

Twin Cities Area, Minnesota

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2016

A Component Unit of the State of Minnesota





**METROPOLITAN COUNCIL**  
OF THE TWIN CITIES AREA  
MINNESOTA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED DECEMBER 31, 2016

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

Prepared by the Finance Unit

Issued June 2017



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 82.6 million bus and rail passengers in 2016 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, 2016**

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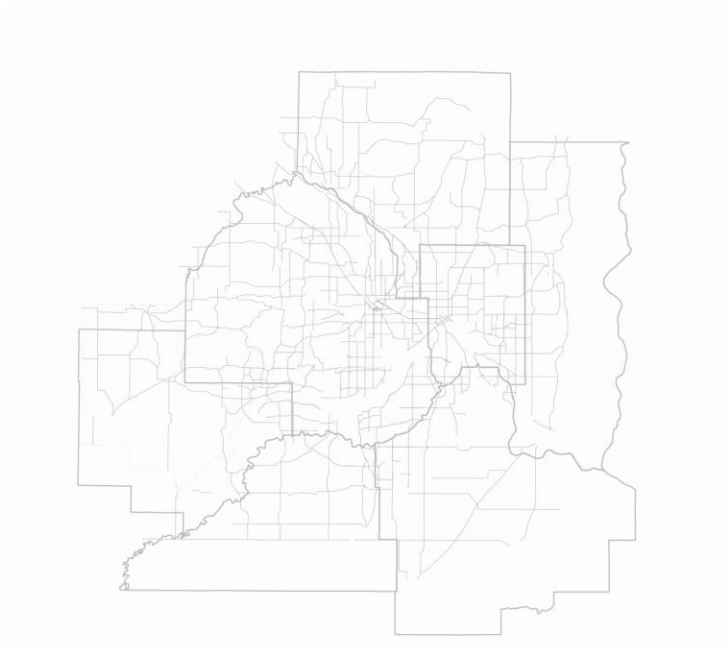
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# INTRODUCTORY SECTION





Serving the Twin Cities seven-county metropolitan area

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# Metropolitan Council

## 2016 Comprehensive Annual Financial Report

### Transmittal Letter from the Chief Financial Officer

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June 13, 2017

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, 2016. 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 controls that it has established for this purpose. These controls provide reasonable assurance that the Council’s assets are protected against loss and that the accounting records from which the financial statements are prepared are reliable. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is presented in conformity with GAAP.

The independent Office of the State Auditor, State of Minnesota has issued an unmodified (clean) audit opinion on the Metropolitan Council's financial statements for the year ended December 31, 2016. 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 2017.

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

### **Profile of the Government**

The Minnesota Legislature established the Metropolitan Council in 1967 to coordinate planning and development within the Twin Cities metropolitan area and to address issues that could not be adequately addressed with existing governmental arrangements. The area over which the Council has responsibility includes the counties of Anoka, Carver, Dakota (excluding the city of Northfield), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague), and Washington. The area includes 189 cities and townships and has a population of 3.52 million people. Additional legislative acts in 1974, 1976 and 1994 strengthened the Council's planning and policy roles, and merged the functions of three operating agencies (the Metropolitan Transit Commission, the Regional Transit Board and the Metropolitan Waste Control Commission) into the Metropolitan Council. Note that the operating agencies serve geographic areas less than the full jurisdictional area of the Council.

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

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

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

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

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

### **Economic Condition and Outlook**

The Twin Cities metropolitan area job growth was slightly slower than last year; however, the region kept pace with the national growth rate and retained its relatively low unemployment rate. Housing prices continued to rise as demand outpaces supply in the low-to-moderately priced housing market. The industrial real estate market was strong this year as the region's Northwest (the area north of I-394 and west of I-94) continued to attract new construction.

Total employment in the sixteen-county Minneapolis-St. Paul-Bloomington metropolitan statistical area (MSA) grew by 1.54 percent (29,900 jobs) between December 2015 and December 2016 (preliminary seasonally-adjusted numbers). This was lower than the past 3 years, but largely kept pace with the national growth rate of 1.57 percent (U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics).

The seven-county metropolitan area unemployment rate rose slightly from 3.5 to 3.6 percent between December 2015 and December 2016, but remained lower than state and national unemployment rates, 4.1 percent and 4.5 percent, respectively (Minnesota Department of Employment and Economic Development, Local Area Unemployment Statistics, not seasonally adjusted). Minneapolis-St. Paul-Bloomington sixteen-county MSA unemployment is still relatively low compared with other large metropolitan areas, maintaining the 5<sup>th</sup> lowest unemployment rate among the 25 largest MSAs (U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics).

Between 2014 and 2015, the sixteen-county MSA gross domestic product (GDP) grew by 2.73 percent. This was slightly higher than the average national metropolitan growth rate of 2.53 percent. The real GDP for the sixteen-county MSA in 2015 was \$223.7 billion, making it the 13th largest metropolitan economy in the nation. Per capita personal income for the sixteen-county MSA grew 3.5 percent (\$1,870) from 2014 to 2015, slightly below the national metropolitan average growth rate of 3.8 percent (U.S. Department of Commerce, Bureau of Economic Analysis).

Housing prices continued to rise in 2016. Per the University of St. Thomas' Minneapolis-St. Paul Residential Real Estate Index December 2016, median home sale prices increased by 4.10 percent over last year. The report expects median sale prices to increase by 5.0 percent next year as the number of homes for sale drops to historic lows. Homes less than \$200,000 and more moderately priced homes (\$200,000 - \$399,000) are in especially short supply. According to the Minneapolis Area Association of Realtors' December 2016 Housing Supply Overview, homes priced between \$150,000 to \$250,000 are only on the market for about 51 days (on average). By contrast, homes over \$350,000 typically spend between 84 to 186 days on the market on average.

According to the U.S. Department of Commerce Building Permits Survey, residential building permit activity (not including residential conversions) rose from 9,700 units in 2015 to 11,700 units in 2016. Over half of these permits, 52.0 percent, were multifamily units. The U.S. Department of Commerce building permits surveys for the Twin Cities are often lower than the Metropolitan Council building permits survey. The Council's survey, when released this spring, could show a higher or lower gain in permits between 2015 and 2016.

The Minneapolis-St. Paul area industrial market experienced healthy growth in 2016. The CBRE quarterly reports state that 18 new industrial properties were constructed during 2016, adding over 2,833,300 square feet of industrial space (CBRE Marketview, Minneapolis/St Paul Industrial, Q4 2106). The Northwest submarket gained a big share of this growth. The office market experienced its sixth consecutive year of positive absorption rates. Although year-to-year office vacancy rates rose slightly, average asking prices in the 4<sup>th</sup> quarter of 2016 were at a 15-year high (CBRE Marketview, Minneapolis/St Paul Office, Q4 2106.) In the retail market, year-to-year vacancy rates remained steady at 7.10 percent, while average asking prices declined slightly (CBRE Marketview, Minneapolis/St Paul Retail, Q4 2106).

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

**Transit** - Metro Transit is one of the country's largest transit systems, providing over 85.0 percent of the 96.3 million regional bus and train trips taken annually in the Twin Cities. Each weekday customers board regional buses and trains an average of 289,000 times.

Metro Transit operates 128 bus routes, the METRO Blue Line Light Rail, the METRO Green Line Light Rail, and the Northstar Commuter Rail Line, using a fleet of 902 buses, 86 light-rail passenger cars, 18 commuter rail passenger cars and 6 commuter rail locomotives.

The METRO Blue Line operates service between downtown Minneapolis, the MSP Airport, and the Mall of America in Bloomington, Minnesota. In 2016, the METRO Blue Line carried 10.2 million passengers. With average weekday ridership of 30,337, the line continued to exceed projections for the year 2020 by more than 10 percent.

The METRO Green Line Light Rail is an 11 mile line and links five major centers of activity in the Twin Cities Region – downtown Minneapolis, the University of Minnesota, the Midway area, the State Capitol complex and downtown St. Paul. The METRO Green Line carried nearly 12.4 million passengers and experienced average weekday ridership of 39,386. The line continued to exceed projections for the year 2020 by more than 10 percent.

The Northstar Commuter Rail provides service between Big Lake in Sherburne County and downtown Minneapolis. The service offers five morning trips and five afternoon return trips on weekdays, with one reverse commute trip each morning and afternoon. Weekend service includes three roundtrips on both Saturday and Sunday. Each train consists of a locomotive and four passenger cars, and has seating for 560 people. Trains travel at speeds up to 79 miles per hour, making the trip from Big Lake to Minneapolis in about 50 minutes. Trains stop at stations in Elk River, Ramsey, Anoka, Coon Rapids, and Fridley. In 2016, the Northstar Commuter Rail carried nearly 711,167 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 2016, Metro Mobility provided over 2.2 million rides. Contracted Regular Routes are bus transit services managed through transit provider contracts and consist primarily of commuter routes from the suburbs to the Twin Cities. In 2016, these routes carried nearly 2.6 million passengers. Transit Link is a region-wide dial-a-ride program that assists people outside areas served by fixed-route transit and provided 302,667 rides in 2016. Suburban Transit Authority Providers are comprised of 12 communities selecting to manage their own transit service, and provided 5.2 million rides in 2016.

**Water services** - Metropolitan Council Environmental Services (MCES) provides wastewater treatment directly to 109 connected local municipalities within the Twin Cities region. MCES owns and operates over 600 miles of interceptor collection sewers along with one rural and seven regional treatment plants which treat an average 245 million gallons of wastewater per day. The system, which operates 24 hours a day, 365 days a year, has capacity to treat 358 million gallons per day. The East Bethel Water Reclamation Facility began service in 2014 and does not discharge to a river. Its effluent is used to recharge the ground water.

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

Six MCES wastewater treatment plants earned Platinum Awards for the National Association of Clean Water Agencies (NACWA) for five consecutive years or more of perfect discharge permit compliance through 2015 and awarded in 2016: Hastings (25 years); St. Croix Valley (24 years); Seneca (15 years); Blue Lake (10 years); Eagles Point (10 years), and Empire (8 years). These compliance records are among the highest in the nation. Additionally, in 2016, MCES completed energy projects that result in a \$250,000 per year savings in electrical costs, which is about 3.9 Gwh of energy savings.

The 2016 annual budget for Environmental Services operations was funded primarily from the metropolitan wastewater charge allocated to municipalities (\$201.0 million) pursuant to Minnesota Statute 473.517. Municipal sewer rates to local homes and businesses in the metro region are low, approximately 40.0 percent lower than the national average. The metropolitan wastewater charge, while limited to wastewater and certain total watershed management expenses, is not limited by statute, thus allowing the Council to set the rates as needed to maintain the approximately \$6.0 billion (replacement cost) in infrastructure.

Sewer Availability Charge (SAC) units continue to indicate recovery from the recession, with units charged grew by 2.0 percent in 2016.

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 2016, \$1.2 million was spent and expenses are budgeted at \$2.1 million in 2017.

Approximately \$128.0 million was spent on capital projects in 2016 to support the regional goals of; maintaining infrastructure, accommodating growth, and protecting the environment. Highlights of the major ongoing capital improvement program in 2016 for the wastewater system include; over \$110.0 million in major rehabilitation and improvements of the interceptor system, including interceptors serving the cities of Blaine, Bloomington, Brooklyn Park, Burnsville, Champlin, Chaska, Coon Rapids, Corcoran/Rogers, Eagan, Excelsior, Fridley, Golden Valley, Hopkins, Minneapolis, Mound, Mounds View, Richfield, St. Louis Park, St. Paul, and Wayzata, and approximately \$9.7 million of major upgrades to the Metropolitan Plant, in St. Paul, including rehabilitation and renewal of the process facilities and the major renovation of the solids processing facilities.



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

The regional parks system, which includes 54 regional parks and park reserves, 40 trails and 8 special recreation areas had over 47 million visitors last year. Parks are operated by 10 partnering cities, counties and special districts. These partners work with the Metropolitan Council to acquire and develop parks and trails to protect natural resources and to provide outdoor recreation for public enjoyment.

The Council also works with these regional partners to develop park policies that protect the park system, water quality, promote best management practices, help integrate the park systems with housing, transportation and, ensure that this park system is available to all residents of the region.

**Housing** - An adequate supply of affordable housing for the region’s workforce is essential for economic vitality. The Council supports affordable housing in the region through various programs and initiatives. The Council’s Housing and Redevelopment Authority operates the state’s largest federal Housing Choice Voucher rent assistance program. The Council ensures all available federal funds provided are used to assist over 6,500 very low to extremely low income households. This includes 150 Council owned and operated housing units known as the Family Affordable Housing Program in 11 suburban cities throughout Anoka, Ramsey and Hennepin Counties. Additionally, the Council provides rent assistance to nearly 650 households through other state and federally funded rent assistance programs serving households with specialized needs such as disabled, homeless, or working toward self-sufficiency.

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

## **Financial Information**

The 2016 unified budget was adopted by the Council on December 9, 2015. The original adopted budget for operations, pass-through expenditures and debt service was \$974.2 million, representing a 5.0 percent increase from the budget adopted in 2015. During the year, the budget was revised to \$984.3 million, primarily to recognize carry forward of budgeted expenses for projects initiated in the prior year but that are expected to be completed during 2016 and to recognize additional pass-through expenditures in 2016.

