Twin Cities Area, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2014

14

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, 2014

A COMPONENT UNIT OF THE STATE OF MINNESOTA

Prepared by the Finance Unit

Issued June 2015

390 Robert Street North, St. Paul, Minnesota 55101

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

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

- *Operate Metro Transit, serving 84.5 million bus and rail passengers in 2014 with award-winning, energy-efficient fleets. Our strategic investments support a growing network of bus and rail transitways, and transit-oriented development.*
- *Collect and treat wastewater at rates 40% lower than peer agencies, while winning national awards for excellence.*
- *Work to ensure adequate clean water for the future, through our water supply planning and lake and river monitoring programs.*
- *Plan for future growth in partnership with communities and the public.*
- *Plan, acquire and develop a world-class regional parks and trails system.*
- *Provide affordable housing for qualifying low-income residents.*

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METROPOLITAN COUNCIL
A COMPONENT UNIT OF THE STATE OF MINNESOTA
FOR THE YEAR ENDING DECEMBER 31, 2014

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INTRODUCTORY SECTION

Serving the Twin Cities seven-county metropolitan area

Metropolitan Council
2014 Comprehensive Annual Financial Report
Transmittal Letter from the Chief Financial Officer

June 24, 2015

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

Dear Chair Duininck and Council Members,

In accordance with Minnesota Statute 473.13, subd. 4, I am pleased to submit the Comprehensive Annual Financial Report for the Metropolitan Council for the fiscal year ended December 31, 2014. This report includes the financial statements for the Council and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for government units.

The report is divided into three sections:

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

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

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

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

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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, 2014. 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 2015.

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

The Council is composed of sixteen members who each represent a geographic district and one chairperson who serves at large. Each is appointed by and serves at the pleasure of the governor. The State Senate confirms Council member and chairperson appointments.

The Metropolitan Council is a component unit of the State of Minnesota. A component unit should be included in the reporting entity financial statements using the blending method in any of these circumstances, (a) the component unit's governing body is substantively the same as the governing body of the primary government and (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

Recovery in the thirteen-county Minneapolis-St. Paul-Bloomington, MN-WI metropolitan area kept pace with national trends. Between March 2014 and March 2015, total employment in the thirteen-county metropolitan area grew by 2.30 percent (42,700 jobs). National employment grew the same percent during this period. With 1,921,400 jobs (seasonally adjusted) in the region in March 2015, net employment is now nearly 68,000 jobs higher than the pre-recession peak of in February 2007 (DEED, Current Employment Statistics). While this pace is slightly slower than other metropolitan areas (the Twin Cities ranked 12th in net employment change among the 25 largest metro areas in 2013), the thirteen-county region has the 2nd lowest unemployment rate among the 25 largest metro areas (preliminary Feb 2015 numbers from Local Area Unemployment Statistics).

The unemployment rate in the seven-county metropolitan area is 3.80 percent (March 2015), down from last year (4.70 percent in March 2014), and less than half of its recession peak of 8.40 percent. (Minnesota Department of Employment and Economic Development (DEED), Local Area Unemployment Statistics). In contrast, the nation's unemployment rate in March 2015 stood at 5.50 percent (seasonally adjusted), compared to a recession peak of 10.6 percent.

Per capita personal income in the thirteen-county metropolitan area increased by 0.70 percent from $50,260 in 2012 to $51,183 in 2013 (U.S. Department of Commerce (DOC), Bureau of Economic Analysis). The metro ranked 11th among the largest 25 metropolitan areas for per capita personal income and 20th for growth in per capita income. The thirteen-county metro's per capita real Gross Metro Product (GMP) totaled $213.5 billion in 2013, making the region the 13th largest metropolitan economy.

The housing market continues to grow from the Great Recession, but the pace slowed over the past year. According to the University of St. Thomas' *Minneapolis-St. Paul Residential Real Estate Index October 2014*, the median sales price of homes increased 7.10 percent from the previous year. While this seems an overall healthy gain, the report attributed most of this trend to decreasing numbers of short sales and foreclosed properties. The median price of traditional home sales in October 2014 was $220,000, a much slower gain of 0.70 percent over the previous year. While housing prices have recovered to pre-Recession levels, a tight credit market and limited replacement options persuade some potential home sellers to stay put and forego putting their homes on the market.

The rebound in residential construction slowed slightly in 2014. Residential permitting activity (preliminary data, not including residential conversions) was 11,079 units in 2014, twice the rate experienced during the lowest point of the recession, but still 1,220 units lower than last year. More than half of 2014's new construction (58.0 percent) was multifamily residential, continuing a trend that began in 2012.

Quarterly reports on commercial real estate activity published by CBRE, commercial real estate services, show that vacancy rates in both retail and industrial markets in the region decreased over 2014. The market for office space remained sluggish, partially due to changes in how companies utilize space rates. Overall, the recovery within the nonresidential real estate market is expected to continue into the next year.

While some areas of the recovery in the real estate industry slowed slightly, the short-term outlook for the Twin Cities area economy remains positive, bolstered by continued employment growth and low unemployment.

Delivering High-Performance Regional Services

Transit - Metro Transit is one of the country's largest transit systems, providing nearly 86.0 percent of the 97.6 million regional bus and train trips taken annually in the Twin Cities. Each weekday customers board Metro Transit buses and trains an average of 289,000 times.

Metro Transit operates 132 bus routes, the METRO Blue Line Light Rail, the METRO Green Line Light Rail, and the Northstar Commuter Rail Line, using a fleet of 905 buses, 86 light-rail passenger cars, 18 commuter rail passenger cars and 6 commuter rail locomotives. In June 2014, Metro Transit commenced operations of the METRO Green Line Light Rail with a total of 47 light-rail passenger cars.

The METRO Blue Line operates service between downtown Minneapolis, the MSP Airport, and the Mall of America in Bloomington, Minnesota. In 2014, the METRO Blue Line carried 9.5 million passengers. With average weekday ridership of 27,386, the line continued to exceed projections for the year 2020 by more than 10 percent.

In April 2011, the FTA approved the METRO Green Line - Central Corridor Full Funding Grant Agreement (FFGA), moving the project to full construction with passenger service beginning in June 2014. The $957 million METRO Green Line Light Rail Transit Project is an 11 mile project and links 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. With service beginning June 2014, the METRO Green Line carried over 6.5 million passengers and experienced average weekday ridership of 34,548. Ridership exceeded its first year startup operations estimate of 27,500 by over 35.0 percent and the line is almost at its 2020 goal of 35,564.

The Northstar Commuter Rail provides service between Big Lake in Sherburne County and downtown Minneapolis. The service offers five morning trips and five afternoon return trips on weekdays, with one reverse commute trip each morning and afternoon. Weekend service includes three roundtrips on both Saturday and Sunday. Each train consists of a locomotive and four passenger cars, and has seating for 560 people. Trains travel at speeds up to 79 miles per hour, making the trip from Big Lake to Minneapolis in about 50 minutes. Trains stop at stations in Elk River, Ramsey, Anoka, Coon Rapids, and Fridley. In 2014, the Northstar Commuter Rail carried over 721,000 passengers.

The Council's Metropolitan Transportation Services Division provides additional transit services to the region through direct service contracts and other coordinating arrangements supporting four major programs: Metro Mobility, Contracted Regular Routes, Transit Link, and Suburban Transit Authority Providers.

The Metro Mobility program is the metropolitan area's designated Americans with Disabilities Act (ADA) complementary paratransit service. In 2014, Metro Mobility provided over 1.9 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 2014, these routes carried 2.7 million passengers. Transit Link is a region-wide dial-a-ride program that assists people outside areas served by fixed-route transit and provided 333,000 rides in 2014. Suburban Transit Authority Providers are comprised of 12 communities selecting to manage their own transit service provided 5.2 million rides in 2014.

Water services - Metropolitan Council Environmental Services (MCES) collects and treats an average of 255 million gallons of wastewater every day from 108 directly served communities in the Twin Cities region. The system has capacity to treat 371 million gallons per day. About 643 miles of sewer pipes from 5,000 miles of city sewers carry wastewater to one of eight MCES treatment plants. The plants operate 24 hours a day, 365 days a year. The East Bethel Water Reclamation Facility began service in 2014 and does not discharge to a river. Its effluent is used to recharge the ground water.

All MCES wastewater treatment plants continue to perform at a high level in complying with clean water discharge permits - 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 plants received NACWA's Platinum Peak Performance Award in 2014 for consecutive years of compliance through 2013: Hastings (24 years); St. Croix Valley (23 years); Seneca (14 years); Blue Lake (9 years); Eagles Point (9 years), and Empire (7 years). All treatment plants received 2014 Certificates of Commendation from the Minnesota Pollution Control Agency. In addition, the conservation strategies and energy-saving measures resulted in a $4.7 million savings last year.

The 2014 annual budget for Environmental Services operations was funded primarily from the metropolitan wastewater charge allocated to municipalities ($184.2 million) pursuant to Minnesota Statute 473.517. Municipal sewer rates to local homes and businesses in the metro region are low, approximately 28.0 percent lower than the national average. Municipal customer satisfaction is high. The metropolitan wastewater charge, while limited to wastewater and certain total watershed management expenses, is not limited by statute, thus allowing the Council to set the rates as needed to maintain the approximately $5 billion (replacement cost) in infrastructure.

While slightly below last year, the Sewer Availability Charges (SAC) to communities for additional capacity demands resulting from new development continues recovering from the recent recession.

Water supply research and planning continues to be an area of high community and legislative interest. Expenses for this program are not funded from wastewater fees, but from various other sources. In 2014, $1.6 million was spent and expenses are budgeted at $1.8 million in 2015.

Approximately $122.5 million was spent on capital projects in 2014 to support regional goals of: 1) maintaining infrastructure, 2) accommodating growth, and 3) protecting the environment. Highlights of the major ongoing capital improvement program in 2014 for the wastewater system include:

- Over $120 million in major rehabilitation and improvements of the interceptor system, including interceptors serving the Minnesota cities of Bloomington, Brooklyn Park, Burnsville, Eagan, Excelsior, Golden Valley, Hopkins, Minneapolis, St. Louis Park and Wayzata.
- Approximately $22 million of major upgrades to the Metropolitan Plant (in St. Paul, MN), including major renovation of the solids processing facilities.

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

The regional parks system, which includes 53 regional parks and park reserves, 40 trails and 8 special recreation areas had 47.3 million visitors last year. Parks are operated by 10 partnering cities, counties and special districts. These partners work with the Metropolitan Council to acquire and develop parks and trails to protect natural resources and to provide outdoor recreation for public enjoyment.

The Council also works with these regional partners to develop park policies that protect the 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 over 6,300 very low to extremely low income households. This includes 150 Council owned and operated housing units called the Family Affordable Housing Program in 11 cities in suburban Anoka, Ramsey and Hennepin Counties. Additionally, The Council provides rent assistance to nearly 650 households through other state and federally funded rent assistance programs designed to assist households meeting specific eligibility criteria such as disability, homelessness, or working toward self-sufficiency.

Working in partnership with cities, counties and municipal development authorities, the Council, through its Livable Communities Programs, provides grants to projects that 1) clean up contaminated land for redevelopment, 2) promote efficient, connected development, and 3) support the development and preservation of affordable and lifecycle housing. Currently, 95 metropolitan area communities are participating in the voluntary Livable Communities Act Local Housing Incentives program.

Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) issues new pension accounting and financial reporting requirements for governmental employers that contribute to state and local public pension plans. These complex requirements are found in GASB Statement No. 68, "Accounting for Financial Reporting for Pensions; an amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68". These statements require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability on their financial statements for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

The Council recorded $327 million in pension liability for the year. This amount includes $360 million for recording the change in accounting principle and a negative expense of $33 million reflecting positive investment performance for the current year.

The statements also enhance accountability and transparency through revised and new note disclosures. Additional information required for the GASB Statement No. 68 and GASB Statement No. 71 implementation are contained in the Notes to the Financial Statements and Required Supplementary Information of this report.

Financial Information

The 2014 unified operating budget was adopted by the Council in December 2013. The original adopted budget for operations, pass-through expenditures and debt service was $890 million, representing a 7.50 percent increase from the budget adopted for 2013. During the year, the budget was revised to $896 million primarily to recognize carry forward of budgeted expenses for projects initiated in the prior year but that are expected to be completed during 2014. These projects include routine treatment plant repairs, investments in technology, and building maintenance.

The Council budget relies on several funding sources. In the 2014 budget, 39.0 percent of the Council's revenue came from user fees for wastewater treatment and transit services and 49.0 percent from state, federal, and local funds. About nine percent of revenue came from a seven-county property tax and three percent from other sources.

The Council receives a percentage of the state Motor Vehicle Excise Tax (MVET) to fund a portion of transit expenditures of the Council and certain suburban transit communities. The MVET is a single sector excise tax and has historically experienced significant peaks and valleys. To address the variability of receipts, the Council budgets only 95.0 percent of its portion of forecasted MVET revenues, with five percent unbudgeted in the event that actual receipts fall short of projections. The Council also adopted its 2014 Unified Capital Program in December 2013. The Capital Program includes authorized capital projects (ACP) and 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 2014 Capital Program defines $7 billion in capital projects, of which $383 million was authorized for spending in 2014.

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, 2013. This was the thirty-first 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

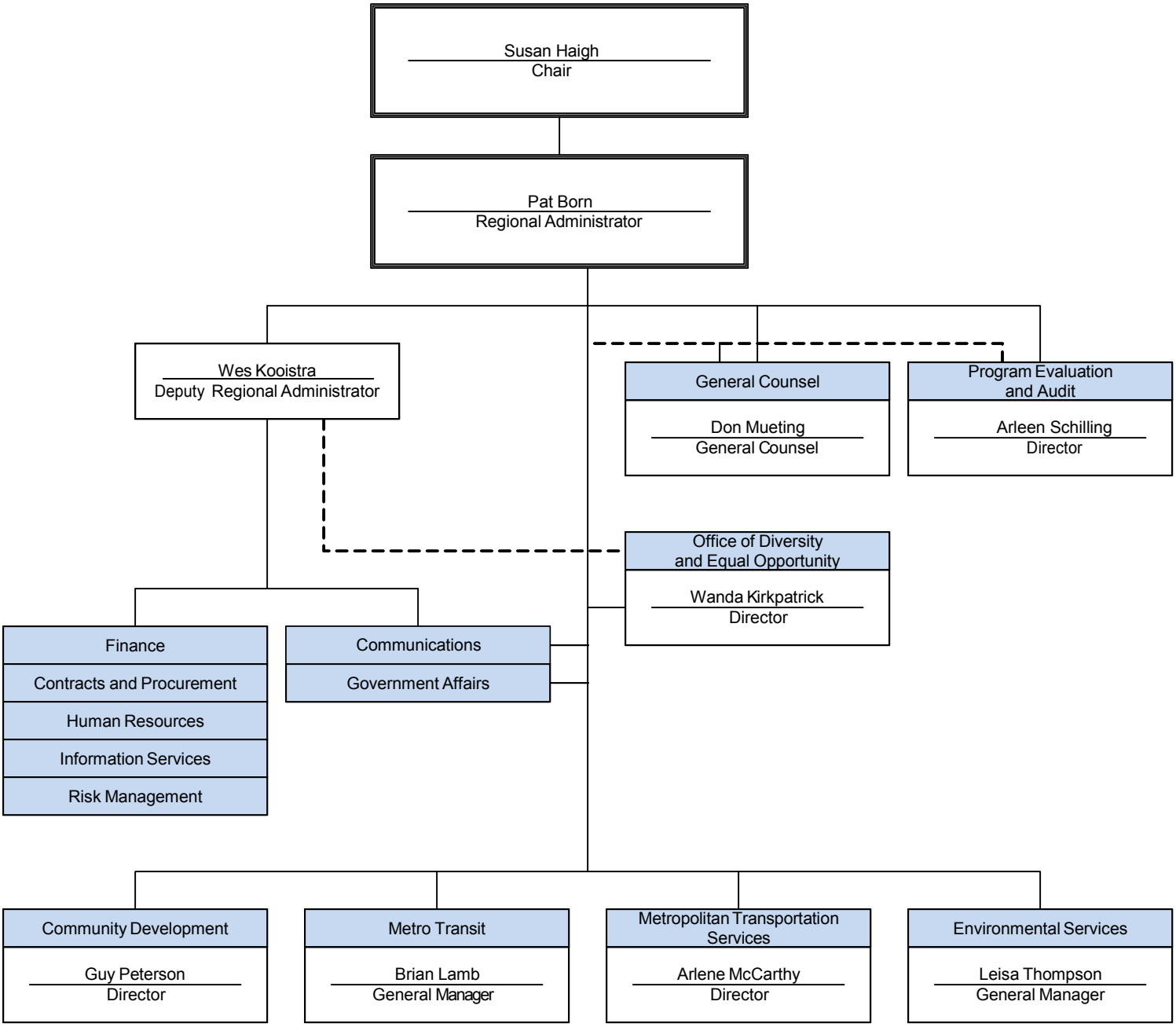
Metropolitan Council of the Twin Cities Area Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

Metropolitan Council Organizational Chart



December 2014

	Term of Office	
	First Appointed	**End of Term**
COUNCIL MEMBERS		
Chair -		
Susan Haigh	Jan. 12, 2011	Jan. 5, 2015
District Members -		
District No. 1 - Katie Rodriguez	July 17, 2013	Jan. 5, 2015
District No. 2 - Lona Schreiber	March 2, 2011	Jan. 5, 2015
District No. 3 - Jennifer Munt	March 2, 2011	Jan. 5, 2015
District No. 4 - Gary Van Eyll	March 2, 2011	Jan. 5, 2015
District No. 5 - Steve Elkins	March 2, 2011	Jan. 5, 2015
District No. 6 - James Brimeyer	March 2, 2011	Jan. 5, 2015
District No. 7 - Gary Cunningham	March 2, 2011	Jan. 5, 2015
District No. 8 - Adam Duininck	March 2, 2011	Jan. 5, 2015
District No. 9 - Edward Reynoso	March 2, 2011	Jan. 5, 2015
District No. 10 - Marie McCarthy	Nov. 30, 2013	Jan. 5, 2015
District No. 11 - Sandy Rummel	March 2, 2011	Jan. 5, 2015
District No. 12 - Harry Melander	March 2, 2011	Jan. 5, 2015
District No. 13 - Rich Kramer	March 2, 2011	Jan. 5, 2015
District No. 14 - Jon Commers	March 2, 2011	Jan. 5, 2015
District No. 15 - Steven Chávez	March 2, 2011	Jan. 5, 2015
District No. 16 - Wendy Wulff	Apr. 22, 2009	Jan. 5, 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)
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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, 2014, and the related notes to the financial statements, which collectively comprise the Metropolitan Council's basic financial statements, as listed in the table of contents.

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

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Metropolitan Council as of December 31, 2014, 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 2014 the Metropolitan Council adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, 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 24, 2015, on our consideration of the Metropolitan Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metropolitan Council's internal control over financial reporting and compliance.

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 24, 2015

Serving the Twin Cities seven-county metropolitan area

2014 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, 2014. It should be read in conjunction with the preceding transmittal letter and the Metropolitan Council's basic financial statements following this section.

Financial Highlights

The assets of the Council exceeded liabilities at the close of the fiscal year by $2.9 billion. Approximately 90.0 percent of this amount is invested in capital assets (net of related debt).

Total net position increased by $192 million, 7.0 percent over the prior year's restated net position. Net position, restated from business-type activities increased $172 million, while governmental activities increased $19 million. Construction of the Central Corridor Light Rail Project completed and operation of the Green Line Light Rail began in June 2014. Overall, program revenues decreased by $30 million; capital grant revenues decreased by $122 million, reflecting the end of construction phases for the light rail project, and operating grants and charges for services increased by $76 and $16 million, respectively.

The Council's governmental funds reported a combined ending fund balance of $369 million. This represents an increase of $17 million, 4.90 percent, compared to the previous year and primarily reflects proceeds from the issuance of debt to support the Council's capital parks and transit.

At the close of the fiscal year, the General Fund reported a total fund balance of $22 million, a slight decrease compared to the previous year. The General Fund unassigned fund balance decreased $357 thousand, while the committed balance decreased by $25 thousand and the assigned balance decreased $66 thousand, mainly due to budget carry forward request for projects started in 2014 that will finish in 2015.

The Council added $271 million in general obligation bonds and loans, while paying down $185 million.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

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

Business-type Activities – Business-type activities include services that are intended to recover costs through user charges and fees. The Council's wastewater treatment, public transportation, the Housing and Redevelopment Authority, and internal service 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 31-66 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 68-75.

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 78-97 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 101-126 of this report.

Government-wide Financial Analysis

The following condensed financial information was derived from the government-wide Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. For the Metropolitan Council, assets exceeded liabilities by $2.9 billion on December 31, 2014.

Metropolitan Council Net Position
December 31, 2013 and 2014
(In Thousands)

	Governmental activities		Business-type activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	$ 388,899	$ 419,086	$ 917,980	$ 986,970	$ 1,306,879	$1,406,056
Capital assets	109,438	106,662	3,720,954	3,886,484	3,830,392	3,993,146
Total assets	498,337	525,748	4,638,934	4,873,454	5,137,271	5,399,202
Deferred outflows of resources:						
Outflows - derivative	-	-	-	10,010	-	10,010
Outflows - pension	-	1,855	-	18,138	-	19,993
Total deferred outflow of resources	-	1,855	-	28,148	-	30,003
Long-term liabilities outstanding	247,939	265,125	1,579,308	1,810,889	1,827,247	2,076,014
Other liabilities	37,594	48,080	209,997	205,739	247,591	253,819
Total liabilities	285,533	313,205	1,789,305	2,016,628	2,074,838	2,329,833
Deferred inflows of resources:						
Inflows - pension	-	20,428	-	170,020	-	190,448
Total deferred inflow of resources	-	20,428	-	170,020	-	190,448
Net position:						
Net investment in capital assets	58,498	58,521	2,660,971	2,560,539	2,719,469	2,619,060
Restricted	230,051	315,137	295,447	443,824	525,498	758,961
Unrestricted	(75,745)	(179,688)	(106,789)	(289,409)	(182,534)	(469,097)
Total net position, as reported	212,804	$ 193,970	2,849,629	$2,714,954	3,062,433	$ 2,908,924
Change in accounting principle/ prior year adjustment*	(38,303)		(306,745)		(345,048)	
Total net position, as restated	$ 174,501		$ 2,542,884		$ 2,717,385	

* This is the first year the Council implemented the new pension accounting and financial reporting standard authorized by the Governmental Accounting Standards Board (GASB). To comply with GASB Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, and amendment of GASB Statement No. 68," the Council had to make a prior year change in accounting principle to record the pension liability of $ 365.78 million and deferred outflows of resources of $5.94 million. This is offset by a prior period adjustment made in the Environmental Service fund for $14.76 million due to an overstatement of expense in 2013. See Note IV.K on pages 54-55 of this report.

By far the largest portion of the Metropolitan Council's net position, $2.6 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, $759 million represents resources that are subject to external restrictions. Net position restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. These components of net position consist of debt service, capital projects, highway right-of-way, economic development, environment, housing, and regional land use. The increase in the restricted net position, $233 million came primarily from debt service activities.

