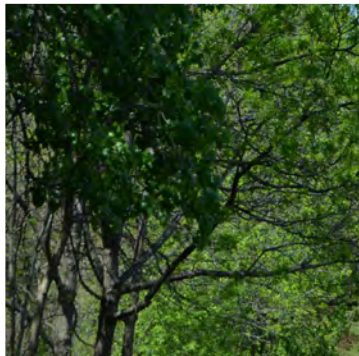
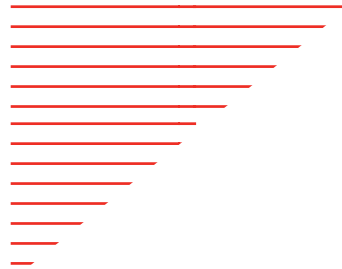




Twin Cities Area, Minnesota  
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

Year Ended December 31, 2018

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, 2018

**A COMPONENT UNIT OF THE STATE OF MINNESOTA**

Prepared by the Finance Unit

Issued June 2019



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 80.7 million bus and rail passengers in 2018 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, 2018**

**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**

<b>Independent Auditor's Report .....</b>	<b>3</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>	<b>7</b>

**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, 2018**

**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
---	----

<b>Notes to the Required Supplementary Information .....</b>	<b>79</b>
--	-----------

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE METROPOLITAN COUNCIL  
A COMPONENT UNIT OF THE STATE OF MINNESOTA  
FOR THE YEAR ENDING DECEMBER 31, 2018**

**TABLE OF CONTENTS**

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

<b>Description of Nonmajor Governmental Funds</b> .....	85
<b>Combining Balance Sheet</b>	
Nonmajor Governmental Funds .....	86
Nonmajor Governmental Funds - Special Revenue .....	87
Nonmajor Governmental Funds - Capital Projects .....	88
<b>Combining Statement of Revenues, Expenditures and Changes in Fund Balances</b>	
Nonmajor Governmental Funds .....	89
Nonmajor Governmental Funds - Special Revenue .....	90
Nonmajor Governmental Funds - Capital Projects .....	91
<b>Budgetary Comparison Schedules</b>	
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
<b>Statement of Changes in Assets and Liabilities - Fiduciary Fund</b> .....	98
<b>Bonds/Loans/Notes Outstanding</b> .....	99
<b>Schedule of Expenditures of Federal Awards</b> .....	100
<b>Notes to the Schedule of Expenditures of Federal Awards</b> .....	104

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE METROPOLITAN COUNCIL  
A COMPONENT UNIT OF THE STATE OF MINNESOTA  
FOR THE YEAR ENDING DECEMBER 31, 2018**

**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





---

Metropolitan Council  
2018 Comprehensive Annual Financial Report  
Transmittal Letter from the Deputy Regional Administrator/Chief Financial Officer

---

June 11, 2019

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

Dear Chair Slawik 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, 2018. 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) schedules, required supplementary information, combining and individual fund statements for nonmajor funds, bonds/loans/notes outstanding schedule, 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, 2018. 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 2019.

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 3.60 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, which may be amended.

### **Economic Condition and Outlook**

The Twin Cities metro area experienced economic and employment growth in 2018. Market conditions remain mostly favorable for key industries. However, unemployment rates and job vacancy rates have reached an imbalance where workforce shortages are constraining continued regional economic growth. Also, a housing supply shortage is driving housing prices higher – a situation that diminishes the metro area's competitiveness in attracting and retaining new residents. Finally, metro area economic performance is tied to the national and global economies.

Gross domestic product (GDP) for the sixteen-county Minneapolis-St. Paul metropolitan statistical area (MSA) was \$260.10 billion in 2017, the most recent year estimated. Metro GDP grew by 3.90 percent, or 2.20 percent in real, inflation-adjusted terms. The growth was diversified, spread across industry sectors. Real GDP growth of 2.20 percent is very close to the national growth rate but lags the performance of competing major metro economies. Minneapolis-St. Paul MSA's 2017 growth rate ranked 17<sup>th</sup> among the 25 largest MSAs. (U.S. Bureau of Economic Analysis).

Total nonfarm employment in the Minneapolis-St. Paul metropolitan statistical area (MSA) grew by 1.60 percent (31,700 jobs) in the 12 months ending December 2018. This was close to the national growth rate of 1.80 percent but lagged to other major metro areas. Minneapolis-St. Paul MSA's job growth rate ranked 18<sup>th</sup> among the 25 largest metropolitan statistical areas. (U.S. Bureau of Labor Statistics, Current Employment Statistics).

Monthly unemployment rates for the seven-county metro area have been in the 2.00 to 3.00 percent range continuously since March 2018; these are the lowest unemployment rates experienced since 2000. The seven-county metro area unemployment rate was 2.60 percent in December 2018. Among the 25 largest MSAs, Minneapolis-St. Paul MSA had the 3<sup>rd</sup> lowest unemployment rate at the end of 2018 (U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics).

At the same time, the job vacancy rate in the seven-county metro area has grown to 4.80 percent, or 82,100 positions open. This is the largest number observed in the two decades that the State has conducted its survey (Minnesota Department of Employment and Economic Development, Job Vacancy Survey). Endemic workforce shortage conditions are not easily solved. Metropolitan Council's forecast team finds that the Twin Cities metro area, like the nation, is experiencing and will continue to see a demographic plateau. Instead, the Council's regional forecast describes the predominant sources of future workforce growth being older workers, extending their careers; and international immigrants settling in the metro area and adding to the workforce supply (Metropolitan Council, Regional Forecast).

Housing prices continued to rise in 2018, due to demand outpacing supply, as well as inflation in new housing construction materials costs. According to the Minneapolis Area Association of Realtors (MAAR), the median sale price rose 7.70 percent in 2018 to \$265,000. The annual number of new listings remained at 76,000, considered by MAAR to be a low level of turnover and availability (MAAR, 2018 Annual Housing Market Report). The housing shortage is particularly pronounced for those seeking low- or moderately-priced houses.

In the rental market, the apartments building boom has helped stabilize the apartments vacancy rate. CoStar measured the apartments vacancy rate at 4.90 percent in 4<sup>th</sup> Quarter 2018. However, apartment rentals in newer buildings have higher rents, and average rents in the Twin Cities market have risen 3.00 to 4.00 percent each year since 2015 (CoStar).

New housing construction in the Twin Cities seven-county area rose substantially from 12,300 permitted housing units in 2017 to 14,900 units in 2018. Most of the 2018 units (57.00 percent) are in multifamily buildings (U.S. Census Bureau, Building Permits Survey). Note: U.S. Census Bureau's permitted housing statistics are often lower than Metropolitan Council's statistics; the Council's survey and report will be complete in June 2019. The past year was also robust for office, commercial, industrial, and other nonresidential construction projects. Construction projects in the Twin Cities seven-county area amounted to 13.9 million square feet of new floorspace and \$2.64 billion of new investment in 2018 (Dodge Reports).

### **Delivering High-Performance Regional Services**

**Transit** - Metro Transit is one of the country's largest transit systems, providing over 86.00 percent of the 94.17 million regional bus and train trips taken annually in the Twin Cities in 2018. Each weekday customers board Metro Transit regional buses and trains an average of 260,000 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 907 buses, 91 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 2018, the METRO Blue Line carried 11.2 million passengers. With average weekday ridership of 32,921, the line continued to exceed weekday projections for the year 2020 by more than 33.00 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 2018 the METRO Green Line carried nearly 13.8 million passengers and experienced average weekday ridership of 42,572. The line continued to exceed projections for the year and exceeded year 2030 weekday ridership levels by nearly 4.00 percent.

The Northstar Commuter Rail provides service between Big Lake in Sherburne County and downtown Minneapolis. The service offers five morning trips and five afternoon return trips on weekdays, with one reverse commute trip each morning and afternoon. Weekend service includes three roundtrips on both Saturday and Sunday. Each train consists of a locomotive and four passenger cars, and has seating for 560 people. Trains travel at speeds up to 79 miles per hour, making the trip from Big Lake to Minneapolis in about 50 minutes. Trains stop at stations in Elk River, Ramsey, Anoka, Coon Rapids, and Fridley. In 2018, the NorthStar Commuter Rail carried 787,327 passengers, with an average weekday ridership of 2,814.

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 2018, Metro Mobility provided nearly 2.3 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 2018, these routes carried nearly 2.4 million passengers. Transit Link is a region-wide dial-a-ride program that assists people outside areas served by fixed-route transit and provided 254,742 rides in 2018. Suburban Transit Authority Providers are comprised of 12 communities selecting to manage their own transit service and provided 5.1 million rides in 2018.

**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 241 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.

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 100.00 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 2017. The awards were given in 2018 and include: Hastings (27 years), St. Croix Valley (26 years), Blue Lake (12 years), Eagles Point (12 years), Empire (10 years), and Metro (6 years). These compliance records are among the highest in the nation.

The 2018 annual budget for Environmental Services operations was funded primarily from the metropolitan wastewater charge allocated to municipalities (\$219.70 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, this allows the Council to set 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. In 2018 SAC (20,165 units) were 203.00 percent higher than the low in 2009 SAC (6,653 units).

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 2018, program expenses were \$1.00 million and expenses are budgeted at \$2.00 million in 2019, with the increase due to planned spending of grants.

Approximately \$81.00 million was spent on capital projects in 2018 to support the regional goals of maintaining infrastructure, accommodating growth, and protecting the environment. \$63.00 million was spent on improvements to the regional interceptor system and \$18.00 million was spent on improvements to the eight wastewater treatment plants that are operated by Environmental Services. Capital projects are based on three needs: improvements to treatment or wastewater conveyance technology, expansion of the capacity within the regional treatment and conveyance system, and preservation of our existing facilities. In 2018, 7.00 percent of capital expenses were categorized as improvements, 11.00 percent as expansion, and 82.00 percent as preservation.

**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 56 regional parks and park reserves, 49 trails and 8 special recreation areas had 58.1 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.

## **Financial Information**

The 2018 unified budget was adopted by the Council on December 13, 2017. The original adopted budget for operations, pass-through expenditures and debt service was \$1.057 billion, representing a 3.90 percent increase from the budget adopted in 2017. During the year, the budget was revised to \$1.068 billion, primarily to recognize carry forward of budgeted expenses for projects initiated in the prior year but that are expected to be completed during 2018 and to recognize additional pass-through expenditures in 2018.

The Council budget relies on several funding sources. In the 2018 amended budget, \$275.36 million in revenues and transfers from other funds come from wastewater treatment service fees and transit fare revenues. Intergovernmental revenues from federal, state and local sources total \$547.46 million and \$85.29 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 2018, MVST revenues were projected at \$267.96 million. The sales tax on motor vehicle sales is a single sector tax and has historically experienced significant volatility in the amount generated from year to year. To address this volatility, the Council only budgets 95.00 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 2018 capital program as part of the unified budget adopted in December 2017. The capital program includes an 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 2018 capital program totaled \$7.12 billion, including \$2.67 billion in projects in the authorized capital program and \$4.45 billion in planned projects in the capital improvement plan. The adopted 2018 capital program included an annual capital budget of \$630.90 million.

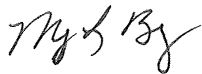
### **Awards and Acknowledgements**

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, 2017. This was the thirty-fifth 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  
Deputy Regional Administrator / 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, 2017**

*Christopher P. Morrill*

Executive Director/CEO

# Metropolitan Council Organizational Chart

December 2018

<b>Acting Chair</b>
Harry Melander

<b>Regional Administrator</b>
Wes Kooistra

<b>Chief Financial Officer</b>
Mary Bogie

<b>Deputy Regional Administrator</b>
Meredith Vadis

<b>General Counsel</b>
Ann Bloodhart

<b>Program Evaluation and Audit</b>
Matthew LaTour
Director

Procurement
Finance
Risk Management

Community Relations
Enterprise Content Management
Human Resources
Information Services
Communications

<b>Office of Diversity and Equal Opportunity</b>
Cyrenthia Jordan
Director

<b>Government Affairs</b>
Judd Schetnan
Director

<b>Community Development</b>
Lisa Barajas
Director

<b>Metro Transit</b>
Brian Lamb
General Manager

<b>Metropolitan Transportation Services</b>
Nick Thompson
Director

<b>Environmental Services</b>
Leisa Thompson
General Manager

		Term of Office	
<b><i>COUNCIL MEMBERS</i></b>		<b>First Appointed</b>	<b>End of Term</b>
<b>Chair:</b>	Alene Tchourumoff	July 31, 2017	November 30, 2018
<b>District Members:</b>			
District No. 1	Katie Rodriguez	July 17, 2013	December 31, 2018
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	December 31, 2018
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 Acting Chair	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, end of term November 30, 2018
Vice-Chair	Harry Melander, Acting Chair
Treasurer	Mary Bogie
Secretary	Emily Getty

***FINANCIAL ADMINISTRATIVE OFFICIALS***

---

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



# FINANCIAL SECTION











JULIE BLAHA  
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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Council's basic financial statements. The Introductory Section, the Combining and Individual Fund Financial Statements and Schedules, and the Statistical Section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

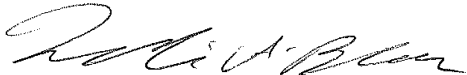
The Combining and Individual Fund Financial Statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2019, 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.



JULIE BLAHA  
STATE AUDITOR



GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 11, 2019



---

# 2018 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, 2018. 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 \$3.34 billion. Of this amount, \$3.12 billion or 93.19 percent represents net investment in capital assets.
- The Metropolitan Council's total net position increased by \$429.34 million, or 14.74 percent compared to the prior year's net position. Net position from business-type activities increased by \$364.62 million, mainly due to increased activity on the Metro Transit Bus and Metro Transit Light Rail lines. Governmental activities net position increased by \$64.72 million mainly due to transit capital activity.
- At the close of the current fiscal year, the Metropolitan Council's governmental funds reported combined fund balances of \$421.22 million, an increase of \$24.27 million, or 6.11 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 \$29.55 million, an increase of \$1.40 million or 4.95 percent compared to the previous year's fund balance. Approximately \$17.32 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 \$64.85 million. The Council issued \$200.52 million in general obligation bonds while paying down \$135.67 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 full 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 enterprise 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 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 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, bonds/loans/notes outstanding statement, and schedules can be found on pages 83-104 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 \$3.34 billion, at the end of 2018.

### Metropolitan Council Net Position December 31, 2018 and 2017 (In Thousands)

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 465,196	\$ 442,160	\$ 995,178	\$ 825,152	\$ 1,460,374	\$ 1,267,312
Capital assets	170,865	148,794	4,418,030	4,253,877	4,588,895	4,402,671
Total assets	636,061	590,954	5,413,208	5,079,029	6,049,269	5,669,983
Deferred outflows of resources:						
Outflows - derivative	-	-	2,297	-	2,297	-
Outflows - pension	42,902	63,717	364,544	537,638	407,446	601,355
Outflows - OPEB	151	192	8,225	9,814	8,376	10,006
Total deferred outflows of resources	43,053	63,909	375,066	547,452	418,119	611,361
Long-term liabilities outstanding	231,351	295,053	1,878,360	2,343,439	2,109,711	2,638,492
Other liabilities	43,363	43,519	296,387	236,273	339,750	279,792
Total liabilities	274,714	338,572	2,174,747	2,579,712	2,449,461	2,918,284
Deferred inflows of resources:						
Inflows - derivative	-	-	-	3,641	-	3,641
Inflows - pension	69,094	46,158	580,711	398,405	649,805	444,563
Inflows - OPEB	456	6	24,749	1,273	25,205	1,279
Total deferred inflows of resources	69,550	46,164	605,460	403,319	675,010	449,483
Net position:						
Net investment in capital assets	103,150	88,398	3,012,182	2,856,278	3,115,332	2,944,676
Restricted	346,016	335,559	108,634	90,725	454,650	426,284
Unrestricted	(114,316)	(153,830)	(112,749)	(303,553)	(227,065)	(457,383)
Total net position	\$ 334,850	\$ 270,127	\$ 3,008,067	\$ 2,643,450	\$ 3,342,917	\$ 2,913,577

By far, the largest portion of the Metropolitan Council's net position, \$3.12 billion or 93.19 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.

## METROPOLITAN COUNCIL

An additional portion of the Metropolitan Council's net position, \$454.65 million or 13.60 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, \$28.37 million came primarily from debt service and capital project activities.

The remaining balance of negative \$227.07 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 \$429.34 million, or 14.74 percent from the prior year's net position. The reasons for this overall increase are discussed in the following sections for the governmental activities and business-type activities.

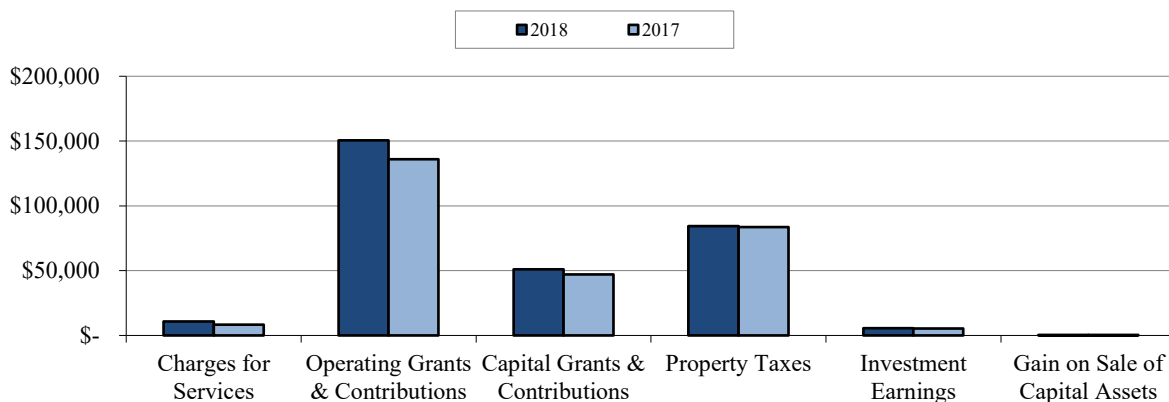
### Changes in Net Position Fiscal Years Ended December 31, 2018 and 2017 (In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 10,727	\$ 8,369	\$ 392,664	\$ 369,333	\$ 403,391	\$ 377,702
Operating grants and contributions	150,442	135,895	413,859	416,209	564,301	552,104
Capital grants and contributions	50,969	46,970	277,340	174,810	328,309	221,780
General revenues:						
Property taxes	84,416	83,620	-	-	84,416	83,620
Investment earnings	5,642	5,360	431	47,482	6,073	52,842
Gain on sale of capital assets	369	473	124	20	493	493
Total revenues	<u>302,565</u>	<u>280,687</u>	<u>1,084,418</u>	<u>1,007,854</u>	<u>1,386,983</u>	<u>1,288,541</u>
Expenses:						
General government	(3,225)	28,128	-	-	(3,225)	28,128
Transportation	167,991	146,429	-	-	167,991	146,429
Culture and recreation	34,830	33,277	-	-	34,830	33,277
Economic revitalization	7,807	8,812	-	-	7,807	8,812
Environment development	4,926	5,347	-	-	4,926	5,347
Housing	2,234	1,859	-	-	2,234	1,859
Interest and other charges	5,037	5,979	-	-	5,037	5,979
Environmental services	-	-	219,380	245,869	219,380	245,869
Transit bus	-	-	291,133	431,815	291,133	431,815
Transit light rail	-	-	127,480	172,079	127,480	172,079
Transit commuter rail	-	-	25,233	26,738	25,233	26,738
Housing	-	-	74,817	75,434	74,817	75,434
Total expenses	<u>219,600</u>	<u>229,831</u>	<u>738,043</u>	<u>951,935</u>	<u>957,643</u>	<u>1,181,766</u>
Increase (decrease) in net position before transfers	82,965	50,856	346,375	55,919	429,340	106,775
Transfers	(18,242)	(19,263)	18,242	19,263	-	-
Increase (decrease) in net position	64,723	31,593	364,617	75,182	429,340	106,775
Net position, beginning	270,127	238,534	2,643,450	2,568,268	2,913,577	2,806,802
Net position, ending	<u>\$ 334,850</u>	<u>\$ 270,127</u>	<u>\$ 3,008,067</u>	<u>\$ 2,643,450</u>	<u>\$ 3,342,917</u>	<u>\$ 2,913,577</u>



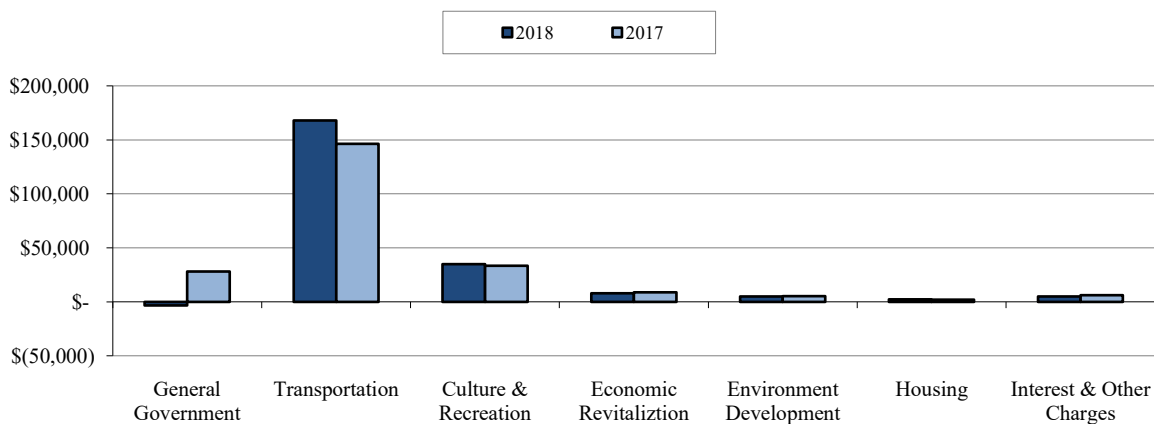
**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$64.72 million or 23.96 percent of the difference from the prior fiscal year for an ending balance of \$334.85 million.

**Governmental Activities Revenues**  
**Fiscal Years Ended December 31, 2018 and 2017**  
**(In Thousands)**



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 2018, 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 \$212.14 million, an increase of \$20.90 million, or 10.93 percent, compared to 2017. An increase in operating grant revenues of \$14.55 million, an increase in capital grant revenues of \$4.00 million, and an increase in charges for services revenues of \$2.36 million account for this change. The change in capital grant revenue was primarily due to transit fleet purchases. Total governmental activities general revenues were \$90.43 million, an increase of \$0.97 million or 1.09 percent over the prior year. This is mainly due to an increase in property taxes supporting general fund activity and parks debt service activity. Investment earnings increased slightly, by \$0.30 million.

**Governmental Activities Program Expenses**  
**Fiscal Years Ended December 31, 2018 and 2017**  
**(In Thousands)**

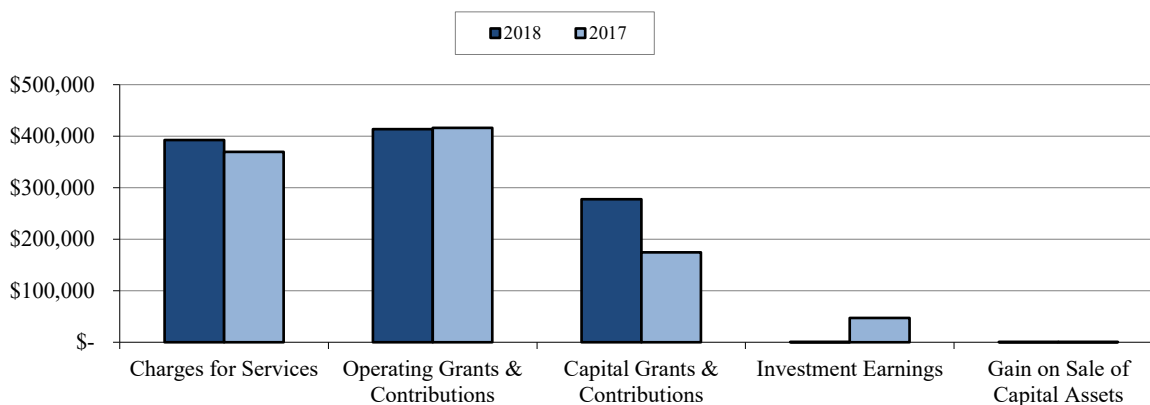


In 2018, expenses for governmental activities decreased by \$10.23 million, 4.45 percent, to \$219.60 million. General government expenses decreased by \$31.35 million due to lower actuarial pension expenses, interest expense decreased by \$0.94 million, and the Council’s livable communities programs for housing, economic revitalization, and environment development decreased by \$1.05 million. The unexpended balances of all livable community grants programs are reported as restricted net position. These decreases were partly offset by a \$21.56 million increase in transportation expenses and a \$1.55 million increase in culture and recreation expenses.