The Council budget relies on several funding sources. In the 2016 budget, \$364.3 million in revenues and transfer from other funds come from wastewater treatment service fees and transit fare revenues. Intergovernmental revenues from federal, state and local sources total \$488.6 million and \$82 million of revenues comes from property tax levies.

The Council receives a percentage of the state Motor Vehicle Sales Tax (MVST) to fund transit expenditures. In 2016, MVST revenues were projected at \$247.5 million. The sales tax on motor vehicle sales is a single sector tax and has historically experienced significant volatility in the amount generated from year to year. To address this volatility, the Council only budgeted 95.0 percent of its share of forecasted revenues and does not budget the additional 5.0 percent until the following budget year if it is received.



The Council also adopted its 2016 capital program as part of the unified budget adopted in December, 2015. The capital program includes authorized capital program (ACP) and a six-year capital improvement plan (CIP) reflecting the Council's commitment to maintain and preserve regional investments in wastewater services, transit services and regional parks and trails. The adopted 2016 capital program totaled \$8.6 billion, including \$4.2 billion in projects in the authorized capital program and \$4.4 billion in planned projects in the capital improvement plan. The adopted 2016 capital program included an annual capital budget of \$534 million. During the year, the authorized capital program decreased to \$2.2 billion, primarily due to the removal of completed projects including two large light rail projects from the ACP. The capital improvement plan decreased to \$4.2 billion due to projects moving from the CIP to the ACP as funding was secured.

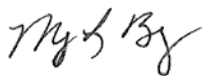
### **Awards and Acknowledgements**

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, 2015. This was the thirty-third 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, 2015**

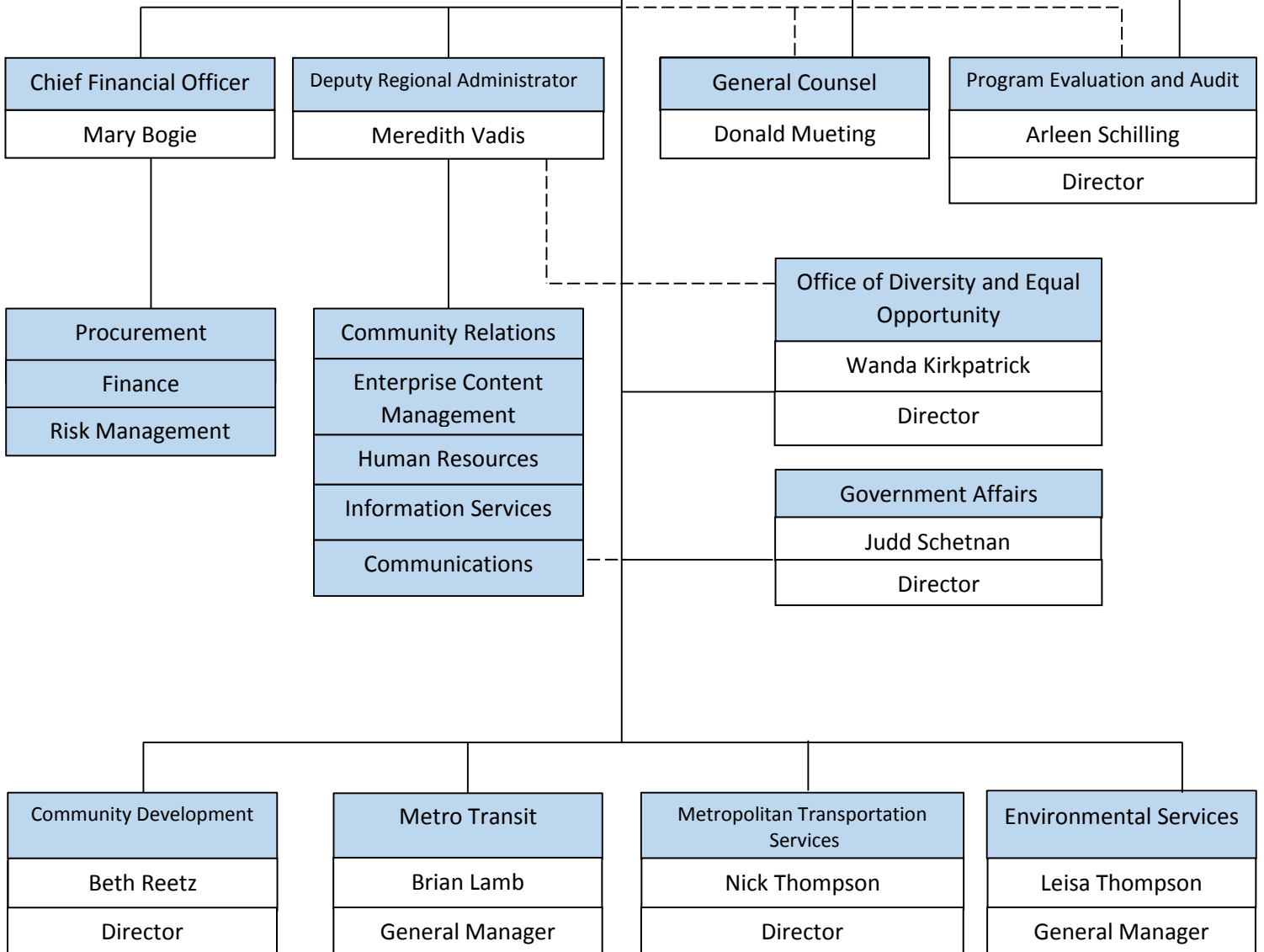
Executive Director/CEO

# Metropolitan Council Organizational Chart

December 2016

Chair
Adam Duininck

Regional Administrator
Wes Kooistra



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

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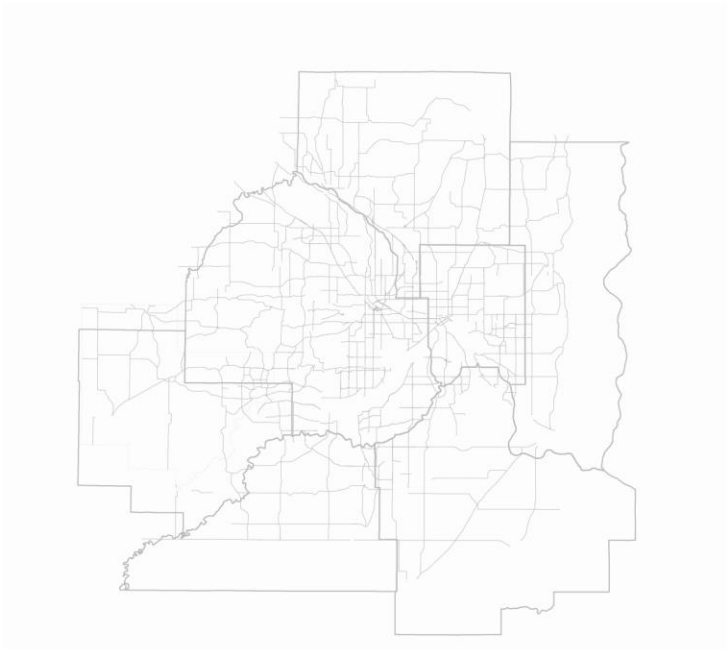
***OFFICERS***

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

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***FINANCIAL ADMINISTRATIVE OFFICIALS***

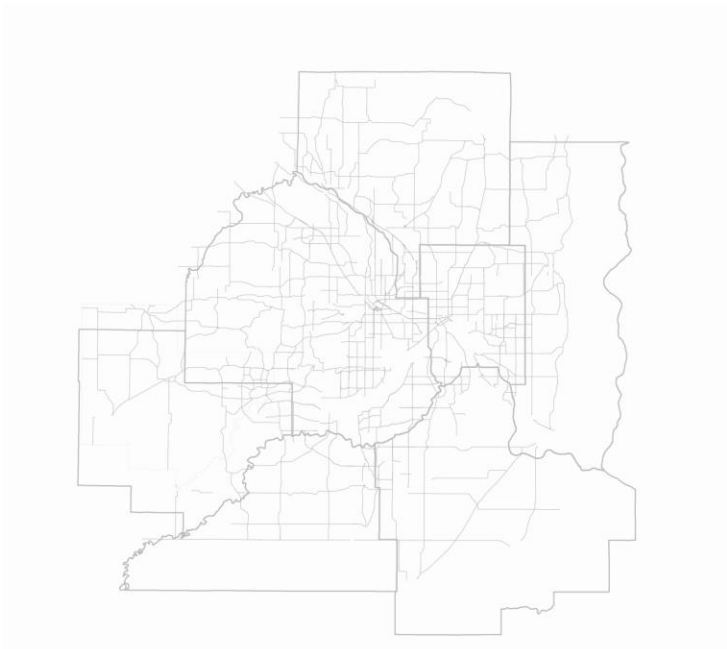
Regional Administrator	Wes Kooistra
Deputy Regional Administrator	Meredith Vadis
Chief Financial Officer	Mary Bogie



Serving the Twin Cities seven-county metropolitan area

# FINANCIAL SECTION





Serving the Twin Cities seven-county metropolitan area





REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

## INDEPENDENT AUDITOR'S REPORT

Members of the Council and Audit Committee  
Metropolitan Council of the Twin Cities Area  
Saint Paul, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Metropolitan Council of the Twin Cities Area, a component unit of the State of Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Metropolitan Council's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Metropolitan Council as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

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

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relates 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 13, 2017, 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.

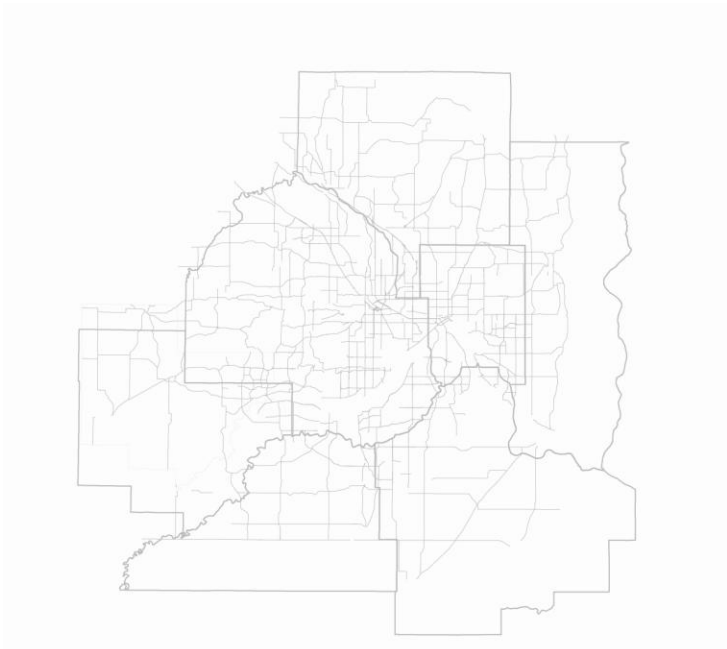


REBECCA OTTO  
STATE AUDITOR



GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 13, 2017



Serving the Twin Cities seven-county metropolitan area

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## 2016 Comprehensive Annual Financial Report Management's Discussion and Analysis (Unaudited)

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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, 2016. It should be read in conjunction with the preceding transmittal letter and the Metropolitan Council's basic financial statements following this section.

### Financial Highlights

The assets of the Council exceeded liabilities at the close of the fiscal year by \$3.0 billion. Approximately 97.2 percent of this amount is invested in capital assets (net of related debt).

Total net position decreased by \$54 million, 1.8 percent under the prior year's net position. Net position from business-type activities decreased by \$66 million, while governmental activities increased \$12 million. Program revenues increased by \$64 million: operating grants and contributions increased by \$57 million mainly due to a 2015 state appropriation cancellation for Metro Transit Light Rail, capital grants and contributions decreased by \$12 million mainly due to the completion of the Metro Transit Green Line Light Rail in 2015 and fewer capital projects pursued in 2016, and charges for services increased by \$19 million mainly from an increase in wastewater rates.

The Council's governmental funds reported a combined ending fund balance of \$364 million. This represents a decrease of \$4 million, 1.2 percent, compared to the previous year.

At the close of the fiscal year, the General Fund reported a total fund balance of \$25 million, a decrease of \$112 thousand compared to the previous year. The General Fund unassigned fund balance increased \$2.1 million, while the committed balance changed by \$8 thousand and the assigned balance decreased by \$2.2 million, mainly due to budget carry forward requests for projects completed in 2016 for 2015.

The Council added \$207 million in general obligation bonds and loans including \$29 million of general obligation refunding bonds, while paying down \$252 million.

### Overview of the Financial Statements

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

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

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

### Government-wide Financial Statements

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

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

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

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

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

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

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

## **Notes to the Financial Statements**

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

The notes to the financial statements can be found on pages 31-67 of this report.

## **Required Supplementary Information**

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

The required supplementary information can be found on pages 70-78.

## 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 81-100 of this report.

Additionally, the statistical section, which provides mostly trend data and non-financial information useful in assessing the Metropolitan Council's financial condition, can be found on pages 103-127 of this report.

## Government-wide Financial Analysis

The following condensed financial information was derived from the government-wide Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. For the Metropolitan Council, assets exceeded liabilities by \$3.0 billion on December 31, 2016.

