Twin Cities Area, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2013

A Component Unit of the State of Minnesota

METROPOLITAN COUNCIL

METROPOLITAN COUNCIL

OF THE TWIN CITIES AREA
MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2013

A COMPONENT UNIT OF THE STATE OF MINNESOTA

Prepared by the Finance Unit

Issued June 2014

390 Robert Street North, St. Paul, Minnesota 55101

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

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METROPOLITAN COUNCIL
A COMPONENT UNIT OF THE STATE OF MINNESOTA
FOR THE YEAR ENDING DECEMBER 31, 2013

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INTRODUCTORY SECTION

Serving the Twin Cities seven-county metropolitan area

Metropolitan Council
2013 Comprehensive Annual Financial Report
Transmittal Letter from the Chief Financial Officer

June 26, 2014

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

Dear Chair Haigh and Council Members,

In accordance with Minnesota Statute 473.13, subd. 4, I am pleased to submit the Comprehensive Annual Financial Report for the Metropolitan Council for the fiscal year ended December 31, 2013. This report includes the financial statements for the Council and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for government units.

The report is divided into three sections:

- Introductory Section – includes this letter of transmittal, the certificate of achievement, the Council's organization chart, and a list of Council members, officers, and financial administrative officials.

- Financial Section – includes the auditor's opinion, the management's discussion and analysis, the basic financial statements, the combining and individual fund statements for nonmajor funds, general obligation bond schedules, and the schedule of expenditures of federal awards. The Notes to the Financial Statements, in the basic financial statements, are necessary for an understanding of the information included in the statements. The notes include a Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the Council.

- Statistical Section – includes mainly trend data and nonfinancial information useful in assessing a government's financial condition.

Management assumes full responsibility for the completeness and reliability of all information contained in this report based on a comprehensive framework of internal control that it has established for this purpose. These controls provide reasonable assurance that the Council's assets are protected against loss and that the accounting records from which the financial statements are prepared are reliable. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is presented in conformity with GAAP.

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METROPOLITAN COUNCIL

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, 2013. The independent auditor's report is presented as the first component of the financial section of this report.

As a part of the financial statement audit, the Office of the State Auditor is conducting a single audit of federal programs. This audit meets the requirements of the federal Single Audit Act and is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and requirements involving the administration of federal awards. These reports, included in the Metropolitan Council's separately issued Management and Compliance Report, will be available in July 2014.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to compliment this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The Minnesota Legislature established the Metropolitan Council in 1967 to coordinate planning and development within the Twin Cities metropolitan area and to address issues that could not be adequately addressed with existing governmental arrangements. The area over which the Council has responsibility includes the counties of Anoka, Carver, Dakota (excluding the city of Northfield), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague), and Washington. The area includes 189 cities and townships and has a population of 3.42 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 (1) there is a financial benefit or burden relationship between the primary government and the component unit or (2) management of the primary government has operational responsibility for the component unit, (b) the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. Usually the services provided by a blended component unit are financing services provided solely to the primary government.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund, all budgeted Special Revenue Funds, Metro Transit Bus, Light Rail, and Commuter Rail, and the Metropolitan Housing and Redevelopment Authority enterprise funds. The budget for the Environmental Services enterprise fund is prepared in conformity with the "cost allocation" system described in Minnesota Statute 473.517. Positive variances in revenues and expenses are accumulated for contingency reserves. All annual appropriations lapse at year end. Budgets are prepared in May and are reviewed by the Council committees in June and July. The Council approves a preliminary budget in August and approves public

comment drafts of the operating and capital budgets in October. The public comment period extends through the final adoption of the budget in mid-December.

Budgetary Comparison Schedules are presented in this report for each governmental fund for which an annual budget has been prepared. For the General Fund and the Metro Mobility Special Revenue Fund, these comparisons are included in the Required Supplementary Information section. Budgetary Comparison Schedules for the nonmajor governmental funds are presented in the Combining and Individual Fund Financial Statements and Schedules section.

Budgets are prepared at the division and fund level. Budgetary control is provided primarily through the Council's accounting system. Council adopted budgets are established in the accounting system by fund. Operating divisions have the authority to reallocate budgets within a fund, but by policy, the Council does not permit expenditures in excess of the approved fund budget. Transfers of authority across funds or divisions must be approved by the Council. Results of operations are reported against the approved budget, and may be amended.

Economic Condition and Outlook

While the thirteen-county Minneapolis-St. Paul-Bloomington, MN-WI metropolitan area continued to experience gradual job growth, recovery in the metro was slower than the nation. Between March 2013 and March 2014, total employment in the thirteen-county metropolitan area grew by 1.4 percent, slightly slower than national employment growth of 1.6 percent. With 1,817,400 jobs (seasonally adjusted) in the region in March 2014, net employment has exceeded its pre-recession peak of 1,800,000 jobs in February 2007 (DEED, Current Employment Survey). The pace of this growth may be slightly slower than other metropolitan areas (the Twin Cities ranked 8th in net employment change among the 25 largest metro areas in 2013), but the thirteen-county unemployment rate is lowest in the nation.

The unemployment rate in the seven-county metropolitan area is 4.7 percent (March 2014), down slightly from last year (5.1 percent in March 2013), and nearly half of its recession peak of 8.4 percent. (DEED, Local Area Unemployment Statistics). In contrast, the nation's unemployment rate in March 2014 stood at 6.8 percent (not seasonally adjusted), compared to a recession peak of 10.6 percent.

Per capita personal income in the thirteen-county metropolitan area increased by 2.9 percent from $48,657 in 2011 to $50,260 in 2012 (Bureau of Economic Analysis). The metro ranked 9th among the largest 25 metropolitan areas for per capita personal income and 16th for growth in per capita income. The thirteen-county metro's per capita real Gross Metro Product (GMP) totaled $220.2 billion in 2012, making the region the 13th largest metropolitan economy.

The housing market continues to rebound from the Great Recession. According to the University of St. Thomas and its Minneapolis-St. Paul Residential Real Estate Index, the median sales price of homes reached $215,900 in March 2014, an increase of 2.9 percent from the previous year. This gain is less than anticipated—however, this is largely attributed to a slow start to the spring season after a particularly harsh winter. The volume of sales is slightly below last year's activity but is expected to climb through the summer months. Distressed sales (foreclosed properties and short sales) are a declining portion of all sales (26 percent in March 2014), indicating that the overall health of the residential real estate market is on the upswing.

Residential construction is returning to pre-recession levels with 12,302 new residential units permitted in 2013, not including residential conversions. This is up 8 percent from 2012 and is the highest level of new residential construction since 2006. More than half of 2013's new construction is multi-family residential—a tipping point first seen in 2012—with over 3,000 multi-family units permitted in Minneapolis alone. Single-family residential

construction in 2013 increased by 22 percent over 2012 levels. Trends to date indicate that 2014 numbers will continue this upward trend for both single-family and multi-family construction.

Quarterly reports on commercial real estate activity published by CBRE show vacancy rates in both retail and industrial markets in the region decreased over 2013, while leasing and sales increased. The industrial market is particularly strong in the region, outpacing national averages. As of the fourth quarter of 2013, 16 new industrial development projects were underway adding approximately 2.24 million square feet to the region's industrial market.

The short-term outlook for the Twin Cities area economy is positive, supported by strong residential construction activity, favorable trends in the region's industrial and retail markets, realized transit way investments (service on the METRO Green Line begins on June 14, 2014), and a steadily growing job market.

Delivering High-Performance Regional Services

Transit - Metro Transit is one of the country's largest transit systems, providing roughly 85 percent of the 94.3 million bus and train trips taken annually in the Twin Cities. Each weekday customers board Metro Transit buses and trains an average of 267,000 times.

Metro Transit operates 128 bus routes, the Blue Line Light Rail (Hiawatha light-rail line), and the Northstar Commuter Rail line, using a fleet of 887 buses, 39 light-rail passenger cars, 18 commuter rail passenger cars and six commuter rail locomotives. In June 2014, Metro Transit will commence operations of the Green Line Light Rail with a total of 47 light-rail passenger cars.

The Blue Line operates between downtown Minneapolis, the MSP Airport, and the Mall of America in Bloomington. In 2013, the Blue Line carried 10.2 million passengers, with average weekday ridership continuing to exceed projections for the year 2020 by more than 25 percent.

The Northstar Commuter Rail opened for service between Big Lake in Sherburne County and downtown Minneapolis in November 2009. 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 Saturdays and Sundays. Each train consists of a locomotive and four passenger cars, and has seating for 560 people. Trains travel at speeds up to 79 miles per hour, making the trip from Big Lake to Minneapolis in about 50 minutes. Trains also stop at stations in Elk River, Ramsey, Anoka, Coon Rapids and Fridley. In 2013, the Northstar Commuter Rail carried over 787,000 passengers, the highest number in the line's four year history.

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 2013, Metro Mobility provided 1.8 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 2013, these routes carried 3.3 million passengers. Transit Link is a region-wide dial-a-ride program that assists people outside areas served by fixed-route transit and provided 341,000 rides in 2013. Suburban Transit Authority Providers comprise 12 communities selecting to manage their own transit service providing 5.2 million rides in 2013.

In April 2011, the FTA approved the Central Corridor Full Funding Grant Agreement (FFGA), moving the project to full construction with plans to begin passenger service in June 2014. The $957 million Central Corridor

Light Rail Transit Project is an 11 mile project and will link five major centers of activity in the Twin Cities Region – downtown Minneapolis, the University of Minnesota, the Midway area, the State Capital complex and downtown St. Paul.

Water services - Metropolitan Council Environmental Services (MCES) collects and treats an average of 240 million gallons of wastewater every day from 107 directly served communities in the Twin Cities region. The system has capacity to treat 358 million gallons per day. About 600 miles of sewer pipes from 5,000 miles of city sewers carry wastewater to one of seven MCES treatment plants (an eighth plant is under construction and expected to be operational in mid 2014). The plants operate 24 hours a day, 365 days a year.

All seven MCES wastewater treatment plants continue to perform at a high level in complying with clean water discharge permits - achieving near-perfect compliance with federal and state clean water discharge limits. The Hastings and St. Croix Valley Plants are two of the top ten plants in the country for consecutive years of full compliance with their clean water discharge permits.

Six MCES treatment plans will receive NACWA's Platinum Peak Performance Award for consecutive years of compliance through 2013: Hastings (23 years); St. Croix Valley (22 years); Seneca (13 years); Blue Lake (8 years); Eagles Point (8 years), and Empire (6 years). Seven treatment plants received Certificates of Commendation in 2013 from the Minnesota Pollution Control Agency for their performance in the fourth quarter of 2012 through the third quarter of 2013. In addition, MCES received an award from Xcel Energy for the "Highest Electricity Savings for a Commercial Customer" (11 million kwh/year saved on projects completed) in 2013.

The 2013 annual budget for Environmental Services operations was funded primarily from the metropolitan wastewater charge allocated to municipalities ($178.9 million) pursuant to Minnesota Statute 473.517. Municipal sewer rates to local homes and businesses in the metro region are low – 40 percent lower than the national average. Municipal customer satisfaction is high. In addition, operating performance resulted in an approximate $3.4 million positive variance to the budget. The metropolitan wastewater charge, while limited to wastewater and certain total watershed management expenses, is not limited by statute, thus allowing the Council to set the rates as needed to maintain the approximately $5 billion (replacement cost) in infrastructure.

Sewer Availability Charges (SAC) to communities for additional capacity demands resulting from new development remained low compared to historical receipts, but continues recovering from the recent recession, as SAC units increased by 10 percent over 2012.

Water supply research and planning continues to grow. These expenses are not funded from wastewater fees, but rather various tax–supported sources. In 2013, $625,000 was spent, an increase of 11 percent from 2012. However, expenses are budgeted at $1.5 million in 2014 as this is an area of high community and legislative interest.

Approximately $129.4 million was expended on 32 major capital projects that were underway in 2013. These projects support regional goals of: i) maintaining the infrastructure, ii) accommodating growth, and iii) protecting the environment. Highlights of the major ongoing capital improvement program in 2013 for the wastewater system include:

- Over $60 million in major rehabilitation of the interceptor system, including interceptors serving the Minnesota cities of Brooklyn Park, Hopkins, St. Louis Park, Excelsior, Wayzata, and Minneapolis.
- Approximately $28 million of major upgrades to the Metropolitan Plant (in St. Paul, MN), including major renovation of the solids processing facilities.

- Approximately $15 million for the construction of pipelines and treatment facilities to serve East Bethel, Minnesota area. At the end of 2013, the project was near completion with operations scheduled to begin in 2014.

Regional parks and trails – The Twin Cities area's nationally renowned system of regional parks contributes significantly to our high quality of life. Preserving green space for wildlife habitat and recreation enhances the region's livability and thus its economic strength.

The regional parks system includes 51 regional parks and park reserves, 38 trails and 7 special recreation areas. Parks are operated by 10 partnering cities, counties and special districts. These partners work with the Metropolitan Council to acquire and develop parks and trails to protect natural resources and to provide outdoor recreation for public enjoyment.

The Council also works with these regional partners to develop park policies that protect the water quality, promote best management practices, and help integrate the park systems with housing, transportation and other regional priorities.

Housing - An adequate supply of affordable housing for the region's workforce is essential for economic vitality. The Council supports affordable housing in the region through various programs and initiatives. The Council's housing and redevelopment authority operates the state's largest federal Housing Choice Voucher Section 8 rent assistance program. The Council ensures all available federal funds provided are used to assist nearly 6,000 very low to extremely low income households. This includes 150 Council owned and operated housing units called the Family Affordable Housing Program in 11 cities in suburban Anoka, Ramsey and Hennepin Counties. Additionally, The Council provides rent assistance to nearly 650 households through other state and federally funded rent assistance programs designed to assist households meeting specific eligibility criteria such as disability, homelessness, or working toward self sufficiency.

Working in partnership with cities, counties and municipal development authorities, the Council, through its Livable Communities Programs, provides grants to projects that (1) clean up contaminated land for redevelopment, (2) promote efficient, connected development, and (3) support the development and preservation of affordable and lifecycle housing. Currently, 94 metropolitan area communities are participating in the voluntary Livable Communities Act Local Housing Incentives program.

Financial Information

The 2013 unified operating budget was adopted by the Council in December 2012. The original adopted budget for operations, pass-through expenditures and debt service was $828 million, representing a six percent increase from the budget adopted for 2012. During the year, the budget was revised to $833 million primarily to recognize carry forward of budgeted expenses for projects initiated in the prior year but that are expected to be completed during 2013 and increased costs for bio-solid transportation and disposal, investments in technology and building repairs. The revised budget of $833 million was offset by a one million dollar decrease to the U.S. Department of Housing and Urban Development budget due to sequestration.

The Council relies on several funding sources. In the 2013 budget, 39 percent of the Council's revenue came from user fees for wastewater treatment and transit services, and 50 percent from state, federal, and local funds. About ten percent of revenue came from a seven-county property tax and one percent from other sources.

The Council receives a percentage of the state Motor Vehicle Sales Tax (MVST) to fund a portion of transit expenditures of the Council and certain suburban transit communities. The MVST is a single sector sales tax and has historically experienced significant peaks and valleys. To address the variability of receipts, the Council budgets only 95 percent of its portion of forecasted MVST revenues, with five percent unbudgeted in the event that actual receipts fall short of projections. The Council also adopted its 2013 Unified Capital Program in December 2012. The Capital Program includes a six-year capital improvement plan (CIP) recognizing the Council's commitment to maintain and preserve regional investments in wastewater services, transit and parks and open space. The CIP includes both the portion of spending on authorized capital projects and capital investments and funding sources that are planned within the six-year period, but not currently authorized to be implemented by the Council. The 2013-2018 CIP defines $5.8 billion in capital projects, of which $573 million was authorized for spending in 2013.

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, 2012. This was the thirtieth consecutive year the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully,

Mary L. Bogie
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

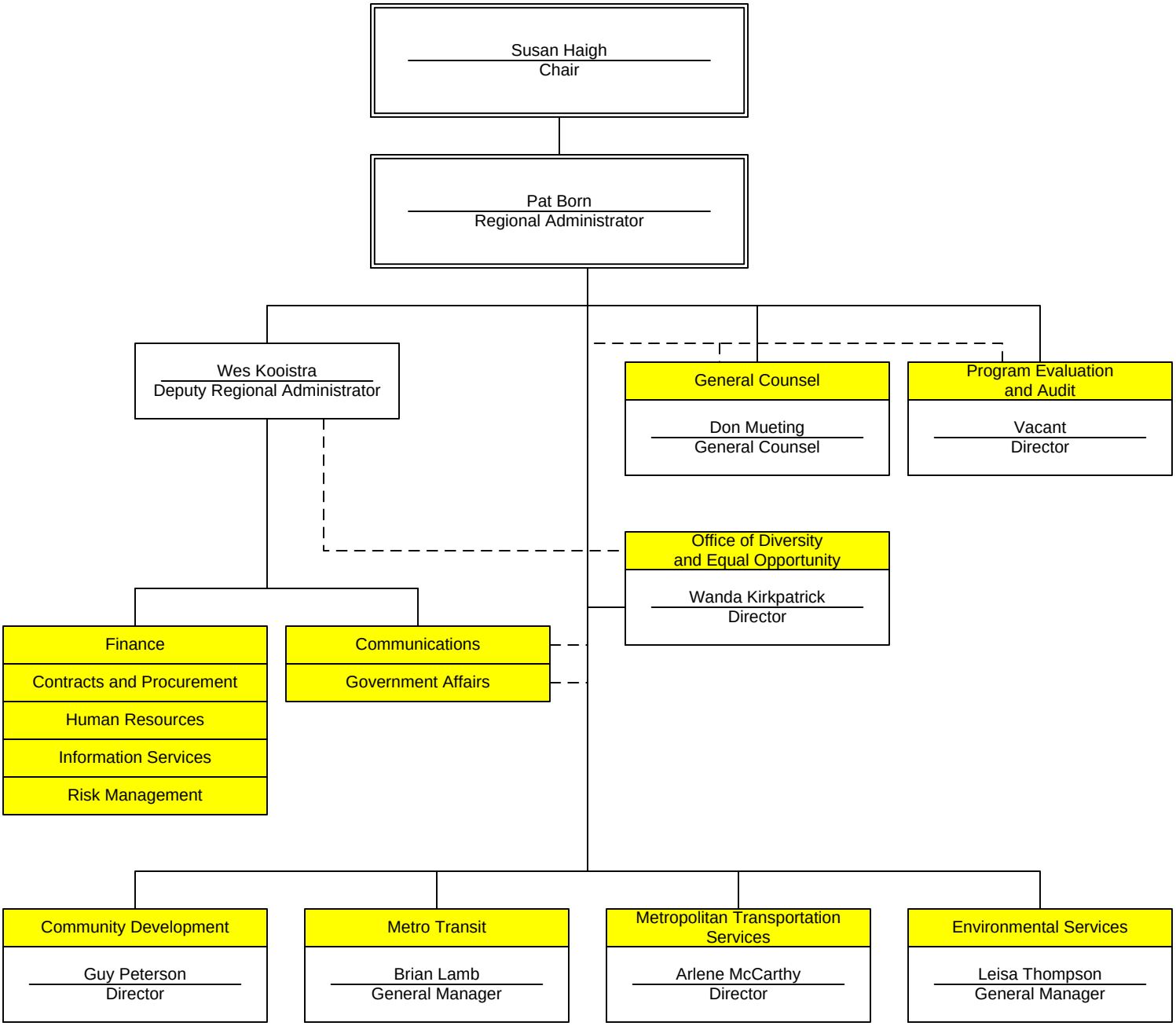
Metropolitan Council of the Twin Cities Area Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

Metropolitan Council Organizational Chart



December 2013

	Term of Office	
	First Appointed	End of Term
COUNCIL MEMBERS		
Chair -		
Susan Haigh	Jan. 12, 2011	Jan. 1, 2015
District Members -		
District No. 1 -		
Katie Rodriguez	July 17, 2013	Jan. 5, 2015
District No. 2 -		
Lona Schreiber	March 2, 2011	Jan. 1, 2015
District No. 3 -		
Jennifer Munt	March 2, 2011	Jan. 1, 2015
District No. 4 -		
Gary Van Eyll	March 2, 2011	Jan. 1, 2015
District No. 5 -		
Steve Elkins	March 2, 2011	Jan. 1, 2015
District No. 6 -		
James Brimeyer	March 2, 2011	Jan. 1, 2015
District No. 7 -		
Gary Cunningham	March 2, 2011	Jan. 1, 2015
District No. 8 -		
Adam Duininck	March 2, 2011	Jan. 1, 2015
District No. 9 -		
Edward Reynoso	March 2, 2011	Jan. 1, 2015
District No. 10 -		
Marie McCarthy	Nov. 30, 2013	Jan. 5, 2015
District No. 11 -		
Sandy Rummel	March 2, 2011	Jan. 1, 2015
District No. 12 -		
Harry Melander	March 2, 2011	Jan. 1, 2015
District No. 13 -		
Rich Kramer	March 2, 2011	Jan. 1, 2015
District No. 14 -		
Jon Commers	March 2, 2011	Jan. 1, 2015
District No. 15 -		
Steven Chávez	March 2, 2011	Jan. 1, 2015
District No. 16 -		
Wendy Wulff	Apr. 22, 2009	Jan. 1, 2015

OFFICERS

Susan Haigh, appointed	Chair
Harry Melander	1st Vice-Chair
Mary Bogie	Treasurer
Emily Getty	Secretary

FINANCIAL ADMINISTRATIVE OFFICIALS

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

Serving the Twin Cities seven-county metropolitan area

FINANCIAL SECTION

Serving the Twin Cities seven-county metropolitan area

REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
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INDEPENDENT AUDITOR'S REPORT

Metropolitan Council of the Twin Cities Area
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Metropolitan Council of the Twin Cities Area, a component unit of the State of Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Metropolitan Council's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

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considers internal control relevant to the Metropolitan Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Metropolitan Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Metropolitan Council of the Twin Cities Area as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note I.C. to the financial statements, in 2013 the Metropolitan Council adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Council's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our consideration of the Metropolitan Council of the Twin Cities Area's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metropolitan Council's internal control over financial reporting and compliance.

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 26, 2014

Serving the Twin Cities seven-county metropolitan area

2013 Comprehensive Annual Financial Report
Management's Discussion and Analysis (Unaudited)

This section of the Metropolitan Council's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the financial activities for the fiscal year ended December 31, 2013. It should be read in conjunction with the preceding transmittal letter and the Metropolitan Council's basic financial statements following this section.

Financial Highlights

The assets of the Council exceeded liabilities at the close of the fiscal year by $3.1 billion. Approximately 89 percent of this amount is invested in capital assets (net of related debt).

Total net position increased by $258 million (9 percent) over the prior year. Net position from business-type activities added $223 million, while governmental activities contributed $35 million. Capital grant revenues, primarily in Metro Transit Light Rail activities, represented 41 percent of program revenues for business-type activities. Fiscal year 2013 was the last full year of construction for the Central Corridor Light Rail Project with anticipated operation of the Green Line light rail line beginning June 2014. The project was 98 percent complete as of fiscal year end 2013. Overall, program revenues decreased by $68 million; capital grant revenues decreased by $102 million, reflecting the end of construction phases for the Green Line light rail and the Red line bus rapid transit projects, and operating grants and charges for services increased by $19 and $15 million, respectively.

The Council's governmental funds reported a combined ending fund balance of $352 million. This represents a decrease of $19 million (5 percent) compared to the previous year and primarily reflects new operating costs related to the opening of the Red line bus rapid transit service, and the pay down of debt, with no new debt issued in 2013.

At the close of the fiscal year, the General Fund reported a total fund balance of $23 million, a slight decrease compared to the previous year. The General Fund unassigned fund balance decreased $1.5 million, while the committed balance increased by $355 thousand and the assigned balance increased by $24 thousand.

The Council retired $136 million in bonds, loans and notes.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that affect cash flows in future periods (e.g. uncollected property taxes, accounts receivable and earned but unused vacation leave).

The government-wide financial statements segregate the activities of the Council into two types of programs or activities:

Governmental Activities – Taxes and intergovernmental revenues are the major revenue sources that fund governmental activities of the Council. Governmental activities include general government, housing, transportation, environment, economic development, and culture and recreation.

Business-type Activities – Business-type activities include services that are intended to recover costs through user charges and fees. The Council's wastewater treatment, public transportation, the Housing and Redevelopment Authority, and internal service are regarded as business-type activities.

The government-wide financial statements can be found on pages 20-21 of this report.

Fund Financial Statements

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

Governmental funds – These funds are used to account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Council's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Metropolitan Council maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Metro Mobility Special Revenue Fund, and Debt Retirement Fund, since all three are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

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

Proprietary funds – These funds are used to account for functions that are classified as "business-type activities" in the government-wide financial statements. Proprietary funds utilize accrual basis accounting which is the same method used by private-sector businesses. Proprietary fund financial statements provide the same type of information as the government-wide statements, only in more detail.

The Metropolitan Council maintains two types of proprietary funds—the enterprise funds and the internal service fund. The Council uses enterprise funds to account for its wastewater treatment, bus transportation, light rail transportation, commuter rail transportation and housing operations. All five funds are considered to be major funds of the Council. Internal service funds are an accounting device used to accumulate and allocate costs internally for goods and services provided by one program of the Council to another. Because the activities reported by internal service funds predominantly benefit business-type functions rather than governmental functions, the internal service funds have been included within business-type activities in the government-wide financial statements.

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

Fiduciary funds – These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Council's own programs.