The unrestricted net position for the governmental activities was negative $180 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 restated, net position for governmental and business-type activities increased by $192 million, a 7.0 percent increase for the year. Business-type activities contributed $172 million, 89.80 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, 2013 and 2014
(In Thousands)

	Governmental activities		Business-type activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues:						
Charges for services	$ 9,095	$ 9,684	$ 321,019	$ 336,119	$ 330,114	$ 345,803
Operating grants and contributions	139,950	109,086	262,658	369,833	402,608	478,919
Capital grants and contributions	52,380	40,498	288,045	177,690	340,425	218,188
General revenues:						
Property taxes	77,533	76,785	-	3,379	77,533	80,164
Investment earnings	(4,146)	12,035	33,878	37,611	29,732	49,646
Gain on sale of capital assets	378	275	222	261	600	536
Total revenues	275,190	248,363	905,822	924,893	1,181,012	1,173,256
Expenses:						
General government	11,903	12,544	-	-	11,903	12,544
Transportation	126,384	138,525	-	-	126,384	138,525
Culture and recreation	37,337	30,657	-	-	37,337	30,657
Economic development	12,733	8,153	-	-	12,733	8,153
Environment	5,946	5,918	-	-	5,946	5,918
Housing	1,759	1,847	-	-	1,759	1,847
Interest and other charges	9,445	6,622	-	-	9,445	6,622
Environmental services	-	-	253,333	233,979	253,333	233,979
Transit bus	-	-	316,005	314,305	316,005	314,305
Transit light rail	-	-	66,082	142,929	66,082	142,929
Transit commuter rail	-	-	22,944	23,541	22,944	23,541
Housing	-	-	58,911	62,697	58,911	62,697
Total expenses	205,507	204,266	717,275	777,451	922,782	981,717
Increase (decrease) in net position before transfers	69,683	44,097	188,547	147,442	258,230	191,539
Transfers	(35,011)	(24,628)	35,011	24,628	-	-
Increase (decrease) in net position	34,672	19,469	223,558	172,070	258,230	191,539
Net position, beginning, as restated	178,132	174,501*	2,626,071	2,542,884*	2,804,203	2,717,385*
Net position, ending, as reported	$212,804	$ 193,970	$2,849,629	$2,714,954	$ 3,062,433	$2,908,924

*Amount includes a change in accounting principle and prior year adjustment. See Note IV.K on pages 54-55 of this report.

Governmental Activities

Governmental activities increased the Council's restated net position by $19 million, compared to $35 million in 2013. Principal components of the change in net position are discussed in the following paragraphs.

Revenues

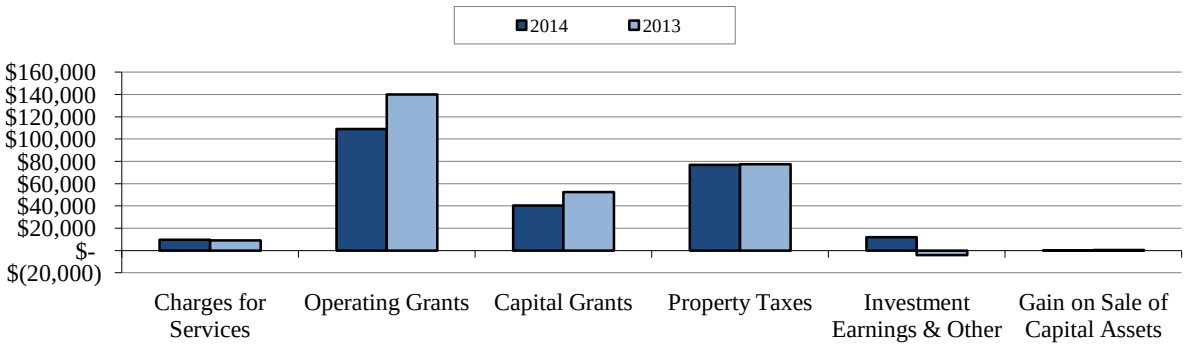
Governmental activities are supported by charges for services, operating grants, and capital grants and contributions. Additionally, general revenues cover any expenses after program specific revenues are applied. In 2014, the Council relied primarily on property taxes, for funding governmental activities beyond program revenues. Specifically, property taxes supported the Council's general fund activity and transit and parks debt service activity.

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

Total program revenues of $159 million, decreased by $42 million, 20.9 percent, compared to 2013. A decrease in operating grant program revenues of $30 million and a decrease of $12 million in capital grant programs account for this change. This is due to a regional decrease in state appropriations, mainly to Metro Mobility fund.

Total general revenues were $89 million, an increase of $15 million or 20.9 percent over the prior year. Improved investment earnings increase of $16 million, reflecting higher market yields, were the primary contributor to the increase.

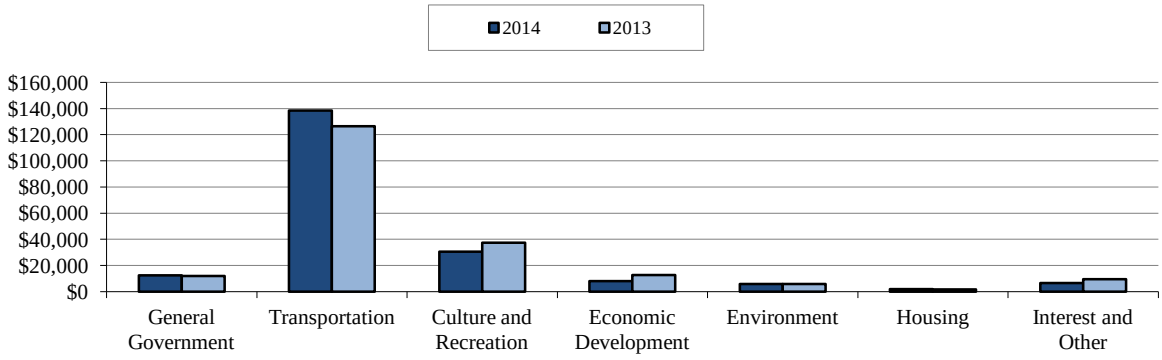
Governmental Activities Revenues
Fiscal Years Ended December 31, 2014 and 2013
(In Thousands)



Expenses

In 2014, expenses for governmental activities decreased by $1.2 million, 0.60 percent, to $204 million. Expenses related to culture and recreation decreased by $7 million relative to the timing of regional parks grant expenditures. Transportation increased by $12 million reflecting regional fleet replacement activities, and interest expense decreased by $3 million for the year. The Council's livable communities programs for economic development decreased by $5 million offset by general governmental expenses increase of $0.6 million. The unexpended balances of all livable community grants programs are reported as restricted net position.

Governmental Activities Program Expenses
Fiscal Years Ended December 31, 2014 and 2013
(In Thousands)



Depreciation for the year was $16 million, a decrease of $120 thousand over 2013, reflecting decreased capital spending on fleet replacement and bus equipment.

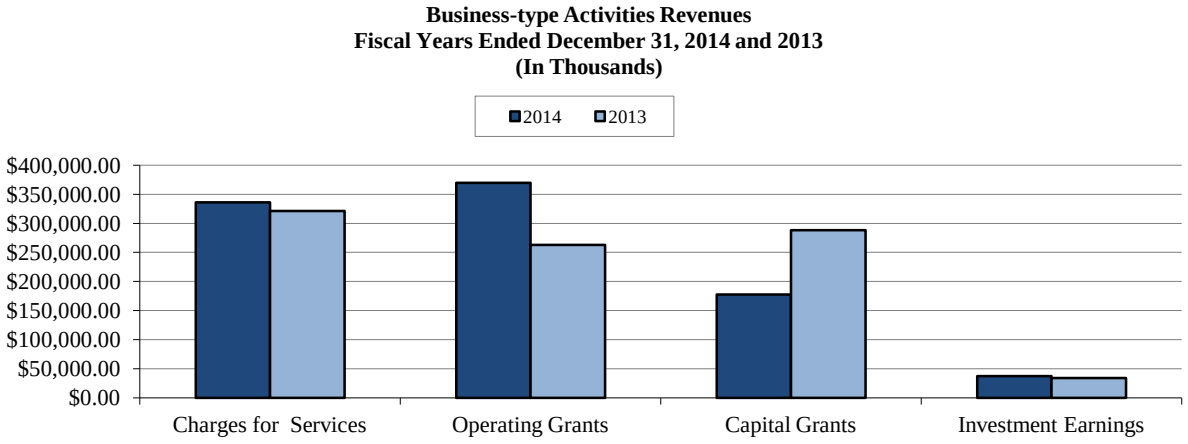
In 2014, net transfers to business-type activities decreased by $10 million to $25 million. Transfers were primarily capital expense reimbursements, with Metro Transit Bus and Light Rail as the primary recipients.

Net salaries and benefits stayed flat at $8 million. Payments to outside transit providers increased by $11 million due to the increase in service demands.

Business-Type Activities

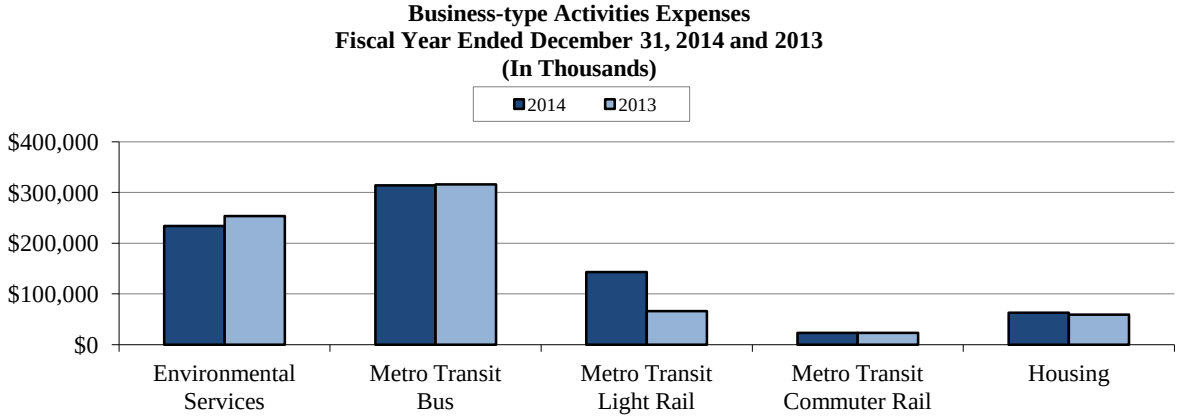
Revenues

Program revenues for the Council's business-type activities totaled $884 million, or 113.70 percent of related expenses for fiscal year 2014 compared to $872 million, 121.50 percent of related expenses, in the prior year. Increases in state and local operating grant revenues were mainly for Metro Transit Light Rail. Capital contributions for Light Rail decreased by $122 million reflecting completion of the Metro Green Line, while Metro Transit Bus and Metro Transit Commuter Rail increased by $10 million and $6 million, respectively. Investment earnings increased by $4 million.



Expenses

Business-type activities in 2014 incurred expenses of $777 million, an increase of $60 million, 8.4 percent, over the prior year. The Environmental Services program expenses decreased by $19 million, 7.60 percent, due to additional expenses recorded in the prior year, resulting in the restatement. Metro Transit Light Rail increased expenses by $77 million, due to the start of Metro Green Line operations June, 2014. Metro Transit Bus decreased expenses by $2 million and Metro Transit Commuter Rail increased expenses by $ 0.5 million. Housing increased expenses by $4 million due to housing assistance payments.



Overall salaries and benefit related expenses decreased by $1 million to $303 million. Decrease in supporting staff for Environmental Services, $4 million, and a decrease in Metro Transit Bus, $8 million, offset by Metro Transit Light Rail increase of $11 million, due to the start of the Metro Green Line.

Depreciation expense increased $24 million to $175 million from $151 million in 2013.

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 $369 million, an increase of $17 million compared to the prior year. Of that total fund balance, $315 million is considered restricted, $64 million is committed, and $6 million is assigned, leaving an unassigned balance of a negative $16 million.

During 2014, the governmental funds issued $33 million of new general obligation bonds.

Revenues from all governmental funds for the current year were $247 million, a decrease of $28 million, 10.40 percent, over the previous year. Governmental funds share of state appropriations allocation decreased $39 million. Federal capital grants decreased $2 million related to the timing of capital project expenses. Taxes decreased by $3 million as this was used by Metro Transit Bus. Investment earnings increased by $16 million. Other small variances in local and miscellaneous revenues made up the balance.

Expenditures for all governmental funds in the current year were $253 million, a decrease of $7 million from the previous year. Culture and recreational program expenditures decreased by $7 million reflecting decreased reimbursement requests from regional parks. The Council's livable communities programs (housing, economic development, and environment rehabilitation) spending decreased by $4 million, reflecting the housing market and regional government budget changes. Transportation expenditures increased by $11 million to $123 million due to increased pass-through of Motor Vehicle Excise Tax to suburban transit providers and an increase in ridership demand for Metro Mobility. Debt service principal and interest payments increased by $ 373 thousand, for a total of $50 million. Capital outlay decreased by $8 million to $21 million due to the end of the construction on the Green Line Light Rail.

The General Fund is the Council's principal governmental operating fund. During the current year, the fund balance in the General Fund decreased by $448 thousand to $22 million, 2.0 percent. A planned use of reserves are for a one time transfer to environmental services for water supply planning, accounts for the decrease in fund balance. At the end of 2014, $6 million was committed for specific purposes and $4 million was assigned for existing obligations, leaving $12 million unassigned.

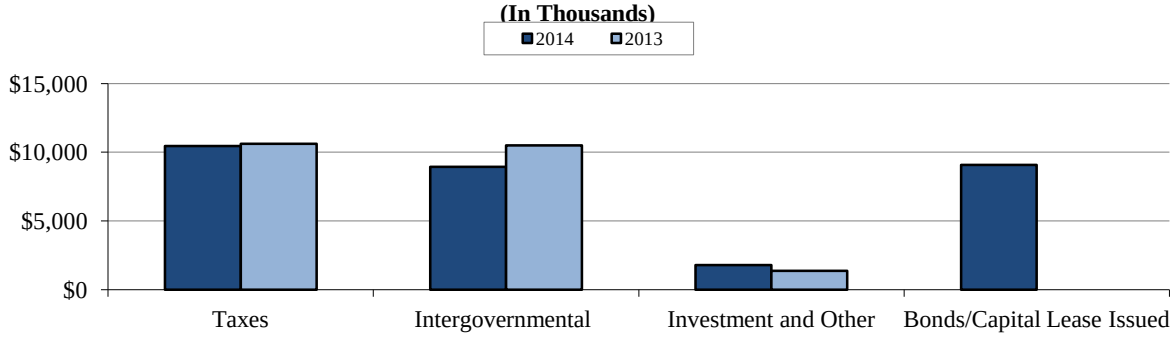
The following table provides the changes in revenues by source from 2013 to 2014.

General Fund
Revenues by Source and Other Financing Sources
Fiscal Years Ended December 31, 2013 and 2014
(In Thousands)

	2013		2014		
	Amount	Percent of Total	Amount	Percent of Total	Increase (Decrease)
Revenues by Source					
Taxes	$10,602	47%	$10,458	34%	$ (144)
Intergovernmental Revenues	10,494	47%	8,936	30%	(1,558)
Investment Income and Other	1,360	6%	1,786	6%	426
Bonds/Capital Lease Issued	-	-	9,077	30%	9,077
Total Revenue and Other Financing Sources	$22,456	100%	$30,257	100%	$ 7,801

General Fund revenues decreased by $1 million over the previous year due to a decrease in the operating portion of the Council's property tax levy and the federal Housing and Redevelopment Authority - HUD sustainable communities regional planning grant program. Investment income increased $426 thousand compared to prior year.

General Fund
Revenues by Source and Other Financing Sources
Fiscal Years Ended 2014 and 2013
(In Thousands)

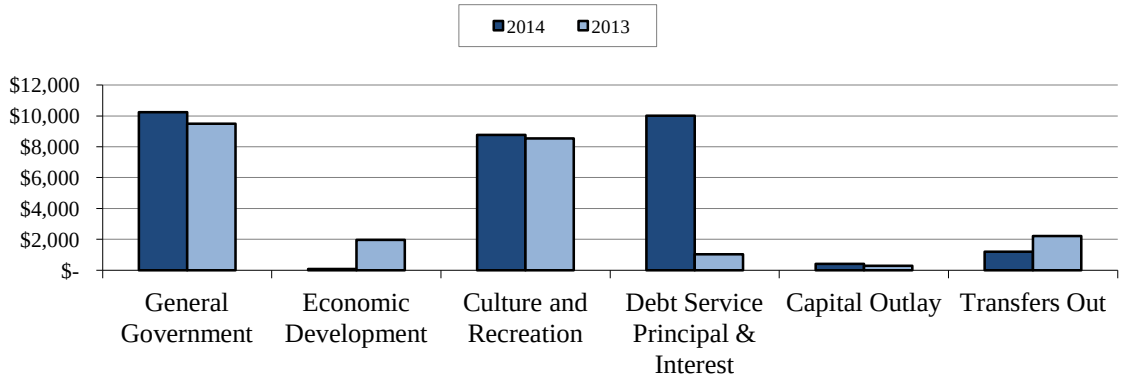


The following table provides the changes in expenditures by function from 2013 to 2014.

General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2013 and 2014
(In Thousands)

	2013		2014		
	Amount	Percent of Total	Amount	Percent of Total	Increase (Decrease)
Expenditures by Function					
General Government	$ 9,503	40%	$ 10,249	34%	$ 746
Culture and Recreation	8,540	36%	8,765	29%	225
Economic Development	1,966	9%	73	0%	(1,893)
Debt Service (Principal Only)	615	3%	9,610	31%	8,995
Debt Service (Interest Only)	416	2%	402	1%	(14)
Capital Outlay	296	1%	404	1%	108
Total Expenditures	$21,336	91%	$29,503	96%	$ 8,167
Transfers Out	2,209	9%	1,202	4%	(1,007)
Total Expenditures and Other Financing Uses	$23,545	100%	$30,705	100%	$ 7,160

General Fund
Expenditures by Function and Other Financing Uses
Fiscal Years Ended December 31, 2014 and 2013
(In Thousands)



General Fund expenditures (net of allocations) during the current year were $29 million, an increase of $8 million from the previous year. Other financing uses-transfers out decreased by $1 million. The General Fund budgeted and transferred out $1 million for livable communities as required by State legislation and planned use of reserves noted earlier and, $174 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 over budget due to the refunded certificates of participation not being budgeted.

In 2014, the Metro Mobility Fund balance decreased by $9 million to $41 million. This was a planned use of fund reserves. Metro Mobility's total revenues decreased by $31 million to $46 million. State appropriation revenues decreased by $33 million. Fare revenues increased by 4.90 percent to $6.8 million while the number of passenger trips and passenger miles increased by 9.0 percent and 14.8 percent respectively. Total Metro Mobility expenditures increased by $5 million to $55 million, an increase of 10.0 percent, which is due to the increased passenger miles along with increased transit provider expense.

The Debt Retirement Fund balance increased by $15 million to $118 million as anticipated for debt repayments. Property tax related revenues increased $649 thousand more than the prior year to $49 million. Investment earnings increased by $5 million. Total debt service payments were $40 million, a decrease of $9 million from the prior year.

Financial Analysis of Proprietary Funds

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

The Council has five enterprise funds: Environmental Services, Metro Transit Bus, Metro Transit Light Rail, Metro Transit Commuter Rail, and Metropolitan Housing and Redevelopment Authority. Additionally the Council has one Internal Service fund. Each enterprise fund is reported as a major fund. The Internal Service fund accounts for self-insured medical and dental insurance related to Regional Administration, Metro Transit, and Environmental Services.

Overall, the enterprise funds had a total net position of $2.7 billion at December 31, 2014. The total net position for all enterprise funds increased by $172 million during 2014. Capital contributions and intergovernmental revenues were the largest positive contributors and reflect construction completed and opening of Metro Green Line in June 2014.

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 2013 to 2014.

Proprietary Funds
Key Balance Sheet Account Balances and Revenue and Expense Activities
Fiscal Years Ended December 31, 2013 and 2014
(In Thousands)

	Enterprise Funds							
		Metro Transit			Metropolitan Housing and			
	Environmental Services	Bus	Light Rail	Commuter Rail	Redevelopment Authority	Total 2013*	Total 2014	Internal Service
Assets	$ 2,192,285	$760,839	$ 1,645,714	$ 221,731	$ 25,082	$ 4,622,818	$ 4,845,651	$ 29,962
Deferred outflows of resources	2,866	23,089	1,855	169	169	-	28,148	-
Liabilities	1,506,985	230,282	261,417	8,545	3,395	1,785,495	2,010,624	6,215
Deferred inflows of resources	31,571	114,307	20,428	1,857	1,857	-	170,020	-
Operating Income (Loss)	11,474	(240,132)	(81,465)	(21,183)	(61,684)	(361,928)	(392,990)	10,313
Changes in Net Position	18,557	58,404	84,772	1,242	(398)	211,252	162,577	10,620
Net Position	656,595	439,339	1,365,724	211,498	19,999	2,542,884*	2,693,155	23,747

*Amount includes a change in accounting principle and prior year adjustment. See Note IV.K on pages 54-55 of this report.

The Environmental Services Fund accounts for the operations, maintenance, and design of the regional wastewater (sanitary sewer) system. Normal operations were positive. Net capital assets increased by $64 million.

Metro Transit Bus is the region's largest provider of directly provided bus transit service. For December 31, 2014, net investment in capital assets was $494 million, an increase of $16 million. This increase was due to investment in buses.

The Metro Transit Light Rail Fund provides the region's light rail transit service. For December 31, 2014, the net investment in capital assets was $1.4 billion, an increase of $73 million. The Metro Green Line Light Rail line started service June 2014.

The Metro Transit Commuter Rail Fund provides the region's commuter rail transit service. For December 31, 2014, the net investment in capital assets was $206 million, a decrease of $1.2 million mostly from accumulated depreciation.

The Metropolitan Housing and Redevelopment Authority provides affordable housing under the Federal Section 8 housing choice voucher program. The net position balance for the year ended December 31, 2014, was $20 million, of which $14 million was net investment in capital assets.

General Fund Budgetary Highlights

The original expenditure budget was increased by $2.3 million to arrive at the final budget of $21.7 million. The increase came from:

- $621 thousand in additional budget carryovers from 2013 including; $283 thousand for enterprise wide financial systems, $163 thousand for the Council's central office building, $75 thousand for consultant review related to forecasts budgeted, $50 thousand for Parks community engagement activities and $50 thousand for professional services related to the Thrive MSP 2040.
- $1 million for capital maintenance for the Council's central office building, $65 thousand for consultant assistance with plain language training per the Governor's executive order and $566 thousand for Corridors of Opportunity activities funded from the HUD sustainable Communities Regional Planning Grant.

During the year, however, actual operating expenditures were $7.8 million higher than the final budget due primarily to refunding of the certificates of participation. The refunded proceeds paid for the old outstanding debt.

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, 2014, was $4.0 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, treatment plants, machinery, equipment, and vehicles.