### Metropolitan Council Net Position December 31, 2015 and 2016 (In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Current and other assets	\$ 410,613	\$ 419,487	\$ 714,270	\$ 678,392	\$ 1,124,883	\$1,097,879
Capital assets	122,035	138,379	4,048,658	4,147,083	4,170,693	4,285,462
Total assets	532,648	557,866	4,762,928	4,825,475	5,295,576	5,383,341
Deferred outflows of resources:						
Outflows - derivative	-	-	10,661	-	10,661	-
Outflows - pension	4,994	90,383	45,860	760,289	50,854	850,672
Total deferred outflow of resources	4,994	90,383	56,521	760,289	61,515	850,672
Long-term liabilities outstanding	249,717	345,689	1,601,741	2,527,889	1,851,458	2,873,578
Other liabilities	40,317	53,085	222,482	202,048	262,799	255,133
Total liabilities	290,034	398,774	1,824,223	2,729,937	2,114,257	3,128,711
Deferred inflows of resources:						
Inflows - derivative	-	-	-	935	-	935
Inflows - pension	19,496	9,739	163,105	83,374	182,601	93,113
Inflows - advanced grants	-	-	-	4,950	-	4,950
Total deferred inflow of resources	19,496	9,739	163,105	89,259	182,601	98,998
Net position:						
Net investment in capital assets	77,789	81,285	2,786,866	2,840,890	2,864,655	2,922,175
Restricted	309,633	284,575	108,188	45,132	417,821	329,707
Unrestricted	(159,310)	(126,124)	(62,933)	(119,454)	(222,243)	(245,578)
Total net position	\$ 228,112	\$ 239,736	2,832,121	\$2,766,568	3,060,233	\$ 3,006,304

By far the largest portion of the Metropolitan Council's net position, \$2.9 billion reflects its investment in capital assets (e.g., land, buildings and infrastructure, vehicles, and equipment) less any related outstanding debt used to acquire those assets. The Council uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Metropolitan Council's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from a combination of other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the Metropolitan Council's net position, \$330 million represents resources that are subject to external restrictions. Net position restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. These components of net position consist of debt service, capital projects, highway right-of-way, economic revitalization, environment development, housing, and regional land use. The decrease in the restricted net position, \$88 million came primarily from debt service and capital project activities.

The unrestricted net position for the governmental activities was negative \$246 million at year end. Negative unrestricted net position results from debt obligations being reported in governmental activities, while related capital assets are recognized in the business-type activities. At the end of the current fiscal year, the Metropolitan Council is able to report positive balances in two of the three categories of net position. Governmental activities had positive balances in two of the three categories and business-type activities had positive balances in two of the three categories.

The Metropolitan Council's combined, net position for governmental and business-type activities decreased by \$54 million, a 1.8 percent decrease for the year. Business-type activities decreased net position by \$66 million, 121.6 percent of the difference which was offset by governmental activities increase of \$12 million, 21.6 percent of the difference.

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, 2015 and 2016**  
(In Thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 10,445	\$ 16,856	\$ 347,417	\$ 359,459	\$ 357,862	\$ 376,315
Operating grants and contributions	117,803	124,564	323,292	373,874	441,095	498,438
Capital grants and contributions	54,921	64,569	181,712	156,981	236,633	221,550
General revenues:						
Property taxes	77,435	81,859	2,000	-	79,435	81,859
Investment earnings	3,371	2,891	6,227	26,841	9,598	29,732
Gain on sale of capital assets	310	813	-	-	310	813
Total revenues	264,285	291,552	860,648	917,155	1,124,933	1,208,707
Expenses:						
General government	6,159	29,151	-	-	6,159	29,151
Transportation	143,681	146,214	-	-	143,681	146,214
Culture and recreation	27,984	48,704	-	-	27,984	48,704
Economic revitalization	12,250	10,756	-	-	12,250	10,756
Environment development	7,268	6,413	-	-	7,268	6,413
Housing	1,404	732	-	-	1,404	732
Interest and other charges	2,297	6,496	-	-	2,297	6,496
Environmental services	-	-	207,812	274,544	207,812	274,544
Transit bus	-	-	334,213	475,809	334,213	475,809
Transit light rail	-	-	141,209	166,464	141,209	166,464
Transit commuter rail	-	-	24,478	27,936	24,478	27,936
Housing	-	-	64,869	69,417	64,869	69,417
Total expenses	201,043	248,466	772,581	1,014,170	973,624	1,262,636
Increase (decrease) in net position before transfers	63,242	43,086	88,067	(97,015)	151,309	(53,929)
Transfers	(29,100)	(31,462)	29,100	31,462	-	-
Increase (decrease) in net position	34,142	11,624	117,167	(65,553)	151,309	(53,929)
Net position, beginning	193,970	228,112	2,714,954	2,832,121	2,908,924	3,060,233
Net position, ending	\$228,112	\$ 239,736	\$2,832,121	\$ 2,766,568	\$ 3,060,233	\$3,006,304

## Governmental Activities

Governmental activities increased the Council's net position by \$12 million, compared to \$34 million in 2015. 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 2016, 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.

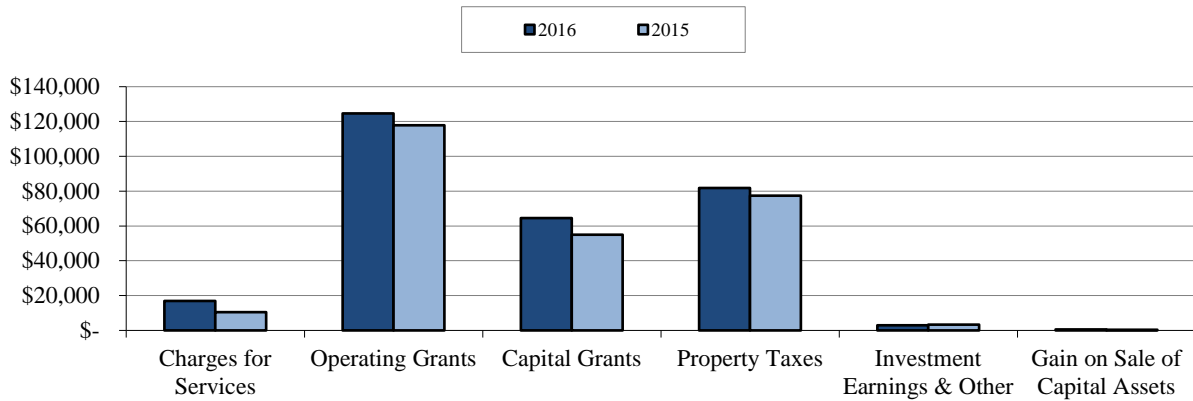
Some revenues for the Council's governmental activities are derived directly from the program itself (referred to as charges for services), parties outside the government, taxpayers or citizenry. As a whole, these revenues reduce the net cost of the function to be financed from the government's general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



Governmental activities program revenues totaled \$206 million, an increase by \$22.8 million, or 12.5 percent, compared to 2015. An increase in charges for services revenues of \$6.4 million, an increase in operating grant program revenues of \$6.8 million, and an increase in capital grant revenues of \$9.6 million account for this change. The change in capital grant revenue was primarily due to the timing of regional parks activity.

Total governmental activities general revenues were \$85 million, an increase of \$3.9 million or 4.9 percent over the prior year. This is mainly due to an increase in property taxes supporting general fund activity and transit and parks debt service activity. Investment earnings decreased by \$500 thousand, reflecting low market yields.

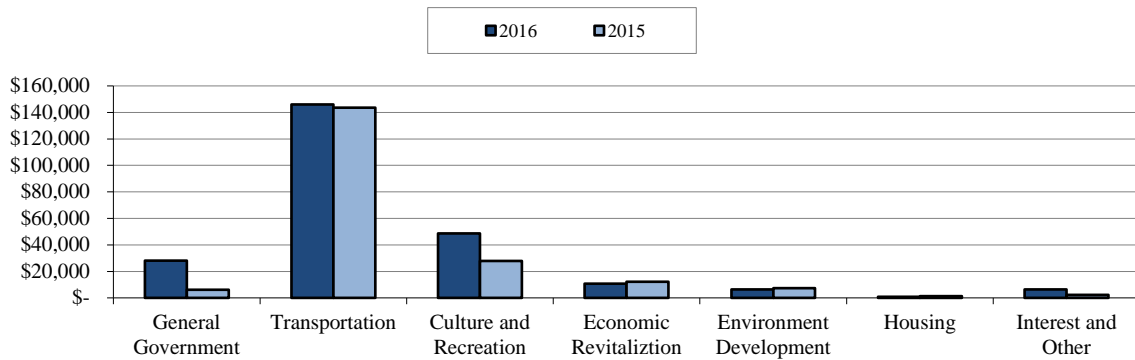
**Governmental Activities Revenues**  
**Fiscal Years Ended December 31, 2016 and 2015**  
(In Thousands)



## Expenses

In 2016, expenses for governmental activities increased by \$47.4 million, 23.6 percent, to \$248.5 million. General government expenses increased by \$23.0 million, primarily due to actuarial pension expense. Culture and recreation expenses increased by \$20.7 million relative to the timing of regional parks grant expenditures. Transportation increased by \$2.5 million reflecting regional fleet replacement activities, and interest expense increased by \$4.2 million for the year. These increases were offset by a \$3.0 million decrease in the Council’s livable communities programs for housing, economic revitalization, and environment development. The unexpended balances of all livable community grants programs are reported as restricted net position.

**Governmental Activities Program Expenses**  
**Fiscal Years Ended December 31, 2016 and 2015**  
(In Thousands)



Depreciation for the year was \$20.7 million, an increase of \$2.1 million over 2015, reflecting increased capital spending on fleet replacement and bus equipment.

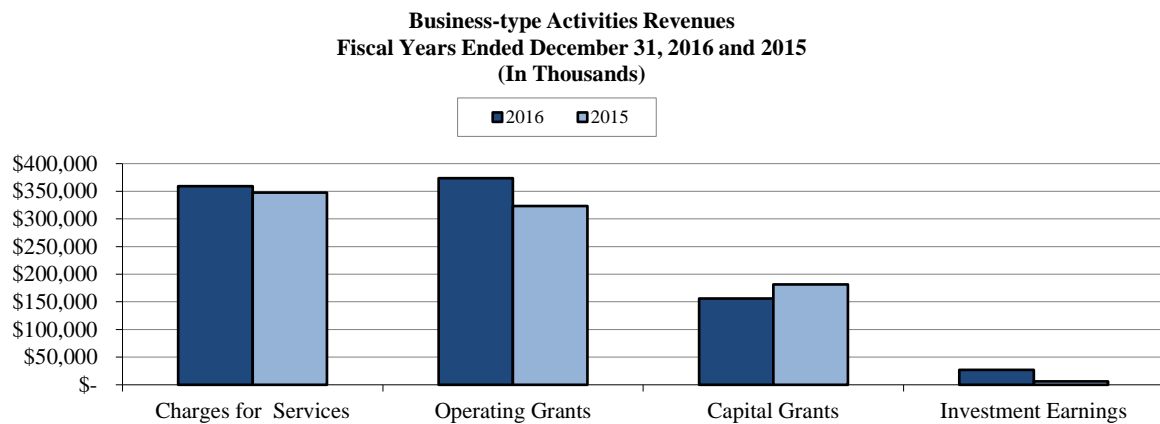
In 2016, net transfers to business-type activities increase by \$2.4 million to \$31.5 million. Transfers were primarily capital expense reimbursements, with Metro Transit Bus the primary recipient.

Net salaries and benefits decreased \$0.4 million which was a result of an increase of indirect charges to the divisions. Payments to outside transit providers increased by \$0.6 million due to the increase in contracted services.

## Business-Type Activities

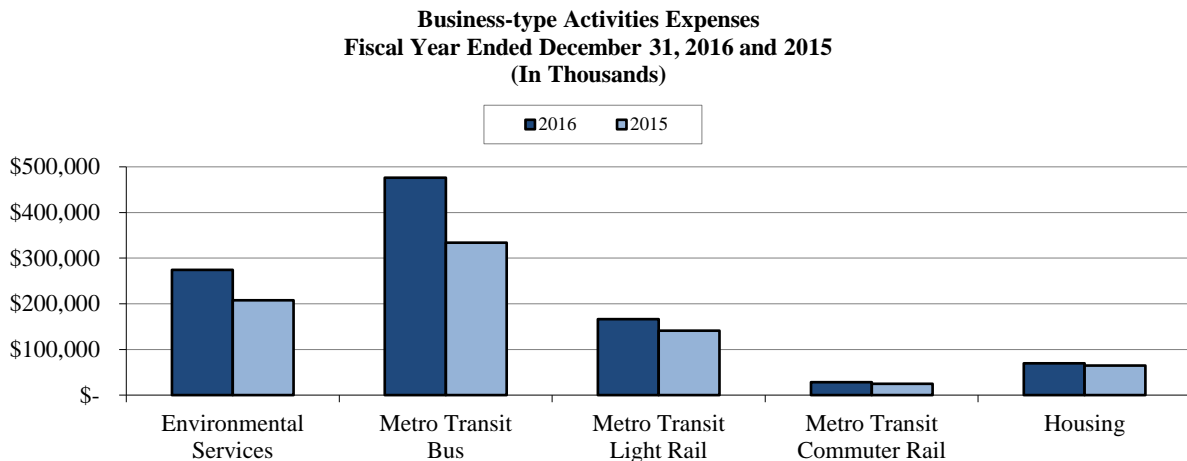
### Revenues

Program revenues for the Council’s business-type activities totaled \$890.3 million, or 87.8 percent of related expenses for fiscal year 2016 compared to \$852.4 million, 110.3 percent of related expenses, in the prior year. Charges for services revenues increased by \$12 million, mainly due to an increase in wastewater rates, and operating grants revenue increased by \$50.6 million mainly due to a 2015 state appropriation cancellation for Metro Transit Light Rail. Capital contributions decreased by \$24.7 million, primarily due to the completion of Metro Transit Green Line Light Rail in 2015 and fewer capital projects pursued in 2016. Investment earnings increased by \$20.6 million.