The basic fiduciary fund financial statement can be found on page 29 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

The notes to the financial statements can be found on pages 30-57 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Metropolitan Council.

The required supplementary information can be found on pages 60-63.

Supplementary Information

Supplementary information includes combining financial statements for nonmajor governmental funds and is presented immediately following the required supplementary information.

The combining financial statements, as well as individual fund and bond statements and schedules can be found on pages 66-86 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 89-114 of this report.

Government-wide Financial Analysis

The following condensed financial information was derived from the government-wide Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. For the Metropolitan Council, assets exceeded liabilities by $3.1 billion on December 31, 2013.

Metropolitan Council Net Position
December 31, 2012 and 2013
(In Thousands)

	Governmental activities		Business-type activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	$ 417,061	$ 388,899	$ 961,321	$ 917,980	$ 1,378,382	$1,306,879
Capital assets	95,485	109,438	3,504,023	3,720,954	3,599,508	3,830,392
Total assets	512,546	498,337	4,465,344	4,638,934	4,977,890	5,137,271
Long-term liabilities outstanding	288,338	247,939	1,627,597	1,579,308	1,915,935	1,827,247
Other liabilities	46,076	37,594	211,676	209,997	257,752	247,591
Total liabilities	334,414	285,533	1,839,273	1,789,305	2,173,687	2,074,838
Net position:						
Net investment in capital assets	50,807	58,498	2,426,834	2,660,971	2,477,641	2,719,469
Restricted	273,620	230,051	271,959	295,447	545,579	525,498
Unrestricted	(146,295)	(75,745)	(72,722)	(106,789)	(219,017)	(182,534)
Total net position	$ 178,132	$ 212,804	$ 2,626,071	$ 2,849,629	$2,804,203	$ 3,062,433

By far the largest portion of the Metropolitan Council's net position ($2.7 billion) reflects its investment in capital assets (e.g., land, buildings and infrastructure, vehicles, and equipment) less any related outstanding debt used to acquire those assets. The Council uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Metropolitan Council's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from a combination of other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the Metropolitan Council's net position ($525 million) represents resources that are subject to external restrictions. Net position restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. These components of net position consist of debt service, capital projects, highway right-of-way, economic development, environment, housing, and regional land use. The decrease in the restricted net position ($20 million) came primarily from Transit Capital project programs.

The unrestricted net position for the governmental activities was negative $76 million at year end. Negative unrestricted net position results from debt obligations being reported in governmental activities, while related capital assets are recognized in the business-type activities.

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

The Metropolitan Council's combined net position for governmental and business-type activities increased by $258 million, a 9 percent increase for the year. Business-type activities contributed $224 million (87 percent) of the increase.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Council's net position changed during the year.

Changes in Net Position
Fiscal Years Ended December 31, 2012 and 2013
(In Thousands)

	Governmental activities		Business-type activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program revenues:						
Charges for services	$ 7,988	$ 9,095	$ 307,253	$ 321,019	$ 315,241	$ 330,114
Operating grants and contributions	56,503	90,856	107,104	92,228	163,607	183,084
Capital grants and contributions	62,693	52,380	380,174	288,045	442,867	340,425
General revenues:						
Property taxes	75,043	77,533	-	-	75,043	77,533
Motor vehicle sales tax	36,799	49,094	169,151	170,430	205,950	219,524
Investment earnings	4,419	(4,146)	19,850	33,878	24,269	29,732
Gain on sale of capital assets	350	378	-	222	350	600
Total revenues	243,795	275,190	983,532	905,822	1,227,327	1,181,012
Expenses:						
General government	11,310	11,903	-	-	11,310	11,903
Transportation	116,818	126,384	-	-	116,818	126,384
Culture and recreation	46,358	37,337	-	-	46,358	37,337
Economic development	9,446	12,733	-	-	9,446	12,733
Environment	8,476	5,946	-	-	8,476	5,946
Housing	1,348	1,759	-	-	1,348	1,759
Interest and other charges	7,391	9,445	-	-	7,391	9,445
Environmental services	-	-	200,342	253,333	200,342	253,333
Transit bus	-	-	310,737	316,005	310,737	316,005
Transit light rail	-	-	69,975	66,082	69,975	66,082
Transit commuter rail	-	-	24,716	22,944	24,716	22,944
Housing	-	-	58,406	58,911	58,406	58,911
Total expenses	201,147	205,507	664,176	717,275	865,323	922,782
Increase (decrease) in net position before transfers	42,648	69,683	319,356	188,547	362,004	258,230
Transfers	(21,653)	(35,011)	21,653	35,011	-	-
Increase (decrease) in net position	20,995	34,672	341,009	223,558	362,004	258,230
Net position, beginning	157,137	178,132	2,285,062	2,626,071	2,442,199	2,804,203
Net position, ending	$178,132	$ 212,804	$2,626,071	$2,849,629	$2,804,203	$3,062,433

Governmental Activities

Governmental activities increased the Council's net position by $35 million, compared to $21 million in 2012. Principle components of the change in net position are discussed in the following paragraphs.

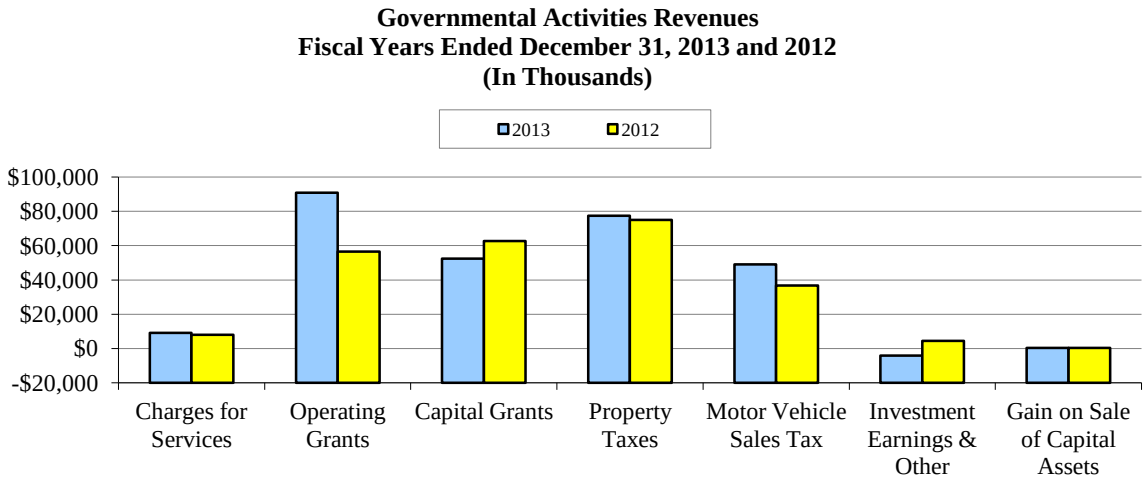
Revenues

Governmental activities are supported by charges for services, and operating and capital grants and contributions. Additionally, general revenues cover any expenses after program specific revenues are applied. In 2013, the Council relied primarily on property taxes and motor vehicle sales tax (MVST), for funding governmental activities beyond program revenues. Specifically, property taxes supported the Council's general fund activity and transit and parks debt service activity, while MVST supported the Council's transportation activities.

Some revenues for the Council's governmental activities are derived directly from the program itself (referred to as charges for services), parties outside the government, taxpayers or citizenry. As a whole, these revenues reduce the net cost of the function to be financed from the government's general revenue.

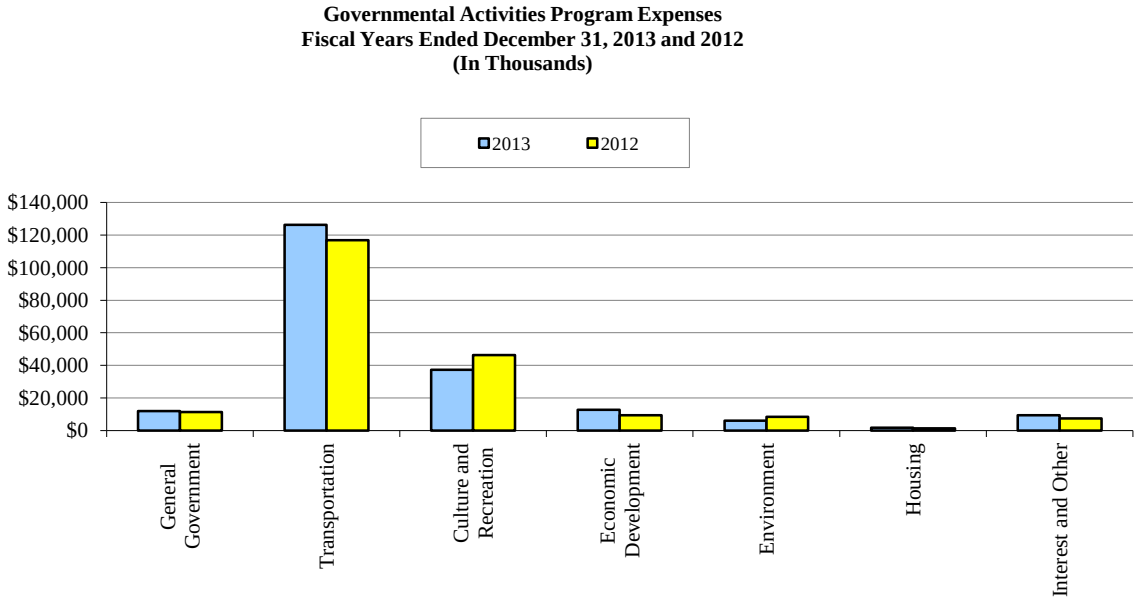
Total program revenues of $152 million, increased by $25 million (20 percent) compared to 2012. Increased operating grant program revenues account for nearly all this change and are mainly due to the first full year of operations for the Red Line bus rapid transit.

Total general revenues were $123 million (an increase of $6 million or 5 percent over the prior year). Compared to 2012, allocation of MVST receipts to governmental activities increased by $12 million while investment earnings decreased by $9 million reflecting low market yields.



Expenses

In 2013, expenses for governmental activities increased by $4 million (2 percent) to $205 million. Expenses related to culture and recreation decreased by $9 million relative to the timing of regional parks reimbursement requests under existing grants. Transportation increased by $10 million reflecting regional fleet replacement activities along with first year operation of the new Red Line bus rapid transit. Interest expenses increased by $2 million reflecting scheduled debt payments. Increases in the Council's livable communities programs for economic development and housing are reflective of the slow recovery of the housing market in the region. The unexpended balances of all livable community grants programs are reported as restricted net position.



Depreciation for the year was $17 million, an increase of $1 million over 2012, reflecting increased capital spending on fleet replacement.

In 2013, net transfers to business-type activities increased by $13 million to $35 million. Transfers were primarily capital expense reimbursements, with Metro Transit Bus and Light Rail as the primary recipients.

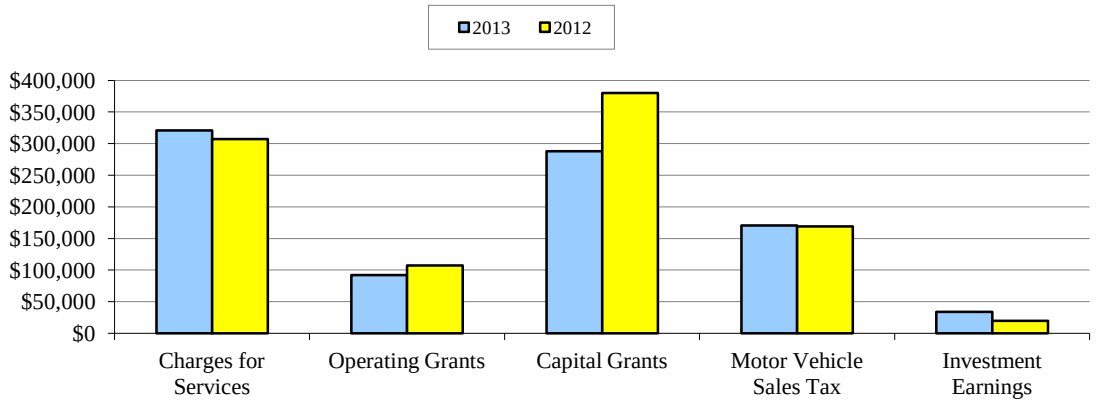
Salaries and benefits decreased $2 million as a result of changing to self-insured medical insurance. Payments to outside transit providers increased by $11 million due to the increase in service demands and the opening of the Red Line.

Business-Type Activities

Revenues

Program revenues for the Council's business-type activities totaled $701 million, or 98 percent of related expenses for fiscal year 2013 compared to $794 million (120 percent of related expenses) in the prior year. Reductions in state and local operating grant revenues were mainly for Metro Transit Bus. Capital contributions for Light Rail decreased by $73 million while Metro Transit Bus and Metro Transit Commuter Rail decreased by $7 million and $3 million, respectively.

Business-type Activities Revenues
Fiscal Years Ended December 31, 2013 and 2012
(In Thousands)

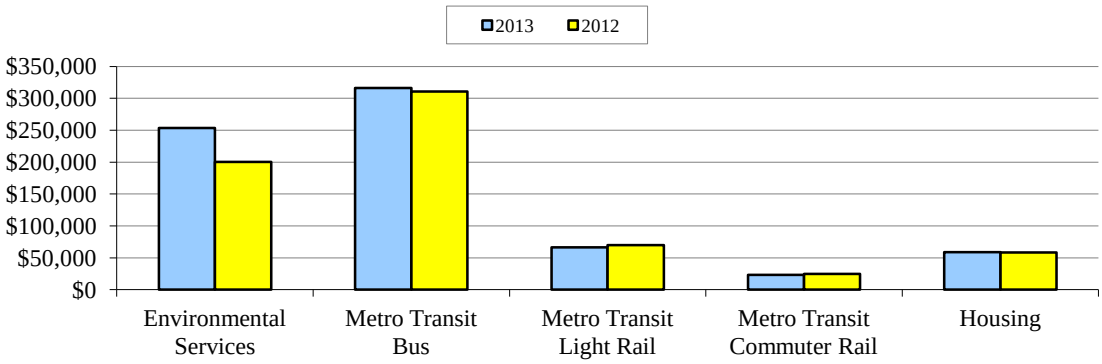


General revenues used to cover extra program expenses come from two sources: MVST and investment earnings. For 2013, MVST revenues increased by $1 million to $170 million. Investment earnings increased by $14 million.

Expenses

Business-type activities in 2013 incurred expenses of $717 million, an increase of $53 million (8 percent) over the prior year. The Environmental Services program expenses increased by $52 million (26 percent) and Housing and Redevelopment Authority increased slightly by $0.5 million (1 percent). Taken together the three Metro Transit programs—Bus, Light Rail, and Commuter Rail—stayed the same.

Business-type Activities Expenses
Fiscal Year Ended December 31, 2013 and 2012
(In Thousands)



Overall salaries and benefit related expenses increased by $15 million to $304 million. Increased staffing to support new operations for the Metro Transit Green Line light rail opening in June 2014 is the primary reason for this change.

Depreciation expense remained the same for 2013 at $151 million compared to 2012.

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

Financial Analysis of the Governmental Funds

As noted earlier, the Metropolitan Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Metropolitan Council's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Metropolitan Council's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Council's governmental funds reported combined total fund balances of $352 million, a decrease of $19 million compared to the prior year. Of that total fund balance, $288 million is considered restricted, $70 million is committed, and $4 million is assigned, leaving an unassigned balance of a negative $10 million.

During 2013, the Council did not issue any new general obligation bonds or any general obligation refunding bonds.

Revenues from all governmental funds for the current year were $275 million, an increase of $30 million (12 percent) over the previous year. Of the total increase in revenues, state grants increased $50 million, while federal capital grants decreased $16 million all related to the Red Line going into operations. Taxes increased by $2.5 million. Investment earnings decreased by $9 million. Other small variances in local and miscellaneous revenues made up the balance.

Expenditures for all governmental funds in the current year were $260 million, a decrease of $5 million from the previous year. Culture and recreational program expenditures decreased by $9 million reflecting decreased reimbursement requests from regional parks. The Council's livable communities programs (housing, economic development, and environment rehabilitation) spending increased by $1 million, reflecting the housing market and regional government budget changes. Transportation expenditures increased by $10 million to $112 million due to increased pass-through of Motor Vehicle Sales Tax to suburban transit providers and an increase in ridership demand for Metro Mobility. Debt service principal and interest payments decreased by $5 million (total of $50 million). Capital outlay decreased by $3 million to $29 million due to the end of the construction on the Cedar Avenue bus rapid transit project (red line).

The General Fund is the Council's principal governmental operating fund. During the current year, the fund balance in the General Fund decreased by $1 million to $23 million (5 percent). A planned use of reserves transfer to livable communities programs for transit oriented development grants accounts for the decrease in fund balance. At the end of 2013, $6 million was committed for specific purposes and $4 million was assigned for existing obligations, leaving $12 million unassigned.

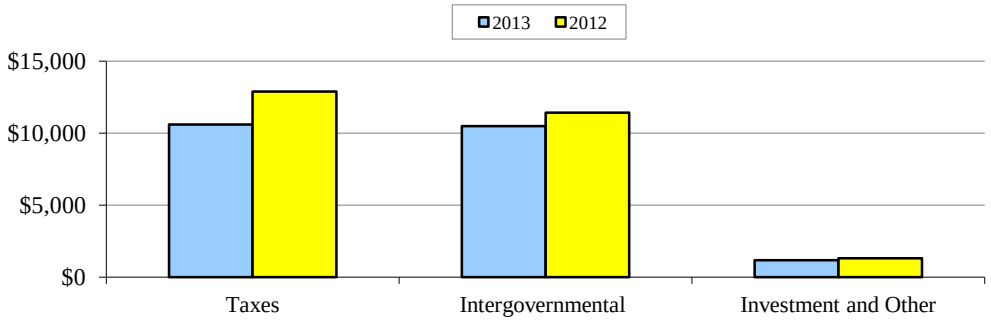
The following table provides the changes in revenues by source from 2012 to 2013.

General Fund
Revenues by Source and Other Financing Sources
Fiscal Years Ended December 31, 2012 and 2013
(In Thousands)

	2012		2013		
	Amount	Percent of Total	Amount	Percent of Total	Increase (Decrease)
Revenues by Source					
Taxes	$12,879	50%	$10,602	47%	$(2,277)
Intergovernmental Revenues	11,423	44%	10,494	47%	(929)
Investment Income and Other	1,298	5%	1,360	6%	62
Total Revenue	$25,600	99%	$22,456	100%	$(3,144)
Transfers In	270	1%	-	0%	(270)
Total Revenue and Other Financing Sources	$25,870	100%	$22,456	100%	$(3,414)

General Fund revenues decreased by $3 million over the previous year due to a decrease in the operating portion of the Council's property tax levy and a federal Housing and Redevelopment Authority - HUD sustainable communities program grant. Investment income remained flat compared to 2012.

General Fund
Revenues by Source and Other Financing Sources
Fiscal Years Ended 2013 and 2012
(In Thousands)

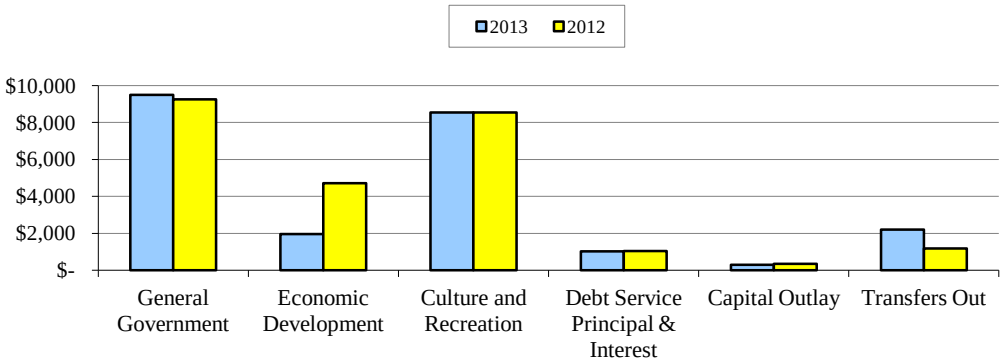


The following table provides the changes in expenditures by function from 2012 to 2013.

General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2012 and 2013
(In Thousands)

	2012		2013		
	Amount	Percent of Total	Amount	Percent of Total	Increase (Decrease)
Expenditures by Function					
General Government	$ 9,253	37%	$ 9,503	40%	$ 250
Culture and Recreation	8,540	34%	8,540	36%	-
Economic Development	4,716	19%	1,966	9%	(2,750)
Debt Service (Principal Only)	595	2%	615	3%	20
Debt Service (Interest Only)	437	2%	416	2%	(21)
Capital Outlay	355	1%	296	1%	(59)
Total Expenditures	$23,896	95%	$21,336	91%	$ (2,560)
Transfers Out	1,181	5%	2,209	9%	1,028
Total Expenditures and Other Financing Uses	$25,077	100%	$23,545	100%	$ (1,532)

General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2013 and 2012
(In Thousands)



General Fund expenditures (net of allocations) during the current year were $21 million, a decrease of $3 million from the previous year. Other financing uses-transfers out, increased by $1 million. The General Fund budgeted and transferred out $2 million for livable communities as required by State legislation and planned use of reserves noted earlier and, $188 thousand to Environmental Services (a business-type activity) for reimbursement of water supply program expenditures and closeout of activities. Actual expenditures for general government expenses were under budget primarily due to lower than anticipated spending on contracted services for technology projects will carry-forward into 2014 through the budget process.

In 2013, the Metro Mobility Fund balance increased by $27 million to $50 million. Metro Mobility's total revenues increased by $32 million to $77 million. State appropriation revenues increased by $36 million. Fare revenues increased by 11.7% to $6.5 million while the number of passenger trips and passenger miles increased by 7 percent and 8 percent respectively. Total Metro Mobility expenditures increased by $4 million to $50 million, an increase of 9 percent, which is due to the increased passenger miles along with increased transit provider expense.

The Debt Retirement Fund balance decreased by $5 million to $103 million as anticipated for debt repayments. Property tax related revenues were $2 million less at $48 million. Investment earnings decreased by $3 million. Total debt service payments were $49 million, a decrease of $5 million.

Financial Analysis of Proprietary Funds

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

The Council has five enterprise funds: Environmental Services, Metro Transit Bus, Metro Transit Light Rail, Metro Transit Commuter Rail, 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 insurance related to Regional Administration, Metro Transit, and Environmental Services.

Overall, the enterprise funds had a total net position of $2.8 billion at December 31, 2013. The total net position for all enterprise funds increased by $211 million during 2013. Capital contributions and intergovernmental revenues were the largest positive contributors.

The following table summarizes the total assets, total liabilities, operating income (loss), changes in net position, and net position balance for each of the five enterprise funds and the internal service fund from 2012 to 2013.

Proprietary Funds
Key Balance Sheet Account Balances and Revenue and Expense Activities
December 31, 2013 and 2012
(In Thousands)

	Enterprise Funds							
		Metro Transit			Metropolitan Housing and			
	Environmental Services	Bus	Light Rail	Commuter Rail	Redevelopment Authority	Total 2012	Total 2013	Internal Service
Assets	$ 2,118,413	$715,734	$ 1,539,170	$ 223,598	$ 25,903	$ 4,468,733	$ 4,622,818	$ 17,731
Liabilities	1,435,941	117,755	219,915	9,860	2,024	1,842,662	1,785,495	4,604
Operating Income (Loss)	10,954	(240,219)	(53,998)	(20,325)	(58,340)	(350,873)	(361,928)	12,987
Changes in Net Position	(10,268)	19,992	207,287	(4,875)	(884)	341,009	211,252	13,127
Net Position	682,472	597,979	1,319,255	213,738	23,879	2,626,071	2,837,323	13,127

The Environmental Services Fund accounts for the operations, maintenance, and design of the regional wastewater (sanitary sewer) system. Normal operations were positive. Net capital assets increased by $39 million.

Metro Transit Bus is the region's largest provider of directly provided bus transit service. For December 31, 2013, invested in capital assets, net of related debt was $478 million, an increase of $11 million. Motor vehicle sales taxes revenues contributed significantly to the increase.

The Metro Transit Light Rail Fund provides the region's light rail transit service. For December 31, 2013, the invested in capital assets, net of related debt was $1.3 billion, an increase of $0.2 billion. Capital contributions for the Central Corridor Light Rail Transit (CCLRT) project contributed significantly to the increase. Fiscal year 2013 was the third and last full year of construction for the CCLRT project. At year end, 98% of the project was completed.

The Metro Transit Commuter Rail Fund provides the region's commuter rail transit service. For December 31, 2013, the invested in capital assets, net of related debt was $207 million, a decrease of $7 million mostly from accumulated depreciation.

The Metropolitan Housing and Redevelopment Authority provides affordable housing under the Federal "Section 8" program. The net position balance for the year ended December 31, 2013, was $24 million, of which $15 million was invested in capital assets, net of related debt.

General Fund Budgetary Highlights

The original expenditure budget was increased by $1.6 million to arrive at the final budget of $22.6 million. The increase came from:

- $1.2 million in additional budget carryovers from 2012 including $752 thousand for enterprise wide financial systems and $355 thousand for professional services related to the Thrive MSP 2040, and
- $355 thousand for capital maintenance for the Council's central office building and $70,000 for community outreach activities related to the development of the Council's Thrive MSP 2040 plan.

During the year, however, actual operating expenditures were $1.3 million less than the final budget due primarily to lower than anticipated expenditures for salaries and benefits, contracted services, and governmental grants.

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, 2013, was $3.8 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, treatment plants, machinery, equipment, and vehicles.

