocable trust account to meet the current and future explicit retiree premium costs for current retirees and all eligible active employees. Funding status for the trust account is based on actuarial valuation assuming a 7.00 percent discount rate and is considered sufficient to meet projected future explicit benefits.

This funding arrangement does not meet the requirements of GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"; accordingly, the revocable trust account assets are not included in disclosures of the OPEB plan assets. The Metropolitan Council does not issue a separate financial report for its OPEB plan. Activity for the plan is reported for the Government wide financial statements and in enterprise funds for Metro Transit Bus, Metro Transit Light Rail, and Environmental Services.

Benefits Provided: The Metropolitan Council provides a health care and life insurance plan to eligible retirees, their spouses, and dependents. The benefit provisions are established and amended through negotiations between the Metropolitan Council and the respective unions representing its employees. This is a closed plan. Only employees hired prior to OPEB benefit sunset dates established within those union agreements are entitled to receive employer paid OPEB benefits. Employee's 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. Additionally, under Minnesota Statute 471.61 Subd. 2b, retirees can stay on the plan after retirement which creates an implicit rate subsidy. The amount paid by the employer for OPEB as the benefits came due during the reporting period was \$10,848,000.

Employees covered by benefit terms: At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,741
Inactive employees entitled to but not yet receiving benefit payments	0
Active Employees	3,756
	<u>5,497</u>

Total OPEB Liability: The Metropolitan Council's total OPEB liability of \$304,428,000 was measured as of December 31, 2017 and was determined by an actuarial valuation as of January 1, 2017. The total OPEB liability was rolled-forward from the valuation date to fiscal year ended December 31, 2017 using generally accepted actuarial principles.

Actuarial assumptions and other inputs: The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Payroll Growth	3.50 percent
Discount Rate	3.44 percent
Healthcare cost trend rates	Rates were developed using the SOA-Getzen model and have a grade down period consistent with industry expectations. The ultimate trend of 5.00 percent is reached after a grade down period of 24 years.
Employer share of benefit-related costs	The employer subsidy is assumed to shift from the current premium levels to 90.00 percent of the full premium for single coverage and 80.00 percent for family coverage. In subsequent years, the employer subsidy is assumed to increase at 90.00 percent of the full medical trend

Mortality rates were based on the MP-2014 scale with adjustments for mortality improvements based on MP-2015 and MP-2016 scales.

The assumptions prescribed in the actuarial valuation are based on the last experience study prepared for the System that covered the six-year period from July 1, 2008 through June 30, 2014, dated June 30, 2015.

Discount Rate: The discount rate was based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. The Metropolitan Council determined the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate as of December 31, 2017 was 3.44 percent.

Changes in the Total OPEB Liability (Dollars in Thousands):

	Total OPEB Liability
Balance at December 31, 2016	<u>\$ 291,749</u>
Changes for the year:	
Service cost	3,602
Interest	10,897
Changes of benefit terms	-
Differences between expected and actual experience	(1,374)
Changes in assumptions or other inputs	12,447
Benefit payments	<u>(12,893)</u>
Net changes	<u>12,679</u>
Balance at December 31, 2017	<u><u>\$ 304,428</u></u>

No changes in benefit provisions affected the measurement of the total OPEB liability since the prior measurement date.

One change in assumption affected the measurement of the total pension liability since the prior measurement date. The discount rate which is based on the index rate for 20-year-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher changed from 3.78 percent to 3.44 percent.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Metropolitan Council, as well as what the Metropolitan Council's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (2.44 percent) or 1.00 percentage point higher (4.44 percent) than the current discount rate (dollars in thousands):

	1.00% Decrease (2.44%)	Current Discount Rate (3.44%)	1.00% Increase (4.44%)
Total OPEB Liability	\$ 346,244	\$ 304,428	\$ 270,000

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Metropolitan Council, as well as what the Metropolitan Council's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00 percentage point lower (5.75 percent decreasing to 4.00 percent) or 1.00 percentage point higher (7.75 percent decreasing to 6.00 percent) than the current healthcare cost trend rates (dollars in thousands):

	1.00% Decrease (5.75% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.75% decreasing to 5.00%)	1.00% Increase (7.75 decreasing to 6.00%)
Total OPEB Liability	\$ 266,043	\$ 304,428	\$ 351,533

For the year ended December 31, 2017, the Metropolitan Council recognized OPEB expense of \$ 16,844,000. At December 31, 2017, the Metropolitan Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Dollars in thousands)	
Differences between expected and actual experience	\$ 146	\$ 1,273
Changes of assumptions	9,860	6
Total	<u>\$ 10,006</u>	<u>\$ 1,279</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	OPEB Expense
	<i>Dollars in thousands</i>
2018	\$ 2,346
2019	2,346
2020	2,095
2021	1,440
2022	500
	<u>\$ 8,727</u>

D. Sub-grantee programs

During the year ended December 31, 2017, 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.

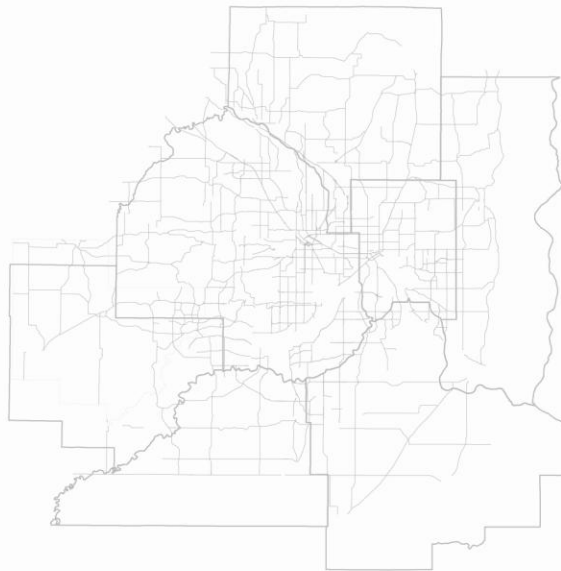
E. Commitments and contingencies

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 \$337,195,000 as of December 31, 2017. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$91,927,000 will be paid from the Metro Transit Light Rail fund. Future commitments for commuter rail transit services of approximately \$8,890,000 as of December 31, 2017, will be paid from the Metro Transit Commuter Rail fund. Future commitments for regional transit services are approximately \$21,613,000 as of December 31, 2017. These commitments will be paid from Contracted Transit Service special revenue nonmajor fund. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately \$49,669,000 as of December 31, 2017. 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 2017 budget but not completely expended in 2017 were \$ 695,000. 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.

F. Subsequent events

On May 23, 2018, Metropolitan Council issued the following notes and bonds: \$12,295,000 Taxable General Obligation Wastewater Revenue Bonds, Series 2018B, \$105,000,000 General Obligation Wastewater Revenue Bonds, Series 2018C and \$40,000,000 General Obligation Transit Bonds, Series 2018D.



Serving the Twin Cities seven-county metropolitan area

REQUIRED SUPPLEMENTARY INFORMATION



**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS**

	Budgeted Amounts			Variance with Final Budget- Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 14,482	\$ 14,482	\$ 14,387	\$ (95)
Intergovernmental revenue:				
State	10,500	10,500	8,403	(2,097)
Local	-	-	150	150
Investment income	550	550	1,913	1,363
Other	308	308	395	87
Total revenues	25,840	25,840	25,248	(592)
EXPENDITURES				
Current:				
General government	10,842	11,851	8,033	(3,818)
Intergovernmental:				
Culture and recreation	10,500	10,500	8,375	(2,125)
Debt service:				
Principal	825	825	825	-
Interest and other charges	200	200	200	-
Capital outlay	3,401	3,401	2,960	(441)
Total expenditures	25,768	26,777	20,393	(6,384)
Excess (deficiency) of revenues over (under) expenditures	72	(937)	4,855	5,792
OTHER FINANCING SOURCES (USES)				
Transfers in	1,376	1,376	1,282	(94)
Transfers out	(3,400)	(3,400)	(3,365)	35
Total other financing sources (uses)	(2,024)	(2,024)	(2,083)	(59)
Net change in fund balance	(1,952)	(2,961)	2,772	5,733
Fund balance	25,387	25,387	25,387	-
Fund balance, ending	\$ 23,435	\$ 22,426	\$ 28,159	\$ 5,733

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

**BUDGETARY COMPARISON SCHEDULE
METRO MOBILITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS**

	Budgeted Amounts			Variance with Final Budget- Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenue:				
State	\$ 62,109	\$ 60,901	\$ 73,245	\$ 12,344
Investment income	-	-	267	267
Other	6,556	6,556	5,717	(839)
Total revenues	68,665	67,457	79,229	11,772
EXPENDITURES				
Current:				
Transportation	70,833	70,833	65,688	(5,145)
Net change in fund balance	(2,168)	(3,376)	13,541	16,917
Fund balance, beginning	43,072	43,072	43,072	-
Fund balance, ending	\$ 40,904	\$ 39,696	\$ 56,613	\$ 16,917

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 LIABILITY¹
MINNESOTA STATE RETIREMENT SYSTEM - GENERAL EMPLOYEES FUND
LAST TEN YEARS²
IN THOUSANDS (EXCEPT PERCENTAGES)

Fiscal Year³	Council's proportion of the net pension liability (asset)	Council's proportionate share of the net pension liability (asset)	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%
2016	9.394%	\$ 1,164,751	\$ 258,161	451.17%	47.51%
2017	9.353%	\$ 693,797	\$ 269,046	257.87%	62.73%

¹ Refer to Notes to the Required Supplementary Information, Note C for details

² This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

³ The amounts presented for each fiscal year were determined as of June 30.

SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY¹
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA - PUBLIC EMPLOYEES POLICE AND FIRE PLAN
LAST TEN YEARS²
IN THOUSANDS (EXCEPT PERCENTAGES)

Fiscal Year³	Council's proportion of the net pension liability (asset)	Council's proportionate share of the net pension liability (asset)	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%
2016	1.002%	\$ 40,212	\$ 9,655	416.49%	63.88%
2017	1.050%	\$ 14,177	\$ 10,783	131.48%	85.43%

¹ Refer to Notes to the Required Supplementary Information, Note C for details

² This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

³ The amounts presented for each fiscal year were determined as of June 30.

SCHEDULE OF COUNCIL'S CONTRIBUTIONS¹
MINNESOTA STATE RETIREMENT SYSTEM - GENERAL EMPLOYEES FUND
LAST TEN YEARS²
IN THOUSANDS (EXCEPT PERCENTAGES)

Fiscal Year ³	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%
2016	\$ 15,024	\$ 15,024	\$ -	\$ 273,171	5.50%
2017	\$ 14,922	\$ 14,922	\$ -	\$ 271,306	5.50%

¹ Refer to Notes to the Required Supplementary Information, Note C for details

² This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

³ The amounts presented for each fiscal year were determined as of December 31.

SCHEDULE OF COUNCIL'S CONTRIBUTIONS¹
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA - PUBLIC EMPLOYEES POLICE AND FIRE PLAN
LAST TEN YEARS²
IN THOUSANDS (EXCEPT PERCENTAGES)

Fiscal Year ³	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%
2016	\$ 1,637	\$ 1,637	\$ -	\$ 10,104	16.20%
2017	\$ 1,762	\$ 1,762	\$ -	\$ 10,877	16.20%

¹ Refer to Notes to the Required Supplementary Information, Note C for details

² This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

³ The amounts presented for each fiscal year were determined as of December 31.

**SCHEDULE OF CHANGES IN THE METROPOLITAN COUNCIL'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS ENDED DECEMBER 31 ¹
IN THOUSANDS (EXCEPT PERCENTAGES)**

Fiscal Year	2017
Total OPEB liability ²	
Service cost	\$ 3,602
Interest	10,897
Differences between expected and actual experience	(1,374)
Changes of assumptions or other inputs	12,447
Benefit payments	(12,893)
Net change in total OPEB liability	<u>12,679</u>
Total OPEB liability - beginning	<u>291,749</u>
Total OPEB liability - ending	<u><u>\$ 304,428</u></u>
 Covered-employee payroll	 \$ 388,152
 Total OPEB liability as a percentage of covered-employee payroll	 78.43%

Notes:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

2017 3.44%

¹ This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

² The assets are not accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets, as required by state statutes, are adopted on a basis consistent with accounting principles generally accepted in the United States of America (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 the fund.