### Expenses

Business-type activities in 2016 incurred expenses of \$1.0 billion, an increase of \$242 million, or 31.3 percent, over the prior year. Actuarial pension expenses account for most of the increase. Environmental Services program expenses increased by \$66.7 million, 32.1 percent, Metro Transit Bus expenses increased by \$141.6 million, and Metro Transit Light Rail and Commuter Rail expenses increased by \$25.3 million and \$3.6 million respectively. Housing increased expenses by \$4.5 million, due to increased actuarial pension expenses and housing assistance payments.



Overall salaries and benefit related expenses increased by \$203 million to \$518 million. The main increase, \$185 million, was due to actuarial pension expense.

Depreciation expense increased \$4 million to \$202 million from \$198 million in 2015.

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 \$364 million, a decrease of \$4 million compared to the prior year. Of that total fund balance, \$285 million is considered restricted, \$66 million is committed, and \$4 million is assigned, leaving an unassigned balance of a positive \$9 million.

During 2016, the governmental funds issued \$35 million of new general obligation bonds and \$6 million of general obligation refunding bonds.

Revenues from all governmental funds for the current year were \$290 million, an increase of \$26 million, 9.9 percent, over the previous year. Governmental funds share of state appropriations allocation increased by \$11 million. Federal capital grants decreased by \$12 million related to the timing of capital project expenses. Taxes increased by \$4 million. Investment earnings decreased by \$500 thousand.

Expenditures for all governmental funds in the current year were \$309 million, an increase of \$12 million from the previous year. Culture and recreational program expenditures increased by \$21 million primarily due to the timing of regional parks activity. The Council's livable communities programs (housing, economic revitalization, and environment development) spending decreased by \$3 million, reflecting the housing market and more projects in a planning phase during the year. Transportation expenditures increased by \$500 thousand to \$126 million. Debt service principal and interest payments decreased by \$6 million, for a total of \$68 million. Capital outlay decreased by \$2 million to \$37 million mainly due to the timing of bus purchases.

The General Fund is the Council's principal governmental operating fund. During the current year, the fund balance in the General Fund decreased by \$100 thousand to \$25 million, or 0.4 percent over the prior year. This decrease accounts for carry over amounts for projects completed in 2016 that were started in 2015. At the end of 2016, \$6 million was committed for specific purposes and \$4 million was assigned for existing obligations, leaving \$15 million unassigned.

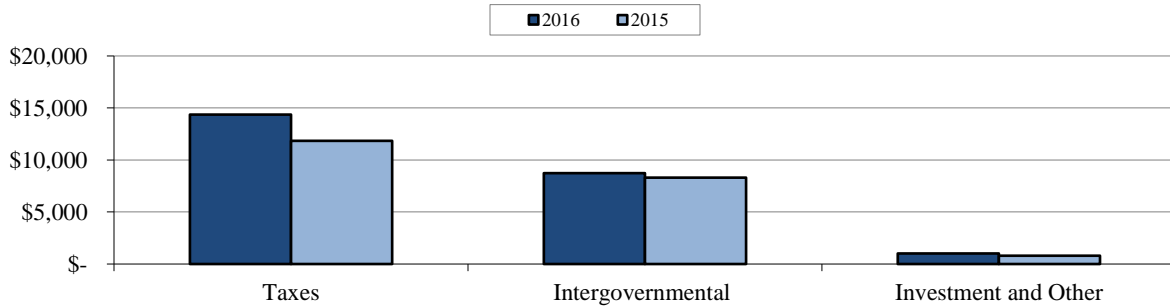
The following table provides the changes in revenues by source from 2015 to 2016.

**General Fund**  
**Revenues by Source and Other Financing Sources**  
**Fiscal Years Ended December 31, 2015 and 2016**  
**(In Thousands)**

	2015		2016		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
<b>Revenues by Source</b>					
Taxes	\$11,852	56%	\$14,371	60%	\$ 2,519
Intergovernmental Revenues	8,294	40%	8,745	36%	451
Investment Income and Other	806	4%	1,008	4%	202
Total Revenue and Other Financing Sources	\$20,952	100%	\$24,124	100%	\$ 3,172

General Fund revenues increased by \$3 million over the previous year. The operating portion of the Council’s property tax levy increased by \$2.5 million, and investment income increased by nearly \$0.2 million.

**General Fund  
Revenues by Source and Other Financing Sources  
Fiscal Years Ended 2016 and 2015  
(In Thousands)**

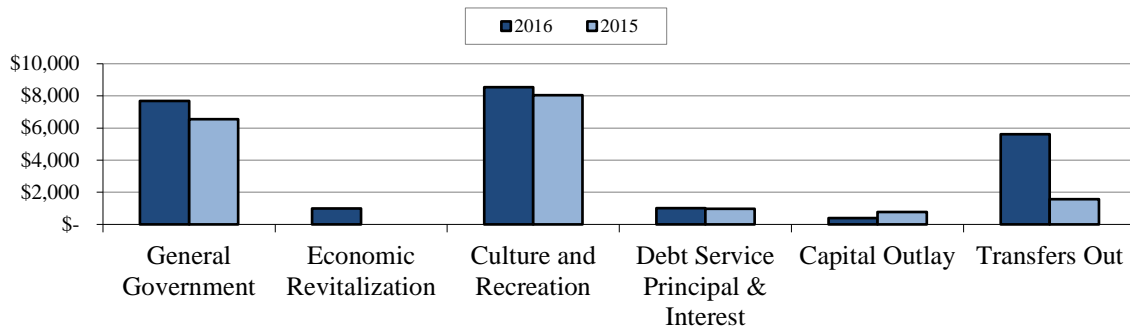


The following table provides the changes in expenditures by function from 2015 to 2016.

**General Fund  
Expenditures by Function and Other Financing Uses  
Fiscal Years Ended December 31, 2015 and 2016  
(In Thousands)**

	2015		2016		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
<b>Expenditures by Function</b>					
General Government	\$ 6,543	37%	\$ 7,677	32%	\$ 1,134
Culture and Recreation	8,048	45%	8,540	35%	492
Economic Revitalization	-	0%	1,000	4%	1,000
Debt Service (Principal Only)	695	4%	790	3%	95
Debt Service (Interest Only)	269	1%	232	1%	(37)
Capital Outlay	766	4%	389	2%	(377)
Total Expenditures	\$ 16,321	91%	\$ 18,628	77%	\$ 2,307
Transfers Out	1,572	9%	5,608	23%	4,036
Total Expenditures and Other Financing Uses	\$ 17,893	100%	\$ 24,236	100%	\$ 6,343

**General Fund  
Expenditures by Function and Other Financing Uses  
Fiscal Years Ended December 31, 2016 and 2015  
(In Thousands)**



General Fund expenditures (net of allocations) during the current year were \$19 million, an increase of \$2 million from the previous year.

Other financing uses-transfers out increased by \$4 million. The General Fund budgeted and transferred out \$2 million for livable communities as required by State legislation and \$1 million for economic development land use grants (both governmental activities). Transfers out for business activities included \$1 million to Environmental Services for reimbursement of water supply program expenditures, \$1 million to Metro Transit Bus for shelter improvements and \$ 0.5 million to Metro Transit Bus for transit-oriented development. Actual expenditures for general government expenses were under budget due to lower than anticipated spending on community development projects and equity grant programs. These projects will carry-forward into 2017 through the budget process.

In 2016, the Metro Mobility Fund balance increased by \$6 million to \$43 million. Metro Mobility's total revenues increased by \$9 million to \$64 million. State appropriation revenues increased by \$11 million. The number of passenger trips and passenger miles increased by 5.6 percent and 9.5 percent respectively, however fare revenues decreased by 26.3 percent to \$5.7 million, due to the change from paper tickets to smart cards. Total Metro Mobility expenditures remained flat at \$58 million for the year, compared to 2015.

The Debt Retirement Fund balance decreased by \$3 million to \$98 million as anticipated for debt repayments. Property tax related revenues increased \$1 million more than the prior year to \$51 million. Investment earnings decreased by \$300 thousand. Total debt service payments were \$67 million, a decrease of \$6 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. The Regional Administration related portion of the Internal Service fund is allocated to the governmental activities, which is accounted for in the governmental funds to governmental activities reconciliation.

Overall, the enterprise funds had a total net position of \$2.7 billion at December 31, 2016. The total net position for all enterprise funds decreased by \$68 million during 2016. Higher actuarial pension expenses account for most of this decrease.

The following table summarizes the total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, operating income (loss), changes in net position, and net position balance for each of the five enterprise funds and the internal service fund from 2015 to 2016.

**Proprietary Funds**  
**Key Balance Sheet Account Balances and Revenue and Expense Activities**  
**Fiscal Years Ended December 31, 2015 and 2016**  
**(In Thousands)**

	Enterprise Funds							
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total 2015	Total 2016	Internal Service
		Bus	Light Rail	Commuter Rail				
Assets	\$ 2,219,746	\$817,992	\$ 1,516,726	\$ 206,671	\$ 30,387	\$ 4,732,309	\$ 4,791,522	\$ 37,019
Deferred outflows of resources	156,296	485,803	100,560	9,414	8,216	56,521	760,289	-
Liabilities	1,671,160	830,927	189,147	19,029	13,800	1,819,424	2,724,063	6,849
Deferred inflows of resources	15,159	55,900	11,296	1,069	5,835	163,105	89,259	-
Operating Income (Loss)	(5,903)	(400,542)	(142,447)	(25,677)	(68,301)	(435,031)	(642,870)	2,360
Changes in Net Position	(6,540)	(55,674)	2,675	(6,809)	(1,464)	113,146	(67,812)	2,822
Net Position	689,723	416,968	1,416,843	195,987	18,968	2,806,301	2,738,489	30,170

The Environmental Services Fund accounts for the operations, maintenance, and design of the regional wastewater (sanitary sewer) system. Normal operations were negative, mainly due to increased actuarial pension expenses in salaries. Net capital assets increased by \$57 million.

Metro Transit Bus is the region's largest provider of directly provided bus transit service. For December 31, 2016, net investment in capital assets was \$521 million, an increase of \$18 million. This increase was due to investment in buildings and buses.

The Metro Transit Light Rail Fund provides the region's light rail transit service. For December 31, 2016, the net investment in capital assets was \$1.4 billion, an increase of \$40 million. This increase was due to construction in progress for planning of Light Rail extensions.

The Metro Transit Commuter Rail Fund provides the region’s commuter rail transit service. For December 31, 2016, the net investment in capital assets was \$192 million, a decrease of \$7 million mostly from accumulated depreciation.

The Metropolitan Housing and Redevelopment Authority provides affordable housing under the Federal Section 8 housing choice voucher program. The net position balance for the year ended December 31, 2016, was \$19 million, of which \$12 million was net investment in capital assets.

## General Fund Budgetary Highlights

The original expenditure budget was increased by \$3.8 million to arrive at the final budget of \$23.2 million. The increase came from:

- \$1 million in additional budget carryovers from 2015 for capital maintenance for the Council’s central office building.
- \$1 million for land acquisitions for affordable housing.
- \$1 million for audio visual system upgrades and equity grant programs.
- \$800 thousand for community development projects and central office building upgrades.

During the year, however, actual operating expenditures were \$4.6 million lower than the final budget. This amount includes \$1.1 million in carryovers to 2017, the balance was mainly a result of an increase of indirect charges to the divisions.

## Capital Asset and Debt Administration

### Capital Assets

The Metropolitan Council’s investment in capital assets for its governmental and business-type activities as of December 31, 2016, was \$4.3 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, 2015 and 2016  
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Land and land improvements	\$ 6,958	\$ 6,958	\$ 249,032	\$ 255,504	\$ 255,990	\$ 262,462
Buildings and infrastructure	19,943	19,445	2,657,316	2,637,547	2,677,259	2,656,992
Vehicles and other equipment	94,089	99,647	752,720	744,438	846,809	844,085
Construction in progress	1,045	12,329	389,590	509,594	390,635	521,923
Total	\$ 122,035	\$ 138,379	\$ 4,048,658	\$ 4,147,083	\$ 4,170,693	\$4,285,462

The Metropolitan Council's net capital assets for governmental activities increased by \$16.3 million for the year.

The business-type activities had an increase of \$98 million including \$31 million in Metro Transit Light Rail and \$18 million in Metro Transit Bus. Environmental Services increased by \$57 million.