Depreciation for the year was \$23.31 million, an increase of \$2.35 million from 2017. Net transfers to business-type activities decreased by \$1.02 million to \$18.24 million. Transfers were primarily capital expense reimbursements, with Metro Transit Bus the primary recipient. Net salaries and benefits increased \$1.63 million mainly due to increased post-retirement health care expense. Payments to outside transit providers increased by \$16.10 million due to an increase in the cost of metro mobility service and an increase in pass through payments.

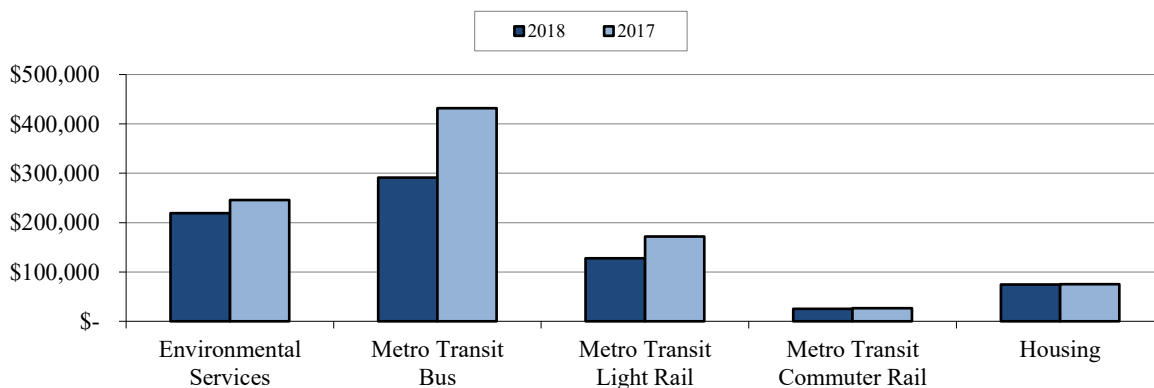
**Business-type Activities.** For the Metropolitan Council’s business-type activities, the results for the current fiscal year increased the overall net position to reach an ending balance of \$3.01 billion. The total increase in net position for business-type activities (Environmental services, Transit bus, Transit light rail, Transit commuter rail, and Housing) was \$364.62 million or 13.79 percent from the prior fiscal year’s net position.

**Business-type Activities Revenues**  
**Fiscal Years Ended December 31, 2018 and 2017**  
**(In Thousands)**



Program revenues for the Council’s business-type activities totaled \$1.08 billion, or 146.86 percent of related expenses for fiscal year 2018 compared to \$960.35 million, 100.88 percent of related expenses, in the prior year. Capital grants increased by \$102.53 million, primarily due to increased activity on the Green Line and Blue Line extensions and charges for services revenues increased by \$23.33 million, mainly due to an increase in wastewater rates. Operating grants revenue decreased by \$2.35 million mainly due to decreased grant funding for Metro Transit Light Rail maintenance work. Investment earnings decreased by \$47.05 million.

**Business-type Activities Expenses**  
**Fiscal Year Ended December 31, 2018 and 2017**  
**(In Thousands)**



Business-type activities in 2018 incurred expenses of \$738.04 million, a decrease of \$213.89 million, or 22.47 percent, from the prior year. Lower actuarial pension expenses account for the decrease. Environmental Services program expenses decreased by \$26.49 million, 10.77 percent, Metro Transit Bus expenses decreased by \$140.68 million, Metro Transit Light Rail expenses decreased by \$44.60 million, Metro Transit Commuter Rail expenses decreased by \$1.50 million and Housing decreased by \$0.61 million.

Overall salaries and benefit related expenses decreased by \$225.70 million to \$249.05 million due to lower actuarial pension expense. This decrease was offset by increases in contracted services (\$8.54 million), insurance claims (\$2.95 million) and depreciation expense (\$0.61 million). Depreciation expense increased to \$202.63 million from \$202.57 million in 2017. General inflationary factors account for increases to other operating expense categories.

## 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, 2018, the Metropolitan Council's governmental funds had combined fund balances of \$421.22 million, an increase of \$24.27 million in comparison with the prior year. Approximately \$17.32 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, \$34.04 million, in Nonmajor Governmental Funds represents 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, \$346.02 million; committed for particular purposes, \$86.28 million; or assigned for particular purposes, \$5.64 million.

Revenues from all governmental funds for the current year were \$302.58 million, an increase of \$22.94 million, 8.20 percent, from the previous year. Governmental funds share of motor vehicle sales tax allocation increased by \$20.54 million mostly to support fixed route and planning activities. Federal capital grants increased by \$5.51 million related to the timing of capital project expenses. Taxes increased by \$1.75 million and investment earnings increased by \$0.28 million.

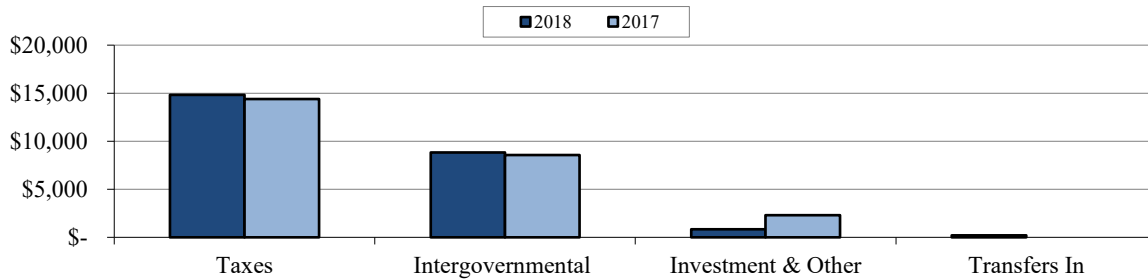
Expenditures for all governmental funds in the current year were \$298.58 million, an increase of \$27.06 million from the previous year. Culture and recreational program expenditures increased by \$1.55 million primarily due to the timing of regional parks activity. The Council's livable communities programs (housing, economic revitalization, and environment development) spending decreased by \$1.05 million, reflecting the environment and economic development projects in a planning phase during the year. Transportation expenditures increased by \$19.61 million to \$146.43 million. Debt service principal and interest payments decreased by \$3.08 million, for a total of \$47.05 million. Capital outlay increased by \$11.64 million to \$43.58 million mainly due to the coach bus fleet replacement schedule.

The General Fund is the main operating fund of the Metropolitan Council. At the end of 2018, \$7.15 million was committed for specific purposes and \$5.09 million was assigned for existing obligations, leaving \$17.32 million unassigned. The General Fund increased by \$1.40 million to \$29.55 million, or 4.95 percent over the prior year. Approximately \$2.28 million of the increase is due to incomplete projects carried over to 2019, with the difference due to decreased consulting costs.

**General Fund  
Revenues by Source and Other Financing Sources  
Fiscal Years Ended December 31, 2018 and 2017  
(In Thousands)**

	2018		2017		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
<b>Revenues by Source</b>					
Taxes	\$14,818	60%	\$14,387	54%	\$ 431
Intergovernmental Revenues	8,842	36%	8,553	32%	289
Investment Income and Other	842	3%	2,308	9%	(1,466)
Transfers In	213	1%	1,282	5%	(1,069)
Total Revenue and Other Financing Sources	\$24,715	100%	\$26,530	100%	\$(1,815)

**General Fund  
Revenues by Source and Other Financing Sources  
Fiscal Years Ended 2018 and 2017  
(In Thousands)**

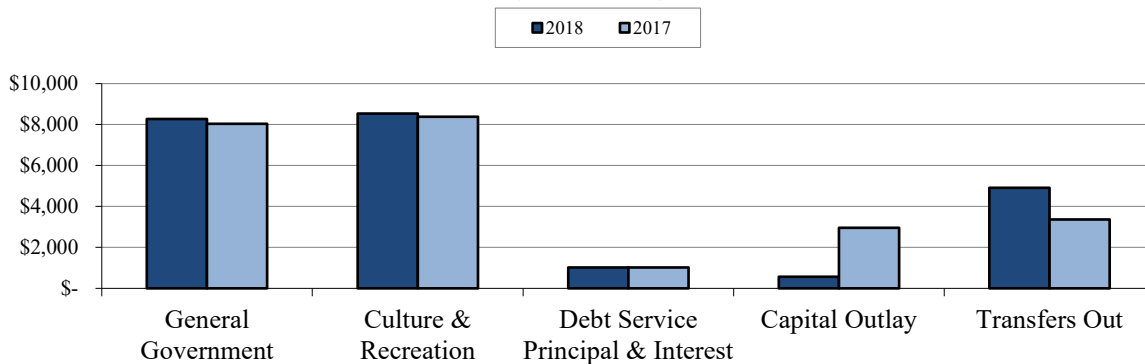


General Fund revenues decreased by \$1.82 million over the previous year. Investment and other income decreased by \$1.47 million primarily due to market yields. General Fund operating transfers-in, used primarily for water supply planning in 2018, decreased by \$1.07 million to \$0.21 million. These decreases were slightly offset by a \$0.43 million increase in tax revenue and a \$0.29 million increase in intergovernmental revenue.

**General Fund  
Expenditures by Function and Other Financing Uses  
Fiscal Years Ended December 31, 2018 and 2017  
(In Thousands)**

	2018		2017		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
<b>Expenditures by Function</b>					
General Government	\$ 8,278	35%	\$ 8,033	34%	\$ 245
Culture and Recreation	8,540	37%	8,375	35%	165
Debt Service (Principal Only)	850	4%	825	3%	25
Debt Service (Interest Only)	175	1%	200	1%	(25)
Capital Outlay	563	2%	2,960	13%	(2,397)
Total Expenditures	\$ 18,406	79%	\$ 20,393	86%	\$ (1,987)
Transfers Out	4,914	21%	3,365	14%	1,549
Total Expenditures and Other Financing Uses	\$ 23,320	100%	\$ 23,758	100%	\$ (438)

**General Fund  
Expenditures by Function and Other Financing Uses  
Fiscal Years Ended December 31, 2018 and 2017  
(In Thousands)**



## METROPOLITAN COUNCIL

General Fund expenditures (net of allocations) during the current year were \$18.41 million, a decrease of \$1.99 million over the previous year. Other financing uses-transfers out increased by \$1.55 million. The General Fund budgeted and transferred out \$1.00 million for livable communities as required by State statute. Transfers out for business-type activities included \$0.71 million to Environmental Services for reimbursement of water supply program expenditures, \$3.00 million to Metro Transit Bus for electric bus purchases 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 and capital outlays. These projects will carry-forward into 2019 through the budget process.

In 2018, the Metro Mobility Fund balance increased by \$3.33 million to \$59.94 million. Metro Mobility's total revenues increased by \$0.40 million to \$79.63 million. State revenues decreased by \$2.31 million due to a one-time, non-base appropriation received in the prior year. The number of passenger trips and passenger miles increased by 5.56 percent and 5.23 percent respectively, and fare revenues increased by 39.71 percent to \$7.99 million, due to a fare increase implemented in late 2017. Total Metro Mobility expenditures were \$76.30 million for the year, an increase of \$10.61 million compared to 2017. The increase was primarily due to increased demand for service and a driver wage adjustment enacted in late 2017.

The Debt Retirement Fund balance increased by \$9.19 million to \$114.67 million as anticipated for debt repayments. Property tax related revenues increased \$0.98 million over the prior year to \$53.35 million. Investment earnings increased by \$0.42 million. Total debt service payments were \$46.02 million, a decrease of \$3.08 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 \$2.98 billion at December 31, 2018. The total net position for all enterprise funds increased by \$360.79 million during 2018 compared to the prior year's net position. Higher capital grant revenues 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, 2018 and 2017**  
**(In Thousands)**

	Enterprise Funds							
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total 2018	Total 2017	Internal Service
		Bus	Light Rail	Commuter Rail				
Assets	\$ 2,464,281	\$915,366	\$ 1,786,468	\$ 187,472	\$ 19,936	\$ 5,373,523	\$ 5,045,031	\$ 39,114
Deferred outflows of resources	76,221	241,783	48,634	4,528	3,900	375,066	547,452	-
Liabilities	1,705,077	336,366	115,950	6,551	3,364	2,167,308	2,574,134	7,439
Deferred inflows of resources	104,693	410,936	76,474	7,076	6,281	605,460	403,319	-
Operating Income (Loss)	54,727	(214,305)	(98,839)	(22,601)	(73,942)	(354,960)	(587,093)	1,864
Changes in Net Position	64,304	138,086	164,999	(6,361)	(237)	360,791	74,841	2,553
Net Position	730,732	409,847	1,642,678	178,373	14,191	2,975,821	2,615,030	31,675

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 \$25.56 million.

Metro Transit Bus is the region's largest provider of directly provided bus transit service. For December 31, 2018, net investment in capital assets was \$502.68 million, an increase of \$4.84 million. This increase was due to investment in buildings and buses.

## METROPOLITAN COUNCIL

The Metro Transit Light Rail Fund provides the region's light rail transit service. For December 31, 2018, the net investment in capital assets was \$1.63 billion, an increase of \$130.36 million. This increase was due to planning and construction in progress for Light Rail extensions.

The Metro Transit Commuter Rail Fund provides the region's commuter rail transit service. For December 31, 2018, the net investment in capital assets was \$173.50 million, a decrease of \$9.56 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, 2018, was \$14.19 million, of which \$9.37 million was net investment in capital assets.

### General Fund Budgetary Highlights

The original expenditure budget was increased by \$0.70 million to arrive at the final budget of \$22.35 million. The increase came from:

- \$428.50 thousand in additional budget carryovers from 2017 for equity grant programs.
- \$267.50 thousand in additional budget carryovers from 2017 for community development projects.

During the year, however, actual operating expenditures were \$3.95 million lower than the final budget. This amount includes \$2.28 million in carryovers to 2019, 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, 2018, amounts to \$4.59 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 4.23 percent.

**Metropolitan Council Capital Assets  
(Net of Accumulated Depreciation)  
Fiscal Years Ended December 31, 2018 and 2017  
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 6,958	\$ 6,958	\$ 256,405	\$ 257,490	\$ 263,363	\$ 264,448
Buildings and infrastructure	33,531	34,431	2,854,460	2,816,165	2,887,991	2,850,596
Vehicles and other equipment	130,376	107,405	498,902	552,473	629,278	659,878
Construction in progress	-	-	808,263	627,749	808,263	627,749
Total	<u>\$ 170,865</u>	<u>\$ 148,794</u>	<u>\$ 4,418,030</u>	<u>\$ 4,253,877</u>	<u>\$ 4,588,895</u>	<u>\$ 4,402,671</u>

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

The Metropolitan Council's net capital assets for governmental activities increased by \$22.07 million for the year.

The business-type activities had an increase of \$164.15 million. Increases of \$140.92 million in Metro Transit Light Rail, \$8.46 million in Metro Transit Bus and \$25.56 million in Environmental Services were offset by decreases of \$9.72 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 \$1.55 billion. Of this amount, \$989.70 million was for general obligation bonds and notes issued by the Metropolitan Council, \$555.42 million was for loans from the State of Minnesota Public Facilities Authority, and \$3.97 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, 2018 and 2017  
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds and notes	\$ 184,565	\$ 184,225	\$ 805,135	\$ 738,995	\$ 989,700	\$ 923,220
State of Minnesota loans	775	1,880	554,642	556,423	555,417	558,303
Hennepin County Notes Payable	-	-	3,971	2,713	3,971	2,713
Total of general obligation bonds and loans	<u>\$ 185,340</u>	<u>\$ 186,105</u>	<u>\$1,363,748</u>	<u>\$ 1,298,131</u>	<u>\$ 1,549,088</u>	<u>\$ 1,484,236</u>

The Metropolitan Council's total debt increased by \$64.85 million, or 4.37 percent, during the year. General obligation bonds and notes increased by \$66.48 million, the State of Minnesota Public Facilities Authority loans decreased by \$2.89 million and notes payable with Hennepin County increased by \$1.26 million. The Council issued \$154.98 million of new bonds, while retiring \$88.50 million of bonds and loans. Also during 2018 the Metropolitan Council drew down \$41.49 million in State of Minnesota loans and repaid \$44.38 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 \$37.05 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 \$138.52 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 2019 fiscal year budget.

- The Council’s operating budget relies on several funding sources. For 2019, total state revenues (state general fund appropriations and motor vehicle sales taxes) are expected to represent 38.92 percent of total operating revenue, an increase of 6.15 percent from 2018.
- 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 3.00 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 36.16 percent of total operating revenues for 2019, an increase of 3.19 percent from the 2018 operating budget. This increase reflects a wastewater rate increase enacted in 2018.
- The certified property tax levy approved by the Council for amounts payable in 2019 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.





# **BASIC FINANCIAL STATEMENTS**



**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**  
**IN THOUSANDS**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 351,993	\$ 499,215	851,208
Receivables, net	5,597	14,699	20,296
Internal balances	(571)	571	-
Due from other governmental units	64,361	54,977	119,338
Inventory	-	35,928	35,928
Prepays and other	-	1,135	1,135
Loans and advances	43,816	967	44,783
Restricted assets:			
Cash and cash equivalents	-	330,158	330,158
Receivables, net	-	3,797	3,797
Due from other governmental units	-	53,643	53,643
Loans receivable	-	88	88
Capital assets not being depreciated			
Land	6,958	256,405	263,363
Construction in progress	-	808,263	808,263
Capital assets (net of accumulated depreciated)			
Buildings and infrastructure	33,531	2,854,460	2,887,991
Vehicles	126,873	445,486	572,359
Equipment	3,503	53,416	56,919
Total assets	<u>636,061</u>	<u>5,413,208</u>	<u>6,049,269</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows derivative	-	2,297	2,297
Deferred outflows pension	42,902	364,544	407,446
Deferred outflows OPEB	151	8,225	8,376
Total deferred outflows of resources	<u>43,053</u>	<u>375,066</u>	<u>418,119</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	40,671	54,559	95,230
Accrued interest payable	2,268	-	2,268
Unearned revenue	424	19,448	19,872
Liabilities payable from restricted assets	-	69,624	69,624
Unearned revenue-restricted	-	152,756	152,756
Noncurrent liabilities:			
Due within one year	42,739	135,965	178,704
Due in more than one year	169,447	1,344,762	1,514,209
OPEB liability due in more than one year	4,890	270,397	275,287
Net pension liability due in more than one year	14,275	127,236	141,511
Total liabilities	<u>274,714</u>	<u>2,174,747</u>	<u>2,449,461</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows pension	69,094	580,711	649,805
Deferred inflows OPEB	456	24,749	25,205
Total deferred inflows of resources	<u>69,550</u>	<u>605,460</u>	<u>675,010</u>
<b>NET POSITION</b>			
Net investment in capital assets	103,150	3,012,182	3,115,332
Restricted for:			
Debt service	114,667	26,200	140,867
Capital projects	99,385	82,434	181,819
Highway right-of-way	57,313	-	57,313
Economic revitalization	52,358	-	52,358
Environment development	16,326	-	16,326
Housing	5,055	-	5,055
Regional land use	912	-	912
Unrestricted	(114,316)	(112,749)	(227,065)
Total net position	<u>\$ 334,850</u>	<u>\$ 3,008,067</u>	<u>\$ 3,342,917</u>

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
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
<b>Governmental activities:</b>							
General government	\$ (3,225)	\$ 95	\$ -	\$ 380	\$ 3,700	\$ -	\$ 3,700
Transportation	167,991	10,632	141,877	26,981	11,499	-	11,499
Culture and recreation	34,830	-	8,565	23,608	(2,657)	-	(2,657)
Economic revitalization	7,807	-	-	-	(7,807)	-	(7,807)
Environment development	4,926	-	-	-	(4,926)	-	(4,926)
Housing	2,234	-	-	-	(2,234)	-	(2,234)
Interest and other charges	5,037	-	-	-	(5,037)	-	(5,037)
Total governmental activities	219,600	10,727	150,442	50,969	(7,462)	-	(7,462)
<b>Business-type activities:</b>							
Environmental services	219,380	281,990	1,845	-	-	64,455	64,455
Transit bus	291,133	78,483	268,992	70,439	-	126,781	126,781
Transit light rail	127,480	28,682	54,147	206,747	-	162,096	162,096
Transit commuter rail	25,233	2,634	15,435	154	-	(7,010)	(7,010)
Housing	74,817	875	73,440	-	-	(502)	(502)
Total business-type activities	738,043	392,664	413,859	277,340	-	345,820	345,820
Total governmental and business-type activities	\$ 957,643	\$ 403,391	\$ 564,301	\$ 328,309	(7,462)	345,820	338,358
<b>General revenues:</b>							
Property taxes					84,416	-	84,416
Investment earnings					5,642	431	6,073
Gain on sale of capital assets					369	124	493
Transfers					(18,242)	18,242	-
Total general revenues and transfers					72,185	18,797	90,982
Change in net position					64,723	364,617	429,340
Net position, beginning					270,127	2,643,450	2,913,577
Net position, ending					\$ 334,850	\$ 3,008,067	\$ 3,342,917

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018  
IN THOUSANDS**

	<u>General</u>	<u>Metro Mobility Special Revenue</u>	<u>Debt Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 34,534	\$ 32,373	\$ 113,616	\$ 171,470	\$ 351,993
Receivables, net	5	24	-	27	56
Delinquent taxes receivable	729	-	3,294	593	4,616
Interest receivable	86	86	300	453	925
Due from other governmental units	236	42,420	-	21,705	64,361
Loans and advances	128	-	-	43,688	43,816
Total assets	<u>\$ 35,718</u>	<u>\$ 74,903</u>	<u>\$ 117,210</u>	<u>\$ 237,936</u>	<u>\$ 465,767</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts/contracts/subgrantees payable	\$ 3,281	\$ 14,963	\$ -	\$ 20,043	\$ 38,287
Salaries payable	2,384	-	-	-	2,384
Unearned revenue	-	-	-	424	424
Total liabilities	<u>5,665</u>	<u>14,963</u>	<u>-</u>	<u>20,467</u>	<u>41,095</u>
Deferred inflows of resources:					
Unavailable revenue - taxes	499	-	2,543	412	3,454
Fund balances:					
Restricted	-	-	114,667	231,349	346,016
Committed	7,146	59,940	-	19,197	86,283
Assigned	5,090	-	-	545	5,635
Unassigned	17,318	-	-	(34,034)	(16,716)
Total fund balances	<u>29,554</u>	<u>59,940</u>	<u>114,667</u>	<u>217,057</u>	<u>421,218</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 35,718</u>	<u>\$ 74,903</u>	<u>\$ 117,210</u>	<u>\$ 237,936</u>	<u>\$ 465,767</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, 2018  
IN THOUSANDS**

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

Fund balances-total governmental funds (page 22)	\$	421,218
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		170,865
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.		(571)
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.		(233,619)
Deferred inflows resulting from taxes are not available to pay for current period expenditures, and therefore, are not reported as revenue in governmental funds.		3,454
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		42,902
Deferred inflows related to pensions		(69,094)
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		151
Deferred inflows related to OPEB		(456)
Net position of governmental activities (page 20)	\$	334,850