	Dollars in thousands			Variance with Final Budget Over (Under)
	Original Budget	Final Budget	Actual	
Regional Administration	\$ 6,122	\$ 6,841	\$ 3,275	\$ (3,566)
Community Development	19,646	19,936	17,118	(2,818)
Total General Fund	<u>\$ 25,768</u>	<u>\$ 26,777</u>	<u>\$ 20,393</u>	<u>\$ (6,384)</u>

C. Pension Obligations

Minnesota State Retirement System – General Employees Fund:

The amounts reported in 2017 reflect the following changes to the benefit terms.

- The actuarial equivalent factors were updated to reflect current mortality and interest assumptions, effective January 1, 2017.

The amounts reported in 2017 reflect the following changes to the actuarial assumptions.

- The combined service annuity (CSA) loads were 1.20 percent for active member liability and 40.00 percent for vested and non-vested deferred member liability in the prior year.
- The revised CSA loads are now 0.00 percent for active member liability, 4.00 percent for vested deferred member liability and 5.00 percent for non-vested deferred member liability. The single discount rate was changed from 4.17 percent to 5.42 percent.

The amounts reported in 2016 reflect the following changes to the actuarial assumptions.

- The long-term expected rate of return on pension plan investments changed from 7.90 percent to 7.50 percent.
- The inflation assumption was changed from 2.75 percent to 2.50 percent.
- The payroll growth assumption changed from 3.50 percent to 3.25 percent.
- The single discount rate changed from 7.90 percent to 4.17 percent.
- The assumed post-retirement benefit increase rate was changed from 2.00 percent per year through 2043 and 2.50 percent per year thereafter to 2.00 percent per year for all future years.
- Assumed salary increase rates average 0.20 percent greater than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer unreduced retirements and fewer Rule of 90 retirements.
- Distinct rates for reduced (early) retirements were adopted for members hired prior to July 1, 1989, and members hired after June 30, 1989.
- Assumed rates of termination were changed, generally resulting in greater rates for three to nine years of service, and lower for fifteen or more years of service.
- Assumed rates of disability for females were reduced to 75.00 percent of previous rates.
- Rates for male members were lowered by utilizing the same disability rates as for females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2000 fully generational table to the RP-2014 fully generational table, white collar adjustments, with age adjustments.
- The mortality improvement scale was changed from Scale AA to Scale MP-2015.
- The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table, with age adjustments.
- The percent married assumption was changed from 85.00 percent to 80.00 percent of active male members and from 70.00 percent to 65.00 percent of active female members.
- The assumed number of married male new retirees electing the 75.00 percent Joint & Survivor option changed from 10.00 percent to 15.00 percent.
- The assumed number of married female new retirees electing the 75.00 percent and 100.00 percent Joint & Survivor options changed from 0.00 percent to 10.00 percent and from 25.00 percent to 30.00 percent, respectively.
- The corresponding number of married new retirees electing the Life Annuity option was adjusted accordingly.

The amounts reported in 2015 reflect the following changes to the benefit terms.

- The post-retirement benefit increase rate changed from 2.00 percent per year through 2015 and 2.50 percent thereafter to 2.00 percent per year through 2043 and 2.50 percent thereafter.
- The amounts reflect a provision added, effective July 1, 2015, so that if the 2.50 percent post-retirement benefit increase is triggered and the funding ratio (determined on a market value of asset basis) subsequently drops below 80.00 percent or less for the most recent valuation year or 85.00 percent or less for two consecutive years, the post-retirement benefit increase will change to 2.00 percent until the plan again reaches a 90.00 percent funding ratio for two consecutive years.
- Contributions changed effective July 1, 2014. The rates went from 5.00 percent for both employee and employer to 5.50 percent for both employee and employer.

Public Employees Retirement Association of Minnesota – Public Employees Police and Fire Fund:

The amounts reported in 2017 reflect the following changes to the actuarial assumptions.

- The assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested deferred members. The CSA has been changed to 33.0 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table, with a base year of 2006, with male rates adjusted by a factor of 0.96.
- The mortality improvement scale was changed from Scale AA to Scale MP-2016.
- The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- The assumed age difference was changed from separate assumptions for male members, wives assumed to be three years younger, and female members, husbands assumed to be four years older, to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate changed from 5.60 percent per annum to 7.50 percent per annum.

The amounts reported in 2016 reflect the following changes to the actuarial assumptions.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases and payroll growth were decreased by .25 percent to 3.25 percent. The assumed inflation rate decreased .25 percent to 2.50 percent.

The amounts reported in 2015 reflect the following changes to the benefit terms.

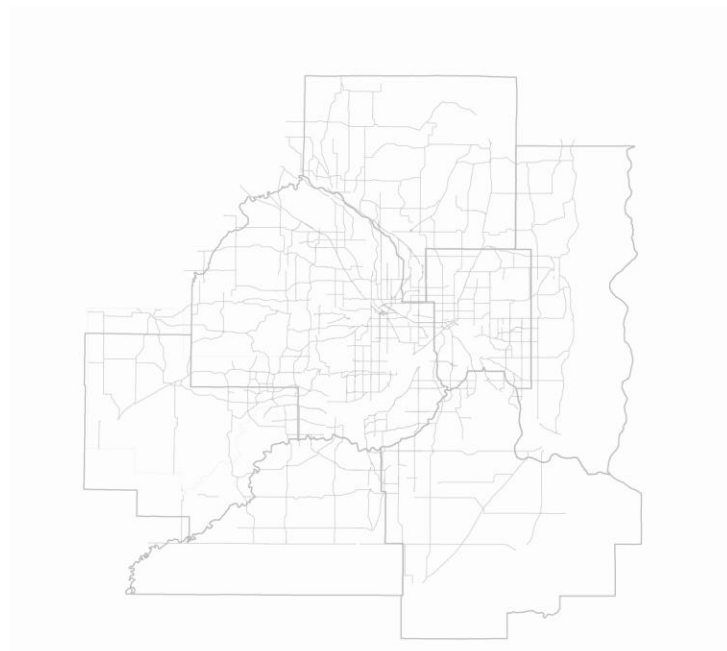
- The post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent thereafter to 1.00 percent per year through 2037 and 2.50 percent thereafter.
- A provision was added so post-retirement benefit increases to be paid after attainment of the 90.00 percent threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.
- Contributions changed effective January 1, 2015. The rates went from 10.20 percent for employee and 15.30 percent for employer to 10.80 percent for employee and 16.20 percent for employer.



Serving the Twin Cities seven-county metropolitan area

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES





Serving the Twin Cities seven-county metropolitan area

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

Other Special Revenue fund accounts for specific revenues that are restricted to expenditures for specifically defined and legally restricted land use planning assistance and sustainable communities programs.

Capital Project Funds

Capital project 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, 2017
IN THOUSANDS**

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 98,222	\$ 56,713	\$ 154,935
Accounts Receivable	7	1,801	1,808
Delinquent taxes receivable	750	-	750
Interest receivable	304	162	466
Due from other funds	515	-	515
Due from other governmental units	10,760	15,680	26,440
Loans and advances	45,035	-	45,035
Total assets	<u>\$ 155,593</u>	<u>\$ 74,356</u>	<u>\$ 229,949</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts/contracts/subgrantees payable	\$ 14,070	\$ 7,936	\$ 22,006
Due to other funds	515	-	515
Unearned revenue	-	158	158
Total liabilities	<u>14,585</u>	<u>8,094</u>	<u>22,679</u>
Deferred inflows of resources:			
Unavailable revenue - taxes	<u>570</u>	<u>-</u>	<u>570</u>
Fund balances:			
Restricted	128,283	101,796	230,079
Committed	11,563	2,668	14,231
Assigned	592	-	592
Unassigned	-	(38,202)	(38,202)
Total fund balances	<u>140,438</u>	<u>66,262</u>	<u>206,700</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 155,593</u>	<u>\$ 74,356</u>	<u>\$ 229,949</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
DECEMBER 31, 2017
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	\$ 13,517	\$ 72,528	\$ 2,984	\$ -	\$ 7,710	\$ 1,483	\$ 98,222
Accounts receivable	-	-	-	-	7	-	7
Delinquent taxes receivable	92	658	-	-	-	-	750
Interest receivable	40	216	9	-	34	5	304
Due from other funds	-	-	-	-	515	-	515
Due from other governmental units	-	-	1,554	3,972	5,234	-	10,760
Loans and advances	43,492	1,543	-	-	-	-	45,035
Total assets	<u>\$ 57,141</u>	<u>\$ 74,945</u>	<u>\$ 4,547</u>	<u>\$ 3,972</u>	<u>\$ 13,500</u>	<u>\$ 1,488</u>	<u>\$ 155,593</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts/contracts/subgrantees payable	\$ -	\$ 4,129	\$ 214	\$ 3,457	\$ 6,270	\$ -	\$ 14,070
Due to other funds	-	-	-	515	-	-	515
Total liabilities	<u>-</u>	<u>4,129</u>	<u>214</u>	<u>3,972</u>	<u>6,270</u>	<u>-</u>	<u>14,585</u>
Deferred inflows of resources:							
Unavailable revenue - taxes	92	478	-	-	-	-	570
Fund balances:							
Restricted	57,049	70,338	-	-	-	896	128,283
Committed	-	-	4,333	-	7,230	-	11,563
Assigned	-	-	-	-	-	592	592
Total fund balances	<u>57,049</u>	<u>70,338</u>	<u>4,333</u>	<u>-</u>	<u>7,230</u>	<u>1,488</u>	<u>140,438</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 57,141</u>	<u>\$ 74,945</u>	<u>\$ 4,547</u>	<u>\$ 3,972</u>	<u>\$ 13,500</u>	<u>\$ 1,488</u>	<u>\$ 155,593</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
DECEMBER 31, 2017
IN THOUSANDS