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

### Debt Administration

At the end of the fiscal year, the Metropolitan Council had total bonds and loans outstanding of \$1.4 billion. Of this amount, \$866 million was for general obligation bonds issued by the Metropolitan Council, \$575 million was for loans from the State of Minnesota Public Facilities Authority, and \$1.6 million was for loans from the Counties Transit Improvement Board. General obligation bonds and loans are backed by the full faith and credit of the Metropolitan Council.

**Metropolitan Council Outstanding Debt**  
**General Obligation Bonds and Loans**  
**December 31, 2015 and 2016**  
**(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2015	2016	2015	2016	2015	2016
General obligation bonds and notes	\$ 201,525	\$ 184,445	\$ 711,710	\$ 681,320	\$ 913,235	\$ 865,765
State of Minnesota loans	4,495	3,185	568,275	571,751	572,770	574,936
Counties Transit Improvement Board loan	-	-	1,949	1,597	1,949	1,597
Total of general obligation bonds and loans	\$ 206,020	\$ 187,630	\$ 1,281,934	\$ 1,254,668	\$ 1,487,954	\$ 1,442,298

The Metropolitan Council's total debt decreased by \$46 million, or 3.1 percent, from the prior year. General obligation bonds and notes decreased by \$48 million, the State of Minnesota Public Facilities Authority loans increased by \$2 million and the Council has a notes payable with the Counties Transit Improvement board for \$1.6 million. During the year, the Council issued \$164 million of new bonds, while retiring \$214 million of bonds, loans and notes. Also during 2016, the Metropolitan Council drew down \$40 million in State of Minnesota loans and repaid \$38 million on existing State of Minnesota loans.

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

Minnesota statutes do not limit the amount of general obligation debt on wastewater bonds. The state statutes limit the amount of general obligation debt the Metropolitan Council may issue for regional recreation open space at \$40 million. Currently, the Council has unused authority of \$29.6 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 \$90.2 million of transit general obligation bonds.

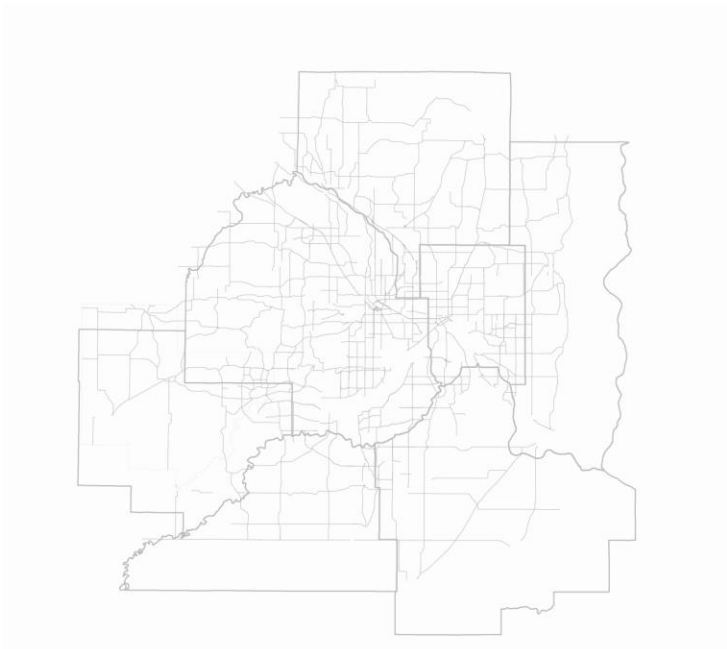
Additional information on the Metropolitan Council's long-term debt can be found in Note IV.H on pages 50-54 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The Council's operating budget relies on several funding sources. For 2017, total state revenues (state general fund appropriations and motor vehicle sales taxes) are expected to represent 37.8 percent of total operating revenue, an increase of 2.4 percent from 2016. The Council uses the state November forecast to establish budget parameters for motor vehicle sales taxes. The state February forecast projects motor vehicle sales taxes will be 1.3 percent higher than forecasted in November. Receipts in excess of budget fall to reserve balances and are considered in the next budget cycle. User fees from wastewater treatment and transit services represent 37.7 percent of total operating revenues for 2017, an increase of 3.3 percent from the 2016 operating budget. This increase reflects continued economic recovery and strong ridership growth. The certified property tax levy approved by the Council for amounts payable in 2017 represents a 1.9 percent increase over the previous year's levy. The general purposes levy is 100.0 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, 2016**  
**IN THOUSANDS**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 293,238	\$ 410,032	\$ 703,270
Receivables, net	7,925	19,320	27,245
Internal balances	2,091	(2,091)	-
Due from other governmental units	72,295	44,319	116,614
Inventory	-	32,083	32,083
Prepays and other	-	1,992	1,992
Loans and advances	43,938	1,173	45,111
Restricted assets:			
Cash and cash equivalents	-	151,302	151,302
Cash with fiscal agent	-	19	19
Receivables, net	-	4,872	4,872
Due from other governmental units	-	15,371	15,371
Capital assets not being depreciated			
Land	6,958	255,504	262,462
Construction in progress	12,329	509,594	521,923
Capital assets (net of accumulated depreciated)			
Buildings and infrastructure	19,445	2,637,547	2,656,992
Vehicles	97,208	521,583	618,791
Equipment	2,439	222,855	225,294
Total assets	<u>557,866</u>	<u>4,825,475</u>	<u>5,383,341</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows pension	90,383	760,289	850,672
Total deferred outflows of resources	<u>90,383</u>	<u>760,289</u>	<u>850,672</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	49,665	53,507	103,172
Accrued interest payable	2,749	-	2,749
Unearned revenue	671	13,570	14,241
Liabilities payable from restricted assets	-	50,951	50,951
Unearned revenue-restricted	-	84,020	84,020
Noncurrent liabilities:			
Due within one year	44,950	116,539	161,489
Due in more than one year	168,598	1,246,280	1,414,878
OPEB liability	4,018	88,229	92,247
Net pension liability	128,123	1,076,841	1,204,964
Total liabilities	<u>398,774</u>	<u>2,729,937</u>	<u>3,128,711</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow derivative	-	935	935
Deferred inflow pension	9,739	83,374	93,113
Deferred inflow advanced grants	-	4,950	4,950
Total deferred inflows of resources	<u>9,739</u>	<u>89,259</u>	<u>98,998</u>
<b>NET POSITION</b>			
Net investment in capital assets	81,285	2,840,890	2,922,175
Restricted for:			
Debt service	97,548	11,668	109,216
Capital projects	61,002	33,057	94,059
Highway right-of-way	56,841	-	56,841
Economic revitalization	46,744	-	46,744
Environment development	16,381	-	16,381
Housing	4,943	407	5,350
Regional land use	1,116	-	1,116
Unrestricted	(126,124)	(119,454)	(245,578)
Total net position	<u>\$ 239,736</u>	<u>\$ 2,766,568</u>	<u>\$ 3,006,304</u>

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

Function/program	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for	Operating	Capital	Governmental	Business-type	Total
		Services	Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ 29,151	\$ 586	\$ -	\$ 5,547	\$ (23,018)	\$ -	\$ (23,018)
Transportation	146,214	16,270	115,993	19,391	5,440	-	5,440
Culture and recreation	48,704	-	8,571	39,631	(502)	-	(502)
Economic revitalization	10,756	-	-	-	(10,756)	-	(10,756)
Environment development	6,413	-	-	-	(6,413)	-	(6,413)
Housing	732	-	-	-	(732)	-	(732)
Interest and other charges	6,496	-	-	-	(6,496)	-	(6,496)
Total governmental activities	<u>248,466</u>	<u>16,856</u>	<u>124,564</u>	<u>64,569</u>	<u>(42,477)</u>	<u>-</u>	<u>(42,477)</u>
Business-type activities:							
Environmental services	274,544	254,223	6,523	-	-	(13,798)	(13,798)
Transit bus	475,809	77,480	238,633	63,342	-	(96,354)	(96,354)
Transit light rail	166,464	24,375	46,076	90,813	-	(5,200)	(5,200)
Transit commuter rail	27,936	2,265	15,849	2,826	-	(6,996)	(6,996)
Housing	69,417	1,116	66,793	-	-	(1,508)	(1,508)
Total business-type activities	<u>1,014,170</u>	<u>359,459</u>	<u>373,874</u>	<u>156,981</u>	<u>-</u>	<u>(123,856)</u>	<u>(123,856)</u>
Total governmental and business-type activities	<u>\$ 1,262,636</u>	<u>\$ 376,315</u>	<u>\$ 498,438</u>	<u>\$ 221,550</u>	<u>(42,477)</u>	<u>(123,856)</u>	<u>(166,333)</u>
General revenues:							
Property taxes					81,859	-	81,859
Investment earnings					2,891	26,841	29,732
Gain on sale of capital assets					813	-	813
Transfers					(31,462)	31,462	-
Total general revenues and transfers					<u>54,101</u>	<u>58,303</u>	<u>112,404</u>
Change in net position					11,624	(65,553)	(53,929)
Net position, beginning					228,112	2,832,121	3,060,233
Net position, ending					<u>\$ 239,736</u>	<u>\$ 2,766,568</u>	<u>\$ 3,006,304</u>

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016  
IN THOUSANDS**

	General	Metro Mobility Special Revenue	Debt Retirement	Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 29,201	\$ 22,054	\$ 96,515	\$ 145,468	\$ 293,238
Receivables, (net)	1	94	-	2,373	2,468
Delinquent taxes receivable	731	-	2,988	657	4,376
Interest receivable	211	52	332	486	1,081
Due from other funds	-	500	-	-	500
Due from other governmental units	108	29,330	-	42,857	72,295
Loans and advances	141	-	-	43,797	43,938
Total assets	<u>\$ 30,393</u>	<u>\$ 52,030</u>	<u>\$ 99,835</u>	<u>\$ 235,638</u>	<u>\$ 417,896</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts/contracts/subgrantees payable	\$ 2,333	\$ 8,958	\$ -	\$ 36,204	\$ 47,495
Due to other funds	-	-	-	500	500
Salaries payable	2,170	-	-	-	2,170
Unearned revenue	-	-	-	671	671
Total liabilities	<u>4,503</u>	<u>8,958</u>	<u>-</u>	<u>37,375</u>	<u>50,836</u>
Deferred inflows of resources:					
Unavailable revenue - taxes	503	-	2,287	479	3,269
Fund balances:					
Restricted	-	-	97,548	187,027	284,575
Committed	6,145	43,072	-	16,716	65,933
Assigned	3,608	-	-	598	4,206
Unassigned	15,634	-	-	(6,557)	9,077
Total fund balances	<u>25,387</u>	<u>43,072</u>	<u>97,548</u>	<u>197,784</u>	<u>363,791</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,393</u>	<u>\$ 52,030</u>	<u>\$ 99,835</u>	<u>\$ 235,638</u>	<u>\$ 417,896</u>

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

**RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016  
IN THOUSANDS**

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

Fund balances-total governmental funds (page 22)	\$ 363,791
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	138,379
An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in business-type activities in the Statement of Net Position; a portion of the internal service fund is attributable to governmental funds.	2,091
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.	(348,438)
Deferred inflows resulting from taxes are not available to pay for current period expenditures, and therefore, are not reported as revenue in governmental funds.	3,269
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in governmental funds.	
Deferred outflows related to pensions	90,383
Deferred inflows related to pensions	(9,739)
	<hr/>
Net position of governmental activities (page 20)	<u><u>\$ 239,736</u></u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**IN THOUSANDS**

	General	Metro Mobility Special Revenue	Debt Retirement	Nonmajor Governmental Funds	Total
<b>REVENUES</b>					
Taxes	\$ 14,371	\$ -	\$ 50,839	\$ 16,277	\$ 81,487
Intergovernmental revenue:					
Federal	-	-	-	22,840	22,840
Build America bonds interest subsidy	-	-	738	-	738
State	8,571	58,120	-	97,010	163,701
Local/other	174	-	-	10,641	10,815
Investment income	1,008	117	447	1,319	2,891
Other	-	5,687	-	2,208	7,895
Total revenues	<u>24,124</u>	<u>63,924</u>	<u>52,024</u>	<u>150,295</u>	<u>290,367</u>
<b>EXPENDITURES</b>					
Current:					
General government	7,677	-	63	2,828	10,568
Transportation	-	58,093	-	29,055	87,148
Intergovernmental:					
Transportation	-	-	-	39,262	39,262
Culture and recreation	8,540	-	300	39,864	48,704
Economic revitalization	1,000	-	-	9,756	10,756
Environment development	-	-	-	6,413	6,413
Housing	-	-	-	732	732
Debt service:					
Principal	790	-	59,115	-	59,905
Interest and other charges	232	-	8,244	85	8,561
Capital outlay	389	-	-	36,887	37,276
Total expenditures	<u>18,628</u>	<u>58,093</u>	<u>67,722</u>	<u>164,882</u>	<u>309,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,496</u>	<u>5,831</u>	<u>(15,698)</u>	<u>(14,587)</u>	<u>(18,958)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	1,577	3,561	5,138
Transfers out	(5,608)	-	-	(30,992)	(36,600)
Bonds/capital lease issued	-	-	-	34,700	34,700
Premium on bonds and capital related debt	-	-	3,903	-	3,903
Refunding bonds issued	-	-	6,025	-	6,025
Premium on refunding bonds	-	-	797	-	797
Sale of capital assets	-	-	-	524	524
Total other financing sources (uses)	<u>(5,608)</u>	<u>-</u>	<u>12,302</u>	<u>7,793</u>	<u>14,487</u>
Net change in fund balances	(112)	5,831	(3,396)	(6,794)	(4,471)
Fund balances, beginning	<u>25,499</u>	<u>37,241</u>	<u>100,944</u>	<u>204,578</u>	<u>368,262</u>
Fund balances, ending	<u>\$ 25,387</u>	<u>\$ 43,072</u>	<u>\$ 97,548</u>	<u>\$ 197,784</u>	<u>\$ 363,791</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
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)	\$	(4,471)
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.		16,535
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to decrease net position.		(191)
An internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service fund activities reported with governmental activities.		563
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		372
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.		16,545
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(17,729)</u>
Change in net position of governmental activities (page 21)	<u>\$</u>	<u>11,624</u>