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, 2018**  
**IN THOUSANDS**

	<b>General</b>	<b>Metro Mobility Special Revenue</b>	<b>Debt Retirement</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>REVENUES</b>					
Taxes	\$ 14,818	\$ -	\$ 53,350	\$ 16,635	\$ 84,803
Intergovernmental revenue:					
Federal	-	-	-	30,716	30,716
Build America bonds interest subsidy	-	-	389	-	389
State	8,565	70,930	-	90,534	170,029
Local	277	-	-	95	372
Investment income	471	708	1,479	2,984	5,642
Other	371	7,987	-	2,274	10,632
Total revenues	<u>24,502</u>	<u>79,625</u>	<u>55,218</u>	<u>143,238</u>	<u>302,583</u>
<b>EXPENDITURES</b>					
Current:					
General government	8,278	-	9	3,435	11,722
Transportation	-	76,298	-	28,964	105,262
Intergovernmental:					
Transportation	-	-	-	41,165	41,165
Culture and recreation	8,540	-	-	26,290	34,830
Economic revitalization	-	-	-	7,807	7,807
Environment development	-	-	-	4,926	4,926
Housing	-	-	-	2,234	2,234
Debt service:					
Principal	850	-	38,445	-	39,295
Interest and other charges	175	-	7,577	-	7,752
Capital outlay	563	-	-	43,019	43,582
Total expenditures	<u>18,406</u>	<u>76,298</u>	<u>46,031</u>	<u>157,840</u>	<u>298,575</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,096</u>	<u>3,327</u>	<u>9,187</u>	<u>(14,602)</u>	<u>4,008</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	213	-	-	1,000	1,213
Transfers out	(4,914)	-	-	(16,551)	(21,465)
Bonds/capital lease issued	-	-	-	37,680	37,680
Premium on bonds and capital related debt	-	-	-	2,461	2,461
Sale of capital assets	-	-	-	369	369
Total other financing sources (uses)	<u>(4,701)</u>	<u>-</u>	<u>-</u>	<u>24,959</u>	<u>20,258</u>
Net change in fund balances	1,395	3,327	9,187	10,357	24,266
Fund balances, beginning	<u>28,159</u>	<u>56,613</u>	<u>105,480</u>	<u>206,700</u>	<u>396,952</u>
Fund balances, ending	<u>\$ 29,554</u>	<u>\$ 59,940</u>	<u>\$ 114,667</u>	<u>\$ 217,057</u>	<u>\$ 421,218</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, 2018  
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)	\$	24,266
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		20,269
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to increase net position.		1,802
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.		(1,273)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(387)
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.		1,869
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.		18,177
Change in net position of governmental activities (page 21)	\$	64,723

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



**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2018  
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				
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 135,511	\$ 299,092	\$ 10,037	\$ 8,021	\$ 7,644	\$ 460,305	\$ 38,910
Receivables, net	4,280	8,502	655	21	1,037	14,495	204
Due from other governmental units	475	37,559	12,809	3,707	427	54,977	-
Inventory	9,177	13,410	11,773	1,568	-	35,928	-
Prepays and other	-	414	114	607	-	1,135	-
Restricted assets:							
Cash and cash equivalents	253,442	30,874	45,781	4	57	330,158	-
Receivables, net	3,596	81	120	-	-	3,797	-
Due from other governmental units	-	13,231	39,820	8	-	53,059	-
Loans receivable	88	-	-	-	-	88	-
Total current assets	<u>406,569</u>	<u>403,163</u>	<u>121,109</u>	<u>13,936</u>	<u>9,165</u>	<u>953,942</u>	<u>39,114</u>
Noncurrent assets:							
Capital assets:							
Land	23,092	52,183	75,163	99,561	6,406	256,405	-
Buildings and infrastructure	3,133,688	381,625	1,216,199	74,140	21,367	4,827,019	-
Vehicles	10,621	460,688	308,815	56,834	-	836,958	-
Equipment	26,824	105,490	82,498	15,360	100	230,272	-
Construction in progress	135,699	91,973	579,941	650	-	808,263	-
Less accumulated depreciation	(1,273,016)	(580,503)	(597,257)	(73,009)	(17,102)	(2,540,887)	-
Net capital assets	<u>2,056,908</u>	<u>511,456</u>	<u>1,665,359</u>	<u>173,536</u>	<u>10,771</u>	<u>4,418,030</u>	<u>-</u>
Due from other governments-restricted	584	-	-	-	-	584	-
Advances and loans	220	747	-	-	-	967	-
Total noncurrent assets	<u>2,057,712</u>	<u>512,203</u>	<u>1,665,359</u>	<u>173,536</u>	<u>10,771</u>	<u>4,419,581</u>	<u>-</u>
Total assets	<u>2,464,281</u>	<u>915,366</u>	<u>1,786,468</u>	<u>187,472</u>	<u>19,936</u>	<u>5,373,523</u>	<u>39,114</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred outflows derivative	-	2,297	-	-	-	2,297	-
Deferred outflows pension	73,650	233,853	48,613	4,528	3,900	364,544	-
Deferred outflows OPEB	2,571	5,633	21	-	-	8,225	-
Total deferred outflows of resources	<u>76,221</u>	<u>241,783</u>	<u>48,634</u>	<u>4,528</u>	<u>3,900</u>	<u>375,066</u>	<u>-</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	8,242	8,533	3,231	905	208	21,119	-
Salaries payable	3,261	15,126	309	16	163	18,875	-
Compensated absences payable	3,653	16,192	2,099	148	140	22,232	-
Due to other governmental units	-	1,931	1,955	905	-	4,791	-
Unearned revenue	10,742	8,703	-	-	-	19,445	3
Accrued claims	326	5,978	52	-	-	6,356	7,436
Other	7	2,331	-	-	-	2,338	-
Restricted liabilities:							
Payables from restricted assets	18,805	8,781	28,330	36	-	55,952	-
Accrued interest payable from restricted assets	13,667	-	-	-	-	13,667	-
Bonds/loans payable from restricted assets	104,577	-	2,800	-	-	107,377	-
Due to other governmental units from restricted assets	-	-	-	5	-	5	-
Unearned revenue from restricted assets	88,881	5,575	58,221	79	-	152,756	-
Total current liabilities	<u>252,161</u>	<u>73,150</u>	<u>96,997</u>	<u>2,094</u>	<u>511</u>	<u>424,913</u>	<u>7,439</u>
Noncurrent liabilities:							
Compensated absences payable	3,801	1,338	-	-	93	5,232	-
Accrued claims	492	8,979	1,500	3,000	57	14,028	-
Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding)	1,322,926	-	1,171	-	1,405	1,325,502	-
Pension liability	53,510	55,445	15,526	1,457	1,298	127,236	-
OPEB liability	72,187	197,454	756	-	-	270,397	-
Total noncurrent liabilities	<u>1,452,916</u>	<u>263,216</u>	<u>18,953</u>	<u>4,457</u>	<u>2,853</u>	<u>1,742,395</u>	<u>-</u>
Total liabilities	<u>1,705,077</u>	<u>336,366</u>	<u>115,950</u>	<u>6,551</u>	<u>3,364</u>	<u>2,167,308</u>	<u>7,439</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows pension	99,241	391,720	76,393	7,076	6,281	580,711	-
Deferred inflows OPEB	5,452	19,216	81	-	-	24,749	-
Total deferred inflows of resources	<u>104,693</u>	<u>410,936</u>	<u>76,474</u>	<u>7,076</u>	<u>6,281</u>	<u>605,460</u>	<u>-</u>
<b>NET POSITION</b>							
Net investment in capital assets	693,585	502,675	1,633,058	173,498	9,366	3,012,182	-
Restricted for:							
Debt service	26,200	-	-	-	-	26,200	-
Capital projects	15,516	38,612	28,301	5	-	82,434	-
Unrestricted	(4,569)	(131,440)	(18,681)	4,870	4,825	(144,995)	31,675
Total net position	<u>\$ 730,732</u>	<u>\$ 409,847</u>	<u>\$ 1,642,678</u>	<u>\$ 178,373</u>	<u>\$ 14,191</u>	<u>\$ 2,975,821</u>	<u>\$ 31,675</u>

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

32,246  
\$ 3,008,067

Net position of business-type activities (page 20)

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, 2018  
IN THOUSANDS**

	Business-type Activities						
	Enterprise Funds						
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total	
	Bus	Light Rail	Commuter Rail				
Operating revenues:							
Charges for services:							
Wastewater and industrial strength charges	\$ 240,213	\$ -	\$ -	\$ -	\$ -	\$ 240,213	\$ -
Transit fares	-	70,869	26,713	2,632	-	100,214	-
Tenant rent	-	-	-	-	794	794	-
Advertising and auxiliary	-	3,691	1,928	-	-	5,619	-
Insurance premiums	-	-	-	-	-	-	79,916
Miscellaneous	-	-	-	-	81	81	2,098
Total operating revenues	<u>240,213</u>	<u>74,560</u>	<u>28,641</u>	<u>2,632</u>	<u>875</u>	<u>346,921</u>	<u>82,014</u>
Operating expenses:							
Salaries and employee benefits	49,387	152,791	39,786	3,953	3,136	249,053	-
Contracted services	24,727	15,920	4,742	6,441	2,157	53,987	728
Materials and supplies	12,368	51,546	8,145	2,593	35	74,687	-
Insurance	1,507	901	430	1,439	82	4,359	-
Utilities	18,590	3,460	6,249	601	218	29,118	-
Advertising	-	1,153	-	-	-	1,153	-
Housing related expenses	-	-	-	-	67,714	67,714	-
Claims	-	-	-	-	-	-	75,208
Other	14,513	3,841	224	197	406	19,181	4,214
Depreciation	64,394	59,253	67,904	10,009	1,069	202,629	-
Total operating expenses	<u>185,486</u>	<u>288,865</u>	<u>127,480</u>	<u>25,233</u>	<u>74,817</u>	<u>701,881</u>	<u>80,150</u>
Operating income (loss)	<u>54,727</u>	<u>(214,305)</u>	<u>(98,839)</u>	<u>(22,601)</u>	<u>(73,942)</u>	<u>(354,960)</u>	<u>1,864</u>
Nonoperating revenues (expenses):							
Intergovernmental	1,845	268,992	54,147	15,435	73,440	413,859	-
Pass-through grants	-	(3,118)	-	-	-	(3,118)	-
Sewer availability charges	39,919	-	-	-	-	39,919	-
Investment income	1,395	(306)	(54)	118	65	1,218	689
Interest and fiscal charges	(30,172)	-	-	-	-	(30,172)	-
Gain/(loss) on sale of capital assets	(2,915)	124	-	-	-	(2,791)	-
Other	(996)	2,207	41	2	-	1,254	-
Total nonoperating revenues (expenses)	<u>9,076</u>	<u>267,899</u>	<u>54,134</u>	<u>15,555</u>	<u>73,505</u>	<u>420,169</u>	<u>689</u>
Income (loss) before contributions and transfers	<u>63,803</u>	<u>53,594</u>	<u>(44,705)</u>	<u>(7,046)</u>	<u>(437)</u>	<u>65,209</u>	<u>2,553</u>
Capital contributions	-	70,439	206,747	154	-	277,340	-
Transfers in	714	16,440	2,957	531	200	20,842	-
Transfers out	(213)	(2,387)	-	-	-	(2,600)	-
Total contributions and transfers	<u>501</u>	<u>84,492</u>	<u>209,704</u>	<u>685</u>	<u>200</u>	<u>295,582</u>	<u>-</u>
Change in net position	<u>64,304</u>	<u>138,086</u>	<u>164,999</u>	<u>(6,361)</u>	<u>(237)</u>	<u>360,791</u>	<u>2,553</u>
Total net position, beginning	<u>666,428</u>	<u>271,761</u>	<u>1,477,679</u>	<u>184,734</u>	<u>14,428</u>	<u>29,122</u>	<u>29,122</u>
Total net position, ending	<u>\$ 730,732</u>	<u>\$ 409,847</u>	<u>\$ 1,642,678</u>	<u>\$ 178,373</u>	<u>\$ 14,191</u>	<u>\$ 31,675</u>	<u>\$ 31,675</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.						3,826	
Changes in net position of business-type activities (page 21)						<u>\$ 364,617</u>	

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

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**IN THOUSANDS**

	Business-type Activities						
	Enterprise Funds						Internal Service Fund
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total	
	Bus	Light Rail	Commuter Rail				
<b>Cash flows from operating activities</b>							
Receipts from customers and users	\$ 241,232	\$ 74,255	\$ 26,650	\$ 2,711	\$ 875	\$ 345,723	\$ -
Receipts from interfund services	-	-	-	-	-	-	79,817
Payments to suppliers	(70,141)	(77,979)	(20,413)	(11,323)	(70,920)	(250,776)	(78,607)
Payments to employees	(72,479)	(259,903)	(58,651)	(5,613)	(4,732)	(401,378)	-
Receipts from others	-	3,691	1,928	-	-	5,619	-
Other non-operating expenses	(2,497)	-	-	-	-	(2,497)	-
Other non-operating revenues	3,602	261,236	48,403	2	5,955	319,198	2,098
Net cash provided (used) by operating activities	<u>99,717</u>	<u>1,300</u>	<u>(2,083)</u>	<u>(14,223)</u>	<u>(68,822)</u>	<u>15,889</u>	<u>3,308</u>
<b>Cash flows from non-capital financing activities</b>							
Intergovernmental receipts	-	6,276	5,072	14,803	67,737	93,888	-
Pass-through grant payments	-	(3,118)	-	-	-	(3,118)	-
Net cash provided by non-capital financing activities	<u>-</u>	<u>3,158</u>	<u>5,072</u>	<u>14,803</u>	<u>67,737</u>	<u>90,770</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>							
Transfers in (out) - for capital purposes	-	16,063	2,957	531	-	19,551	-
Capital contributions	-	63,841	211,007	560	-	275,408	-
Proceeds from capital debt	164,039	-	4,058	-	-	168,097	-
Proceeds from sewer availability charges	52,193	-	-	-	-	52,193	-
Proceeds from sale of capital assets	30	124	-	-	-	154	-
Purchase of capital assets	(89,894)	(66,104)	(199,104)	(455)	-	(355,557)	-
Principal paid on capital debt	(94,426)	-	(2,800)	-	-	(97,226)	-
Interest paid on capital debt	(40,607)	-	-	-	-	(40,607)	-
Net cash provided by (used in) capital and related financing activities	<u>(8,665)</u>	<u>13,924</u>	<u>16,118</u>	<u>636</u>	<u>-</u>	<u>22,013</u>	<u>-</u>
<b>Cash flows from investing activities</b>							
Interest received (paid)	3,129	(408)	(58)	117	71	2,851	689
Net cash provided by (used in) investing activities	<u>3,129</u>	<u>(408)</u>	<u>(58)</u>	<u>117</u>	<u>71</u>	<u>2,851</u>	<u>689</u>
Net increase (decrease) in cash and cash equivalents	94,181	17,974	19,049	1,333	(1,014)	131,523	3,997
Balances, beginning	294,772	311,992	36,769	6,692	8,715	658,940	34,913
Balances, ending	<u>\$ 388,953</u>	<u>\$ 329,966</u>	<u>\$ 55,818</u>	<u>\$ 8,025</u>	<u>\$ 7,701</u>	<u>\$ 790,463</u>	<u>\$ 38,910</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>							
Operating income (loss)	\$ 54,727	\$ (214,305)	\$ (98,839)	\$ (22,601)	\$ (73,942)	\$ (354,960)	\$ 1,864
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	64,394	59,253	67,904	10,009	1,069	202,629	-
Change in assets and liabilities:							
Accounts receivable	170	800	(63)	-	(294)	613	(101)
Due from employees	32	-	-	-	-	32	-
Due to other governments	-	(1,092)	-	-	-	(1,092)	-
Materials and supplies (inventory)	(318)	(962)	(1,636)	(104)	-	(3,020)	-
Prepaid expenses and other current assets	-	(66)	(3)	(6)	-	(75)	-
Accounts payable	1,879	959	1,016	58	(14)	3,898	1,543
Accrued payroll liabilities	145	388	(456)	25	67	169	-
Pension liability	(84,911)	(345,287)	(62,858)	(5,724)	(5,640)	(504,420)	-
OPEB liability	(8,710)	(19,777)	(83)	-	-	(28,570)	-
Deferred outflows of pension	36,151	110,648	22,293	2,110	1,892	173,094	-
Deferred outflows of OPEB	(104)	1,686	7	-	-	1,589	-
Deferred inflows of pension	28,854	127,282	22,156	1,929	2,085	182,306	-
Deferred inflows of OPEB	5,452	17,948	76	-	-	23,476	-
Unearned revenues	849	2,586	-	79	-	3,514	2
Other liabilities	2	3	-	-	-	5	-
Other non-operating expenses	(2,497)	-	-	-	-	(2,497)	-
Other non-operating revenues	3,602	261,236	48,403	2	5,955	319,198	-
Net cash provided (used) by operating activities	<u>\$ 99,717</u>	<u>\$ 1,300</u>	<u>\$ (2,083)</u>	<u>\$ (14,223)</u>	<u>\$ (68,822)</u>	<u>\$ 15,889</u>	<u>\$ 3,308</u>
<b>Non-cash investing, capital and related financing activities:</b>							
Transferred/donated assets	\$ -	\$ -	\$ 207	\$ -	\$ -	\$ 207	\$ -
Loss on disposition of capital assets	(2,945)	-	-	-	-	(2,945)	-
Change in fair value of investments	(3,807)	(6,872)	(238)	(15)	(5)	(10,937)	-
Unrealized loss on derivative	-	(5,938)	-	-	-	(5,938)	-
Contribution to governmental activities capital assets							
Vehicles	-	(2,010)	-	-	-	(2,010)	-

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

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2018  
IN THOUSANDS**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 5,196</u>
<b>LIABILITIES</b>	
Due to participants	<u>\$ 5,196</u>

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





**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.....	36
5. Restricted assets.....	37
6. Capital assets.....	37
7. Loans/advances receivable.....	37
8. Deferred outflows/inflows of resources.....	37
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.....	47
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

V. Other information	
A. Risk management	
1. Liability.....	56
2. Automobile.....	56
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.....	58
1. Pension liabilities, pension expense, and deferred outflows of resources and	
deferred inflows of resources related to pensions.....	59
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.

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.

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.

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.

## **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, 2018, 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, 2018 was \$6,073,000.

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, 2018, the allowances for doubtful accounts were (dollars in thousands):

<u>Enterprise Fund</u>	<u>Balance</u>
Environmental Services	\$ 20
Metro Transit Bus	381
Total	<u>\$ 401</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, 2018, the allowances for obsolete inventory accounts were (dollars in thousands):

<u>Enterprise Fund</u>	<u>Balance</u>
Environmental Services	\$ 50
Metro Transit Bus	684
Total	<u>\$ 734</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 government-wide financial statements and proprietary fund types in the fund 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 \$30,172,000. Additionally, \$5,851,000 was included as part of the cost of capital assets under construction with the wastewater treatment facilities construction projects.

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

Assets	Useful Life
Treatment plants and interceptors	15 to 80 years
Buildings	25 to 45 years
Vehicles	5 to 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 three types of deferred outflows. The first item is the derivative used in energy forward pricing mechanism. The second 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 third 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 three types of deferred inflows. The first 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 second 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 third 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. Compensated absences are reported in governmental funds only if they matured.

## 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 Environmental Services, Metro 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 \$170,865,000 difference are as follows:

	<u><i>In thousands</i></u>
Land	\$ 6,958
Building – net of accumulated depreciation	33,531
Vehicles – net of accumulated depreciation	126,873
Equipment – net of accumulated depreciation	3,503
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 170,865</u>

Another element of that reconciliation explains that “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.” The detail of this \$(571,000) difference is as follows:

	<u><i>In thousands</i></u>
Net position of the internal service fund	\$ 31,675
Less: Internal payable representing charges in the excess of cost to Business-type activities – prior years	(28,420)
Less: Internal payable representing charges in the excess of cost to Business-type activities – current year	<u>(3,826)</u>
Net adjustment to reduce <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (571)</u>

METROPOLITAN COUNCIL

Another element of that reconciliation explains that “Long-term liabilities, including bonds and interest payable, are not due and payable in the current period and therefore are not reported in governmental funds.” The details of the \$(233,619,000) difference are as follows:

	<u><i>In thousands</i></u>
General obligation bonds payable	\$ (185,340)
Net issuance premiums (to be amortized as interest expense)	(16,755)
Accrued interest	(2,268)
Compensated absences	(4,681)
Capital lease payable	(5,410)
OPEB liability	(4,890)
Net pension liability	<u>(14,275)</u>
Net adjustment to reduce <i>fund balances – total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (233,619)</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 \$3,454,000 difference are as follows:

	<u><i>In thousands</i></u>
Unavailable revenue- property taxes	<u>\$ 3,454</u>
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 3,454</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 \$42,902,000 deferred outflows and the \$(69,094,000) deferred inflows differences are as follows:

	<u><i>In thousands</i></u>
Deferred outflows – pension obligations	<u>\$ 42,902</u>
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 42,902</u>
Deferred inflows – pension obligations	<u>\$ (69,094)</u>
Net adjustment to reduce <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (69,094)</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 \$151,000 deferred outflows and the \$(456,000) deferred inflows differences are as follows:

	<u><i>In thousands</i></u>
Deferred outflows – OPEB obligations	<u>\$ 151</u>
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 151</u>
Deferred inflows – OPEB obligations	<u>\$ (456)</u>
Net adjustment to reduce <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (456)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.” The details of this \$20,269,000 difference are as follows:

	<u><i>In thousands</i></u>
Capital outlay	\$ 43,582
Depreciation expense	<u>(23,313)</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>\$ 20,269</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 \$1,802,000 difference are as follows:

	<u><i>In thousands</i></u>
The statement of activities reports <i>gains</i> or <i>losses</i> arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or (loss) on a trade-in of capital assets.	\$ 1,802
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>\$ 1,802</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 \$(1,273,000) difference is as follows:

	<u><i>In thousands</i></u>
Change in net position of the internal service fund	\$ 2,553
Less: excess from charges to business-type activities	<u>(3,826)</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>\$ (1,273)</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 \$(387,000) difference is as follows:

	<u><i>In thousands</i></u>
Change in deferred inflows of resources – unavailable property tax revenue	\$ (387)
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>\$ (387)</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 \$1,869,000 difference are as follows:

	<i>In thousands</i>
Issuance of general obligation bonds	\$ (37,680)
Less: discount/(premium on bonds)	(2,461)
Bond (discount)/premium amortization	2,129
Change in accrued interest	586
Principal payments of general obligation bonds/loans	38,445
Capital lease payment	850
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>\$ 1,869</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 \$ 18,177,000 difference are as follows:

	<i>In thousands</i>
Change in compensated absences for year	\$ (194)
Change in Pension liability and related deferred inflows and outflows	18,292
Change in OPEB liability and related deferred inflows and outflows, as restated	79
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>\$ 18,177</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 2018 budget but not completely expended in 2018 were \$2,281,000. 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, 2018 (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	\$ 35,578	\$ 35,578	\$ 36,285	\$ 707

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. \$67,000 of petty cash and mutilated coin was not deposited at a bank. The amount of cash in Council’s bank accounts was \$20,231,000 (at US Bank and Wells Fargo Bank), of which \$429,000 was covered by the Federal Depository Insurance Corporation (FDIC), and \$19,802,000 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 2018.

*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 \$309,043,000 United States agency investments, the Council has a custodial credit risk exposure of \$1,992,000 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.

**METROPOLITAN COUNCIL**

Following is a summary of the fair values of securities at December 31, 2018:

<b>Metropolitan Council</b>	<b>Credit Risk</b>	<b>Custodial Credit Risk</b>	<i>Dollars in thousands</i>			
			<b>Par</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Portfolio</b>
U.S. Agency Securities:						
Federal Home Loan Bank	Aaa	Custody (a)	\$ 91,240	\$ 89,163	\$ 91,240	7.5%
Federal National Mortgage Association	Aaa	Custody (a)	47,000	45,852	46,995	3.9%
Federal Farm Credit Bank	Aaa	Custody (a)	120,000	117,925	120,000	9.9%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	53,500	52,706	53,500	4.4%
Federal Home Loan Mortgage Corporation	Aaa	Broker Held (b)	2,000	1,992	2,000	0.2%
Mortgage Backed Securities:						
Federal National Mortgage Association	Aaa	Custody (a)	564	578	597	0.0%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	828	827	842	0.1%
Certificates of Participation (U.S. GSA)	N.R. (c)	Custody (a)	835	842	835	0.1%
Commercial Paper (each <5%)	A-1/P-1/F-1	Custody (a)	20,000	19,837	19,845	1.7%
Federal Discount Notes (each <5%)	Aaa	Custody (a)	240,000	239,156	239,171	20.2%
US Treasury Bills	Aaa	Custody (a)	50,000	49,711	49,711	4.2%
Municipal Bonds (each <5%)	Aaa (d)	Custody (a)	63,445	64,931	63,447	5.5%
MN State Pool (OPEB Pool, Equities, etc.)	N.R. (c)	Custody (e)	183,201	254,972	183,201	21.5%
Money Market Funds	Aaa	n.a.	221,260	221,260	221,260	18.5%
Cash for Fuel Hedging Margin Acct	n.a.	Broker Held (f)	10,298	10,298	10,298	0.9%
Cash for Operations (g)	n.a.	Collateralized (h)	16,445	16,445	16,445	1.4%
Petty Cash/Coin & Mutilated Coins	n.a.	Council Held	67	67	67	0.0%
Total Cash and Investments			\$ 1,120,683	\$ 1,186,562	\$ 1,119,454	100%

- a) Securities held in custody/escrow are in the Council's name.
- b) Securities held by Harris Bank, Chicago 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, Federal Farms Credit, 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 the Council's name.