Metropolitan Council Capital Assets
(Net of Accumulated Depreciation)
December 31, 2013 and 2012
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land and land improvements	$ 6,958	$ 6,958	$ 214,747	$ 219,753	$ 221,705	$ 226,711
Buildings and infrastructure	13,688	13,279	1,920,414	1,926,441	1,934,102	1,939,720
Vehicles and other equipment	72,606	79,667	549,167	571,931	621,773	651,598
Construction in progress	2,233	9,534	819,695	1,002,829	821,928	1,012,363
Total	$ 95,485	$ 109,438	$ 3,504,023	$ 3,720,954	$3,599,508	$3,830,392

The Metropolitan Council's net capital assets for governmental activities increased by $14 million for the year.

The business-type activities had an increase of $217 million including $175 million in Metro Transit Light Rail for the Central Corridor light rail project and $11 million in Metro Transit Bus. Environmental Services increased by $39 million.

Additional information on the Metropolitan Council's capital assets can be found in Note IV.E on pages 44-45 of this report.

Debt Administration

At the end of the fiscal year, the Metropolitan Council had total bonds and loans outstanding of $1.6 billion. Of this amount, $1.1 billion was for general obligation bonds issued by the Metropolitan Council, and $491 million was for loans from the State of Minnesota Public Facilities Authority. General obligation bonds and loans are backed by the full faith and credit of the Metropolitan Council. Additionally, the Council did not have revenue refunding bonds outstanding at year end.

Metropolitan Council Outstanding Debt
General Obligation Bonds and Loans
December 31, 2012 and 2013
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
General obligation bonds and notes	$249,135	$212,200	$1,020,170	$934,640	$ 1,269,305	$ 1,146,840
State of Minnesota loans	8,255	7,030	449,690	484,379	457,945	491,409
Subtotal of general obligation bonds and loans	257,390	219,230	1,469,860	1,419,019	1,727,250	1,638,249
Revenue bonds	1,365	-	-	-	1,365	-
Total bonds, notes and loans	$258,755	$219,230	$1,469,860	$1,419,019	$1,728,615	$1,638,249

The Metropolitan Council's total debt decreased by $90 million (5 percent) during the current year. General obligation bonds decreased by $122 million and the State of Minnesota Public Facilities Authority loans increased by $33 million. During the year, the Council issued no new bonds or refunding bonds, while retiring $136 million of bonds, loans and notes. Also during 2013, the Metropolitan Council drew down $46 million in State of Minnesota loans and repaid $13 million on existing State of Minnesota loans.

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

Minnesota statutes do not limit the amount of general obligation debt on wastewater bonds. The state statutes limit the amount of general obligation debt the Metropolitan Council may issue for regional recreation open space at $40 million. Currently, the Council has unused authority of $32.9 million.

Transit debt is subject to limited amounts as authorized by statute. At the end of the year, the Metropolitan Council had unused authority of $89.9 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 47-51 of this report.

Economic Factors and Next Year's Budgets and Rates

The Council’s operating budget relies on several funding sources. For 2014, total state revenues (state general fund appropriations and motor vehicle sales taxes) representing 47 percent of total operating revenue increased 10 percent. The Council uses the state November forecast to establish budget parameters for motor vehicle sales taxes. The February forecast showed favorable variance. Receipts in excess of budget fall to reserve balances and are considered in the next budget cycle. User fees from wastewater treatment and transit services represent 39 percent of total operating revenues and increase 7 percent for the 2014 operating budget reflecting continued economic recovery and strong ridership. The certified property tax levy approved by the Council for payable in 2014 represents a 2 percent increase over the previous year’s levy. The general purposes levy is 100 percent of its statutory levy limit. Property tax revenue collections have historically been in line with budgeted original estimates.

Requests for Information

This financial report is designed to provide a general overview of the Metropolitan Council's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Council, 390 Robert Street North, St. Paul, Minnesota 55101.

Serving the Twin Cities seven-county metropolitan area

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
DECEMBER 31, 2013
IN THOUSANDS

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 245,990	$ 319,856	$ 565,846
Cash with fiscal agent	30,740	-	30,740
Receivables, net	4,069	18,162	22,231
Internal balances	821	(821)	-
Due from other governmental units	60,002	22,946	82,948
Inventory	-	32,243	32,243
Prepaids and other	-	2,139	2,139
Loans and advances	47,277	1,539	48,816
Restricted assets:			
Cash and cash equivalents	-	138,647	138,647
Cash with fiscal agent	-	224,354	224,354
Receivables, net	-	5,287	5,287
Due from other governmental units	-	153,628	153,628
Capital assets not being depreciated			
Land	6,958	219,753	226,711
Construction in progress	9,534	1,002,829	1,012,363
Capital assets (net of accumulated depreciated)			
Buildings and infrastructure	13,279	1,926,441	1,939,720
Vehicles	78,076	345,510	423,586
Equipment	1,591	226,421	228,012
Total assets	498,337	4,638,934	5,137,271
LIABILITIES			
Accounts payable and other current liabilities	33,721	47,481	81,202
Accrued interest payable	3,216	-	3,216
Unearned revenue	657	8,619	9,276
Liabilities payable from restricted assets	-	76,737	76,737
Unearned revenue-restricted	-	77,160	77,160
Noncurrent liabilites:			
Due within one year	34,268	176,240	210,508
Due in more than one year	213,671	1,403,068	1,616,739
Total liabilities	285,533	1,789,305	2,074,838
NET POSITION			
Net investment in capital assets	58,498	2,660,971	2,719,469
Restricted for:			
Debt service	67,207	224,115	291,322
Capital projects	40,696	71,203	111,899
Highway right-of-way	56,296	-	56,296
Economic development	41,767	-	41,767
Environment	19,682	-	19,682
Housing	3,192	129	3,321
Regional land use	1,211	-	1,211
Unrestricted	(75,745)	(106,789)	(182,534)
Total net position	$ 212,804	$ 2,849,629	$ 3,062,433

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Function/program	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities:							
General government	$ 11,903	$ 196	$ -	$ 1,987	$ (9,720)	$ -	$ (9,720)
Transportation	126,384	8,899	79,657	18,751	(19,077)	-	(19,077)
Culture and recreation	37,337	-	8,561	31,642	2,866	-	2,866
Economic development	12,733	-	1,933	-	(10,800)	-	(10,800)
Environment	5,946	-	-	-	(5,946)	-	(5,946)
Housing	1,759	-	-	-	(1,759)	-	(1,759)
Interest and other charges	9,445	-	705	-	(8,740)	-	(8,740)
Total governmental activities	205,507	9,095	90,856	52,380	(53,176)	-	(53,176)
Business-type activities:							
Environmental services	253,333	221,381	5,437	2,262	-	(24,253)	(24,253)
Transit bus	316,005	84,444	3,618	46,210	-	(181,733)	(181,733)
Transit light rail	66,082	10,603	16,881	238,448	-	199,850	199,850
Transit commuter rail	22,944	3,597	8,976	1,125	-	(9,246)	(9,246)
Housing	58,911	994	57,316	-	-	(601)	(601)
Total business-type activities	717,275	321,019	92,228	288,045	-	(15,983)	(15,983)
Total governmental and business-type activities	$ 922,782	$ 330,114	$ 183,084	$ 340,425	(53,176)	(15,983)	(69,159)
		General revenues:					
		Property taxes			77,533	-	77,533
		Motor vehicle sales tax			49,094	170,430	219,524
		Investment earnings			(4,146)	33,878	29,732
		Gain on sale of capital assets			378	222	600
		Transfers			(35,011)	35,011	-
		Total general revenues and transfers			87,848	239,541	327,389
		Change in net position			34,672	223,558	258,230
		Net position, beginning			178,132	2,626,071	2,804,203
		Net position, ending			$ 212,804	$ 2,849,629	$ 3,062,433

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013
IN THOUSANDS

	General	Metro Mobility Special Revenue	Debt Retirement	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 24,080	$ 23,441	$ 71,085	$ 127,384	$ 245,990
Cash with fiscal agents	-	-	30,740	-	30,740
Receivables, (net)	31	39	-	-	70
Delinquent taxes receivable	412	-	1,943	513	2,868
Interest receivable	86	104	341	600	1,131
Due from other funds	329	-	-	-	329
Due from other governmental units	3,405	33,543	-	23,054	60,002
Loans and advances	169	-	-	47,108	47,277
Total assets	$ 28,512	$ 57,127	$ 104,109	$ 198,659	$ 388,407
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts/contracts/subgrantees payable	$ 2,524	$ 7,051	$ 1	$ 21,823	$ 31,399
Salaries payable	2,205	-	-	-	2,205
Due to other funds	-	-	-	329	329
Due to other governmental units	-	-	-	117	117
Unearned revenues	657	-	-	-	657
Total liabilities	5,386	7,051	1	22,269	34,707
Deferred inflows of resources:					
Unavailable revenue - taxes	238	-	1,248	284	1,770
Fund balances:					
Restricted	-	-	102,860	185,105	287,965
Committed	6,363	50,076	-	13,262	69,701
Assigned	4,242	-	-	-	4,242
Unassigned	12,283	-	-	(22,261)	(9,978)
Total fund balances	22,888	50,076	102,860	176,106	351,930
Total liabilities, deferred inflows of resources and fund balances	$ 28,512	$ 57,127	$ 104,109	$ 198,659	$ 388,407

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, 2013 IN THOUSANDS

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

Fund balances-total governmental funds (page 22)	$	351,930
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		109,438
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in business-type activities in the Statement of Net Position		821
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,770
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(251,155)
Net position of governmental activities (page 20)	$	212,804

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, 2013
IN THOUSANDS

	General	Metro Mobility Special Revenue	Debt Retirement	Nonmajor Governmental Funds	Total
REVENUES					
Taxes	$ 10,602	$ -	$ 48,335	$ 18,983	$ 77,920
Intergovernmental revenue:					
Federal	1,933	1	-	20,695	22,629
Build America bonds interest subsidy	-	-	937	-	937
State	8,561	70,817	705	85,118	165,201
Local/other	-	-	-	3,653	3,653
Investment income	1,180	(519)	(1,884)	(2,923)	(4,146)
Other	180	6,508	-	2,317	9,005
Total revenues	22,456	76,807	48,093	127,843	275,199
EXPENDITURES					
Current:					
General government	9,503	-	16	1,713	11,232
Transportation	-	49,908	-	25,703	75,611
Economic development	275	-	-	-	275
Intergovernmental:					
Transportation	-	-	-	36,289	36,289
Culture and recreation	8,540	-	-	28,797	37,337
Economic development	1,691	-	-	10,767	12,458
Environment	-	-	-	5,946	5,946
Housing	-	-	-	1,759	1,759
Debt service:					
Principal	615	-	39,525	-	40,140
Interest and other charges	416	-	9,243	-	9,659
Capital outlay	296	-	-	28,996	29,292
Total expenditures	21,336	49,908	48,784	139,970	259,998
Excess (deficiency) of revenues over (under) expenditures	1,120	26,899	(691)	(12,127)	15,201
OTHER FINANCING SOURCES (USES)					
Transfers in	-	21	-	2,295	2,316
Transfers out	(2,209)	-	(4,101)	(31,017)	(37,327)
Sale of capital assets	-	-	-	532	532
Total other financing sources (uses)	(2,209)	21	(4,101)	(28,190)	(34,479)
Net change in fund balances	(1,089)	26,920	(4,792)	(40,317)	(19,278)
Fund balances, beginning	23,977	23,156	107,652	216,423	371,208
Fund balances, ending	$ 22,888	$ 50,076	$ 102,860	$ 176,106	$ 351,930

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, 2013 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)	$	(19,278)
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.		12,690
The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to increase net position.		1,263
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net Revenue (expense) of internal service funds activities reported with governmental activities.		821
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.		40,354
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.		(791)
Change in net position of governmental activities (page 21)	$	34,672

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013
IN THOUSANDS

	Business-type Activities						
	Enterprise Funds						
		Metro Transit					
	Environmental Services	Bus	Light Rail	Commuter Rail	Metropolitan Housing and Redevelopment Authority	Total	Internal Service Fund
ASSETS							
Current assets:							
Cash and cash equivalents	$ 100,100	$ 185,261	$ 118	$ 7,967	$ 8,899	$ 302,345	$ 17,511
Receivables, net	6,150	7,299	265	4,062	166	17,942	220
Due from other governmental units	2,806	16,423	2,765	612	340	22,946	-
Due from restricted assets	-	-	-	794	-	794	-
Inventory	8,065	15,673	7,053	1,452	-	32,243	-
Prepaids and other	156	1,399	65	519	-	2,139	-
Restricted assets:							
Cash and cash equivalents	31,433	4,085	102,747	-	382	138,647	-
Cash with fiscal agent	224,354	-	-	-	-	224,354	-
Receivables, net	4,774	24	489	-	-	5,287	-
Due from other governmental units	-	6,313	146,394	911	-	153,618	-
Total current assets	377,838	236,477	259,896	16,317	9,787	900,315	17,731
Noncurrent assets:							
Capital assets:							
Land	21,133	44,662	47,991	99,561	6,406	219,753	-
Buildings and infrastructure	2,579,907	345,874	286,095	72,561	21,367	3,305,804	-
Vehicles	7,939	389,230	128,776	50,521	-	576,466	-
Equipment	29,335	103,946	206,999	11,062	100	351,442	-
Construction in progress	119,896	5,940	876,951	42	-	1,002,829	-
Less accumulated depreciation	(1,018,059)	(411,520)	(267,538)	(26,466)	(11,757)	(1,735,340)	-
Net capital assets	1,740,151	478,132	1,279,274	207,281	16,116	3,720,954	-
Due from other governments-restricted	10	-	-	-	-	10	
Advances and loans	414	1,125	-	-	-	1,539	-
Total noncurrent assets	1,740,575	479,257	1,279,274	207,281	16,116	3,722,503	-
Total assets	2,118,413	715,734	1,539,170	223,598	25,903	4,622,818	17,731
LIABILITIES							
Current liabilities:							
Accounts payable	7,311	8,199	575	639	104	16,828	4,601
Salaries payable	3,569	14,952	145	14	177	18,857	-
Compensated absences payable	3,730	13,410	1,450	124	51	18,765	-
Due to other governmental units	-	-	1,190	5,114	-	6,304	-
Unearned revenue	5,309	3,307	-	-	-	8,616	3
Accrued claims	373	3,826	180	53	-	4,432	-
Other	-	891	-	-	-	891	-
Restricted liabilities:							
Payables from restricted assets	23,597	5,055	35,383	122	-	64,157	-
Accrued interest payable from restricted assets	11,822	-	511	-	-	12,333	-
Bonds/loans payable from restricted assets	93,043	-	60,000	-	-	153,043	-
Due to other governmental units from restricted assets	-	86	161	-	-	247	-
Due to current assets	-	-	-	794	-	794	-
Unearned revenue from restricted assets	43,846	253	33,061	-	-	77,160	-
Total current liabilities	192,600	49,979	132,656	6,860	332	382,427	4,604
Noncurrent liabilities:							
Compensated absences payable	4,681	1,774	-	-	34	6,489	-
Accrued claims	607	7,603	1,000	3,000	253	12,463	-
Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding)	1,221,810	-	86,259	-	1,405	1,309,474	-
OPEB liability	16,243	58,399	-	-	-	74,642	-
Total noncurrent liabilities	1,243,341	67,776	87,259	3,000	1,692	1,403,068	-
Total liabilities	1,435,941	117,755	219,915	9,860	2,024	1,785,495	4,604
NET POSITION							
Net investment in capital assets	681,573	478,132	1,279,274	207,281	14,711	2,660,971	-
Restricted for:							
Debt service	224,115	-	-	-	-	224,115	-
Capital projects	31,920	5,028	34,255	-	-	71,203	-
Housing operations	-	-	-	-	129	129	-
Unrestricted	(255,136)	114,819	5,726	6,457	9,039	(119,095)	13,127
Total net position	$ 682,472	$ 597,979	$ 1,319,255	$ 213,738	$ 23,879	$ 2,837,323	$ 13,127
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						12,306	
Net position of business-type activities (page 20)						$ 2,849,629	

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, 2013
IN THOUSANDS

	Business-type Activities						
	Enterprise Funds						
		Metro Transit					
	Environmental Services	Bus	Light Rail	Commuter Rail	Metropolitan Housing and Redevelopment Authority	Total	Internal Service Fund
Operating revenues:							
Charges for services:							
Wastewater and industrial strength charges	$ 192,261	$ -	$ -	$ -	$ -	$ 192,261	$ -
Transit fares	-	80,397	9,809	2,602	-	92,808	-
Tenant rent	-	-	-	-	571	571	-
Advertising and auxiliary	-	3,137	737	17	-	3,891	-
Insurance premiums	-	-	-	-	-	-	68,083
Total operating revenues	192,261	83,534	10,546	2,619	571	289,531	68,083
Operating expenses:							
Salaries and employee benefits	65,275	211,678	20,132	4,048	3,257	304,390	-
Contracted services	16,693	9,910	1,268	4,523	1,616	34,010	142
Materials and supplies	8,444	41,637	5,768	1,989	38	57,876	-
Insurance	1,069	1,727	233	1,386	90	4,505	-
Utilities	17,337	3,767	3,126	634	193	25,057	-
Advertising	-	1,029	25	2	-	1,056	-
Housing related expenses	-	-	-	-	52,297	52,297	-
Claims	-	-	-	-	-	-	52,084
Other	14,154	1,421	2,323	2,596	351	20,845	2,870
Depreciation	58,335	52,584	31,669	7,766	1,069	151,423	-
Total operating expenses	181,307	323,753	64,544	22,944	58,911	651,459	55,096
Operating income (loss)	10,954	(240,219)	(53,998)	(20,325)	(58,340)	(361,928)	12,987
Nonoperating revenues (expenses):							
Intergovernmental	5,437	172,502	18,925	13,485	57,316	267,665	-
Pass-through grants	-	(1,799)	(348)	-	-	(2,147)	-
Sewer availability charges	28,510	-	-	-	-	28,510	-
Investment income	16,974	22,857	(5,091)	(120)	(283)	34,337	140
Interest and fiscal charges	(35,436)	-	(1,190)	-	-	(36,626)	-
Gain/(loss) on sale of capital assets	(608)	222	-	-	-	(386)	-
Other	(38,549)	869	57	978	423	(36,222)	-
Total nonoperating revenues (expenses)	(23,672)	194,651	12,353	14,343	57,456	255,131	140
Income (loss) before contributions and transfers	(12,718)	(45,568)	(41,645)	(5,982)	(884)	(106,797)	13,127
Capital contributions	2,262	41,334	238,591	851	-	283,038	-
Transfers in	188	24,226	10,341	256	-	35,011	-
Total contributions and transfers	2,450	65,560	248,932	1,107	-	318,049	-
Change in net position	(10,268)	19,992	207,287	(4,875)	(884)	211,252	13,127
Total net position, beginning	692,740	577,987	1,111,968	218,613	24,763		-
Total net position, ending	$ 682,472	$ 597,979	$ 1,319,255	$ 213,738	$ 23,879		$ 13,127
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.						12,306	
Changes in net position of business-type activities (page 21)						$ 223,558	

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, 2013
IN THOUSANDS

	Business-type Activities						
	Enterprise Funds						
		Metro Transit			Metropolitan Housing and		
	Environmental Services	Bus	Light Rail	Commuter Rail	Redevelopment Authority	Total	Internal Service Fund
Cash flows from operating activities							
Receipts from customers and users	$ 191,360	$ 82,475	$ 9,789	$ (974)	$ 1,000	$ 283,650	$ -
Payments connected with interfund services	-	-	-	-	-	-	67,866
Payments to suppliers	(57,314)	(57,686)	(13,358)	(11,814)	(54,611)	(194,783)	(50,495)
Payments to employees	(64,485)	(211,119)	(19,424)	(4,006)	(3,262)	(302,296)	-
Receipts from others	1,373	4,006	793	995	-	7,167	-
Net cash provided (used) by operating activities	70,934	(182,324)	(22,200)	(15,799)	(56,873)	(206,262)	17,371
Cash flows from noncapital financing activities							
Transfers in	188	516	4,345	-	-	5,049	-
Short-term loan from other funds	-	3,046	-	-	-	3,046	-
Short-term loan to other funds	-	-	(3,046)	-	-	(3,046)	-
Intergovernmental receipts	2,869	171,240	21,597	20,468	57,317	273,491	-
Pass-through grant payments	-	(1,799)	(348)	-	-	(2,147)	-
Net cash provided by non-capital financing activities	3,057	173,003	22,548	20,468	57,317	276,393	-
Cash flows from capital and related financing activities							
Transfers in (out) - for capital purposes	-	23,710	5,996	256	-	29,962	-
Capital contributions	2,262	39,470	185,959	345	-	228,036	-
Proceeds from capital debt	56,127	-	-	-	-	56,127	-
Proceeds from sewer availability charges	38,035	-	-	-	-	38,035	-
Proceeds from sale of capital assets	47	222	-	-	-	269	-
Purchase of capital assets	(124,006)	(62,174)	(229,745)	(1,002)	-	(416,927)	-
Principal paid on capital debt	(77,171)	-	(20,000)	-	-	(97,171)	-
Interest paid on capital debt	(42,273)	-	(1,448)	-	-	(43,721)	-
Net cash provided by (used in) capital and related financing activities	(146,979)	1,228	(59,238)	(401)	-	(205,390)	-
Cash flows from investing activities							
Investment purchased/sale	17,329	-	-	-	-	17,329	140
Interest received/paid	17,600	22,853	(5,091)	(138)	(286)	34,938	-
Net cash provided by (used in) investing activities	34,929	22,853	(5,091)	(138)	(286)	52,267	140
Net increase (decrease) in cash and cash equivalents	(38,059)	14,760	(63,981)	4,130	158	(82,992)	17,511
Balances, beginning	169,592	174,586	166,846	3,837	9,123	523,984	-
Balances, ending	$ 131,533	$ 189,346	$ 102,865	$ 7,967	$ 9,281	$ 440,992	$ 17,511
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	$ 10,954	$ (240,219)	$ (53,998)	$ (20,325)	$ (58,340)	$ (361,928)	$ 12,987
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	58,335	52,584	31,669	7,766	1,069	151,423	-
Other non-operating	1,373	869	56	978	423	3,699	-
Change in assets and liabilities:							
Accounts receivable	3,549	918	(20)	(3,576)	(49)	822	(220)
Due from employees	29	-	-	-	-	29	-
Materials and supplies (inventory)	64	8	(709)	(245)	-	(882)	-
Prepaid expenses and other current assets	(156)	261	(8)	121	-	218	-
Accounts payable	475	1,735	102	(560)	28	1,780	4,601
Accrued payroll liabilities	178	(2,726)	708	42	(4)	(1,802)	-
Accrued OPEB liabilities	583	3,284	-	-	-	3,867	-
Unearned revenues	(4,450)	1,160	-	-	-	(3,290)	3
Other liabilities	-	(198)	-	-	-	(198)	-
Net cash provided (used) by operating activities	$ 70,934	$ (182,324)	$ (22,200)	$ (15,799)	$ (56,873)	$ (206,262)	$ 17,371
Non-cash investing, capital and related financing activities:							
Loss on disposition of capital assets	$ (643)	$ -	$ -	$ -	$ -	$ (643)	$ -
Change in fair value of investments	3,491	4,008	5,126	241	369	13,235	-

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2013
IN THOUSANDS

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 1,893
LIABILITIES	
Due to participants	$ 1,893

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

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I. Summary of significant accounting policies

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

A. Reporting entity

The Council was established under Minnesota Laws 1967, Chapter 896, and began operations on August 8, 1967. The Council currently operates under Minnesota Statutes, Sections 473.121, et seq. The Council is governed by 17 Council members, appointed by the governor, from the Twin Cities Metropolitan Area, which includes the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

Since its creation, the Council has been responsible for coordinating the planning and development of the Metropolitan Area. In 1994, state legislation broadened the Council's responsibilities to include operating the public transit system and the regional wastewater collection and treatment system.

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect costs including salaries, contracted services, rent, utilities, postage, printing and other overhead costs are included in the program expense reported for the individual functions and activities on the statement of activities. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported, instead, as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary funds. Fiduciary fund financial statements are reported using the accrual basis of accounting, although they do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Council.

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

- General Fund is the Council's primary operation fund. It accounts for all financial resources of the general government, except those required to be 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

Additionally, the Council reports the following internal service fund:

- Internal Service fund, accounts for the financing of services provided any one agency to other agencies on a cost reimbursement or other basis. The activities reported as internal service funds include the Employee Health Plan Self Insurance fund used to account for the Council's self insured health benefit plan.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Environmental Services (MCES) enterprise fund are charges to customers for municipal wastewater services. MCES also recognizes revenues intended to recover the cost of adding new customers to the system. The principal operating revenues of the Metro Transit Bus enterprise fund are fares charged to customers for bus transportation. The principal operating revenues of the Metro Transit Light Rail and Metro Transit Commuter Rail enterprise funds are fares charged to customers for rail transportation. For the Metropolitan Housing and Redevelopment Authority (HRA) enterprise fund housing rental is the principal operating revenue.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, interest, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, then unrestricted resources as they are needed.

The Council also reports Agency funds. Agency Funds are used to account for the assets held by the Council as an agent for individuals, private organizations, and/or other governments. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services, such as administrative and financial services, provided and used are not eliminated in the process of consolidation.

During the year ended December 31, 2013, the Council adopted GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

No restatements of December 31, 2012 net position (formerly net assets) occurred as a result of adopting GASB Statement No.65.

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, 2013, 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.