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

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016  
IN THOUSANDS**

	Business-type Activities						
	Enterprise Funds						
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total	Internal Service Fund
	Bus	Light Rail	Commuter Rail				
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 115,154	\$ 213,882	\$ 19,274	\$ 9,474	\$ 15,229	\$ 373,013	\$ 37,019
Receivables, net	9,683	8,085	371	33	1,148	19,320	-
Due from other governmental units	713	34,863	7,317	979	447	44,319	-
Due from restricted assets	-	-	-	975	-	975	-
Inventory	8,641	12,472	9,515	1,455	-	32,083	-
Prepays and other	-	1,268	89	635	-	1,992	-
Restricted assets:							
Cash and cash equivalents	107,631	19,898	23,127	-	646	151,302	-
Cash with fiscal agent	19	-	-	-	-	19	-
Receivables, net	4,711	69	83	-	9	4,872	-
Due from other governmental units	-	5,640	8,611	926	-	15,177	-
Total current assets	<u>246,552</u>	<u>296,177</u>	<u>68,387</u>	<u>14,477</u>	<u>17,479</u>	<u>643,072</u>	<u>37,019</u>
Noncurrent assets:							
Capital assets:							
Land	21,475	50,468	77,594	99,561	6,406	255,504	-
Buildings and infrastructure	2,807,763	389,265	1,059,281	74,017	21,366	4,351,692	-
Vehicles	9,964	465,850	308,393	56,861	-	841,068	-
Equipment	24,790	108,351	226,890	14,816	100	374,947	-
Construction in progress	259,230	12,668	237,696	-	-	509,594	-
Less accumulated depreciation	(1,150,515)	(505,667)	(461,515)	(53,061)	(14,964)	(2,185,722)	-
Net capital assets	<u>1,972,707</u>	<u>520,935</u>	<u>1,448,339</u>	<u>192,194</u>	<u>12,908</u>	<u>4,147,083</u>	-
Due from other governments-restricted	194	-	-	-	-	194	-
Advances and loans	293	880	-	-	-	1,173	-
Total noncurrent assets	<u>1,973,194</u>	<u>521,815</u>	<u>1,448,339</u>	<u>192,194</u>	<u>12,908</u>	<u>4,148,450</u>	-
Total assets	<u>2,219,746</u>	<u>817,992</u>	<u>1,516,726</u>	<u>206,671</u>	<u>30,387</u>	<u>4,791,522</u>	<u>37,019</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred outflow pension	<u>156,296</u>	<u>485,803</u>	<u>100,560</u>	<u>9,414</u>	<u>8,216</u>	<u>760,289</u>	-
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	9,126	6,807	2,055	498	169	18,655	6,849
Salaries payable	3,311	14,301	252	19	187	18,070	-
Compensated absences payable	3,581	15,793	1,970	160	86	21,590	-
Due to other governmental units	-	4,662	3,821	1,421	-	9,904	-
Unearned revenue	9,262	4,306	2	-	-	13,570	-
Accrued claims	248	6,866	101	22	-	7,237	-
Other	3	26	-	-	-	29	-
Restricted liabilities:							
Payables from restricted assets	15,589	3,956	19,278	2	20	38,845	-
Accrued interest payable from restricted assets	12,106	-	-	-	-	12,106	-
Bonds/loans payable from restricted assets	86,115	-	1,597	-	-	87,712	-
Due to other governmental units from restricted assets	-	-	-	-	-	-	-
Due to current assets	-	-	-	975	-	975	-
Unearned revenue from restricted assets	61,980	2,510	19,530	-	-	84,020	-
Total current liabilities	<u>201,321</u>	<u>59,227</u>	<u>48,606</u>	<u>3,097</u>	<u>462</u>	<u>312,713</u>	<u>6,849</u>
Noncurrent liabilities:							
Compensated absences payable	3,789	1,486	-	-	57	5,332	-
Accrued claims	407	4,690	1,500	3,000	228	9,825	-
Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding)	1,229,718	-	-	-	1,405	1,231,123	-
Pension liability	218,779	694,441	139,041	12,932	11,648	1,076,841	-
OPEB liability	17,146	71,083	-	-	-	88,229	-
Total noncurrent liabilities	<u>1,469,839</u>	<u>771,700</u>	<u>140,541</u>	<u>15,932</u>	<u>13,338</u>	<u>2,411,350</u>	-
Total liabilities	<u>1,671,160</u>	<u>830,927</u>	<u>189,147</u>	<u>19,029</u>	<u>13,800</u>	<u>2,724,063</u>	<u>6,849</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflow derivative	-	935	-	-	-	935	-
Deferred inflow pension	15,159	54,965	11,296	1,069	885	83,374	-
Deferred inflow advanced grants	-	-	-	-	4,950	4,950	-
Total deferred inflows of resources	<u>15,159</u>	<u>55,900</u>	<u>11,296</u>	<u>1,069</u>	<u>5,835</u>	<u>89,259</u>	-
<b>NET POSITION</b>							
Net investment in capital assets	669,515	520,935	1,446,743	192,194	11,503	2,840,890	-
Restricted for:							
Debt service	11,668	-	-	-	-	11,668	-
Capital projects	12,622	19,141	1,294	-	-	33,057	-
Housing operations	-	-	-	-	407	407	-
Unrestricted	(4,082)	(123,108)	(31,194)	3,793	7,058	(147,533)	30,170
Total net position	<u>\$ 689,723</u>	<u>\$ 416,968</u>	<u>\$ 1,416,843</u>	<u>\$ 195,987</u>	<u>\$ 18,968</u>	<u>\$ 2,738,489</u>	<u>\$ 30,170</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time						28,079	
Net position of business-type activities (page 20)						<u>\$ 2,766,568</u>	

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



**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

	Business-type Activities						
	Enterprise Funds						
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority	Total	Internal Service Fund
	Bus	Light Rail	Commuter Rail				
Operating revenues:							
Charges for services:							
Wastewater and industrial strength charges	\$ 214,924	\$ -	\$ -	\$ -	\$ -	\$ 214,924	\$ -
Transit fares	-	70,012	23,077	2,259	-	95,348	-
Tenant rent	-	-	-	-	642	642	-
Advertising and auxiliary	-	3,325	1,154	-	-	4,479	-
Insurance premiums	-	-	-	-	-	-	75,900
Miscellaneous	-	-	-	-	474	474	1,647
Total operating revenues	<u>214,924</u>	<u>73,337</u>	<u>24,231</u>	<u>2,259</u>	<u>1,116</u>	<u>315,867</u>	<u>77,547</u>
Operating expenses:							
Salaries and employee benefits	101,158	333,469	70,489	7,168	5,883	518,167	-
Contracted services	19,658	19,610	3,024	6,110	1,931	50,333	853
Materials and supplies	9,770	51,451	11,503	1,437	23	74,184	-
Insurance	1,060	1,616	155	1,485	85	4,401	-
Utilities	17,244	4,013	6,158	671	213	28,299	-
Advertising	-	1,574	10	-	-	1,584	-
Housing related expenses	-	-	-	-	59,812	59,812	-
Claims	-	-	-	-	-	-	70,299
Other	11,310	3,338	3,376	1,779	401	20,204	4,035
Depreciation	60,627	58,808	71,963	9,286	1,069	201,753	-
Total operating expenses	<u>220,827</u>	<u>473,879</u>	<u>166,678</u>	<u>27,936</u>	<u>69,417</u>	<u>958,737</u>	<u>75,187</u>
Operating income (loss)	<u>(5,903)</u>	<u>(400,542)</u>	<u>(142,447)</u>	<u>(25,677)</u>	<u>(68,301)</u>	<u>(642,870)</u>	<u>2,360</u>
Nonoperating revenues (expenses):							
Intergovernmental	6,523	238,633	46,076	15,849	66,793	373,874	-
Pass-through grants	(3,566)	(1,713)	-	-	-	(5,279)	-
Sewer availability charges	38,249	-	-	-	-	38,249	-
Investment income	7,230	16,096	3,635	88	44	27,093	462
Interest and fiscal charges	(26,983)	-	214	-	-	(26,769)	-
Gain/(loss) on sale of capital assets	(7,070)	(335)	-	-	-	(7,405)	-
Other	(16,128)	2,830	144	6	-	(13,148)	-
Total nonoperating revenues (expenses)	<u>(1,745)</u>	<u>255,511</u>	<u>50,069</u>	<u>15,943</u>	<u>66,837</u>	<u>386,615</u>	<u>462</u>
Income (loss) before contributions and transfers	<u>(7,648)</u>	<u>(145,031)</u>	<u>(92,378)</u>	<u>(9,734)</u>	<u>(1,464)</u>	<u>(256,255)</u>	<u>2,822</u>
Capital contributions	-	63,342	90,813	2,826	-	156,981	-
Transfers in	1,108	26,015	5,817	99	-	33,039	-
Transfers out	-	-	(1,577)	-	-	(1,577)	-
Total contributions and transfers	<u>1,108</u>	<u>89,357</u>	<u>95,053</u>	<u>2,925</u>	<u>-</u>	<u>188,443</u>	<u>-</u>
Change in net position	<u>(6,540)</u>	<u>(55,674)</u>	<u>2,675</u>	<u>(6,809)</u>	<u>(1,464)</u>	<u>(67,812)</u>	<u>2,822</u>
Total net position, beginning	<u>696,263</u>	<u>472,642</u>	<u>1,414,168</u>	<u>202,796</u>	<u>20,432</u>	<u>27,348</u>	<u>27,348</u>
Total net position, ending	<u>\$ 689,723</u>	<u>\$ 416,968</u>	<u>\$ 1,416,843</u>	<u>\$ 195,987</u>	<u>\$ 18,968</u>	<u>\$ 30,170</u>	<u>\$ 30,170</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.						2,259	
Changes in net position of business-type activities (page 21)						<u>\$ (65,553)</u>	