The Council has adopted a simulation model of reporting its investments and their sensitivity to fluctuation in interest rates to comply with 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, 2018. Excluding the OPEB equity portfolio, cash and escrow accounts, the remaining investment portfolio has an average market yield of 2.59 percent, weighted average maturity of 1.65 years, effective duration of 1.12 years and convexity of (0.24).



**METROPOLITAN COUNCIL**

*Dollars in thousands*

**Estimated Fair Value, Parallel Shift of Yield Curve**

<b>Metropolitan Council</b>	<b>+50 Basis Points</b>	<b>+100 Basis Points</b>	<b>+150 Basis Points</b>	<b>+200 Basis Points</b>
U.S. Agency Securities:				
Federal Home Loan Bank	\$ 85,842	\$ 84,485	\$ 83,117	\$ 81,765
Federal National Mortgage Association	44,249	43,768	43,294	42,830
Federal Farm Credit Bank	114,455	112,910	111,339	109,784
Federal Home Loan Mortgage Corporation	51,258	50,488	49,688	48,886
Federal Home Loan Mortgage Corporation	1,987	1,986	1,984	1,982
Mortgage Backed Securities:				
Federal National Mortgage Association	586	579	571	564
Federal Home Loan Mortgage Corporation	811	795	779	762
Certificates of Participation (U.S. GSA)	848	846	843	841
Commercial Paper (each <5%)	19,837	19,837	19,837	19,837
Federal Discount Notes (each <5%)	239,156	239,156	239,156	239,156
US Treasury Bills	49,711	49,711	49,711	49,711
Municipal Bonds (each <5%)	63,932	62,878	61,797	60,713
MN State Pool (OPEB Pool, Equities, etc.)	254,219	253,352	252,774	251,668
Money Market Funds	221,260	221,260	221,260	221,260
Cash for Fuel Hedging Margin Acct	10,298	10,298	10,298	10,298
Cash for Operations (g)	16,445	16,445	16,445	16,445
Petty Cash/Coin & Mutilated Coins	67	67	67	67
Total Cash and Investments	<u>\$ 1,174,961</u>	<u>\$ 1,168,861</u>	<u>\$ 1,162,960</u>	<u>\$ 1,156,569</u>

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 and U.S. Treasury Bills 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, 2018 (*dollars in thousands*):

	<b>Fair Value Measurements Using:</b>			
	<b>12/31/2018</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Investments by fair value level</b>				
<b>Debt securities</b>				
U.S. Treasury securities (OPEB)	\$ 76,145	\$ -	\$ 76,145	\$ -
Federal Home Loan Bank	89,163	-	89,163	-
Federal National Mortgage Association	45,852	-	45,852	-
Federal Farm Credit Bank	117,925	-	117,925	-
Federal Home Loan Mortgage Corporation	54,698	-	54,698	-
Mortgage-Backed securities	1,405	-	1,405	-
Municipal Bonds	64,931	-	64,931	-
Certificate of Participation	842	-	842	-
Commercial Paper	19,837	-	19,837	-
Federal Discount Notes	239,156	239,156	-	-
U.S. Treasury Bills	49,711	49,711	-	-
Total Investments by fair value level	<u>\$ 759,665</u>	<u>\$ 288,867</u>	<u>\$ 470,798</u>	<u>\$ -</u>
<b>Investment measured at the net asset value (NAV)</b>				
Goldman Sachs Government Fund	67,882			
Morgan Stanley Government Institutional Fund	148,022			
US Bank Trust Account	5,196			
Wells Fargo Custody Money Market Fund	160			
Total investments measured at the NAV	<u>\$ 221,260</u>			
Total investments measured at fair value and at the NAV	<u>\$ 980,925</u>			

The Council also holds \$158,159,000 in the Internal Equity Pool and \$20,668,000 in a cash fund 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 2018, these values are reported in the "Deferred Outflows of Resources" and offset in "Accounts Payable and Other Current Liabilities."

Since 2004, the Council has hedged most of its annual 8 million gallons of diesel fuel consumed by the Metro Transit Bus 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 2018, the Council performed a retrospective statistical analysis test and determined that the liquidated hedges were essentially effective.

As of December 31, 2018, the Council had 286 New York Mercantile Exchange (NYMEX) heating oil futures contracts (12.00 million gallons) with acquisition (effective) dates ranging from 04/04/2017 through 12/20/2018. Termination dates range from 01/31/2019 to 09/30/2020. As of December 31, 2018, the heating oil futures contracts had a fair value of \$20,604,000. 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, 2018, the Council's futures accounts at R.J.O'Brien contained a cash balance in the amount of \$10,298,000 and a U.S. agency security with a fair value of \$1,992,000.

*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>					
<b>Receivables - current</b>	<b>Accounts</b>	<b>Allowance for Uncollectable</b>	<b>Delinquent Taxes</b>	<b>Interest</b>	<b>Total Receivable</b>
<b>Governmental funds:</b>					
General Fund	\$ 5	\$ -	\$ 729	\$ 86	\$ 820
Metro Mobility	24	-	-	86	110
Debt Retirement	-	-	3,294	300	3,594
Nonmajor Governmental	27	-	593	453	1,073
<b>Total Governmental funds</b>	<b>\$ 56</b>	<b>\$ -</b>	<b>\$ 4,616</b>	<b>\$ 925</b>	<b>\$ 5,597</b>
<b>Enterprise funds:</b>					
Environmental Services	\$ 3,933	\$ (20)	\$ -	\$ 367	\$ 4,280
Metro Transit Bus	8,242	(381)	-	641	8,502
Metro Transit Light Rail	626	-	-	29	655
Metro Transit Commuter Rail	-	-	-	21	21
Metropolitan Housing and Redevelopment Authority	1,017	-	-	20	1,037
<b>Total Enterprise funds</b>	<b>\$ 13,818</b>	<b>\$ (401)</b>	<b>\$ -</b>	<b>\$ 1,078</b>	<b>\$ 14,495</b>
<b>Receivables – restricted</b>					
<b>Enterprise funds:</b>					
Environmental Services	\$ 2,998	\$ -	\$ -	\$ 598	\$ 3,596
Metro Transit Bus	-	-	-	81	81
Metro Transit Light Rail	-	-	-	120	120
<b>Total Enterprise funds</b>	<b>\$ 2,998</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 799</b>	<b>\$ 3,797</b>

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)	\$ 499
Delinquent property taxes receivable (Debt retirement fund)	2,543
Delinquent property taxes receivable (Nonmajor governmental funds)	412
<b>Total deferred inflows of resources for governmental funds</b>	<b>\$ 3,454</b>

### 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 2018, the Council levied \$14,905,000 for the General Operating levy, \$11,699,000 for the Livable Communities Demonstration Account levy, \$6,647,000 for Parks Debt Retirement, and \$47,042,000 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	\$ 14,905	\$ 14,905
Tax Base Revitalization	5,000	5,000
Livable Communities	11,699	11,699
Parks Debt Retirement	6,647	6,647
Transit Debt Retirement	47,042	47,042
<b>Total</b>	<b>\$ 85,293</b>	<b>\$ 85,293</b>

## E. Capital assets

Capital assets for the year ended December 31, 2018, was as follows:

<b>Governmental Activities:</b>	<i>Dollars in thousands</i>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions/ Adjustments</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Land	\$ 6,958	\$ -	\$ -	\$ 6,958
Capital assets, being depreciated				
Building and infrastructure	39,506	63	(77)	39,492
Vehicles	210,595	42,955	(8,320)	245,230
Equipment	16,364	564	(1,544)	15,384
Total capital assets being depreciated	266,465	43,582	(9,941)	300,106
Less accumulated depreciation for:				
Buildings and infrastructure	5,075	889	(3)	5,961
Vehicles	108,429	20,124	(10,196)	118,357
Equipment	11,125	2,300	(1,544)	11,881
Total accumulated depreciation	124,629	23,313	(11,743)	136,199
Total capital assets, being depreciated, net	141,836	20,269	1,802	163,907
Governmental activities capital assets, net	\$ 148,794	\$ 20,269	\$ 1,802	\$ 170,865

During the year, Metro Transit Bus enterprise fund transferred capital assets with a net book value of \$2,010,000 to a nonmajor governmental fund. The transfer was not recognized in the governmental fund statement of revenue, expenditures, and changes in fund balances because no current resources were provided. In addition, the Governmental activities deductions included a net book value of \$(209,000) in asset retirements. The transferred amounts in vehicles and accumulated depreciation and the asset retirements are reflected in the above capital asset deductions/adjustments for the year.

<b>Business-type Activities:</b>	<i>Dollars in thousands</i>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions/ Adjustments</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Land	\$ 257,490	\$ 1,271	\$ (2,356)	\$ 256,405
Construction in progress	627,749	349,478	(168,964)	808,263
Total capital assets, not being depreciated	885,239	350,749	(171,320)	1,064,668
Capital assets, being depreciated				
Building and infrastructure	4,659,986	181,830	(14,797)	4,827,019
Vehicles	849,465	6,890	(19,397)	836,958
Equipment	231,901	3,582	(5,211)	230,272
Total capital assets being depreciated	5,741,352	192,302	(39,405)	5,894,249
Less accumulated depreciation for:				
Buildings and infrastructure	1,843,821	140,599	(11,861)	1,972,559
Vehicles	360,752	48,107	(17,387)	391,472
Equipment	168,141	13,923	(5,208)	176,856
Total accumulated depreciation	2,372,714	202,629	(34,456)	2,540,887
Total capital assets, being depreciated, net	3,368,638	(10,327)	(4,949)	3,353,362
Business-type activities capital assets, net	\$ 4,253,877	\$ 340,422	\$ (176,269)	\$ 4,418,030

The Enterprise activities capital asset deductions/adjustments column above includes the net book value of \$(2,010,000) of capital assets transferred from Metro Transit Bus to a nonmajor governmental fund.

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

<u>Governmental activities:</u>	<i>Dollars in thousands</i>
General government	\$ 1,749
Transportation	21,564
Total depreciation expense-governmental activities	<u>\$ 23,313</u>
<u>Business-type activities:</u>	
Environmental Services	\$ 64,394
Metro Transit Bus	59,253
Metro Transit Light Rail	67,904
Metro Transit Commuter Rail	10,009
Metropolitan Housing and Redevelopment Authority	1,069
Total depreciation expense-business-type activities	<u>\$ 202,629</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. As of December 31, 2018, there were no outstanding balances in the interfund.

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

<i>Dollars in thousands</i>					
<u>Transfers out</u>					
<u>Transfers in</u>	General Fund	Nonmajor Governmental	Environmental Services	Metro Transit Bus	Total
General Fund	\$ -	\$ -	\$ 213	\$ -	\$ 213
Nonmajor Governmental	1,000	-	-	-	1,000
Environmental Services	714	-	-	-	714
Metro Transit Bus	3,000	13,440	-	-	16,440
Metro Transit Light Rail	-	2,580	-	377	2,957
Metro Transit Commuter Rail	-	531	-	-	531
Metropolitan Housing and Redevelopment Authority	200	-	-	-	200
Total	<u>\$ 4,914</u>	<u>\$ 16,551</u>	<u>\$ 213</u>	<u>\$ 377</u>	<u>\$ 22,055</u>

Additionally, the Metro Transit Bus enterprise fund transferred capital assets with a net book value of \$2,010,000 to a nonmajor governmental fund. The transfer was not recognized in the governmental funds statement of revenues, expenditures, and changes in fund balances because there were no current financial resources provided.

**G. Leases**

**1. Operating leases**

The Council leases building and office facilities, storage facilities, and other operating equipment under non-cancelable operating leases. Total operating lease costs in fiscal year 2018 were \$587,000 for Metro Transit Bus enterprise fund, \$1,416,000 for Metro Transit Light Rail enterprise fund, \$47,000 for Metro Transit Commuter Rail enterprise fund, and \$253,000 for Environmental Services enterprise fund. Commitments under operating lease agreements provide for minimum annual rental payments as follows:

*Dollars in thousands*

Year	Metro Transit				Total
	Environmental Services	Bus	Light Rail	Commuter Rail	
2019	\$ 160	\$ 502	\$ 740	\$ 35	\$ 1,437
2020	81	451	138	26	696
2021	-	428	137	6	571
2022	-	367	9	-	376
2023	-	334	9	-	343
2024-2028	-	559	47	-	606
2029-2033	-	235	47	-	282
2034-2038	-	73	47	-	120
2039-2043	-	-	47	-	47
2044-2048	-	-	23	-	23
Total	\$ 241	\$ 2,949	\$ 1,244	\$ 67	\$ 4,501

**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
2019	\$ 1,024
2020	1,023
2021	1,025
2022	1,022
2023	1,028
2024	771
Total minimum lease payments	\$ 5,893
Less amount representing interest	(483)
Present value of minimum lease payments	\$ 5,410



## 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 \$1,278,375,000.

During the year, \$37,680,000 of general obligation transit bonds and \$117,295,000 general obligation wastewater bonds were issued.

General obligation bonds currently outstanding on December 31, 2018, are as follows:

<b>Purpose</b>	<b>Interest Rates</b>	<i>Dollars in Thousands</i>
Governmental activities	0.60-5.50%	\$ 164,545
Governmental activities refunding	2.00-5.00%	20,020
Business-type activities *	1.10-5.25%	546,305
Business-type activities refunding	0.25-5.50%	258,830
Total general obligation bonds		<u>\$ 989,700</u>
*Contains taxable bonds		

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 \$802,560,000. During the year, \$41,490,000 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 \$31,975,000.

Public Facilities Authority general obligation backed loans currently outstanding on December 31, 2018, are as follows:

<b>Purpose</b>	<b>Interest Rates</b>	<i>Dollars in Thousands</i>
Governmental activities	2.71%	\$ 775
Business-type activities	1.00-3.18%	554,642
Total Public Facilities Authority Loans		<u>\$ 555,417</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, \$4,058,000 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, 2018:

	<i>Dollars in thousands</i>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Balance, January 1, 2018	\$ 202,528	\$ 1,365,968
PFA drawdown	-	41,490
Hennepin County drawdown	-	4,058
Bond issued, net of discount/premium	40,141	122,549
Amortization of discount/premium	(2,129)	(5,365)
Less principal payment	(38,445)	(97,226)
Balance, December 31, 2018	<u>\$ 202,095</u>	<u>\$ 1,431,474</u>

As of December 31, 2018, the annual debt service requirements to amortize all general obligation bonds, Hennepin County notes payable, and PFA loans outstanding, including interest of \$32,640,000 on the governmental activities debt and \$301,804,000 on the business-type activities debt was as follows:

Year Ending December 31	<i>Dollars in thousands</i>					
	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 39,055	\$ 7,220	\$ 46,275	\$ 107,377	\$ 41,751	\$ 149,128
2020	23,610	5,795	29,405	116,269	38,442	154,711
2021	22,035	4,771	26,806	119,213	34,830	154,043
2022	18,575	3,889	22,464	117,493	31,014	148,507
2023	14,280	3,173	17,453	110,906	27,143	138,049
2024-2028	57,165	7,059	64,224	424,776	86,245	511,021
2029-2033	10,620	733	11,353	251,276	35,298	286,574
2034-2038	-	-	-	116,438	7,081	123,519
Subtotal	\$ 185,340	\$ 32,640	\$ 217,980	\$ 1,363,748	\$ 301,804	\$ 1,665,552
Net unamortized: Discounts/premium	16,755	-	16,755	67,726	-	67,726
Total payments	<u>\$ 202,095</u>	<u>\$ 32,640</u>	<u>\$ 234,735</u>	<u>\$ 1,431,474</u>	<u>\$ 301,804</u>	<u>\$ 1,733,278</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 6.60 percent from sequestration through September 30, 2018 and 6.20 percent for the remainder of the year.

Taking into consideration the above BAB interest credit, as of December 31, 2018, the Council's net annual debt service requirements to amortize all general obligation bonds and loans outstanding, including interest of \$29,574,000 on the governmental activities debt and \$294,675,000 on the business-type activities debt, was as follows:

*Dollars in thousands*

<b>Governmental Activities: Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Federal Subsidy</b>	<b>Net Interest</b>	<b>Net Payment</b>
2019	\$ 39,055	\$ 7,220	\$ (530)	\$ 6,690	\$ 45,745
2020	23,610	5,795	(446)	5,349	28,959
2021	22,035	4,771	(375)	4,396	26,431
2022	18,575	3,889	(324)	3,565	22,140
2023	14,280	3,173	(294)	2,879	17,159
2024-2028	57,165	7,059	(962)	6,097	63,262
2029-2033	10,620	733	(135)	598	11,218
Subtotal	\$ 185,340	\$ 32,640	\$ (3,066)	\$ 29,574	\$ 214,914
Net unamortized: Discounts/premiums	16,755	-	-	-	16,755
Total payments	\$ 202,095	\$ 32,640	\$ (3,066)	\$ 29,574	\$ 231,669

**Business-type Activities:  
Year Ending December 31**

2019	\$ 107,377	\$ 41,751	\$ (1,088)	\$ 40,663	\$ 148,040
2020	116,269	38,442	(1,000)	37,442	153,711
2021	119,213	34,830	(903)	33,927	153,140
2022	117,493	31,014	(837)	30,177	147,670
2023	110,906	27,143	(760)	26,383	137,289
2024-2028	424,776	86,245	(2,284)	83,961	508,737
2029-2033	251,276	35,298	(257)	35,041	286,317
2034-2038	116,438	7,081	-	7,081	123,519
Subtotal	\$ 1,363,748	\$ 301,804	\$ (7,129)	\$ 294,675	\$1,658,423
Net unamortized: Discounts/premiums	67,726	-	-	-	67,726
Total payments	\$ 1,431,474	\$ 301,804	\$ (7,129)	\$ 294,675	\$1,726,149

**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, 2018, was as follows:

	<i>Dollars in thousands</i>				
<b>Governmental activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Bonds/loans payable:					
General obligation debt	\$ 186,105	\$ 37,680	\$ (38,445)	\$ 185,340	\$ 39,055
Discounts/premiums	16,423	2,461	(2,129)	16,755	-
Total general obligation debt	202,528	40,141	(40,574)	202,095	39,055
Capital lease	6,260	-	(850)	5,410	875
Compensated absences	4,487	3,767	(3,573)	4,681	2,809
Governmental long-term liabilities	\$ 213,275	\$ 43,908	\$ (44,997)	\$ 212,186	\$ 42,739

	<i>Dollars in thousands</i>				
<b>Business Type Activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Bonds/loans/notes payable:					
General obligation debt	\$ 1,295,418	\$ 158,785	\$ (94,426)	\$ 1,359,777	\$ 104,577
Hennepin County note	2,713	4,058	(2,800)	3,971	2,800
Loans payable	1,405	-	-	1,405	-
Discounts/premiums	67,837	5,254	(5,365)	67,726	-
Total bonds/loans payable	1,367,373	168,097	(102,591)	1,432,879	107,377
Compensated absences	26,200	35,592	(34,328)	27,464	22,232
Accrued claims	19,242	8,797	(7,655)	20,384	6,356
Business-type long-term liabilities	\$ 1,412,815	\$ 212,486	\$ (144,574)	\$ 1,480,727	\$ 135,965

Capital leases in the Governmental Activities have been liquidated by funding from the General Fund in 2018 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 \$57,000 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, 2018 was \$1,931,000. 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 2018, the General fund liability for compensated absences earned but not taken increased from \$4,487,000 to \$4,681,000. This liability is reported in the government-wide statement of net position. The following summary of changes during 2018 includes \$333,000 in payroll taxes:

	<i>Dollars in thousands</i>
Balance, January 1, 2018	\$ 4,487
Transferred to/from Enterprise Funds	57
Leave Earned	3,704
Leave Taken or Paid Off	<u>(3,567)</u>
Balance, December 31, 2018	<u>\$ 4,681</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 Highway Right-of-Way Acquisition Loan, Livable Communities special revenue funds, and the North Mississippi Park capital projects funds; the remaining fund balances of the Other Special Revenue special revenue funds, 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, needs to be taken prior to the end of the calendar year. The entire fund balances of the Metro Mobility, Contracted Transit Service, and Transportation Planning special revenue funds and a portion of the fund balance of the Transit Capital projects fund 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 is 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>				
	<b>Major Funds</b>			<b>Nonmajor Governmental Funds</b>	<b>Total</b>
	<b>General Fund</b>	<b>Metro Mobility Special Revenue</b>	<b>Debt Retirement</b>		
Fund Balances:					
Spendable:					
Restricted for:					
Debt Retirement Reserve	\$ -	\$ -	\$ 114,667	\$ -	\$ 114,667
Highway Right-of-Way Program	-	-	-	57,313	57,313
Economic Revitalization	-	-	-	16,326	16,326
Environment Development	-	-	-	52,358	52,358
Incentive Housing	-	-	-	5,055	5,055
Regional Land Use	-	-	-	912	912
North Mississippi Park Improvements	-	-	-	1,550	1,550
Regional Parks Capital Improvements	-	-	-	78,781	78,781
Transit Capital Improvements	-	-	-	19,054	19,054
Committed for:					
Self Insurance	1,500	-	-	-	1,500
Other Post Employment Benefits	5,194	-	-	-	5,194
Regional Water Supply Program	452	-	-	-	452
Regional ADA Transit Service	-	59,940	-	-	59,940
Regional Transit Provider Services	-	-	-	19,197	19,197
Assigned for:					
Capital Maintenance	2,281	-	-	-	2,281
Compensated Absences	2,809	-	-	-	2,809
Planning Assistance	-	-	-	545	545
Unassigned	17,318	-	-	(34,034)	(16,716)
Total fund balances	<u>\$ 29,554</u>	<u>\$ 59,940</u>	<u>\$ 114,667</u>	<u>\$ 217,057</u>	<u>\$ 421,218</u>

## V. Other information

### A. Risk management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; work related injuries to its employees; and natural disasters. The Council 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 2017 or 2018.

**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 3.05 percent.

The self-insurance retention limit for workers' compensation is \$5,000,000 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 2017 and 2018 are as follows:

	<i>Dollars in thousands</i>				
	<b>Metro Transit</b>				
	<b>Bus</b>	<b>Light Rail</b>	<b>Commuter Rail</b>	<b>Environmental Services</b>	<b>Total</b>
<b>2017 Balance:</b>					
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>
<b>2018 Balance:</b>					
Beginning Balance	\$ 13,313	\$ 2,144	\$ 3,000	\$ 635	\$ 19,092
Current year claims and changes in estimates	8,035	(168)	39	815	8,721
Payments on claims	(6,391)	(424)	(39)	(632)	(7,486)
Ending balance	<u>\$ 14,957</u>	<u>\$ 1,552</u>	<u>\$ 3,000</u>	<u>\$ 818</u>	<u>\$ 20,327</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. Changes in the balance for the self-funded programs are as follows:

<i>Dollars in thousands</i>	
<b>2017 Balance:</b>	<b>Internal Service Fund</b>
Beginning Balance	\$ 6,849
Incurring claims	72,258
Payments on claims	<u>(73,212)</u>
Ending Balance	<u>\$ 5,895</u>
<b>2018 Balance:</b>	
Beginning Balance	\$ 5,895
Incurring claims	75,208
Payments on claims	<u>(73,667)</u>
Ending Balance	<u>\$ 7,436</u>

## B. Pension obligations

Metropolitan Council has 3,965 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 153 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 20 people under an Unclassified Employees Retirement Fund (UER) administered by MSRS. Investments at these pension 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](http://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 received benefit increases of 2.00 percent for 2018.