(i) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, Section 118A.04 subd.6;

(ii) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(iii) General obligations of the State of Minnesota and its municipalities; and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(iv) Bankers' acceptances of United States banks;

(v) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(vi) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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

The majority of the Council's OPEB investments are held in a revocable trust currently administered by the Minnesota Public Employees Retirement Association (PERA) and invested by the Minnesota State Board of Investments (SBI). The SBI offers three investment fund choices for the Council's OPEB plan: an S&P500 equivalent; Barclays aggregate (fixed income); a cash equivalent. Typically, less than 2% of the investments to meet the OPEB liability are held outside of the trust in the Council's internal investment pool which is invested in accordance with MS118A and further limited by Council policy as represented above.

Investments for the Council are stated at fair value as required by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The fair value of the Council's investments is based on quoted market prices.

2. Receivables and payables

Outstanding balances between funds at the end of the fiscal year are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The Environmental Services (MCES) enterprise fund has two receivables that are based upon estimates. Industrial strength receivables are based on estimates made at year-end. The estimates are adjusted to actual amounts when the billings are sent out the following year. Sewer Availability Charge (SAC) receivables are based on SAC reports from communities in January detailing the preceding December's activity.

Where appropriate, accounts receivables are reported net of allowance for doubtful accounts. As of December 31, 2013, the allowances for doubtful accounts were (dollars in thousands):

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

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

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

For governmental fund financial statements, taxes that are unpaid at December 31 are classified as delinquent taxes receivable. Delinquent taxes not collected after the first 60 days of the following year are offset by an equal amount in deferred 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, 2013, the allowances for obsolete inventory accounts were (dollars in thousands):

Enterprise Fund	Balance
Environmental Services	$ 50
Metro Transit Bus	1,371
Total	$ 1,421

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:

a. Sewer Availability Charge (SAC) assets – which are restricted to fund reserve capacity cost of capital projects;
b. Construction and capital acquisition assets are proceeds from the sale of general obligation bonds, Public Facilities Authority (PFA) loans, Minnesota Housing Finance Authority loans, Hennepin County Housing and Redevelopment Authority loan, and other governmental grants/advances, where the use is limited to either the acquisition and betterment of interceptors and treatment works, affordable housing, or transit fleet replacement, facilities or capital equipment; and
c. Debt service assets – which are restricted for the payment of principal and interest on long-term liabilities.

6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial individual cost of more than $5,000 and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated assets are recorded at fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by Environmental Services during the current fiscal year was $39,116,000. Of this amount, $3,680,000 was included as part of the cost of capital assets under construction with the wastewater treatment facilities construction projects.

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

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

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 2013, the Council implemented the requirements of Statement No.65 of the Governmental Accounting Standards Board.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of new 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 no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents resources for a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of deferred inflows, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. 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 revenue in the period that the amounts become available.

9. Compensated absences

The Council accrues vacation and compensatory overtime when earned, in the government-wide and proprietary fund financial statements. In addition, certain employees qualify for a sick leave severance benefit paid at termination. This benefit, which is determined by the length of service, is accrued when the employee qualifies. For all compensated absences, the liability is valued using pay rates in effect at the end of the year and the employer's share of social security contributions.

Governmental activities and proprietary funds severance benefit payable not expected to be liquidated until sometime in the future is recorded as a noncurrent liability.

10. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using a straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund equity

In the fund financial statements, governmental funds report balances that are nonspendable and spendable. Nonspendable balances contain legal restraints that by nature cannot be spent by the government. For example, long term loans are not available for spending. Spendable balances are further classified by the relative strength of the constraints that control how amounts can be spent. Those classifications are: restricted, committed, assigned and unassigned.

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

12. Net position

A portion of the debt carried in the governmental activities columns is related to the capital assets carried in the business-type activities column for the Metropolitan Transit Bus, Light Rail and Commuter Rail enterprise funds. The recognition of the debt in the government-wide statement of net position contributes to the negative unrestricted net position balance in the governmental activities column.

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

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

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

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

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

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

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this $109,438,000 difference are as follows:

	In thousands
Land	$ 6,958
Building – net of accumulated depreciation	13,279
Vehicles – net of accumulated depreciation	78,076
Equipment – net of accumulated depreciation	1,591
Construction in progress	9,534
Net adjustment to increase *fund balances – total governmental funds* to arrive at *net position – governmental activities*	$ 109,438

Another element of that reconciliation explains that "Internal service refunds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in business-type activities in the statement of net position." The detail of this $821,000 difference is as follows:

	In thousands
Net position of the internal service fund	$ 13,127
Less: Internal payable representing charges in the excess of cost to Business-type activities-current year	(12,306)
Net adjustment to increase *fund balances- total governmental funds* to arrive at *net position – governmental activities*	$ 821

Another element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds." The details of this $1,770,000 difference are as follows:

	In thousands
Unavaliable revenue- property taxes	$ 1,770
Net adjustment to increase *fund balances- total governmental funds* to arrive at *net position – governmental activities*	$ 1,770

The final element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of the $(251,155,000) difference are as follows:

	In thousands
General obligation bonds payable	$ (219,230)
Net issuance premiums (to be amortized as interest expense)	(11,295)
Accrued interest	(3,216)
Compensated absences	(3,621)
Capital lease payable	(9,610)
OPEB liability	(4,183)
Net adjustment to reduce *fund balances – total governmental funds* to arrive at *net position-governmental activities*	$ (251,155)

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

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

One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $12,690,000 difference are as follows:

	In thousands
Capital outlay	$ 29,292
Depreciation expense	(16,602)
Net adjustment to increase *net changes* in *fund balances- total governmental funds* to arrive at changes in *net position of governmental activities*	$ 12,690

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to increase net position." The details of this $1,263,000 difference are as follows:

	In thousands
The statement of activities reports *gains* or *losses* arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or (loss) on a trade-in of capital assets.	$ (200)
Adjustment to construction in progress	200
Adjustment to vehicles and equipment	1,263
Net adjustment to increase *net changes in fund balances- total governmental funds* to arrive at changes in *net position of governmental activities*	$ 1,263

Another element of that reconciliation explains that "Internal service funds are used by management to charge the cost of certain activities to individual funds." The detail of this $821,000 difference is as follows:

	In thousands
Change in net position of the internal service fund	$13,127
Less: gain from charges to business-type activities	(12,306)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *net position of governmental activities*	$ 821

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:

	In thousands
Change in deferred property tax revenue	$ (387)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *net position of governmental activities*	$ (387)

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." The details of this $ 40,354,000 difference are as follows:

	In thousands
Bond discount/(premium) amortization	$ 1,050
Change in accrued interest	509
Expensing prior years of cost issuance	(1,345)
Principal payments of general obligation bonds/loans	39,525
Capital lease payment	615
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at changes in *net position of governmental activities*	$ 40,354

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 ($791,000) difference are as follows:

	In thousands
Change in compensated absences for year	$ (350)
Change in OPEB liability	(441)
Net adjustment to decrease *net changes in fund balances- total governmental funds* to arrive at changes in *net position of governmental activities*	$ (791)

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. The items that were authorized and initiated in the 2013 budget but not completely expended in 2013 were $621,000 for 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, 2013:

	Dollars in thousands			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Suburban Transit Providers	$ 24,797	$ 24,797	$ 25,558	$ 761
Contracted Transit Service	23,492	23,492	40,341	16,849

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

IV. Detailed notes on all funds

A. Cash and investments

1. Deposits

Minnesota statutes require that all Council deposits be protected by insurance, surety bonds or collateral pledged to the Council. Collateral pledged shall be at least ten percent more than the amount of excess deposits. The Council's policy for cash and investments follows Minnesota statute requirements. $10,000 of petty cash and mutilated coin was not deposited at a bank. The amount of cash in Council's bank accounts was $2,285,000 (at US Bank and Wells Fargo Bank), of which $417,000 was covered by the Federal Depository Insurance Corporation (FDIC), $371,000 was collateralized with securities held by Bank of New York Mellon; the remaining balance of $1,684,000 was not collateralized and had no related losses.

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 2013.

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 $168,789,000 United States agency investments, the Council has a custodial credit risk exposure of $2,001,000 because the related hedging margin account securities are held by a custodial agent in the broker's name.

The Council has no foreign currency exposure.

Following is a summary of the fair values of securities at December 31, 2013:

			Dollars in thousands			
Metropolitan Council	**Credit Risk**	**Custodial Credit Risk**	**Par**	**Fair Value**	**Book Value**	**Portfolio**
U.S. Treasury Securities:						
Escrow Account, Debt (SLGS, Cash)	n.a.	Escrow (a)	$ 255,094	$ 255,094	$ 255,094	26.5%
U.S. Agency Securities:						
Federal Home Loan Bank	Aaa	Custody (a)	80,000	72,641	79,954	7.6%
Federal Home Loan Mortgage Corporation	Aaa	Broker Held (b)	2,000	2,001	1,999	0.2%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	20,000	19,808	20,000	2.1%
Federal National Mortgage Association	Aaa	Custody (a)	40,000	38,291	40,005	4.0%
Federal Farm Credit Bank	Aaa	Custody (a)	35,000	31,250	34,998	3.3%
Mortgage Backed Securities:						
Federal National Mortgage Association	Aaa	Custody (a)	2,321	2,489	2,477	0.3%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	2,294	2,309	2,332	0.2%
Certificates of Participation (U.S. GSA)	N.R. (c)	Custody (a)	2,615	2,629	2,615	0.3%
Commercial Paper (each <5%)	A-1/P-1	Custody (a)	70,000	69,963	69,958	7.3%
Municipal Bonds (each <5%)	Aa3 (d)	Custody (a)	153,645	153,652	153,614	16.0%
MN State Pool (OPEB Pool, Equities, etc)	N.R. (c)	Custody (e)	123,685	178,855	123,685	18.5%
Money Market Funds	Aaa-mf	n.a.	130,540	130,540	130,540	13.5%
Cash for Fuel Hedging Margin Acct.	n.a.	Broker Held (f)	4,041	4,041	4,041	0.4%
Cash for Operations (g)	n.a.	Collateralized (h)	(2,093)	(2,093)	(2,093)	-0.2%
Petty Cash/Coin & Mutilated Coins	n.a.	Council Held	10	10	10	0.0%
Total Cash and Investments			$ 919,152	$ 961,480	$ 919,229	100.0%

a) Securities held in custody/escrow are in the Council's name.
b) Securities held by the Bank of NYC are in the broker's name.
c) N.R. = Not Rated.
d) Municipal bond ratings range from Aaa/AAA to A2/A, average rating is Aa3/AA-.
e) Pool investments held by custodian and include stocks (S&P 500), bonds (Shearson-Lehman Aggregate), and cash equivalents.
f) Held by the broker in the Council's name.
g) Cash in bank accounts, less outstanding checks.
h) Cash in various banks and bank accounts is insured in accordance with FDIC regulations. Cash balances in excess of FDIC coverage are typically over-collateralized, or covered by a surety bond, in accordance with state statute. At December 31, 2013, a late deposit and a bank calculation error resulted in cash exceeding collateral at one bank.

The Council has adopted a simulation model of reporting its investments and their sensitivity to fluctuation in interest rates to comply with Government Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures." As presented, assumptions are made of interest rate changes of 50, 100, 150, & 200 basis points; it also assumes that interest rate changes occur on December 31, 2013. Excluding the OPEB equity portfolio, cash and escrow accounts, the remaining investment portfolio has an average market yield of 1.95 percent, modified duration of 4.0 years, effective duration of 3.7 years and convexity of (0.08).

	Dollars in thousands			
	Estimated Fair Value, Parallel Shift of Yield Curve			
Metropolitan Council	**+50 Basis Points**	**+100 Basis Points**	**+150 Basis Points**	**+200 Basis Points**
U.S. Treasury Securities:				
Escrow Account, Debt (SLGS and Cash)	$ 255,094	$ 255,094	$ 255,094	$ 255,094
U.S. Agency Securities:				
Federal Home Loan Bank	65,546	62,972	60,448	58,012
Federal Home Loan Mortgage Corporation	2,000	1,998	1,997	1,995
Federal Home Loan Mortgage Corporation	19,788	19,505	19,226	18,952
Federal National Mortgage Association	36,444	35,512	34,612	33,742
Federal Farm Credit Bank	27,496	26,452	25,454	24,499
Mortgage Backed Securities:				
Federal National Mortgage Association	2,644	2,597	2,546	2,493
Federal Home Loan Mortgage Corporation	2,255	2,179	2,099	2,019
Certificates of Participation (U.S. GSA)	2,682	2,650	2,619	2,589
Commercial Paper (each <5%)	69,955	69,949	69,943	69,937
Municipal Bonds (each <5%)	152,629	149,748	146,926	144,196
MN State Pool (OPEB Pool, Equities, etc)	178,855	178,855	178,855	178,855
Money Market Funds	130,540	130,540	130,540	130,540
Cash for Fuel Hedging Margin Acct.	4,041	4,041	4,041	4,041
Cash for Operations (g)	(2,093)	(2,093)	(2,093)	(2,093)
Petty Cash/Coin & Mutilated Coins	10	10	10	10
Total Cash and Investments	$ 947,886	$ 940,009	$ 932,137	$ 924,881

B. Energy forward pricing mechanisms

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

Statutorily, the Council may not hedge more than 100 percent of the projected consumption of any of its commodities. Anticipating unplanned reductions in actual consumption relative to amounts budgeted, the Council has reduced the hedge ceiling to 90 percent of projected diesel-related fuel consumption and 80 percent of natural gas consumption. The Council can hedge its projected consumption up to 23 months into the future. The hedging transactions are completely separate from the physical fuel purchase transactions. The Council does not take delivery of fuel via its EFPMs. The initial cash value of each contract is zero; thereafter, the change in the value of each contract is directly correlated with the simultaneous and offsetting increase/decrease in the cost of the fuel in the marketplace and at the time of delivery. At the end of 2013, these values are reported in the "Prepaids and Other" and offset in "Accounts Payable and Other Current Liabilities."

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

In 2009, the Council adopted GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement addresses the recognition, measurement and disclosure of information regarding derivative instrument. GASB Statement No. 53 requires an evaluation of effectiveness of the hedge at the end of each reporting period. A hedge is considered effective if the changes in fair value of the hedged item and hedging derivative offset each other to a significant extent. For 2013, the Council performed a retrospective statistical analysis test and determined that the liquidated hedges were essentially effective.

As of December 31, 2013, the Council had 265 New York Mercantile Exchange (NYMEX) heating oil futures contracts (11.1 million gallons) with acquisition (effective) dates ranging from 07/23/2012 through 12/10/2013. Termination dates range from 01/31/2014 to 11/30/2015. As of December 31, 2013, the heating oil futures contracts had a fair value of $ 33,069,000. The Council can hedge its projected consumption (up to 90 percent in diesel) up to 23 months into the future.

The following risks are generally associated with futures contracts:

Credit risk. To reduce the potential impact of credit risk, the exchanges require both parties of a futures transaction to post margin amounts in their respective accounts and to daily maintain equity sufficient to cover unrealized losses. As of December 31, 2013, the Council's futures accounts at R.J.O'Brien contained a cash balance in the amount of $4,041,000 and a U.S. agency security with a fair value of $2,001,000.

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:

	Dollars in thousands				
Receivables – current	**Accounts**	**Allowance for Uncollectable**	**Delinquent Taxes**	**Interest**	**Total Receivable**
Governmental Activities:					
General Fund	$ 31	$ -	$ 412	$ 86	$ 529
Metro Mobility	39	-	-	104	143
Debt Retirement	-	-	1,943	341	2,284
Nonmajor Governmental	-	-	513	600	1,113
Total Governmental	$ 70	$ -	$ 2,868	$ 1,131	$ 4,069
Business-type Activities:					
Environmental Services	$ 5,792	$ (20)	$ -	$ 378	$ 6,150
Metro Transit – Bus	6,916	(209)	-	592	7,299
Metro Transit – Light Rail	258	-	-	7	265
Metro Transit - Commuter Rail	4,027	-	-	35	4,062
Metropolitan Housing and Redevelopment Authority	124	-	-	42	166
Internal Service Funds	220	-	-	-	220
Total Business-type	$ 17,337	$ (229)	$ -	$ 1,054	$18,162
Receivables – restricted					
Business-type Activities:					
Environmental Services	$ 4,731	$ -	$ -	$ 43	$ 4,774
Metro Transit – Bus	-	-	-	24	24
Metro Transit – Light Rail	9	-	-	480	489
Total Business-type	$ 4,740	$ -	$ -	$ 547	$ 5,287

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. Governmental funds also defer inflows of resources recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows (dollars in thousands):

	Unavailable
Delinquent property taxes receivable (General fund)	$ 238
Delinquent property taxes receivable (Debt retirement fund)	1,248
Delinquent property taxes receivable (Nonmajor governmental funds)	284
Total deferred inflows of resources for governmental funds	$ 1,770

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 2013, the Council levied $10,712,000 for the General Operating levy; $11,066,000 for the Livable Communities Demonstration Account levy; $5,149,000 for Parks Debt Retirement; $2,968,000 for Highway Right-Of-Way Acquisition Loan; and $43,557,000 in Transit Debt Retirement levies upon all taxable property within the Twin Cities Metropolitan Area. The Council also levied $5,000,000 for Livable Communities Tax Base Revitalization upon taxable property included in the Metropolitan Fiscal Disparities contribution tax pool.

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

	Levy Limit	**Council Levy**
Operating Levy	$ 14,099	$ 10,712
Tax Base Revitalization	5,000	5,000
Highway Right-of-Way	3,790	2,968
Livable Communities	11,066	11,066
Parks Debt Retirement	5,149	5,149
Transit Debt Retirement	43,557	43,557
Total	$ 82,661	$ 78,452

E. Capital assets

Capital assets for the year ended December 31, 2013, was as follows:

	Dollars in thousands			
Governmental Activities:	**Beginning Balance**	**Additions**	**Deductions/ Adjustments**	**Ending Balance**
Capital assets, not being depreciated				
Land	$ 6,958	$ -	$ -	$ 6,958
Construction in progress	2,233	7,101	200	9,534
Total capital assets, not being depreciated	9,191	7,101	200	16,492
Capital assets, being depreciated				
Building	16,344	-	-	16,344
Vehicles	144,479	21,337	(7,253)	158,563
Equipment	7,185	854	(194)	7,845
Total capital assets, being depreciated	168,008	22,191	(7,447)	182,752
Less accumulated depreciation for:				
Buildings	2,656	409	-	3,065
Vehicles	73,924	15,073	(8,510)	80,487
Equipment	5,134	1,120	-	6,254
Total accumulated depreciation	81,714	16,602	(8,510)	89,806
Total capital assets, being depreciated, net	86,294	5,589	1,063	92,946
Governmental activities capital assets, net	$ 95,485	$ 12,690	$ 1,263	$ 109,438

Business-type Activities:	Beginning Balance	Additions	Deductions/ Adjustments	Ending Balance
	Dollars in thousands			
Capital assets, not being depreciated				
Land	$ 214,747	$ 5,086	$ (80)	$ 219,753
Construction in progress	819,695	274,098	(90,964)	1,002,829
Total capital assets, not being depreciated	1,034,442	279,184	(91,044)	1,222,582
Capital assets, being depreciated				
Buildings and infrastructure	3,205,953	105,692	(5,841)	3,305,804
Vehicles	530,454	81,155	(35,143)	576,466
Equipment	343,472	10,917	(2,947)	351,442
Total capital assets, being depreciated	4,079,879	197,764	(43,931)	4,233,712
Less accumulated depreciation for:				
Buildings and infrastructure	1,285,539	98,832	(5,008)	1,379,363
Vehicles	213,388	37,790	(20,222)	230,956
Equipment	111,371	14,801	(1,151)	125,021
Total accumulated depreciation	1,610,298	151,423	(26,381)	1,735,340
Total capital assets, being depreciated, net	2,469,581	46,341	(17,550)	2,498,372
Business-type activities capital assets, net	$ 3,504,023	$ 325,525	$ (108,594)	$ 3,720,954

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

	Dollars in thousands
Governmental activities:	
General government	$ 701
Transportation	15,901
Total depreciation expense-governmental activities	$ 16,602
Business-type activities:	
Environmental Services	$ 58,335
Metro Transit – Bus	52,584
Metro Transit – Light Rail	31,669
Metro Transit – Commuter Rail	7,766
Metropolitan Housing and Redevelopment Authority	1,069
Total depreciation expense-business-type activities	$ 151,423

F. Inter-fund receivables, payables, and transfers

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

The composition of interfund balances as of December 31, 2013, is as follows:

Receivable Fund	Payable Fund	*Dollars in thousands*
General Fund	Non Major Governmental	$ 329

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

	Dollars in thousands			
	Transfers out			
Transfers in	**General Fund**	**Debt Retirement**	**Nonmajor Governmental**	**Total**
Metro Mobility	$ 21	$ -	$ -	$ 21
Nonmajor Governmental	2,000	-	295	2,295
Environmental Services	188	-	-	188
Metro Transit Bus	-	-	24,226	24,226
Metro Transit Light Rail	-	4,101	6,240	10,341
Metro Transit Commuter Rail	-	-	256	256
Total	$ 2,209	$ 4,101	$ 31,017	$ 37,327

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 2013 were $431,000 for Metro Transit Bus enterprise fund, $722,000 for Metro Transit-Light Rail enterprise fund, $34,000 for Metro Transit Commuter Rail enterprise fund, and $216,000 for Environmental Services enterprise fund. Commitments under operating lease agreements provide for minimum annual rental payments as follows:

	Dollars in thousands				
		Metro Transit			
Year	**Environmental Services**	**Bus**	**Light Rail**	**Commuter Rail**	**Total**
2014	$ 129	$ 327	$ 565	$ 61	$ 1,082
2015	66	320	297	36	719
2016	-	256	304	18	578
2017	-	115	312	3	430
2018	-	78	323	1	402
2019-2023	-	128	17	3	148
2024-2028	-	100	-	2	102
2029-2033	-	100	-	-	100
2034-2038	-	67	-	-	67
Total	$ 195	$ 1,491	$ 1,818	$ 124	$ 3,628

2. Capital Leases

On December 1, 2004, the Council entered into an annual appropriation lease purchase agreement for land and facilities to be renovated thereon. The Council granted a leasehold interest in the land and facilities to a trustee and proceeds from the issuance and sale of Certificates of Participation in the lease purchase agreement provided a portion of the funds to renovate, improve and equip the facilities for use as the Council's administrative headquarters. In 2006, the facilities were completed and the Council's administrative headquarters were relocated. The Certificates of Participation are not an obligation of the Council and the lease is subject to non-appropriation by the Council in which event the lease is terminated and there is no obligation of the Council for future lease payments. The Council intends to continue the lease through its entire term.

Capital Leases
Dollars in thousands

Year Ending	Nonmajor Governmental Fund
2014	$ 1,031
2015	1,026
2016	1,029
2017	1,026
2018	1,027
2019-2023	5,119
2024-2025	2,040
Total minimum lease payments	$ 12,298
Less amount representing interest	(2,688)
Present value of minimum lease payments	$ 9,610

H. Long-term obligations

1. General obligation debt

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

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

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

The original amount of general obligation bonds issued in prior years was $1,436,245,000.

General obligation bonds currently outstanding on December 31, 2013, are as follows:

Purpose	Interest Rates	*Dollars in Thousands*
Governmental activities	0.60-5.50%	$ 165,860
Governmental activities – refunding	2.00-5.00%	46,340
Business-type activities	2.00-5.00%	371,915
Business-type activities – refunding	0.25-5.25%	417,725
Total general obligation bonds		$ 1,001,840

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 $559,649,000. During the year, $46,330,000 of Minnesota PFA loans were drawn down, entirely by business-type activities.

Public Facilities Authority general obligation backed loans currently outstanding on December 31, 2013, are as follows:

Purpose	Interest Rates	*Dollars in Thousands*
Governmental activities	1.79-2.71%	$ 7,030
Business-type activities	1.60-3.18%	484,379
Total Public Facilities Authority loans		$ 491,409

General obligation grant anticipation notes currently outstanding on December 31, 2013, are as follows:

Purpose	Interest Rates	*Dollars in Thousands*
Business-type activities	0.45-1.00%	$ 45,000
Business-type activities	1.00-2.00%	100,000
Total grant anticipation notes		$ 145,000

The following is a summary of general obligation bond and PFA loan transactions of the Council for the year ended December 31, 2013:

	Dollars in thousands	
	Governmental Activities	Business-type Activities
Balance, January 1, 2013	$ 269,732	$ 1,515,577
PFA drawdown	-	46,330
Amortization of discount/premium	(1,047)	(3,641)
Deferred amount on refunding	-	34
Amortization of deferred amount on refunding	-	(17)
Less principal payments	(38,160)	(97,171)
Balance, December 31, 2013	$ 230,525	$ 1,461,112

As of December 31, 2013, the annual debt service requirements to amortize all general obligation bonds, grant anticipation notes and PFA loans outstanding, including interest of $42,512,000 on the governmental activities debt and $265,923,000 on the business-type activities debt was as follows:

	Dollars in thousands					
Year Ending	Governmental Activities			Business-type Activities		
December 31	Principal	Interest	Total	Principal	Interest	Total
2014	$ 31,455	$ 7,735	$ 39,190	$ 153,043	$ 41,775	$ 194,818
2015	47,235	6,231	53,466	237,049	36,889	273,938
2016	20,360	4,975	25,335	191,161	28,580	219,741
2017	20,460	4,272	24,732	73,478	24,884	98,362
2018	17,950	3,598	21,548	75,406	22,930	98,336
2019-2023	50,375	10,629	61,004	398,402	80,247	478,649
2024-2028	20,775	4,339	25,114	231,098	27,278	258,376
2029-2033	10,620	733	11,353	59,382	3,340	62,722
Subtotal	$ 219,230	$ 42,512	$ 261,742	$ 1,419,019	$ 265,923	$ 1,684,942
Net unamortized:						
Discounts/premiums	11,295	-	11,295	42,125	-	42,125
Deferred on refunding	-	-	-	(32)	-	(32)
Total payments	$ 230,525	$ 42,512	$ 273,037	$ 1,461,112	$ 265,923	$ 1,727,035

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

The bonds are direct pay tax credit Build American Bonds (BAB), in which the Council receives a 35 percent credit on bond interest paid. The Council has complied with all requirements of ARRA to be eligible for the BAB interest credit.