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

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**IN THOUSANDS**

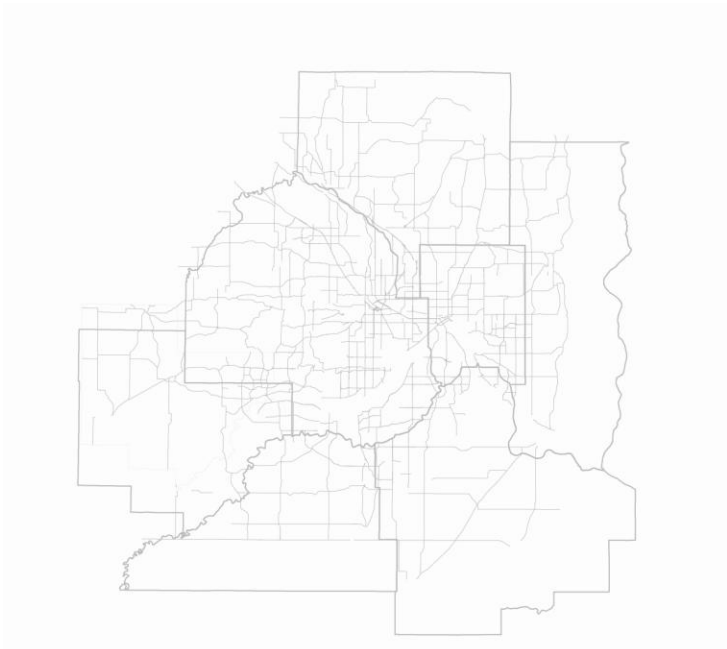
	Business-type Activities						
	Enterprise Funds						Internal Service Fund
	Environmental Services	Metro Transit			Metropolitan Housing and Redevelopment Authority		
Bus		Light Rail	Commuter Rail				
<b>Cash flows from operating activities</b>							
Receipts from customers and users	\$ 213,716	\$ 69,604	\$ 23,572	\$ 2,255	\$ 1,117	\$ 310,264	\$ -
Payments connected with interfund services	-	-	-	-	-	-	75,878
Payments to suppliers	(55,710)	(81,619)	(24,632)	(12,173)	(63,024)	(237,158)	(73,301)
Payments to employees	(69,002)	(238,651)	(52,811)	(5,334)	(4,226)	(370,024)	-
Receipts from others	-	3,325	1,154	-	-	4,479	1,647
Net cash provided (used) by operating activities	<u>89,004</u>	<u>(247,341)</u>	<u>(52,717)</u>	<u>(15,252)</u>	<u>(66,133)</u>	<u>(292,439)</u>	<u>4,224</u>
<b>Cash flows from non-capital financing activities</b>							
Transfers in	1,108	1,500	2,800	-	-	5,408	-
Intergovernmental receipts	6,626	235,662	49,203	15,316	71,831	378,638	-
Other non-capital receipts	-	2,830	144	6	-	2,980	-
Pass-through grant payments	(3,566)	(1,713)	-	-	-	(5,279)	-
Other non-capital payments	(16,128)	4,628	1,430	22	-	(10,048)	-
Net cash provided by non-capital financing activities	<u>(11,960)</u>	<u>242,907</u>	<u>53,577</u>	<u>15,344</u>	<u>71,831</u>	<u>371,699</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>							
Transfers in (out) - for capital purposes	-	24,515	1,440	99	-	26,054	-
Capital contributions	-	63,620	80,441	2,113	-	146,174	-
Proceeds from capital debt	179,873	-	2,448	-	-	182,321	-
Proceeds from sewer availability charges	44,310	-	-	-	-	44,310	-
Proceeds from sale of capital assets	67	(335)	-	-	-	(268)	-
Purchase of capital assets	(122,373)	(79,175)	(116,034)	(2,860)	-	(320,442)	-
Principal paid on capital debt	(181,783)	-	(11,500)	-	-	(193,283)	-
Interest paid on capital debt	(38,292)	-	(43)	-	-	(38,335)	-
Net cash provided by (used in) capital and related financing activities	<u>(118,198)</u>	<u>8,625</u>	<u>(43,248)</u>	<u>(648)</u>	<u>-</u>	<u>(153,469)</u>	<u>-</u>
<b>Cash flows from investing activities</b>							
Proceeds from sale of investments	67,115	-	-	-	-	67,115	-
Interest received (paid)	7,415	16,073	3,614	93	41	27,236	462
Net cash provided by (used in) investing activities	<u>74,530</u>	<u>16,073</u>	<u>3,614</u>	<u>93</u>	<u>41</u>	<u>94,351</u>	<u>462</u>
Net increase (decrease) in cash and cash equivalents	33,376	20,264	(38,774)	(463)	5,739	20,142	4,686
Balances, beginning	189,409	213,516	81,175	9,937	10,136	504,173	32,333
Balances, ending	<u>\$ 222,785</u>	<u>\$ 233,780</u>	<u>\$ 42,401</u>	<u>\$ 9,474</u>	<u>\$ 15,875</u>	<u>\$ 524,315</u>	<u>\$ 37,019</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>							
Operating income (loss)	\$ (5,903)	\$ (400,542)	\$ (142,447)	\$ (25,677)	\$ (68,301)	\$ (642,870)	\$ 2,360
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	60,627	58,808	71,963	9,286	1,069	201,753	-
Change in assets and liabilities:							
Accounts receivable	(4,049)	(27)	495	(4)	(537)	(4,122)	-
Due from employees	32	-	-	-	-	32	-
Materials and supplies (inventory)	(258)	(188)	(1,332)	(93)	-	(1,871)	-
Prepaid expenses and other current assets	-	11,035	1	(118)	-	10,918	-
Accounts payable	3,590	(203)	925	(480)	(22)	3,810	1,885
Accrued payroll liabilities	218	(2,116)	(1,706)	22	63	(3,519)	-
Accrued OPEB liabilities	540	4,480	-	-	-	5,020	-
Deferred outflow of pension	(148,578)	(454,902)	(94,368)	(8,819)	(7,762)	(714,429)	-
Deferred inflow of pension	(14,972)	(54,281)	(8,815)	(776)	(887)	(79,731)	-
Pension liability	194,915	601,637	122,567	11,407	10,244	940,770	-
Unearned revenues	2,840	(380)	-	-	-	2,460	(21)
Other liabilities	2	(10,662)	-	-	-	(10,660)	-
Net cash provided (used) by operating activities	<u>\$ 89,004</u>	<u>\$ (247,341)</u>	<u>\$ (52,717)</u>	<u>\$ (15,252)</u>	<u>\$ (66,133)</u>	<u>\$ (292,439)</u>	<u>\$ 4,224</u>
<b>Non-cash investing, capital and related financing activities:</b>							
Transferred/donated assets	\$ -	\$ 2,283	\$ 688	\$ -	\$ -	\$ 2,971	\$ -
Loss on disposition of capital assets	(7,137)	-	-	-	-	(7,137)	-
Change in fair value of investments	(689)	(506)	(317)	(37)	(55)	(1,604)	-
Unrealized gain on derivative	-	11,596	-	-	-	11,596	-

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

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2016  
IN THOUSANDS**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 3,306</u>
<b>LIABILITIES</b>	
Due to participants	<u>\$ 3,306</u>

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



Serving the Twin Cities seven-county metropolitan area

**NOTES TO THE FINANCIAL STATEMENTS**

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## I. Summary of significant accounting policies

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

### A. Reporting entity

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

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

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

### B. Government-wide and fund financial statements

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

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

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

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

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

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

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

Governmental Fund Types – These funds account for the acquisition, use and balances of expendable financial resources and the related current liabilities. The fund types included in the category are the general fund, special revenue funds, capital project funds and debt service fund. The Council reports the following major governmental funds:

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

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

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

Additionally, the Council reports the following internal service fund:

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

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

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

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

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

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

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



## D. Assets, liabilities, deferred outflows/inflows of resources and net position or equity

### 1. Cash and investments

#### a. Cash and cash equivalents

The Council has defined cash and cash equivalents as cash and pooled investments. This amount includes cash on hand and demand deposits. Additionally, each fund's equity in the Council's investment pool is considered to be a cash equivalent since the fund can deposit or effectively withdraw cash at any time without prior notice or penalty. Cash with fiscal agent and cash with trustee are not considered cash and cash equivalents because they are neither cash on hand nor demand deposits. A portion of Council bank deposits, at December 31, 2016, are backed by a combination of FDIC insurance and collateral in the form of statutorily qualified securities. The hedging margin account cash is not collateralized.

#### b. Investments

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

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

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

The majority of the Council's OPEB investments are held in a revocable trust currently administered by PERA and invested by the Minnesota State Board of Investment (SBI). The SBI offers four investment choices for the Council's OPEB plan: an S&P500 equivalent; Barclays aggregate (fixed income); U.S. Treasury securities; and a cash equivalent. Typically, less than 2.0 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 MS 118A and further limited by Council policy as represented above.

Pooled investment earnings for the year ending December 31, 2016 was \$29,732,000.

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

### 2. Receivables and payables

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

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

Where appropriate, accounts receivables are reported net of allowance for doubtful accounts. As of December 31, 2016, the allowances for doubtful accounts were (dollars in thousands):

<u>Enterprise Fund</u>	<u>Balance</u>
Environmental Services	\$ 20
Metro Transit Bus	252
Total	<u>\$ 272</u>

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

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

For governmental fund financial statements, taxes that are unpaid at December 31 are classified as delinquent taxes receivable. Delinquent taxes not collected after the first 60 days of the following year are offset by an equal amount in deferred inflows of resources. For government-wide and proprietary fund financial statements there is no offset to deferred inflows of resources. There is no allowance for uncollectible taxes in either type of fund because such amounts are not expected to be material.

### 3. Due from other governmental units

Amounts due from other governmental units include receivables on grants from the federal and state government for planning and grant program administration.

### 4. Inventories and prepaid items

Inventories in the enterprise funds are valued at cost using the weighted average costing method, and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. When appropriate, an associated allowance for obsolete inventory has been established. As of December 31, 2016, the allowances for obsolete inventory accounts were (dollars in thousands):

<u>Enterprise Fund</u>	<u>Balance</u>
Environmental Services	\$ 50
Metro Transit Bus	629
Total	<u>\$ 679</u>

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

### 5. Restricted assets

Restricted assets include:

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

### 6. Capital assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by Environmental Services during the current fiscal year was \$26,983,000. Additionally, \$6,464,000 was included as part of the cost of capital assets under construction with the wastewater treatment facilities construction projects.

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

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

## 7. Loans/advances receivable

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

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

## 8. Deferred outflows/inflows of resources

In addition to assets, the statements of financial position 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 one item that qualifies for reporting in this category. The deferred outflow is related to pension obligations. A portion of this deferred outflow are pension contributions subsequent to the pension plan's measurement date. The remaining deferred outflows related to pension are deferred and the length of the expense recognition period is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

In addition to liabilities, the statements 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 three types of deferred inflows. The first item is the derivative used in energy forward pricing mechanisms. The second item is the governmental funds report unavailable revenues from delinquent taxes receivable and the Metropolitan Housing and Redevelopment Authority fund reports advanced grants from subsidy receivable, for amounts that are not considered to be available to liquidate liabilities of the current period. These amounts are deferred and recognized as revenue in the period that the amounts become available. The third item for the Council is deferred inflows related to pension obligations. The differences between projected and actual earnings on pension plan investments are recognized over a five-year period. The other deferred inflows related to pension are deferred and the length of the expense recognition period is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

## 9. Compensated absences

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

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

## 10. Long-term obligations

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

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

## 11. Fund equity

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

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

## 12. Net position

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

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

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

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

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

## 13. Estimates

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

## II. Reconciliation of government-wide and fund financial statements

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

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

One element of that reconciliation explains that “Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.” The details of this \$138,379,000 difference are as follows:

	<u><i>In thousands</i></u>
Land	\$ 6,958
Building – net of accumulated depreciation	19,445
Vehicles – net of accumulated depreciation	97,208
Equipment – net of accumulated depreciation	2,439
Construction in progress	<u>12,329</u>
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 138,379</u>

Another element of that reconciliation explains that “Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in business-type activities in the Statement of Net Position, a portion of the internal service fund is attributable to governmental funds.” The detail of this \$2,091,000 difference is as follows:

	<u><i>In thousands</i></u>
Net position of the internal service fund	\$ 30,170
Less: Internal payable representing charges in the excess of cost to Business-type activities – prior years	(25,820)
Less: Internal payable representing charges in the excess of cost to Business-type activities – current year	<u>(2,259)</u>
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 2,091</u>

Another element of that reconciliation explains that “Long-term liabilities, including bonds and interest payable, are not due and payable in the current period and therefore are not reported in governmental funds.” The details of the \$(348,438,000) difference are as follows:

	<u><i>In thousands</i></u>
General obligation bonds payable	\$ (187,630)
Net issuance premiums (to be amortized as interest expense)	(14,501)
Accrued interest	(2,749)
Compensated absences	(4,332)
Capital lease payable	(7,085)
OPEB liability	(4,018)
Net pension liability	<u>(128,123)</u>
Net adjustment to reduce <i>fund balances – total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (348,438)</u>

Another element of that reconciliation explains that “Deferred inflows resulting from taxes are not available to pay for current period expenditures and therefore, are not reported as revenue in governmental funds.” The details of this \$3,269,000 difference are as follows:

	<u><i>In thousands</i></u>
Unavailable revenue- property taxes	\$ 3,269
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 3,269</u>

The final element of that reconciliation explains that “Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.” The details of the \$90,383,000 deferred outflows and the \$ (9,739,000) deferred inflows differences are as follows:

	<i>In thousands</i>
Deferred outflows – pension obligations	\$ 90,383
Net adjustment to increase <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 90,383</u>
	<i>In thousands</i>
Deferred inflows – pension obligations	\$ (9,739)
Net adjustment to reduce <i>fund balances- total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (9,739)</u>

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

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

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.” The details of this \$16,535,000 difference are as follows:

	<i>In thousands</i>
Capital outlay	\$ 37,276
Depreciation expense	<u>(20,741)</u>
Net adjustment to increase <i>net changes in fund balances- total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ 16,535</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to decrease net position.” The details of this \$ (191,000) difference are as follows:

	<i>In thousands</i>
The statement of activities reports <i>gains</i> or <i>losses</i> arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or (loss) on a trade-in of capital assets.	\$ (191)
Net adjustment to decrease <i>net changes in fund balances- total governmental funds</i> to arrive at changes in <i>net position of governmental</i>	<u>\$ (191)</u>

Another element of that reconciliation explains that “An internal service fund is used by management to charge the cost of certain activities to individual funds. The net revenue (expense) of internal service fund activities reported with governmental activities.” The detail of this \$ 563,000 difference is as follows:

	<i>In thousands</i>
Change in net position of the internal service fund	\$ 2,822
Less: excess from charges to business-type activities	<u>(2,259)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 563</u>

Another element of that reconciliation explains that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.” The detail of this \$ 372,000 difference is as follows:

	<i>In thousands</i>
Change in deferred property tax revenue	\$ 372
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 372</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$ 16,545,000 difference are as follows:

	<u><i>In thousands</i></u>
Issuance of general obligation bonds	\$ (34,700)
Less: discount/(premium on bonds)	(4,700)
Issuance of refunding bonds	(6,025)
Bond (discount)/premium amortization	2,423
Change in accrued interest	(358)
Principal payments of general obligation bonds/loans	59,115
Capital lease payment	790
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ 16,545</u>

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$ (17,729,000) difference are as follows:

	<u><i>In thousands</i></u>
Change in compensated absences for year	\$ (198)
Change in Pension liability and related deferred inflow and outflow	(17,535)
Change in OPEB liability	4
Net adjustment to decrease <i>net changes in fund balances- total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ (17,729)</u>

### III. Stewardship, compliance, and accountability

#### A. Budgetary information

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles for the General fund, all budgeted special revenue funds, and the Metro Transit Light Rail, Metro Transit Bus, Metro Transit Commuter Rail, and Metropolitan Housing and Redevelopment Authority enterprise funds. The Highway Right-of-Way Acquisition Loan special revenue fund (a nonmajor fund) does not have a legally adopted annual budget. Budgets for the Environmental Services enterprise fund are prepared in conformity with the “cost allocation” system described in Minnesota Statute 473.517. Under this system, annual revenues are budgeted to equal annual expenses. Variances in revenues are accumulated for working capital and are limited to five percent of the operating expenses. Variances in expenses are accumulated for contingency reserves. All annual appropriations lapse at year-end.