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. Starting July 1, 2018, the eligible General Plan members were required to contribute 5.75 percent of their annual covered salary. Employer contributions increased to 5.875 percent also on July 1, 2018. The Metropolitan Council's contribution to the General Plan for the fiscal year ending December 31, 2018 was \$16,223,000. 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, 2018, the Metropolitan Council reported a liability of \$129,774,000 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2018, the Metropolitan Council's proportion was 9.363 percent, which was an increase of 0.010 percent from its proportion measured as of June 30, 2017.

The following changes in benefit provisions affected the measurement of the total pension liability since the prior measurement date. The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Employee contributions were changed from 5.50 percent to 5.75 percent of their annual covered salary, effective July 1, 2018 and 6.00 percent of their annual covered salary effective July 1, 2019. Employer contributions were changed from 5.50 percent to 5.875 percent of annual covered salary, effective July 1, 2018 and 6.25 percent of annual covered salary effective July 1, 2019. Interest credited on member contributions will decrease from 4.00 percent to 3.00 percent, effective July 1, 2018. Deferred augmentation was changed to 0.00 percent for future accruing benefits, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Post-retirement benefit increases were changed from 2.00 percent per year, increasing to 2.50 percent per year upon achieving a 90.00 percent funding ratio to a fixed rate of 1.00 percent for five years (beginning January 1, 2019) and 1.50 percent per year thereafter. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.

There was one change in assumptions that affected the measurement of the total pension liability since the prior measurement date. The single discount rate was changed from 5.42 percent to 7.50 percent per annum.

For the year ended December 31, 2018, the Metropolitan Council recognized a negative pension expense of \$150,069,000 for its proportionate share of the MSRS-GEF pension expense. At December 31, 2018, the Metropolitan Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<i>(Dollars in thousands)</i>	
Differences between expected and actual experience	\$ 3,583	\$ 9,604
Changes of assumptions	372,427	579,286
Net difference between projected and actual earnings on investments	-	32,516
Changes in proportion and differences between actual contributions and proportionate share of contributions	6,257	6,717
Contributions paid to MSRS subsequent to the measurement date	7,754	-
Total	<u>\$ 390,021</u>	<u>\$ 628,123</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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>Pension Expense</b>
	<i>(Dollars in thousands)</i>
2019	\$ 13,810
2020	15,328
2021	(189,285)
2022	(85,709)
	<u>\$ (245,856)</u>

**Actuarial Assumptions:** The Metropolitan Council’s net pension liability was measured as of June 30, 2018, 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 were 2.00 percent for January 1, 2018.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience 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 2018 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 estimate and target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. The Executive Director of the SBI implemented the approved Board changes beginning in January 2018. The private markets allocation was increased from 20.0 percent to 25.0 percent. Until the allocation to private markets reaches its target of 25.0 percent, the uninvested portion of the allocation will continue to be invested in the public equity pool. In order to increase the private markets allocation, the public equities target allocation was reduced from 58.0 percent to 53.0 percent. The combined funds fixed income allocation is undergoing a transition which may continue through the end of fiscal year 2019. The target allocation for fixed income remains at 20.0 percent. However, during the transitional period from January 1, 2018 through the end of fiscal year 2019, there may be combined asset classes, which in total will be composed of fixed income investment instruments and may exceed 20.0 percent in aggregate. A new asset class called treasuries was created which holds U.S. treasury bonds and has a current allocation of 8.0 percent. The fixed income asset classes will be drawn down through the end of fiscal year 2019 from the current allocations to a level where the aggregation of the fixed income investment asset classes will total 20.0 percent. Results are summarized in the following table:

Asset Class	Transitional Target Allocation as of June 30, 2018	Final Target Allocation	SBI's Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	33%	36%	5.10%
Private Markets	25	25	5.90
Fixed Income	16	20	0.75
International Equity	16	17	5.30
Cash	2	2	0.00
Treasuries	8	0	0.50
Total	100%	100%	

**Discount Rate:** The discount rate used to measure the total pension liability as of June 30, 2018, was 7.50 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 3.62 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on that assumption, the pension plan's fiduciary net position at June 30, 2018, was projected to be available to make all projected future benefit payments of current active and inactive employees through the year ending June 30, 2118. Therefore, the long-term expected rate of return on pension plan investments was applied to project benefit payments through the year ending June 30, 2118, 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):

	<b>1.00% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1.00% Increase (8.50%)</b>
Council's proportionate share of the Net pension liability (MSRS)	\$ 299,967	\$ 129,774	\$ (11,489)

**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](http://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 asset 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](http://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.

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 2018. The Metropolitan Council required contribution rate is 16.20 percent of annual covered salary in 2018. The rate did not change from the previous year. Contributions to the pension plan from the Council were \$1,921,000 for the year ending December 31, 2018.



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

At December 31, 2018, the Metropolitan Council reported a liability of \$11,737,000 for its proportionate share of PERA’s net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2018, the Metropolitan Council’s proportion was 1.1011 percent, which was an increase of .0511 percent from its proportion measured as of June 30, 2017.

The following changes in benefit provisions affected the measurement of the total pension liability since the prior measurement date. Post-retirement benefit increases were changed to 1.00 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.00 million state contribution. New annual state aid will equal \$4.50 million in fiscal years 2019 and 2020, and \$9.00 million thereafter until the plan reaches 100.0 percent funding, on July 1, 2048, or earlier. Employee contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on employee contributions decreased from 4.00 percent to 3.00 percent beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred employees will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

There was one change in assumptions that affected the measurement of the total pension liability since the prior measurement date. The mortality projection scale was changed from MP-2015 to MP-2017.

For the year ended December 31, 2018, the Metropolitan Council recognized pension expense of \$904,000 for its proportionate share of the PEPFF’s pension expense. At December 31, 2018, the Metropolitan Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<i>Dollars in thousands</i>	
Differences between expected and actual experience	\$ 463	\$ 2,604
Changes of assumptions	13,758	16,494
Net difference between projected and actual earnings on investments	-	2,584
Changes in proportion and differences between actual contributions and proportionate share of contributions	2,312	-
Contributions paid to PERA subsequent to the measurement date	892	-
Total	<u>\$ 17,425</u>	<u>\$ 21,682</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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>Pension Expense</b>
	<i>Dollars in thousands</i>
2019	\$ 581
2020	(387)
2021	(1,352)
2022	(4,067)
2023	76
	<u>\$ (5,149)</u>

**Actuarial Assumptions:** The Metropolitan Council’s net pension liability was measured as of June 30, 2018, 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.

Actuarial assumptions used in the June 30, 2018 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, 2017.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment (SBI), 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. The executive director of the SBI implemented the approved board changes beginning January 2018. The private markets allocation was increased from 20.0 percent to 25.0 percent. Until the allocation to private markets reaches its target of 25.0 percent, the uninvested portion of the allocation will continue to be invested in the public equity pool. In order to increase the private markets allocation, the public equities target allocation was reduced from 58.0 percent to 53.0 percent. The combined funds fixed income allocation is undergoing a transition which may continue through the end of fiscal year 2019. The target allocation for fixed income remains at 20.0 percent. However, during the transitional period from January 1, 2018 through the end of fiscal year 2019, the allocation may exceed 20.0 percent in aggregate. By the end of fiscal year 2019, the core fixed income asset class will be drawn down from its current allocation to a level such that the aggregation of the fixed income investment asset classes will total 20.0 percent. 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:

<b>Asset Class</b>	<b>Transitional Target Allocation as of June 30, 2018</b>	<b>Final Target Allocation</b>	<b>SBI’s Long-Term Expected Real Rate of Return (Geometric Mean)</b>
Domestic Stocks	33%	36%	5.10%
Private Markets	25	25	5.90
Fixed Income	24	20	0.75
International Stocks	16	17	5.30
Unallocated Cash	2	2	0.00
Total	100%	100%	

**Discount Rate:** The discount rate used to measure the total pension liability as of June 30, 2018, 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 3.62 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):

	<b>1.00% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1.00% Increase (8.50%)</b>
Council’s proportionate share of the Net pension liability (PERA)	\$ 25,164	\$ 11,737	\$ 633

**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](http://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, 2018, the Metropolitan Council recognized a negative pension expense of \$149,165,000 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. Effective July 1, 2018 the required contribution rate increased to 5.75 percent. The employee rate will increase to 6.00 percent on July 1, 2019. The employer contribution rate is 6.00 percent of salary, effective to July 1, 2019. Effective July 1, 2019, the employer contribution rate will increase to 6.25 percent.

For the year ending December 31, 2018 employer contributions were \$191,000. 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, 2018, the Metropolitan Council had separately invested assets in a revocable trust account with a fair market value of \$254,972,000. 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 \$12,279,000.

**Employees covered by benefit terms:** At the actuarial valuation date of January 1, 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 \$275,287,000 was measured as of December 31, 2018 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, 2018 using generally accepted actuarial principles.

**Actuarial assumptions and other inputs:** The total OPEB liability in the December 31, 2018 actuarial valuation were determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Payroll Growth	3.50 percent
Discount Rate	4.10 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 RP-2014 scale with adjustments for mortality improvements based on the MP-2017 scale.

The assumptions prescribed in the actuarial valuation are based on the last experience study prepared for the Minnesota State Retirement 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, 2018 was 4.10 percent.

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

	Total OPEB Liability
<b>Balance at December 31, 2017</b>	<u>\$ 304,428</u>
<b>Changes for the year:</b>	
Service cost	4,083
Interest	10,360
Changes of benefit terms	-
Differences between expected and actual experience	(410)
Changes in assumptions or other inputs	(28,758)
Benefit payments	<u>(14,416)</u>
<b>Net changes</b>	<u>(29,141)</u>
<b>Balance at December 31, 2018</b>	<u>\$ 275,287</u>

No changes in benefit provisions affected the measurement of the total OPEB 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 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 3.44 percent to 4.10 percent. The inflation rate was changed from 2.75 percent to 2.50 percent. The mortality improvement scale updated from MP-2015 to MP-2017.

**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 (3.10 percent) or 1.00 percentage point higher (5.10 percent) than the current discount rate (dollars in thousands):

	1.00% Decrease (3.10%)	Current Discount Rate (4.10%)	1.00% Increase (5.10%)
Total OPEB Liability	\$ 310,229	\$ 275,287	\$ 246,228

**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 (5.50 percent decreasing to 4.00 percent) or 1.00 percentage point higher (7.50 percent decreasing to 6.00 percent) than the current healthcare cost trend rates (dollars in thousands):

	1.00% Decrease (5.50% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.50% decreasing to 5.00%)	1.00% Increase (7.50 decreasing to 6.00%)
Total OPEB Liability	\$ 240,588	\$ 275,287	\$ 317,481

For the year ended December 31, 2018, the Metropolitan Council recognized OPEB expense of \$10,832,000. At December 31, 2018, the Metropolitan Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	(Dollars in thousands)	
Differences between expected and actual experience	\$ 1,103	\$ 2,441
Changes of assumptions	7,273	22,764
<b>Total</b>	<b>\$ 8,376</b>	<b>\$ 25,205</b>

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

<b>Year ended December 31:</b>	<b>OPEB Expense</b> <i>Dollars in thousands</i>
2019	\$ (3,612)
2020	(3,863)
2021	(4,064)
2022	(3,826)
2023	(1,464)
	<b>\$ (16,829)</b>

#### **D. Sub-grantee programs**

During the year ended December 31, 2018, 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:**

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 \$462,236,000 as of December 31, 2018. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$151,367,000 will be paid from the Metro Transit Light Rail fund. Future commitments for commuter rail transit services of approximately \$11,414,000 as of December 31, 2018, will be paid from the Metro Transit Commuter Rail fund. Future commitments for regional transit services are approximately \$19,372,000 as of December 31, 2018. These commitments will be paid from Contracted Transit Service special revenue nonmajor fund. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately \$71,668,000 as of December 31, 2018. 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 2018 budget but not completely expended in 2018 were \$2,281,000. 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 January 10, 2019, the Governor appointed Nora Slawik as chair of the Council. On January 26, 2019, the Council appointed Meredith Vadis as Regional Administrator. On March 6, 2019, the Governor appointed 16 Council members: 2 of the members (District 4, 16) were re-appointed and the remaining are new appointees. Appointments for the chair and Council members end on January 2, 2023.

Chair	Nora Slawik
District 1	Judy Johnson
District 2	Reva Chamblis
District 3	Christopher Ferguson
District 4	Deb Barber
District 5	Molly Cummings
District 6	Lynnea Atlas-Ingebretson
District 7	Robert Lilligren
District 8	Abdirahman Muse
District 9	Raymond Zeran
District 10	Peter Lindstrom
District 11	Susan Vento
District 12	Francisco Gonzalez
District 13	Chai Lee
District 14	Kris Fredson
District 15	Phillip Sterner
District 16	Wendy Wulff

On May 22, 2019, Metropolitan Council issued the following notes and bonds: \$72,300,000 General Obligation Transit Bonds, Series 2019A and \$44,700,000 General Obligation Transit Bonds, Series 2019B (Heywood II).



# **REQUIRED SUPPLEMENTARY INFORMATION**



**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 14,905	\$ 14,905	\$ 14,818	\$ (87)
Intergovernmental revenue:				
State	8,740	8,740	8,565	(175)
Local	-	-	277	277
Investment income	536	536	471	(65)
Other	305	305	371	66
Total revenues	<u>24,486</u>	<u>24,486</u>	<u>24,502</u>	<u>16</u>
<b>EXPENDITURES</b>				
Current:				
General government	10,838	11,105	8,278	(2,827)
Intergovernmental:				
Culture and recreation	8,740	8,740	8,540	(200)
Debt service:				
Principal	825	825	850	25
Interest and other charges	200	200	175	(25)
Capital outlay	1,052	1,481	563	(918)
Total expenditures	<u>21,655</u>	<u>22,351</u>	<u>18,406</u>	<u>(3,945)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,831</u>	<u>2,135</u>	<u>6,096</u>	<u>3,961</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	299	299	213	(86)
Transfers out	(5,000)	(5,000)	(4,914)	86
Total other financing sources (uses)	<u>(4,701)</u>	<u>(4,701)</u>	<u>(4,701)</u>	<u>-</u>
Net change in fund balance	(1,870)	(2,566)	1,395	3,961
Fund balance, beginning	28,159	28,159	28,159	-
Fund balance, ending	<u>\$ 26,289</u>	<u>\$ 25,593</u>	<u>\$ 29,554</u>	<u>\$ 3,961</u>

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, 2018  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue:				
State	\$ 57,667	\$ 57,667	\$ 70,930	\$ 13,263
Investment income	-	-	708	708
Other	8,777	7,877	7,987	110
Total revenues	<u>66,444</u>	<u>65,544</u>	<u>79,625</u>	<u>14,081</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	<u>73,085</u>	<u>76,785</u>	<u>76,298</u>	<u>(487)</u>
Net change in fund balance	(6,641)	(11,241)	3,327	14,568
Fund balance, beginning	<u>56,613</u>	<u>56,613</u>	<u>56,613</u>	<u>-</u>
Fund balance, ending	<u>\$ 49,972</u>	<u>\$ 45,372</u>	<u>\$ 59,940</u>	<u>\$ 14,568</u>

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

**SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY<sup>1</sup>**  
**MINNESOTA STATE RETIREMENT SYSTEM - GENERAL EMPLOYEES FUND**  
**LAST TEN YEARS<sup>2</sup>**  
**IN THOUSANDS (EXCEPT PERCENTAGES)**

<b>Fiscal Year<sup>3</sup></b>	<b>Council's proportion of the net pension liability (asset)</b>	<b>Council's proportionate share of the net pension liability (asset)</b>	<b>Council's covered payroll</b>	<b>Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
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%
2018	9.363%	\$ 129,774	\$ 279,617	46.41%	90.56%

<sup>1</sup> Refer to Notes to the Required Supplementary Information, Note C for details

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

<sup>3</sup> The amounts presented for each fiscal year were determined as of June 30.



**SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY<sup>1</sup>**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA - PUBLIC EMPLOYEES POLICE AND FIRE PLAN**  
**LAST TEN YEARS<sup>2</sup>**  
**IN THOUSANDS (EXCEPT PERCENTAGES)**

<b>Fiscal Year<sup>3</sup></b>	<b>Council's proportion of the net pension liability (asset)</b>	<b>Council's proportionate share of the net pension liability (asset)</b>	<b>Council's covered payroll</b>	<b>Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
2014	0.8890%	\$ 9,602	\$ 7,686	124.92%	87.07%
2015	0.9800%	\$ 11,135	\$ 8,986	123.91%	86.61%
2016	1.0020%	\$ 40,212	\$ 9,655	416.49%	63.88%
2017	1.0500%	\$ 14,177	\$ 10,783	131.48%	85.43%
2018	1.1011%	\$ 11,737	\$ 11,604	101.15%	88.84%

<sup>1</sup> Refer to Notes to the Required Supplementary Information, Note C for details

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

<sup>3</sup> The amounts presented for each fiscal year were determined as of June 30.

**SCHEDULE OF COUNCIL'S CONTRIBUTIONS<sup>1</sup>**  
**MINNESOTA STATE RETIREMENT SYSTEM - GENERAL EMPLOYEES FUND**  
**LAST TEN YEARS<sup>2</sup>**  
**IN THOUSANDS (EXCEPT PERCENTAGES)**

<b>Fiscal Year<sup>3</sup></b>	<b>Contractually required contribution</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Council's covered payroll</b>	<b>Contributions as a percentage of covered payroll</b>
2014	\$ 12,423	\$ 12,423	\$ -	\$ 237,074	5.240%
2015	\$ 13,040	\$ 13,040	\$ -	\$ 237,093	5.500%
2016	\$ 15,024	\$ 15,024	\$ -	\$ 273,171	5.500%
2017	\$ 14,922	\$ 14,922	\$ -	\$ 271,306	5.500%
2018	\$ 16,223	\$ 16,223	\$ -	\$ 285,971	5.673%

<sup>1</sup> Refer to Notes to the Required Supplementary Information, Note C for details

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

<sup>3</sup> The amounts presented for each fiscal year were determined as of December 31.

**SCHEDULE OF COUNCIL'S CONTRIBUTIONS<sup>1</sup>**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA - PUBLIC EMPLOYEES POLICE AND FIRE PLAN**  
**LAST TEN YEARS<sup>2</sup>**  
**IN THOUSANDS (EXCEPT PERCENTAGES)**

<b>Fiscal Year<sup>3</sup></b>	<b>Contractually required contribution</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Council's covered payroll</b>	<b>Contributions as a percentage of covered payroll</b>
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%
2018	\$ 1,921	\$ 1,921	\$ -	\$ 11,859	16.20%

<sup>1</sup> Refer to Notes to the Required Supplementary Information, Note C for details

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

<sup>3</sup> 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 <sup>1</sup>  
IN THOUSANDS (EXCEPT PERCENTAGES)**

Fiscal Year	2018	2017
<b>Total OPEB liability <sup>2</sup></b>		
Service cost	4,083	\$ 3,602
Interest	10,360	10,897
Differences between expected and actual experience	(410)	(1,374)
Changes of assumptions or other inputs	(28,758)	12,447
Benefit payments	(14,416)	(12,893)
<b>Net change in total OPEB liability</b>	<u>(29,141)</u>	<u>12,679</u>
<b>Total OPEB liability - beginning</b>	304,428	291,749
<b>Total OPEB liability - ending</b>	<u>\$ 275,287</u>	<u>\$ 304,428</u>
<b>Covered-employee payroll</b>	\$ 408,702	\$ 388,152
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	67.36%	78.43%

## Notes:

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

Refer to Notes to the Required Supplementary Information, Note D for details.

The following are the discount rates used in each period:

2017 3.44%

2018 4.10%

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

<sup>2</sup> 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, 2018**

**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	\$ 2,716	\$ 3,145	\$ 1,469	\$ (1,676)
Community Development	18,939	19,206	16,937	(2,269)
Total General Fund	<u>\$ 21,655</u>	<u>\$ 22,351</u>	<u>\$ 18,406</u>	<u>\$ (3,945)</u>

**C. Pension obligations**

**Minnesota State Retirement System – General Employees Fund:**

The amounts reported in 2018 reflect the following changes to the benefit terms.

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Employee contributions were changed from 5.50 percent to 5.75 percent of their annual covered salary, effective July 1, 2018 and 6.00 percent of their annual covered salary effective July 1, 2019.
- Employer contributions were changed from 5.50 percent to 5.875 percent of annual covered salary, effective July 1, 2018 and 6.25 percent of annual covered salary effective July 1, 2019.
- Interest credited on member contributions will decrease from 4.00 percent to 3.00 percent, effective July 1, 2018.
- Deferred augmentation was changed to 0.00 percent for future accruing benefits, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 2.00 percent per year, increasing to 2.50 percent per year upon achieving a 90.00 percent funding ratio to a fixed rate of 1.00 percent for five years (beginning January 1, 2019) and 1.50 percent per year thereafter.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.

The amounts reported in 2018 reflect the following changes to the actuarial assumptions.

- The single discount rate was changed from 5.42 percent to 7.50 percent per annum.

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 2018 reflect the following changes to the benefit terms.

- Post-retirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.00 million state contribution.
- New annual state aid will equal \$4.50 million in fiscal years 2019 and 2020, and \$9.00 million thereafter until the plan reaches 100.0 percent funding, or July 1, 2048, if earlier.
- Employee contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on employee contributions decreased from 4.0 percent to 3.0 percent beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred employees will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

The amounts reported in 2018 reflect the following changes to the actuarial assumptions.

- The mortality projection scale was changed from MP-2015 to MP-2017.



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.

#### **D. Other postemployment benefits (OPEB) obligations**

The amounts reported in 2018 reflect the following changes to the actuarial assumptions.

- The inflation rate was changed from 2.75 percent to 2.50 percent.
- The mortality improvement scale was changed from MP-2015 to MP-2017.