Metropolitan Council Capital Assets
(Net of Accumulated Depreciation)
Fiscal Years Ended December 31, 2013 and 2014
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land and land improvements	$ 6,958	$ 6,958	$ 219,753	$ 244,261	$ 226,711	$ 251,219
Buildings and infrastructure	13,279	12,870	1,926,441	2,587,770	1,939,720	2,600,640
Vehicles and other equipment	79,667	76,493	571,931	761,718	651,598	838,211
Construction in progress	9,534	10,341	1,017,590*	292,735	1,027,124	303,076
Total	$ 109,438	$ 106,662	$ 3,735,715	$ 3,886,484	$3,845,153	$3,993,146

*Restated amount for prior period adjustment. See Note IV.K on pages 54-55 of this report.

The Metropolitan Council's net capital assets for governmental activities decreased by $2.78 million for the year.

The business-type activities had an increase of $151 million including $73 million in Metro Transit Light Rail for the Metro Green Line Light Rail assets and $16 million in Metro Transit Bus. Environmental Services increased by $64 million.

Additional information on the Metropolitan Council's capital assets can be found in Note IV.E on pages 46-47 of this report.

Debt Administration

At the end of the fiscal year, the Metropolitan Council had total bonds and loans outstanding of $1.7 billion. Of this amount, $1.2 billion was for general obligation bonds issued by the Metropolitan Council, and $543 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.

Metropolitan Council Outstanding Debt
General Obligation Bonds and Loans
December 31, 2013 and 2014
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
General obligation bonds and notes	$212,200	$214,995	$ 934,640	$966,385	$ 1,146,840	$ 1,181,380
State of Minnesota loans	7,030	5,780	484,379	536,843	491,409	542,623
Total of general obligation bonds and loans	$219,230	$220,775	$1,419,019	$1,503,228	$1,638,249	$1,724,003

The Metropolitan Council's total debt increased by $86 million, 5.23 percent, during the current year. General obligation bonds increased by $35 million and the State of Minnesota Public Facilities Authority loans increased by $51 million. During the year, the Council issued $194 million of new bonds, while retiring $166 million of bonds, loans and notes. Also during 2014, the Metropolitan Council drew down $77 million in State of Minnesota loans and repaid $26 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 $27.5 million.

Transit debt is subject to limited amounts as authorized by statute. At the end of the year, the Metropolitan Council had unissued authority of $165.2 million of transit general obligation bonds.

Additional information on the Metropolitan Council's long-term debt can be found in Note IV.H on pages 49-52 of this report.

Economic Factors and Next Year's Budgets and Rates

The Council’s operating budget relies on several funding sources. For 2015, total state revenues (state general fund appropriations and motor vehicle sales taxes) representing 49 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 37 percent of total operating revenues and increase 1 percent for the 2015 operating budget reflecting continued economic recovery and strong ridership. The certified property tax levy approved by the Council for payable in 2015 represents a 0.5 percent increase over the previous year’s levy. The general purposes levy is 100 percent of its statutory levy limit. Property tax revenue collections have historically been in line with budgeted original estimates.

Requests for Information

This financial report is designed to provide a general overview of the Metropolitan Council's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Council, 390 Robert Street North, St. Paul, Minnesota 55101-1805.

Serving the Twin Cities seven-county metropolitan area

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
DECEMBER 31, 2014
IN THOUSANDS

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 285,336	$ 374,198	$ 659,534
Receivables, net	5,404	14,691	20,095
Internal balances	1,948	(1,948)	-
Due from other governmental units	55,001	38,134	93,135
Inventory	-	29,955	29,955
Prepaids and other	-	1,217	1,217
Loans and advances	46,962	1,402	48,364
Restricted assets:			
Cash and cash equivalents	-	226,835	226,835
Cash with fiscal agent	24,435	198,934	223,369
Receivables, net	-	3,207	3,207
Due from other governmental units	-	100,341	100,341
Loans Receivable	-	4	4
Capital assets not being depreciated			
Land	6,958	244,261	251,219
Construction in progress	10,341	292,735	303,076
Capital assets (net of accumulated depreciated)			
Buildings and infrastructure	12,870	2,587,770	2,600,640
Vehicles	72,922	526,345	599,267
Equipment	3,571	235,373	238,944
Total assets	525,748	4,873,454	5,399,202
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows derivative	-	10,010	10,010
Deferred outflows pension	1,855	18,138	19,993
Total deferred outflows of resources	1,855	28,148	30,003
LIABILITIES			
Accounts payable and other current liabilities	44,164	58,633	102,797
Accrued interest payable	3,259	-	3,259
Unearned revenue	657	9,884	10,541
Liabilities payable from restricted assets	-	52,680	52,680
Unearned revenue-restricted	-	84,542	84,542
Noncurrent liabilites:			
Due within one year	68,819	316,672	385,491
Due in more than one year	196,306	1,494,217	1,690,523
Total liabilities	313,205	2,016,628	2,329,833
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow pension	20,428	170,020	190,448
Total deferred inflows of resources	20,428	170,020	190,448
NET POSITION			
Net investment in capital assets	58,521	2,560,539	2,619,060
Restricted for:			
Debt service	118,056	296,396	414,452
Capital projects	70,282	147,428	217,710
Highway right-of-way	56,794	-	56,794
Economic development	46,067	-	46,067
Environment	19,676	-	19,676
Housing	2,997	-	2,997
Regional land use	1,265	-	1,265
Unrestricted	(179,688)	(289,409)	(469,097)
Total net position	$ 193,970	$ 2,714,954	$ 2,908,924

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
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	$ 12,544	$ 208	$ -	$ 2,572	$ (9,764)	$ -	$ (9,764)
Transportation	138,525	9,476	100,230	15,813	(13,006)	-	(13,006)
Culture and recreation	30,657	-	8,787	22,113	243	-	243
Economic development	8,153	-	69	-	(8,084)	-	(8,084)
Environment	5,918	-	-	-	(5,918)	-	(5,918)
Housing	1,847	-	-	-	(1,847)	-	(1,847)
Interest and other charges	6,622	-	-	-	(6,622)	-	(6,622)
Total governmental activities	204,266	9,684	109,086	40,498	(44,998)	-	(44,998)
Business-type activities:							
Environmental services	233,979	233,468	6,022	2,029	-	7,540	7,540
Transit bus	314,305	81,879	200,849	51,800	-	20,223	20,223
Transit light rail	142,929	17,364	87,423	116,839	-	78,697	78,697
Transit commuter rail	23,541	2,395	14,611	7,022	-	487	487
Housing	62,697	1,013	60,928	-	-	(756)	(756)
Total business-type activities	777,451	336,119	369,833	177,690	-	106,191	106,191
Total governmental and business-type activities	$ 981,717	$ 345,803	$ 478,919	$ 218,188	(44,998)	106,191	61,193
		General revenues:					
		Property taxes			76,785	3,379	80,164
		Investment earnings			12,035	37,611	49,646
		Gain on sale of capital assets			275	261	536
		Transfers			(24,628)	24,628	-
		Total general revenues and transfers			64,467	65,879	130,346
		Change in net position			19,469	172,070	191,539
		Net position, beginning, as restated*			174,501	2,542,884	2,717,385
		Net position, ending			$ 193,970	$ 2,714,954	$ 2,908,924

*See Note IV.K (pages 54-55)

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014
IN THOUSANDS

	General	Metro Mobility Special Revenue	Debt Retirement	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 27,035	$ 24,770	$ 92,606	$ 140,925	$ 285,336
Cash with fiscal agents	-	-	24,435	-	24,435
Receivables, (net)	49	104	-	-	153
Delinquent taxes receivable	852	-	2,628	801	4,281
Interest receivable	80	54	325	511	970
Due from other governmental units	49	24,127	-	30,825	55,001
Loans and advances	164	-	-	46,798	46,962
Total assets	$ 28,229	$ 49,055	$ 119,994	$ 219,860	$ 417,138
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts/contracts/subgrantees payable	$ 1,693	$ 8,233	$ -	$ 31,474	$ 41,400
Salaries payable	2,764	-	-	-	2,764
Unearned revenues	657	-	-	-	657
Total liabilities	5,114	8,233	-	31,474	44,821
Deferred Inflows of resources:					
Unavailable revenue - taxes	675	-	1,938	615	3,228
Fund balances:					
Restricted	-	-	118,056	197,081	315,137
Committed	6,338	40,822	-	16,704	63,864
Assigned	4,176	-	-	-	4,176
Unassigned	11,926	-	-	(26,014)	(14,088)
Total fund balances	22,440	40,822	118,056	187,771	369,089
Total liabilities, deferred inflows of resources and fund balances	$ 28,229	$ 49,055	$ 119,994	$ 219,860	$ 417,138

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, 2014 IN THOUSANDS

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

Fund balances-total governmental funds (page 22)	$	369,089
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		106,662
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		1,855
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in business-type activities in the Statement of Net Position, a portion of the internal service fund is attributable to governmental funds.		1,948
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in governmental funds.		3,228
Long-term liabilities, including bonds and interest payable, are not due and payable in the current period and therefore are not reported in governmental funds.		(268,384)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds.		(20,428)
Net position of governmental activities (page 20)	$	193,970

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, 2014
IN THOUSANDS

	General	Metro Mobility Special Revenue	Debt Retirement	Nonmajor Governmental Funds	Total
REVENUES					
Taxes	$ 10,458	$ -	$ 48,984	$ 15,885	$ 75,327
Intergovernmental revenue:					
Federal	69		-	20,881	20,950
Build America bonds interest subsidy	-	-	859	-	859
State	8,787	38,031		79,077	125,895
Local/other	80	-	-	2,270	2,350
Investment income	1,786	946	3,214	6,089	12,035
Other	-	6,826	-	2,388	9,214
Total revenues	21,180	45,803	53,057	126,590	246,630
EXPENDITURES					
Current:					
General government	10,249	-	63	2,184	12,496
Transportation	-	55,085	-	28,034	83,119
Economic development	49	-	-	-	49
Intergovernmental:					
Transportation	-	-	-	39,682	39,682
Culture and recreation	8,765	-	-	21,892	30,657
Economic development	24	-	-	8,080	8,104
Environment	-	-	-	5,918	5,918
Housing	-	-	-	1,847	1,847
Debt service:					
Principal	9,610	-	31,455	-	41,065
Interest and other charges	402	-	8,705	-	9,107
Capital outlay	404	-	-	20,995	21,399
Total expenditures	29,503	55,085	40,223	128,632	253,443
Excess (deficiency) of revenues over (under) expenditures	(8,323)	(9,282)	12,834	(2,042)	(6,813)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	28	-	1,450	1,478
Transfers out	(1,202)	-	-	(20,997)	(22,199)
Bonds/capital lease issued	9,077	-	-	33,000	42,077
Premium on bonds and capital related debt	-	-	2,362	-	2,362
Sale of capital assets	-	-	-	254	254
Total other financing sources (uses)	7,875	28	2,362	13,707	23,972
Net change in fund balances	(448)	(9,254)	15,196	11,665	17,159
Fund balances, beginning	22,888	50,076	102,860	176,106	351,930
Fund balances, ending	$ 22,440	$ 40,822	$ 118,056	$ 187,771	$ 369,089

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, 2014 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)	$	17,159
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.		4,917
The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to decrease net position.		(7,693)
Internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service fund activities reported with governmental activities.		1,127
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		1,458
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.		(889)
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.		3,390
Change in net position of governmental activities (page 21)	$	19,469

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014
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	$ 109,780	$ 207,452	$ 6,118	$ 11,782	$ 9,277	$ 344,409	$ 29,789
Receivables, net	4,833	8,669	913	40	63	14,518	173
Due from other governmental units	2,747	22,740	11,678	568	401	38,134	-
Due from restricted assets	-	-	-	211	-	211	-
Inventory	8,295	12,789	7,464	1,407	-	29,955	-
Prepaids and other	156	545	107	409	-	1,217	-
Restricted assets:							
Cash and cash equivalents	45,873	7,624	173,044	-	294	226,835	-
Cash with fiscal agent	198,934	-	-	-	-	198,934	-
Receivables, net	2,567	26	614	-	-	3,207	-
Due from other governmental units	-	5,493	93,598	1,194	-	100,285	-
Loans receivable	4	-	-	-	-	4	-
Total current assets	373,189	265,338	293,536	15,611	10,035	957,709	29,962
Noncurrent assets:							
Capital assets:							
Land	21,409	45,534	71,352	99,560	6,406	244,261	-
Buildings and infrastructure	2,638,396	352,847	986,414	72,959	21,367	4,071,983	-
Vehicles	8,362	416,712	303,724	57,013	-	785,811	-
Equipment	29,144	112,991	223,204	11,439	100	376,878	-
Construction in progress	186,705	19,792	86,090	148	-	292,735	-
Less accumulated depreciation	(1,065,338)	(453,415)	(318,606)	(34,999)	(12,826)	(1,885,184)	-
Net capital assets	1,818,678	494,461	1,352,178	206,120	15,047	3,886,484	-
Due from other governments-restricted	56	-	-	-	-	56	-
Advances and loans	362	1,040	-	-	-	1,402	-
Total noncurrent assets	1,819,096	495,501	1,352,178	206,120	15,047	3,887,942	-
Total assets	2,192,285	760,839	1,645,714	221,731	25,082	4,845,651	29,962
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflow derivative	-	10,010	-	-	-	10,010	-
Deferred outflow pension	2,866	13,079	1,855	169	169	18,138	-
Total deferred outflows of resources	2,866	23,089	1,855	169	169	28,148	-
LIABILITIES							
Current liabilities:							
Accounts payable	8,711	7,611	1,103	950	82	18,457	6,180
Salaries payable	3,736	16,273	178	16	45	20,248	-
Compensated absences payable	3,699	13,852	1,873	139	64	19,627	-
Due to other governmental units	-	-	1,934	1,777	-	3,711	-
Unearned revenue	5,956	3,893	-	-	-	9,849	35
Accrued claims	347	4,157	81	20	-	4,605	-
Other	-	10,037	-	-	-	10,037	-
Restricted liabilities:							
Payables from restricted assets	20,878	5,888	11,344	254	-	38,364	-
Salaries payable						-	-
Accrued interest payable from restricted assets	12,470	-	1,131	-	-	13,601	-
Bonds/loans payable from restricted assets	205,340	-	87,100	-	-	292,440	-
Due to other governmental units from restricted assets	-	-	-	715	-	715	-
Due to current assets	-	-	-	211	-	211	-
Unearned revenue from restricted assets	45,267	685	38,590	-	-	84,542	-
Total current liabilities	306,404	62,396	143,334	4,082	191	516,407	6,215
Noncurrent liabilities:							
Compensated absences payable	4,217	1,629	-	-	42	5,888	-
Accrued claims	483	7,584	1,000	3,000	294	12,361	-
Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding)	1,154,197	-	100,988	-	1,405	1,256,590	-
Pension liability	24,873	96,010	16,095	1,463	1,463	139,904	-
OPEB liability	16,811	62,663	-	-	-	79,474	-
Total noncurrent liabilities	1,200,581	167,886	118,083	4,463	3,204	1,494,217	-
Total liabilities	1,506,985	230,282	261,417	8,545	3,395	2,010,624	6,215
DEFERRED INFLOWS OF RESOURCES							
Deferred inflow pension	31,571	114,307	20,428	1,857	1,857	170,020	-
Total deferred inflows of resources	31,571	114,307	20,428	1,857	1,857	170,020	-
NET POSITION							
Net investment in capital assets	682,226	494,461	1,164,090	206,120	13,642	2,560,539	-
Restricted for:							
Debt service	196,898	-	99,498	-	-	296,396	-
Capital projects	24,151	6,570	116,693	14	-	147,428	-
Unrestricted	(246,680)	(61,692)	(14,557)	5,364	6,357	(311,208)	23,747
Total net position	$ 656,595	$ 439,339	$ 1,365,724	$ 211,498	$ 19,999	$ 2,693,155	$ 23,747

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	21,799
Net position of business-type activities (page 20)	$ 2,714,954

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, 2014
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	$ 198,502	$ -	$ -	$ -	$ -	$ 198,502	$ -
Transit fares	-	76,761	15,405	2,350	-	94,516	-
Tenant rent	-	-	-	-	573	573	-
Advertising and auxiliary	-	3,603	1,861	8	-	5,472	-
Insurance premiums	-	-	-	-	-	-	72,488
Miscellaneous	-	-	-	-	440	440	-
Total operating revenues	198,502	80,364	17,266	2,358	1,013	299,503	72,488
Operating expenses:							
Salaries and employee benefits	61,573	203,747	30,678	3,557	3,462	303,017	-
Contracted services	22,186	10,072	1,993	4,609	1,938	40,798	179
Materials and supplies	9,889	44,911	5,340	2,179	56	62,375	-
Insurance	1,122	-	210	1,334	85	2,751	-
Utilities	19,523	4,289	5,096	758	185	29,851	-
Advertising	-	1,080	78	-	-	1,158	-
Housing related expenses	-	-	-	-	55,516	55,516	-
Claims	-	-	-	-	-	-	58,870
Other	13,895	996	4,143	2,571	386	21,991	3,126
Depreciation	58,840	55,401	51,193	8,533	1,069	175,036	-
Total operating expenses	187,028	320,496	98,731	23,541	62,697	692,493	62,175
Operating income (loss)	11,474	(240,132)	(81,465)	(21,183)	(61,684)	(392,990)	10,313
Nonoperating revenues (expenses):							
Taxes	-	3,379	-	-	-	3,379	-
Intergovernmental	6,022	200,849	87,423	14,611	60,928	369,833	-
Pass-through grants	-	(1,162)	(42,406)	-	-	(43,568)	-
Sewer availability charges	34,628	-	-	-	-	34,628	-
Investment income	13,067	19,974	3,852	402	358	37,653	307
Interest and fiscal charges	(35,372)	-	(1,792)	-	-	(37,164)	-
Gain/(loss) on sale of capital assets	(12,534)	261	-	-	-	(12,273)	-
Other	(931)	1,557	98	37	-	761	-
Total nonoperating revenues (expenses)	4,880	224,858	47,175	15,050	61,286	353,249	307
Income (loss) before contributions and tranfer	16,354	(15,274)	(34,290)	(6,133)	(398)	(39,741)	10,620
Capital contributions	2,029	51,800	116,839	7,022	-	177,690	-
Transfers in	174	21,878	2,223	353	-	24,628	-
Total contributions and transfers	2,203	73,678	119,062	7,375	-	202,318	-
Change in net position	18,557	58,404	84,772	1,242	(398)	162,577	10,620
Total net position, beginning, as restated *	638,038	380,935	1,280,952	210,256	20,397		13,127
Total net position, ending	$ 656,595	$ 439,339	$ 1,365,724	$ 211,498	$ 19,999		$ 23,747

Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.	9,493
Changes in net position of business-type activities (page 21)	$ 172,070

* See note IV. K (pages 54-55)

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, 2014
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	$ 200,380	$ 75,954	$ 14,759	$ 6,377	$ 1,011	$ 298,481	$ -
Payments connected with interfund services	-	-	-	-	-	-	72,567
Payments to suppliers	(65,446)	(59,061)	(16,787)	(10,985)	(58,054)	(210,333)	(60,596)
Payments to employees	(67,047)	(217,274)	(33,956)	(3,904)	(3,903)	(326,084)	-
Receipts from others	816	5,160	1,959	45	-	7,980	-
Net cash provided (used) by operating activities	68,703	(195,221)	(34,025)	(8,467)	(60,946)	(229,956)	11,971
Cash flows from noncapital financing activities							
Transfers in	174	-	-	-	-	174	-
Intergovernmental receipts	6,034	197,911	79,255	11,318	60,867	355,385	-
Pass-through grant payments	-	(1,162)	(42,406)	-	-	(43,568)	-
Net cash provided by non-capital financing activities	6,208	196,749	36,849	11,318	60,867	311,991	-
Cash flows from capital and related financing activities							
Transfers in (out) - for capital purposes	-	21,878	2,223	353	-	24,454	-
Capital contributions	2,029	53,049	175,037	6,739	-	236,854	-
Proceeds from capital debt	141,812	-	103,573	-	-	245,385	-
Proceeds from sewer availability charges	38,361	-	-	-	-	38,361	-
Proceeds from sale of capital assets	43	261	-	-	-	304	-
Purchase of capital assets	(142,737)	(70,983)	(148,297)	(6,525)	-	(368,542)	-
Principal paid on capital debt	(94,043)	-	(60,000)	-	-	(154,043)	-
Interest paid on capital debt	(34,997)	-	(2,915)	-	-	(37,912)	-
Net cash provided by (used in) capital and related financing activities	(89,532)	4,205	69,621	567	-	(15,139)	-
Cash flows from investing activities							
Investment purchased/sale	25,421	-	-	-	-	25,421	307
Interest received/paid	13,320	19,997	3,852	397	369	37,935	-
Net cash provided by (used in) investing activities	38,741	19,997	3,852	397	369	63,356	307
Net increase (decrease) in cash and cash equivalents	24,120	25,730	76,297	3,815	290	130,252	12,278
Balances, beginning	131,533	189,346	102,865	7,967	9,281	440,992	17,511
Balances, ending	$ 155,653	$ 215,076	$ 179,162	$ 11,782	$ 9,571	$ 571,244	$ 29,789
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	$ 11,474	$ (240,132)	$ (81,465)	$ (21,183)	$ (61,684)	$ (392,990)	$ 10,313
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	58,839	55,401	51,193	8,533	1,069	175,035	-
Other non-operating	816	1,557	98	37	-	2,508	-
Change in assets and liabilities:							
Accounts receivable	1,232	(1,393)	(648)	4,027	93	3,311	47
Due from employees	51	-	-	-	-	51	-
Materials and supplies (inventory)	(230)	2,884	(411)	45	-	2,288	-
Prepaid expenses and other current assets	-	854	(42)	110	-	922	-
Accounts payable	1,400	(588)	527	311	18	1,668	1,579
Accrued payroll liabilities	(477)	2,016	356	(16)	(111)	1,768	-
Accrued OPEB liabilities	569	4,264	-	-	-	4,833	-
Deferred outflow of derivative	-	(10,010)	-	-	-	(10,010)	-
Deferred outflow of pension	(1,951)	(9,348)	(1,261)	(115)	(115)	(12,790)	-
Deferred inflow of pension	31,571	114,307	20,428	1,857	1,857	170,020	-
Pension liability	(35,237)	(124,765)	(22,800)	(2,073)	(2,073)	(186,948)	-
Unearned revenues	646	586	-	-	-	1,232	32
Other liabilities	-	9,146	-	-	-	9,146	-
Net cash provided (used) by operating activities	$ 68,703	$ (195,221)	$ (34,025)	$ (8,467)	$ (60,946)	$ (229,956)	$ 11,971
Non-cash investing, capital and related financing activities:							
Loss on disposition of capital assets	$ (12,577)	$ -	$ -	$ -	$ -	$ (12,577)	$ -
Change in fair value of investments	(1,996)	(2,778)	(3,367)	(236)	(270)	(8,647)	-
Contribution from governmental activities capital assets							
Vehicles	-	3,907	-	-	-	3,907	-
Prior year adjustment to capital assets	(14,761)	-	-	-	-	(14,761)	-

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2014
IN THOUSANDS

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 2,349
LIABILITIES	
Due to participants	$ 2,349

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

Serving the Twin Cities seven-county metropolitan area

NOTES TO THE FINANCIAL STATEMENTS

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I. Summary of significant accounting policies

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

A. Reporting entity

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

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

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

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect costs including salaries, contracted services, rent, utilities, postage, printing and other overhead costs are included in the program expense reported for the individual functions and activities on the statement of activities. *Program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items properly not included among program revenues are reported, instead, as *general revenues.*

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

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

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

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

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

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

- General Fund is the Council's primary operation fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- Metro Mobility special revenue fund, accounts for activities of Metro Mobility. Metro Mobility oversees the Americans with Disabilities Act transit services for the region. The main source of revenue for Metro Mobility special revenue fund is state general fund appropriation.
- Debt Retirement fund, is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

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

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

Additionally, the Council reports the following internal service fund:

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

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

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

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

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

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

The GASB recently issued two pronouncements that affect the Metropolitan Council. The new standards apply to governmental employers who provide pensions to their employees.