Taking into consideration the above BAB interest credit, as of December 31, 2013, the Council's net annual debt service requirements to amortize all general obligation bonds, grant anticipation notes and loans outstanding, including interest of $35,526,000 on the governmental activities debt and $247,231,000 on the business-type activities debt, was as follows:

	Dollars in thousands				
Governmental Activities:			**Federal**	**Net**	**Net**
Year Ending December 31	**Principal**	**Interest**	**Subsidy**	**Interest**	**Payment**
2014	$ 31,455	$ 7,735	$ (926)	$ 6,809	$ 38,264
2015	47,235	6,231	(863)	5,368	52,603
2016	20,360	4,975	(792)	4,183	24,543
2017	20,460	4,272	(713)	3,559	24,019
2018	17,950	3,598	(626)	2,972	20,922
2019-2023	50,375	10,629	(1,969)	8,660	59,035
2024-2028	20,775	4,339	(962)	3,377	24,152
2029-2033	10,620	733	(135)	598	11,218
Subtotal	$ 219,230	$ 42,512	$ (6,986)	$ 35,526	$ 254,756
Net unamortized:					
Discounts/premiums	11,295	-	-	-	11,295
Total payments	$ 230,525	$ 42,512	$ (6,986)	$ 35,526	$ 266,051
Business-type Activities:					
Year Ending December 31					
2014	$ 153,043	$ 41,775	$ (1,775)	$ 40,000	$ 193,043
2015	237,049	36,889	(1,723)	35,166	272,215
2016	191,161	28,580	(1,677)	26,903	218,064
2017	73,478	24,884	(1,629)	23,255	96,733
2018	75,406	22,930	(1,594)	21,336	96,742
2019-2023	398,402	80,247	(6,482)	73,765	472,167
2024-2028	231,098	27,278	(3,446)	23,832	254,930
2029-2033	59,382	3,340	(366)	2,974	62,356
Subtotal	$1,419,019	$ 265,923	$(18,692)	$ 247,231	$ 1,666,250
Net unamortized					
Discounts/premiums	42,125	-	-	-	42,125
Deferred on refunding	(32)	-	-	-	(32)
Total payments	$1,461,112	$ 265,923	$(18,692)	$ 247,231	$ 1,708,343

2. Loans payable

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

3. Revenue bonds

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

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

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

The following is a summary of revenue bond transactions of the Council for the year ended December 31, 2013:

	Dollars in thousands
Balance, January 1, 2013	$ 1,368
Less principal payment	(1,365)
Amortization of discount	(3)
Balance, December 31, 2013	$ -

4. Refunded bonds

The following is a summary of refunding bond activities affecting the Council for the year ended December 31, 2013:

		Dollars in thousands				
Bond Number	Type	Par Value	Present Value Savings	Debt Service Savings	Refunded Bond	Bond Maturities
2012C	Transit	$ 5,105	$ 887	$ 889	2004A	2015-2024
2012E	Wastewater	10,365	675	615	2003A	2014-2016
		16,345	2,264	2,546	2004B	2015-2023
		55,880	6,942	7,436	2005B	2016-2025
2012H	Transit	980	87	87	2003C	2014-2017
		8,190	628	628	2007A	2016-2024
		15,450	1,447	1,449	2008B	2016-2028
2012I	Wastewater	61,350	5,869	5,871	2007B	2016-2027
		65,885	6,928	6,930	2008C	2017-2028

5. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Dollars in thousands				
Governmental activities:	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**	**Due Within One Year**
Bonds/loans payable:					
General obligation debt	$ 257,390	$ -	$ (38,160)	$ 219,230	$ 31,455
Discounts/premiums	12,342	-	(1,047)	11,295	-
Net general obligation debt	269,732	-	(39,207)	230,525	31,455
Revenue bonds	1,365	-	(1,365)	-	-
Discounts/premiums	3	-	(3)	-	-
Net revenue bonds	1,368	-	(1,368)	-	-
Total bonds/loans payable	271,100	-	(40,575)	230,525	31,455
Capital lease	10,225	-	(615)	9,610	640
Compensated absences	3,271	3,287	(2,937)	3,621	2,173
OPEB liability	3,742	441	-	4,183	-
Governmental long-term liabilities	$ 288,338	$ 3,728	$ (44,127)	$ 247,939	$ 34,268

Business Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
	Dollars in thousands				
Bonds/loans/notes payable:					
General obligation debt	$ 1,304,860	$ 46,330	$ (77,171)	$1,274,019	$ 93,043
Grant anticipation notes	165,000	-	(20,000)	145,000	60,000
Loans payable	1,405	-	-	1,405	-
Discounts/premiums	45,766	-	(3,641)	42,125	-
Deferred on refunding	(49)	34	(17)	(32)	-
Total bonds/loans payable	1,516,982	46,364	(100,829)	1,462,517	153,043
Compensated absences	23,162	27,466	(25,374)	25,254	18,765
OPEB liability	70,774	3,868	-	74,642	-
Accrued claims	16,679	5,465	(5,249)	16,895	4,432
Business-type long-term liabilities	$ 1,627,597	$ 83,163	$ (131,452)	$1,579,308	$ 176,240

Capital leases, compensated absences and other postemployment benefit obligations in the Governmental Activities have been liquidated by funding from the General Fund in 2013 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.

Accrued claims include $253,000 for the Family Self Sufficiency program escrow accounts in the Metropolitan Housing and Redevelopment fund.

I. Compensated absences

In 2013, the General fund liability for compensated absences earned but not taken increased from $3,271,000 to $3,621,000. This liability is reported in the government-wide statement of net position. The following summary of changes during 2013 includes $257,000 in payroll taxes:

	Dollars in thousands
Balance, January 1, 2013	$ 3,271
Transferred from Enterprise Funds	50
Leave Earned	3,237
Leave Taken or Paid Off	(2,937)
Balance, December 31, 2013	$ 3,621

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. Funds balance classifications are as follows:

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

Spendable. All fund balances that are not classified as *nonspendable* are deemed *spendable.* The classifications within the *spendable* category are based upon the relative strength of the constraints that control how specific amounts can be spent. Those classifications are as follows:

Restricted. Net fund resources that are subject to externally enforceable legal restrictions are deemed to be *restricted.* These restrictions are either 1) externally imposed by creditors (via bond or loan covenants), grantors, contributors or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The Council recognizes the entire fund balance of the Debt Retirement fund; the remaining fund balances of the Highway Right-of-Way Acquisition Loan, Livable Communities, and Other Special Revenue special revenue funds (all non-major funds); and the remaining fund balance of the North Mississippi Park, Parks and Open Space Grants, and Transit capital projects funds (all non-major funds) as *restricted* due to the legal restrictions imposed.

Committed. Net fund balances that represent resources that can be used only for the specific purposes determined by formal action of the Council are deemed to be *committed.* The Council's formal actions, or resolutions, are the highest decision making level and remain binding unless removed in the same manner. Additionally, any Council action, either binding or unbinding, need be taken prior to the end of the calendar year. The entire fund balances of the Metro Mobility special revenue fund and the Contracted Transit Service, Transportation Planning special revenue funds (nonmajor funds) are considered *committed*. Additionally, within the General fund, the Council has identified amounts for self-insurance, OPEB, and regional water supply to be *committed.*

Assigned. Amounts in the assigned fund balance classification are intended to be used by the Council for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. In the General fund, amounts intended to be used for encumbrances and compensated absences are assigned. The amount recognized as encumbrances are approved by the Council in the carry forward budget amendment. Pursuant to Council resolution, the Chief Financial Officer is authorized to establish assignment of fund balance.

Unassigned. The residual classification of the Council's General fund not contained in the other classifications is deemed to be *unassigned*. The negative *unassigned* amount for the Parks and Open Space Grants capital projects fund (a nonmajor fund) is deemed *unassigned* because the *restricted* amounts for future grant payments are to be funded by future bonding and State reimbursements.

It is the policy of the Council to spend fund balances for each fund in the following order: *restricted,* then *committed* and then *assigned*; unless the specific item has been identified in another classification.

The summary of fund balance classifications is as follows:

	Dollars in thousands				
	Major Funds				
	General Fund	**Metro Mobility Special Revenue**	**Debt Retirement**	**Nonmajor Governmental Funds**	**Total**
Fund Balances:					
Spendable:					
Restricted for:					
Debt Retirement Reserve	$ -	$ -	$ 102,860	$ -	$ 102,860
Highway Right-of-Way Program	-	-	-	56,296	56,296
Economic Revitalization	-	-	-	41,767	41,767
Environment Development	-	-	-	19,682	19,682
Incentive Housing	-	-	-	3,192	3,192
Regional Land Use	-	-	-	1,211	1,211
North Mississippi Park Improvements	-	-	-	1,512	1,512
Regional Parks Capital Improvements	-	-	-	49,190	49,190
Transit Capital Improvements	-	-	-	12,255	12,255
Committed for:					
Self Insurance	1,500	-	-	-	1,500
Other Post Employment Benefits	4,183	-	-	-	4,183
Regional Water Supply Program	680	-	-	-	680
Regional ADA Transit Service	-	50,076	-	-	50,076
Regional Transit Provider Services	-	-	-	13,262	13,262
Assigned for:					
Encumbrances	621	-	-	-	621
Compensated Absences	3,621	-	-	-	3,621
Unassigned	12,283	-	-	(22,261)	(9,978)
Total fund balances	$ 22,888	$ 50,076	$ 102,860	$ 176,106	$ 351,930

Other information

A. Risk management

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

1. Liability

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

2. Automobile

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

3. Errors and omissions

The Council self-insures for errors and omissions risk. There were no claims for 2012 or 2013.

4. Property and crime

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

5. Workers' compensation

Metro Transit Bus has been self-insured for worker's compensation since 1982, MCES since 1993, and the rest of the Council since 1995. Prior to July 1, 1996, MCES used a third party administrator; since that time, the Council has self-administered workers' compensation claims for all divisions. Liabilities are recognized when there is information available that suggests there has been an occurrence in which a probable loss has occurred. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 3.97 percent.

The self-insurance retention limit for workers' compensation is $1,880,000 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 2012 and 2013 are as follows:

	Dollars in thousands				
	Metro Transit				
2012 Balance:	**Bus**	**Light Rail**	**Commuter Rail**	**Environmental Services**	**Total**
Beginning Balance	$ 13,020	$ 1,181	$ 3,008	$ 639	$ 17,848
Current year claims and changes in estimates	3,905	133	90	484	4,612
Payments on claims	(5,136)	(207)	(79)	(586)	(6,008)
Ending balance	$ 11,789	$ 1,107	$ 3,019	$ 537	$ 16,452
2013 Balance:					
Beginning Balance	$ 11,789	$ 1,107	$ 3,019	$ 537	$ 16,452
Current year claims and changes in estimates	4,048	118	50	1,363	5,579
Payments on claims	(4,408)	(45)	16	(920)	(5,389)
Ending balance	$ 11,429	$ 1,180	$ 3,053	$ 980	$ 16,642

6. Medical self-insurance fund

As of the beginning of 2013, the Metropolitan Council created an internal service fund for employee and retiree medical coverage and assumed all liability for medical 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.

B. Employee retirement plans

Metropolitan Council employees are covered by one of two Minnesota State Retirement System (MSRS) retirement plans. The following disclosures are made to comply with GASB Statement 27, "Accounting for Pensions by State and Local Governmental Employers."

1. General employees plan (GEP)

Plan description

The MSRS-GEP is a cost-sharing, multiple-employer public employee retirement plan. A majority of the employees of the Council are covered by this defined benefit plan administered by MSRS. MSRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Minnesota Statutes, Chapter 352 establishes MSRS and the plan benefit provisions. MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Minnesota State Retirement System, 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103-3000.

Funding Policy

Minnesota Statutes, Chapter 352 sets the rate for employee and employer contributions and may be amended by the State. Plan members are required to contribute a specified percent of their annual covered salary, and the Council is also required to contribute the same specified percent of covered payroll. For January through June 2008, the specified percentage was 4.25 percent; from July 1, 2008 thru June 30, 2009 the rate was 4.50 percent; from July 1, 2009 to June 30 2010 the rate was 4.75 percent; and on July 1, 2010 the rate changed to 5.0 percent. Employer contributions to MSRS (which equaled the required contributions for each year) were:

	Dollars in thousands
Year	
2011	$ 9,907
2012	10,071
2013	11,006

2. Unclassified employees plan (UEP)

Plan description

The MSRS-UEP is a cost-sharing, multiple-employer defined contribution plan administered by MSRS. Membership is limited to a specific number of employees of the Council (currently 27). The plan is authorized by Minnesota Statutes Chapter 352D and is considered a money purchase plan, i.e. members vest only to the extent of the value of their accounts (contributions plus earnings less administrative expenses). Retirement and disability benefits are available through conversion, at the member's option, to the General Employees Plan provided minimum service requirements are met.

Funding Policy

Minnesota Statutes, Chapter 352D sets the rates for employee and employer contributions and may be amended by the State. Prior to July 1, 2010, plan members were required to contribute 4.0 percent of their annual covered salary. On July 1, 2010, the plan member contribution was changed to 5.0 percent. The employer (the Council) is required to contribute 6.0 percent of the covered payroll. Employer contributions to MSRS (which equaled the required contributions for each year) were:

Year	*Dollars in thousands*
2011	$ 122
2012	133
2013	149

C. Other postemployment benefits

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

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

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

Funding Policy: Currently, the Council does not fund its OPEB benefits in an irrevocable trust. However, the Council has separately invested assets with a fair market value of $178,855,000 as of December 31, 2013, with the Minnesota State Board of Investment for this purpose. This funding arrangement does not meet the requirements of GASB Statement 45; accordingly, these funds are not included in the OPEB plan's assets. The Council's internal funding policy includes investing the plan's normal cost and continuing pay-as-you-go benefit payments until invested funds are adequate to cover all future benefits. The normal cost represents that portion of the Actuarial Present Value of the OPEB plan's benefits which is allocated to employee service in the current fiscal year.

Annual OPEB Cost and Net OPEB Obligation: The annual OPEB cost is calculated based on the Council's *annual required contribution (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of $22,998,000 is 7.4 percent of annual covered payroll. The Council's OPEB cost for the current year and related information are as follows (dollars in thousands):

	Metro Transit	Environmental Services	General Fund	Total
Annual Required Contribution (ARC)	$ 16,633	$ 5,500	$ 865	$ 22,998
Interest on net OPEB obligation	2,976	924	168	4,068
Adjustments to Annual Required Contribution (ARC)	(5,454)	(1,602)	(348)	(7,404)
Annual OPEB cost (expense)	14,155	4,822	685	19,662
Contributions made	(10,870)	(4,239)	(244)	(15,353)
Increase in Net OPEB Obligation	3,285	583	441	4,309
Net OPEB obligation beginning of year	55,114	15,660	3,742	74,516
Net OPEB obligation end of year	$ 58,399	$ 16,243	$ 4,183	$ 78,825

The Council's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2013, were as follows (dollars in thousands):

	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Metro Transit				
12/31/2011	$ 20,297	$ 11,364	56%	$ 52,296
12/31/2012	13,799	10,981	80%	55,114
12/31/2013	14,155	10,870	77%	58,399
Environmental Services				
12/31/2011	7,203	4,216	59%	15,030
12/31/2012	4,731	4,101	87%	15,660
12/31/2013	4,822	4,239	88%	16,243
General Fund				
12/31/2011	1,123	363	32%	3,302
12/31/2012	651	211	32%	3,742
12/31/2013	685	244	36%	4,183
Total				
12/31/2011	28,623	15,943	56%	70,628
12/31/2012	19,181	15,293	80%	74,516
12/31/2013	19,662	15,353	78%	78,825

Funded Status and Funded Progress: As of December 31, 2013, the actuarial accrued liability (AAL) for benefits was $264,294,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $310,844,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 85.02 percent.

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

The actuarial valuation completed January 1, 2012, used the projected unit credit actuarial cost method with service prorated. Under this method, the total present value of benefits is determined by projecting the benefit to be paid after the expected retirement date (or other event) and discounting those amounts to the valuation date. The actuarial assumptions include a percent investment rate of return per annum (compounded annually) composed of 5.4 percent for Metro Transit, 5.9 percent for Environmental Services, and 4.5 percent for General Fund net of administrative expenses. The projected annual health care cost trend rate is 9.0 percent initially, reduced by decrements to an ultimate rate of 5 percent for the year 2023 and beyond. The baselines inflation rate is 3 percent. The initial UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2013, was 23 years.

D. Sub-grantee programs

During the year ended December 31, 2013, the Council was involved with the following sub-grantee programs:

General Fund:

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

Nonmajor Governmental Funds:

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

Enterprise Funds:

Federal Transit Administration (Capital and Operating Assistance Grant Programs)
Housing and Redevelopment Authority (HUD Shelter Plus Care Program)
Environmental Services Inflow and Infiltration Grants
Housing and Redevelopment Authority (HUD Housing Choice Voucher Program)
Minnesota Housing Finance Agency (Subsidy Grants)
Miscellaneous Other Housing Programs (Subsidy Grants)

These programs received revenue from federal, state and private grantor agencies for grant expenditures. Expenditures are made from these funds for grants to public and private metropolitan area organizations and individuals as well as for planning, administration and capital improvements.

E. Commitments and contingencies

As part of its operations, the Council enters into contracts for various purposes including construction projects and transit services, among others. The majority of the Council's contracts are renegotiated annually with terms generally coinciding with the calendar year. However, some of the contracts span several years. Unpaid commitments for bus transit services totaled approximately $224,758,000 as of December 31, 2013. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately $153,390,000 will be paid from the Metro Transit Light Rail fund. Future commitments for commuter rail transit services of approximately $10,848,000 as of December 31, 2013, will be paid from the Metro Transit Commuter Rail fund. Future commitments for regional transit services are approximately $122,070,000 as of December 31, 2013. These commitments will be paid from Regional Transit special revenue funds. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately $309,899,000 as of December 31, 2013. These commitments will be paid from the Environmental Services enterprise fund. Management fully expects that it will be able to fulfill its contractual obligations for these commitments.

The Council is involved in various litigation, claims and judgments. The Council is of the opinion the ultimate settlement of these matters will not materially affect the financial statements.

F. Subsequent events

Beginning in 2014, the Council transitioned from a fully-insured dental plan for employee dental benefits to a self-insured plan. Related activity and balances will be accounted for in an Internal Service fund for 2014.

On January 9, 2014, the Council agreed to a $60,000,000 loan (2014F) from the Minnesota Public Facilities Authority for financing eligible wastewater capital expenditures.

On February 6, 2014, Metropolitan Council issued the following notes and bonds: $100,800,000 General Obligation Grant Anticipation Notes, Series 2014A, $8,000,000 General Obligation Park Notes, Series 2014B, $25,000,000 General Obligation Transit Notes, Series 2014C, $60,000,000 General Obligation Wastewater Revenue Bonds, Series 2014D.

On March 20, 2014, the Council issued $8,570,000 Refunding Certificates of Participation, Series 2014E.

Serving the Twin Cities seven-county metropolitan area

REQUIRED SUPPLEMENTARY

INFORMATION

METROPOLITAN
COUNCIL

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	Budgeted Amounts			Variance with Final Budget-
	Original	Final	Actual	Over (Under)
REVENUES				
Taxes	$ 10,658	$ 10,658	$ 10,602	$ (56)
Intergovernmental revenue:				
Federal	2,121	2,121	1,933	(188)
State	8,540	8,540	8,561	21
Investment income	727	727	1,180	453
Other	-	-	180	180
Total revenues	22,046	22,046	22,456	410
EXPENDITURES				
Current:				
General government	9,128	10,371	9,503	(868)
Economic development	-	-	275	275
Intergovernmental:				
Culture and recreation	8,540	8,540	8,540	-
Economic development	2,121	2,121	1,691	(430)
Debt service:				
Principal	615	615	615	-
Interest and other charges	415	415	416	1
Capital outlay	249	584	296	(288)
Total expenditures	21,068	22,646	21,336	(1,310)
Excess (deficiency) of revenues over (under) expenditures	978	(600)	1,120	1,720
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,275)	(2,275)	(2,209)	66
Net change in fund balance	(1,297)	(2,875)	(1,089)	1,786
Fund balance, beginning	23,977	23,977	23,977	-
Fund balance, ending	$ 22,680	$ 21,102	$ 22,888	$ 1,786

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

BUDGETARY COMPARISON SCHEDULE
METRO MOBILITY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	Budgeted Amounts			Variance with Final Budget-
	Original	Final	Actual	Over (Under)
REVENUES				
Intergovernmental revenue:				
Federal	$ -	$ -	$ 1	$ 1
State	51,881	54,881	70,817	15,936
Investment income	-	-	(519)	(519)
Other	6,495	6,495	6,508	13
Total revenues	58,376	61,376	76,807	15,431
EXPENDITURES				
Current:				
Transportation	52,804	52,804	49,908	(2,896)
Excess (deficiency) of revenues over (under) expenditures	5,572	8,572	26,899	18,327
OTHER FINANCING SOURCES (USES)				
Transfers in	21	21	21	-
Net change in fund balance	5,593	8,593	26,920	18,327
Fund balance, beginning	23,156	23,156	23,156	-
Fund balance, ending	$ 28,749	$ 31,749	$ 50,076	$ 18,327

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013

Stewardship, compliance, and accountability

A. Budgetary information

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

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

B. General Fund - Budget to Actual Comparison by Division

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

	Dollars in thousands			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Regional Administration	$ 5,543	$ 6,767	$ 6,444	$ (323)
Community Development	15,525	15,879	14,892	(987)
Total General Fund	$ 21,068	$ 22,646	$ 21,336	$ (1,310)

C. Postemployment Benefits

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

Schedule of Funding Progress
Dollars In Thousands

Actuarial Valuation Date– January 1, 2012	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded Actuarial Accrued Liability (UAAL) (b - a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c/e)
Metro Transit						
1/1/08	$ -	$ 219,529	$ 219,529	0.00%	$ 154,302	142.27%
1/1/10	-	233,054	233,054	0.00%	184,796	126.11%
1/1/12	-	187,818	187,818	0.00%	181,202	103.65%
Environmental Services						
1/1/08	-	70,726	70,726	0.00%	53,875	131.28%
1/1/10	-	82,328	82,328	0.00%	58,430	140.90%
1/1/12	-	64,368	64,368	0.00%	51,413	125.20%
General Fund						
1/1/08	-	11,023	11,023	0.00%	24,067	45.80%
1/1/10	-	13,046	13,046	0.00%	28,862	45.20%
1/1/12	-	9,513	9,513	0.00%	30,448	31.24%
Total						
1/1/08	-	301,278	301,278	0.00%	232,244	129.72%
1/1/10	-	328,428	328,428	0.00%	272,088	120.71%
1/1/12	-	261,699	261,699	0.00%	263,063	99.48%

Serving the Twin Cities seven-county metropolitan area

COMBINING AND INDIVIDUAL

FUND FINANCIAL STATEMENTS

AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

Capital Project Funds

Capital projects funds are used to account for the acquisition and construction of capital facilities, equipment, and vehicles other than those financed by proprietary funds.

North Mississippi Park fund accounts for the acquisition and betterment of North Mississippi Regional Park land.

Parks and Open Space Grants fund accounts for the funds received from state appropriations and bond sales for the acquisition and development of regional recreation open space.

Transit fund accounts for funds from bonds and state loans to finance the acquisition of transit vehicles, equipment and facilities.