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









## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

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

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

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

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

Suburban Transit Providers and Contracted Transit 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, 2018  
IN THOUSANDS**

	<b>Total Special Revenue</b>	<b>Total Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 108,417	\$ 63,053	\$ 171,470
Accounts receivable	27	-	27
Delinquent taxes receivable	593	-	593
Interest receivable	293	160	453
Due from other governmental units	10,349	11,356	21,705
Loans and advances	43,688	-	43,688
Total assets	<u>\$ 163,367</u>	<u>\$ 74,569</u>	<u>\$ 237,936</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts/contracts/subgrantees payable	\$ 12,973	\$ 7,070	\$ 20,043
Unearned revenue	206	218	424
Total liabilities	<u>13,179</u>	<u>7,288</u>	<u>20,467</u>
Deferred inflows of resources:			
Unavailable revenue - taxes	412	-	412
Fund balances:			
Restricted	131,964	99,385	231,349
Committed	17,267	1,930	19,197
Assigned	545	-	545
Unassigned	-	(34,034)	(34,034)
Total fund balances	<u>149,776</u>	<u>67,281</u>	<u>217,057</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 163,367</u>	<u>\$ 74,569</u>	<u>\$ 237,936</u>



**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE  
DECEMBER 31, 2018  
IN THOUSANDS**

	<b>Highway Right-of-Way Acquisition Loan</b>	<b>Livable Communities</b>	<b>Transportation Planning</b>	<b>Suburban Transit Providers</b>	<b>Contracted Transit Service</b>	<b>Other Special Revenue</b>	<b>Total Special Revenue</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 13,769	\$ 74,636	\$ 4,399	\$ -	\$ 14,155	\$ 1,458	\$ 108,417
Accounts receivable	-	-	-	-	27	-	27
Delinquent taxes receivable	11	582	-	-	-	-	593
Interest receivable	36	197	12	-	44	4	293
Due from other governmental units	821	-	2,038	3,151	4,339	-	10,349
Loans and advances	42,687	1,000	1	-	-	-	43,688
Total assets	<u>\$ 57,324</u>	<u>\$ 76,415</u>	<u>\$ 6,450</u>	<u>\$ 3,151</u>	<u>\$ 18,565</u>	<u>\$ 1,462</u>	<u>\$ 163,367</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts/contracts/subgrantees payable	\$ -	\$ 2,275	\$ 898	\$ 3,151	\$ 6,644	\$ 5	\$ 12,973
Unearned revenue	-	-	-	-	206	-	206
Total liabilities	<u>-</u>	<u>2,275</u>	<u>898</u>	<u>3,151</u>	<u>6,850</u>	<u>5</u>	<u>13,179</u>
Deferred inflows of resources:							
Unavailable revenue - taxes	11	401	-	-	-	-	412
Fund balances:							
Restricted	57,313	73,739	-	-	-	912	131,964
Committed	-	-	5,552	-	11,715	-	17,267
Assigned	-	-	-	-	-	545	545
Total fund balances	<u>57,313</u>	<u>73,739</u>	<u>5,552</u>	<u>-</u>	<u>11,715</u>	<u>1,457</u>	<u>149,776</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 57,324</u>	<u>\$ 76,415</u>	<u>\$ 6,450</u>	<u>\$ 3,151</u>	<u>\$ 18,565</u>	<u>\$ 1,462</u>	<u>\$ 163,367</u>

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS  
DECEMBER 31, 2018  
IN THOUSANDS**

	<b>North Mississippi Park</b>	<b>Parks and Open Space Grants</b>	<b>Transit</b>	<b>Total Capital Projects</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,546	\$ 38,989	\$ 22,518	\$ 63,053
Interest receivable	4	103	53	160
Due from other governmental units	-	11,246	110	11,356
Total assets	<u>\$ 1,550</u>	<u>\$ 50,338</u>	<u>\$ 22,681</u>	<u>\$ 74,569</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts/contracts/subgrantees payable	\$ -	\$ 5,591	\$ 1,479	\$ 7,070
Unearned revenue	-	-	218	218
Total liabilities	<u>-</u>	<u>5,591</u>	<u>1,697</u>	<u>7,288</u>
Fund balances:				
Restricted	1,550	78,781	19,054	99,385
Committed	-	-	1,930	1,930
Unassigned	-	(34,034)	-	(34,034)
Total fund balances	<u>1,550</u>	<u>44,747</u>	<u>20,984</u>	<u>67,281</u>
Total liabilities and fund balances	<u>\$ 1,550</u>	<u>\$ 50,338</u>	<u>\$ 22,681</u>	<u>\$ 74,569</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

	<b>Total Special Revenue</b>	<b>Total Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 16,635	\$ -	\$ 16,635
Intergovernmental revenue:			
Federal	5,760	24,956	30,716
State	66,546	23,988	90,534
Local	95	-	95
Investment income	1,871	1,113	2,984
Other	2,274	-	2,274
Total revenues	<u>93,181</u>	<u>50,057</u>	<u>143,238</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,435	-	3,435
Transportation	28,509	455	28,964
Intergovernmental:			
Transportation	37,932	3,233	41,165
Culture and recreation	-	26,290	26,290
Economic revitalization	7,807	-	7,807
Environment development	4,926	-	4,926
Housing	2,234	-	2,234
Capital outlay	-	43,019	43,019
Total expenditures	<u>84,843</u>	<u>72,997</u>	<u>157,840</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,338</u>	<u>(22,940)</u>	<u>(14,602)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,000	-	1,000
Transfers out	-	(16,551)	(16,551)
Bonds/capital lease issued	-	37,680	37,680
Premium on bonds and capital related debt	-	2,461	2,461
Sale of capital assets	-	369	369
Total other financing sources (uses)	<u>1,000</u>	<u>23,959</u>	<u>24,959</u>
Net change in fund balances	9,338	1,019	10,357
Fund balances, beginning	<u>140,438</u>	<u>66,262</u>	<u>206,700</u>
Fund balances, ending	<u>\$ 149,776</u>	<u>\$ 67,281</u>	<u>\$ 217,057</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

	<b>Highway Right-of-Way Acquisition Loan</b>	<b>Livable Communities</b>	<b>Transportation Planning</b>	<b>Suburban Transit Providers</b>	<b>Contracted Transit Service</b>	<b>Other Special Revenue</b>	<b>Total Special Revenue</b>
<b>REVENUES</b>							
Taxes	\$ 2	\$ 16,633	\$ -	\$ -	\$ -	\$ -	\$ 16,635
Intergovernmental revenue:							
Federal	-	-	4,124	-	1,636	-	5,760
State	-	-	3,849	36,285	26,412	-	66,546
Local	-	-	95	-	-	-	95
Investment income	247	1,278	70	-	249	27	1,871
Other	15	-	-	-	2,259	-	2,274
Total revenues	<u>264</u>	<u>17,911</u>	<u>8,138</u>	<u>36,285</u>	<u>30,556</u>	<u>27</u>	<u>93,181</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	543	1,966	-	868	58	3,435
Transportation	-	-	4,869	-	23,640	-	28,509
Intergovernmental:							
Transportation	-	-	84	36,285	1,563	-	37,932
Economic revitalization	-	7,807	-	-	-	-	7,807
Environment development	-	4,926	-	-	-	-	4,926
Housing	-	2,234	-	-	-	-	2,234
Total expenditures	<u>-</u>	<u>15,510</u>	<u>6,919</u>	<u>36,285</u>	<u>26,071</u>	<u>58</u>	<u>84,843</u>
Excess (deficiency) of revenues over (under) expenditures	264	2,401	1,219	-	4,485	(31)	8,338
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	1,000	-	-	-	-	1,000
Net change in fund balances	264	3,401	1,219	-	4,485	(31)	9,338
Fund balances, beginning	57,049	70,338	4,333	-	7,230	1,488	140,438
Fund balances, ending	<u>\$ 57,313</u>	<u>\$ 73,739</u>	<u>\$ 5,552</u>	<u>\$ -</u>	<u>\$ 11,715</u>	<u>\$ 1,457</u>	<u>\$ 149,776</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

	<b>North Mississippi Park</b>	<b>Parks and Open Space Grants</b>	<b>Transit</b>	<b>Total Capital Projects</b>
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ 24,956	\$ 24,956
State	-	23,608	380	23,988
Investment income	37	682	394	1,113
Total revenues	<u>37</u>	<u>24,290</u>	<u>25,730</u>	<u>50,057</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	-	-	455	455
Intergovernmental:				
Transportation	-	-	3,233	3,233
Culture and recreation	1,000	25,290	-	26,290
Capital outlay	-	-	43,019	43,019
Total expenditures	<u>1,000</u>	<u>25,290</u>	<u>46,707</u>	<u>72,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(963)</u>	<u>(1,000)</u>	<u>(20,977)</u>	<u>(22,940)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(16,551)	(16,551)
Bonds/capital lease issued	-	-	37,680	37,680
Premium on bonds and capital related debt	-	-	2,461	2,461
Sale of capital assets	-	-	369	369
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>23,959</u>	<u>23,959</u>
Net change in fund balances	(963)	(1,000)	2,982	1,019
Fund balances, beginning	<u>2,513</u>	<u>45,747</u>	<u>18,002</u>	<u>66,262</u>
Fund balances, ending	<u>\$ 1,550</u>	<u>\$ 44,747</u>	<u>\$ 20,984</u>	<u>\$ 67,281</u>

**BUDGETARY COMPARISON SCHEDULE  
LIVABLE COMMUNITIES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 16,699	\$ 16,699	\$ 16,633	\$ (66)
Investment income	800	800	1,278	478
Total revenues	<u>17,499</u>	<u>17,499</u>	<u>17,911</u>	<u>412</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	543	543
Intergovernmental:				
Economic revitalization	11,699	16,500	7,807	(8,693)
Environment development	5,250	8,000	4,926	(3,074)
Housing	1,550	2,500	2,234	(266)
Total expenditures	<u>18,499</u>	<u>27,000</u>	<u>15,510</u>	<u>(11,490)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(9,501)	2,401	11,902
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,000	1,000	1,000	-
Net change in fund balance	-	(8,501)	3,401	11,902
Fund balance, beginning	70,338	70,338	70,338	-
Fund balance, ending	<u>\$ 70,338</u>	<u>\$ 61,837</u>	<u>\$ 73,739</u>	<u>\$ 11,902</u>



**BUDGETARY COMPARISON SCHEDULE  
TRANSPORTATION PLANNING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal	\$ 5,326	\$ 5,326	\$ 4,124	\$ (1,202)
State	4,355	4,355	3,849	(506)
Local	106	106	95	(11)
Investment income	-	-	70	70
Total revenues	<u>9,787</u>	<u>9,787</u>	<u>8,138</u>	<u>(1,649)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,951	1,951	1,966	15
Transportation	7,819	7,819	4,869	(2,950)
Intergovernmental:				
Transportation	121	121	84	(37)
Total expenditures	<u>9,891</u>	<u>9,891</u>	<u>6,919</u>	<u>(2,972)</u>
Net change in fund balance	(104)	(104)	1,219	1,323
Fund balance, beginning	4,333	4,333	4,333	-
Fund balance, ending	<u>\$ 4,229</u>	<u>\$ 4,229</u>	<u>\$ 5,552</u>	<u>\$ 1,323</u>

**BUDGETARY COMPARISON SCHEDULE  
 SUBURBAN TRANSIT PROVIDERS SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue:				
State	\$ 35,578	\$ 35,578	\$ 36,285	\$ 707
<b>EXPENDITURES</b>				
Intergovernmental:				
Transportation	<u>35,578</u>	<u>35,578</u>	<u>36,285</u>	<u>707</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**BUDGETARY COMPARISON SCHEDULE  
 CONTRACTED TRANSIT SERVICE SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal	\$ 1,818	\$ 2,198	\$ 1,636	\$ (562)
State	23,496	23,116	26,412	3,296
Investment income	-	-	249	249
Other	2,653	3,753	2,259	(1,494)
Total revenues	<u>27,967</u>	<u>29,067</u>	<u>30,556</u>	<u>1,489</u>
<b>EXPENDITURES</b>				
Current:				
General government	867	867	868	1
Transportation	26,378	26,378	23,640	(2,738)
Intergovernmental:				
Transportation	722	1,822	1,563	(259)
Total expenditures	<u>27,967</u>	<u>29,067</u>	<u>26,071</u>	<u>(2,996)</u>
Net change in fund balance	-	-	4,485	4,485
Fund balance, beginning	7,230	7,230	7,230	-
Fund balance, ending	<u>\$ 7,230</u>	<u>\$ 7,230</u>	<u>\$ 11,715</u>	<u>\$ 4,485</u>

**BUDGETARY COMPARISON SCHEDULE  
OTHER SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 27	\$ 27
<b>EXPENDITURES</b>				
Current:				
General government	500	500	58	(442)
Net change in fund balance	(500)	(500)	(31)	469
Fund balance, beginning	1,488	1,488	1,488	-
Fund balance, ending	<u>\$ 988</u>	<u>\$ 988</u>	<u>\$ 1,457</u>	<u>\$ 469</u>

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND BY DIVISION  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

	<b>Regional Administration</b>			<b>Community Development</b>			<b>Total</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>									
Taxes	\$ 4,927	\$ 4,898	\$ (29)	\$ 9,978	\$ 9,920	\$ (58)	\$14,905	\$ 14,818	\$ (87)
Intergovernmental revenue:									
State	-	-	-	8,740	8,565	(175)	8,740	8,565	(175)
Local	-	277	277	-	-	-	-	277	277
Investment income	536	471	(65)	-	-	-	536	471	(65)
Other	305	371	66	-	-	-	305	371	66
Total revenues	<u>5,768</u>	<u>6,017</u>	<u>249</u>	<u>18,718</u>	<u>18,485</u>	<u>(233)</u>	<u>24,486</u>	<u>24,502</u>	<u>16</u>
<b>EXPENDITURES</b>									
Current:									
General government	700	(96)	(796)	10,405	8,374	(2,031)	11,105	8,278	(2,827)
Intergovernmental:									
Culture and recreation	-	-	-	8,740	8,540	(200)	8,740	8,540	(200)
Debt service:									
Principal	825	850	25	-	-	-	825	850	25
Interest and other charges	200	175	(25)	-	-	-	200	175	(25)
Capital outlay	1,420	540	(880)	61	23	(38)	1,481	563	(918)
Total expenditures	<u>3,145</u>	<u>1,469</u>	<u>(1,676)</u>	<u>19,206</u>	<u>16,937</u>	<u>(2,269)</u>	<u>22,351</u>	<u>18,406</u>	<u>(3,945)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,623</u>	<u>4,548</u>	<u>1,925</u>	<u>(488)</u>	<u>1,548</u>	<u>2,036</u>	<u>2,135</u>	<u>6,096</u>	<u>3,961</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	299	213	(86)	-	-	-	299	213	(86)
Transfers out	(5,228)	(5,142)	86	228	228	-	(5,000)	(4,914)	86
Total other financing sources (uses)	<u>(4,929)</u>	<u>(4,929)</u>	<u>-</u>	<u>228</u>	<u>228</u>	<u>-</u>	<u>(4,701)</u>	<u>(4,701)</u>	<u>-</u>
Net change in fund balance	<u><u>\$(2,306)</u></u>	<u><u>\$ (381)</u></u>	<u><u>\$ 1,925</u></u>	<u><u>\$ (260)</u></u>	<u><u>\$ 1,776</u></u>	<u><u>\$ 2,036</u></u>	<u><u>\$(2,566)</u></u>	<u><u>\$ 1,395</u></u>	<u><u>\$ 3,961</u></u>

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2018</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,181	\$ 1,015	\$ -	\$ 5,196
 <b>LIABILITIES</b>				
Due to participants	\$ 4,181	\$ 1,015	\$ -	\$ 5,196

**BONDS/LOANS/NOTES OUTSTANDING  
AS OF DECEMBER 31, 2018  
IN THOUSANDS**

Issues	Date	Final Maturity Date	Original Issue	Payments Prior Years	Payments Year Ended 12/31/18	Bonds/Loans/Notes Issued/Drawn Down in 2018	Bonds/Loans/Notes Outstanding 12/31/2018	Maturing in 2019	Future Maturities
<b>GENERAL OBLIGATION BONDS/LOANS/NOTES PAYABLE:</b>									
<b>GOVERNMENTAL ACTIVITIES:</b>									
G.O. Park Bonds:									
2015B	6-Aug-15	1-Mar-20	6,000	2,525	1,125	-	2,350	1,150	1,200
2016B	23-Jun-16	1-Mar-19	4,700	3,525	575	-	600	600	-
Subtotal: G.O. Park Bonds			<u>10,700</u>	<u>6,050</u>	<u>1,700</u>	<u>-</u>	<u>2,950</u>	<u>1,750</u>	<u>1,200</u>
G.O. Transit Bonds:									
2007E, Refunding	15-Mar-07	1-Feb-22	10,110	6,840	690	-	2,580	680	1,900
2009A	1-Sep-09	1-Mar-29	43,000	31,220	2,780	-	9,000	2,865	6,135
2009E, Refunding	1-Dec-09	1-Feb-18	10,490	9,555	935	-	-	-	-
2010E	22-Dec-10	1-Feb-31	69,000	38,320	4,080	-	26,600	4,165	22,435
2012C	8-Jun-12	1-Mar-32	52,000	24,185	2,970	-	24,845	3,035	21,810
2012C, Refunding	8-Jun-12	1-Mar-23	5,105	1,510	595	-	3,000	610	2,390
2012H, Refunding	29-Oct-12	1-Feb-28	24,620	10,465	3,630	-	10,525	1,250	9,275
2015A	6-Aug-15	1-Mar-25	45,000	19,850	4,000	-	21,150	4,200	16,950
2016A	23-Jun-16	1-Mar-26	30,000	12,800	2,050	-	15,150	2,150	13,000
2016A, Refunding	23-Jun-16	1-Mar-25	6,025	1,030	1,080	-	3,915	1,080	2,835
2017B	18-May-17	1-Mar-27	40,000	-	12,830	-	27,170	3,365	23,805
2018D	23-May-18	1-Mar-28	37,680	-	-	37,680	37,680	13,505	24,175
Subtotal: G.O. Transit Bonds			<u>373,030</u>	<u>155,775</u>	<u>35,640</u>	<u>37,680</u>	<u>181,615</u>	<u>36,905</u>	<u>144,710</u>
Minnesota Public Facilities Authority Loans--Transit (Backed by General Obligation Notes):									
	12-Mar-99	15-Feb-20	21,025	19,865	385	-	775	400	375
	24-Jan-08	15-Feb-18	10,000	9,280	720	-	-	-	-
Subtotal: Minnesota Public Facility Authority Loans--Transit			<u>31,025</u>	<u>29,145</u>	<u>1,105</u>	<u>-</u>	<u>775</u>	<u>400</u>	<u>375</u>
Total Governmental Activities G.O. Bonds/Loans Payable			<u>414,755</u>	<u>190,970</u>	<u>38,445</u>	<u>37,680</u>	<u>185,340</u>	<u>39,055</u>	<u>146,285</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>									
Hennepin County Loans:									
Hennepin County Loans Payable	25-Sep-15	30-Jun-20 (a)	12,371	5,600	2,800	4,058	3,971	2,800	1,171
Subtotal: Hennepin County Loans Payable:			<u>12,371</u>	<u>5,600</u>	<u>2,800</u>	<u>4,058</u>	<u>3,971</u>	<u>2,800</u>	<u>1,171</u>
G.O.Sewer Bonds:									
2010F	22-Dec-10	1-Dec-30	65,000	17,775	1,500	-	45,725	3,460	42,265
2012B	8-Jun-12	1-Sep-32	55,110	8,750	1,250	-	45,110	2,950	42,160
2012E, Refunding	8-Jun-12	1-Sep-25	82,590	24,335	1,925	-	56,330	5,880	50,450
2012F, Refunding	29-Jun-12	1-Sep-22	214,035	115,590	23,220	-	75,225	23,425	51,800
2012I, Refunding	29-Oct-12	1-Mar-28	127,235	12,720	9,240	-	105,275	9,755	95,520
2014D	6-Feb-14	1-Sep-34	60,000	5,135	2,190	-	52,675	1,000	51,675
2015C	6-Aug-15	1-Mar-35	100,000	5,500	4,500	-	90,000	1,500	88,500
2016C	23-Jun-16	1-Mar-36	100,000	3,500	5,000	-	91,500	3,000	88,500
2016C, Refunding	23-Jun-16	1-Mar-30	23,355	25	1,330	-	22,000	1,585	20,415
2017C	18-May-17	1-Sep-37	105,000	-	1,000	-	104,000	3,840	100,160
2018B, Taxable	23-May-18	1-Mar-28	12,295	-	-	12,295	12,295	1,160	11,135
2018C	23-May-18	1-Mar-38	105,000	-	-	105,000	105,000	1,000	104,000
Subtotal: G.O. Sewer Bonds			<u>1,049,620</u>	<u>193,330</u>	<u>51,155</u>	<u>117,295</u>	<u>805,135</u>	<u>58,555</u>	<u>746,580</u>
Minnesota Public Facilities Authority Loans--Sewer: (Backed by General Obligation Notes)									
	26-Nov-03	20-Aug-23	100,000	56,500	9,500	-	34,000	8,000	26,000
	20-Oct-04	20-Feb-25	50,000	28,200	2,400	-	19,400	2,500	16,900
	10-Nov-05	20-Feb-25	40,000	16,920	2,230	-	20,850	2,825	18,025
	30-Aug-06	20-Aug-26	50,000	16,200	2,500	-	31,300	2,250	29,050
	11-Oct-07	20-Aug-27	80,000	19,750	8,600	-	51,650	8,000	43,650
	10-Sep-09	20-Aug-29	49,411	12,816	3,400	-	33,195	4,325	28,870
	28-Oct-09	20-Aug-29	30,589	7,934	2,100	-	20,555	2,675	17,880
	12-Jan-11	20-Aug-30	70,000	20,367	3,430	-	46,203	3,491	42,712
	15-Feb-12	20-Aug-31	60,000	10,425	1,911	-	47,664	2,956	44,708
	23-May-13	20-Aug-32	40,000	7,800	700	-	31,500	700	30,800
	30-Dec-13	20-Aug-33	60,000	9,000	2,000	-	49,000	1,000	48,000
	10-Dec-14	20-Aug-34	60,000	6,000	2,500	-	51,500	2,000	49,500
	6-Nov-15	20-Aug-35	70,000	3,000	500	-	66,500	3,500	63,000
	18-Jan-17	20-Aug-36	40,000	200	1,500	28,465	38,300	1,000	37,300
	1-Aug-18	20-Aug-38 (b)	13,025	-	-	13,025	13,025	800	12,225
Subtotal: Minnesota Public Facility Authority Loans--Sewer			<u>813,025</u>	<u>215,112</u>	<u>43,271</u>	<u>41,490</u>	<u>554,642</u>	<u>46,022</u>	<u>508,620</u>
Total G.O.Sewer Bonds/Loans Payable			<u>1,862,645</u>	<u>408,442</u>	<u>94,426</u>	<u>158,785</u>	<u>1,359,777</u>	<u>104,577</u>	<u>1,255,200</u>
Total Business-type Activities G.O. Bonds/Loans/Notes Payable			<u>1,875,016</u>	<u>414,042</u>	<u>97,226</u>	<u>162,843</u>	<u>1,363,748</u>	<u>107,377</u>	<u>1,256,371</u>
Total General Obligation Bonds/Loans/Notes Payable			<u>\$ 2,289,771</u>	<u>\$ 605,012</u>	<u>\$ 135,671</u>	<u>\$ 200,523</u>	<u>\$ 1,549,088</u>	<u>\$ 146,432</u>	<u>\$ 1,402,656</u>

(a) Of the \$14 million note executed in 2015, only the amount shown was drawn down as of 12/31/18

(b) Of the \$45 million note executed in 2018, only the amount shown was drawn down as of 12/31/18



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

<b>Federal Grantor/ Pass-Through Agency/ Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number/ Pass-Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Housing and Urban Development</b>				
Direct				
Shelter Plus Care	14.238	MN0046L5K011609	\$ 182	\$ -
Shelter Plus Care	14.238	MN0046L5K011710	377	-
Shelter Plus Care	14.238	MN0010L5K001609	773	-
Shelter Plus Care	14.238	MN0010L5K001710	1,125	-
Shelter Plus Care	14.238	MN0068L5K031609	63	-
Shelter Plus Care	14.238	MN0068L5K031710	160	-
<b>Total CFDA #14.238</b>			<b>2,680</b>	<b>-</b>
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	MN163VO/MN163AF	<b>68,544</b>	<b>-</b>
Passed through City of Minneapolis				
Housing Opportunities for Persons with Aids	14.241	C-43125	239	-
Housing Opportunities for Persons with Aids	14.241	C-44395	338	-
<b>Total CFDA #14.241</b>			<b>577</b>	<b>-</b>
<b>Total U. S. Department of Housing and Urban Development</b>			<b>71,801</b>	<b>-</b>
<b>U.S. Department of Labor</b>				
Passed Through Minnesota Department of Employment and Economic Development				
H-1B Job Training Grant	17.268	METRO02018MAI #144526	<b>90</b>	<b>-</b>
<b>U.S. Department of Transportation</b>				
Direct				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit Capital Investment Grants				
2000 Section 5309	20.500	MN-03-0101	611	-
2006 Section 5309	20.500	MN-03-0200	384	-
2011 Section 5309	20.500	MN-04-0040	64	-
2013 Section 5309	20.500	MN-04-0049	7	-
2015 Section 5309	20.500	MN-04-0053	11	-
2007-2008 Section 5309	20.500	MN-05-0019	611	-
2011 Section 5309	20.500	MN-05-0020	20	-
2014-2016 Section 5309	20.500	MN-2016-008-04	470	470
2014-2016 Section 5309	20.500	MN-2016-008-06	2	-
2015-2016 Section 5309	20.500	MN-2017-003-05	527	-
2015-2016 Section 5309	20.500	MN-2017-003-06	458	458
<b>Total CFDA #20.500</b>			<b>3,165</b>	<b>928</b>
(Total Federal Transit Capital Investment Grants 20.500 \$2,974)				
Federal Transit Formula Grants				
2003-2005 Section 5307	20.507	MN-90-X226	35	-
2007 - 2008 Section 5307	20.507	MN-90-X260	25	-
2010 Section 5307	20.507	MN-90-X274	288	-
2011 Section 5307	20.507	MN-90-X282	217	-
2011 Section 5307	20.507	MN-90-X283	341	-
2011 Section 5307	20.507	MN-90-X289	126	-