During the year ended December 31, 2014, the Council adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68." Refer to Note IV.K for details regarding change in accounting principle.

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, 2014, are backed by a combination of FDIC insurance and collateral in the form of statutorily qualified securities. The hedging margin account cash is not collateralized.

b. Investments

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

- Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, Section 118A.04 subd.6;
- Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- General obligations of the State of Minnesota and its municipalities; and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- Bankers' acceptances of United States banks;
- Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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

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

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, 2014, the allowances for doubtful accounts were (dollars in thousands):

Enterprise Fund	Balance
Environmental Services	$ 20
Metro Transit Bus	224
Total	$ 244

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, 2014, the allowances for obsolete inventory accounts were (dollars in thousands):

Enterprise Fund	Balance
Environmental Services	$ 50
Metro Transit Bus	2,675
Total	$ 2,725

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Restricted assets

Restricted assets include:

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

6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial individual cost of more than $5,000 and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated assets are recorded at 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 $35,372,000. Additionally, $4,093,000 was included as part of the cost of capital assets under construction with the wastewater treatment facilities construction projects.

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

Assets	Useful Life
Treatment plants and interceptors	15 to 80 years
Buildings	25 to 45 years
Vehicles	5 to 30 years
Equipment	3 to 15 years

7. Loans/advances receivable

The Council lends funds to local units of government for the acquisition of property within proposed rights-of-way of highways designated as a part of the metropolitan highway system plan. The loans, which bear no interest, are to be repaid upon the acquisition of the property by the State of Minnesota.

The Council lends funds to local units of government for housing assistance and land use planning. The land use planning loans are repaid in installments ranging from three to five years.

8. Deferred outflows/inflows of resources

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

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

9. Compensated absences

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

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

10. Long-term obligations

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

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

11. Fund equity

In the fund financial statements, governmental funds report balances that are nonspendable and spendable. Nonspendable balances contain 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 governmental funds." The details of this $106,662,000 difference are as follows:

	In thousands
Land	$ 6,958
Building – net of accumulated depreciation	12,870
Vehicles – net of accumulated depreciation	72,922
Equipment – net of accumulated depreciation	3,571
Construction in progress	10,341
Net adjustment to increase *fund balances – total governmental funds* to arrive at *net position – governmental activities*	$ 106,662

Another element of that reconciliation explains that "Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds". The details of this $1,855,000 difference are as follows:

	In thousands
Deferred outflows – pension obligations	$ 1,855
Net adjustment to increase *fund balances- total governmental funds* to arrive at *net position – governmental activities*	$ 1,855

Another element of that reconciliation explains that "Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in business-type activities in the Statement of Net Position, a portion of the internal service fund is attributable to governmental funds." The detail of this $1,948,000 difference is as follows:

	In thousands
Net position of the internal service fund	$ 23,747
Less: Internal payable representing charges in the excess of cost to Business-type activities – prior years	(12,306)
Less: Internal payable representing charges in the excess of cost to Business-type activities-current year	(9,493)
Net adjustment to increase *fund balances- total governmental funds* to arrive at *net position – governmental activities*	$ 1,948

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 $3,228,000 difference are as follows:

	In thousands
Unavailable revenue- property taxes	$ 3,228
Net adjustment to increase *fund balances- total governmental funds* to arrive at *net position – governmental activities*	$ 3,228

Another element of that reconciliation explains that "Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds". The details of this $(20,428,000) difference are as follows:

	In thousands
Deferred inflows – pension obligations	$ (20,428)
Net adjustment to reduce *fund balances- total governmental funds* to arrive at *net position – governmental activities*	$ (20,428)

The final element of that reconciliation explains that "Long-term liabilities, including bonds and interest payable, are not due and payable in the current period and therefore are not reported in governmental funds." The details of the $(268,384,000) difference are as follows:

	In thousands
General obligation bonds payable	$ (220,775)
Net issuance premiums (to be amortized as interest expense)	(11,636)
Accrued interest	(3,259)
Compensated absences	(3,946)
Capital lease payable	(8,570)
Pension liability	(16,095)
OPEB liability	(4,103)
Net adjustment to reduce *fund balances – total governmental funds* to arrive at *net position-governmental activities*	$ (268,384)

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

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

One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period." The details of this $4,917,000 difference are as follows:

	In thousands
Capital outlay	$ 21,399
Depreciation expense	(16,482)
Net adjustment to increase *net changes* in *fund balances- total governmental funds* to arrive at changes in *net position of governmental activities*	$ 4,917

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to decrease net position." The details of this $ (7,693,000) 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.	$ (7,693)
Net adjustment to decrease *net changes in fund balances- total governmental funds* to arrive at changes in *net position of governmental*	$ (7,693)

Another element of that reconciliation explains that "Internal service fund is used by management to charge the cost of certain activities to individual funds. The net revenue (expense) of internal service fund activities reported with governmental activities." The detail of this $ 1,127,000 difference is as follows:

	In thousands
Change in net position of the internal service fund	$ 10,620
Less: excess from charges to business-type activities	(9,493)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *net position of governmental activities*	$ 1,127

Another element of that reconciliation explains that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds." The detail of this $ 1,458,000 difference is as follows:

	In thousands
Change in deferred property tax revenue	$ 1,458
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *net position of governmental activities*	$ 1,458

Another element of that reconciliation states that "The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this $ (889,000) difference are as follows:

	In thousands
Issuance of general obligation bonds	$ (33,000)
Less: discount/(premium on bonds)	(2,362)
Bond discount/(premium) amortization	2,021
Change in accrued interest	(43)
Principal payments of general obligation bonds/loans	31,455
Capital lease related activities	1,040
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at changes in *net position of governmental activities*	$ (889)

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 $ 3,390,000 difference are as follows:

	In thousands
Change in compensated absences for year	$ (325)
Change in Pension liability, including restatement	3,635
Change in OPEB liability	80
Net adjustment to increase *net changes in fund balances- total governmental funds* to arrive at changes in *net position of governmental activities*	$ 3,390

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 2014 budget but not completely expended in 2014 were $ 1,807,000 for the General Fund. This approved budget request is for; $1 million capital maintenance for the Council's central office building, $500 thousand video content management system project, and $307 thousand audio visual system upgrade.

B. Excess of expenditures over appropriations

The following governmental funds had expenditures in excess of their budget for the year ended December 31, 2014 (dollars in thousands):

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
General Fund	$ 19,432	$ 21,685	$ 29,503	$ 7,818
Suburban Transit Providers (NonMajor Fund)	$ 31,129	$ 31,394	$ 33,217	$ 1,823

The General fund's excess expenditures were due to the refunding of the Certificates of Participation. The new funding proceeds paid for the old outstanding debt. The Suburban Transit Providers special revenue fund's excess expenditures were funded by actual motor vehicle excise tax receipts in excess of budget that statutorily pass-through to transit providers.

IV. Detailed notes on all funds

A. Cash and investments

1. Deposits

Minnesota statutes require that all Council deposits be protected by insurance, surety bonds or collateral pledged to the Council. Collateral pledged shall be at least ten percent more than the amount of excess deposits. The Council's policy for cash and investments follows Minnesota statute requirements. $15,000 of petty cash and mutilated coin was not deposited at a bank. The amount of cash in Council's bank accounts was $40,805,000 (at US Bank and Wells Fargo Bank), of which $418,000 was covered by the Federal Depository Insurance Corporation (FDIC), $40,387,000 was collateralized at least 110 percent with securities held by Bank of New York Mellon.

2. Investments

The Council's investment policy addresses certain risks to which it is currently exposed as follows:

Interest rate risk: Although the Council does not have a formal specific duration investment risk policy, it does have a formal investment policy by which the Council manages its exposure to declines in fair value. To meet short-term cash flow needs, the Council's investment portfolio will remain sufficiently liquid to enable the Council to meet anticipated cash requirements without the occurrence of significant investment losses. To meet long-term needs, the average duration of the investment portfolio should match the average duration of liabilities, subject to regulatory requirements.

Credit risk: Minnesota Statute 118A limits investment instruments purchased by the Council. It is the Council's policy not to invest in reverse repurchase agreements. The Council did not participate in any Securities Lending Programs in 2014.

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 $138,529,000 United States agency investments, the Council has a custodial credit risk exposure of $2,014,000 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, 2014:

			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)	$ 223,369	$ 223,369	$ 223,369	20.1%
U.S. Agency Securities:						
Federal Home Loan Bank	Aaa	Custody (a)	45,000	43,856	44,973	3.9%
Federal Home Loan Mortgage Corporation	Aaa	Broker Held (b)	2,000	2,014	2,002	0.2%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	5,000	5,015	4,997	0.5%
Federal National Mortgage Association	Aaa	Custody (a)	50,000	49,765	50,002	4.5%
Federal Farm Credit Bank	Aaa	Custody (a)	35,000	33,904	34,998	3.0%
Mortgage Backed Securities:						
Federal National Mortgage Association	Aaa	Custody (a)	1,765	1,923	1,881	0.2%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	2,003	2,052	2,036	0.2%
Certificates of Participation (U.S. GSA)	N.R. (c)	Custody (a)	2,305	2,548	2,305	0.2%
Commercial Paper (each <5%)	A-1/P-1/F-1	Custody (a)	110,000	109,932	109,959	9.9%
Municipal Bonds (each <5%)	Aaa (d)	Custody (a)	133,335	138,342	133,270	12.4%
MN State Pool (OPEB Pool, Equities, etc)	N.R. (b)	Custody (e)	127,765	203,679	127,765	18.3%
Money Market Funds	Aaa	n.a.	247,010	247,010	247,010	22.2%
Cash for Fuel Hedging Margin Acct.	n.a.	Broker Held (f)	10,625	10,625	10,625	1.0%
Cash for Operations (g)	n.a.	Collateralized (h)	38,038	38,038	38,038	3.4%
Petty Cash/Coin & Mutilated Coins	n.a.	Council Held	15	15	15	0.0%
Total Cash and Investments			$ 1,033,230	$ 1,112,087	$ 1,033,245	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 are insured in accordance with FDIC regulations. Cash balances in excess of FDIC coverage are collateralized with securities held by Bank of New York Mellon in Council's name, in accordance with state statute.

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, 2014. Excluding the OPEB equity portfolio, cash and escrow accounts, the remaining investment portfolio has an average market yield of 1.15 percent, modified duration of 2.68 years, effective duration of 1.83 years and convexity of (0.36).

Metropolitan Council	Dollars in thousands Estimated Fair Value, Parallel Shift of Yield Curve +50 Basis Points	+100 Basis Points	+150 Basis Points	+200 Basis Points
U.S. Treasury Securities:				
Escrow Account, Debt (SLGS and Cash)	$ 223,369	$ 223,369	$ 223,369	$ 223,369
U.S. Agency Securities:				
Federal Home Loan Bank	41,644	40,098	38,516	36,915
Federal Home Loan Mortgage Corporation	1,974	1,933	1,893	1,850
Federal Home Loan Mortgage Corporation	5,015	5,015	4,827	4,735
Federal National Mortgage Association	49,108	48,174	47,183	46,175
Federal Farm Credit Bank	32,113	31,045	29,984	28,947
Mortgage Backed Securities:				
Federal National Mortgage Association	2,079	2,051	2,020	1,986
Federal Home Loan Mortgage Corporation	2,058	2,007	1,953	1,896
Certificates of Participation (U.S. GSA)	2,584	2,559	2,534	2,510
Commercial Paper (each <5%)	109,932	109,932	109,932	109,932
Municipal Bonds (each <5%)	134,790	132,609	130,420	128,231
MN State Pool (OPEB Pool, Equities, etc)	203,679	203,679	203,679	203,679
Money Market Funds	247,010	247,010	247,010	247,010
Cash for Fuel Hedging Margin Acct.	10,625	10,625	10,625	10,625
Cash for Operations (g)	38,038	38,038	38,038	38,038
Petty Cash/Coin & Mutilated Coins	15	15	15	15
Total Cash and Investments	$1,104,033	$ 1,098,159	$ 1,091,998	$ 1,085,913

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 2014, these values are reported in the "Deferred Outflows of Resources" and offset in "Accounts Payable and Other Current Liabilities."

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

In 2009, the Council adopted GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement addresses the recognition, measurement and disclosure of information regarding derivative 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 2014, the Council performed a retrospective statistical analysis test and determined that the liquidated hedges were essentially effective.

As of December 31, 2014, the Council had 283 New York Mercantile Exchange (NYMEX) heating oil futures contracts (11.9 million gallons) with acquisition (effective) dates ranging from 05/02/2013 through 12/02/2014. Termination dates range from 01/30/2015 to 09/30/2016. As of December 31, 2014, the heating oil futures contracts had a fair value of $ 22,522,000. 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, 2014, the Council's futures accounts at R.J.O'Brien contained a cash balance in the amount of $10,625,000 and a U.S. agency security with a fair value of $2,014,000.

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	$ 49	$ -	$ 852	$ 80	$ 981
Metro Mobility	104	-	-	54	158
Debt Retirement	-	-	2,628	325	2,953
Nonmajor Governmental	-	-	801	511	1,312
Total Governmental	$ 153	$ -	$ 4,281	$ 970	$ 5,404
Business-type Activities:					
Environmental Services	$ 4,560	$ (20)	$ -	$ 293	$ 4,833
Metro Transit – Bus	8,324	(224)	-	569	8,669
Metro Transit – Light Rail	893	-	-	20	913
Metro Transit - Commuter Rail	1	-	-	39	40
Metropolitan Housing and Redevelopment Authority	31	-	-	32	63
Internal Service Fund	173	-	-	-	173
Total Business-type	$ 13,982	$ (244)	$ -	$ 953	$14,691
Receivables – restricted					
Business-type Activities:					
Environmental Services	$ 2,419	$ -	$ -	$ 148	$ 2,567
Metro Transit – Bus	-	-	-	26	26
Metro Transit – Light Rail	5	-	-	609	614
Total Business-type	$ 2,424	$ -	$ -	$ 783	$ 3,207

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

	Unavailable
Delinquent property taxes receivable (General fund)	$ 675
Delinquent property taxes receivable (Debt retirement fund)	1,938
Delinquent property taxes receivable (Nonmajor governmental funds)	615
Total deferred inflows of resources for governmental funds	$ 3,228

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 2014, the Council levied $14,261,000 for the General Operating levy; $11,194,000 for the Livable Communities Demonstration Account levy; $6,156,000 for Parks Debt Retirement; and $43,430,000 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	$ 14,262	$ 14,261
Tax Base Revitalization	5,000	5,000
Highway Right-of-Way	3,833	-
Livable Communities	11,194	11,194
Parks Debt Retirement	6,156	6,156
Transit Debt Retirement	43,430	43,430
Total	$ 83,875	$ 80,041

E. Capital assets

Capital assets for the year ended December 31, 2014, 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	9,534	807	-	10,341
Total capital assets, not being depreciated	16,492	807	-	17,299
Capital assets, being depreciated				
Building	16,344	-	-	16,344
Vehicles	158,563	16,441	(16,371)	158,633
Equipment	7,845	3,028	-	10,873
Total capital assets, being depreciated	182,752	19,469	(16,371)	185,850
Less accumulated depreciation for:				
Buildings	3,065	409	-	3,474
Vehicles	80,487	15,025	(9,801)	85,711
Equipment	6,254	1,048	-	7,302
Total accumulated depreciation	89,806	16,482	(9,801)	96,487
Total capital assets, being depreciated, net	92,946	2,987	(6,570)	89,363
Governmental activities capital assets, net	$ 109,438	$ 3,794	$ (6,570)	$ 106,662

Business-type Activities:	Beginning Balance, as restated	Additions	Deductions/ Adjustments	Ending Balance
	Dollars in thousands			
Capital assets, not being depreciated				
Land	$ 219,753	$ 24,508	$ -	$ 244,261
Construction in progress	1,017,590	177,265	(902,120)	292,735
Total capital assets, not being depreciated	1,237,343	201,773	(902,120)	536,996
Capital assets, being depreciated				
Buildings and infrastructure	3,305,804	790,193	(24,014)	4,071,983
Vehicles	576,466	224,043	(14,698)	785,811
Equipment	351,442	25,983	(547)	376,878
Total capital assets, being depreciated	4,233,712	1,040,219	(39,259)	5,234,672
Less accumulated depreciation for:				
Buildings and infrastructure	1,379,363	116,102	(11,252)	1,484,213
Vehicles	230,956	41,912	(13,402)	259,466
Equipment	125,021	17,022	(538)	141,505
Total accumulated depreciation	1,735,340	175,036	(25,192)	1,885,184
Total capital assets, being depreciated, net	2,498,372	865,183	(14,067)	3,349,488
Business-type activities capital assets, net	$ 3,735,715	$ 1,066,956	$ (916,187)	$ 3,886,484

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

	Dollars in thousands
Governmental activities:	
General government	$ 758
Transportation	15,724
Total depreciation expense-governmental activities	$ 16,482
Business-type activities:	
Environmental Services	$ 58,840
Metro Transit – Bus	55,401
Metro Transit – Light Rail	51,193
Metro Transit – Commuter Rail	8,533
Metropolitan Housing and Redevelopment Authority	1,069
Total depreciation expense-business-type activities	$ 175,036

F. Inter-fund receivables, payables, and transfers

During normal operations, the Council processes routine transactions between funds, including loans, expenditures, and transfers of resources for administrative and program services and compliance with legal mandates. In the fund financial statements, these transactions are generally recorded as transfers in/transfers out and due from other funds/due to other funds. The outstanding balances between funds mainly result from the time lag between the dates that 1) interfund reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. As of December 31, 2014 there were no outstanding balances in the inter-fund.

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

	Dollars in thousands		
	Transfers out		
Transfers in	General Fund	Nonmajor Governmental	Total
Metro Mobility	$ 28	$ -	$ 28
Nonmajor Governmental	1,000	450	1,450
Environmental Services	174	-	174
Metro Transit Bus	-	17,971	17,971
Metro Transit Light Rail	-	2,223	2,223
Metro Transit Commuter Rail	-	353	353
Total	$ 1,202	$ 20,997	$ 22,199

Additionally, the Metro Transit Bus enterprise fund received transferred capital assets with a net book value of $3,907,000 from a nonmajor governmental fund. The transfer was not recognized in the governmental funds statement of revenues, expenditures and changes in fund balances because there were no current financial resources expended.

G. Leases

1. Operating leases

The Council leases building and office facilities, storage facilities, and other operating equipment under non-cancelable operating leases. Total operating lease costs in fiscal year 2014 were $429,000 for Metro Transit Bus enterprise fund, $873,000 for Metro Transit-Light Rail enterprise fund, $37,000 for Metro Transit Commuter Rail enterprise fund, and $221,000 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**
2015	$ 136	$ 316	$ 408	$ 31	$ 891
2016	149	229	387	13	778
2017	153	117	395	1	666
2018	156	95	407	1	659
2019	160	75	420	1	656
2020-2024	81	244	463	2	790
2025-2029	-	258	-	2	260
2030-2034	-	253	-	-	253
2035-2039	-	51	-	-	51
Total	$ 835	$ 1,638	$ 2,480	$ 51	$ 5,004

2. Capital Leases

On December 1, 2004, the Council entered into an annual appropriation lease purchase agreement for land and facilities to be renovated thereon. The Council granted a leasehold interest in the land and facilities to a trustee and proceeds from the issuance and sale of Certificates of Participation in the lease purchase agreement provided a portion of the funds to renovate, improve and equip the facilities for use as the Council's administrative headquarters. In 2006, the facilities were completed and the Council's administrative headquarters were relocated. On June 1, 2014, the Council paid the principal and interest payment due on the Council's Certificates of Participation, Series 2004G and redeemed the June 1, 2015 through June 1, 2025 maturities of the Series 2004G Certificates. New refunding certificates of participation, Series 2014E were issued on June 1, 2014. The Certificates of Participation are not an obligation of the Council and the lease is subject to non-appropriation by the Council in which event the lease is terminated and there is no obligation of the Council for future lease payments. The Council intends to continue the lease through its entire term.

Capital Leases
Dollars in thousands

Year Ending	Nonmajor Governmental Fund
2015	$ 965
2016	1,022
2017	1,025
2018	1,025
2019	1,024
2020-2024	4,869
Total minimum lease payments	$ 9,930
Less amount representing interest	(1,360)
Present value of minimum lease payments	$ 8,570

H. Long-term obligations

1. General obligation debt

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

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

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

The original amount of general obligation bonds issued in prior years was $1,307,125,000.

During the year, $8,000,000 of general obligation park bonds; $25,000,000 of general obligation transit bonds; and $60,000,000 general obligation wastewater bonds were issued.

General obligation bonds currently outstanding on December 31, 2014, are as follows:

Purpose	Interest Rates	*Dollars in Thousands*
Governmental activities	0.60-5.50%	$ 171,455
Governmental activities – refunding	2.00-5.00%	43,540
Business-type activities	2.00-5.00%	400,800
Business-type activities – refunding	0.25-5.25%	379,785
Total general obligation bonds		$ 995,580

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 $605,979,000. During the year, $77,451,689 of Minnesota PFA loans were drawn down, entirely by business-type activities.

Public Facilities Authority general obligation backed loans currently outstanding on December 31, 2014, are as follows:

Purpose	Interest Rates	*Dollars in Thousands*
Governmental activities	1.79-2.71%	$ 5,780
Business-type activities	1.60-3.18%	536,843
Total Public Facilities Authority loans		$ 542,623

During the year, the Council issued $100,800,000 of general obligation grant anticipation notes to provide cash flows for the Central Corridor light rail project in anticipation of receipt of federal funds that were awarded the project. The notes were issued as 2-year serial notes, and are secured by a Federal Transit Administration grant award together with the full faith, credit and unlimited taxing powers of the Council.