	North Mississippi Park	Parks and Open Space Grants	Transit	Total Capital Projects
ASSETS				
Cash and cash equivalents	\$ 2,508	\$ 37,105	\$ 17,100	\$ 56,713
Accounts receivable	-	1,750	51	1,801
Interest receivable	5	112	45	162
Due from other governmental units	-	11,761	3,919	15,680
Total assets	<u>\$ 2,513</u>	<u>\$ 50,728</u>	<u>\$ 21,115</u>	<u>\$ 74,356</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts/contracts/subgrantees payable	\$ -	\$ 4,981	\$ 2,955	\$ 7,936
Unearned revenue	-	-	158	158
Total liabilities	<u>-</u>	<u>4,981</u>	<u>3,113</u>	<u>8,094</u>
Fund balances:				
Restricted	2,513	83,949	15,334	101,796
Committed	-	-	2,668	2,668
Unassigned	-	(38,202)	-	(38,202)
Total fund balances	<u>2,513</u>	<u>45,747</u>	<u>18,002</u>	<u>66,262</u>
Total liabilities and fund balances	<u>\$ 2,513</u>	<u>\$ 50,728</u>	<u>\$ 21,115</u>	<u>\$ 74,356</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 16,294	\$ -	\$ 16,294
Intergovernmental revenue:			
Federal	6,708	17,451	24,159
State	46,004	25,501	71,505
Local	1,769	3,059	4,828
Investment income	1,399	726	2,125
Other	2,168	-	2,168
Total revenues	<u>74,342</u>	<u>46,737</u>	<u>121,079</u>
EXPENDITURES			
Current:			
General government	2,788	2,369	5,157
Transportation	27,892	777	28,669
Intergovernmental:			
Transportation	31,545	915	32,460
Culture and recreation	-	24,902	24,902
Economic revitalization	8,812	-	8,812
Environment development	5,347	-	5,347
Housing	1,859	-	1,859
Capital outlay	-	28,980	28,980
Total expenditures	<u>78,243</u>	<u>57,943</u>	<u>136,186</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,901)</u>	<u>(11,206)</u>	<u>(15,107)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,000	620	1,620
Transfers out	-	(18,070)	(18,070)
Bonds issued	-	40,000	40,000
Sale of capital assets	-	473	473
Total other financing sources (uses)	<u>1,000</u>	<u>23,023</u>	<u>24,023</u>
Net change in fund balances	(2,901)	11,817	8,916
Fund balances, beginning	<u>143,339</u>	<u>54,445</u>	<u>197,784</u>
Fund balances, ending	<u>\$ 140,438</u>	<u>\$ 66,262</u>	<u>\$ 206,700</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017
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	\$ 3	\$ 16,291	\$ -	\$ -	\$ -	\$ -	\$ 16,294
Intergovernmental revenue:							
Federal	-	-	3,354	-	3,354	-	6,708
State	-	-	1,711	30,672	13,621	-	46,004
Local	-	-	89	-	1,680	-	1,769
Investment income	205	997	36	-	135	26	1,399
Other	-	-	-	-	2,168	-	2,168
Total revenues	<u>208</u>	<u>17,288</u>	<u>5,190</u>	<u>30,672</u>	<u>20,958</u>	<u>26</u>	<u>74,342</u>
EXPENDITURES							
Current:							
General government	-	-	1,623	-	913	252	2,788
Transportation	-	-	4,273	-	23,619	-	27,892
Intergovernmental:							
Transportation	-	-	11	30,672	862	-	31,545
Economic revitalization	-	8,812	-	-	-	-	8,812
Environment development	-	5,347	-	-	-	-	5,347
Housing	-	1,859	-	-	-	-	1,859
Total expenditures	<u>-</u>	<u>16,018</u>	<u>5,907</u>	<u>30,672</u>	<u>25,394</u>	<u>252</u>	<u>78,243</u>
Excess (deficiency) of revenues over (under) expenditures	208	1,270	(717)	-	(4,436)	(226)	(3,901)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	1,000	-	-	-	-	1,000
Net change in fund balances	208	2,270	(717)	-	(4,436)	(226)	(2,901)
Fund balances, beginning	56,841	68,068	5,050	-	11,666	1,714	143,339
Fund balances, ending	<u>\$ 57,049</u>	<u>\$ 70,338</u>	<u>\$ 4,333</u>	<u>\$ -</u>	<u>\$ 7,230</u>	<u>\$ 1,488</u>	<u>\$ 140,438</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS

	North Mississippi Park	Parks and Open Space Grants	Transit	Total Capital Projects
REVENUES				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ 17,451	\$ 17,451
State	-	24,168	1,333	25,501
Local	-	-	3,059	3,059
Investment income	24	602	100	726
Total revenues	<u>24</u>	<u>24,770</u>	<u>21,943</u>	<u>46,737</u>
EXPENDITURES				
Current:				
General government	-	2,369	-	2,369
Transportation	-	-	777	777
Intergovernmental:				
Transportation	-	-	915	915
Culture and recreation	-	24,902	-	24,902
Capital outlay	-	-	28,980	28,980
Total expenditures	<u>-</u>	<u>27,271</u>	<u>30,672</u>	<u>57,943</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24</u>	<u>(2,501)</u>	<u>(8,729)</u>	<u>(11,206)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	620	-	-	620
Transfers out	-	(620)	(17,450)	(18,070)
Bonds issued	-	-	40,000	40,000
Sale of capital assets	-	-	473	473
Total other financing sources (uses)	<u>620</u>	<u>(620)</u>	<u>23,023</u>	<u>23,023</u>
Net change in fund balances	644	(3,121)	14,294	11,817
Fund balances, beginning	<u>1,869</u>	<u>48,868</u>	<u>3,708</u>	<u>54,445</u>
Fund balances, ending	<u>\$ 2,513</u>	<u>\$ 45,747</u>	<u>\$ 18,002</u>	<u>\$ 66,262</u>

**BUDGETARY COMPARISON SCHEDULE
LIVABLE COMMUNITIES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Taxes	\$ 16,367	\$ 16,367	\$ 16,291	\$ (76)
Investment income	800	800	997	197
Total revenues	17,167	17,167	17,288	121
EXPENDITURES				
Intergovernmental:				
Economic revitalization	11,367	12,500	8,812	(3,688)
Environment development	5,250	8,000	5,347	(2,653)
Housing	1,550	2,500	1,859	(641)
Total expenditures	18,167	23,000	16,018	(6,982)
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(5,833)	1,270	7,103
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	1,000	1,000	-
Net change in fund balance	-	(4,833)	2,270	7,103
Fund balance, beginning	68,068	68,068	68,068	-
Fund balance, ending	\$ 68,068	\$ 63,235	\$ 70,338	\$ 7,103

**BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION PLANNING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Intergovernmental revenue:				
Federal	\$ 4,569	\$ 4,643	\$ 3,354	\$ (1,289)
State	642	1,861	1,711	(150)
Local/other	103	103	89	(14)
Investment income	-	-	36	36
Total revenues	<u>5,314</u>	<u>6,607</u>	<u>5,190</u>	<u>(1,417)</u>
EXPENDITURES				
Current:				
General government	1,835	1,835	1,623	(212)
Transportation	5,845	6,148	4,273	(1,875)
Intergovernmental:				
Transportation	<u>210</u>	<u>210</u>	<u>11</u>	<u>(199)</u>
Total expenditures	<u>7,890</u>	<u>8,193</u>	<u>5,907</u>	<u>(2,286)</u>
Net change in fund balance	(2,576)	(1,586)	(717)	869
Fund balance, beginning	<u>5,050</u>	<u>5,050</u>	<u>5,050</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,474</u>	<u>\$ 3,464</u>	<u>\$ 4,333</u>	<u>\$ 869</u>

**BUDGETARY COMPARISON SCHEDULE
SUBURBAN TRANSIT PROVIDERS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with Final Budget- Over (Under)
	Original	Final	Amounts	
REVENUES				
Intergovernmental revenue:				
State	\$ 28,026	\$ 29,715	\$ 30,672	\$ 957
EXPENDITURES				
Intergovernmental:				
Transportation	28,026	29,715	30,672	957
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, 2017
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with Final Budget- Over (Under)
	Original	Final	Amounts	
REVENUES				
Intergovernmental revenue:				
Federal	\$ 1,908	\$ 3,241	\$ 3,354	\$ 113
State	22,783	20,343	13,621	(6,722)
Local/other	1,751	1,751	1,680	(71)
Investment income	-	-	135	135
Other	2,622	2,622	2,168	(454)
Total revenues	<u>29,064</u>	<u>27,957</u>	<u>20,958</u>	<u>(6,999)</u>
EXPENDITURES				
Current:				
General government	773	773	913	140
Transportation	26,521	26,521	23,619	(2,902)
Intergovernmental:				
Transportation	1,111	1,111	862	(249)
Total expenditures	<u>28,405</u>	<u>28,405</u>	<u>25,394</u>	<u>(3,011)</u>
Net change in fund balance	659	(448)	(4,436)	(3,988)
Fund balance, beginning	11,666	11,666	11,666	-
Fund balance, ending	<u>\$ 12,325</u>	<u>\$ 11,218</u>	<u>\$ 7,230</u>	<u>\$ (3,988)</u>

**BUDGETARY COMPARISON SCHEDULE
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Over (Under)
REVENUES				
Investment income	\$ -	\$ -	\$ 26	\$ 26
EXPENDITURES				
Current:				
General government	\$ 500	\$ 500	\$ 252	\$ (248)
Net change in fund balance	(500)	(500)	(226)	274
Fund balance, beginning	1,714	1,714	1,714	-
Fund balance, ending	<u>\$ 1,214</u>	<u>\$ 1,214</u>	<u>\$ 1,488</u>	<u>\$ 274</u>

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS**

	Regional Administration			Community Development			Total		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ 4,486	\$ 4,457	\$ (29)	\$ 9,996	\$ 9,930	\$ (66)	\$14,482	\$ 14,387	\$ (95)
Intergovernmental revenue:									
State	-	-	-	10,500	8,403	(2,097)	10,500	8,403	(2,097)
Local	-	150	150	-	-	-	-	150	150
Investment income	550	1,913	1,363	-	-	-	550	1,913	1,363
Other	308	395	87	-	-	-	308	395	87
Total revenues	<u>5,344</u>	<u>6,915</u>	<u>1,571</u>	<u>20,496</u>	<u>18,333</u>	<u>(2,163)</u>	<u>25,840</u>	<u>25,248</u>	<u>(592)</u>
EXPENDITURES									
Current:									
General government	2,522	(617)	(3,139)	9,329	8,650	(679)	11,851	8,033	(3,818)
Intergovernmental:									
Culture and recreation	-	-	-	10,500	8,375	(2,125)	10,500	8,375	(2,125)
Debt service:									
Principal	825	825	-	-	-	-	825	825	-
Interest and other charges	200	200	-	-	-	-	200	200	-
Capital outlay	3,294	2,867	(427)	107	93	(14)	3,401	2,960	(441)
Total expenditures	<u>6,841</u>	<u>3,275</u>	<u>(3,566)</u>	<u>19,936</u>	<u>17,118</u>	<u>(2,818)</u>	<u>26,777</u>	<u>20,393</u>	<u>(6,384)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,497)</u>	<u>3,640</u>	<u>5,137</u>	<u>560</u>	<u>1,215</u>	<u>655</u>	<u>(937)</u>	<u>4,855</u>	<u>5,792</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	1,376	1,282	(94)	-	-	-	1,376	1,282	(94)
Transfers out	(2,200)	(2,165)	35	(1,200)	(1,200)	-	(3,400)	(3,365)	35
Total other financing sources (uses)	<u>(824)</u>	<u>(883)</u>	<u>(59)</u>	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>	<u>(2,024)</u>	<u>(2,083)</u>	<u>(59)</u>
Net change in fund balance	<u>\$ (2,321)</u>	<u>\$ 2,757</u>	<u>\$ 5,078</u>	<u>\$ (640)</u>	<u>\$ 15</u>	<u>\$ 655</u>	<u>\$ (2,961)</u>	<u>\$ 2,772</u>	<u>\$ 5,733</u>

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS**

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
ASSETS				
Cash and cash equivalents	\$ 3,306	\$ 875	\$ -	\$ 4,181
 LIABILITIES				
Due to participants	\$ 3,306	\$ 875	\$ -	\$ 4,181