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, 2018  
IN THOUSANDS

Federal Grantor/ Pass-Through Agency/ Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Transportation</b>				
Direct				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit Formula Grants (Continued)				
2012 Section 5307	20.507	MN-90-X296	22	-
2012 Section 5307	20.507	MN-90-X297	2	-
2012-2013 Section 5307	20.507	MN-90-X300	67	-
2013 Section 5307	20.507	MN-90-X305	457	-
2013 Section 5307	20.507	MN-90-X307	215	-
2012 Section 5307	20.507	MN-90-X309	86	-
2013 Section 5307	20.507	MN-90-X312	602	-
2013 Section 5307	20.507	MN-90-X315	220	-
2013-2014 Section 5307	20.507	MN-90-X323	3,014	-
2014 Section 5307	20.507	MN-90-X324	840	-
2013 Section 5307	20.507	MN-90-X328	195	-
2013-2014 Section 5307	20.507	MN-90-X330	452	-
2015 Section 5307	20.507	MN-90-X331	100	-
2015 Section 5307	20.507	MN-90-X332	1,220	-
2014 Section 5307	20.507	MN-90-X333	131	-
2015 Section 5307	20.507	MN-90-X337	7	-
2014 Section 5307	20.507	MN-90-X340	103	-
2012 CMAQ	20.507	MN-95-X028	27	-
2013 Section 5307	20.507	MN-95-X037	78	78
2013 Section 5307	20.507	MN-95-X038	259	-
2014 CMAQ	20.507	MN-95-X040	672	-
2014 CMAQ	20.507	MN-95-X041	46	-
2015 CMAQ	20.507	MN-95-X042	66	66
2015 CMAQ	20.507	MN-95-X044	1,722	423
2016 CMAQ	20.507	MN-2016-004-04	1,424	-
2016 CMAQ	20.507	MN-2016-004-05	1,520	939
2015-2016 Section 5307	20.507	MN-2016-008-05	7,274	-
2015-2016 Section 5307	20.507	MN-2016-008-08	625	-
2015 Section 5307	20.507	MN-2016-008-09	3,689	-
2016 Section 5307	20.507	MN-2017-003-01,02,04	156	-
2016-2017 Section 5307	20.507	MN-2017-006-01&02	10,119	-
2017 CMAQ	20.507	MN-2017-013-01,02,03,04	2,453	-
2017 CMAQ	20.507	MN-2017-013-04	1,233	1,206
2016-2017 Section 5307	20.507	MN-2017-016-09	147	-
2016-2017 Section 5307	20.507	MN-2017-016-02,03	14,516	-
2017 Section 5307	20.507	MN-2017-016-01,08,10,16	3,996	-
2018 CMAQ	20.507	MN-2018-012-01	4,138	-
2017-2018 Section 5307	20.507	MN-2018-015-07,09,10,11	52	-
2017-2018 Section 5307	20.507	MN-2018-015-13	10,000	-
<b>Total CFDA #20.507</b>			<b>72,977</b>	<b>2,712</b>
Federal Transit Cluster				
State of Good Repair Grants Program				
Rail Assoc Capital Maint	20.525	MN-54-0002	260	-
LRT and Facility Upgrades	20.525	MN-54-0005	330	-
2015 Rail Projects	20.525	MN-54-0006	947	-
2015-2016 Section 5337	20.525	MN-2016-008-01,07	3	-
2016 Section 5337	20.525	MN-2017-003-01	112	-
2015-2016 Section 5337	20.525	MN-2017-003-07	189	-
2016 Section 5337	20.525	MN-2017-005-01	1,804	-
2016 Section 5337	20.525	MN-2017-005-02	225	-

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, 2018  
IN THOUSANDS**

<b>Federal Grantor/ Pass-Through Agency/ Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number/ Pass-Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Transportation</b>				
Direct				
Federal Transit Administration				
Federal Transit Cluster				
State of Good Repair Grants Program (Continued)				
2016-2017 Section 5337	20.525	MN-2017-016-05,07,08,12,14	1,148	-
2016-2017 Section 5337	20.525	MN-2017-016-06	65	-
2016-2017 Section 5337	20.525	MN-2017-016-13,15	237	-
2017 Section 5337	20.525	MN-2018-003-03	13	-
<b>Total CFDA #20.525</b>			<b>5,333</b>	<b>-</b>
Federal Transit Cluster				
Bus and Bus Facilities Formula Program				
2016 Discretionary Section 5339	20.526	MN-2017-016-04	104	-
2017 Section 5339	20.526	MN-2018-003-02	8	-
2017-2018 Section 5339	20.526	MN-2018-015-06,08	311	-
<b>Total CFDA #20.526</b>			<b>423</b>	<b>-</b>
Transit Services Programs Cluster				
New Freedom Program				
2011-2013 New Freedom	20.521	MN-57-X006	4	4
Passed Through Minnesota Department of Transportation				
Federal Transit Cluster				
Federal Transit Capital Investment Grants				
Northstar Commuter Rail Project (Total Federal Transit Capital Investment Grants 20.500 \$2,974)	20.500	90799	(191)	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				
2016 Unified Planning Work Program (UPWP)	20.505	1002842	7	-
Travel Behavior Inventory/Household Survey	20.505	1029618	727	-
2018 Unified Planning Work Program (UPWP)	20.505	1029748	3,386	80
<b>Total CFDA #20.505</b>			<b>4,120</b>	<b>80</b>
Formula Grants for Rural Areas				
2018 Section 5311	20.509	1029509	634	-
<b>Total U.S. Department of Transportation</b>			<b>86,465</b>	<b>3,724</b>
<b>U.S. Environmental Protection Agency</b>				
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-CWRF-L-050-FY17	28,465	-
State Revolving Funds	66.458	MPFA-CWRF-L-012-FY19	13,025	-
<b>Total U.S. Environmental Protection Agency</b>			<b>41,490</b>	<b>-</b>

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, 2018  
IN THOUSANDS**

<b>Federal Grantor/ Pass-Through Agency/ Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number/ Pass-Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Homeland Security</b>				
Federal Emergency Management Agency (FEMA)				
Passed Through Minnesota Department of Public Safety				
Homeland Security Grant Program				
2017 State Homeland Security Program	97.067	A-SHSP-2017-METCOUNC-00011	<u>250</u>	<u>-</u>
Rail and Transit Security Grant Program	97.075	EMW-2015-RA00021	345	-
Rail and Transit Security Grant Program	97.075	EMW-2016-RA00020	71	-
Rail and Transit Security Grant Program	97.075	EMW-2016-RA00007	<u>308</u>	<u>-</u>
<b>Total CFDA #97.075</b>			<u>724</u>	<u>-</u>
<b>Total U.S. Department of Homeland Security</b>			<u>974</u>	<u>-</u>
<b>Total Federal Awards</b>			<u>\$ 200,820</u>	<u>\$ 3,724</u>
<b>Totals by Cluster</b>				
Total expenditures for Housing Voucher Cluster			\$ 68,544	
Total expenditures for Federal Transit Cluster			81,707	
Total expenditures for Transit Services Programs Cluster			4	
Total expenditures for Clean Water State Revolving Fund Cluster			41,490	

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, 2018**

**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, 2018. 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Metropolitan Council has elected not to use the 10.00 percent de minimis indirect cost rate allowed under the Uniform Guidance.

# STATISTICAL SECTION









## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
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)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012<sup>1</sup></b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Governmental activities										
Net investment in capital assets	\$ 103,150	\$ 88,398	\$ 81,285	\$ 77,789	\$ 58,521	\$ 58,498	\$ 50,807	\$ 34,482	\$ 55,868	\$ 28,613
Restricted	346,016	335,559	284,575	309,633	315,137	230,051	273,620	211,377	246,986	162,814
Unrestricted	(114,316)	(153,830)	(126,124)	(159,310)	(179,688)	(75,745)	(146,295)	(88,722)	(165,010)	(84,128)
Total governmental activities net position	<u>\$ 334,850</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 3,012,182	\$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
Restricted	108,634	90,725	45,132	108,188	443,824	295,447	271,959	8,039	28,180	4,205
Unrestricted	(112,749)	(303,553)	(119,454)	(62,933)	(289,409)	(106,789)	(72,722)	157,392	127,979	142,542
Total business-type activities net position	<u>\$ 3,008,067</u>	<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>
Total										
Net investment in capital assets	\$ 3,115,332	\$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
Restricted	454,650	426,284	329,707	417,821	758,961	525,498	545,579	219,416	275,166	167,019
Unrestricted	(227,065)	(457,383)	(245,578)	(222,243)	(469,097)	(182,534)	(219,017)	68,670	(37,031)	58,414
Total governmental and business-type activities net position	<u>\$ 3,342,917</u>	<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>

Unaudited

Notes:

<sup>1</sup>Table restated for 2012.

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

	2018	2017 <sup>2</sup>	2016	2015	2014 <sup>1</sup>	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental activities:										
General government	\$ (3,225)	\$ 28,128	\$ 29,151	\$ 6,159	\$ 12,544	\$ 11,903	\$ 11,310	\$ 10,601	\$ 8,961	\$ 9,067
Transportation	167,991	146,429	146,214	143,681	138,525	126,384	116,818	107,251	107,087	107,715
Culture and recreation	34,830	33,277	48,704	27,984	30,657	37,337	46,358	30,659	31,860	28,151
Economic revitalization	7,807	8,812	10,756	12,250	8,153	12,733	9,446	4,684	6,767	4,488
Environment development	4,926	5,347	6,413	7,268	5,918	5,946	8,476	3,973	2,216	3,560
Housing	2,234	1,859	732	1,404	1,847	1,759	1,348	1,393	2,380	594
Interest and other charges	5,037	5,979	6,496	2,297	6,622	9,445	7,391	5,953	7,413	8,491
Total governmental activities expenses	219,600	229,831	248,466	201,043	204,266	205,507	201,147	164,514	166,684	162,066
Business-type activities:										
Environmental services	219,380	245,869	274,544	207,812	233,979	253,333	200,342	198,406	190,406	192,990
Transit bus	291,133	431,815	475,809	334,213	314,305	316,005	310,737	302,758	301,905	302,669
Transit light rail	127,480	172,079	166,464	141,209	142,929	66,082	69,975	66,183	58,334	51,895
Transit commuter rail	25,233	26,738	27,936	24,478	23,541	22,944	24,716	21,860	19,576	6,834
Housing	74,817	75,434	69,417	64,869	62,697	58,911	58,406	57,682	56,574	56,201
Total business-type activities expenses	738,043	951,935	1,014,170	772,581	777,451	717,275	664,176	646,889	626,795	610,589
Total expenses	\$ 957,643	\$ 1,181,766	\$ 1,262,636	\$ 973,624	\$ 981,717	\$ 922,782	\$ 865,323	\$ 811,403	\$ 793,479	\$ 772,655
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
Transit fares	\$ 10,261	\$ 7,885	\$ 7,895	\$ 10,015	\$ 9,214	\$ 8,825	\$ 7,661	\$ 8,108	\$ 7,514	\$ 7,443
Insurance reimbursements	95	89	586	140	208	196	124	285	180	203
Other activities	371	395	8,375	290	262	74	203	69	29	6
Operating grants and contributions	150,442	135,895	124,564	117,803	109,086	90,856	56,503	56,884	50,720	45,563
Capital grants and contributions	50,969	46,970	64,569	54,921	40,498	52,380	62,693	34,963	38,315	49,379
Total governmental activities program revenues	212,138	191,234	205,989	183,169	159,268	152,331	127,184	100,309	96,758	102,594
Business-type activities:										
Charges for services										
Wastewater	281,990	265,497	254,223	243,035	233,468	221,381	207,900	205,847	209,960	210,535
Transit fares	109,799	103,017	104,120	103,270	101,638	98,644	98,451	95,806	92,537	89,913
Other activities	875	819	1,116	1,112	1,013	994	902	779	789	781
Operating grants and contributions	413,859	416,209	373,874	323,292	369,833	262,658	276,255	246,436	226,647	255,898
Capital grants and contributions	277,340	174,810	156,981	181,712	177,690	288,045	380,174	494,132	181,429	195,827
Total business-type activities program revenues	1,083,863	960,352	890,314	852,421	883,642	871,722	963,682	1,043,000	711,362	752,954
Total program revenues	\$ 1,296,001	\$ 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
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (7,462)	\$ (38,597)	\$ (42,477)	\$ (17,874)	\$ (44,998)	\$ (53,176)	\$ (73,963)	\$ (64,205)	\$ (69,926)	\$ (59,472)
Business-type activities	345,820	8,417	(123,856)	79,840	106,191	154,447	299,506	396,111	84,567	142,365
Total net (expenses) revenues	\$ 338,358	\$ (30,180)	\$ (166,333)	\$ 61,966	\$ 61,193	\$ 101,271	\$ 225,543	\$ 331,906	\$ 14,641	\$ 82,893
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property tax	\$ 84,416	\$ 83,620	\$ 81,859	\$ 77,435	\$ 76,785	\$ 77,533	\$ 75,043	\$ 73,798	\$ 73,140	\$ 71,281
Market value and other credits	-	-	-	-	-	-	-	2,381	2,278	2,130
Motor vehicle sales tax	-	-	-	-	-	49,094	36,799	29,109	33,061	35,694
Investment earnings	5,642	5,360	2,891	3,371	12,035	(4,146)	4,419	7,675	6,027	4,831
Gain on sale of capital assets	369	473	813	310	275	378	350	-	-	97
Transfers	(18,242)	(19,263)	(31,462)	(29,100)	(24,628)	(35,011)	(21,653)	(29,465)	(14,035)	(11,967)
Total governmental activities	72,185	70,190	54,101	52,016	64,467	87,848	94,958	83,498	100,471	102,066
Business-type activities:										
Taxes										
Property tax	-	-	-	2,000	3,379	-	-	-	-	-
Investment earnings	431	47,482	26,841	6,227	37,611	33,878	19,850	7,966	15,581	16,302
Gain on sale of capital assets	124	20	-	-	261	222	-	-	-	-
Transfers	18,242	19,263	31,462	29,100	24,628	35,011	21,653	29,465	14,035	11,967
Total business-type activities	18,797	66,765	58,303	37,327	65,879	69,111	41,503	37,431	29,616	28,269
Total general revenues and other changes in net position	\$ 90,982	\$ 136,955	\$ 112,404	\$ 89,343	\$ 130,346	\$ 156,959	\$ 136,461	\$ 120,929	\$ 130,087	\$ 130,335
<b>Changes in Net Position</b>										
Governmental activities	\$ 64,723	\$ 31,593	\$ 11,624	\$ 34,142	\$ 19,469	\$ 34,672	\$ 20,995	\$ 19,293	\$ 30,545	\$ 42,594
Business-type activities	364,617	75,182	(65,553)	117,167	172,070	223,558	341,009	433,542	114,183	170,634
Total changes in net position	\$ 429,340	\$ 106,775	\$ (53,929)	\$ 151,309	\$ 191,539	\$ 258,230	\$ 362,004	\$ 452,835	\$ 144,728	\$ 213,228

Unaudited

Notes:

<sup>1</sup> 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.

<sup>2</sup> 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>2018</u>	<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>
General Fund										
Committed	\$ 7,146	\$ 7,339	\$ 6,145	\$ 6,153	\$ 6,338	\$ 6,363	\$ 6,008	\$ 5,297	\$ 4,537	\$ 3,793
Assigned	5,090	3,387	3,608	5,832	4,176	4,242	4,218	5,662	4,796	3,025
Unassigned	17,318	17,433	15,634	13,514	11,926	12,283	13,751	12,225	13,585	13,213
Total general fund	<u>\$ 29,554</u>	<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>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,724
Restricted	346,016	335,559	284,575	309,633	315,137	287,965	340,670	306,905	319,238	203,039
Committed	79,137	70,844	59,788	53,204	57,526	63,338	30,236	30,164	32,140	30,785
Assigned	545	592	598	-	-	-	-	-	-	-
Unassigned	(34,034)	(38,202)	(6,557)	(20,074)	(26,014)	(22,261)	(23,675)	(44,489)	(35,143)	(17,578)
Total all other governmental funds	<u>\$ 391,664</u>	<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>
Total all governmental funds	<u>\$ 421,218</u>	<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>

Unaudited

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

	<u>2018</u>	<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>
<b>REVENUES</b>										
Taxes	\$ 84,803	\$ 83,048	\$ 81,487	\$ 77,766	\$ 75,327	\$ 77,920	\$ 76,382	\$ 72,658	\$ 72,752	\$ 71,223
Intergovernmental revenue:										
Federal	30,716	24,159	22,840	36,677	20,950	22,629	38,933	18,460	20,107	19,947
Build America bonds interest subsidy	389	664	738	800	859	937	1,037	825	423	-
State	170,029	153,153	163,701	133,488	125,895	165,201	115,087	103,371	103,583	112,758
Local/other	372	4,978	10,815	2,189	2,350	3,653	1,062	1,493	1,108	1,101
Investment income	5,642	5,360	2,891	3,371	12,035	(4,146)	4,419	7,675	6,027	4,831
Other	10,632	8,280	7,895	10,015	9,214	9,005	7,864	7,650	6,876	6,612
Total revenues	<u>302,583</u>	<u>279,642</u>	<u>290,367</u>	<u>264,306</u>	<u>246,630</u>	<u>275,199</u>	<u>244,784</u>	<u>212,132</u>	<u>210,876</u>	<u>216,472</u>
<b>EXPENDITURES</b>										
Current:										
General government	11,722	13,337	10,568	8,913	12,496	11,232	10,914	8,861	7,638	7,932
Transportation	105,262	94,357	87,148	85,187	83,119	75,611	70,028	67,418	63,424	58,175
Economic development	-	-	-	-	49	275	866	-	-	-
Intergovernmental:										
Transportation	41,165	32,460	39,262	40,705	39,682	36,289	31,616	26,144	30,474	38,100
Culture and recreation	34,830	33,277	48,704	27,984	30,657	37,337	46,358	30,659	31,860	28,151
Economic revitalization	7,807	8,812	10,756	12,250	8,104	12,458	8,580	4,684	6,767	4,488
Environment development	4,926	5,347	6,413	7,268	5,918	5,946	8,476	3,973	2,216	3,560
Housing	2,234	1,859	732	1,404	1,847	1,759	1,348	1,393	2,380	594
Debt service:										
Principal	39,295	42,350	59,905	66,450	41,065	40,140	46,880	43,465	53,475	35,325
Interest and other charges	7,752	7,775	8,561	7,696	9,107	9,659	7,482	8,143	8,552	8,560
Capital outlay	43,582	31,940	37,276	39,109	21,399	29,292	32,376	11,480	10,945	18,916
Total expenditures	<u>298,575</u>	<u>271,514</u>	<u>309,325</u>	<u>296,966</u>	<u>253,443</u>	<u>259,998</u>	<u>264,924</u>	<u>206,220</u>	<u>217,731</u>	<u>203,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,008</u>	<u>8,128</u>	<u>(18,958)</u>	<u>(32,660)</u>	<u>(6,813)</u>	<u>15,201</u>	<u>(20,140)</u>	<u>5,912</u>	<u>(6,855)</u>	<u>12,671</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	1,213	2,902	5,138	4,018	1,478	2,316	1,802	1,693	1,150	1,101
Transfers out	(21,465)	(22,165)	(36,600)	(28,646)	(22,199)	(37,327)	(23,704)	(31,158)	(15,185)	(19,632)
Bonds issued	37,680	40,000	34,700	51,000	42,077	-	59,000	-	77,600	53,000
Refunding bonds issued	-	-	6,025	-	-	-	29,725	-	-	10,490
Premium on bonds and capital related debt	2,461	3,823	3,903	5,119	2,362	-	5,388	-	296	588
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Premium on refunding bonds	-	-	797	-	-	-	2,829	-	-	-
Sale of capital assets	369	473	524	342	254	532	544	164	146	184
Total other financing sources (uses)	<u>20,258</u>	<u>25,033</u>	<u>14,487</u>	<u>31,833</u>	<u>23,972</u>	<u>(34,479)</u>	<u>75,584</u>	<u>(29,301)</u>	<u>64,007</u>	<u>45,731</u>
Net change in fund balances	<u>\$ 24,266</u>	<u>\$ 33,161</u>	<u>\$ (4,471)</u>	<u>\$ (827)</u>	<u>\$ 17,159</u>	<u>\$ (19,278)</u>	<u>\$ 55,444</u>	<u>\$ (23,389)</u>	<u>\$ 57,152</u>	<u>\$ 58,402</u>
Debt service as a percentage of noncapital expenditures	18.5%	20.9%	25.2%	28.8%	21.6%	21.6%	23.4%	26.5%	30.0%	23.7%

Unaudited

**GENERAL GOVERNMENTAL REVENUES AND  
OTHER FINANCING SOURCES BY SOURCE  
LAST TEN YEARS ENDED DECEMBER 31 <sup>1</sup>  
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	
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
2018	14,818	16,635	53,350	5,760	389	146,041	372	3,050	1,479	11,845	253,739

Unaudited

Notes: <sup>1</sup> 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)**

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>		<u>Ratio of Net Tax Capacity Value to Market Value</u>	<u>Total Direct Tax Rate</u>
	<u>Market Value</u>	<u>Market Value</u>	<u>Market Value</u>	<u>Net Tax Capacity Value</u>		
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
2018	379,223,301	4,365,281	383,588,582	4,476,940	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
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
2018	0.00	0.00	0.00	0.01	0.01	0.38	0.31	0.33	0.35

Unaudited

Source: State of Minnesota, Department of Revenue.

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

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

*Largest taxpayers in Hennepin and Ramsey counties*

<u><b>Taxpayer</b></u>	<b>2018</b>			<b>2009</b>		
	<b>Net Tax Capacity</b>	<b>Rank</b>	<b>Percentage of Total Tax Capacity<sup>1,3</sup></b>	<b>2009 Tax Capacity</b>	<b>Rank</b>	<b>Percentage of Total Tax Capacity<sup>2,3</sup></b>
Xcel Energy / Northern States Power Co	\$ 20,045	1	0.45%	\$ 5,618	2	0.15%
MOA Mall Holdings LLC	16,799	2	0.38%	10,953	1	0.29%
BRI 1855 IDS Center LLC	5,489	3	0.12%	-	-	-
NWC Limited Partnership	5,082	4	0.11%	3,775	6	0.10%
SRI Eleven Mpls 225 LLC	4,892	5	0.11%	4,167	5	0.11%
City Center 33 So Prop LLC	4,330	6	0.10%	-	-	-
3M Company	3,931	7	0.09%	4,681	3	0.12%
US Bank Corp	3,669	8	0.08%	3,191	7	0.08%
Wells REIT - 800 Nicollett	3,615	9	0.08%	3,139	8	0.08%
RTL Roseville Shopping Ctr LLC	3,098	10	0.07%	-	-	-
MB Minneapolis 8th St. LLC	-	-	-	4,185	4	0.11%
Best Buy Co. Inc	-	-	-	2,758	9	0.07%
Flanagan-AMEX	-	-	-	2,657	10	0.07%
<b>Total</b>	<b>\$ 70,950</b>		<b>1.59%</b>	<b>\$ 45,124</b>		<b>1.20%</b>

Unaudited

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

- Notes
- <sup>1</sup> Net tax capacity value for 2018 = \$4,476,940
  - <sup>2</sup> Net tax capacity value for 2009 = \$3,768,981
  - <sup>3</sup> 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 <sup>1</sup>	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
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%	207	77,858	99.24%
2014	80,041	-	80,041	78,624	98.23%	859	79,483	99.30%
2015	80,431	-	80,431	79,757	99.16%	43	79,800	99.22%
2016	82,039	-	82,039	81,453	99.29%	99	81,552	99.41%
2017	83,621	-	83,621	82,985	99.24%	78	83,063	99.33%
2018	85,293	-	85,293	84,690	99.29%	-	84,690	99.29%

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)<sup>4</sup>**

Fiscal Year	General Bonded Debt Outstanding					Total <sup>3</sup>	Percentage of Actual Taxable Value <sup>1</sup> of Property	Per Capita <sup>2</sup>
	General Obligation Bonds Transit <sup>3</sup>	General Obligation Bonds Parks <sup>3</sup>	General Obligation Bonds Wastewater <sup>3</sup>	Less: Amounts Available in Debt Service Fund <sup>4</sup>				
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%	250.51	
2018	198,206	3,114	872,861	114,667	959,514	21.43%	266.49	

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.