General obligation grant anticipation notes currently outstanding on December 31, 2014, are as follows:

Purpose	Interest Rates	*Dollars in Thousands*
Business-type activities	1.00-2.00%	$ 85,000
Business-type activities	1.00-4.00%	100,800
Total grant anticipation notes		$ 185,800

The following is a summary of general obligation bond and PFA loan transactions of the Council for the year ended December 31, 2014:

	Dollars in thousands	
	Governmental Activities	**Business-type Activities**
Balance, January 1, 2014	$ 230,525	$ 1,461,112
Bond issued, net of discount/premium	35,362	64,472
Grant anticipation notes, issued, net of discount/premium		103,561
PFA drawdown	-	77,452
Amortization of discount/premium	(2,021)	(4,945)
Deferred amount on refunding	-	16
Less principal payments	(31,455)	(154,043)
Balance, December 31, 2014	$ 232,411	$ 1,547,625

As of December 31, 2014, the annual debt service requirements to amortize all general obligation bonds, grant anticipation notes and PFA loans outstanding, including interest of $36,326,000 on the governmental activities debt and $268,204,000 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**
2015	$ 65,755	$ 7,418	$ 73,173	$ 292,440	$ 42,101	$ 334,541
2016	34,840	5,337	40,177	246,613	32,516	279,129
2017	20,460	4,272	24,732	78,315	28,393	106,708
2018	17,950	3,598	21,548	80,323	26,289	106,612
2019	14,165	3,009	17,174	87,524	24,160	111,684
2020-2024	40,740	8,833	49,573	414,487	81,784	496,271
2025-2029	19,710	3,497	23,207	231,989	28,295	260,284
2030-2034	7,155	362	7,517	71,537	4,666	76,203
Subtotal	$ 220,775	$ 36,326	$ 257,101	$ 1,503,228	$ 268,204	$ 1,771,432
Net unamortized:						
Discounts/premium	11,636	-	11,636	44,413	-	44,413
Deferred on refunding	-	-	-	(16)	-	(16)
Total payments	$ 232,411	$ 36,326	$ 268,737	$ 1,547,625	$ 268,204	$ 1,815,829

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, 2014, the Council's net annual debt service requirements to amortize all general obligation bonds, grant anticipation notes and loans outstanding, including interest of $30,266,000 on the governmental activities debt and $251,289,000 on the business-type activities debt, was as follows:

	Dollars in thousands				
Governmental Activities: Year Ending December 31	**Principal**	**Interest**	**Federal Subsidy**	**Net Interest**	**Net Payment**
2015	$ 65,755	$ 7,418	$ (863)	$ 6,555	$ 72,310
2016	34,840	5,337	(792)	4,545	39,385
2017	20,460	4,272	(713)	3,559	24,019
2018	17,950	3,598	(626)	2,972	20,922
2019	14,165	3,009	(530)	2,479	16,644
2020-2024	40,740	8,833	(1,702)	7,131	47,871
2025-2029	19,710	3,497	(777)	2,720	22,430
2030-2034	7,155	362	(57)	305	7,460
Subtotal	$ 220,775	$ 36,326	$ (6,060)	$ 30,266	$ 251,041
Net unamortized:					
Discounts/premiums	11,636	-	-	-	11,636
Total payments	$ 232,411	$ 36,326	$ (6,060)	$ 30,266	$ 262,677
Business-type Activities: Year Ending December 31					
2015	$ 292,440	$ 42,101	$ (1,723)	$ 40,378	$ 332,818
2016	246,613	32,516	(1,677)	30,839	277,452
2017	78,315	28,393	(1,629)	26,764	105,079
2018	80,323	26,289	(1,594)	24,695	105,018
2019	87,524	24,160	(1,519)	22,641	110,165
2020-2024	414,487	81,784	(5,936)	75,848	490,335
2025-2029	231,989	28,295	(2,731)	25,564	257,553
2030-2034	71,537	4,666	(106)	4,560	76,097
Subtotal	$ 1,503,228	$ 268,204	$(16,915)	$ 251,289	$1,754,517
Net unamortized					
Discounts/premiums	44,413	-	-	-	44,413
Deferred on refunding	(16)	-	-	-	(16)
Total payments	$ 1,547,625	$ 268,204	$(16,915)	$ 251,289	$1,798,914

2. Loans payable

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

3. Refunded bonds

The following is a summary of refunding bond activities affecting the Council for the year ended December 31, 2014:

		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	16,345	2,264	2,546	2004B	2015-2023
		55,880	6,942	7,436	2005B	2016-2025
2012H	Transit	8,190	628	628	2007A	2016-2024
		15,450	1,447	1,449	2008B	2016-2028
2012I	Wastewater	61,350	5,869	5,871	2007B	2016-2027
		65,885	6,928	6,930	2008C	2017-2028

4. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Dollars in thousands				
Governmental activities:	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**	**Due Within One Year**
Bonds/loans payable:					
General obligation debt	$ 219,230	$ 33,000	$ (31,455)	$ 220,775	$ 65,755
Discounts/premiums	11,295	2,362	(2,021)	11,636	-
Total general obligation debt	230,525	35,362	(33,476)	232,411	65,755
Capital lease	9,610	8,570	(9,610)	8,570	695
Compensated absences	3,621	3,232	(2,907)	3,946	2,369
Pension liability	-	16,095	-	16,095	-
OPEB liability	4,183	-	(80)	4,103	-
Governmental long-term liabilities	$ 247,939	$ 63,259	$ (46,073)	$ 265,125	$ 68,819

	Dollars in thousands				
Business Type Activities:	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**	**Due Within One Year**
Bonds/loans/notes payable:					
General obligation debt	$ 1,274,019	$ 137,452	$ (94,043)	$1,317,428	$ 205,340
Grant anticipation notes	145,000	100,800	(60,000)	185,800	87,100
Loans payable	1,405	-	-	1,405	-
Discounts/premiums	42,125	7,233	(4,945)	44,413	-
Deferred on refunding	(32)	-	16	(16)	-
Total bonds/loans payable	1,462,517	245,485	(158,972)	1,549,030	292,440
Compensated absences	25,254	31,083	(30,822)	25,515	19,627
Pension liability	-	139,904	-	139,904	-
OPEB liability	74,642	4,832	-	79,474	-
Accrued claims	16,895	5,763	(5,692)	16,966	4,605
Business-type long-term liabilities	$ 1,579,308	$ 427,067	$ (195,486)	$1,810,889	$ 316,672

Capital leases, compensated absences and other postemployment benefit obligations in the Governmental Activities have been liquidated by funding from the General Fund in 2014 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 $294,000 for the Family Self Sufficiency program escrow accounts in the Metropolitan Housing and Redevelopment fund.

I. Compensated absences

In 2014, the General fund liability for compensated absences earned but not taken increased from $3,621,000 to $3,946,000. This liability is reported in the government-wide statement of net position. The following summary of changes during 2014 includes $280,000 in payroll taxes:

	Dollars in thousands
Balance, January 1, 2014	$ 3,621
Transferred from Enterprise Funds	(14)
Leave Earned	3,246
Leave Taken or Paid Off	(2,907)
Balance, December 31, 2014	$ 3,946

J. Fund balance

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

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

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

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

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

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

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

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

The summary of fund balance classifications is as follows:

	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	$ -	$ -	$ 118,056	$ -	$ 118,056
Highway Right-of-Way Program	-	-	-	56,794	56,794
Economic Revitalization	-	-	-	46,067	46,067
Environment Development	-	-	-	19,676	19,676
Incentive Housing	-	-	-	2,997	2,997
Regional Land Use	-	-	-	1,265	1,265
North Mississippi Park Improvements	-	-	-	795	795
Regional Parks Capital Improvements	-	-	-	63,022	63,022
Transit Capital Improvements	-	-	-	6,465	6,465
Committed for:					
Self Insurance	1,500	-	-	-	1,500
Other Post Employment Benefits	4,103	-	-	-	4,103
Regional Water Supply Program	735	-	-	-	735
Regional ADA Transit Service	-	40,822	-	-	40,822
Regional Transit Provider Services	-	-	-	16,704	16,704
Assigned for:					
Capital Maintenance	1,807	-	-	-	1,807
Compensated Absences	2,369	-	-	-	2,369
Unassigned	11,926	-	-	(26,014)	(14,088)
Total fund balances	$ 22,440	$ 40,822	$ 118,056	$ 187,771	$ 369,089

K. Change in accounting principle/prior period adjustment

GASB recently issued two pronouncements that affect the Metropolitan Council. The new standards apply to governmental employers who provide pensions to their employees.

During the year ended December 31, 2014, the Council adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27," which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB Statement No. 68 requires governments providing defined benefit pension benefits to record the net pension obligation as a liability on their financial statements and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68" was also implemented for year ending December 31, 2014. This Statement addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The Statement eliminates some potential understatement of balances that could arise with the restatement of beginning balances under GASB Statement No. 68. The Council has a restatement of December 31, 2013 net position as a result of the adoption of GASB Statement No. 68 and GASB Statement No. 71.

In addition, the December 31, 2013 net position of the Environmental Services Fund was increased by $14,760,600 due to a prior period adjustment affecting its capital assets. The Environmental Services Fund determined that $14,760,600 of prior year costs should have been capitalized.

Capital Assets:	Environmental Services	Business-type Activities
	(dollars in thousands)	
Construction in Progress December 31, 2013, as previously reported	$ 119,896	$ 1,002,829
Restatement	14,761	14,761
Construction in Progress December 31, 2013, as Restated	$ 134,657	$ 1,017,590

Net Position:
(dollars in thousands)

	Environmental Services	Metro Transit: Bus	Metro Transit: Light Rail	Metro Transit: Commuter Rail	Metropolitan Housing and Redevelopment Authority	Business-type Activities	Governmental Activities
Net Position, Dec. 31, 2013 as reported	$ 682,472	$ 597,979	$ 1,319,255	$ 213,738	$ 23,879	$ 2,849,629	$ 212,804
Change in Accounting Principle	(59,195)	(217,044)	(38,303)	(3,482)	(3,482)	(321,506)	(38,303)
Prior Period Adjustment	14,761	-	-	-	-	14,761	-
Net Position, Dec. 31, 2013 as restated	$ 638,038	$ 380,935	$ 1,280,952	$ 210,256	$ 20,397	$ 2,542,884	$ 174,501

V. Other information

A. Risk management

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

1. Liability

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

2. Automobile

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

3. Errors and omissions

The Council self-insures for errors and omissions risk. There were no claims for 2013 or 2014.

4. Property and crime

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

5. Workers' compensation

Metro Transit Bus has been self-insured for worker's compensation since 1982, MCES since 1993, and the rest of the Council since 1995. Prior to July 1, 1996, MCES used a third party administrator; since that time, the Council has self-administered workers' compensation claims for all divisions. Liabilities are recognized when there is information available that suggests there has been an occurrence in which a probable loss has occurred. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 2.75 percent.

The self-insurance retention limit for workers' compensation is $1,920,000 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 2013 and 2014 are as follows:

Dollars in thousands

	Metro Transit				
2013 Balance:	**Bus**	**Light Rail**	**Commuter Rail**	**Environmental Services**	**Total**
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
2014 Balance:					
Beginning Balance	$ 11,429	$ 1,180	$ 3,053	$ 980	$ 16,642
Current year claims and changes in estimates	5,129	105	5	483	5,722
Payments on claims	(4,817)	(204)	(38)	(633)	(5,692)
Ending balance	$ 11,741	$ 1,081	$ 3,020	$ 830	$ 16,672

6. Internal service fund

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

Dollars in thousands

2013 Balance:	**Internal Service Fund**
Beginning Balance	$ -
Incurred claims	52,084
Payments on claims	(47,483)
Ending Balance	$ 4,601
2014 Balance:	
Beginning Balance	$ 4,601
Incurred claims	58,870
Payments on claims	(57,291)
Ending Balance	$ 6,180

B. Pension obligations

Metropolitan Council has 3,888 employees that are covered by a retirement plan administered by Minnesota State Retirement System (MSRS) under the General Employees Fund (GEF). The Metropolitan Council metro transit police has 165 employees that are covered by a plan administered by Public Employees Retirement Association of Minnesota (PERA) under the Public employees Police and Fire Fund (PEPFF). The Metropolitan Council also has 25 people under an Unclassified Employees Retirement Fund (UER) administered by MSRS.

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

1. Summary of significant accounting policies

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

a. General information about the pension plan
Minnesota State Retirement System- General Employees Fund (MSRS-GEF)

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

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

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

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

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

Contributions: Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 5.0 percent of their annual covered salary. Effective July 1, 2014, member and employer rates increased to 5.5 percent of total compensation. The Metropolitan Council's contribution to the General Plan for the fiscal year ending December 31, 2014 was $12,422,640. These contributions were equal to the contractually required contributions for each year as set by state statute.

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

At December 31, 2014, the Metropolitan Council reported a liability of $ 146,314,403 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Metropolitan Council's proportion of the net pension liability was based on the contributions received by MSRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2014, the Metropolitan Council's proportion was 9.023 percent, which was an increase of 0.326 percent from its proportion measured as of June 30, 2013.

Two changes in benefit provisions affected the measurement of the total pension liability since the prior measurement date. Member and employer contributions rates increased from 5.0 percent to 5.50 percent of pay effective the first day of the first full pay period beginning after July 1, 2014. Beginning July 1, 2014, the funding ratio threshold that must be attained to pay a 2.50 percent post-retirement benefit increase to benefit recipients was changed from 90 percent for one year to 90 percent for two consecutive years.

Two changes in assumptions affected the measurement of the total pension liability since the prior measurement date. The single discount rate changed from 6.63 percent to 7.90 percent. The post-retirement benefit increase changed from 2.0 percent indefinitely, to 2.0 percent through 2015, and 2.50 percent thereafter.

For the year ended December 31, 2014, the Metropolitan Council recognized negative pension expense of $33,041,756 for its proportionate share of the MSRS-GEF pension expense. At December 31, 2014, the Metropolitan Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
	(Dollars in thousands)	
Differences between expected and actual experience	$ -	$ 3,178
Changes of assumptions	-	106,638
Net difference between projected and actual earnings on investments	-	75,893
Changes in proportion and differences between actual contributions and proportionate share of contributions	10,603	3
Contributions paid to MSRS subsequent to the measurement date	6,258	-
Total	$ 16,861	$ 185,712

Amounts reported as deferred outflows of resources related to pensions resulting from Metropolitan Council contributions subsequent to the measurement date will be recognized as a reductions of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	**Pension Expense** *(Dollars in thousands)*
2015	$ 43,777
2016	43,777
2017	43,777
2018	43,778
2019	-
Thereafter	-
	$ 175,109

Actuarial Assumptions: The Metropolitan Council's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 generational mortality tables for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees are assumed to be 2.0 percent every January 1st through 2015 and 2.50 percent thereafter.

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experiences studies for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

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

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

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

Discount Rate: The discount rate used to measure the total pension liability as of June 30, 2014, was 7.90 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A similar analysis was performed as of July 1, 2013, based on long-term expected rate of return of 7.90 percent and a municipal bond rate of 4.63 percent. The projection showed that assets would be available to pay benefits only through 2045, with a resulting single discount rate of 6.63 percent, and an increase of 1.27 percent between the beginning and the end of the measurement period.

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

	1% Decrease (6.90%)	Current Discount Rate (7.90%)	1% Increase (8.90%)
Council's proportionate share of the Net pension liability (MSRS)	$ 295,288	$ 146,314	$ 22,525

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

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

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

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

Benefits provided: PEPFF provides retirement, disability and death benefits. Retirement benefits are determined for employees as 3.0 percent of their high-five average salary for each of their years of service. An unreduced retirement annuity is payable to employees when they meet the following conditions; 1) age 55 with a minimum of three years service (five years if hired after June 30, 2010) the vesting period for hires after June 30, 2014 will be 10 years of public service with full benefits available after 20 years or 2) age plus years of service equal at least 90, if hired before July 1, 1989. A reduced retirement annuity is available to members between the ages of 50 and 55. There is a 1.2 percent reduction in benefits for each year a member retires prior to qualifying for an unreduced retirement benefit. For members hired or rehired after June 30, 2007, the reduction is 2.40 percent per year. Also under legislation enacted in the 2013 session of the Legislature, the reduction for early retirement will begin increasing July 2014, culminating in a 5.0 percent per year reduction in 2019.

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

Death benefits are calculated if a member dies while still an active employee, they are based on either 50 percent of the member's average salary during the six months prior to death or a formula using the member's total years of service, high-five salary, age at death and age of the spouse. Dependent children of active or disabled employees are eligible for benefits until age 18, or age of 23 if full-time student. In this case, the maximum family benefit is 70 percent of the member's average monthly salary.

Contributions: Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions and may be amended by Minnesota Legislature. Employees are required to contribute 10.20 percent of salary. The Metropolitan Council required contribution rate is 15.30 percent of salary. For both the employee and employer the rates will increase 0.60 percent and 0.90, respectfully, as of January 1, 2015, under legislation passed in the 2013 session of the Minnesota Legislature. It was actuarially determined when the employer rate when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Council were $1,339,174 for the year ending December 31, 2014.

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

At December 31, 2014, the Metropolitan Council reported a liability of $ 9,684,735 for its proportionate share of PERA' net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Metropolitan Council's proportion of the net pension liability was based on the contributions received by PERA during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the Metropolitan Council's proportion was 0.889 percent.

A change in the assumptions affected the measurement of the total pension liability since the prior measurement date. The post-retirement benefit increase changed from 1.0 percent per year to 1.0 percent per year through 2030 and 2.5 percent per year thereafter.

For the year ended December 31, 2014, the Metropolitan Council recognized pension expense of $310,699 for its proportionate share of the PEPFF's pension expense. At December 31, 2014, the Metropolitan Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Dollars in thousands)	
Differences between expected and actual experience	$ 13	$ -
Changes of assumptions	2,400	-
Net difference between projected and actual earnings on investments	-	4,738
Contributions paid to PERA subsequent to the measurement date	718	-
Total	$ 3,131	$ 4,738

Amounts reported as deferred outflows of resources related to pensions resulting from Metropolitan Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense
	Dollars in thousands
2015	$ 702
2016	702
2017	702
2018	702
2019	(483)
Thereafter	-
	$ 2,325

Actuarial Assumptions: The Metropolitan Council's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 generational mortality tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1.0 percent every January 1st through 2026 and 2.50 percent thereafter.

Actuarial assumptions used in the June 30, 2014 valuation are reviewed annually. The most recent 5-year experience study for the PEPEF was completed in 2010.

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

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

Discount Rate: The discount rate used to measure the total pension liability as of June 30, 2014, was 7.90 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.90%)	Current Discount Rate (7.90%)	1% Increase (8.90%)
Council's proportionate share of the Net pension liability (PERA)	$ 19,233	$ 9,685	$ 1,665

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

c. General information about the pension plan
Minnesota State Retirement System – Unclassified Employees Retirement Fund (MSRS-UER)

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

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

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

Minnesota Statutes, section 352D.04, subdivision 2, requires a contribution rate of 5.0 percent of salary from participating employees. Effective the first day of the first full pay period beginning after July 1, 2014, the employee contribution rate will increase to 5.50 percent. The employer contribution rate is 6.0 percent of salary.

For the year ending December 31, 2014 employer contributions were $161,658. The plan did not have any forfeitures in the current period.

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 $203,679,000 as of December 31, 2014, 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 $20,339,000 is 6.10 percent of annual covered payroll. The Council's OPEB cost for the current year and related information are as follows (dollars in thousands):

	Metro Transit	Environmental Services	General Fund	Total
Annual Required Contribution (ARC)	$ 15,040	$ 5,049	$ 250	$ 20,339
Interest on net OPEB obligation	4,088	1,137	293	5,518
Adjustments to Annual Required Contribution (ARC)	(6,413)	(1,784)	(459)	(8,656)
Annual OPEB cost (expense)	12,715	4,402	84	17,201
Contributions made	(8,451)	(3,834)	(164)	(12,449)
Increase in Net OPEB Obligation	4,264	568	(80)	4,752
Net OPEB obligation beginning of year	58,399	16,243	4,183	78,825
Net OPEB obligation end of year	$ 62,663	$ 16,811	$ 4,103	$ 83,577

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, 2014, were as follows (dollars in thousands):

	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Metro Transit				
12/31/2012	$ 13,799	$ 10,981	80%	$ 55,114
12/31/2013	14,155	10,870	77%	58,399
12/31/2014	12,715	8,451	66%	62,663
Environmental Services				
12/31/2012	4,731	4,101	87%	15,660
12/31/2013	4,822	4,239	88%	16,243
12/31/2014	4,402	3,834	87%	16,811
General Fund				
12/31/2012	651	211	32%	3,742
12/31/2013	685	244	36%	4,183
12/31/2014	84	164	195%	4,103
Total				
12/31/2012	19,181	15,293	80%	74,516
12/31/2013	19,662	15,353	78%	78,825
12/31/2014	17,201	12,449	72%	83,577

Funded Status and Funded Progress: As of December 31, 2014, the actuarial accrued liability (AAL) for benefits was $209,378,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $333,215,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 62.80 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, 2014, used the entry age normal method. This method is in the family of projected benefit cost methods, which required an estimate of projected benefit payable at retirement to determine costs and liabilities. Under this method, the present value of future benefits is equal to the value of the projected benefit payable at retirement discounted back to the participant's current age. The actuarial assumption also uses a 7.0 percent discount rate net of administrative expenses for the Metro Transit, Environmental Services and the General Fund. Discounts include such items as interest and mortality. The projected annual health care cost trend rate is 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent for the year 2038 and beyond. The initial UAAL is being amortized as a level dollar amount over a 30-year period. Gains and losses are amortized on a level-dollar basis over 15 years. The remaining amortization period at December 31, 2014, was 22 years.

D. Sub-grantee programs

During the year ended December 31, 2014, 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 $143,960,000 as of December 31, 2014. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately $189,164,000 will be paid from the Metro Transit Light Rail fund. Future commitments for commuter rail transit services of approximately $8,839,000 as of December 31, 2014, will be paid from the Metro Transit Commuter Rail fund. Future commitments for regional transit services are approximately $131,871,000 as of December 31, 2014. These commitments will be paid from Regional Transit special revenue funds. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately $100,678,000 as of December 31, 2014. 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

On January 16, 2015, the Governor appointed Adam Duininck as Chair of the Council. On March 8, 2015, Three new members of the Metropolitan Council were sworn in, along with returning members the governor reappointed to continue to serve on the Council. Appointments for the Chair and Council Members end on January 7, 2019.

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

On May 22, 2015 the Governor signed into law an appropriation cancellation of $29.7 million to the state general fund for the Southwest Corridor light rail project. The effective date of this enactment is May 23, 2015.