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013
IN THOUSANDS

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 92,971	$ 34,413	$ 127,384
Delinquent taxes receivable	513	-	513
Interest receivable	433	167	600
Due from other governmental units	9,721	13,333	23,054
Loans and advances	47,108	-	47,108
Total assets	$ 150,746	$ 47,913	$ 198,659
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts/contracts/subgrantees payable	$ 14,606	$ 7,217	$ 21,823
Due to other funds	329	-	329
Due to other governmental units	117	-	117
Total liabilities	15,052	7,217	22,269
Deferred inflows of resources:			
Unavailable revenue - taxes	284	-	284
Fund balances:			
Restricted	122,148	62,957	185,105
Committed	13,262	-	13,262
Unassigned	-	(22,261)	(22,261)
Total fund balances	135,410	40,696	176,106
Total liabilities, deferred inflows of resources and fund balances	$ 150,746	$ 47,913	$ 198,659

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
DECEMBER 31, 2013
IN THOUSANDS

	Highway Right-of-Way Acquisition Loan	Livable Communities	Transportation Planning	Suburban Transit Providers	Contracted Transit Service	Other Special Revenue	Total Special Revenue
ASSETS							
Cash and cash equivalents	$ 10,657	$ 68,287	$ 1,093	$ -	$ 11,754	$ 1,180	$ 92,971
Delinquent taxes receivable	123	390	-	-	-	-	513
Interest receivable	51	323	4	-	49	6	433
Due from other governmental units	-	-	2,346	2,176	5,199	-	9,721
Loans and advances	45,540	1,543	-	-	-	25	47,108
Total assets	$ 56,371	$ 70,543	$ 3,443	$ 2,176	$ 17,002	$ 1,211	$ 150,746
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts/contracts/subgrantees payable	$ -	$ 5,693	$ 388	$ 1,847	$ 6,678	$ -	$ 14,606
Due to other funds	-	-	-	329	-	-	329
Due to other governmental units	-	-	-	-	117	-	117
Total liabilities	-	5,693	388	2,176	6,795	-	15,052
Deferred inflows of resources:							
Unavailable revenue - taxes	75	209	-	-	-	-	284
Fund balances:							
Restricted	56,296	64,641	-	-	-	1,211	122,148
Committed	-	-	3,055	-	10,207	-	13,262
Total fund balances	56,296	64,641	3,055	-	10,207	1,211	135,410
Total liabilities, deferred inflows of resources and fund balances	$ 56,371	$ 70,543	$ 3,443	$ 2,176	$ 17,002	$ 1,211	$ 150,746

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
DECEMBER 31, 2013
IN THOUSANDS

	North Mississippi Park	Parks and Open Space Grants	Transit	Total Capital Projects
ASSETS				
Cash and cash equivalents	$ 1,506	$ 19,355	$ 13,552	$ 34,413
Interest receivable	6	94	67	167
Due from other governmental units	-	12,159	1,174	13,333
Total assets	$ 1,512	$ 31,608	$ 14,793	$ 47,913
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts/contracts/subgrantees payable	$ -	$ 4,679	$ 2,538	$ 7,217
Fund balances:				
Restricted	1,512	49,190	12,255	62,957
Unassigned	-	(22,261)	-	(22,261)
Total fund balances	1,512	26,929	12,255	40,696
Total liabilities and fund balances	$ 1,512	$ 31,608	$ 14,793	$ 47,913

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	$ 18,983	$ -	$ 18,983
Intergovernmental revenue:			
Federal	20,695	-	20,695
State	53,476	31,642	85,118
Local/other	1,666	1,987	3,653
Investment income	(1,694)	(1,229)	(2,923)
Other	2,317	-	2,317
Total revenues	95,443	32,400	127,843
EXPENDITURES			
Current:			
General government	1,713	-	1,713
Transportation	25,565	138	25,703
Intergovernmental:			
Transportation	31,946	4,343	36,289
Culture and recreation	-	28,797	28,797
Economic development	10,767	-	10,767
Environment	5,946	-	5,946
Housing	1,759	-	1,759
Capital outlay	12,473	16,523	28,996
Total expenditures	90,169	49,801	139,970
Excess (deficiency) of revenues over (under) expenditures	5,274	(17,401)	(12,127)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,000	295	2,295
Transfers out	(484)	(30,533)	(31,017)
Sale of capital assets	-	532	532
Total other financing sources (uses)	1,516	(29,706)	(28,190)
Net change in fund balances	6,790	(47,107)	(40,317)
Fund balances, beginning	128,620	87,803	216,423
Fund balances, ending	$ 135,410	$ 40,696	$ 176,106

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	Highway Right-of-Way Acquisition Loan	Livable Communities	Transportation Planning	Suburban Transit Providers	Contracted Transit Service	Other Special Revenue	Total Special Revenue
REVENUES							
Taxes	$ 2,937	$ 16,046	$ -	$ -	$ -	$ -	$ 18,983
Intergovernmental revenue:							
Federal	-	-	4,773	-	15,922	-	20,695
State	-	-	2,823	25,558	25,095	-	53,476
Local/other	-	-	90	-	1,576	-	1,666
Investment income	(234)	(1,585)	151	-	-	(26)	(1,694)
Other	-	-	-	-	2,317	-	2,317
Total revenues	2,703	14,461	7,837	25,558	44,910	(26)	95,443
EXPENDITURES							
Current:							
General government	3	55	1,226	-	429	-	1,713
Transportation	-	-	3,727	-	21,838	-	25,565
Intergovernmental:							
Transportation	-	-	787	25,558	5,601	-	31,946
Economic development	-	10,767	-	-	-	-	10,767
Environment	-	5,946	-	-	-	-	5,946
Housing	-	1,759	-	-	-	-	1,759
Capital outlay	-	-	-	-	12,473	-	12,473
Total expenditures	3	18,527	5,740	25,558	40,341	-	90,169
Excess (deficiency) of revenues over (under) expenditures	2,700	(4,066)	2,097	-	4,569	(26)	5,274
OTHER FINANCING SOURCES (USES)							
Transfers in	-	2,000	-	-	-	-	2,000
Transfers out	-	-	-	-	(484)	-	(484)
Total other financing sources (uses)	-	2,000	-	-	(484)	-	1,516
Net change in fund balances	2,700	(2,066)	2,097	-	4,085	(26)	6,790
Fund balances, beginning	53,596	66,707	958	-	6,122	1,237	128,620
Fund balances, ending	$ 56,296	$ 64,641	$ 3,055	$ -	$ 10,207	$ 1,211	$ 135,410

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	North Mississippi Park	Parks and Open Space Grants	Transit	Total Capital Projects
REVENUES				
Intergovernmental revenue:				
State	$ -	$ 31,642	$ -	$ 31,642
Local/other	-	-	1,987	1,987
Investment income	(24)	(494)	(711)	(1,229)
Total revenues	(24)	31,148	1,276	32,400
EXPENDITURES				
Current:				
Transportation	-	-	138	138
Intergovernmental:				
Transportation	-	-	4,343	4,343
Culture and recreation	-	28,797	-	28,797
Capital outlay	-	-	16,523	16,523
Total expenditures	-	28,797	21,004	49,801
Excess (deficiency) of revenues over (under) expenditures	(24)	2,351	(19,728)	(17,401)
OTHER FINANCING SOURCES (USES)				
Transfers in	295	-	-	295
Transfers out	-	(295)	(30,238)	(30,533)
Sale of capital assets	-	-	532	532
Total other financing sources (uses)	295	(295)	(29,706)	(29,706)
Net change in fund balances	271	2,056	(49,434)	(47,107)
Fund balances, beginning	1,241	24,873	61,689	87,803
Fund balances, ending	$ 1,512	$ 26,929	$ 12,255	$ 40,696

BUDGETARY COMPARISON SCHEDULE
LIVABLE COMMUNITIES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Over (Under)
REVENUES				
Taxes	$ 16,011	$ 16,011	$ 16,046	$ 35
Investment income	1,160	1,160	(1,585)	(2,745)
Total revenues	17,171	17,171	14,461	(2,710)
EXPENDITURES				
Current:				
General government	-	-	55	55
Intergovernmental:				
Economic development	12,261	12,261	10,767	(1,494)
Environment	5,350	5,350	5,946	596
Housing	1,560	1,560	1,759	199
Total expenditures	19,171	19,171	18,527	(644)
Excess (deficiency) of revenues over (under) expenditures	(2,000)	(2,000)	(4,066)	(2,066)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000	2,000	2,000	-
Net change in fund balance	-	-	(2,066)	(2,066)
Fund balance, beginning	66,707	66,707	66,707	-
Fund balance, ending	$ 66,707	$ 66,707	$ 64,641	$ (2,066)

BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION PLANNING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Over (Under)
REVENUES				
Intergovernmental revenue:				
Federal	$ 4,345	$ 4,545	$ 4,773	$ 228
State	2,567	2,567	2,823	256
Local/other	95	95	90	(5)
Investment income	-	-	151	151
Total revenues	7,007	7,207	7,837	630
EXPENDITURES				
Current:				
General government	1,559	1,559	1,226	(333)
Transportation	3,754	3,754	3,727	(27)
Intergovernmental:				
Transportation	585	785	787	2
Total expenditures	5,898	6,098	5,740	(358)
Net change in fund balance	1,109	1,109	2,097	988
Fund balance, beginning	958	958	958	-
Fund balance, ending	$ 2,067	$ 2,067	$ 3,055	$ 988

BUDGETARY COMPARISON SCHEDULE
SUBURBAN TRANSIT PROVIDERS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Over (Under)
REVENUES				
Intergovernmental revenue:				
State	$ 24,797	$ 24,797	$ 25,558	$ 761
EXPENDITURES				
Intergovernmental:				
Transportation	24,797	24,797	25,558	761
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ -	$ -

BUDGETARY COMPARISON SCHEDULE
CONTRACTED TRANSIT SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Over (Under)
REVENUES				
Intergovernmental revenue:				
Federal	$ 1,684	$ 1,684	$ 15,922	$ 14,238
State	18,809	18,809	25,095	6,286
Local/other	1,949	1,949	1,576	(373)
Investment income	125	125	-	(125)
Other	2,485	2,485	2,317	(168)
Total revenues	25,052	25,052	44,910	19,858
EXPENDITURES				
Current:				
General government	-	-	429	429
Transportation	23,492	23,492	21,838	(1,654)
Intergovernmental:				
Transportation	-	-	5,601	5,601
Capital outlay	-	-	12,473	12,473
Total expenditures	23,492	23,492	40,341	16,849
Excess (deficiency) of revenues over (under) expenditures	1,560	1,560	4,569	3,009
OTHER FINANCING SOURCES (USES)				
Transfers out	(210)	(210)	(484)	(274)
Net change in fund balance	1,350	1,350	4,085	2,735
Fund balance, beginning	6,122	6,122	6,122	-
Fund balance, ending	$ 7,472	$ 7,472	$ 10,207	$ 2,735

BUDGETARY COMPARISON SCHEDULE
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Over (Under)
REVENUES				
Investment income	$ 35	$ 35	$ (26)	$ (61)
EXPENDITURES				
Intergovernmental:				
Economic development	-	-	-	-
Net change in fund balance	35	35	(26)	(61)
Fund balance, beginning	1,237	1,237	1,237	-
Fund balance, ending	$ 1,272	$ 1,272	$ 1,211	$ (61)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	Regional Administration			Community Development			Total		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ 5,860	$ 5,830	$ (30)	$ 4,798	$ 4,772	$ (26)	$10,658	$10,602	$ (56)
Intergovernmental revenue:									
Federal	-	-	-	2,121	1,933	(188)	2,121	1,933	(188)
State	-	21	21	8,540	8,540	-	8,540	8,561	21
Investment income	661	1,073	412	66	107	41	727	1,180	453
Other	-	180	180	-	-	-	-	180	180
Total revenues	6,521	7,104	583	15,525	15,352	(173)	22,046	22,456	410
EXPENDITURES									
Current:									
General government	5,153	5,117	(36)	5,218	4,386	(832)	10,371	9,503	(868)
Economic development	-	-	-	-	275	275	-	275	275
Intergovernmental:									
Culture and recreation	-	-	-	8,540	8,540	-	8,540	8,540	-
Economic development	-	-	-	2,121	1,691	(430)	2,121	1,691	(430)
Debt service:									
Principal	615	615	-	-	-	-	615	615	-
Interest and other charges	415	416	1	-	-	-	415	416	1
Capital outlay	584	296	(288)	-	-	-	584	296	(288)
Total expenditures	6,767	6,444	(323)	15,879	14,892	(987)	22,646	21,336	(1,310)
Excess (deficiency) of revenues over (under) expenditures	(246)	660	906	(354)	460	814	(600)	1,120	1,720
OTHER FINANCING SOURCES (USES)									
Transfers out	(1,275)	(1,209)	66	(1,000)	(1,000)	-	(2,275)	(2,209)	66
Net change in fund balance	$ (1,521)	$ (549)	$ 972	$ (1,354)	$ (540)	$ 814	$ (2,875)	$ (1,089)	$ 1,786

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
ASSETS				
Cash and cash equivalents	$ 1,315	$ 578	$ -	$ 1,893
LIABILITIES				
Due to participants	$ 1,315	$ 578	$ -	$ 1,893

BONDS/LOANS/NOTES OUTSTANDING
AS OF DECEMBER 31, 2013
IN THOUSANDS

Issues	Date	Final Maturity Date	Original Issue	Payments Prior Years	Payments Year Ended 12/31/13	Bonds/Loans/ Notes Issued/ Drawn Down in 2013	Bonds/ Loans/Notes Outstanding 12/31/2013	Refunded Bonds	Maturing in 2014	Future Maturities
GENERAL OBLIGATION BONDS/LOANS/NOTES PAYABLE:										
GOVERMENTAL ACTIVITIES:										
G.O. Park Bonds:										
2009B	1-Sep-09	1-Mar-14	10,000	8,875	555	-	570	-	570	-
2010D	22-Dec-10	1-Feb-15	8,600	5,750	915	-	1,935	-	950	985
2012D	8-Jun-12	1-Mar-17	7,000	-	2,400	-	4,600	-	1,115	3,485
Subtotal: G.O. Park Bonds			25,600	14,625	3,870	-	7,105	-	2,635	4,470
G.O. Transit Bonds:										
1998D, Refunding	1-Dec-98	1-Feb-13	1,365	1,280	85	-	-	-	-	-
2003C, Refunding	1-Sep-03	1-Feb-17 (a)	3,355	2,050	1,305	-	-	-	-	-
2004A	1-Apr-04	1-Feb-24	41,375	30,250	2,675	-	8,450	5,685 (b)	8,450	-
2004F, Refunding	1-Nov-04	1-Feb-13	2,910	2,390	520	-	-	-	-	-
2005C	1-May-05	1-Feb-25	32,000	22,490	1,780	-	7,730	-	1,895	5,835
2005C, Refunding	1-May-05	1-Feb-20	13,285	6,615	850	-	5,820	-	885	4,935
2007A	15-Feb-07	1-Feb-24	36,400	21,800	2,085	-	12,515	8,435 (b)	2,060	10,455
2007E, Refunding	15-Mar-07	1-Feb-22	10,110	3,295	720	-	6,095	-	715	5,380
2008B	12-Mar-08	1-Mar-28	40,300	17,090	2,420	-	20,790	15,660 (b)	2,515	18,275
2009A	1-Sep-09	1-Mar-29	43,000	17,895	2,920	-	22,185	-	2,510	19,675
2009E, Refunding	1-Dec-09	1-Feb-18	10,490	4,840	950	-	4,700	-	940	3,760
2010E	22-Dec-10	1-Feb-31	69,000	17,160	4,365	-	47,475	-	4,395	43,080
2012C	8-Jun-12	1-Mar-32	52,000	-	12,390	-	39,610	-	2,945	36,665
2012C, Refunding	8-Jun-12	1-Mar-23	5,105	-	-	-	5,105	-	-	5,105
2012H, Refunding	29-Oct-12	1-Feb-28	24,620	-	-	-	24,620	-	260	24,360
Subtotal: G.O. Transit Bonds			385,315	147,155	33,065	-	205,095	29,780	27,570	177,525
Minnesota Public Facilities Authority Loans--Transit (Backed by General Obligation Notes):	12-Mar-99	15-Feb-20	21,025	18,085	335	-	2,605	-	345	2,260
	24-Jan-08	15-Feb-18	10,000	4,685	890	-	4,425	-	905	3,520
Subtotal: Minnesota Public Facility Authority Loans--Transit			31,025	22,770	1,225	-	7,030	-	1,250	5,780
Total Govermental Activities G.O. Bonds/Loans Payable			441,940	184,550	38,160	-	219,230	29,780	31,455	187,775
BUSINESS-TYPE ACTIVITIES:										
G.O. Grant Anticipation Transit Notes:										
2011C	14-Sep-11	1-Mar-14	90,000	25,000	20,000	-	45,000	-	45,000	-
2012G	29-Oct-12	1-Mar-16	100,000	-	-	-	100,000	-	15,000	85,000
Subtotal: G.O. Grant Anticipation Transit Notes:			190,000	25,000	20,000	-	145,000	-	60,000	85,000
G.O.Sewer Bonds:										
2003A, Refunding	1-Sep-03	1-Mar-16 (a)	121,490	100,115	21,375	-	-	-	-	-
2004B	1-Apr-04	1-Dec-23	25,000	4,250	1,000	-	19,750	18,750 (b)	19,750	-
2005B	1-May-05	1-May-25	90,405	14,770	3,430	-	72,205	63,390 (b)	3,590	68,615
2005B, Refunding	1-May-05	1-May-14	7,525	4,695	1,395	-	1,435	-	1,435	-
2007B	15-Feb-07	1-Dec-27	80,000	15,000	500	-	64,500	63,500 (b)	500	64,000
2008C	12-Mar-08	1-Mar-28	80,000	7,000	500	-	72,500	66,000 (b)	500	72,000
2008D, Refunding	12-Mar-08	1-Mar-14	8,955	5,645	1,600	-	1,710	-	1,710	-
2009F, Refunding	1-Dec-09	1-Dec-15	6,720	3,810	970	-	1,940	-	970	970
2010A, Refunding	22-Feb-10	1-Feb-15	16,035	5,470	3,320	-	7,245	-	3,510	3,735
2010B	22-Feb-10	1-Feb-30	36,000	3,900	1,600	-	30,500	-	600	29,900
2010F	22-Dec-10	1-Dec-30	65,000	2,000	5,250	-	57,750	-	3,275	54,475
2011B, Refunding	15-Mar-11	1-Dec-15	9,230	3,505	2,090	-	3,635	-	2,165	1,470
2012B	8-Jun-12	1-Sep-32	55,110	-	400	-	54,710	-	2,900	51,810
2012E, Refunding	8-Jun-12	1-Sep-25	82,590	-	-	-	82,590	-	5,650	76,940
2012F, Refunding	29-Jun-12	1-Sep-22	214,035	-	22,100	-	191,935	-	22,500	169,435
2012I, Refunding	29-Oct-12	1-Mar-28	127,235	-	-	-	127,235	-	-	127,235
Subtotal: G.O. Sewer Bonds			1,025,330	170,160	65,530	-	789,640	211,640	69,055	720,585
Minnesota Public Facilities Authority Loans--Sewer: (Backed by General Obligation Notes)										
	1-Sep-03	20-Feb-16	4,954	4,276	398	-	280	-	155	125
	26-Nov-03	20-Aug-23	100,000	24,250	250	-	75,500	-	5,500	70,000
	20-Oct-04	20-Feb-25	50,000	17,000	2,100	-	30,900	-	2,200	28,700
	10-Nov-05	20-Feb-25	40,000	5,800	1,500	-	32,700	-	2,100	30,600
	30-Aug-06	20-Aug-26	50,000	8,450	250	-	41,300	-	250	41,050
	11-Oct-07	20-Aug-27	80,000	4,300	500	-	75,200	-	750	74,450
	10-Sep-09	20-Aug-29	49,411	6,641	2,160	-	40,610	-	2,470	38,140
	28-Oct-09	20-Aug-29	30,589	4,109	1,340	-	25,140	-	1,530	23,610
	12-Jan-11	20-Aug-30	70,000	4,088	3,143	354	62,769	-	3,198	59,571
	15-Feb-12	20-Aug-31	60,000	20	-	5,976	59,980	-	5,435	54,545
	23-May-13	20-Aug-32	40,000	-	-	40,000	40,000	-	400	39,600
Subtotal: Minnesota Public Facility Authority Loans--Sewer			574,954	78,934	11,641	46,330	484,379	-	23,988	460,391
Total G.O.Sewer Bonds/Loans Payable			1,600,284	249,094	77,171	46,330	1,274,019	211,640	93,043	1,180,976
Total Business-type Activities G.O. Bonds/Loans/Notes Payable			1,790,284	274,094	97,171	46,330	1,419,019	211,640	153,043	1,265,976
Total General Obligation Bonds/Loans/Notes Payable			$ 2,232,224	$ 458,644	$ 135,331	$ 46,330	$ 1,638,249	$ 241,420	$ 184,498	$ 1,453,751
REVENUE BONDS (Not tax supported)										
Radio Board, Series 2007D, Refunding	15-Mar-07	1-Feb-13	$ 7,265	$ 5,900	$ 1,365	$ -	$ -	$ -	$ -	$ -

(a) Called prior to final maturity.
(b) Escrowed.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

Federal Grantor/ Pass-Through Agency/ Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct			
Shelter Plus Care	14.238	MN0046C5K011104	$ 188
Shelter Plus Care	14.238	MN0046C5K011205	540
Shelter Plus Care	14.238	MN0068C5K031104	791
Shelter Plus Care	14.238	MN0068C5K031205	1,102
Shelter Plus Care	14.238	MN0010C5K001104	53
Shelter Plus Care	14.238	MN0010C5K001205	155
Total CFDA #14.238			**2,829**
Sustainable Communities Regional Planning Grant Program	14.703	MNRIP002310	**1,933**
Section 8 Housing Choice Vouchers	14.871	MN163VO/MN163AF	**52,444**
Passed through City of Minneapolis			
Housing Opportunities for Person with Aids	14.241	C-35801	228
Housing Opportunities for Person with Aids	14.241	C-36949	271
Total CFDA #14.241			**499**
Total U. S. Department of Housing and Urban Development			**57,705**
U.S. Department of Transportation			
Direct			
Federal Transit Administration			
Highway Planning and Construction			
2004 Urban Guarantee Section 133	20.205	MN-90-X201	**36**
(Total Highway Planning and Construction 20.205 $498)			
Federal Transit Cluster			
Federal Transit Capital Investment Grants			
2002 Section 5309	20.500	MN-03-0066	$ 4,122
2003 Section 5309	20.500	MN-03-0086	91
2000 Section 5309	20.500	MN-03-0101	45
2005 Section 5309	20.500	MN-03-0104	1,962
2006 Section 5309	20.500	MN-03-0105	852
2005 Section 5309	20.500	MN-03-0126	84
2006 Section 5309	20.500	MN-03-0200	94,786
2006 Section 5309	20.500	MN-04-0018	20
2008 Section 5309	20.500	MN-04-0019	782
2007 - 2008 Section 5309	20.500	MN-04-0026	(6)
2010 Section 5309	20.500	MN-04-0031	696
2010 Section 5309 E2010-BUSP-121	20.500	MN-04-0035	453
2011 Section 5309	20.500	MN-04-0040	32
2009 Section 5309 E2009-BUSP-499	20.500	MN-04-0041	232
2013 Section 5309	20.500	MN-04-0049	780
2008 Section 5309	20.500	MN-04-X014	211
2006 Section 5309	20.500	MN-05-0018	458
2007 - 2008 Section 5309	20.500	MN-05-0019	969
2011 Section 5309	20.500	MN-05-0020	307
2009-2011 Section 5309	20.500	MN-05-0021	12,503
2012-2015 Section 5309	20.500	MN-05-0022	6,005
Total CFDA #20.500			**125,384**

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, 2013
IN THOUSANDS

Federal Grantor/ Pass-Through Agency/ Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Transportation			
Direct			
Federal Transit Administration			
Federal Transit Cluster (Continued)			
Federal Transit Formula Grants			
2000 Section 5307	20.507	MN-90-X177	24
2002-2003 Section 5307	20.507	MN-90-X190	330
2004 Section 5307	20.507	MN-90-X199	12
2003 Section 5307	20.507	MN-90-X204	7
2003-2005 Section 5307	20.507	MN-90-X215	329
2006 Section 5307	20.507	MN-90-X235	1,858
2006 Section 5307	20.507	MN-90-X238	642
2006 Section 5307	20.507	MN-90-X241	40
2007 Section 5307	20.507	MN-90-X242	250
2007 - 2008 Section 5307	20.507	MN-90-X249	9
2008 Section 5307	20.507	MN-90-X250	1,282
2007 - 2008 Section 5307	20.507	MN-90-X260	214
2009 - 2010 Section 5307	20.507	MN-90-X271	3,266
2010 Section 5307	20.507	MN-90-X274	381
2010 Section 5307	20.507	MN-90-X279	170
2011 Section 5307	20.507	MN-90-X282	660
2009 - 2010 Section 5307	20.507	MN-90-X283	2,364
2011 Section 5307	20.507	MN-90-X286	721
2011 Section 5307	20.507	MN-90-X289	11,484
2011 Section 5307	20.507	MN-90-X295	823
2012 Section 5307	20.507	MN-90-X296	132
2012 Section 5307	20.507	MN-90-X297	853
2012 - 2013 Section 5307	20.507	MN-90-X300	1,198
2013 Section 5307	20.507	MN-90-X301	1,551
2013 Section 5307	20.507	MN-90-X305	111
2013 Section 5307	20.507	MN-90-X307	123
2013 Section 5307	20.507	MN-90-X308	429
2013 Section 5307	20.507	MN-90-X312	17
2007 Section 5307	20.507	MN-95-X001	2,604
2011 Section 5307	20.507	MN-95-X008	2,411
2010 -2013 CMAQ	20.507	MN-95-X015	399
2010 CMAQ	20.507	MN-95-X020	24
2011 Section 5307	20.507	MN-95-X022	(152)
2012 Section 5307	20.507	MN-95-X026	1,010
2012 Section 5307	20.507	MN-95-X028	4,370
2012 Section 5307	20.507	MN-95-X031	3,438
Total CFDA #20.507			**43,384**
Federal Transit Cluster			
State of Good Repair Grants Program			
Rail Assoc Capital Maint	20.525	MN-54-0002	**313**
Transit Services Programs Cluster			
Job Access and Reverse Commute Program			
2007 Section 5307	20.516	MN-37-006	247
2006 Section 5307	20.516	MN-37-011	144
2006 Section 5307	20.516	MN-37-015	632
2006 Section 5307	20.516	MN-37-015	146
Total CFDA #20.516			**1,169**

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, 2013
IN THOUSANDS

Federal Grantor/ Pass-Through Agency/ Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Transportation (Continued)			
Direct			
Federal Transit Administration			
Transit Services Programs Cluster			
New Freedom Program			
2006-2008 New Freedom	20.521	MN-57-002	204
2011-2013 New Freedom	20.521	MN-57-006	211
Total CFDA #20.521			**415**
Alternatives Analysis			
2008 Section 5339	20.522	MN-39-0002	186
2011 -2012 Section 5339	20.522	MN-39-005	1,153
2012 Section 5339	20.522	MN-39-006	489
Total CFDA #20.522			**1,828**
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions 2011 Trigger	20.523	MN-88-0001	**42**
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction			
Travel Behavior Inventory	20.205	94801	**462**
(Total Highway Planning and Construction 20.205 $498)			
Metropolitan Transportation Planning			
2012 UPWP	20.505	98158	**3,479**
Formula Grants for Rural Areas			
2010 Section 5311	20.509	95832	**643**
Total U.S. Department of Transportation			**177,155**
U.S. Environmental Protection Agency			
Passed Through Minnesota Public Facilities Authority			
Capitalization Grants for Clean Water - State Revolving Funds			
State Revolving Funds	66.458	MPFA -10-0024R-FY11	382
State Revolving Funds	66.458	MPFA -11-0069R-FY12	5,976
State Revolving Funds	66.458	MPFA -13-0026R-FY13	40,000
Total CFDA #66.458			**46,358**
U.S. Department of Homeland Security			
Federal Emergency Management Agency (FEMA)			
Passed Through Minnesota Department of Public Safety			
Homeland Security Grant Program	97.067	HSGP-Metroanpd-10710	**55**
Rail and Transit Security Grant Program	97.075	2010-RA-T9-0044	245
Rail and Transit Security Grant Program	97.075	EMW-2011-RA-K0000890S01	434
Total CFDA #97.075			**679**

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, 2013
IN THOUSANDS

Federal Grantor/ Pass-Through Agency/ Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Homeland Security (Continued)			
Federal Emergency Management Agency (FEMA)			
Passed Through Minnesota Department of Public Safety			
Rail and Transit Security Grant Program - ARRA	97.113	2009-RA-RI0088	**136**
Total U.S. Department of Homeland Security			**870**
Total Federal Awards			**$ 282,088**

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, 2013

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, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the Metropolitan Council, it is not intended to and does not present the financial position, changes in net 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 the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

4. Clusters

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

Federal Transit Cluster	$ 169,081
Transit Services Programs Cluster	1,584

5. Subrecipients

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

CFDA Number	Program Name	Amount Provided to Subrecipients (In Thousands)
14.703	HUD Sustainable Communities	$ 1,656
20.500	Federal Transit Capital Investment Grants	10,993
20.507	Federal Transit Formula Grants	2,085
20.516	Job Access/Reverse Commute	401
20.521	New Freedom Program	365
20.522	Alternatives Analysis	1,339
	Total	$ 16,839

6. American Recovery and Reinvestment Act

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

STATISTICAL SECTION

Serving the Twin Cities seven-county metropolitan area

STATISTICAL SECTION

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

Contents **Page**

Financial Trends 90-92

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity 93-96

These schedules contain information to help the reader assess the Council's most significant local revenue source, the property tax.