**BONDS/LOANS/NOTES OUTSTANDING
AS OF DECEMBER 31, 2017
IN THOUSANDS**

Issues	Date	Final Maturity Date	Original Issue	Payments Prior Years	Payments Year Ended 12/31/17	Bonds/Loans/ Notes Issued/ Drawn Down in 2017	Bonds/ Loans/Notes Outstanding 12/31/2017	Maturing in 2018	Future Maturities
GENERAL OBLIGATION BONDS/LOANS/NOTES PAYABLE:									
GOVERNMENTAL ACTIVITIES:									
G.O. Park Bonds:									
2012D	8-Jun-12	1-Mar-17	\$ 7,000	\$ 5,810	\$ 1,190	\$ -	\$ -	\$ -	\$ -
2015B	6-Aug-15	1-Mar-20	6,000	1,450	1,075	-	3,475	1,125	2,350
2016B	23-Jun-16	1-Mar-19	4,700	-	3,525	-	1,175	575	600
Subtotal: G.O. Park Bonds			<u>17,700</u>	<u>7,260</u>	<u>5,790</u>	<u>-</u>	<u>4,650</u>	<u>1,700</u>	<u>2,950</u>
G.O. Transit Bonds:									
2007E, Refunding	15-Mar-07	1-Feb-22	10,110	6,145	695	-	3,270	690	2,580
2009A	1-Sep-09	1-Mar-29	43,000	28,520	2,700	-	11,780	2,780	9,000
2009E, Refunding	1-Dec-09	1-Feb-18	10,490	8,610	945	-	935	935	-
2010E	22-Dec-10	1-Feb-31	69,000	34,310	4,010	-	30,680	4,080	26,600
2012C	8-Jun-12	1-Mar-32	52,000	21,295	2,890	-	27,815	2,970	24,845
2012C, Refunding	8-Jun-12	1-Mar-23	5,105	935	575	-	3,595	595	3,000
2012H, Refunding	29-Oct-12	1-Feb-28	24,620	5,480	4,985	-	14,155	3,630	10,525
2015A	6-Aug-15	1-Mar-25	45,000	16,050	3,800	-	25,150	4,000	21,150
2016A	23-Jun-16	1-Mar-26	30,000	-	12,800	-	17,200	2,050	15,150
2016A, Refunding	23-Jun-16	1-Mar-25	6,025	-	1,030	-	4,995	1,080	3,915
2017B	18-May-17	1-Mar-27	40,000	-	-	40,000	40,000	12,830	27,170
Subtotal: G.O. Transit Bonds			<u>335,350</u>	<u>121,345</u>	<u>34,430</u>	<u>40,000</u>	<u>179,575</u>	<u>35,640</u>	<u>143,935</u>
Minnesota Public Facilities Authority Loans--Transit (Backed by General Obligation Notes):	12-Mar-99 24-Jan-08	15-Feb-20 15-Feb-18	21,025 10,000	19,490 8,350	375 930	- -	1,160 720	385 720	775 -
Subtotal: Minnesota Public Facility Authority Loans--Transit			<u>31,025</u>	<u>27,840</u>	<u>1,305</u>	<u>-</u>	<u>1,880</u>	<u>1,105</u>	<u>775</u>
Total Governmental Activities G.O. Bonds/Loans Payable			<u>384,075</u>	<u>156,445</u>	<u>41,525</u>	<u>40,000</u>	<u>186,105</u>	<u>38,445</u>	<u>147,660</u>
BUSINESS-TYPE ACTIVITIES:									
Hennepin County									
Hennepin County Notes Payable	25-Sep-15	30-Jun-20 (a)	8,313	2,800	2,800	3,916	2,713	2,713	-
Subtotal: Hennepin County:			<u>8,313</u>	<u>2,800</u>	<u>2,800</u>	<u>3,916</u>	<u>2,713</u>	<u>2,713</u>	<u>-</u>
G.O.Sewer Bonds:									
2010F	22-Dec-10	1-Dec-30	65,000	16,775	1,000	-	47,225	1,500	45,725
2012B	8-Jun-12	1-Sep-32	55,110	7,500	1,250	-	46,360	1,250	45,110
2012E, Refunding	8-Jun-12	1-Sep-25	82,590	18,485	5,850	-	58,255	1,925	56,330
2012F, Refunding	29-Jun-12	1-Sep-22	214,035	91,750	23,840	-	98,445	23,220	75,225
2012I, Refunding	29-Oct-12	1-Mar-28	127,235	4,470	8,250	-	114,515	9,240	105,275
2014D	6-Feb-14	1-Sep-34	60,000	3,025	2,110	-	54,865	2,190	52,675
2015C	6-Aug-15	1-Mar-35	100,000	4,000	1,500	-	94,500	4,500	90,000
2016C	23-Jun-16	1-Mar-36	100,000	-	3,500	-	96,500	5,000	91,500
2016C, Refunding	23-Jun-16	1-Mar-30	23,355	-	25	-	23,330	1,330	22,000
2017C	18-May-17	1-Sep-37	105,000	-	-	105,000	105,000	1,000	104,000
Subtotal: G.O. Sewer Bonds			<u>932,325</u>	<u>146,005</u>	<u>47,325</u>	<u>105,000</u>	<u>738,995</u>	<u>51,155</u>	<u>687,840</u>
Minnesota Public Facilities Authority Loans--Sewer: (Backed by General Obligation Notes)	26-Nov-03 20-Oct-04 10-Nov-05 30-Aug-06 11-Oct-07 10-Sep-09 28-Oct-09 12-Jan-11 15-Feb-12 23-May-13 30-Dec-13 10-Dec-14 6-Nov-15 18-Jan-17	20-Aug-23 20-Feb-25 20-Feb-25 20-Aug-26 20-Aug-27 20-Aug-29 20-Aug-29 20-Aug-30 20-Aug-31 20-Aug-32 20-Aug-33 20-Aug-34 20-Aug-35 (b) 20-Aug-36 (c)	100,000 50,000 40,000 50,000 80,000 49,411 30,589 70,000 60,000 40,000 60,000 60,000 70,000 11,535	47,000 25,800 13,920 13,450 11,750 11,581 7,169 16,995 9,058 7,100 7,000 3,500 1,500 -	9,500 2,400 3,000 2,750 8,000 1,235 765 3,372 1,367 700 2,000 2,500 1,500 200	- - - - - - - - - - - - 12,426 11,535	43,500 21,800 23,080 33,800 60,250 36,595 22,655 49,633 49,575 32,200 51,000 54,000 67,000 11,335	9,500 2,400 2,230 2,500 8,600 3,400 2,100 3,430 1,911 700 2,000 2,500 500 1,500	34,000 19,400 20,850 31,300 51,650 33,195 20,555 46,203 47,664 31,500 49,000 51,500 66,500 9,835
Subtotal: Minnesota Public Facility Authority Loans--Sewer			<u>771,535</u>	<u>175,823</u>	<u>39,289</u>	<u>23,961</u>	<u>556,423</u>	<u>43,271</u>	<u>513,152</u>
Total G.O.Sewer Bonds/Loans Payable			<u>1,703,860</u>	<u>321,828</u>	<u>86,614</u>	<u>128,961</u>	<u>1,295,418</u>	<u>94,426</u>	<u>1,200,992</u>
Total Business-type Activities G.O. Bonds/Loans/Notes Payable			<u>1,712,173</u>	<u>324,628</u>	<u>89,414</u>	<u>132,877</u>	<u>1,298,131</u>	<u>97,139</u>	<u>1,200,992</u>
Total General Obligation Bonds/Loans/Notes Payable			<u>\$ 2,096,248</u>	<u>\$ 481,073</u>	<u>\$ 130,939</u>	<u>\$ 172,877</u>	<u>\$ 1,484,236</u>	<u>\$ 135,584</u>	<u>\$ 1,348,652</u>

(a) Of the \$14 million note executed in 2015, only the amount shown was drawn down as of 12/31/17

(b) Of the \$70 million note executed in 2015, only the amount shown was drawn down as of 12/31/17

(c) Of the \$40 million note executed in 2017, only the amount shown was drawn down as of 12/31/17

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS**

Page (1 of 3)

Federal Grantor/ Pass-Through Agency/ Program or Cluster 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	MN0046L5K011508	\$ 312	\$ -
Shelter Plus Care	14.238	MN0046L5K011609	616	-
Shelter Plus Care	14.238	MN0010L5K001508	810	-
Shelter Plus Care	14.238	MN0010L5K001609	1,109	-
Shelter Plus Care	14.238	MN0068L5K031508	78	-
Shelter Plus Care	14.238	MN0068L5K031609	153	-
Total CFDA #14.238			3,078	-
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	MN163VO/MN163AF	64,159	-
Passed through City of Minneapolis				
Housing Opportunities for Persons with AIDS	14.241	C-43125	313	-
Housing Opportunities for Persons with AIDS	14.241	C-41555	196	-
Total CFDA #14.241			509	-
Total U. S. Department of Housing and Urban Development			67,746	-
U.S. Department of Transportation				
Direct				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit Capital Investment Grants				
2000 Section 5309	20.500	MN-03-0101	503	-
2006 Section 5309	20.500	MN-03-0200	527	200
2011 Section 5309	20.500	MN-04-0040	48	-
2013 Section 5309	20.500	MN-04-0049	33	-
2015 Section 5309	20.500	MN-04-0053	129	-
2007-2008 Section 5309	20.500	MN-05-0019	188	-
2011 Section 5309	20.500	MN-05-0020	36	-
2012-2015 Section 5309	20.500	MN-05-0022	17	-
2014-2016 Section 5309	20.500	MN-2016-008-04	236	236
2014-2016 Section 5309	20.500	MN-2016-008-06	5	-
2015-2016 Section 5309	20.500	MN-2017-003-05	42	-
Total CFDA #20.500			1,764	436
(Total Federal Transit Capital Investments 20.500 \$2,302)				
Federal Transit Formula Grants				
2003-2005 Section 5307	20.507	MN-90-X226	30	-
2007 - 2008 Section 5307	20.507	MN-90-X260	7	-
2010 Section 5307	20.507	MN-90-X274	123	-
2011 Section 5307	20.507	MN-90-X282	945	-
2011 Section 5307	20.507	MN-90-X283	202	-
2011 Section 5307	20.507	MN-90-X286	17	-
2011 Section 5307	20.507	MN-90-X289	86	-
2012 Section 5307	20.507	MN-90-X296	2	-
2012 Section 5307	20.507	MN-90-X297	3	-
2012 - 2013 Section 5307	20.507	MN-90-X300	88	-
2013 Section 5307	20.507	MN-90-X305	564	-
2013 Section 5307	20.507	MN-90-X307	454	-
2013 Section 5307	20.507	MN-90-X312	211	-

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, 2017
IN THOUSANDS**

Page (2 of 3)

Federal Grantor/ Pass-Through Agency/ Program or Cluster 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)				
Federal Transit Formula Grants				
2013 Section 5307	20.507	MN-90-X315	1,733	-
2013-2014 Section 5307	20.507	MN-90-X323	8,723	-
2014 Section 5307	20.507	MN-90-X324	565	-
2013 Section 5307	20.507	MN-90-X328	281	-
2013-2014 Section 5307	20.507	MN-90-X330	988	-
2015 Section 5307	20.507	MN-90-X331	54	-
2014 Section 5307	20.507	MN-90-X333	604	-
2015 Section 5307	20.507	MN-90-X337	1,036	-
2014 Section 5307	20.507	MN-90-X340	452	-
2013 Section 5307	20.507	MN-90-X344	761	-
2007 Section 5307	20.507	MN-95-X001	39	-
2013 Section 5307	20.507	MN-95-X037	719	674
2013 Section 5307	20.507	MN-95-X038	22	-
2014 CMAQ	20.507	MN-95-X040	1,646	366
2014 CMAQ	20.507	MN-95-X041	4,989	-
2015 CMAQ	20.507	MN-95-X042	78	78
2014 CMAQ	20.507	MN-95-X043	1,200	-
2015 CMAQ	20.507	MN-95-X044	2,078	427
2016 CMAQ	20.507	MN-2016-004-03	1,739	-
2016 CMAQ	20.507	MN-2016-004-04	2,189	-
2016 CMAQ	20.507	MN-2016-004-05	1,226	1,165
2015-2016 Section 5307	20.507	MN-2016-008-03	140	-
2015-2016 Section 5307	20.507	MN-2016-008-05	9,793	-
2015-2016 Section 5307	20.507	MN-2016-008-08	10,829	-
2015 Section 5307	20.507	MN-2016-008-09	11,311	-
2016 Section 5307	20.507	MN-2017-003-02,04	274	-
2016-2017 Section 5307	20.507	MN-2017-006-01,02	4,072	-
2017 CMAQ	20.507	MN-2017-013-03	100	-
2017 CMAQ	20.507	MN-2017-013-04	5	5
2016-2017 Section 5307	20.507	MN-2017-016-09	10	-
2017 Section 5307	20.507	MN-2017-016-10,16	73	-
Total CFDA #20.507			70,461	2,715
State of Good Repair Grants Program				
Rail Assoc Capital Maint	20.525	MN-54-0002	731	-
LRT and Facility Upgrades	20.525	MN-54-0005	539	-
2015 Rail Projects	20.525	MN-54-0006	3,081	-
2015-2016 Section 5337	20.525	MN-2016-008-07	2,248	-
2016 Section 5337	20.525	MN-2017-003-01	129	-
2016 Section 5337	20.525	MN-2017-005-01	710	-
2016 Section 5337	20.525	MN-2017-005-02	176	-
2016-2017 Section 5337	20.525	MN-2017-016-05,07,08,12,14	76	-
Total CFDA #20.525			7,690	-
(Total Federal Transit Cluster \$80,453)				
Public Transportation Research	20.514	MN-64-7001	203	-
Transit Services Programs Cluster				
New Freedom Program				
2011-2013 New Freedom	20.521	MN-57-X006	11	11