REQUIRED SUPPLEMENTARY

INFORMATION

METROPOLITAN
COUNCIL

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

	Budgeted Amounts			Variance with Final Budget-
	Original	Final	Actual	Over (Under)
REVENUES				
Taxes	$ 10,627	$ 10,627	$ 10,458	$ (169)
Intergovernmental revenue:				
Federal	-	566	69	(497)
State	8,540	8,540	8,787	247
Local/other	86	86	80	(6)
Investment income	730	730	1,786	1,056
Total revenues	19,983	20,549	21,180	631
EXPENDITURES				
Current:				
General government	9,215	10,902	10,249	(653)
Economic development	-	-	49	49
Intergovernmental:				
Culture and recreation	8,540	8,540	8,765	225
Economic development	-	566	24	(542)
Debt service:				
Principal	640	640	9,610	8,970
Interest and other charges	391	391	402	11
Capital outlay	646	646	404	(242)
Total expenditures	19,432	21,685	29,503	7,818
Excess (deficiency) of revenues over (under) expenditures	551	(1,136)	(8,323)	(7,187)
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,300)	(1,300)	(1,202)	98
Capital lease issued	-	-	9,077	9,077
Total other financing sources (uses)	(1,300)	(1,300)	7,875	9,175
Net change in fund balance	(749)	(2,436)	(448)	1,988
Fund balance, beginning	22,888	22,888	22,888	-
Fund balance, ending	$ 22,139	$ 20,452	$ 22,440	$ 1,988

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, 2014
IN THOUSANDS

	Budgeted Amounts			Variance with Final Budget-
	Original	Final	Actual	Over (Under)
REVENUES				
Intergovernmental revenue:				
State	$ 48,035	$ 48,035	$ 38,031	$ (10,004)
Investment income	-	-	946	946
Other	7,144	7,144	6,826	(318)
Total revenues	55,179	55,179	45,803	(9,376)
EXPENDITURES				
Current:				
Transportation	60,375	60,375	55,085	(5,290)
Excess (deficiency) of revenues over (under) expenditures	(5,196)	(5,196)	(9,282)	(4,086)
OTHER FINANCING SOURCES (USES)				
Transfers in	21	21	28	7
Net change in fund balance	(5,175)	(5,175)	(9,254)	(4,079)
Fund balance, beginning	50,076	50,076	50,076	-
Fund balance, ending	$ 44,901	$ 44,901	$ 40,822	$ (4,079)

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

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

	2014**
Council's proportion of the net pension liability (asset)	9.023%
Council's proportionate share of the net pension liability	$ 146,314
Council's covered -employee payroll	$ 230,978
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	63.35%
Plan fiduciary net position as a percentage of the total pension liability	87.64%

* The amounts presented for each fiscal year were determined as of June 30.
** This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

	2014**
Council's proportion of the net pension liability (asset)	0.889%
Council's proportionate share of the net pension liability	$ 9,602
Council's covered -employee payroll	$ 7,686
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	124.92%
Plan fiduciary net position as a percentage of the total pension liability	87.07%

* The amounts presented for each fiscal year were determined as of June 30.
** This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

	2014**
Contractually required contribution	$ 11,549
Contributions in relation to the contractually required contribution	11,549
Contribution deficiency (excess)	$ -
Council's covered-employee payroll	$ 230,978
Contributions as a percentage of covered-employee payroll	5.00%

* The amounts presented for each fiscal year were determined as of June 30.
** This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

	2014**
Contractually required contribution	$ 1,176
Contributions in relation to the contractually required contribution	1,176
Contribution deficiency (excess)	$ -
Council's covered-employee payroll	$ 7,686
Contributions as a percentage of covered-employee payroll	15.30%

* The amounts presented for each fiscal year were determined as of June 30.
** This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014

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	$ 6,340	$ 7,852	$ 15,455	$ 7,603
Community Development	13,092	13,833	14,048	215
Total General Fund	$ 19,432	$ 21,685	$ 29,503	$ 7,818

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, 2014	(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						
1/1/10	$ -	$ 233,054	$ 233,054	0.00%	$ 184,796	126.1%
1/1/12	-	187,818	187,818	0.00%	181,202	103.7%
1/1/14	-	152,844	152,844	0.00%	230,941	66.2%
Environmental Services						
1/1/10	-	82,328	82,328	0.00%	58,430	140.9%
1/1/12	-	64,368	64,368	0.00%	51,413	125.2%
1/1/14	-	53,715	53,715	0.00%	62,487	86.0%
General Fund						
1/1/10	-	13,046	13,046	0.00%	28,862	45.2%
1/1/12	-	9,513	9,513	0.00%	30,448	31.2%
1/1/14	-	2,819	2,819	0.00%	39,787	7.1%
Total						
1/1/10	-	328,428	328,428	0.00%	272,088	120.7%
1/1/12	-	261,699	261,699	0.00%	263,063	99.5%
1/1/14	-	209,378	209,378	0.00%	333,215	62.8%

Serving the Twin Cities seven-county metropolitan area

COMBINING AND INDIVIDUAL

FUND FINANCIAL STATEMENTS

AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

Capital Project Funds

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

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

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

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

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014
IN THOUSANDS

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 102,270	$ 38,655	$ 140,925
Delinquent taxes receivable	801	-	801
Interest receivable	351	160	511
Due from other governmental units	10,261	20,564	30,825
Loans and advances	46,798	-	46,798
Total assets	$ 160,481	$ 59,379	$ 219,860
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts/contracts/subgrantees payable	$ 16,363	$ 15,111	$ 31,474
Deferred Inflows if resources:			
Unavailable revenue - taxes	615	-	615
Fund balances:			
Restricted	126,799	70,282	197,081
Committed	16,704	-	16,704
Unassigned	-	(26,014)	(26,014)
Total fund balances	143,503	44,268	187,771
Total liabilities, deferred inflows of resources and fund balances	$ 160,481	$ 59,379	$ 219,860

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
DECEMBER 31, 2014
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	$ 11,525	$ 74,330	$ 1,675	$ -	$ 13,505	$ 1,235	$ 102,270
Delinquent taxes receivable	74	727	-	-	-	-	801
Interest receivable	40	261	6	-	39	5	351
Due from other governmental units	-	-	1,826	2,112	6,323	-	10,261
Loans and advances	45,229	1,544	-	-	-	25	46,798
Total assets	$ 56,868	$ 76,862	$ 3,507	$ 2,112	$ 19,867	$ 1,265	$ 160,481
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts/contracts/subgrantees payable	$ -	$ 7,581	$ 299	$ 2,112	$ 6,371	$ -	$ 16,363
Deferred Inflows of resouces:							
Unavailable revenue - taxes	74	541	-	-	-	-	615
Fund balances:							
Restricted	56,794	68,740	-	-	-	1,265	126,799
Committed	-	-	3,208	-	13,496	-	16,704
Total fund balances	56,794	68,740	3,208	-	13,496	1,265	143,503
Total liabilities, deferred inflows of resources and fund balances	$ 56,868	$ 76,862	$ 3,507	$ 2,112	$ 19,867	$ 1,265	$ 160,481

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
DECEMBER 31, 2014
IN THOUSANDS

	North Mississippi Park	Parks and Open Space Grants	Transit	Total Capital Projects
ASSETS				
Cash and cash equivalents	$ 794	$ 35,155	$ 2,706	$ 38,655
Interest receivable	1	125	34	160
Due from other governmental units	-	9,916	10,648	20,564
Total assets	$ 795	$ 45,196	$ 13,388	$ 59,379
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts/contracts/subgrantees payable	$ -	$ 8,188	$ 6,923	$ 15,111
Fund balances:				
Restricted	795	63,022	6,465	70,282
Unassigned	-	(26,014)	-	(26,014)
Total fund balances	795	37,008	6,465	44,268
Total liabilities and fund balances	$ 795	$ 45,196	$ 13,388	$ 59,379

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

	Total Special Revenue	Total Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	$ 15,885	$ -	$ 15,885
Intergovernmental revenue:			
Federal	8,499	12,382	20,881
State	54,392	24,685	79,077
Local/other	1,904	366	2,270
Investment income	4,134	1,955	6,089
Other	2,388	-	2,388
Total revenues	87,202	39,388	126,590
EXPENDITURES			
Current:			
General government	2,166	18	2,184
Transportation	27,746	288	28,034
Intergovernmental:			
Transportation	34,352	5,330	39,682
Culture and recreation	-	21,892	21,892
Economic development	8,080	-	8,080
Environment	5,918	-	5,918
Housing	1,847	-	1,847
Capital Outlay	-	20,995	20,995
Total expenditures	80,109	48,523	128,632
Excess (deficiency) of revenues over (under) expenditures	7,093	(9,135)	(2,042)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,000	450	1,450
Transfers out	-	(20,997)	(20,997)
Bonds issued	-	33,000	33,000
Sale of capital assets	-	254	254
Total other financing sources (uses)	1,000	12,707	13,707
Net change in fund balances	8,093	3,572	11,665
Fund balances, beginning	135,410	40,696	176,106
Fund balances, ending	$ 143,503	$ 44,268	$ 187,771

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014
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	$ 8	$ 15,877	$ -	$ -	$ -	$ -	$ 15,885
Intergovernmental revenue:							
Federal	-	-	3,995	-	4,504	-	8,499
State	-	-	1,553	33,217	19,622	-	54,392
Local/other	-	-	104	-	1,800	-	1,904
Investment income	490	3,067	26	-	497	54	4,134
Other	-	-	-	-	2,388	-	2,388
Total revenues	498	18,944	5,678	33,217	28,811	54	87,202
EXPENDITURES							
Current:							
General government	-	-	1,586	-	580	-	2,166
Transportation	-	-	3,258	-	24,488	-	27,746
Intergovernmental:							
Transportation	-	-	681	33,217	454	-	34,352
Economic development	-	8,080	-	-	-	-	8,080
Environment	-	5,918	-	-	-	-	5,918
Housing	-	1,847	-	-	-	-	1,847
Total expenditures	-	15,845	5,525	33,217	25,522	-	80,109
Excess (deficiency) of revenues over (under) expenditures	498	3,099	153	-	3,289	54	7,093
OTHER FINANCING SOURCES (USES)							
Transfers in	-	1,000	-	-	-	-	1,000
Net change in fund balances	498	4,099	153	-	3,289	54	8,093
Fund balances, beginning	56,296	64,641	3,055	-	10,207	1,211	135,410
Fund balances, ending	$ 56,794	$ 68,740	$ 3,208	$ -	$ 13,496	$ 1,265	$ 143,503

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

	North Mississippi Park	Parks and Open Space Grants	Transit	Total Capital Projects
REVENUES				
Intergovernmental revenue:				
Federal	$ -	$ -	$ 12,382	$ 12,382
State	-	22,113	2,572	24,685
Local/other	-	-	366	366
Investment income	53	1,106	796	1,955
Total revenues	53	23,219	16,116	39,388
EXPENDITURES				
Current:				
General government	-	18	-	18
Transportation	-	-	288	288
Intergovernmental:				
Transportation	-	-	5,330	5,330
Culture and recreation	1,220	20,672	-	21,892
Capital outlay	-	-	20,995	20,995
Total expenditures	1,220	20,690	26,613	48,523
Excess (deficiency) of revenues over (under) expenditures	(1,167)	2,529	(10,497)	(9,135)
OTHER FINANCING SOURCES (USES)				
Transfers in	450	-	-	450
Transfers out	-	(450)	(20,547)	(20,997)
Bonds issued	-	8,000	25,000	33,000
Sale of capital assets	-	-	254	254
Total other financing sources (uses)	450	7,550	4,707	12,707
Net change in fund balances	(717)	10,079	(5,790)	3,572
Fund balances, beginning	1,512	26,929	12,255	40,696
Fund balances, ending	$ 795	$ 37,008	$ 6,465	$ 44,268

BUDGETARY COMPARISON SCHEDULE
LIVABLE COMMUNITIES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Over (Under)
REVENUES				
Taxes	$ 16,082	$ 16,082	$ 15,877	$ (205)
Investment income	1,160	1,160	3,067	1,907
Total revenues	17,242	17,242	18,944	1,702
EXPENDITURES				
Intergovernmental:				
Economic development	11,332	11,332	8,080	(3,252)
Environment	5,350	5,350	5,918	568
Housing	1,560	1,560	1,847	287
Total expenditures	18,242	18,242	15,845	(2,397)
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(1,000)	3,099	4,099
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	1,000	1,000	-
Net change in fund balance	-	-	4,099	4,099
Fund balance, beginning	64,641	64,641	64,641	-
Fund balance, ending	$ 64,641	$ 64,641	$ 68,740	$ 4,099

BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION PLANNING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Over (Under)
REVENUES				
Intergovernmental revenue:				
Federal	$ 4,888	$ 5,798	$ 3,995	$ (1,803)
State	1,433	1,433	1,553	120
Local/other	116	526	104	(422)
Investment income	-	-	26	26
Total revenues	6,437	7,757	5,678	(2,079)
EXPENDITURES				
Current:				
General government	1,610	1,610	1,586	(24)
Transportation	3,635	5,035	3,258	(1,777)
Intergovernmental:				
Transportation	963	963	681	(282)
Capital outlay	-	-	-	-
Total expenditures	6,208	7,608	5,525	(2,083)
Net change in fund balance	229	149	153	4
Fund balance, beginning	3,055	3,055	3,055	-
Fund balance, ending	$ 3,284	$ 3,204	$ 3,208	$ 4

BUDGETARY COMPARISON SCHEDULE
SUBURBAN TRANSIT PROVIDERS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Over (Under)
REVENUES				
Intergovernmental revenue:				
State	$ 31,129	$ 31,394	$ 33,217	$ 1,823
EXPENDITURES				
Intergovernmental:				
Transportation	31,129	31,394	33,217	1,823
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, 2014
IN THOUSANDS

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Over (Under)
REVENUES				
Intergovernmental revenue:				
Federal	$ 2,229	$ 3,665	$ 4,504	$ 839
State	18,107	16,674	19,622	2,948
Local/other	1,954	1,954	1,800	(154)
Investment income	125	125	497	372
Other	2,401	2,398	2,388	(10)
Total revenues	24,816	24,816	28,811	3,995
EXPENDITURES				
Current:				
General government	-	-	580	580
Transportation	26,123	26,123	24,488	(1,635)
Intergovernmental:				
Transportation	-	-	454	454
Total expenditures	26,123	26,123	25,522	(601)
Net change in fund balance	(1,307)	(1,307)	3,289	4,596
Fund balance, beginning	10,207	10,207	10,207	-
Fund balance, ending	$ 8,900	$ 8,900	$ 13,496	$ 4,596

BUDGETARY COMPARISON SCHEDULE
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Over (Under)
REVENUES				
Investment income	$ 35	$ 35	$ 54	$ 19
EXPENDITURES				
Intergovernmental:				
Economic development	-	-	-	-
Net change in fund balance	35	35	54	19
Fund balance, beginning	1,211	1,211	1,211	-
Fund balance, ending	$ 1,246	$ 1,246	$ 1,265	$ 19

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND BY DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

	Regional Administration			Community Development			Total		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ 5,161	$ 5,079	$ (82)	$ 5,466	$ 5,379	$ (87)	$10,627	$ 10,458	$ (169)
Intergovernmental revenue:									
Federal	-	-	-	566	69	(497)	566	69	(497)
State	-	-	-	8,540	8,787	247	8,540	8,787	247
Local/other	86	80	(6)	-	-	-	86	80	(6)
Investment income	644	1,576	932	86	210	124	730	1,786	1,056
Total revenues	5,891	6,735	844	14,658	14,445	(213)	20,549	21,180	631
EXPENDITURES									
Current:									
General government	6,175	5,039	(1,136)	4,727	5,210	483	10,902	10,249	(653)
Economic development	-	-	-	-	49	49	-	49	49
Intergovernmental:									
Culture and recreation	-	-	-	8,540	8,765	225	8,540	8,765	225
Economic development	-	-	-	566	24	(542)	566	24	(542)
Debt service:									
Principal	640	9,610	8,970	-	-	-	640	9,610	8,970
Interest and other charges	391	402	11	-	-	-	391	402	11
Capital outlay	646	404	(242)	-	-	-	646	404	(242)
Total expenditures	7,852	15,455	7,603	13,833	14,048	215	21,685	29,503	7,818
Excess (deficiency) of revenues over (under) expenditures	(1,961)	(8,720)	(6,759)	825	397	(428)	(1,136)	(8,323)	(7,187)
OTHER FINANCING SOURCES (USES)									
Transfers out	(300)	(202)	98	(1,000)	(1,000)	-	(1,300)	(1,202)	98
Bonds/capital lease issued	-	9,077	9,077	-	-	-	-	9,077	9,077
Total other financing sources (uses)	(300)	8,875	9,175	(1,000)	(1,000)	-	(1,300)	7,875	9,175
Net change in fund balance	$ (2,261)	$ 155	$ 2,416	$ (175)	$ (603)	$ (428)	$ (2,436)	$ (448)	$ 1,988

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
ASSETS				
Cash and cash equivalents	$ 1,893	$ 456	$ -	$ 2,349
LIABILITIES				
Due to participants	$ 1,893	$ 456	$ -	$ 2,349

BONDS/LOANS/NOTES OUTSTANDING
AS OF DECEMBER 31, 2014
IN THOUSANDS

Issues	Date	Final Maturity Date	Original Issue	Payments Prior Years	Payments Year Ended 12/31/14	Bonds/Loans/ Notes Issued/ Drawn Down in 2014	Bonds/ Loans/Notes Outstanding 12/31/2014	Refunded Bonds	Maturing in 2015	Future Maturities
GENERAL OBLIGATION BONDS/LOANS/NOTES PAYABLE:										
GOVERMENTAL ACTIVITIES:										
G.O. Park Bonds:										
2009B	1-Sep-09	1-Mar-14	$ 10,000	$ 9,430	$ 570	$ -	$ -	$ -	$ -	$ -
2010D	22-Dec-10	1-Feb-15	8,600	6,665	950	-	985	-	985	-
2012D	8-Jun-12	1-Mar-17	7,000	2,400	1,115	-	3,485	-	1,135	2,350
2014B	6-Feb-14	1-Mar-16	8,000	-	-	8,000	8,000	-	3,725	4,275
Subtotal: G.O. Park Bonds			33,600	18,495	2,635	8,000	12,470	-	5,845	6,625
G.O. Transit Bonds:										
2004A	1-Apr-04	1-Feb-24 (a)	41,375	32,925	8,450	-	-	-	-	-
2005C	1-May-05	1-Feb-25	32,000	24,270	1,895	-	5,835	-	1,955	3,880
2005C, Refunding	1-May-05	1-Feb-20	13,285	7,465	885	-	4,935	-	865	4,070
2007A	15-Feb-07	1-Feb-24	36,400	23,885	2,060	-	10,455	8,435 (b)	10,455	-
2007E, Refunding	15-Mar-07	1-Feb-22	10,110	4,015	715	-	5,380	-	710	4,670
2008B	12-Mar-08	1-Mar-28	40,300	19,510	2,515	-	18,275	15,660 (b)	18,275	-
2009A	1-Sep-09	1-Mar-29	43,000	20,815	2,510	-	19,675	-	2,565	17,110
2009E, Refunding	1-Dec-09	1-Feb-18	10,490	5,790	940	-	3,760	-	940	2,820
2010E	22-Dec-10	1-Feb-31	69,000	21,525	4,395	-	43,080	-	4,440	38,640
2012C	8-Jun-12	1-Mar-32	52,000	12,390	2,945	-	36,665	-	3,000	33,665
2012C, Refunding	8-Jun-12	1-Mar-23	5,105	-	-	-	5,105	-	375	4,730
2012H, Refunding	29-Oct-12	1-Feb-28	24,620	-	260	-	24,360	-	250	24,110
2014C	6-Feb-14	1-Mar-16	25,000	-	-	25,000	25,000	-	14,795	10,205
Subtotal: G.O. Transit Bonds			402,685	172,590	27,570	25,000	202,525	24,095	58,625	143,900
Minnesota Public Facilities Authority Loans--Transit (Backed by General Obligation Notes):	12-Mar-99	15-Feb-20	21,025	18,420	345	-	2,260	-	360	1,900
	24-Jan-08	15-Feb-18	10,000	5,575	905	-	3,520	-	925	2,595
Subtotal: Minnesota Public Facility Authority Loans--Transit			31,025	23,995	1,250	-	5,780	-	1,285	4,495
Total Govermental Activities G.O. Bonds/Loans Payable			467,310	215,080	31,455	33,000	220,775	24,095	65,755	155,020
BUSINESS-TYPE ACTIVITIES:										
G.O. Grant Anticipation Transit Notes:										
2011C	14-Sep-11	1-Mar-14	90,000	45,000	45,000	-	-	-	-	-
2012G	29-Oct-12	1-Mar-16	100,000	-	15,000	-	85,000	-	35,000	50,000
2014A	6-Feb-14	1-Mar-16	100,800	-	-	100,800	100,800	-	52,100	48,700
Subtotal: G.O. Grant Anticipation Transit Notes:			290,800	45,000	60,000	100,800	185,800	-	87,100	98,700
G.O.Sewer Bonds:										
2004B	1-Apr-04	1-Dec-23 (a)	25,000	5,250	19,750	-	-	-	-	-
2005B	1-May-05	1-May-25	90,405	18,200	3,590	-	68,615	63,390 (b)	68,615	-
2005B, Refunding	1-May-05	1-May-14	7,525	6,090	1,435	-	-	-	-	-
2007B	15-Feb-07	1-Dec-27	80,000	15,500	500	-	64,000	63,500 (b)	64,000	-
2008C	12-Mar-08	1-Mar-28	80,000	7,500	500	-	72,000	66,000 (b)	3,000	69,000
2008D, Refunding	12-Mar-08	1-Mar-14	8,955	7,245	1,710	-	-	-	-	-
2009F, Refunding	1-Dec-09	1-Dec-15	6,720	4,780	970	-	970	-	970	-
2010A, Refunding	22-Feb-10	1-Feb-15	16,035	8,790	3,510	-	3,735	-	3,735	-
2010B	22-Feb-10	1-Feb-30	36,000	5,500	600	-	29,900	-	400	29,500
2010F	22-Dec-10	1-Dec-30	65,000	7,250	3,275	-	54,475	-	3,105	51,370
2011B, Refunding	15-Mar-11	1-Dec-15	9,230	5,595	2,165	-	1,470	-	1,470	-
2012B	8-Jun-12	1-Sep-32	55,110	400	2,900	-	51,810	-	2,950	48,860
2012E, Refunding	8-Jun-12	1-Sep-25	82,590	-	5,650	-	76,940	-	4,805	72,135
2012F, Refunding	29-Jun-12	1-Sep-22	214,035	22,100	22,500	-	169,435	-	23,525	145,910
2012I, Refunding	29-Oct-12	1-Mar-28	127,235	-	-	-	127,235	-	-	127,235
2014D	6-Feb-14	1-Sep-34	60,000	-	-	60,000	60,000	-	1,000	59,000
Subtotal: G.O. Sewer Bonds			963,840	114,200	69,055	60,000	780,585	192,890	177,575	603,010
Minnesota Public Facilities Authority Loans--Sewer: (Backed by General Obligation Notes)										
	1-Sep-03	20-Feb-16	4,954	4,674	155	-	125	-	69	56
	26-Nov-03	20-Aug-23	100,000	24,500	5,500	-	70,000	-	8,500	61,500
	20-Oct-04	20-Feb-25	50,000	19,100	2,200	-	28,700	-	2,200	26,500
	10-Nov-05	20-Feb-25	40,000	7,300	2,100	-	30,600	-	1,970	28,630
	30-Aug-06	20-Aug-26	50,000	8,700	250	-	41,050	-	2,500	38,550
	11-Oct-07	20-Aug-27	80,000	4,800	750	-	74,450	-	2,250	72,200
	10-Sep-09	20-Aug-29	49,411	8,801	2,470	-	38,140	-	155	37,985
	28-Oct-09	20-Aug-29	30,589	5,449	1,530	-	23,610	-	95	23,515
	12-Jan-11	20-Aug-30	70,000	7,231	3,198	-	59,571	-	3,255	56,316
	15-Feb-12	20-Aug-31	60,000	20	5,435	-	54,545	-	1,780	52,765
	23-May-13	20-Aug-32	40,000	-	400	-	39,600	-	2,700	36,900
	30-Dec-13	20-Aug-33	60,000	-	1,000	60,000	59,000	-	2,000	57,000
	10-Dec-14	20-Aug-34 (c)	17,452	-	-	17,452	17,452	-	291	17,161
Subtotal: Minnesota Public Facility Authority Loans--Sewer			652,406	90,575	24,988	77,452	536,843	-	27,765	509,078
Total G.O.Sewer Bonds/Loans Payable			1,616,246	204,775	94,043	137,452	1,317,428	192,890	205,340	1,112,088
Total Business-type Activities G.O. Bonds/Loans/Notes Payable			1,907,046	249,775	154,043	238,252	1,503,228	192,890	292,440	1,210,788
Total General Obligation Bonds/Loans/Notes Payable			$ 2,374,356	$ 464,855	$ 185,498	$ 271,252	$ 1,724,003	$ 216,985	$ 358,195	$ 1,365,808