Debt Capacity 97-106

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.

Demographic and Economic Information 107-109

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Council's financial activities take place.

Operating Information 110-114

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.

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)

	2013	2012 [1]	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	$ 58,498	$ 50,807	$ 34,482	$ 55,868	$ 28,613	$ 17,069	$ 17,060	$ 22,463	$ 14,392	$ 2,742
Restricted	230,051	273,620	211,377	246,986	162,814	152,325	107,253	105,856	113,196	119,696
Unrestricted	(75,745)	(146,295)	(88,722)	(165,010)	(84,128)	(104,689)	(62,054)	(102,565)	(130,916)	(120,950)
Total governmental activities net position	$ 212,804	$ 178,132	$ 157,137	$ 137,844	$ 107,299	$ 64,705	$ 62,259	$ 25,754	$ (3,328)	$ 1,488
Business-type activities										
Net investment in capital assets	$ 2,660,971	$ 2,426,834	$ 2,119,631	$ 1,695,361	$ 1,590,590	$ 1,451,577	$ 1,376,046	$ 1,390,948	$ 1,353,995	$ 1,369,820
Restricted	295,447	271,732	8,039	28,180	4,205	38,715	19,751	3,212	31,187	36,239
Unrestricted	(106,789)	(72,722)	157,392	127,979	142,542	76,411	139,993	105,006	77,035	57,429
Total business-type activities net position	$ 2,849,629	$ 2,626,071	$ 2,285,062	$ 1,851,520	$ 1,737,337	$ 1,566,703	$ 1,535,790	$ 1,499,166	$ 1,462,217	$ 1,463,488
Total										
Net investment in capital assets	$ 2,719,469	$ 2,477,641	$ 2,154,113	$ 1,751,229	$ 1,619,203	$ 1,468,646	$ 1,393,106	$ 1,413,411	$ 1,368,387	$ 1,372,562
Restricted	525,498	545,352	219,416	275,166	167,019	191,040	127,004	109,068	144,383	155,935
Unrestricted	(182,534)	(219,017)	68,670	(37,031)	58,414	(28,278)	77,939	2,441	(53,881)	(63,521)
Total governmental and business-type activities net position	$ 3,062,433	$ 2,804,203	$ 2,442,199	$ 1,989,364	$ 1,844,636	$ 1,631,408	$ 1,598,049	$ 1,524,920	$ 1,458,889	$ 1,464,976

Notes:
[1]Table restated for 2012.

Unaudited

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities:										
General government	$ 11,903	$ 11,310	$ 10,601	$ 8,961	$ 9,067	$ 9,823	$ 9,848	$ 8,613	$ 8,263	$ 9,682
Transportation	126,384	116,818	107,251	107,087	107,715	102,476	92,732	88,510	89,662	84,197
Culture and recreation	37,337	46,358	30,659	31,860	28,151	39,007	26,377	16,084	18,752	21,149
Economic development	12,733	9,446	4,684	6,767	4,488	1,136	4,548	4,036	9,401	7,550
Environment	5,946	8,476	3,973	2,216	3,560	3,313	9,302	5,201	6,629	2,904
Housing	1,759	1,348	1,393	2,380	594	1,504	1,831	2,136	1,819	524
Interest and other charges	9,445	7,391	5,953	7,413	8,491	9,606	12,969	11,753	21,152	8,755
Total governmental activities expenses	205,507	201,147	164,514	166,684	162,066	166,865	157,607	136,333	155,678	134,761
Business-type activities:										
Environmental services	253,333	200,342	198,406	190,406	192,990	218,856	190,763	173,090	161,748	161,054
Transit bus	316,005	310,737	302,758	301,905	302,669	299,435	264,612	246,264	237,695	218,748
Transit light rail	66,082	69,975	66,183	58,334	51,895	55,766	49,524	45,795	44,620	29,311
Transit commuter rail	22,944	24,716	21,860	19,576	6,834	770	-	-	-	-
Housing	58,911	58,406	57,682	56,574	56,201	53,880	55,432	56,595	56,198	57,604
Total business-type activities expenses	717,275	664,176	646,889	626,795	610,589	628,707	560,331	521,744	500,261	466,717
Total expenses	$ 922,782	$ 865,323	$ 811,403	$ 793,479	$ 772,655	$ 795,572	$ 717,938	$ 658,077	$ 655,939	$ 601,478
Program Revenues										
Governmental activities:										
Charges for services										
Transit fares	$ 8,825	$ 7,661	$ 8,108	$ 7,514	$ 7,443	$ 6,396	$ 7,254	$ 6,836	$ 5,812	$ 5,376
Insurance reimbursements	196	124	285	180	203	172	118	169	73	109
Other activities	74	203	69	29	6	-	89	43	20	40
Operating grants and contributions	90,856	56,503	56,884	50,720	45,563	46,842	53,051	42,835	42,542	42,411
Capital grants and contributions	52,380	62,693	34,963	38,315	49,379	32,812	38,336	19,791	13,483	9,578
Total governmental activities program revenues	152,331	127,184	100,309	96,758	102,594	86,222	98,848	69,674	61,930	57,514
Business-type activities:										
Charges for services										
Wastewater	221,381	207,900	205,847	209,960	210,535	203,292	190,491	187,374	177,995	160,498
Transit fares	98,644	98,451	95,806	92,537	89,913	86,293	80,111	77,222	69,858	56,183
Other activities	994	902	779	789	781	744	661	798	405	570
Operating grants and contributions	92,228	107,104	86,776	106,929	160,747	119,785	145,775	127,209	126,290	118,413
Capital grants and contributions	288,045	380,174	494,132	181,429	195,827	129,184	57,603	54,651	13,214	130,792
Total business-type activities program revenues	701,292	794,531	883,340	591,644	657,803	539,298	474,641	447,254	387,762	466,456
Total program revenues	$ 853,623	$ 921,715	$ 983,649	$ 688,402	$ 760,397	$ 625,520	$ 573,489	$ 516,928	$ 449,692	$ 523,970
Net (Expense) Revenue										
Governmental activities	$ (53,176)	$ (73,963)	$ (64,205)	$ (69,926)	$ (59,472)	$ (80,643)	$ (58,759)	$ (66,659)	$ (93,748)	$ (77,247)
Business-type activities	(15,983)	130,355	236,451	(35,151)	47,214	(89,409)	(85,690)	(74,490)	(112,499)	(261)
Total net (expenses) revenues	$ (69,159)	$ 56,392	$ 172,246	$(105,077)	$ (12,258)	$(170,052)	$ (144,449)	$ (141,149)	$(206,247)	$ (77,508)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 77,533	$ 75,043	$ 73,798	$ 73,140	$ 71,281	$ 70,217	$ 68,825	$ 68,026	$ 67,315	$ 65,013
Market value and other credits	-	-	2,381	2,278	2,130	2,120	2,267	2,691	3,158	2,276
Motor vehicle sales tax	49,094	36,799	29,109	33,061	35,694	31,785	27,216	27,459	31,606	32,384
Investment earnings	(4,146)	4,419	7,675	6,027	4,831	5,981	14,249	10,013	5,574	4,518
Gain on sale of capital assets	378	350	-	-	97	83	446	170	-	-
Transfers	(35,011)	(21,653)	(29,465)	(14,035)	(11,967)	(27,097)	(17,739)	(12,618)	(18,721)	(15,831)
Total governmental activities	87,848	94,958	83,498	100,471	102,066	83,089	95,264	95,741	88,932	88,360
Business-type activities:										
Taxes										
Motor vehicle sales tax	170,430	169,151	159,660	119,718	95,151	92,020	91,663	86,981	87,463	90,797
Investment earnings	33,878	19,850	7,966	15,581	16,302	1,205	12,912	11,840	5,045	3,798
Gain on sale of capital assets	222	-	-	-	-	-	-	-	-	-
Transfers	35,011	21,653	29,465	14,035	11,967	27,097	17,739	12,618	18,721	15,831
Total business-type activities	239,541	210,654	197,091	149,334	123,420	120,322	122,314	111,439	111,229	110,426
Total general revenues and other changes in net position	$ 327,389	$ 305,612	$ 280,589	$ 249,805	$ 225,486	$ 203,411	$ 217,578	$ 207,180	$ 200,161	$ 198,786
Changes in Net Position										
Governmental activities	$ 34,672	$ 20,995	$ 19,293	$ 30,545	$ 42,594	$ 2,446	$ 36,505	$ 29,082	$ (4,816)	$ 11,113
Business-type activities	223,558	341,009	433,542	114,183	170,634	30,913	36,624	36,949	(1,270)	110,165
Total changes in net position	$ 258,230	$ 362,004	$ 452,835	$ 144,728	$ 213,228	$ 33,359	$ 73,129	$ 66,031	$ (6,086)	$ 121,278

Unaudited

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 22
Committed	6,363	6,008	5,297	4,537	3,793	2,899	2,612	4,751	4,546	1,000
Assigned	4,242	4,218	5,662	4,796	3,025	2,915	3,279	3,207	2,778	2,820
Unassigned	12,283	13,751	12,225	13,585	13,213	11,748	11,766	7,975	6,697	6,098
Total general fund	$ 22,888	$ 23,977	$ 23,184	$ 22,918	$ 20,031	$ 17,562	$ 17,657	$ 15,933	$ 14,021	$ 9,940
All Other Governmental Funds										
Nonspendable	$ -	$ -	$ -	$ -	$ 45,724	$ 41,875	$ 37,712	$ 35,861	$ 26,505	$ 29,705
Restricted	287,965	340,670	306,905	319,238	203,039	174,126	147,216	125,586	151,200	138,608
Committed	63,338	30,236	30,164	32,140	30,785	27,474	29,210	25,401	23,737	20,347
Unassigned	(22,261)	(23,675)	(44,489)	(35,143)	(17,578)	(37,438)	(9,468)	(19,923)	-	(440)
Total all other governmental funds	$ 329,042	$ 347,231	$ 292,580	$ 316,235	$ 261,970	$ 206,037	$ 204,670	$ 166,925	$ 201,442	$ 188,220
Total all governmental funds	$ 351,930	$ 371,208	$ 315,764	$ 339,153	$ 282,001	$ 223,599	$ 222,327	$ 182,858	$ 215,463	$ 198,160

Unaudited

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
REVENUES										
Taxes	$ 77,920	$ 76,382	$ 72,658	$ 72,752	$ 71,223	$ 70,161	$ 68,383	$ 68,178	$ 66,944	$ 65,916
Intergovernmental revenue:										
Federal	22,629	38,933	18,460	20,107	19,947	14,009	20,046	15,902	12,409	12,311
Build America bonds interest subsidy	937	1,037	825	423	-	-	-	-	-	-
State	165,201	115,087	103,371	103,583	112,758	99,548	97,324	76,864	76,076	74,338
Local/other	3,653	1,062	1,493	1,108	1,101	927	3,759	188	259	211
Investment income	(4,146)	4,419	7,675	6,027	4,831	5,981	14,249	10,013	5,574	4,518
Other	9,005	7,864	7,650	6,876	6,612	5,713	7,202	6,870	7,950	5,315
Total revenues	275,199	244,784	212,132	210,876	216,472	196,339	210,963	178,015	169,212	162,609
EXPENDITURES										
Current:										
General government	11,232	10,914	8,861	7,638	7,932	8,862	8,817	8,185	7,613	9,190
Transportation	75,611	70,028	67,418	63,424	58,175	60,468	54,233	51,112	51,281	48,383
Culture and recreation	-	-	-	-	-	-	-	-	26	71
Economic development	275	866	-	-	-	-	-	-	-	-
Intergovernmental:										
Transportation	36,289	31,616	26,144	30,474	38,100	31,616	30,262	29,780	31,615	29,488
Culture and recreation	37,337	46,358	30,659	31,860	28,151	39,007	26,377	16,084	18,726	21,078
Economic development	12,458	8,580	4,684	6,767	4,488	1,136	4,548	4,036	9,401	2,904
Environment	5,946	8,476	3,973	2,216	3,560	3,313	9,302	5,201	6,629	524
Housing	1,759	1,348	1,393	2,380	594	1,504	1,831	2,136	1,819	7,550
Debt service:										
Principal	40,140	46,880	43,465	53,475	35,325	43,515	44,295	40,870	39,670	31,855
Interest and other charges	9,659	7,482	8,143	8,552	8,560	10,280	13,217	13,625	10,555	8,511
Capital outlay	29,292	32,376	11,480	10,945	18,916	5,796	22,198	26,998	16,908	8,434
Total expenditures	259,998	264,924	206,220	217,731	203,801	205,497	215,080	198,027	194,243	167,988
Excess (deficiency) of revenues over (under) expenditures	15,201	(20,140)	5,912	(6,855)	12,671	(9,158)	(4,117)	(20,012)	(25,031)	(5,379)
OTHER FINANCING SOURCES (USES)										
Transfers in	2,316	1,802	1,693	1,150	1,101	3,953	3,832	1,667	5,704	7,349
Transfers out	(37,327)	(23,704)	(31,158)	(15,185)	(19,632)	(31,241)	(21,805)	(14,362)	(24,778)	(23,387)
Bonds issued	-	59,000	-	77,600	53,000	50,300	45,900	-	38,000	47,375
Refunding bonds issued	-	29,725	-	-	10,490	-	17,375	-	13,285	2,910
Certificates of indebtedness issued	-	-	-	-	-	-	-	-	7,885	-
Capital lease issued	-	-	-	-	-	-	-	-	-	13,464
Premium on bonds and capital related debt	-	5,388	-	296	588	841	698	-	1,965	3,570
Payment to refunded bond escrow agent	-	-	-	-	-	(13,600)	(2,860)	-	-	(10,395)
Premium on refunding bonds	-	2,829	-	-	-	-	-	-	-	-
Sale of capital assets	532	544	164	146	184	177	446	102	274	165
Total other financing sources (uses)	(34,479)	75,584	(29,301)	64,007	45,731	10,430	43,586	(12,593)	42,335	41,051
Net change in fund balances	$ (19,278)	$ 55,444	$ (23,389)	$ 57,152	$ 58,402	$ 1,272	$ 39,469	$ (32,605)	$ 17,304	$ 35,672
Debt service as a percentage of noncapital expenditures	21.6%	23.4%	26.5%	30.0%	23.7%	26.9%	29.8%	31.9%	28.3%	25.3%

Unaudited

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

	Taxes			Intergovernmental Revenue				Investment Income			
Year	General	Special Revenue	Debt Service	Federal	Build America Bonds Interest Subsidy	State	Local/ Other	General and Special Revenue Funds	Debt Service Funds	Other Revenue and Financing Sources	Total Revenue and Other Financing Sources
2004	$ 9,709	$ 15,349	$ 40,858	$ 12,311	$ -	$ 64,761	$ 211	$ 2,828	$ 1,172	$ 16,099	$ 163,298
2005	9,730	15,377	41,837	12,409	-	70,212	259	4,409	1,165	75,063	230,461
2006	9,840	12,845	45,493	15,902	-	69,380	188	2,190	3,384	8,639	167,861
2007	9,862	14,891	43,630	20,046	-	78,936	259	8,110	5,116	10,462	191,312
2008	9,921	16,041	44,199	14,009	-	77,301	927	3,098	1,986	6,734	174,216
2009	9,911	16,165	45,147	19,947	-	80,125	1,101	3,133	1,313	7,633	184,475
2010	12,621	16,287	43,844	20,107	423	79,129	1,108	3,620	1,648	7,897	186,684
2011	9,023	16,321	47,314	18,460	825	81,785	1,493	4,228	1,649	8,728	189,826
2012	12,879	16,703	46,800	38,933	1,037	87,228	1,062	2,281	814	41,988	249,725
2013	10,602	18,983	48,335	22,629	937	133,559	1,666	(1,033)	(1,884)	11,026	244,820

Unaudited

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

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

	Real Property	Personal Property	Total			
Year	Market Value	Market Value	Market Value	Net Tax Capacity Value	Ratio of Net Tax Capacity Value to Market Value	Total Direct Tax Rate
2004	$ 239,909,253	$ 2,378,888	$ 242,288,141	$ 2,875,255	1.2%	0.01
2005	269,969,068	2,431,347	272,400,415	3,214,565	1.2%	0.01
2006	300,283,964	2,563,238	302,847,202	3,584,479	1.2%	0.01
2007	321,253,465	2,598,414	323,851,879	3,862,772	1.2%	0.01
2008	323,122,709	2,629,555	325,752,264	3,915,642	1.2%	0.01
2009	309,773,933	2,668,987	312,442,920	3,768,981	1.2%	0.01
2010	291,973,299	2,900,339	294,873,638	3,510,991	1.2%	0.01
2011	282,206,820	2,960,869	285,167,689	3,260,224	1.1%	0.02
2012	268,503,058	3,126,112	271,629,170	3,111,683	1.1%	0.02
2013	271,603,265	3,175,512	274,778,777	3,150,328	1.1%	0.03

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
2004	0.00	0.00	0.00	0.01	0.01	0.29	0.31	0.28	0.37
2005	0.00	0.00	0.00	0.01	0.01	0.27	0.30	0.27	0.33
2006	0.00	0.00	0.00	0.01	0.01	0.29	0.28	0.26	0.31
2007	0.00	0.00	0.00	0.01	0.01	0.29	0.28	0.26	0.32
2008	0.00	0.00	0.00	0.01	0.01	0.30	0.29	0.28	0.34
2009	0.00	0.00	0.00	0.01	0.01	0.34	0.32	0.30	0.38
2010	0.00	0.00	0.00	0.01	0.01	0.37	0.35	0.33	0.40
2011	0.00	0.00	0.00	0.02	0.02	0.40	0.37	0.36	0.45
2012	0.00	0.00	0.00	0.02	0.02	0.42	0.39	0.38	0.47
2013	0.00	0.00	0.01	0.02	0.03	0.43	0.39	0.38	0.46

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

	2013			2004		
Taxpayer	**Net Tax Capacity**	**Rank**	**Percentage of Total Tax Capacity[1, 3]**	**2004 Tax Capacity**	**Rank**	**Percentage of Total Tax Capacity[2, 3]**
MOA Mall Holdings LLC	$ 12,379	1	0.39%	$ 9,029	2	0.31%
Xcel Energy / Northern States Power Co	9,562	2	0.30%	10,722	1	0.37%
3M Company	4,437	3	0.14%	7,117	3	0.25%
St. Paul Fire and Marine Ins Co	2,590	4	0.08%	-	-	-
Medtronic Inc	2,526	5	0.08%	-	-	-
Best Buy Co. Inc	2,369	6	0.08%	2,679	5	0.09%
Ridgedale Joint Venture	2,359	7	0.07%			
Eden Prairie Mall, LLC	2,179	8	0.07%	-	-	-
Compass Retail Inc	1,877	9	0.06%	-	-	-
Maplewood Mall Assoc. LP	1,558	10	0.05%	-	-	-
Flanagan-AMEX	-	-	-	2,777	4	0.10%
NWC Limited Partnership				2,621	6	0.09%
First Minneapolis - Hines Co.	-	-	-	2,359	7	0.08%
80 South Eight LLC	-	-	-	2,282	8	0.08%
Concordia Properties	-	-	-	2,282	8	0.08%
Wells Real Estate Funds	-	-	-	2,163	10	0.08%
Total	$ 41,836		1.32%	$ 44,031		1.53%

Unaudited

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

Notes
[1] Net tax capacity value for 2013 = $3,150,328
[2] Net tax capacity value for 2004 = $2,875,255
[3] Net tax capacity value is determined by multiplying taxable market value by class rates for different types of property set by Minnesota state law.

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

Year	Total Tax Levy	State Levy Reduction[1]	Net Taxes Levied for the Year	Collected within the Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2004	$ 68,561	$ 2,242	$ 66,319	$ 65,652	98.99%	$ 356	$ 66,008	99.53%
2005	70,648	3,116	67,532	66,615	98.64%	533	67,148	99.43%
2006	71,354	2,677	68,677	67,709	98.59%	768	68,477	99.71%
2007	71,067	2,267	68,800	67,750	98.47%	878	68,628	99.75%
2008	72,788	2,103	70,685	69,355	98.12%	1,017	70,372	99.56%
2009	73,886	2,101	71,785	70,248	97.86%	863	71,111	99.06%
2010	75,394	2,252	73,142	71,815	98.19%	344	72,159	98.66%
2011	75,424	2,353	73,071	71,923	98.43%	390	72,313	98.96%
2012	76,934	-	76,934	75,989	98.77%	330	76,319	99.20%
2013	78,452	-	78,452	77,651	98.98%	-	77,651	98.98%

Unaudited

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

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

	General Bonded Debt Outstanding					Percentage of	
Fiscal Year	General Obligation Bonds Transit[3]	General Obligation Bonds Parks[3]	General Obligation Bonds Other	General Obligation Bonds Wastewater[3]	Total[3]	Actual Taxable Value[1] of Property	Per Capita[2]
2004	$ 176,296	$ 22,247	$ 1,790	$ 269,900	$ 470,233	16.35%	$ 169.70
2005	200,099	21,400	1,075	322,554	545,128	16.96%	193.98
2006	169,181	13,302	735	289,244	472,462	13.18%	167.43
2007	184,981	18,544	375	342,336	546,236	14.14%	191.73
2008	181,870	8,707	-	394,367	584,944	14.94%	203.80
2009	208,420	15,358	-	365,241	589,019	15.63%	204.39
2010	237,600	13,975	-	447,158	698,733	19.90%	245.21
2011	197,811	11,219	-	421,662	630,692	19.35%	219.49
2012	249,700	11,778	-	901,980	1,163,458	37.39%	339.97
2013	215,848	7,647	-	834,764	1,058,259	33.59%	309.23

Unaudited

Notes: Details regarding the Metropolitan Council's outstanding debt can be found in the notes to the financial statements.
Ratios are calculated using population from prior year.

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

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

[3] Presented net of original issuance discounts and premiums.

[4] Table restated net of orginial issuance discounts and premiums.