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, 2017
IN THOUSANDS**

Page (3 of 3)

Federal Grantor/ Pass-Through Agency/ Program or Cluster Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Direct				
Federal Transit Administration				
Alternatives Analysis				
2008 Section 5339	20.522	MN-39-0002	<u>67</u>	<u>67</u>
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction				
Transit On Board Survey	20.205	1001373	<u>52</u>	<u>-</u>
Federal Transit Cluster				
Federal Transit Capital Investment Grants				
Northstar Commuter Rail Project	20.500	90799	<u>538</u>	<u>-</u>
(Total Federal Transit Capital Investments 20.500 \$2,302)				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				
2017 Unified Planning Work Program (UPWP)	20.505	1027038	<u>3,290</u>	<u>-</u>
Formula Grants for Rural Areas				
2017 Section 5311	20.509	1026781	<u>1,184</u>	<u>-</u>
Total U.S. Department of Transportation			<u>85,260</u>	<u>3,229</u>
U.S. Environmental Protection Agency				
Passed Through Minnesota Public Facilities Authority				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water State Revolving Funds				
State Revolving Funds	66.458	MPFA -16-0004R-FY16	12,426	-
State Revolving Funds	66.458	MPFA-CWRF-L-050-FY17	<u>11,535</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>23,961</u>	<u>-</u>
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	35	-
2016 State Homeland Security Program	97.067	A-SHSP-2016-METCOUN-013	<u>120</u>	<u>-</u>
Total CFDA #97.067			<u>155</u>	<u>-</u>
Rail and Transit Security Grant Program	97.075	EMW-2015-RA00021	360	-
Rail and Transit Security Grant Program	97.075	EMW-2016-RA00020	<u>142</u>	<u>-</u>
Total CFDA #97.075			<u>502</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>657</u>	<u>-</u>
Total Federal Awards			<u>\$ 177,624</u>	<u>\$ 3,229</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, 2017**

1. Reporting Entity

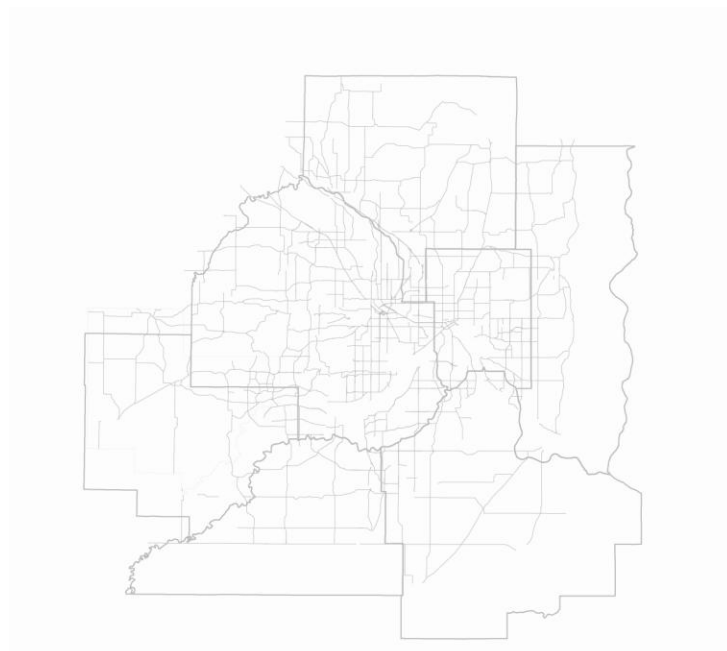
The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Metropolitan Council. The Council's reporting entity is defined in Note I.A. to the financial statements.

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, 2017. 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

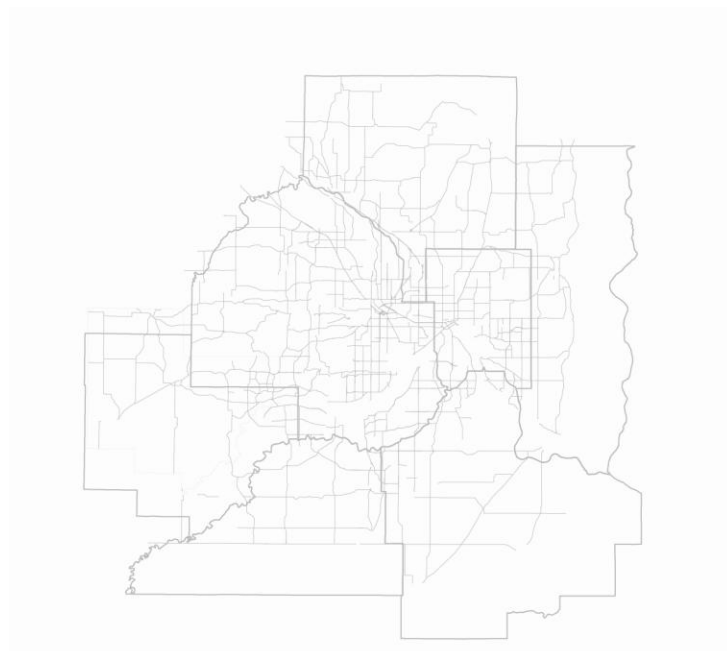
Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the Metropolitan Council. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis. Such expenditures are recognized following, as applicable, 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 10.00 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.	108-111
Revenue Capacity These schedules contain information to help the reader assess the Council's most significant local revenue source, the property tax.	112-116
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.	117-126
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.	127-128
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.	129-131
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)

	2017	2016	2015	2014	2013	2012 ¹	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 88,398	\$ 81,285	\$ 77,789	\$ 58,521	\$ 58,498	\$ 50,807	\$ 34,482	\$ 55,868	\$ 28,613	\$ 17,069
Restricted	335,559	284,575	309,633	315,137	230,051	273,620	211,377	246,986	162,814	152,325
Unrestricted	(153,830)	(126,124)	(159,310)	(179,688)	(75,745)	(146,295)	(88,722)	(165,010)	(84,128)	(104,689)
Total governmental activities net position	<u>\$ 270,127</u>	<u>\$ 239,736</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 2,856,278	\$ 2,840,890	\$ 2,786,866	\$ 2,560,539	\$ 2,660,971	\$ 2,426,834	\$ 2,119,631	\$ 1,695,361	\$ 1,590,590	\$ 1,451,577
Restricted	90,725	45,132	108,188	443,824	295,447	271,959	8,039	28,180	4,205	38,715
Unrestricted	(303,553)	(119,454)	(62,933)	(289,409)	(106,789)	(72,722)	157,392	127,979	142,542	76,411
Total business-type activities net position	<u>\$ 2,643,450</u>	<u>\$ 2,766,568</u>	<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>
Total										
Net investment in capital assets	\$ 2,944,676	\$ 2,922,175	\$ 2,864,655	\$ 2,619,060	\$ 2,719,469	\$ 2,477,641	\$ 2,154,113	\$ 1,751,229	\$ 1,619,203	\$ 1,468,646
Restricted	426,284	329,707	417,821	758,961	525,498	545,579	219,416	275,166	167,019	191,040
Unrestricted	(457,383)	(245,578)	(222,243)	(469,097)	(182,534)	(219,017)	68,670	(37,031)	58,414	(28,278)
Total governmental and business-type activities net position	<u>\$ 2,913,577</u>	<u>\$ 3,006,304</u>	<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>

Unaudited

Notes:

¹Table restated for 2012.

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

	2017 ²	2016	2015	2014 ¹	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government	\$ 28,128	\$ 29,151	\$ 6,159	\$ 12,544	\$ 11,903	\$ 11,310	\$ 10,601	\$ 8,961	\$ 9,067	\$ 9,823
Transportation	146,429	146,214	143,681	138,525	126,384	116,818	107,251	107,087	107,715	102,476
Culture and recreation	33,277	48,704	27,984	30,657	37,337	46,358	30,659	31,860	28,151	39,007
Economic revitalization	8,812	10,756	12,250	8,153	12,733	9,446	4,684	6,767	4,488	1,136
Environment development	5,347	6,413	7,268	5,918	5,946	8,476	3,973	2,216	3,560	3,313
Housing	1,859	732	1,404	1,847	1,759	1,348	1,393	2,380	594	1,504
Interest and other charges	5,979	6,496	2,297	6,622	9,445	7,391	5,953	7,413	8,491	9,606
Total governmental activities expenses	229,831	248,466	201,043	204,266	205,507	201,147	164,514	166,684	162,066	166,865
Business-type activities:										
Environmental services	245,869	274,544	207,812	233,979	253,333	200,342	198,406	190,406	192,990	218,856
Transit bus	431,815	475,809	334,213	314,305	316,005	310,737	302,758	301,905	302,669	299,435
Transit light rail	172,079	166,464	141,209	142,929	66,082	69,975	66,183	58,334	51,895	55,766
Transit commuter rail	26,738	27,936	24,478	23,541	22,944	24,716	21,860	19,576	6,834	770
Housing	75,434	69,417	64,869	62,697	58,911	58,406	57,682	56,574	56,201	53,880
Total business-type activities expenses	951,935	1,014,170	772,581	777,451	717,275	664,176	646,889	626,795	610,589	628,707
Total expenses	\$ 1,181,766	\$ 1,262,636	\$ 973,624	\$ 981,717	\$ 922,782	\$ 865,323	\$ 811,403	\$ 793,479	\$ 772,655	\$ 795,572
Program Revenues										
Governmental activities:										
Charges for services										
Transit fares	\$ 7,885	\$ 7,895	\$ 10,015	\$ 9,214	\$ 8,825	\$ 7,661	\$ 8,108	\$ 7,514	\$ 7,443	\$ 6,396
Insurance reimbursements	89	586	140	208	196	124	285	180	203	172
Other activities	395	8,375	290	262	74	203	69	29	6	-
Operating grants and contributions	135,895	124,564	117,803	109,086	90,856	56,503	56,884	50,720	45,563	46,842
Capital grants and contributions	46,970	64,569	54,921	40,498	52,380	62,693	34,963	38,315	49,379	32,812
Total governmental activities program revenues	191,234	205,989	183,169	159,268	152,331	127,184	100,309	96,758	102,594	86,222
Business-type activities:										
Charges for services										
Wastewater	265,497	254,223	243,035	233,468	221,381	207,900	205,847	209,960	210,535	203,292
Transit fares	103,017	104,120	103,270	101,638	98,644	98,451	95,806	92,537	89,913	86,293
Other activities	819	1,116	1,112	1,013	994	902	779	789	781	744
Operating grants and contributions	416,209	373,874	323,292	369,833	262,658	276,255	246,436	226,647	255,898	211,805
Capital grants and contributions	174,810	156,981	181,712	177,690	288,045	380,174	494,132	181,429	195,827	129,184
Total business-type activities program revenues	960,352	890,314	852,421	883,642	871,722	963,682	1,043,000	711,362	752,954	631,318
Total program revenues	\$ 1,151,586	\$ 1,096,303	\$ 1,035,590	\$ 1,042,910	\$ 1,024,053	\$ 1,090,866	\$ 1,143,309	\$ 808,120	\$ 855,548	\$ 717,540
Net (Expense) Revenue										
Governmental activities	\$ (38,597)	\$ (42,477)	\$ (17,874)	\$ (44,998)	\$ (53,176)	\$ (73,963)	\$ (64,205)	\$ (69,926)	\$ (59,472)	\$ (80,643)
Business-type activities	8,417	(123,856)	79,840	106,191	154,447	299,506	396,111	84,567	142,365	2,611
Total net (expenses) revenues	\$ (30,180)	\$ (166,333)	\$ 61,966	\$ 61,193	\$ 101,271	\$ 225,543	\$ 331,906	\$ 14,641	\$ 82,893	\$ (78,032)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property tax	\$ 83,620	\$ 81,859	\$ 77,435	\$ 76,785	\$ 77,533	\$ 75,043	\$ 73,798	\$ 73,140	\$ 71,281	\$ 70,217
Market value and other credits	-	-	-	-	-	-	2,381	2,278	2,130	2,120
Motor vehicle sales tax	-	-	-	-	49,094	36,799	29,109	33,061	35,694	31,785
Investment earnings	5,360	2,891	3,371	12,035	(4,146)	4,419	7,675	6,027	4,831	5,981
Gain on sale of capital assets	473	813	310	275	378	350	-	-	97	83
Transfers	(19,263)	(31,462)	(29,100)	(24,628)	(35,011)	(21,653)	(29,465)	(14,035)	(11,967)	(27,097)
Total governmental activities	70,190	54,101	52,016	64,467	87,848	94,958	83,498	100,471	102,066	83,089
Business-type activities:										
Taxes										
Property tax	-	-	2,000	3,379	-	-	-	-	-	-
Investment earnings	47,482	26,841	6,227	37,611	33,878	19,850	7,966	15,581	16,302	1,205
Gain on sale of capital assets	20	-	-	261	222	-	-	-	-	-
Transfers	19,263	31,462	29,100	24,628	35,011	21,653	29,465	14,035	11,967	27,097
Total business-type activities	66,765	58,303	37,327	65,879	69,111	41,503	37,431	29,616	28,269	28,302
Total general revenues and other changes in net position	\$ 136,955	\$ 112,404	\$ 89,343	\$ 130,346	\$ 156,959	\$ 136,461	\$ 120,929	\$ 130,087	\$ 130,335	\$ 111,391
Changes in Net Position										
Governmental activities	\$ 31,593	\$ 11,624	\$ 34,142	\$ 19,469	\$ 34,672	\$ 20,995	\$ 19,293	\$ 30,545	\$ 42,594	\$ 2,446
Business-type activities	75,182	(65,553)	117,167	172,070	223,558	341,009	433,542	114,183	170,634	30,913
Total changes in net position	\$ 106,775	\$ (53,929)	\$ 151,309	\$ 191,539	\$ 258,230	\$ 362,004	\$ 452,835	\$ 144,728	\$ 213,228	\$ 33,359