(a) Called prior to final maturity.
(b) Escrowed.
(c) Of the $60 million note executed in 2014, only the amount shown was drawn down as of 12/31/14

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014
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	MN0046L5K011205	$ 245
Shelter Plus Care	14.238	MN0046L5K011306	530
Shelter Plus Care	14.238	MN0068L5K031205	74
Shelter Plus Care	14.238	MN0068L5K031306	139
Shelter Plus Care	14.238	MN0010L5K001205	795
Shelter Plus Care	14.238	MN0010L5K001306	1,118
Total CFDA #14.238			**2,901**
Sustainable Communities Regional Planning Grant Program	14.703	MNRIP002310	**69**
Section 8 Housing Choice Vouchers	14.871	MN163VO/MN163AF	**51,775**
Passed through City of Minneapolis			
Housing Opportunities for Person with Aids	14.241	C-36949	192
Housing Opportunities for Person with Aids	14.241	C-38346	252
Total CFDA #14.241			**444**
Total U. S. Department of Housing and Urban Development			**55,189**
U.S. Department of Transportation			
Direct			
Federal Transit Administration			
Highway Planning and Construction			
2004 Urban Guarantee Section 133	20.205	MN-90-X201	**54**
(Total Highway Planning and Construction 20.205 $155)			
Federal Transit Cluster			
Federal Transit Capital Investment Grants			
2002 Section 5309	20.500	MN-03-0066	183
2003 Section 5309	20.500	MN-03-0086	9
2000 Section 5309	20.500	MN-03-0101	382
2005 Section 5309	20.500	MN-03-0126	220
2006 Section 5309	20.500	MN-03-0200	99,315
2006 Section 5309	20.500	MN-04-0018	90
2006-2007 Section 5309	20.500	MN-04-0019	700
2007-2008 Section 5309	20.500	MN-04-0026	11
2009 Section 5309 43USC5309	20.500	MN-04-0038	475
2010 Section 5309 D2010-BUSP-05	20.500	MN-04-0039	817
2011 Section 5309	20.500	MN-04-0040	108
2013 Section 5309	20.500	MN-04-0049	1,058
2006 Section 5309	20.500	MN-05-0018	46
2007-2008 Section 5309	20.500	MN-05-0019	409
2011 Section 5309	20.500	MN-05-0020	478
2012-2015 Section 5309	20.500	MN-05-0022	2,716
2012 Section 5309	20.500	MN-05-0023	5,158
Total CFDA #20.500			**112,175**

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, 2014
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	1
2002-2003 Section 5307	20.507	MN-90-X190	3
2003 Section 5307	20.507	MN-90-X204	17
2003-2005 Section 5307	20.507	MN-90-X215	30
2006 Section 5307	20.507	MN-90-X235	318
2006 Section 5307	20.507	MN-90-X238	78
2007 Section 5307	20.507	MN-90-X242	60
2007 - 2008 Section 5307	20.507	MN-90-X249	2
2007 - 2008 Section 5307	20.507	MN-90-X260	206
2009 - 2010 Section 5307	20.507	MN-90-X271	116
2010 Section 5307	20.507	MN-90-X274	489
2010 Section 5307	20.507	MN-90-X279	53
2011 Section 5307	20.507	MN-90-X282	630
2009 - 2010 Section 5307	20.507	MN-90-X283	48
2011 Section 5307	20.507	MN-90-X286	206
2011 Section 5307	20.507	MN-90-X289	295
2011 Section 5307	20.507	MN-90-X295	46
2012 Section 5307	20.507	MN-90-X296	1,030
2012 Section 5307	20.507	MN-90-X297	100
2012 Section 5307	20.507	MN-90-X299	1,320
2012 - 2013 Section 5307	20.507	MN-90-X300	1,515
2013 Section 5307	20.507	MN-90-X301	60
2013 Section 5307	20.507	MN-90-X302	6,942
2013 Section 5307	20.507	MN-90-X305	178
2013 Section 5307	20.507	MN-90-X307	1,015
2013 Section 5307	20.507	MN-90-X308	747
2012 Section 5307	20.507	MN-90-X309	4,432
2012-2013 Section 5307	20.507	MN-90-X311	11,399
2013 Section 5307	20.507	MN-90-X312	137
2013 Section 5307	20.507	MN-90-X318	1,098
2013 Section 5307	20.507	MN-90-X319	10,000
2013-2014 Section 5307	20.507	MN-90-X323	2,979
2013 Section 5307	20.507	MN-90-X328	6
2007 Section 5307	20.507	MN-95-X001	2,051
2010 -2013 CMAQ	20.507	MN-95-X015	39
2011 Section 5307	20.507	MN-95-X022	168
2012 Section 5307	20.507	MN-95-X026	2,291
2012 Section 5307	20.507	MN-95-X028	1,825
2012 Section 5307	20.507	MN-95-X031	3,979
2013 Section 5307	20.507	MN-95-X036	1,965
2013 Section 5307	20.507	MN-95-X037	6,430
2014 CMAQ	20.507	MN-95-X043	1,200
Total CFDA #20.507			**65,504**
State of Good Repair Grants Program			
2013 MT Buses	20.525	MN-54-0001	3,503
Rail Assoc Capital Maint	20.525	MN-54-0002	1,435
Bus Hoists & Tire Lease	20.525	MN-54-0003	845
LRT and Facility Upgrades	20.525	MN-54-0005	10
Total CFDA #20.525			**5,793**

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, 2014
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)			
Bus and Bus Facilities Formula Program			
2013 Section 5339	20.526	MN-34-0001	**4,538**
Transit Services Programs Cluster			
Job Access and Reverse Commute Program			
2010-2012 Section 5316	20.516	MN-37-X015	**595**
New Freedom Program			
2011-2013 New Freedom	20.521	MN-57-X006	**459**
Alternatives Analysis			
2008 Section 5339	20.522	MN-39-0002	279
2011 -2012 Section 5339	20.522	MN-39-0005	437
2012 Section 5339	20.522	MN-39-0006	33
Total CFDA #20.522			**749**
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions			
2011 TIGGER II	20.523	MN-88-0001	**98**
National Infrastructure Investments			
Transportation Investment Generating Economic Recovery			
2012 Section 5339 TIGER III	20.933	MN-79-0001	**10,000**
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction			
Travel Behavior Inventory	20.205	94801	**101**
(Total Highway Planning and Construction 20.205 $155)			
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research			
2012 Unified Planning Work Program (UPWP)	20.505	98158	**3,223**
Formula Grants for Rural Areas			
2010 Section 5311	20.509	95832	**624**
Total U.S. Department of Transportation			**203,913**
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 -13-0025R-FY14	60,000
State Revolving Funds	66.458	MPFA -15-0026R-FY15	17,452
State Revolving Funds	66.458	MPFG -13-0025R-FY14	929
Total CFDA #66.458			**78,381**
Passed Through Minnesota Pollution Control Agency			
Great Lakes Program for EPA			
Electric Vehicle Charging Stations	66.469	13G004/52989	**37**
Total U.S. Environmental Protection Agency			**78,418**

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, 2014
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			
Federal Emergency Management Agency (FEMA)			
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4131-MN	**18**
Homeland Security Grant Program			
2011 Urban Areas Security Initiative	97.067	A-UASI-2011-METRANPD-0038	41
2013 Urban Areas Security Initiative	97.067	A-UASI-2013-METCOUNC-0009	50
Total CFDA #97.067			**91**
Rail and Transit Security Grant Program	97.075	EMW-2011-RA-K0000890S01	**284**
Total U.S. Department of Homeland Security			**393**
Total Federal Awards			**$ 337,913**

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, 2014

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, 2014. 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	$ 188,010
Transit Services Programs Cluster	1,054

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	Sustainable Communities Regional Planning Grant Program	$ 24
20.500	Federal Transit Capital Investment Grants	3,575
20.507	Federal Transit Formula Grants	19,418
20.516	Job Access and Reverse Commute Program	212
20.521	New Freedom Program	387
20.522	Alternatives Analysis	716
20.933	National Infrastructure Investments	10,000
	Total	$ 34,332

Serving the Twin Cities seven-county metropolitan area

STATISTICAL SECTION

Serving the Twin Cities seven-county metropolitan area

STATISTICAL SECTION

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

Contents **Page**

Financial Trends 102-105

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 106-109

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

Debt Capacity 110-120

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 121-122

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 123-126

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)

	2014	2013	2012 [1]	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	$ 58,521	$ 58,498	$ 50,807	$ 34,482	$ 55,868	$ 28,613	$ 17,069	$ 17,060	$ 22,463	$ 14,392
Restricted	315,137	230,051	273,620	211,377	246,986	162,814	152,325	107,253	105,856	113,196
Unrestricted	(179,688)	(75,745)	(146,295)	(88,722)	(165,010)	(84,128)	(104,689)	(62,054)	(102,565)	(130,916)
Total governmental activities net position	$ 193,970	$ 212,804	$ 178,132	$ 157,137	$ 137,844	$ 107,299	$ 64,705	$ 62,259	$ 25,754	$ (3,328)
Business-type activities										
Net investment in capital assets	$ 2,560,539	$ 2,660,971	$ 2,426,834	$ 2,119,631	$ 1,695,361	$ 1,590,590	$ 1,451,577	$ 1,376,046	$ 1,390,948	$ 1,353,995
Restricted	443,824	295,447	271,732	8,039	28,180	4,205	38,715	19,751	3,212	31,187
Unrestricted	(289,409)	(106,789)	(72,722)	157,392	127,979	142,542	76,411	139,993	105,006	77,035
Total business-type activities net position	$ 2,714,954	$ 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
Total										
Net investment in capital assets	$ 2,619,060	$ 2,719,469	$ 2,477,641	$ 2,154,113	$ 1,751,229	$ 1,619,203	$ 1,468,646	$ 1,393,106	$ 1,413,411	$ 1,368,387
Restricted	758,961	525,498	545,352	219,416	275,166	167,019	191,040	127,004	109,068	144,383
Unrestricted	(469,097)	(182,534)	(219,017)	68,670	(37,031)	58,414	(28,278)	77,939	2,441	(53,881)
Total governmental and business-type activities net position	$ 2,908,924	$ 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

Notes:
[1]Table restated for 2012.

Unaudited

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

	2014[1]	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities:										
General government	$ 12,544	$ 11,903	$ 11,310	$ 10,601	$ 8,961	$ 9,067	$ 9,823	$ 9,848	$ 8,613	$ 8,263
Transportation	138,525	126,384	116,818	107,251	107,087	107,715	102,476	92,732	88,510	89,662
Culture and recreation	30,657	37,337	46,358	30,659	31,860	28,151	39,007	26,377	16,084	18,752
Economic development	8,153	12,733	9,446	4,684	6,767	4,488	1,136	4,548	4,036	9,401
Environment	5,918	5,946	8,476	3,973	2,216	3,560	3,313	9,302	5,201	6,629
Housing	1,847	1,759	1,348	1,393	2,380	594	1,504	1,831	2,136	1,819
Interest and other charges	6,622	9,445	7,391	5,953	7,413	8,491	9,606	12,969	11,753	21,152
Total governmental activities expenses	204,266	205,507	201,147	164,514	166,684	162,066	166,865	157,607	136,333	155,678
Business-type activities:										
Environmental services	233,979	253,333	200,342	198,406	190,406	192,990	218,856	190,763	173,090	161,748
Transit bus	314,305	316,005	310,737	302,758	301,905	302,669	299,435	264,612	246,264	237,695
Transit light rail	142,929	66,082	69,975	66,183	58,334	51,895	55,766	49,524	45,795	44,620
Transit commuter rail	23,541	22,944	24,716	21,860	19,576	6,834	770	-	-	-
Housing	62,697	58,911	58,406	57,682	56,574	56,201	53,880	55,432	56,595	56,198
Total business-type activities expenses	777,451	717,275	664,176	646,889	626,795	610,589	628,707	560,331	521,744	500,261
Total expenses	$ 981,717	$ 922,782	$ 865,323	$ 811,403	$ 793,479	$ 772,655	$ 795,572	$ 717,938	$ 658,077	$ 655,939
Program Revenues										
Governmental activities:										
Charges for services										
Transit fares	$ 9,214	$ 8,825	$ 7,661	$ 8,108	$ 7,514	$ 7,443	$ 6,396	$ 7,254	$ 6,836	$ 5,812
Insurance reimbursements	208	196	124	285	180	203	172	118	169	73
Other activities	262	74	203	69	29	6	-	89	43	20
Operating grants and contributions	109,086	90,856	56,503	56,884	50,720	45,563	46,842	53,051	42,835	42,542
Capital grants and contributions	40,498	52,380	62,693	34,963	38,315	49,379	32,812	38,336	19,791	13,483
Total governmental activities program revenues	159,268	152,331	127,184	100,309	96,758	102,594	86,222	98,848	69,674	61,930
Business-type activities:										
Charges for services										
Wastewater	233,468	221,381	207,900	205,847	209,960	210,535	203,292	190,491	187,374	177,995
Transit fares	101,638	98,644	98,451	95,806	92,537	89,913	86,293	80,111	77,222	69,858
Other activities	1,013	994	902	779	789	781	744	661	798	405
Operating grants and contributions	369,833	262,658	276,255	246,436	226,647	255,898	211,805	237,438	214,190	213,753
Capital grants and contributions	177,690	288,045	380,174	494,132	181,429	195,827	129,184	57,603	54,651	13,214
Total business-type activities program revenues	883,642	871,722	963,682	1,043,000	711,362	752,954	631,318	566,304	534,235	475,225
Total program revenues	$ 1,042,910	$ 1,024,053	$ 1,090,866	$1,143,309	$ 808,120	$ 855,548	$ 717,540	$ 665,152	$ 603,909	$ 537,155
Net (Expense) Revenue										
Governmental activities	$ (44,998)	$ (53,176)	$ (73,963)	$ (64,205)	$ (69,926)	$ (59,472)	$ (80,643)	$ (58,759)	$ (66,659)	$ (93,748)
Business-type activities	106,191	154,447	299,506	396,111	84,567	142,365	2,611	5,973	12,491	(25,036)
Total net (expenses) revenues	$ 61,193	$ 101,271	$ 225,543	$ 331,906	$ 14,641	$ 82,893	$ (78,032)	$ (52,786)	$ (54,168)	$ (118,784)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property tax	$ 76,785	$ 77,533	$ 75,043	$ 73,798	$ 73,140	$ 71,281	$ 70,217	$ 68,825	$ 68,026	$ 67,315
Market value and other credits	-	-	-	2,381	2,278	2,130	2,120	2,267	2,691	3,158
Motor vehicle sales tax	-	49,094	36,799	29,109	33,061	35,694	31,785	27,216	27,459	31,606
Investment earnings	12,035	(4,146)	4,419	7,675	6,027	4,831	5,981	14,249	10,013	5,574
Gain on sale of capital assets	275	378	350	-	-	97	83	446	170	-
Transfers	(24,628)	(35,011)	(21,653)	(29,465)	(14,035)	(11,967)	(27,097)	(17,739)	(12,618)	(18,721)
Total governmental activities	64,467	87,848	94,958	83,498	100,471	102,066	83,089	95,264	95,741	88,932
Business-type activities:										
Taxes										
Property tax	3,379	-	-	-	-	-	-	-	-	-
Investment earnings	37,611	33,878	19,850	7,966	15,581	16,302	1,205	12,912	11,840	5,045
Gain on sale of capital assets	261	222	-	-	-	-	-	-	-	-
Transfers	24,628	35,011	21,653	29,465	14,035	11,967	27,097	17,739	12,618	18,721
Total business-type activities	65,879	69,111	41,503	37,431	29,616	28,269	28,302	30,651	24,458	23,766
Total general revenues and other changes in net position	$ 130,346	$ 156,959	$ 136,461	$ 120,929	$ 130,087	$ 130,335	$ 111,391	$ 125,915	$ 120,199	$ 112,698
Changes in Net Position										
Governmental activities	$ 19,469	$ 34,672	$ 20,995	$ 19,293	$ 30,545	$ 42,594	$ 2,446	$ 36,505	$ 29,082	$ (4,816)
Business-type activities	172,070	223,558	341,009	433,542	114,183	170,634	30,913	36,624	36,949	(1,270)
Total changes in net position	$ 191,539	$ 258,230	$ 362,004	$ 452,835	$ 144,728	$ 213,228	$ 33,359	$ 73,129	$ 66,031	$ (6,086)

Unaudited

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

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Committed	$ 6,338	$ 6,363	$ 6,008	$ 5,297	$ 4,537	$ 3,793	$ 2,899	$ 2,612	$ 4,751	$ 4,546
Assigned	4,176	4,242	4,218	5,662	4,796	3,025	2,915	3,279	3,207	2,778
Unassigned	11,926	12,283	13,751	12,225	13,585	13,213	11,748	11,766	7,975	6,697
Total general fund	$ 22,440	$ 22,888	$ 23,977	$ 23,184	$ 22,918	$ 20,031	$ 17,562	$ 17,657	$ 15,933	$ 14,021
All Other Governmental Funds										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ 45,724	$ 41,875	$ 37,712	$ 35,861	$ 26,505
Restricted	315,137	287,965	340,670	306,905	319,238	203,039	174,126	147,216	125,586	151,200
Committed	57,526	63,338	30,236	30,164	32,140	30,785	27,474	29,210	25,401	23,737
Unassigned	(26,014)	(22,261)	(23,675)	(44,489)	(35,143)	(17,578)	(37,438)	(9,468)	(19,923)	-
Total all other governmental funds	$ 346,649	$ 329,042	$ 347,231	$ 292,580	$ 316,235	$ 261,970	$ 206,037	$ 204,670	$ 166,925	$ 201,442
Total all governmental funds	$ 369,089	$ 351,930	$ 371,208	$ 315,764	$ 339,153	$ 282,001	$ 223,599	$ 222,327	$ 182,858	$ 215,463

Unaudited

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
REVENUES										
Taxes	$ 75,327	$ 77,920	$ 76,382	$ 72,658	$ 72,752	$ 71,223	$ 70,161	$ 68,383	$ 68,178	$ 66,944
Intergovernmental revenue:										
Federal	20,950	22,629	38,933	18,460	20,107	19,947	14,009	20,046	15,902	12,409
Build America bonds interest subsidy	859	937	1,037	825	423	-	-	-	-	-
State	125,895	165,201	115,087	103,371	103,583	112,758	99,548	97,324	76,864	76,076
Local/other	2,350	3,653	1,062	1,493	1,108	1,101	927	3,759	188	259
Investment income	12,035	(4,146)	4,419	7,675	6,027	4,831	5,981	14,249	10,013	5,574
Other	9,214	9,005	7,864	7,650	6,876	6,612	5,713	7,202	6,870	7,950
Total revenues	246,630	275,199	244,784	212,132	210,876	216,472	196,339	210,963	178,015	169,212
EXPENDITURES										
Current:										
General government	12,496	11,232	10,914	8,861	7,638	7,932	8,862	8,817	8,185	7,613
Transportation	83,119	75,611	70,028	67,418	63,424	58,175	60,468	54,233	51,112	51,281
Culture and recreation	-	-	-	-	-	-	-	-	-	26
Economic development	49	275	866	-	-	-	-	-	-	-
Intergovernmental:										
Transportation	39,682	36,289	31,616	26,144	30,474	38,100	31,616	30,262	29,780	31,615
Culture and recreation	30,657	37,337	46,358	30,659	31,860	28,151	39,007	26,377	16,084	18,726
Economic development	8,104	12,458	8,580	4,684	6,767	4,488	1,136	4,548	4,036	9,401
Environment	5,918	5,946	8,476	3,973	2,216	3,560	3,313	9,302	5,201	6,629
Housing	1,847	1,759	1,348	1,393	2,380	594	1,504	1,831	2,136	1,819
Debt service:										
Principal	41,065	40,140	46,880	43,465	53,475	35,325	43,515	44,295	40,870	39,670
Interest and other charges	9,107	9,659	7,482	8,143	8,552	8,560	10,280	13,217	13,625	10,555
Capital outlay	21,399	29,292	32,376	11,480	10,945	18,916	5,796	22,198	26,998	16,908
Total expenditures	253,443	259,998	264,924	206,220	217,731	203,801	205,497	215,080	198,027	194,243
Excess (deficiency) of revenues over (under) expenditures	(6,813)	15,201	(20,140)	5,912	(6,855)	12,671	(9,158)	(4,117)	(20,012)	(25,031)
OTHER FINANCING SOURCES (USES)										
Transfers in	1,478	2,316	1,802	1,693	1,150	1,101	3,953	3,832	1,667	5,704
Transfers out	(22,199)	(37,327)	(23,704)	(31,158)	(15,185)	(19,632)	(31,241)	(21,805)	(14,362)	(24,778)
Bonds issued	42,077	-	59,000	-	77,600	53,000	50,300	45,900	-	38,000
Refunding bonds issued	-	-	29,725	-	-	10,490	-	17,375	-	13,285
Certificates of indebtedness issued	-	-	-	-	-	-	-	-	-	7,885
Capital lease issued	-	-	-	-	-	-	-	-	-	-
Premium on bonds and capital related debt	2,362	-	5,388	-	296	588	841	698	-	1,965
Payment to refunded bond escrow agent	-	-	-	-	-	-	(13,600)	(2,860)	-	-
Premium on refunding bonds	-	-	2,829	-	-	-	-	-	-	-
Sale of capital assets	254	532	544	164	146	184	177	446	102	274
Total other financing sources (uses)	23,972	(34,479)	75,584	(29,301)	64,007	45,731	10,430	43,586	(12,593)	42,335
Net change in fund balances	$ 17,159	$ (19,278)	$ 55,444	$ (23,389)	$ 57,152	$ 58,402	$ 1,272	$ 39,469	$ (32,605)	$ 17,304
Debt service as a percentage of noncapital expenditures	21.6%	21.6%	23.4%	26.5%	30.0%	23.7%	26.9%	29.8%	31.9%	28.3%

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
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
2014	10,458	15,885	48,984	8,568	859	101,210	1,984	6,866	3,214	21,681	219,709

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
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
2014	295,616,567	3,319,277	298,935,844	3,426,187	1.1%	0.01

Unaudited

Source: State of Minnesota, Department of Revenue.