RATIOS OF OUTSTANDING DEBT BY TYPE[6]
LAST TEN YEARS ENDED DECEMBER 31
IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)

	Governmental Activities						
Fiscal Year	General Obligation Bonds-Transit[5]	General Obligation Bonds-Parks[5]	General Obligation Bonds-Other	Revenue Bonds[2]	PFA Transit Loan[1]	Capital Leases	Total Governmental Activities[5]
2004	$ 176,296	$ 22,247	$ 1,790	$ 11,570	$ 11,895	$ 13,530	$ 237,328
2005	200,099	21,400	1,075	10,645	10,585	13,530	257,334
2006	169,181	13,302	735	9,813	9,240	13,530	215,801
2007	184,981	18,544	375	7,319	7,855	13,020	232,094
2008	181,870	8,707	-	6,279	16,210	12,495	225,561
2009	208,420	15,358	-	5,134	12,860	11,955	253,727
2010	237,600	13,975	-	3,938	10,635	11,395	277,543
2011	197,811	11,219	-	2,700	9,460	10,820	232,010
2012	249,700	11,778	-	1,368	8,255	10,225	281,326
2013	215,848	7,647	-	-	7,030	9,610	240,135

Unaudited

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

[1] PFA-Transit Loans are treated as general obligation debt. Loan repayments are similar to general obligation loan repayments.

[2] $10,760,000 revenue bonds issued in behalf of the Metropolitan Radio Board (ceased operations on June 30, 2005), which were refunded in 2007 with $7,265,000 revenue bonds.

[3] See the demographic and economic statistics schedule for personal income and population data. All ratios are calculated using personal income and population from prior calendar year.

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

[5] Presented net of original issuance discounts and premiums.

[6] Table restated net of orginial issuance discounts and premiums.

Business-Type Activities							
General Obligation Grant Anticipation Transit Notes[4]	General Obligation Bonds Wastewater[5]	PFA Wastewater[5]	Capital Leases[5]	Total Business-Type Activities[6]	Total Primary Government[6]	Percentage of Personal Income[3]	Per Capita[3]
-	$ 269,900	$ 506,395	$ 376	$ 776,671	$ 1,013,999	0.80%	$ 365.93
-	322,554	514,874	-	837,428	1,094,762	0.82%	389.57
-	289,244	552,573	-	841,817	1,057,618	0.75%	374.81
-	342,336	564,673	-	907,009	1,139,103	0.76%	399.83
-	394,367	576,010	-	970,377	1,195,938	0.77%	416.67
-	365,241	592,169	-	957,410	1,211,137	0.81%	420.27
-	447,158	598,059	-	1,045,217	1,322,760	0.87%	464.20
88,567	421,662	633,750	-	1,143,979	1,375,989	0.85%	478.86
165,558	901,980	448,039	-	1,515,577	1,796,903	1.04%	525.06
143,224	834,764	483,124	-	1,461,112	1,701,247	0.99%	497.11

COMPILATION OF OVERLAPPING DEBT [1]
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Counties:			
Anoka	$ 156,866	100.0%	$ 156,866
Carver	26,270	100.0%	26,270
Dakota	46,400	99.7%	46,261
Hennepin	1,107,290	99.9%	1,106,183
Ramsey	209,772	100.0%	209,772
Scott	66,660	98.0%	65,327
Washington	139,195	100.0%	139,195
Total counties	1,752,453		1,749,874
School districts:			
SSD #1 Minneapolis	333,986	100.0%	333,986
SSD #6 South St. Paul	19,332	100.0%	19,332
ISD #11 Anoka	87,652	100.0%	87,652
ISD #12 Centennial	50,645	100.0%	50,645
ISD #13 Columbia Heights	18,795	100.0%	18,795
ISD #14 Fridley	38,450	100.0%	38,450
ISD #15 St. Francis	32,035	91.9%	29,440
ISD #16 Spring Lake Park	112,225	100.0%	112,225
ISD #108 Norwood-Young America	9,520	96.3%	9,168
ISD #110 Waconia	50,725	100.0%	50,725
ISD #111 Watertown-Mayer	75,745	89.2%	67,565
ISD #112 Chaska	230,155	100.0%	230,155
ISD #191 Burnsville	108,795	100.0%	108,795
ISD #192 Farmington	215,696	100.0%	215,696
ISD #194 Lakeville	157,950	100.0%	157,950
ISD #195 Randolph	6,700	87.6%	5,869
ISD #196 Rosemount	139,405	100.0%	139,405
ISD #197 West St. Paul	51,030	100.0%	51,030
ISD #199 Inver Grove Heights	46,625	100.0%	46,625
ISD #200 Hastings	46,935	99.9%	46,888
ISD #252 Cannon Falls	19,145	5.5%	1,053
ISD #270 Hopkins-Golden Valley	171,505	100.0%	171,505
ISD #271 Bloomington	113,285	100.0%	113,285
ISD #272 Eden Prairie	75,315	100.0%	75,315
ISD #273 Edina	65,020	100.0%	65,020
ISD #276 Minnetonka	169,137	100.0%	169,137
ISD #277 Westonka	32,295	100.0%	32,295
ISD #278 Orono	53,520	100.0%	53,520
ISD #279 Osseo	138,715	100.0%	138,715
ISD #280 Richfield	67,690	100.0%	67,690
ISD #281 Robbinsdale	155,710	100.0%	155,710
ISD #282 St Anthony-New Brighton	22,270	100.0%	22,270
ISD #283 St. Louis Park	41,165	100.0%	41,165
ISD #284 Wayzata	56,070	100.0%	56,070
ISD #286 Brooklyn Center	29,785	100.0%	29,785
ISD #424 Lester Prairie	4,210	0.3%	13
ISD #621 Mounds View	157,788	100.0%	157,788
ISD #622 North St. Paul-Maplewood-Oakdale	150,550	100.0%	150,550
ISD #623 Roseville	50,865	100.0%	50,865
ISD #624 White Bear Lake	92,180	100.0%	92,180
ISD #625 St. Paul	389,221	100.0%	389,221
ISD #659 Northfield	56,945	12.3%	7,004
ISD #716 Belle Plaine	59,415	86.9%	51,632

COMPILATION OF OVERLAPPING DEBT [1]
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
School districts (continued):			
ISD #717 Jordan	12,620	100.0%	12,620
ISD #719 Prior Lake	127,630	100.0%	127,630
ISD #720 Shakopee	206,755	100.0%	206,755
ISD #721 New Prague	94,000	47.3%	44,462
ISD #728 Elk River	210,690	35.4%	74,584
ISD #831 Forest Lake	26,740	87.7%	23,451
ISD #832 Mahtomedi	63,230	100.0%	63,230
ISD #833 South Washington	267,720	100.0%	267,720
ISD #834 Stillwater	43,730	100.0%	43,730
ISD #877 Buffalo-Hanover-Montrose	59,785	14.0%	8,370
ISD #879 Delano	22,235	37.4%	8,316
ISD #883 Rockford	56,785	66.9%	37,989
ISD #916 Special Intermediate-Vo Tech	3,950	100.0%	3,950
ISD #2144 Chisago Lakes	27,645	4.7%	1,299
ISD #2397 LeSueur-Henderson	28,180	1.4%	395
ISD #2687 Howard Lake-Waverly-Winsted	24,770	0.5%	124
ISD #2859 Glencoe-Sliver Lake	1,080	0.2%	2
Total school districts	5,281,747		4,836,811
Cities:			
Afton	3,425	100.0%	3,425
Andover	28,085	100.0%	28,085
Anoka	5,815	100.0%	5,815
Apple Valley	40,580	100.0%	40,580
Arden Hills	550	100.0%	550
Bayport	440	100.0%	440
Belle Plaine	19,525	100.0%	19,525
Bethel	880	100.0%	880
Birchwood	136	100.0%	136
Blaine	36,240	100.0%	36,240
Bloomington	73,160	100.0%	73,160
Brooklyn Center	26,330	100.0%	26,330
Brooklyn Park	37,865	100.0%	37,865
Burnsville	64,190	100.0%	64,190
Carver	15,394	100.0%	15,394
Centerville	9,610	100.0%	9,610
Champlin	14,350	100.0%	14,350
Chanhassen	31,545	100.0%	31,545
Chaska	79,775	100.0%	79,775
Circle Pines	9,330	100.0%	9,330
Cologne	9,335	100.0%	9,335
Columbia Heights	16,855	100.0%	16,855
Columbus	15,660	100.0%	15,660
Coon Rapids	40,415	100.0%	40,415
Corcoran	5,167	100.0%	5,167
Cottage Grove	22,630	100.0%	22,630
Crystal	16,589	100.0%	16,589
Dayton	35,711	100.0%	35,711
Delwood	830	100.0%	830
Eagan	25,345	100.0%	25,345
East Bethel	23,020	100.0%	23,020
Eden Prairie	49,065	100.0%	49,065
Edina	90,624	100.0%	90,624
Elko/New Market	10,083	100.0%	10,083
Excelsior	3,040	100.0%	3,040

COMPILATION OF OVERLAPPING DEBT [1]
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Cities (continued):			
Falcon Heights	1,265	100.0%	1,265
Farmington	34,747	100.0%	34,747
Forest Lake	35,910	100.0%	35,910
Fridley	13,095	100.0%	13,095
Gem Lake	775	100.0%	775
Golden Valley	78,290	100.0%	78,290
Greenfield	2,935	100.0%	2,935
Hamburg	2,215	100.0%	2,215
Ham Lake	4,310	100.0%	4,310
Hampton	2,170	100.0%	2,170
Hastings	32,090	100.0%	32,090
Hopkins	28,805	100.0%	28,805
Hugo	10,050	100.0%	10,050
Independence	1,806	100.0%	1,806
Inver Grove Heights	44,525	100.0%	44,525
Jordan	27,946	100.0%	27,946
Lake Elmo	14,715	100.0%	14,715
Lakeland	1,580	100.0%	1,580
Lake St. Croix Beach	192	100.0%	192
Lakeville	108,445	100.0%	108,445
Landfall	97	100.0%	97
Lauderdale	345	100.0%	345
Lexington	1,495	100.0%	1,495
Lilydale	2,612	100.0%	2,612
Lino Lakes	19,280	100.0%	19,280
Little Canada	5,950	100.0%	5,950
Long Lake	1,130	100.0%	1,130
Loretto	532	100.0%	532
Mahtomedi	16,760	100.0%	16,760
Maple Grove	152,395	100.0%	152,395
Maple Plain	5,280	100.0%	5,280
Maplewood	81,804	100.0%	81,804
Marine	114	100.0%	114
Mayer	8,432	100.0%	8,432
Medina	20,540	100.0%	20,540
Mendota Heights	14,915	100.0%	14,915
Minneapolis	722,956	100.0%	722,956
Minnetonka	10,555	100.0%	10,555
Minnetonka Beach	2,165	100.0%	2,165
Minnetrista	19,310	100.0%	19,310
Mound	55,750	100.0%	55,750
Mounds View	1,447	100.0%	1,447
New Brighton	43,255	100.0%	43,255
New Germany	10,553	100.0%	10,553
New Hope	15,239	100.0%	15,239
Newport	3,159	100.0%	3,159
North Oaks	550	100.0%	550
North St. Paul	17,530	100.0%	17,530
Norwood-Young America	21,821	100.0%	21,821
Nowthen	1,650	100.0%	1,650

COMPILATION OF OVERLAPPING DEBT [1]
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Cities (continued):			
Oakdale	30,470	100.0%	30,470
Oak Grove	2,107	100.0%	2,107
Oak Park Heights	11,425	100.0%	11,425
Orono	8,525	100.0%	8,525
Osseo	8,190	100.0%	8,190
Plymouth	29,085	100.0%	29,085
Prior Lake	37,915	100.0%	37,915
Ramsey	35,665	100.0%	35,665
Richfield	44,940	100.0%	44,940
Robbinsdale	20,081	100.0%	20,081
Rogers & Hassan Combined	13,405	100.0%	13,405
Rosemount	17,145	100.0%	17,145
Roseville	32,385	100.0%	32,385
St. Anthony	26,015	100.0%	26,015
St. Bonifacius	4,311	100.0%	4,311
St. Francis	24,791	100.0%	24,791
St. Louis Park	36,490	100.0%	36,490
St. Paul	410,255	100.0%	410,255
St. Paul Park	4,908	100.0%	4,908
Savage	81,253	100.0%	81,253
Scandia	1,500	100.0%	1,500
Shakopee	26,185	100.0%	26,185
Shoreview	26,980	100.0%	26,980
Shorewood	12,450	100.0%	12,450
South St. Paul	15,151	100.0%	15,151
Spring Lake Park	4,058	100.0%	4,058
Spring Park	955	100.0%	955
Stillwater	24,885	100.0%	24,885
Sunfish Lake	253	100.0%	253
Vadnais Heights	8,165	100.0%	8,165
Vermillion	260	100.0%	260
Victoria	31,099	100.0%	31,099
Waconia	45,410	100.0%	45,410
Watertown	8,616	100.0%	8,616
Wayzata	14,060	100.0%	14,060
West St. Paul	27,240	100.0%	27,240
White Bear Lake	4,750	100.0%	4,750
Woodbury	64,645	100.0%	64,645
Woodland	242	100.0%	242
Total cities	3,761,346		3,761,346
Townships:			
Cedar Lake	381	100.0%	381
Credit River	1,645	100.0%	1,645
Empire	1,090	100.0%	1,090
Hassan	1,445	100.0%	1,445
Laketown	169	100.0%	169
Randolph	250	100.0%	250
Ravenna	225	100.0%	225
Sand Creek	540	100.0%	540
Spring Lake	2,450	100.0%	2,450
White Bear	7,090	100.0%	7,090
Total townships	15,285		15,285

COMPILATION OF OVERLAPPING DEBT [1]
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Miscellaneous:			
Anoka County HRA	43,555	100.0%	43,555
Anoka Tax Increment	7,460	100.0%	7,460
Blaine EDA/HRA	4,000	100.0%	4,000
Brooklyn Park EDA	2,035	100.0%	2,035
Capital Region Watershed District	4,215	100.0%	1,280
Carver County CDA	24,715	100.0%	24,715
Cedar Lake Sewer Sanitary District	1,041	72.2%	752
Chanhassen HRA	705	100.0%	705
Circle Pines Tax Increment	3,270	100.0%	3,270
Columbia Heights Tax Increment	525	100.0%	525
Dakota County CDA	306,690	100.0%	306,690
Hastings EDA	2,630	100.0%	2,630
Hennepin County Regional Park	77,115	100.0%	77,115
Hennepin Regional Railroad Authority	37,675	100.0%	37,675
HRA of St. Paul	159,400	100.0%	159,400
Maple Grove HRA	1,370	100.0%	1,370
Metropolitan Airports Commission	1,463,880	100.0%	1,463,880
Minnesota Municipal Power Agency	277,440	61.1%	169,516
Mound HRA	2,730	100.0%	2,730
North Suburban Hospital District	1,145	100.0%	2,065
Norwood-Young America EDA	7,935	100.0%	7,935
Prior Lake-Spring Lake Watershed District	1,205	100.0%	1,205
Plymouth HRA	22,690	100.0%	22,690
Ramsey-Washington Metro Watershed District	1,552	100.0%	1,733
Ramsey Regional Rail	20,000	100.0%	20,000
Regional Railroad Authority-Anoka County	27,440	100.0%	27,440
Rice Creek Watershed	500	100.0%	500
Scott County CDA	41,930	100.0%	41,930
South Washington Watershed District	5,775	100.0%	5,775
St. Anthony HRA	8,545	100.0%	8,960
St. Paul Port Authority	72,795	100.0%	69,502
Waconia HRA	13,998	100.0%	13,998
Washington County HRA	51,665	100.0%	51,665
Total miscellaneous	2,697,626		2,584,701
Subtotal, overlapping debt	$ 13,508,457		12,948,017
Metropolitan Council direct debt			240,135
Total direct and overlapping debt			**$ 13,188,152**

Unaudited

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

Notes: [1] Jurisdictions in two counties are included if the assessed property value is greater than 50 percent (home) in one of the seven metropolitan area counties and excluded if it (home) is not. Debt of jurisdiction included using this method is shown at 100 percent. The error resulting from using this method is significantly less than 1 percent. The debt of jurisdictions that include tax base both within and outside of the Metropolitan Council's jurisdiction is split in proportion to the taxable net tax capacity inside and outside the Metropolitan Council's jurisdiction. The debt of the Minnesota Municipal Power Agency and Cedar Lake Sewer Sanitary District are split in proportion to the population inside and outside the Metropolitan Council's jurisdiction.

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt limit	$ 367,025	$ 365,515	$ 334,245	$ 338,265	$ 345,190	$ 330,655	$ 306,495	$ 317,995	$ 316,905	$ 274,635
Total net debt applicable to limit	219,230	257,390	213,645	255,290	229,420	199,580	198,870	169,100	209,125	199,945
Legal debt margin	$ 147,795	$ 108,125	$ 120,600	$ 82,975	$ 115,770	$ 131,075	$ 107,625	$ 148,895	$ 107,780	$ 74,690
Total net debt applicable to the limit as a percentage of debt limit	59.73%	70.42%	63.92%	75.47%	66.46%	60.36%	64.89%	53.18%	65.99%	72.80%

Unaudited

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

PLEDGED-REVENUE COVERAGE
LAST NINE YEARS ENDED DECEMBER 31
IN THOUSANDS (EXCEPT COVERAGE)

	Radio Revenue Bonds				
Year	Total Bond Outstanding[1,3]	911 Fee Revenue [2]	Principal[1,5]	Interest	Coverage[4]
2005	$ 10,760	$ 843	$ -	$ 275	3.07
2006	9,915	1,408	845	518	1.03
2007	7,265	1,410	9,915	476	1.03
2008	6,235	1,128	1,030	298	0.85
2009	5,100	1,410	1,135	252	1.02
2010	3,915	1,452	1,185	199	1.05
2011	2,670	1,410	1,245	138	1.02
2012	1,365	1,410	1,305	81	1.02
2013	-	705	1,365	27	0.51

Unaudited

Note: Detail regarding the outstanding debt can be found in the notes to the financial statements.

[1] Bonds were originally issued in 1999 on behalf of the Metropolitan Radio Board (MRB), in the amount of $14,280,000. The MRB ceased operations on June 30, 2005, at which time the Metropolitan Council assumed the remaining liability. Principal payment in 2005 was paid by MRB before ceasing operations.

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

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

[4] Coverage for 2007 only was calculated by using the scheduled principal payment of original bond--$890,000 plus interest for the year --$476,000.

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

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS ENDED DECEMBER 31

Year	Population [1,3]	Personal Income [1,3] (In Millions)	Per Capita [1,3] Income	Unemployment Rate [2]
2004	2,771,030	127,365	40,915	4.50%
2005	2,810,179	132,708	42,377	3.80%
2006	2,821,779	140,158	44,295	3.80%
2007	2,849,003	149,496	46,752	4.30%
2008	2,870,250	154,421	48,207	5.10%
2009	2,881,812	149,795	45,262	7.90%
2010	2,849,567	152,789	46,498	7.20%
2011	2,873,444	161,468	48,657	6.40%
2012	3,422,264	172,004	50,260	5.50%
2013	3,422,264	172,004	50,260	4.80%

Unaudited

Source: [1] Internally updated information based on the U.S. Commerce Department and Bureau of Economic Analysis for the Minneapolis-St. Paul Metropolitan Statistical Area.
[2] State of Minnesota, Department of Employment and Economic Development (Seven-county area).
[3] 2013 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

	2013			2004		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
State of Minnesota	55	1	3.10%	56	1	3.25%
Mayo Clinic	41	2	2.31%	25	5	1.45%
Target Corporation	31	3	1.75%	32	3	1.86%
United States Federal Government	31	4	1.75%	35	2	2.03%
Allina Health System	25	5	1.41%	22	6	1.28%
University of Minnesota	25	6	1.41%	31	4	1.80%
Fairview Health Services	22	7	1.24%	18	8	1.05%
HealthPartners Inc.	21	8	1.18%	-	-	-
Wal-Mart Stores Inc.	21	9	1.18%	-	-	-
Wells Fargo Minnesota	20	10	1.13%	15	10	0.87%
Northwest Airlines Corp.	-	-	-	18	9	1.05%
3M Co.	-	-	-	19	7	1.10%
Total	292		16.46%	271		15.74%

Unaudited.

Source: Minneapolis/St. Paul Business Journal Book of Lists, December 27, 2013 and City Business - The Business Journal Book of Lists 2001-02.

Notes: Available list covers employment for entire State of Minnesota. Data for seven county area not available.
State of Minnesota includes Minnesota State Colleges & Universities.
*2001 list was used due to unavailability of 2004 list.

EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS ENDED DECEMBER 31

	Full-time Equivalent Employees as of December 31									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Regional Administration										
Human Resources	36	32	33	33	33	33	33	31	33	32
Information Services	90	81	79	75	64	62	54	56	66	66
Finance/Central Services	46	44	42	38	38	37	38	35	25	26
Other	89	84	79	75	75	67	77	57	75	74
Total Regional Administration	261	241	233	221	210	199	202	179	199	198
Community Development										
Metro HRA	38	37	34	33	33	33	34	34	33	32
Other	36	35	35	34	41	42	45	44	51	51
Total Community Development	74	72	69	67	74	75	79	78	84	83
Environmental Services Division										
Environmental Quality Assurance	100	95	98	103	109	109	110	106	121	122
Treatment Services	527	514	526	528	505	501	502	490	565	582
Other	24	22	20	20	32	28	28	30	15	15
Total Environmental Services Division	651	631	644	651	646	638	640	626	701	719
Transportation Division										
Metro Mobility	10	10	9	10	14	15	13	13	13	13
Transportation Planning	30	27	28	29	28	26	28	24	17	17
Other	-	-	-	-	-	-	-	-	13	13
Total Transportation Planning	40	37	37	39	42	41	41	37	43	43
Metro Transit Bus										
Operations	1,566	1,512	1,502	1,500	1,346	1,291	1,273	1,280	1,413	1,474
Maintenance	424	422	429	470	417	442	437	420	432	456
Administration/Clerical	507	465	448	420	439	540	545	505	590	683
Total Metro Transit	2,497	2,399	2,379	2,390	2,202	2,273	2,255	2,205	2,435	2,613
Metro Transit Commuter Rail										
Maintenance	27	28	28	27	28	-	-	-	-	-
Administration/Clerical	7	8	9	10	8	-	-	-	-	-
Total Metro Transit	34	36	37	37	36	-	-	-	-	-
Metro Transit Light Rail										
Operations	76	56	57	57	50	44	44	44	45	45
Maintenance	72	80	81	80	70	69	60	57	51	51
Administration/Clerical	184	134	100	82	45	42	39	35	30	30
Total Metro Transit	332	270	238	219	165	155	143	136	126	126
Total	3,889	3,686	3,637	3,624	3,375	3,381	3,360	3,261	3,588	3,782

Unaudited

Source: Metropolitan Council Budget Department and Metro Transit

Notes: Metro Transit Light Rail began operations in 2004
Metro Transit Commuter Rail began operations in 2009
Metro Transit Commuter Rail operators are non-Metro Transit employees

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

Function/Program	2013	2012	2011	2010
Governmental activities				
Metro Mobility-passenger miles	17,918,147	16,562,355	15,503,454	15,534,246
Metro Mobility-passenger trips	1,747,911	1,628,051	1,516,901	1,410,369
Parks visits to Metro Parks System	45,843,800	45,843,800	44,111,200	40,867,500
Business-type activities				
Wastewater				
Average daily sewage treatment (millions of gallons)	242	210	259	260
Transit-bus				
Total route miles	29,490,406	28,817,105	28,763,822	28,894,682
Passenger trips	70,418,593	69,854,994	69,782,602	66,882,361
Transit-commuter rail				
Total route miles	529,007	521,537	556,631	601,119
Passenger trips	787,241	700,276	703,427	710,426
Transit-light rail				
Total passenger car miles	2,370,943	2,103,215	2,101,289	2,056,261
Passenger trips	10,162,919	10,498,236	10,400,864	10,423,862
Housing				
Metro HRA unit months leased	82,612	82,264	82,247	81,455

Unaudited

Sources: Various Metropolitan Council Divisions

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

2009	2008	2007	2006	2005	2004
13,634,343	13,452,124	11,470,739	12,923,008	11,527,114	12,887,085
1,237,570	1,220,775	1,162,872	1,222,821	1,104,879	1,153,983
38,062,600	33,047,700	33,171,200	33,235,000	33,437,100	30,473,900
230	249	250	256	255	255
29,703,751	30,268,310	28,416,623	29,048,980	29,979,730	27,113,045
66,401,218	71,614,056	67,865,688	64,398,724	61,797,145	53,962,653
69,320	-	-	-	-	-
78,782	-	-	-	-	-
2,041,244	2,024,493	1,931,754	1,817,930	1,565,965	512,110
9,863,042	10,221,682	9,098,297	9,356,982	7,901,668	2,938,777
80,243	78,658	81,634	81,273	80,575	80,770

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

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Metro Mobility										
Total fleet size	407	399	340	314	274	265	262	264	257	245
Number of Parks/Trails	97	95	95	89	89	85	83	82	77	74
Acres of Regional Parks and Trails open to the public	54,581	54,842	54,631	54,633	53,111	52,918	52,661	52,617	52,299	50,356
Business-type activities										
Wastewater										
Treatment Plants	7	7	7	7	7	8	8	8	8	8
Miles of MCES Interceptors	643	645	626	625	624	615	585	586	578	569
Wastewater Treatment Plant Capacities (millions of gallons)	370	370	370	370	370	370	370	370	358	358
Transit-bus										
Total fleet size	912	888	876	888	929	1,093	979	940	930	942
Transit-commuter rail										
Total fleet size	6	6	6	6	6	-	-	-	-	-
Transit-light rail										
Total fleet size	62	27	27	27	27	27	27	25	23	22
Housing										
Metro HRA unit months available	83,979	83,795	83,173	82,668	81,613	79,270	83,732	83,592	82,709	81,976
Family Affordable Housing Units	150	150	150	150	150	150	150	150	150	136

Unaudited

Source: Metropolitan Council external and internal reports.

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

Twin Cities Area, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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