Unaudited

Notes:

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.² 2017 beginning net position was restated due to a change in accounting principle for OPEB.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund										
Committed	\$ 7,339	\$ 6,145	\$ 6,153	\$ 6,338	\$ 6,363	\$ 6,008	\$ 5,297	\$ 4,537	\$ 3,793	\$ 2,899
Assigned	3,387	3,608	5,832	4,176	4,242	4,218	5,662	4,796	3,025	2,915
Unassigned	17,433	15,634	13,514	11,926	12,283	13,751	12,225	13,585	13,213	11,748
Total general fund	<u>\$ 28,159</u>	<u>\$ 25,387</u>	<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>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,724	\$ 41,875
Restricted	335,559	284,575	309,633	315,137	287,965	340,670	306,905	319,238	203,039	174,126
Committed	70,844	59,788	53,204	57,526	63,338	30,236	30,164	32,140	30,785	27,474
Assigned	592	598	-	-	-	-	-	-	-	-
Unassigned	(38,202)	(6,557)	(20,074)	(26,014)	(22,261)	(23,675)	(44,489)	(35,143)	(17,578)	(37,438)
Total all other governmental funds	<u>\$ 368,793</u>	<u>\$ 338,404</u>	<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>
Total all governmental funds	<u>\$ 396,952</u>	<u>\$ 363,791</u>	<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>

Unaudited

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
REVENUES										
Taxes	\$ 83,048	\$ 81,487	\$ 77,766	\$ 75,327	\$ 77,920	\$ 76,382	\$ 72,658	\$ 72,752	\$ 71,223	\$ 70,161
Intergovernmental revenue:										
Federal	24,159	22,840	36,677	20,950	22,629	38,933	18,460	20,107	19,947	14,009
Build America bonds interest subsidy	664	738	800	859	937	1,037	825	423	-	-
State	153,153	163,701	133,488	125,895	165,201	115,087	103,371	103,583	112,758	99,548
Local/other	4,978	10,815	2,189	2,350	3,653	1,062	1,493	1,108	1,101	927
Investment income	5,360	2,891	3,371	12,035	(4,146)	4,419	7,675	6,027	4,831	5,981
Other	8,280	7,895	10,015	9,214	9,005	7,864	7,650	6,876	6,612	5,713
Total revenues	279,642	290,367	264,306	246,630	275,199	244,784	212,132	210,876	216,472	196,339
EXPENDITURES										
Current:										
General government	13,337	10,568	8,913	12,496	11,232	10,914	8,861	7,638	7,932	8,862
Transportation	94,357	87,148	85,187	83,119	75,611	70,028	67,418	63,424	58,175	60,468
Economic development	-	-	-	49	275	866	-	-	-	-
Intergovernmental:										
Transportation	32,460	39,262	40,705	39,682	36,289	31,616	26,144	30,474	38,100	31,616
Culture and recreation	33,277	48,704	27,984	30,657	37,337	46,358	30,659	31,860	28,151	39,007
Economic revitalization	8,812	10,756	12,250	8,104	12,458	8,580	4,684	6,767	4,488	1,136
Environment development	5,347	6,413	7,268	5,918	5,946	8,476	3,973	2,216	3,560	3,313
Housing	1,859	732	1,404	1,847	1,759	1,348	1,393	2,380	594	1,504
Debt service:										
Principal	42,350	59,905	66,450	41,065	40,140	46,880	43,465	53,475	35,325	43,515
Interest and other charges	7,775	8,561	7,696	9,107	9,659	7,482	8,143	8,552	8,560	10,280
Capital outlay	31,940	37,276	39,109	21,399	29,292	32,376	11,480	10,945	18,916	5,796
Total expenditures	271,514	309,325	296,966	253,443	259,998	264,924	206,220	217,731	203,801	205,497
Excess (deficiency) of revenues over (under) expenditures	8,128	(18,958)	(32,660)	(6,813)	15,201	(20,140)	5,912	(6,855)	12,671	(9,158)
OTHER FINANCING SOURCES (USES)										
Transfers in	2,902	5,138	4,018	1,478	2,316	1,802	1,693	1,150	1,101	3,953
Transfers out	(22,165)	(36,600)	(28,646)	(22,199)	(37,327)	(23,704)	(31,158)	(15,185)	(19,632)	(31,241)
Bonds issued	40,000	34,700	51,000	42,077	-	59,000	-	77,600	53,000	50,300
Refunding bonds issued	-	6,025	-	-	-	29,725	-	-	10,490	-
Premium on bonds and capital related debt	3,823	3,903	5,119	2,362	-	5,388	-	296	588	841
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	(13,600)
Premium on refunding bonds	-	797	-	-	-	2,829	-	-	-	-
Sale of capital assets	473	524	342	254	532	544	164	146	184	177
Total other financing sources (uses)	25,033	14,487	31,833	23,972	(34,479)	75,584	(29,301)	64,007	45,731	10,430
Net change in fund balances	\$ 33,161	\$ (4,471)	\$ (827)	\$ 17,159	\$ (19,278)	\$ 55,444	\$ (23,389)	\$ 57,152	\$ 58,402	\$ 1,272
Debt service as a percentage of noncapital expenditures	20.9%	25.2%	28.8%	21.6%	21.6%	23.4%	26.5%	30.0%	23.7%	26.9%
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		
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	
2016	14,371	16,277	50,839	10,364	738	118,523	2,370	1,985	447	23,227	239,141	
2017	14,387	16,294	52,367	6,708	664	127,652	1,919	3,579	1,055	14,385	239,010	

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		
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
2016	329,058,583	3,822,316	332,880,899	3,858,157	1.2%	0.01
2017	353,529,775	3,982,992	357,512,767	4,157,954	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
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
2016	0.00	0.00	0.00	0.01	0.01	0.40	0.34	0.34	0.39
2017	0.00	0.00	0.00	0.01	0.01	0.37	0.33	0.33	0.37

Unaudited

Source: State of Minnesota, Department of Revenue.

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

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

Largest taxpayers in Hennepin and Ramsey counties

Taxpayer	2017			2008		
	Net Tax Capacity	Rank	Percentage of Total Tax Capacity^{1,3}	2008 Tax Capacity	Rank	Percentage of Total Tax Capacity^{2,3}
Xcel Energy / Northern States Power Co	\$ 19,336	1	0.47%	\$ 8,717	2	0.23%
MOA Mall Holdings LLC	16,799	2	0.40%	11,999	1	0.31%
Target Corporation	5,063	3	0.12%	-	-	-
IDS MB Minneapolis 8th St LLC	5,034	4	0.12%	4,679	4	0.12%
NWC Limited Partnership	4,812	5	0.12%	4,147	6	0.11%
Minneapolis 225 Holdings LLC	4,757	6	0.11%	4,309	5	0.11%
3M Company	4,029	7	0.10%	5,724	3	0.15%
33 City Center Holding LLC	3,925	8	0.09%	-	-	-
US Bank Corp	3,633	9	0.09%	-	-	-
Wells REIT - 800 Nicollett	3,262	10	0.08%	3,453	8	0.09%
Best Buy Co. Inc	-	-	-	3,064	10	0.08%
First Minneapolis - Hines Co.	-	-	-	3,611	7	0.09%
Compass Retail Inc.	-	-	-	3,379	9	0.09%
Total	<u>\$ 70,650</u>		<u>1.70%</u>	<u>\$ 53,082</u>		<u>1.38%</u>

Unaudited

Source: Hennepin County abstract of property taxes

Ramsey County abstract of property taxes

- Notes
- ¹ Net tax capacity value for 2017 = \$4,157,954
 - ² Net tax capacity value for 2008 = \$3,915,642
 - 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 Reduction ¹	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
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%	314	72,237	98.86%
2012	76,934	-	76,934	75,989	98.77%	206	76,195	99.04%
2013	78,452	-	78,452	77,651	98.98%	163	77,814	99.19%
2014	80,041	-	80,041	78,624	98.23%	841	79,465	99.28%
2015	80,431	-	80,431	79,757	99.16%	26	79,783	99.19%
2016	82,039	-	82,039	81,453	99.29%	143	81,596	99.46%
2017	83,621	-	83,621	82,985	99.24%	-	82,985	99.24%

Unaudited

Notes: 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 Wastewater ³	Less: Amounts Available in Debt Service Fund ⁴	Total ³		Actual Taxable Value ¹ of Property	Per Capita ²
2008	\$ 181,870	\$ 8,707	\$ 394,367	\$ 72,300	\$ 512,644		13.09%	\$ 155.29
2009	208,420	15,358	365,241	89,403	499,616		13.26%	150.01
2010	237,600	13,975	447,158	77,257	621,476		17.70%	185.20
2011	197,811	11,219	421,662	79,200	551,492		16.92%	162.71
2012	249,700	11,778	901,980	107,652	1,055,806		33.93%	308.49
2013	215,848	7,647	834,764	102,860	955,399		30.33%	276.25
2014	213,503	13,128	823,068	118,056	931,643		27.19%	266.81
2015	200,370	13,379	754,130	100,944	866,935		23.86%	246.41
2016	187,903	11,043	744,148	97,548	845,546		21.92%	238.11
2017	195,627	5,021	806,832	105,480	902,000		21.69%	254.01

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.

¹See market value and net tax capacity value of taxable property schedule for property value data.

²See demographic and economic statistics schedule for population data.

³Presented net of original issuance discounts and premiums.

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

**RATIOS OF OUTSTANDING DEBT BY TYPE
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	Revenue Bonds²	PFA Transit Loan¹	Capital Leases	Total Governmental Activities
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
2016	187,903	11,043	-	3,185	7,085	209,216
2017	195,627	5,021	-	1,880	6,260	208,788

Unaudited

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

¹PFA-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.

³See 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.

⁴Transit'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.

⁵Presented net of original issuance discounts and premiums.