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

PROPERTY TAX RATES AND LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS ENDED DECEMBER 31
IN THOUSANDS

Year	General Fund	Highway Right-of-Way Fund	Special Revenue and Transit Funds	Debt Service Funds	Total Direct Tax Rate	School Districts	Counties	Cities and Townships	Other
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
2014	0.00	0.00	0.00	0.01	0.01	0.40	0.36	0.35	0.44

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

	2014			2005		
Taxpayer	**Net Tax Capacity**	**Rank**	**Percentage of Total Tax Capacity[1, 3]**	**2005 Tax Capacity**	**Rank**	**Percentage of Total Tax Capacity[2, 3]**
Xcel Energy / Northern States Power Co	$ 15,172	1	0.44%	$ 10,760	1	0.33%
MOA Mall Holdings LLC	12,984	2	0.38%	9,345	2	0.29%
3M Company	4,425	3	0.13%	5,361	3	0.17%
IDS MB Minneapolis 8th St LLC	3,859	4	0.11%	-	-	-
NWC Limited Partnership	3,577	5	0.10%	3,079	6	0.10%
Minneapolis 225 Holdings LLC	3,533	6	0.10%	-	-	-
Compass Retail Inc	3,309	7	0.10%	-	-	-
Wells REIT-800 Nicollet	2,911	8	0.08%	-	-	-
US Bank Corp	2,761	9	0.08%	-	-	-
St. Paul Fire and Marine	2,604	10	0.08%	-	-	-
Flanagan-AMEX	-	-	-	4,359	4	0.14%
80 South Eight LLC	-	-	-	3,339	5	0.10%
Best Buy Co. Inc	-	-	-	2,748	7	0.09%
Wells Real Estate Funds	-	-	-	2,599	8	0.08%
Concordia Properties	-	-	-	2,487	9	0.08%
First Minneapolis - Hines Co.	-	-	-	2,239	10	0.07%
Total	$ 55,135		1.60%	$ 46,316		1.45%

Unaudited

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

Notes
[1] Net tax capacity value for 2014 = $3,426,187
[2] Net tax capacity value for 2005 = $3,214,565
[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
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%	905	71,153	99.12%
2010	75,394	2,252	73,142	71,815	98.19%	309	72,124	98.61%
2011	75,424	2,353	73,071	71,923	98.43%	283	72,206	98.82%
2012	76,934	-	76,934	75,989	98.77%	223	76,212	99.06%
2013	78,452	-	78,452	77,651	98.98%	287	77,938	99.35%
2014	80,041	-	80,041	78,624	98.23%	-	78,624	98.23%

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						
Fiscal Year	General Obligation Bonds Transit[3]	General Obligation Bonds Parks[3]	General Obligation Bonds Other	General Obligation Bonds Wastewater[3]	Total[3]	Percentage of Actual Taxable Value[1] of Property	Per Capita[2]
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%	305.93
2014	213,503	13,128	-	823,068	1,049,699	30.64%	303.46

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]
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
2014	213,503	13,128	-	-	5,780	8,570	240,981

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]
$ -	$ 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	0.96%	491.81
188,573	823,068	535,984	-	1,547,625	1,788,606	1.01%	517.07

COMPILATION OF OVERLAPPING DEBT [1]
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Counties:			
Anoka	$ 143,506	100.0%	$ 143,506
Carver	27,620	100.0%	27,620
Dakota	33,575	99.8%	33,494
Hennepin	1,118,210	99.9%	1,117,427
Ramsey	206,362	100.0%	206,362
Scott	82,585	97.9%	80,834
Washington	172,765	100.0%	172,765
Total counties	1,784,623		1,782,008
School districts:			
SSD #1 Minneapolis	334,281	100.0%	334,281
SSD #6 South St. Paul	38,585	100.0%	38,585
ISD #11 Anoka	72,239	100.0%	72,239
ISD #12 Centennial	51,790	100.0%	51,790
ISD #13 Columbia Heights	17,255	100.0%	17,255
ISD #14 Fridley	36,940	100.0%	36,940
ISD #15 St. Francis	34,145	92.1%	31,448
ISD #16 Spring Lake Park	143,900	100.0%	143,900
ISD #108 Norwood-Young America	12,540	96.0%	12,038
ISD #110 Waconia	46,785	100.0%	46,785
ISD #111 Watertown-Mayer	73,330	89.1%	65,337
ISD #112 Chaska	226,215	100.0%	226,215
ISD #191 Burnsville	103,355	100.0%	103,355
ISD #192 Farmington	277,935	100.0%	277,935
ISD #194 Lakeville	155,085	100.0%	155,085
ISD #195 Randolph	6,185	87.5%	5,412
ISD #196 Rosemount	97,380	100.0%	97,380
ISD #197 West St. Paul	12,540	100.0%	12,540
ISD #199 Inver Grove Heights	93,460	100.0%	93,460
ISD #200 Hastings	61,780	99.9%	61,718
ISD #252 Cannon Falls	18,210	6.0%	1,093
ISD #270 Hopkins-Golden Valley	163,030	100.0%	163,030
ISD #271 Bloomington	155,695	100.0%	155,695
ISD #272 Eden Prairie	65,610	100.0%	65,610
ISD #273 Edina	60,935	100.0%	60,935
ISD #276 Minnetonka	157,258	100.0%	157,258
ISD #277 Westonka	30,040	100.0%	30,040
ISD #278 Orono	51,535	100.0%	51,535
ISD #279 Osseo	144,255	100.0%	144,255
ISD #280 Richfield	46,390	100.0%	46,390
ISD #281 Robbinsdale	169,970	100.0%	169,970
ISD #282 St Anthony-New Brighton	21,160	100.0%	21,160
ISD #283 St. Louis Park	49,935	100.0%	49,935
ISD #284 Wayzata	194,300	100.0%	194,300
ISD #286 Brooklyn Center	28,370	100.0%	28,370
ISD #424 Lester Prairie	4,005	0.2%	8
ISD #621 Mounds View	109,550	100.0%	109,550
ISD #622 North St. Paul-Maplewood-Oakdale	132,665	100.0%	132,665
ISD #623 Roseville	41,585	100.0%	41,585
ISD #624 White Bear Lake	90,960	100.0%	90,960
ISD #625 St. Paul	362,056	100.0%	362,056
ISD #659 Northfield	44,465	13.5%	6,003
ISD #716 Belle Plaine	56,955	85.4%	48,640

COMPILATION OF OVERLAPPING DEBT [1]
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
School districts (continued):			
ISD #717 Jordan	45,530	100.0%	45,530
ISD #719 Prior Lake	161,835	100.0%	161,835
ISD #720 Shakopee	182,880	100.0%	182,880
ISD #721 New Prague	63,490	46.4%	29,459
ISD #728 Elk River	153,830	35.1%	53,994
ISD #831 Forest Lake	23,455	87.8%	20,593
ISD #832 Mahtomedi	60,030	100.0%	60,030
ISD #833 South Washington	275,015	100.0%	275,015
ISD #834 Stillwater	39,690	100.0%	39,690
ISD #877 Buffalo-Hanover-Montrose	55,115	13.0%	7,165
ISD #879 Delano	20,840	37.4%	7,794
ISD #883 Rockford	54,220	65.5%	35,514
ISD #916 Special Intermediate-Vo Tech	2,695	100.0%	2,695
ISD #2144 Chisago Lakes	15,435	4.3%	664
ISD #2397 LeSueur-Henderson	14,030	1.3%	182
ISD #2687 Howard Lake-Waverly-Winsted	67,630	0.6%	406
ISD #2859 Glencoe-Sliver Lake	555	0.2%	1
Total school districts	5,330,934		4,938,188
Cities:			
Afton	6,240	100.0%	6,240
Andover	27,405	100.0%	27,405
Anoka	5,195	100.0%	5,195
Apple Valley	45,850	100.0%	45,850
Arden Hills	280	100.0%	280
Bayport	290	100.0%	290
Belle Plaine	19,007	100.0%	19,007
Bethel	880	100.0%	880
Birchwood	90	100.0%	90
Blaine	38,395	100.0%	38,395
Bloomington	62,415	100.0%	62,415
Brooklyn Center	24,285	100.0%	24,285
Brooklyn Park	43,675	100.0%	43,675
Burnsville	58,130	100.0%	58,130
Carver	14,546	100.0%	14,546
Centerville	8,815	100.0%	8,815
Champlin	12,325	100.0%	12,325
Chanhassen	21,160	100.0%	21,160
Chaska	78,790	100.0%	78,790
Circle Pines	11,880	100.0%	11,880
Cologne	8,923	100.0%	8,923
Columbia Heights	16,275	100.0%	16,275
Columbus	13,041	100.0%	13,041
Coon Rapids	47,190	100.0%	47,190
Corcoran	8,525	100.0%	8,525
Cottage Grove	21,190	100.0%	21,190
Crystal	14,710	100.0%	14,710
Dayton	43,156	100.0%	43,156
Delwood	830	100.0%	830
Eagan	23,510	100.0%	23,510
East Bethel	20,767	100.0%	20,767
Eden Prairie	53,430	100.0%	53,430
Edina	117,111	100.0%	117,111
Elko/New Market	9,402	100.0%	9,402
Excelsior	2,770	100.0%	2,770

COMPILATION OF OVERLAPPING DEBT [1]
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Cities (continued):			
Falcon Heights	1,195	100.0%	1,195
Farmington	30,936	100.0%	30,936
Forest Lake	39,270	100.0%	39,270
Fridley	11,375	100.0%	11,375
Gem Lake	760	100.0%	760
Golden Valley	75,205	100.0%	75,205
Greenfield	2,405	100.0%	2,405
Hamburg	2,074	100.0%	2,074
Ham Lake	4,060	100.0%	4,060
Hampton	2,064	100.0%	2,064
Hastings	27,645	100.0%	27,645
Hopkins	34,520	100.0%	34,520
Hugo	9,300	100.0%	9,300
Independence	1,579	100.0%	1,579
Inver Grove Heights	40,340	100.0%	40,340
Jordan	23,362	100.0%	23,362
Lake Elmo	20,000	100.0%	20,000
Lakeland	1,485	100.0%	1,485
Lake St. Croix Beach	154	100.0%	154
Lakeville	113,430	100.0%	113,430
Landfall	32	100.0%	32
Lauderdale	105	100.0%	105
Lexington	2,025	100.0%	2,025
Lilydale	2,578	100.0%	2,578
Lino Lakes	18,756	100.0%	18,756
Little Canada	8,855	100.0%	8,855
Long Lake	935	100.0%	935
Loretto	493	100.0%	493
Mahtomedi	20,020	100.0%	20,020
Maple Grove	126,810	100.0%	126,810
Maple Plain	7,951	100.0%	7,951
Maplewood	81,130	100.0%	81,130
Marine	94	100.0%	94
Mayer	9,472	100.0%	9,472
Medina	17,305	100.0%	17,305
Mendota	7,700	100.0%	7,700
Mendota Heights	15,975	100.0%	15,975
Minneapolis	721,550	100.0%	721,550
Minnetonka	8,765	100.0%	8,765
Minnetonka Beach	2,010	100.0%	2,010
Minnetrista	17,979	100.0%	17,979
Mound	57,445	100.0%	57,445
Mounds View	1,178	100.0%	1,178
New Brighton	39,975	100.0%	39,975
New Germany	8,851	100.0%	8,851
New Hope	10,808	100.0%	10,808
Newport	5,963	100.0%	5,963
North Oaks	500	100.0%	500
North St. Paul	21,190	100.0%	21,190
Northfield	40,997	100.0%	40,997
Norwood-Young America	20,680	100.0%	20,680
Nowthen	1,031	100.0%	1,031

COMPILATION OF OVERLAPPING DEBT [1]
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Cities (continued):			
Oakdale	28,430	100.0%	28,430
Oak Grove	1,947	100.0%	1,947
Oak Park Heights	14,885	100.0%	14,885
Orono	11,900	100.0%	11,900
Osseo	10,330	100.0%	10,330
Plymouth	21,815	100.0%	21,815
Prior Lake	33,640	100.0%	33,640
Ramsey	32,065	100.0%	32,065
Richfield	42,546	100.0%	42,546
Robbinsdale	18,540	100.0%	18,540
Rogers & Hassan Combined	14,025	100.0%	14,025
Rosemount	17,515	100.0%	17,515
Roseville	30,780	100.0%	30,780
St. Anthony	25,785	100.0%	25,785
St. Bonifacius	5,324	100.0%	5,324
St. Francis	23,496	100.0%	23,496
St. Louis Park	43,450	100.0%	43,450
St. Paul	450,094	100.0%	450,094
St. Paul Park	5,609	100.0%	5,609
Savage	81,776	100.0%	81,776
Scandia	1,030	100.0%	1,030
Shakopee	22,645	100.0%	22,645
Shoreview	29,990	100.0%	29,990
Shorewood	10,295	100.0%	10,295
South St. Paul	20,410	100.0%	20,410
Spring Lake Park	5,946	100.0%	5,946
Spring Park	900	100.0%	900
Stillwater	31,515	100.0%	31,515
Sunfish Lake	549	100.0%	549
Vadnais Heights	7,720	100.0%	7,720
Vermillion	200	100.0%	200
Victoria	29,892	100.0%	29,892
Waconia	42,032	100.0%	42,032
Watertown	7,634	100.0%	7,634
Wayzata	13,180	100.0%	13,180
West St. Paul	35,185	100.0%	35,185
White Bear Lake	4,085	100.0%	4,085
Woodbury	57,827	100.0%	57,827
Woodland	195	100.0%	195
Total cities	3,835,982		3,835,982
Townships:			
Cedar Lake	305	100.0%	305
Credit River	1,465	100.0%	1,465
Empire	880	100.0%	880
Hassan	1,445	100.0%	1,445
Laketown	136	100.0%	136
Randolph	250	100.0%	250
Ravenna	176	100.0%	176
Sand Creek	477	100.0%	477
Spring Lake	2,153	100.0%	2,153
White Bear	5,920	100.0%	5,920
Total townships	13,207		13,207

COMPILATION OF OVERLAPPING DEBT [1]
FOR THE YEAR ENDED DECEMBER 31, 2014
IN THOUSANDS

Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
Miscellaneous:			
Anoka County HRA	28,145	100.0%	28,145
Anoka Tax Increment	13,450	100.0%	13,450
Blaine EDA/HRA	4,000	100.0%	4,000
Brooklyn Park EDA	1,915	100.0%	1,915
Capital Region Watershed District	4,150	100.0%	4,150
Carver County CDA	25,385	100.0%	25,385
Cedar Lake Sewer Sanitary District	858	56.6%	486
Chanhassen HRA	635	100.0%	635
Circle Pines Tax Increment	2,635	100.0%	2,635
Columbia Heights Tax Increment	470	100.0%	470
Dakota County CDA	253,888	100.0%	253,888
Hastings EDA	2,505	100.0%	2,505
Hennepin County Regional Park	66,945	100.0%	66,945
Hennepin Regional Railroad Authority	36,205	100.0%	36,205
HRA of St. Paul	120,835	100.0%	120,835
Maple Grove HRA	1,040	100.0%	1,040
Metropolitan Airports Commission	1,350,710	100.0%	1,350,710
Minnesota Municipal Power Agency	277,323	61.2%	169,722
Mound HRA	2,679	100.0%	2,679
Norwood-Young America EDA	7,745	100.0%	7,745
Prior Lake-Spring Lake Watershed District	1,080	100.0%	1,080
Plymouth HRA	22,235	100.0%	22,235
Ramsey-Washington Metro Watershed District	1,394	100.0%	1,394
Ramsey Regional Rail	20,000	100.0%	20,000
Regional Railroad Authority-Anoka County	26,460	100.0%	26,460
Rice Creek Watershed	520	100.0%	520
Scott County CDA	40,945	100.0%	40,945
South Washington Watershed District	5,107	100.0%	5,107
St. Anthony HRA	7,920	100.0%	7,920
St. Paul Port Authority	73,480	100.0%	73,480
Waconia HRA	12,063	100.0%	12,063
Washington County HRA	47,169	100.0%	47,169
Total miscellaneous	2,459,891		2,351,918
Subtotal, overlapping debt	$ 13,424,637		12,921,303
Metropolitan Council direct debt			240,981
Total direct and overlapping debt			**$ 13,162,284**

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)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt limit	$ 413,505	$ 367,025	$ 365,515	$ 334,245	$ 338,265	$ 345,190	$ 330,655	$ 306,495	$ 317,995	$ 316,905
Total net debt applicable to limit	220,775	219,230	257,390	213,645	255,290	229,420	199,580	198,870	169,100	209,125
Legal debt margin	$ 192,730	$ 147,795	$ 108,125	$ 120,600	$ 82,975	$ 115,770	$ 131,075	$ 107,625	$ 148,895	$ 107,780
Total net debt applicable to the limit as a percentage of debt limit	53.39%	59.73%	70.42%	63.92%	75.47%	66.46%	60.36%	64.89%	53.18%	65.99%

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]
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
2014	-	-	-	-	-

Unaudited

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

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

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

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

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

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

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS ENDED DECEMBER 31

Year	Population [1,3]	Personal Income [1,3] (In Millions)	Per Capita [1,3] Income	Unemployment Rate [2]
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	3,459,146	177,051	51,183	4.80%
2014	3,459,146	177,051	51,183	3.90%

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] 2014 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

	2014			2005		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
State of Minnesota	55	1	2.98%	55	1	3.10%
Mayo Clinic	41	2	2.22%	-	-	-
United States Federal Government	31	3	1.68%	35	2	1.97%
Target Corporation	31	4	1.68%	24	4	1.35%
Allina Health System	27	5	1.47%	23	5	1.30%
University of Minnesota	25	6	1.36%	30	3	1.69%
HealthPartners Inc.	22	7	1.19%	-	-	-
Wal-Mart Stores Inc.	22	8	1.19%	18	8	1.01%
Fairview Health Services	21	9	1.14%	19	7	1.07%
Wells Fargo Minnesota	20	10	1.09%	19	6	1.07%
3M Co.	-	-	-	16	9	0.90%
Northwest Airlines	-	-	-	16	10	0.90%
Total	295		16.00%	255		14.36%

Unaudited.

Source: Minneapolis/St. Paul Business Journal Book of Lists, December 26, 2014 and The Business Journal Book of Lists , February 2005.

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

EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS ENDED DECEMBER 31

	Full-time Equivalent Employees as of December 31									
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Regional Administration										
Human Resources	40	36	32	33	33	33	33	33	31	33
Information Services	98	90	81	79	75	64	62	54	56	66
Finance/Central Services	50	46	44	42	38	38	37	38	35	25
Other	95	89	84	79	75	75	67	77	57	75
Total Regional Administration	283	261	241	233	221	210	199	202	179	199
Community Development										
Metro HRA	40	38	37	34	33	33	33	34	34	33
Other	36	36	35	35	34	41	42	45	44	51
Total Community Development	76	74	72	69	67	74	75	79	78	84
Environmental Services Division										
Environmental Quality Assurance	102	100	95	98	103	109	109	110	106	121
Treatment Services	532	527	514	526	528	505	501	502	490	565
Other	25	24	22	20	20	32	28	28	30	15
Total Environmental Services Division	659	651	631	644	651	646	638	640	626	701
Transportation Division										
Metro Mobility	11	10	10	9	10	14	15	13	13	13
Transportation Planning	32	30	27	28	29	28	26	28	24	17
Other	-	-	-	-	-	-	-	-	-	13
Total Transportation Planning	43	40	37	37	39	42	41	41	37	43
Metro Transit Bus										
Operations	1,600	1,566	1,512	1,502	1,500	1,346	1,291	1,273	1,280	1,413
Maintenance	428	424	422	429	470	417	442	437	420	432
Administration/Clerical	607	507	465	448	420	439	540	545	505	590
Total Metro Transit	2,635	2,497	2,399	2,379	2,390	2,202	2,273	2,255	2,205	2,435
Metro Transit Commuter Rail										
Maintenance	29	27	28	28	27	28	-	-	-	-
Administration/Clerical	7	7	8	9	10	8	-	-	-	-
Total Metro Transit	36	34	36	37	37	36	-	-	-	-
Metro Transit Light Rail										
Operations	85	76	56	57	57	50	44	44	44	45
Maintenance	92	72	80	81	80	70	69	60	57	51
Administration/Clerical	230	184	134	100	82	45	42	39	35	30
Total Metro Transit	407	332	270	238	219	165	155	143	136	126
Total	4,139	3,889	3,686	3,637	3,624	3,375	3,381	3,360	3,261	3,588

Unaudited

Source: Metropolitan Council Budget Department and Metro Transit
Notes: Metro Transit Commuter Rail began operations in 2009
Metro Transit Commuter Rail operators are non-Metro Transit employees

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

Function/Program	2014	2013	2012	2011
Governmental activities				
Metro Mobility-passenger miles	20,570,713	17,918,147	16,562,355	15,503,454
Metro Mobility-passenger trips	1,905,563	1,747,911	1,628,051	1,516,901
Parks visits to Metro Parks System	47,304,800	47,304,800	45,843,800	44,111,200
Business-type activities				
Wastewater				
Average daily sewage treatment (millions of gallons)	255	242	210	259
Transit-bus				
Total route miles	30,661,418	29,490,406	28,817,105	28,763,822
Passenger trips*	67,814,305	70,418,593	69,854,994	69,782,602
Transit-commuter rail				
Total route miles	546,092	529,007	521,537	556,631
Passenger trips*	721,214	787,241	700,276	703,427
Transit-light rail				
Total passenger car miles	4,081,921	2,370,943	2,103,215	2,101,289
Passenger trips*	15,999,993	10,162,919	10,498,236	10,400,864
Housing				
Metro HRA unit months leased	81,425	82,612	82,264	82,247

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

2010	2009	2008	2007	2006	2005
15,534,246	13,634,343	13,452,124	11,470,739	12,923,008	11,527,114
1,410,369	1,237,570	1,220,775	1,162,872	1,222,821	1,104,879
40,867,500	38,062,600	33,047,700	33,171,200	33,235,000	33,437,100
260	230	249	250	256	255
28,894,682	29,703,751	30,268,310	28,416,623	29,048,980	29,979,730
66,882,361	66,401,218	71,614,056	67,865,688	64,398,724	61,797,145
601,119	69,320	-	-	-	-
710,426	78,782	-	-	-	-
2,056,261	2,041,244	2,024,493	1,931,754	1,817,930	1,565,965
10,423,862	9,863,042	10,221,682	9,098,297	9,356,982	7,901,668
81,455	80,243	78,658	81,634	81,273	80,575

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Metro Mobility										
Total fleet size	442	407	399	340	314	274	265	262	264	257
Number of Parks/Trails	102	97	95	95	89	89	85	83	82	77
Acres of Regional Parks and Trails open to the public	54,307	54,581	54,842	54,631	54,633	53,111	52,918	52,661	52,617	52,299
Business-type activities										
Wastewater										
Treatment Plants	8	7	7	7	7	7	8	8	8	8
Miles of MCES Interceptors	643	643	645	626	625	624	615	585	586	578
Wastewater Treatment Plant Capacities (millions of gallons)	371	370	370	370	370	370	370	370	370	358
Transit-bus										
Total fleet size	905	912	888	876	888	929	1,093	979	940	930
Transit-commuter rail										
Total fleet size	6	6	6	6	6	6	-	-	-	-
Transit-light rail										
Total fleet size	86	62	27	27	27	27	27	27	25	23
Housing										
Metro HRA unit months available	84,288	83,979	83,795	83,173	82,668	81,613	79,270	83,732	83,592	82,709
Family Affordable Housing Units	150	150	150	150	150	150	150	150	150	150

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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