<sup>1</sup>See market value and net tax capacity value of taxable property schedule for property value data.

<sup>2</sup>See demographic and economic statistics schedule for population data.

<sup>3</sup>Presented net of original issuance discounts and premiums.

<sup>4</sup>This 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**

<b>Fiscal Year</b>	<b>General Obligation Bonds- Transit<sup>5</sup></b>	<b>General Obligation Bonds- Parks<sup>5</sup></b>	<b>Revenue Bonds<sup>2</sup></b>	<b>PFA Transit Loan<sup>1</sup></b>	<b>Capital Leases</b>	<b>Total Governmental Activities</b>
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
2018	198,206	3,114	-	775	5,410	207,505

Unaudited

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

<sup>1</sup>PFA-Transit Loans are treated as general obligation debt. Loan repayments are similar to general obligation loan repayments.

<sup>2</sup>\$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.

<sup>3</sup>See the demographic and economic statistics schedule for personal income and population data.

All ratios are calculated using personal income and population from prior calendar year.

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

<sup>5</sup>Presented net of original issuance discounts and premiums.

**Business-Type Activities**

<b>General Obligation Grant Anticipation Transit Notes<sup>4</sup></b>	<b>General Obligation Bonds Wastewater<sup>5</sup></b>	<b>PFA Wastewater<sup>5</sup></b>	<b>Hennepin County Loan</b>	<b>Loan Payable</b>	<b>Total Business- Type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income<sup>3</sup></b>	<b>Per Capita<sup>3</sup></b>
\$ -	\$ 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	0.73%	437.75
-	872,861	554,642	3,971	1,405	1,432,879	1,640,384	0.76%	455.58

**COMPILATION OF OVERLAPPING DEBT<sup>1</sup>  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
<b>Counties:</b>			
Anoka	\$ 92,260	100.0%	\$ 92,260
Carver	15,990	100.0%	15,990
Hennepin	1,225,230	99.9%	1,224,005
Ramsey	182,657	100.0%	182,657
Scott	48,400	97.9%	47,384
Washington	116,345	100.0%	116,345
Total counties	1,680,882		1,678,641
<b>School districts:</b>			
SSD #1 Minneapolis	526,720	100.0%	526,720
SSD #6 South St. Paul	33,040	100.0%	33,040
ISD #11 Anoka	203,355	100.0%	203,355
ISD #12 Centennial	90,587	100.0%	90,587
ISD #13 Columbia Heights	10,625	100.0%	10,625
ISD #14 Fridley	56,575	100.0%	56,575
ISD #15 St. Francis	94,610	92.7%	87,703
ISD #16 Spring Lake Park	128,900	100.0%	128,900
ISD #108 Norwood-Young America	9,325	97.0%	9,045
ISD #110 Waconia	123,675	100.0%	123,675
ISD #111 Watertown-Mayer	33,795	89.0%	30,078
ISD #112 Chaska	159,015	100.0%	159,015
ISD #191 Burnsville	144,690	100.0%	144,690
ISD #192 Farmington	185,175	100.0%	185,175
ISD #194 Lakeville	119,515	100.0%	119,515
ISD #195 Randolph	5,355	87.7%	4,694
ISD #196 Rosemount	134,115	100.0%	134,115
ISD #197 West St. Paul	124,890	100.0%	124,890
ISD #199 Inver Grove Heights	56,255	100.0%	56,255
ISD #200 Hastings	81,068	99.9%	80,987
ISD #252 Cannon Falls	23,555	4.9%	1,142
ISD #270 Hopkins-Golden Valley	181,265	100.0%	181,265
ISD #271 Bloomington	77,925	100.0%	77,925
ISD #272 Eden Prairie	69,055	100.0%	69,055
ISD #273 Edina	175,050	100.0%	175,050
ISD #276 Minnetonka	166,330	100.0%	166,330
ISD #277 Westonka	43,065	100.0%	43,065
ISD #278 Orono	73,125	100.0%	73,125
ISD #279 Osseo	206,090	100.0%	206,090
ISD #280 Richfield	148,725	100.0%	148,725
ISD #281 Robbinsdale	193,066	100.0%	193,066
ISD #282 St Anthony-New Brighton	31,625	100.0%	31,625
ISD #283 St. Louis Park	122,140	100.0%	122,140
ISD #284 Wayzata	220,160	100.0%	220,160
ISD #286 Brooklyn Center	51,295	100.0%	51,295
ISD #424 Lester Prairie	3,150	1.7%	54
ISD #621 Mounds View	246,135	100.0%	246,135
ISD #622 North St. Paul-Maplewood-Oakdale	159,000	100.0%	159,000
ISD #623 Roseville	173,740	100.0%	173,740
ISD #624 White Bear Lake	85,805	100.0%	85,805
ISD #625 St. Paul	438,545	100.0%	438,545
ISD #659 Northfield	28,255	12.2%	3,456
ISD #716 Belle Plaine	27,575	86.2%	23,775



**COMPILATION OF OVERLAPPING DEBT<sup>1</sup>  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**IN THOUSANDS**

<b>Jurisdiction</b>	<b>Net G.O. Debt Outstanding</b>	<b>Percent Applicable to Council</b>	<b>Overlapping Debt</b>
<b>School districts (continued):</b>			
ISD #717 Jordan	57,635	100.0%	57,635
ISD #719 Prior Lake	105,980	100.0%	105,980
ISD #720 Shakopee	180,560	100.0%	180,560
ISD #721 New Prague	93,465	48.5%	45,302
ISD #728 Elk River	211,600	39.4%	83,392
ISD #831 Forest Lake	163,990	87.0%	142,688
ISD #832 Mahtomedi	48,715	100.0%	48,715
ISD #833 South Washington	346,025	100.0%	346,025
ISD #834 Stillwater	99,165	100.0%	99,165
ISD #877 Buffalo-Hanover-Montrose	73,965	15.5%	11,465
ISD #879 Delano	73,775	34.4%	25,342
ISD #883 Rockford	41,015	69.3%	28,415
ISD #916 Special Intermediate-Vo Tech	78,970	100.0%	78,970
ISD #2144 Chisago Lakes	70,805	4.0%	2,811
ISD #2397 LeSueur-Henderson	9,910	1.2%	123
ISD #2687 Howard Lake-Waverly-Winsted	41,560	0.5%	191
ISD #2859 Glencoe-Sliver Lake	22,835	0.2%	41
Total school districts	<u>6,985,931</u>		<u>6,457,027</u>
<b>Cities:</b>			
Afton	9,933	100.0%	9,933
Andover	28,639	100.0%	28,639
Anoka	10,060	100.0%	10,060
Apple Valley	22,185	100.0%	22,185
Arden Hills	2,415	100.0%	2,415
Bayport	1,830	100.0%	1,830
Belle Plaine	15,017	100.0%	15,017
Bethel	995	100.0%	995
Blaine	56,717	100.0%	56,717
Bloomington	68,245	100.0%	68,245
Brooklyn Center	58,181	100.0%	58,181
Brooklyn Park	37,695	100.0%	37,695
Burnsville	64,370	100.0%	64,370
Carver	20,961	100.0%	20,961
Centerville	5,138	100.0%	5,138
Champlin	3,850	100.0%	3,850
Chanhassen	31,220	100.0%	31,220
Chaska	79,270	100.0%	79,270
Circle Pines	20,925	100.0%	20,925
Cologne	15,566	100.0%	15,566
Columbia Heights	24,070	100.0%	24,070
Columbus	10,816	100.0%	10,816
Coon Rapids	64,093	100.0%	64,093
Corcoran	11,497	100.0%	11,497
Cottage Grove	37,925	100.0%	37,925
Crystal	17,260	100.0%	17,260
Dayton	24,930	100.0%	24,930
Dellwood	1,770	100.0%	1,770
Eagan	47,945	100.0%	47,945
East Bethel	18,380	100.0%	18,380
Eden Prairie	35,760	100.0%	35,760
Edina	112,016	100.0%	112,016
Elko/New Market	15,119	100.0%	15,119
Excelsior	6,547	100.0%	6,547

**COMPILATION OF OVERLAPPING DEBT<sup>1</sup>**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**IN THOUSANDS**

(Page 3 of 5)

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
<b>Cities (continued):</b>			
Falcon Heights	1,475	100.0%	1,475
Farmington	14,730	100.0%	14,730
Forest Lake	34,705	100.0%	34,705
Fridley	56,250	100.0%	56,250
Gem Lake	1,315	100.0%	1,315
Golden Valley	76,215	100.0%	76,215
Greenfield	1,185	100.0%	1,185
Hamburg	1,588	100.0%	1,588
Ham Lake	1,551	100.0%	1,551
Hampton	1,699	100.0%	1,699
Hastings	23,400	100.0%	23,400
Hopkins	70,025	100.0%	70,025
Hugo	3,920	100.0%	3,920
Independence	1,975	100.0%	1,975
Inver Grove Heights	53,910	100.0%	53,910
Jordan	22,340	100.0%	22,340
Lake Elmo	37,226	100.0%	37,226
Lakeland	1,105	100.0%	1,105
Lakeville	121,715	100.0%	121,715
Lauderdale	1,295	100.0%	1,295
Lexington	2,749	100.0%	2,749
Lilydale	2,403	100.0%	2,403
Lino Lakes	23,941	100.0%	23,941
Little Canada	4,890	100.0%	4,890
Long Lake	3,150	100.0%	3,150
Loretto	327	100.0%	327
Mahtomedi	22,670	100.0%	22,670
Maple Grove	77,260	100.0%	77,260
Maple Plain	9,585	100.0%	9,585
Maplewood	59,516	100.0%	59,516
Marine	40	100.0%	40
Mayer	5,568	100.0%	5,568
Medina	12,435	100.0%	12,435
Mendota Heights	14,970	100.0%	14,970
Minneapolis	645,475	100.0%	645,475
Minnnetonka	31,770	100.0%	31,770
Minnnetonka Beach	1,290	100.0%	1,290
Minnetrissa	26,520	100.0%	26,520
Mound	59,887	100.0%	59,887
Mounds View	6,916	100.0%	6,916
New Brighton	31,170	100.0%	31,170
New Germany	7,924	100.0%	7,924
New Hope	50,099	100.0%	50,099
Newport	9,435	100.0%	9,435
North Oaks	285	100.0%	285
North St. Paul	32,765	100.0%	32,765
Northfield	56,220	100.0%	56,220
Norwood-Young America	16,555	100.0%	16,555
Nowthen	519	100.0%	519

**COMPILATION OF OVERLAPPING DEBT<sup>1</sup>**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**IN THOUSANDS**

(Page 4 of 5)

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
<b>Cities (continued):</b>			
Oakdale	24,510	100.0%	24,510
Oak Grove	278	100.0%	278
Oak Park Heights	6,925	100.0%	6,925
Orono	7,965	100.0%	7,965
Osseo	11,430	100.0%	11,430
Plymouth	10,325	100.0%	10,325
Prior Lake	41,535	100.0%	41,535
Ramsey	26,170	100.0%	26,170
Richfield	68,313	100.0%	68,313
Robbinsdale	23,290	100.0%	23,290
Rogers & Hassan Combined	9,935	100.0%	9,935
Rosemount	11,395	100.0%	11,395
Roseville	22,945	100.0%	22,945
St. Anthony	25,070	100.0%	25,070
St. Bonifacius	2,634	100.0%	2,634
St. Francis	40,687	100.0%	40,687
St. Louis Park	56,280	100.0%	56,280
St. Paul	450,835	100.0%	450,835
St. Paul Park	5,217	100.0%	5,217
Savage	54,170	100.0%	54,170
Scandia	4,344	100.0%	4,344
Shakopee	32,350	100.0%	32,350
Shoreview	50,520	100.0%	50,520
Shorewood	6,190	100.0%	6,190
South St. Paul	22,835	100.0%	22,835
Spring Lake Park	5,430	100.0%	5,430
Spring Park	2,080	100.0%	2,080
Stillwater	38,775	100.0%	38,775
Sunfish Lake	737	100.0%	737
Vadnais Heights	5,805	100.0%	5,805
Victoria	24,320	100.0%	24,320
Waconia	40,812	100.0%	40,812
Watertown	6,334	100.0%	6,334
Wayzata	17,840	100.0%	17,840
West St. Paul	54,160	100.0%	54,160
White Bear Lake	13,740	100.0%	13,740
Woodbury	59,350	100.0%	59,350
Woodland	-	100.0%	0
Total cities	4,010,829		4,010,829
<b>Townships:</b>			
Baytown	644	100.0%	644
Credit River	3,145	100.0%	3,145
Laketown	950	100.0%	950
Linwood	183	100.0%	183
Randolph	116	100.0%	116
Sand Creek	325	100.0%	325
Spring Lake	1,660	100.0%	1,660
White Bear	1,640	100.0%	1,640
Total townships	8,663		8,663

**COMPILATION OF OVERLAPPING DEBT<sup>1</sup>  
FOR THE YEAR ENDED DECEMBER 31, 2018  
IN THOUSANDS**

(Page 5 of 5)

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
<b>Miscellaneous:</b>			
Anoka County HRA	17,400	100.0%	17,400
Blaine EDA/HRA	3,300	100.0%	3,300
Bloomington Port Authority	7,150	100.0%	7,150
Bloomington HRA	5,150	100.0%	5,150
Brooklyn Park EDA	930	100.0%	930
Capital Region Watershed District	13,050	100.0%	13,050
Carver County CDA	27,890	100.0%	27,890
Cedar Lake Sewer Sanitary District	1,268	68.2%	865
Chaska EDA	28,690	100.0%	28,690
Dakota County CDA	243,224	100.0%	243,224
Hennepin City Park	66,300	100.0%	66,300
Hennepin Regional Railroad Authority	29,865	100.0%	29,865
HRA of St. Paul	75,809	100.0%	75,809
Metropolitan Airports Commission	1,402,780	100.0%	1,402,780
Minnesota Municipal Power Agency	273,664	61.6%	168,577
MN Valley Transit Auth	4,270	100.0%	4,270
Mound HRA	2,345	100.0%	2,345
Norwood-Young America EDA	5,255	100.0%	5,255
Prior Lake-Spring Lake Watershed District	510	100.0%	510
Plymouth HRA	10,475	100.0%	10,475
Ramsey-Washington Metro Watershed District	4,419	100.0%	4,419
Regional Railroad Authority-Anoka County	22,995	100.0%	22,995
Rice Creek Watershed	305	100.0%	305
Scott County CDA	41,480	100.0%	41,480
South Washington Watershed District	6,215	100.0%	6,215
St. Anthony HRA	6,660	100.0%	6,660
St. Paul Port Authority	101,526	100.0%	101,526
Tech & Info Edu Serv	2,825	100.0%	2,825
Victoria EDA	2,530	100.0%	2,530
Waconia HRA	9,809	100.0%	9,809
Washington County HRA	45,601	100.0%	45,601
Total miscellaneous	<u>2,463,690</u>		<u>2,358,200</u>
Subtotal, overlapping debt	<u>\$ 15,149,995</u>		<u>14,513,360</u>
Metropolitan Council direct debt			<u>207,505</u>
<b>Total direct and overlapping debt</b>			<b>\$ 14,720,865</b>

Unaudited

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

Notes: <sup>1</sup> 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>2018</u>	<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>
Debt limit	\$ 360,910	\$ 397,655	\$ 307,390	\$ 353,595	\$ 413,505	\$ 367,025	\$ 365,515	\$ 334,245	\$ 338,265	\$ 345,190
Total net debt applicable to limit	<u>185,340</u>	<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>
Legal debt margin	<u>\$ 175,570</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	<u>51.35%</u>	<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>

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**

<b>Year</b>	<b>Total Bond Outstanding<sup>1</sup></b>	<b>911 Fee Revenue<sup>2</sup></b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
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 <sup>3</sup>	-	705	1,365	27	0.51
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-

Unaudited

Notes:

<sup>1</sup> 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.

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

<sup>3</sup> 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**

<b>Year</b>	<b>Population<sup>1,3</sup></b>	<b>Personal Income<sup>1,3</sup> (In Millions)</b>	<b>Per Capita<sup>1,3</sup> Income</b>	<b>Unemployment Rate<sup>2</sup></b>
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	3,600,618	215,087	59,736	3.30%
2018	3,600,618	215,087	59,736	2.80%

Unaudited

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

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

<sup>3</sup> 2018 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*

<b>Employer</b>	<b>2018</b>			<b>2009</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>
State of Minnesota	56	1	2.78%	54	1	3.16%
Mayo Clinic	42	2	2.09%	37	2	2.16%
United States Federal Government	34	3	1.69%	33	3	1.93%
Fairview Health Services	33	7	1.64%	22	6	1.29%
Allina Health System	28	4	1.39%	24	5	1.40%
Target Corporation	27	6	1.34%	29	4	1.69%
University of Minnesota	27	5	1.34%	20	9	1.17%
HealthPartners Inc.	24	8	1.19%	-	-	-
Wells Fargo Minnesota	19	9	0.94%	21	7	1.23%
UnitedHealth Group, Inc.	18	10	0.90%	-	-	-
Wal-Mart Stores Inc.	-	-	-	20	8	1.17%
3M Co.	-	-	-	15	10	0.88%
<b>Total</b>	<b>308</b>		<b>15.30%</b>	<b>275</b>		<b>16.08%</b>

Unaudited.

Source: Department of Employment and Economic Development, Minneapolis-St. Paul Business Journal, July 13, 2018 and Business Journal, Book of Lists , December 25, 2009.

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 2018.

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									
	<u>2018</u>	<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>Regional Administration</u>										
Human Resources	51	45	47	42	40	36	32	33	33	33
Information Services	112	111	110	107	98	90	81	79	75	64
Finance/Central Services	58	55	54	53	50	46	44	42	38	38
Other	109	107	116	108	95	89	84	79	75	75
Total Regional Administration	<u>330</u>	<u>318</u>	<u>327</u>	<u>310</u>	<u>283</u>	<u>261</u>	<u>241</u>	<u>233</u>	<u>221</u>	<u>210</u>
<u>Community Development</u>										
Metro HRA	40	41	40	40	40	38	37	34	33	33
Other	40	41	38	36	36	36	35	35	34	41
Total Community Development	<u>80</u>	<u>82</u>	<u>78</u>	<u>76</u>	<u>76</u>	<u>74</u>	<u>72</u>	<u>69</u>	<u>67</u>	<u>74</u>
<u>Environmental Services Division</u>										
Environmental Quality Assurance	93	100	101	101	102	100	95	98	103	109
Treatment Services	510	506	503	506	532	527	514	526	528	505
Other	34	32	29	27	25	24	22	20	20	32
Total Environmental Services Division	<u>637</u>	<u>638</u>	<u>633</u>	<u>634</u>	<u>659</u>	<u>651</u>	<u>631</u>	<u>644</u>	<u>651</u>	<u>646</u>
<u>Transportation Services Division</u>										
Metro Mobility	17	17	17	12	11	10	10	9	10	14
Transportation Planning	29	28	27	33	32	30	27	28	29	28
Other	1	1	1	-	-	-	-	-	-	-
Total Transportation Services	<u>47</u>	<u>46</u>	<u>45</u>	<u>45</u>	<u>43</u>	<u>40</u>	<u>37</u>	<u>37</u>	<u>39</u>	<u>42</u>
<u>Metro Transit Bus</u>										
Operations	1,638	1,654	1,640	1,617	1,600	1,566	1,512	1,502	1,500	1,346
Maintenance	487	477	466	432	428	424	422	429	470	417
Administration/Clerical	662	642	646	616	607	507	465	448	420	439
Total Metro Transit	<u>2,787</u>	<u>2,773</u>	<u>2,752</u>	<u>2,665</u>	<u>2,635</u>	<u>2,497</u>	<u>2,399</u>	<u>2,379</u>	<u>2,390</u>	<u>2,202</u>
<u>Metro Transit Commuter Rail</u>										
Maintenance	28	30	29	28	29	27	28	28	27	28
Administration/Clerical	4	4	4	4	7	7	8	9	10	8
Total Metro Transit	<u>32</u>	<u>34</u>	<u>33</u>	<u>32</u>	<u>36</u>	<u>34</u>	<u>36</u>	<u>37</u>	<u>37</u>	<u>36</u>
<u>Metro Transit Light Rail</u>										
Operations	65	67	64	62	85	76	56	57	57	50
Maintenance	155	146	141	138	92	72	80	81	80	70
Administration/Clerical	246	250	237	231	230	184	134	100	82	45
Total Metro Transit	<u>466</u>	<u>463</u>	<u>442</u>	<u>431</u>	<u>407</u>	<u>332</u>	<u>270</u>	<u>238</u>	<u>219</u>	<u>165</u>
Total	<u>4,379</u>	<u>4,354</u>	<u>4,310</u>	<u>4,193</u>	<u>4,139</u>	<u>3,889</u>	<u>3,686</u>	<u>3,637</u>	<u>3,624</u>	<u>3,375</u>

Unaudited

Source: Metropolitan Council Budget Department and Metro Transit

Notes: Metro Transit Commuter Rail operators are non-Metro Transit employees

**OPERATING INDICATORS BY FUNCTION/PROGRAM  
FOR THE LAST TEN YEARS ENDED DECEMBER 31**

<b>Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Governmental activities</b>										
Metro Mobility-passenger miles	26,103,531	25,160,614	24,264,290	22,168,347	20,570,713	17,918,147	16,562,355	15,503,454	15,534,246	13,634,343
Metro Mobility-passenger trips	2,297,680	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
Parks visits to Metro Parks System <sup>1</sup>	58,106,842	58,106,842	47,860,600	47,328,887	48,687,143	47,304,800	45,843,800	44,111,200	40,867,500	38,062,600
<b>Business-type activities</b>										
<b>Wastewater</b>										
Average daily sewage treatment (millions of gallons)	241	247	245	250	255	240	210	260	260	260
<b>Transit-bus</b>										
Total route miles	31,074,823	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
Passenger trips <sup>2</sup>	54,910,461	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
<b>Transit-commuter rail <sup>3</sup></b>										
Total route miles	623,923	582,726	550,196	547,051	546,092	529,007	521,537	556,631	601,119	69,320
Passenger trips <sup>2</sup>	787,327	793,798	711,167	722,637	721,214	787,241	700,276	703,427	710,426	78,782
<b>Transit-light rail</b>										
Total passenger car miles	5,461,162	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
Passenger trips <sup>2</sup>	24,955,617	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
<b>Housing</b>										
Metro HRA unit months leased	86,065	87,638	87,096	86,076	81,425	82,612	82,264	82,247	81,455	80,243

Unaudited

Sources: Various Metropolitan Council Divisions

Notes:

<sup>1</sup> 2018 park visits to Metro Parks System data is not available at time of report.

<sup>2</sup> UPT - Unlinked Passenger Trips is the number of passengers who board public transportation vehicles

<sup>3</sup> Commuter Rail began limited operation on November 16, 2009.

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

<b>Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Governmental activities										
Metro Mobility										
Total fleet size	642	571	519	485	442	407	399	340	314	274
Number of Parks/Trails	105	104	102	102	102	97	95	95	89	89
Acres of Regional Parks and Trails open to the public	59,354	56,022	54,613	54,488	54,307	54,581	54,842	54,631	54,633	53,111
Business-type activities										
Wastewater										
Treatment Plants	8	8	8	8	8	7	7	7	7	7
Miles of MCES Interceptors	634	634	634	634	634	634	634	626	625	624
Wastewater Treatment Plant Capacities (millions of gallons)	358	358	358	358	358	358	358	358	358	358
Transit-bus										
Total fleet size	907	909	902	907	905	912	888	876	888	929
Transit-commuter rail										
Total fleet size	6	6	6	6	6	6	6	6	6	6
Transit-light rail										
Total fleet size <sup>1</sup>	91	86	86	86	86	62	27	27	27	27
Housing										
Metro HRA unit months available	85,681	85,278	85,270	86,539	84,288	83,979	83,795	83,173	82,668	81,613
Family Affordable Housing Units	150	150	150	150	150	150	150	150	150	150

Unaudited

Source: Metropolitan Council external and internal reports.

Notes:

<sup>1</sup> Transit-light rail expansions due to additional line opening mid-2014.







Twin Cities Area, Minnesota

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2018

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](mailto:public.info@metc.state.mn.us)

[metro council.org](http://metro council.org)