Business-Type Activities

General Obligation Grant Anticipation Transit Notes ⁴	General Obligation Bonds Wastewater ⁵	PFA Wastewater ⁵	Hennepin County Loan	Loan Payable	Total Business- Type Activities	Total Primary Government	Percentage of Personal Income ³	Per Capita ³
\$ -	\$ 394,367	\$ 576,010	\$ -	\$ 1,405	\$ 971,782	\$ 1,197,343	0.77%	\$ 362.69
-	365,241	592,169	-	1,405	958,815	1,212,542	0.82%	364.07
-	447,158	598,059	-	1,405	1,046,622	1,324,165	0.87%	394.59
88,567	421,662	633,750	-	1,405	1,145,384	1,377,394	0.84%	406.38
165,558	901,980	448,039	-	1,405	1,516,982	1,798,308	1.03%	525.43
143,224	834,764	483,124	-	1,405	1,462,517	1,702,652	0.97%	492.31
188,573	823,068	535,984	-	1,405	1,549,030	1,790,011	0.96%	512.63
8,931	754,130	567,813	1,949	1,405	1,334,228	1,560,347	0.80%	443.50
-	744,148	571,683	1,597	1,405	1,318,833	1,528,049	0.76%	430.31
-	806,832	556,423	2,713	1,405	1,367,373	1,576,161	0.78%	443.86

COMPILATION OF OVERLAPPING DEBT¹
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS

Page (1 of 5)

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Counties:			
Anoka	\$ 110,265	100.0%	\$ 110,265
Carver	20,990	100.0%	20,990
Hennepin	1,110,220	99.9%	1,109,110
Ramsey	193,602	100.0%	193,602
Scott	52,465	97.9%	51,363
Washington	126,060	100.0%	126,060
Total counties	<u>1,613,602</u>		<u>1,611,390</u>
School districts:			
ISD #11 Anoka	61,870	100.0%	61,870
ISD #12 Centennial	95,954	100.0%	95,954
ISD #13 Columbia Heights	12,390	100.0%	12,390
ISD #14 Fridley	56,260	100.0%	56,260
ISD #15 St. Francis	32,535	92.0%	29,932
ISD #16 Spring Lake Park	148,275	100.0%	148,275
ISD #108 Norwood-Young America	10,125	96.5%	9,771
ISD #110 Waconia	126,785	100.0%	126,785
ISD #111 Watertown-Mayer	37,365	88.8%	33,180
ISD #112 Chaska	170,605	100.0%	170,605
ISD #191 Burnsville	202,205	100.0%	202,205
ISD #192 Farmington	197,225	100.0%	197,225
ISD #194 Lakeville	121,250	100.0%	121,250
ISD #195 Randolph	5,885	88.3%	5,196
ISD #196 Rosemount	11,885	100.0%	11,885
ISD #197 West St. Paul	12,180	100.0%	12,180
ISD #199 Inver Grove Heights	59,185	100.0%	59,185
ISD #200 Hastings	33,990	99.9%	33,956
ISD #252 Cannon Falls	38,630	5.9%	2,279
ISD #270 Hopkins-Golden Valley	143,265	100.0%	143,265
ISD #271 Bloomington	78,225	100.0%	78,225
ISD #272 Eden Prairie	66,540	100.0%	66,540
ISD #273 Edina	182,230	100.0%	182,230
ISD #276 Minnetonka	183,533	100.0%	183,533
ISD #277 Westonka	43,725	100.0%	43,725
ISD #278 Orono	74,335	100.0%	74,335
ISD #279 Osseo	161,580	100.0%	161,580
ISD #280 Richfield	42,670	100.0%	42,670
ISD #281 Robbinsdale	196,919	100.0%	196,919
ISD #282 St Anthony-New Brighton	45,890	100.0%	45,890
ISD #283 St. Louis Park	35,010	100.0%	35,010
ISD #284 Wayzata	156,210	100.0%	156,210
ISD #286 Brooklyn Center	23,010	100.0%	23,010
ISD #424 Lester Prairie	3,370	0.2%	7
ISD #621 Mounds View	99,335	100.0%	99,335
ISD #622 North St. Paul-Maplewood-Oakdale	97,480	100.0%	97,480
ISD #623 Roseville	46,605	100.0%	46,605
ISD #624 White Bear Lake	88,915	100.0%	88,915
ISD #625 St. Paul	392,765	100.0%	392,765
ISD #659 Northfield	33,000	13.6%	4,488
ISD #716 Belle Plaine	28,055	84.9%	23,819

**COMPILATION OF OVERLAPPING DEBT¹
FOR THE YEAR ENDED DECEMBER 31, 2017**

IN THOUSANDS

Page (2 of 5)

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
School districts (continued):			
ISD #717 Jordan	59,390	100.0%	59,390
ISD #719 Prior Lake	114,285	100.0%	114,285
ISD #720 Shakopee	210,905	100.0%	210,905
ISD #721 New Prague	93,365	47.2%	44,068
ISD #728 Elk River	229,745	35.3%	81,100
ISD #831 Forest Lake	159,565	87.2%	139,141
ISD #832 Mahtomedi	51,850	100.0%	51,850
ISD #833 South Washington	313,720	100.0%	313,720
ISD #834 Stillwater	108,130	100.0%	108,130
ISD #877 Buffalo-Hanover-Montrose	72,935	13.9%	10,138
ISD #879 Delano	80,070	35.2%	28,185
ISD #883 Rockford	43,875	65.4%	28,694
ISD #916 Special Intermediate-Vo Tech	79,875	100.0%	79,875
ISD #2144 Chisago Lakes	69,780	4.4%	3,070
ISD #2397 LeSueur-Henderson	10,985	1.3%	143
ISD #2687 Howard Lake-Waverly-Winsted	43,030	0.5%	215
ISD #2859 Glencoe-Sliver Lake	23,265	0.2%	47
SSD #1 Minneapolis	463,075	100.0%	463,075
SSD #6 South St. Paul	36,865	100.0%	36,865
Total school districts	<u>5,921,976</u>		<u>5,349,835</u>
Cities:			
Afton	8,125	100.0%	8,125
Andover	20,740	100.0%	20,740
Anoka	10,820	100.0%	10,820
Apple Valley	24,590	100.0%	24,590
Bayport	1,950	100.0%	1,950
Belle Plaine	16,410	100.0%	16,410
Bethel	494	100.0%	494
Birchwood	24	100.0%	24
Blaine	38,781	100.0%	38,781
Bloomington	63,265	100.0%	63,265
Brooklyn Center	54,879	100.0%	54,879
Brooklyn Park	42,345	100.0%	42,345
Burnsville	78,190	100.0%	78,190
Carver	20,238	100.0%	20,238
Centerville	8,020	100.0%	8,020
Champlin	4,235	100.0%	4,235
Chanhassen	29,695	100.0%	29,695
Chaska	116,535	100.0%	116,535
Circle Pines	16,735	100.0%	16,735
Cologne	15,358	100.0%	15,358
Columbia Heights	31,775	100.0%	31,775
Columbus	10,164	100.0%	10,164
Coon Rapids	58,213	100.0%	58,213
Corcoran	10,366	100.0%	10,366
Cottage Grove	33,900	100.0%	33,900
Crystal	18,600	100.0%	18,600
Dayton	50,677	100.0%	50,677
Dellwood	335	100.0%	335
Eagan	28,110	100.0%	28,110
East Bethel	18,740	100.0%	18,740
Eden Prairie	40,140	100.0%	40,140
Edina	128,682	100.0%	128,682
Elko/New Market	16,032	100.0%	16,032
Excelsior	6,817	100.0%	6,817

COMPILATION OF OVERLAPPING DEBT¹
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS

(Page 3 of 5)

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Cities (continued):			
Falcon Heights	1,625	100.0%	1,625
Farmington	19,910	100.0%	19,910
Forest Lake	37,385	100.0%	37,385
Fridley	58,555	100.0%	58,555
Gem Lake	715	100.0%	715
Golden Valley	85,200	100.0%	85,200
Greenfield	1,570	100.0%	1,570
Hamburg	1,613	100.0%	1,613
Ham Lake	3,408	100.0%	3,408
Hampton	1,813	100.0%	1,813
Hastings	23,195	100.0%	23,195
Hopkins	64,365	100.0%	64,365
Hugo	5,600	100.0%	5,600
Independence	2,295	100.0%	2,295
Inver Grove Heights	56,780	100.0%	56,780
Jordan	25,975	100.0%	25,975
Lake Elmo	37,830	100.0%	37,830
Lakeland	1,225	100.0%	1,225
Lakeville	123,585	100.0%	123,585
Lexington	2,902	100.0%	2,902
Lilydale	2,535	100.0%	2,535
Lino Lakes	19,853	100.0%	19,853
Little Canada	6,695	100.0%	6,695
Long Lake	3,330	100.0%	3,330
Loretto	370	100.0%	370
Mahtomedi	22,385	100.0%	22,385
Maple Grove	82,540	100.0%	82,540
Maple Plain	8,198	100.0%	8,198
Maplewood	65,451	100.0%	65,451
Marine	81	100.0%	81
Mayer	6,456	100.0%	6,456
Medina	13,810	100.0%	13,810
Mendota	47	100.0%	47
Mendota Heights	15,065	100.0%	15,065
Minneapolis	604,990	100.0%	604,990
Minnetonka	23,780	100.0%	23,780
Minnetonka Beach	1,485	100.0%	1,485
Minnetrista	28,008	100.0%	28,008
Mound	57,054	100.0%	57,054
Mounds View	6,803	100.0%	6,803
New Brighton	33,515	100.0%	33,515
New Germany	8,178	100.0%	8,178
New Hope	41,773	100.0%	41,773
Newport	6,755	100.0%	6,755
North Oaks	330	100.0%	330
North St. Paul	28,020	100.0%	28,020
Northfield	48,438	100.0%	48,438
Norwood-Young America	19,976	100.0%	19,976
Nowthen	653	100.0%	653

COMPILATION OF OVERLAPPING DEBT¹
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS

(Page 4 of 5)

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Cities (continued):			
Oakdale	26,435	100.0%	26,435
Oak Grove	1,516	100.0%	1,516
Oak Park Heights	7,935	100.0%	7,935
Orono	8,705	100.0%	8,705
Osseo	15,110	100.0%	15,110
Plymouth	12,315	100.0%	12,315
Prior Lake	36,960	100.0%	36,960
Ramsey	27,095	100.0%	27,095
Richfield	64,566	100.0%	64,566
Robbinsdale	22,185	100.0%	22,185
Rogers & Hassan Combined	10,975	100.0%	10,975
Rosemount	12,345	100.0%	12,345
Roseville	25,825	100.0%	25,825
St. Anthony	25,080	100.0%	25,080
St. Bonifacius	3,018	100.0%	3,018
St. Francis	42,471	100.0%	42,471
St. Louis Park	49,310	100.0%	49,310
St. Paul	459,102	100.0%	459,102
St. Paul Park	5,717	100.0%	5,717
Savage	59,958	100.0%	59,958
Scandia	639	100.0%	639
Shakopee	41,935	100.0%	41,935
Shoreview	45,505	100.0%	45,505
Shorewood	7,360	100.0%	7,360
South St. Paul	24,585	100.0%	24,585
Spring Lake Park	5,379	100.0%	5,379
Spring Park	2,300	100.0%	2,300
Stillwater	35,950	100.0%	35,950
Sunfish Lake	804	100.0%	804
Vadnais Heights	6,310	100.0%	6,310
Victoria	24,719	100.0%	24,719
Waconia	45,869	100.0%	45,869
Watertown	7,182	100.0%	7,182
Wayzata	21,385	100.0%	21,385
West St. Paul	47,470	100.0%	47,470
White Bear Lake	4,980	100.0%	4,980
Woodbury	49,255	100.0%	49,255
Woodland	94	100.0%	94
Total cities	<u>4,024,444</u>		<u>4,024,444</u>
Townships:			
Baytown	387	100.0%	387
Cedar Lake	64	100.0%	64
Credit River	2,160	100.0%	2,160
Empire	225	100.0%	225
Linwood	242	100.0%	242
Randolph	145	100.0%	145
Ravenna	51	100.0%	51
Sand Creek	370	100.0%	370
Spring Lake	2,090	100.0%	2,090
White Bear	2,290	100.0%	2,290
Total townships	<u>8,024</u>		<u>8,024</u>

COMPILATION OF OVERLAPPING DEBT¹
FOR THE YEAR ENDED DECEMBER 31, 2017
IN THOUSANDS

(Page 5 of 5)

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Miscellaneous:			
Anoka County HRA	18,970	100.0%	18,970
Blaine EDA/HRA	3,450	100.0%	3,450
Bloomington Port Authority	7,150	100.0%	7,150
Brooklyn Park EDA	1,535	100.0%	1,535
Capital Region Watershed District	3,565	100.0%	3,565
Carver County CDA	22,685	100.0%	22,685
Cedar Lake Sewer Sanitary District	1,427	68.2%	973
Dakota County CDA	256,337	100.0%	256,337
Hennepin City Park	68,265	100.0%	68,265
Hennepin Regional Railroad Authority	31,535	100.0%	31,535
HRA of St. Paul	82,879	100.0%	82,879
Logis (Local Gov Info Sys)	729	100.0%	729
Metropolitan Airports Commission	1,458,170	100.0%	1,458,170
Minnesota Municipal Power Agency	284,720	61.6%	175,388
MN Valley Transit Auth	4,620	100.0%	4,620
Mound HRA	2,435	100.0%	2,435
Mpsl Public Hsg Authority	7,150	100.0%	7,150
Norwood-Young America EDA	5,415	100.0%	5,415
Prior Lake-Spring Lake Watershed District	665	100.0%	665
Plymouth HRA	11,185	100.0%	11,185
Ramsey-Washington Metro Watershed District	4,756	100.0%	4,756
Regional Railroad Authority-Anoka County	24,310	100.0%	24,310
Rice Creek Watershed	344	100.0%	344
Scott County CDA	51,185	100.0%	51,185
South Washington Watershed District	6,375	100.0%	6,375
St. Anthony HRA	7,065	100.0%	7,065
St. Paul Port Authority	110,236	100.0%	110,236
Tech & Info Edu Serv	3,336	100.0%	3,336
Victoria EDA	2,650	100.0%	2,650
Waconia HRA	10,302	100.0%	10,302
Washington County HRA	49,948	100.0%	49,948
Total miscellaneous	<u>2,543,394</u>		<u>2,433,608</u>
Subtotal, overlapping debt	<u>\$ 14,111,440</u>		13,427,301
Metropolitan Council direct debt			<u>208,788</u>
Total direct and overlapping debt			<u>\$ 13,636,089</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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt limit	\$ 397,655	\$ 307,390	\$ 353,595	\$ 413,505	\$ 367,025	\$ 365,515	\$ 334,245	\$ 338,265	\$ 345,190	\$ 330,655
Total net debt applicable to limit	<u>186,105</u>	<u>187,630</u>	<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>
Legal debt margin	<u>\$ 211,550</u>	<u>\$ 119,760</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	<u>46.80%</u>	<u>61.04%</u>	<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>

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

Radio Revenue Bonds

Year	Total Bond Outstanding¹	911 Fee Revenue²	Principal	Interest	Coverage
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 ³	-	705	1,365	27	0.51
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-

Unaudited

Notes:

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. Original bond was refunded on March 15, 2007. Remaining original bond outstanding balance was repaid in 2007. Bond balance in 2008, and beyond, is for refund bond only.

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

³ 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
2008	3,301,252	156,511	47,410	5.20%
2009	3,330,508	147,914	44,412	7.70%
2010	3,355,763	153,074	45,615	7.30%
2011	3,389,448	163,306	48,181	6.30%
2012	3,422,542	173,992	50,837	5.50%
2013	3,458,513	175,414	50,719	4.80%
2014	3,491,838	186,385	53,377	4.00%
2015	3,518,252	195,613	55,599	3.50%
2016	3,551,036	201,427	56,723	3.60%
2017	3,551,036	201,427	56,723	3.30%

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 2017 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	2017			2008		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Minnesota	57	1	2.98%	56	1	3.20%
Mayo Clinic	42	2	2.19%	37	2	2.11%
United States Federal Government	32	3	1.67%	32	3	1.83%
Allina Health System	28	4	1.46%	24	5	1.37%
University of Minnesota	26	5	1.36%	19	9	1.09%
Target Corporation	26	6	1.36%	28	4	1.60%
Fairview Health Services	24	7	1.25%	20	7	1.14%
HealthPartners Inc.	23	8	1.20%	-	-	-
Wells Fargo Minnesota	20	9	1.04%	21	6	1.20%
UnitedHealth Group, Inc.	17	10	0.89%	-	-	-
3M Co.	-	-	-	16	10	0.91%
Wal-Mart Stores Inc.	-	-	-	20	8	1.14%
Total	295		15.40%	273		15.59%

Unaudited.

Source: Department of Employment and Economic Development, Minneapolis-St. Paul Business Journal, July 14, 2017 and Business Journal, Book of Lists, December 26, 2008.

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

Walmart was not included because it declined to provide data for 2017.

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										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Regional Administration</u>										
Human Resources	45	47	42	40	36	32	33	33	33	33
Information Services	111	110	107	98	90	81	79	75	64	62
Finance/Central Services	55	54	53	50	46	44	42	38	38	37
Other	107	116	108	95	89	84	79	75	75	67
Total Regional Administration	318	327	310	283	261	241	233	221	210	199
<u>Community Development</u>										
Metro HRA	41	40	40	40	38	37	34	33	33	33
Other	41	38	36	36	36	35	35	34	41	42
Total Community Development	82	78	76	76	74	72	69	67	74	75
<u>Environmental Services Division</u>										
Environmental Quality Assurance	100	101	101	102	100	95	98	103	109	109
Treatment Services	506	503	506	532	527	514	526	528	505	501
Other	32	29	27	25	24	22	20	20	32	28
Total Environmental Services Division	638	633	634	659	651	631	644	651	646	638
<u>Transportation Services Division</u>										
Metro Mobility	17	17	12	11	10	10	9	10	14	15
Transportation Planning	28	27	33	32	30	27	28	29	28	26
Other	1	1	-	-	-	-	-	-	-	-
Total Transportation Services	46	45	45	43	40	37	37	39	42	41
<u>Metro Transit Bus</u>										
Operations	1,654	1,640	1,617	1,600	1,566	1,512	1,502	1,500	1,346	1,291
Maintenance	477	466	432	428	424	422	429	470	417	442
Administration/Clerical	642	646	616	607	507	465	448	420	439	540
Total Metro Transit	2,773	2,752	2,665	2,635	2,497	2,399	2,379	2,390	2,202	2,273
<u>Metro Transit Commuter Rail</u>										
Maintenance	30	29	28	29	27	28	28	27	28	-
Administration/Clerical	4	4	4	7	7	8	9	10	8	-
Total Metro Transit	34	33	32	36	34	36	37	37	36	-
<u>Metro Transit Light Rail</u>										
Operations	67	64	62	85	76	56	57	57	50	44
Maintenance	146	141	138	92	72	80	81	80	70	69
Administration/Clerical	250	237	231	230	184	134	100	82	45	42
Total Metro Transit	463	442	431	407	332	270	238	219	165	155
Total	4,354	4,310	4,193	4,139	3,889	3,686	3,637	3,624	3,375	3,381

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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Metro Mobility-passenger miles	24,805,497	24,264,290	22,168,347	20,570,713	17,918,147	16,562,355	15,503,454	15,534,246	13,634,343	13,452,124
Metro Mobility-passenger trips	2,176,760	2,133,727	2,020,700	1,905,563	1,747,911	1,628,051	1,516,901	1,410,369	1,237,570	1,220,775
Parks visits to Metro Parks System ¹	47,860,600	47,860,600	47,328,887	48,687,143	47,304,800	45,843,800	44,111,200	40,867,500	38,062,600	33,047,700
Business-type activities										
Wastewater										
Average daily sewage treatment (millions of gallons)	247	245	250	255	240	210	260	260	260	250
Transit-bus										
Total route miles	31,526,740	31,598,429	31,198,704	30,661,418	29,490,406	28,817,105	28,763,822	28,894,682	29,703,751	30,268,310
Passenger trips ²	57,322,632	58,949,824	62,106,089	67,814,305	70,418,593	69,854,994	69,782,602	66,882,361	66,401,218	71,614,056
Transit-commuter rail ³										
Total route miles	582,726	550,196	547,051	546,092	529,007	521,537	556,631	601,119	69,320	-
Passenger trips ²	793,798	711,167	722,637	721,214	787,241	700,276	703,427	710,426	78,782	-
Transit-light rail										
Total passenger car miles	5,492,301	5,325,645	5,202,174	4,081,921	2,370,943	2,103,215	2,101,289	2,056,261	2,041,244	2,024,493
Passenger trips ²	23,810,995	22,963,629	23,003,457	15,999,993	10,162,919	10,498,236	10,400,864	10,423,862	9,863,042	10,221,682
Housing										
Metro HRA unit months leased	87,638	87,096	86,076	81,425	82,612	82,264	82,247	81,455	80,243	78,658

Unaudited

Sources: Various Metropolitan Council Divisions

Notes:

¹ 2017 park visits to Metro Parks System data is not available at time of report.² UPT - Unlinked Passenger Trips is the number of passengers who board public transportation vehicles³ Commuter Rail began limited operation on November 16, 2009.

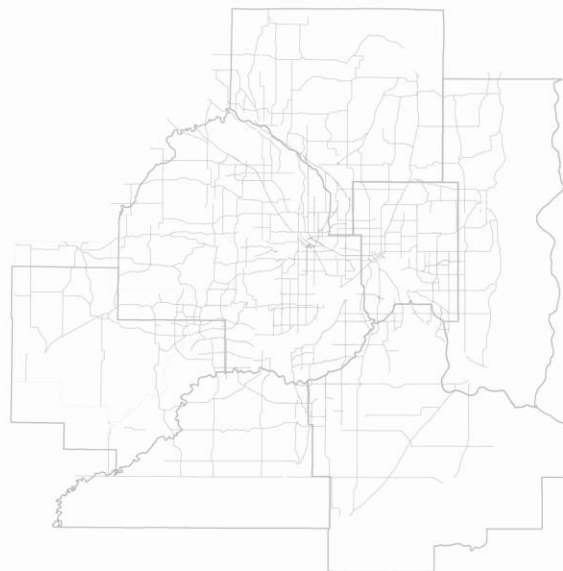
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
FOR THE LAST TEN YEARS ENDED DECEMBER 31**

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Metro Mobility										
Total fleet size	569	519	485	442	407	399	340	314	274	265
Number of Parks/Trails	104	102	102	102	97	95	95	89	89	85
Acres of Regional Parks and Trails open to the public	56,022	54,613	54,488	54,307	54,581	54,842	54,631	54,633	53,111	52,918
Business-type activities										
Wastewater										
Treatment Plants	8	8	8	8	7	7	7	7	7	8
Miles of MCES Interceptors	643	643	643	643	643	645	626	625	624	615
Wastewater Treatment Plant Capacities (millions of gallons)	358	358	358	358	358	358	358	358	358	358
Transit-bus										
Total fleet size	909	902	907	905	912	888	876	888	929	1,093
Transit-commuter rail										
Total fleet size	6	6	6	6	6	6	6	6	6	-
Transit-light rail										
Total fleet size	86	86	86	86	62	27	27	27	27	27
Housing										
Metro HRA unit months available	85,278	85,270	86,539	84,288	83,979	83,795	83,173	82,668	81,613	79,270
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.



Serving the Twin Cities seven-county metropolitan area



Twin Cities Area, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2017

A Component Unit of the State of Minnesota



390 North Robert Street
St Paul, MN 55101-1805

Phone (651) 602.1000
Fax (651) 605.1550
TTY (651) 291.0904

Email: public.info@metc.state.mn.us

metro council.org