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during subsequent years. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of items that were authorized and initiated in the 2016 budget but not completely expended in 2016 were \$1,009,000. This total is all from the General Fund.



## B. Excess of expenditures over appropriations

The following nonmajor governmental funds had expenditures in excess of their budget for the year ended December 31, 2016 (dollars in thousands):

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Suburban Transit Providers	33,306	33,306	34,565	1,259

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

## IV. Detailed notes on all funds

### A. Cash and investments

#### 1. Deposits

Minnesota statutes require that all Council deposits be protected by insurance, surety bonds or collateral pledged to the Council. Collateral pledged shall be at least ten percent more than the amount of excess deposits. The Council's policy for cash and investments follows Minnesota statute requirements. \$41,000 of petty cash and mutilated coin was not deposited at a bank. The amount of cash in Council's bank accounts was \$35,609,000 (at US Bank and Wells Fargo Bank), of which \$436,000 was covered by the Federal Depository Insurance Corporation (FDIC), \$35,173,000 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 2016.

*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.I 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 \$245,427,000 United States agency investments, the Council has a custodial credit risk exposure of \$2,021,000 because the related hedging margin account securities are held by a custodial agent in the broker's name.

The Council has no foreign currency risk exposure.



Following is a summary of the fair values of securities at December 31, 2016:

Metropolitan Council	Credit Risk	Custodial Credit Risk	Dollars in thousands		Book Value	Portfolio
			Par	Fair Value		
U.S. Treasury Securities:						
Escrow Account, Debt (SLGS, Cash)	n.a.	Escrow (a)	\$ 19	\$ 19	\$ 19	0%
U.S. Agency Securities:						
Federal Home Loan Bank	Aaa	Custody (a)	62,000	60,057	62,000	7.0%
Federal National Mortgage Association	Aaa	Custody (a)	77,000	75,878	76,999	8.8%
Federal Farm Credit Bank	Aaa	Custody (a)	67,000	65,379	67,000	7.6%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	40,000	39,674	39,998	4.6%
Federal Home Loan Mortgage Corporation	Aaa	Broker Held (b)	2,000	2,021	2,001	0.2%
Mortgage Backed Securities:						
Federal National Mortgage Association	Aaa	Custody (a)	1,047	1,123	1,113	0.1%
Federal Home Loan Mortgage Corporation	Aaa	Custody (a)	1,285	1,295	1,306	0.2%
Certificates of Participation (U.S. GSA)	N.R. (c)	Custody (a)	1,675	1,766	1,675	0.2%
Commercial Paper (each <5%)	A-1/P-1/F-1	Custody (a)	40,000	39,957	39,960	4.7%
Federal Discount Notes (each <5%)	Aaa	Custody (a)	37,746	37,724	37,723	4.4%
Municipal Bonds (each <5%)	Aaa (d)	Custody (a)	92,400	95,340	92,203	11.1%
MN State Pool (OPEB Pool, Equities, etc.)	N.R. (c)	Custody (e)	145,551	229,272	145,551	26.8%
Money Market Funds	Aaa	n.a.	168,769	168,769	168,769	19.7%
Cash for Fuel Hedging Margin Acct	n.a.	Broker Held (f)	7,709	7,709	7,709	0.9%
Cash for Operations (g)	n.a.	Collateralized (h)	31,873	31,873	31,873	3.7%
Petty Cash/Coin & Mutilated Coins	n.a.	Council Held	41	41	41	0.0%
Total Cash and Investments			\$ 776,115	\$ 857,897	\$ 775,940	100%

- a) Securities held in custody/escrow are in the Council's name.
- b) Securities held by the Bank of NYC are in the broker's name.
- c) N.R. = Not Rated.
- d) Municipal bond ratings range from Aaa/AAA to A2/A, average rating is Aa3/AA-.
- e) Pool investments held by custodian and include stocks (S&P 500), US Treasuries, and cash equivalents.
- f) Held by the broker in the Council's name.
- g) Cash in bank accounts, less outstanding checks.
- h) Individual balances less than or equal to \$250,000 are FDIC insured. Individual balances greater than \$250,000 are collateralized with securities held by Bank of New York Mellon in Council's name.

The Council has adopted a simulation model of reporting its investments and their sensitivity to fluctuation in interest rates to comply with Government Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures." As presented, assumptions are made of interest rate changes of 50, 100, 150, & 200 basis points; it also assumes that interest rate changes occur on December 31, 2016. Excluding the OPEB equity portfolio, cash and escrow accounts, the remaining investment portfolio has an average market yield of 1.51 percent, modified duration of 2.45 years, effective duration of 1.84 years and convexity of (0.23).

*Dollars in thousands*

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

<b>Metropolitan Council</b>	<b>+50 Basis Points</b>	<b>+100 Basis Points</b>	<b>+150 Basis Points</b>	<b>+200 Basis Points</b>
U.S. Treasury Securities:				
Escrow Account, Debt (SLGS, Cash)	\$ 19	\$ 19	\$ 19	\$ 19
U.S. Agency Securities:				
Federal Home Loan Bank	57,721	56,464	55,156	53,857
Federal National Mortgage Association	74,701	73,918	73,124	72,336
Federal Farm Credit Bank	63,610	62,545	61,451	60,355
Federal Home Loan Mortgage Corporation	39,400	39,161	38,914	38,667
Federal Home Loan Mortgage Corporation	2,009	1,997	1,985	1,974
Mortgage Backed Securities:				
Federal National Mortgage Association	1,187	1,170	1,153	1,135
Federal Home Loan Mortgage Corporation	1,283	1,257	1,229	1,201
Certificates of Participation (U.S. GSA)	1,766	1,757	1,748	1,740
Commercial Paper (each <5%)	39,957	39,957	39,957	39,957
Federal Discount Notes (each <5%)	37,724	37,724	37,724	37,724
Municipal Bonds (each <5%)	93,200	91,905	90,575	89,203
MN State Pool (OPEB Pool, Equities, etc.)	229,092	228,913	228,737	228,562
Money Market Funds	168,769	168,769	168,769	168,769
Cash for Fuel Hedging Margin Acct	7,709	7,709	7,709	7,709
Cash for Operations (g)	31,873	31,873	31,873	31,873
Petty Cash/Coin & Mutilated Coins	41	41	41	41
Total Cash and Investments	<u>\$ 850,061</u>	<u>\$ 845,179</u>	<u>\$ 840,164</u>	<u>\$835,122</u>

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

The following is a summary of Investment Instruments Measured at Fair Value at December 31, 2016 (*dollars in thousands*):

	<b>Fair Value Measurements Using:</b>		
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
	<b>12/31/2016</b>		
<b>Investments by fair value level</b>			
Debt securities			
U.S. Treasury securities	\$ 19	\$ -	\$ 19
U.S. Treasury securities (OPEB)	24,440	-	24,440
Federal Home Loan Bank	60,057	-	60,057
Federal National Mortgage Association	75,878	-	75,878
Federal Farm Credit Bank	65,379	-	65,379
Federal Home Loan Mortgage Corporation	41,695	-	41,695
Mortgage-Backed securities	2,418	-	2,418
Municipal Bonds	95,340	-	95,340
Certificate of Participation	1,766	-	1,766
Commercial Paper	39,957	-	39,957
Federal Discount Notes	37,724	37,724	-
Total Investments by fair value level	<u>\$ 444,673</u>	<u>\$ 37,724</u>	<u>\$ 406,949</u>
Investment measured at the net asset value (NAV)			
Goldman Sachs Government Fund	65,923		
Wells Fargo Government Fund	1,189		
Morgan Stanley Government Institutional Fund	98,350		
US Bank Trust Account	3,307		
Total investments measured at the NAV	<u>\$ 168,769</u>		
Total investments measured at fair value and at the NAV	<u>\$ 613,442</u>		

The Council also holds \$204,832 in the Internal Equity Pool with the State Board of Investment (SBI), an external investment pool. The fair value of the investment is the fair value per share of the underlying portfolio. Pursuant to Minnesota Statute (MS) 471.6175, the Council may establish a trust account to pay other post-employment benefits (OPEB).

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

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

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

## **B. Energy forward pricing mechanisms**

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

Statutorily, the Council may not hedge more than 100 percent of the projected consumption of any of its commodities. Anticipating unplanned reductions in actual consumption relative to amounts budgeted, the Council has reduced the hedge ceiling to 90 percent of projected diesel-related fuel consumption and 80 percent of natural gas consumption. The Council can hedge its projected consumption up to 23 months into the future. The hedging transactions are completely separate from the physical fuel purchase transactions. The Council does not take delivery of fuel via its EFPs. The initial cash value of each contract is zero; thereafter, the change in the value of each contract is directly correlated with the simultaneous and offsetting increase/decrease in the cost of the fuel in the marketplace and at the time of delivery. At the end of 2016, these values are reported in the "Deferred Inflows of Resources" and offset in "Prepays and Other Current Assets."

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

In 2009, the Council adopted GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments. GASB Statement No. 53 requires an evaluation of effectiveness of the hedge at the end of each reporting period. A hedge is considered effective if the changes in fair value of the hedged item and hedging derivative offset each other to a significant extent. For 2016, the Council performed a retrospective statistical analysis test and determined that the liquidated hedges were essentially effective.

As of December 31, 2016, the Council had 302 New York Mercantile Exchange (NYMEX) heating oil futures contracts (12.68 million gallons) with acquisition (effective) dates ranging from 03/10/2015 through 12/22/2016. Termination dates range from 01/31/2017 to 09/28/2018. As of December 31, 2016, the heating oil futures contracts had a fair value of \$22,478,000. 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, 2016, the Council's futures accounts at R.J.O'Brien contained a cash balance in the amount of \$7,709,000 and a U.S. agency security with a fair value of \$2,021,000.

*Basis risk.* The Council is using NYMEX heating oil futures contracts to hedge its diesel consumption. If prices between the two products significantly deviate from each other, the Council will be exposed to basis risk. Historically, there has been a strong correlation between the two products, resulting in minimal basis risk.

*Termination risk.* For the Council, futures contracts represent the most cost effective method of managing energy price risk. These futures contracts are accessible, flexible, and liquid. Actual commodities are purchased through a separate purchasing process. The Council does not actually take delivery of the hedged commodities in these futures contracts. Futures contracts are closed out on a net settle basis before expiration, thereby mitigating termination risk.

## C. Receivables

Receivables for both current and restricted assets, as of the year-end for the Council's individual major funds and nonmajor funds in aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<i>Dollars in thousands</i>					
<b>Receivables - current</b>	<b>Accounts</b>	<b>Allowance for Uncollectable</b>	<b>Delinquent Taxes</b>	<b>Interest</b>	<b>Total Receivable</b>
<b>Governmental Activities:</b>					
General Fund	\$ 1	\$ -	\$ 731	\$ 211	\$ 943
Metro Mobility	94	-	-	52	146
Debt Retirement	-	-	2,988	332	3,320
Nonmajor Governmental	2,373	-	657	486	3,516
Total Governmental	<u>\$ 2,468</u>	<u>\$ -</u>	<u>\$ 4,376</u>	<u>\$ 1,081</u>	<u>\$ 7,925</u>
<b>Business-type Activities:</b>					
Environmental Services	\$ 9,415	\$ (20)	\$ -	\$ 288	\$ 9,683
Metro Transit – Bus	7,843	(252)	-	494	8,085
Metro Transit – Light Rail	302	-	-	69	371
Metro Transit – Commuter Rail	4	-	-	29	33
Metropolitan Housing and Redevelopment Authority	1,111	-	-	37	1,148
Total Business - type	<u>\$ 18,675</u>	<u>\$ (272)</u>	<u>\$ -</u>	<u>\$ 917</u>	<u>\$ 19,320</u>
<b>Receivables – restricted</b>					
<b>Business – type Activities:</b>					
Environmental Services	\$ 4,372	\$ -	\$ -	\$ 339	\$ 4,711
Metro Transit – Bus	-	-	-	69	69
Metro Transit – Light Rail	5	-	-	78	83
Metropolitan Housing and Redevelopment Authority	9	-	-	-	9
Total Business - type	<u>\$ 4,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486</u>	<u>\$ 4,872</u>

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

	<u>Unavailable</u>
Delinquent property taxes receivable (General fund)	\$ 503
Delinquent property taxes receivable (Debt retirement fund)	2,287
Delinquent property taxes receivable (Nonmajor governmental funds)	479
Total deferred inflows of resources for governmental funds	<u>\$ 3,269</u>

## D. Property taxes

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

In 2016, the Council levied \$14,451,000 for the General Operating levy; \$11,343,000 for the Livable Communities Demonstration Account levy; \$6,558,000 for Parks Debt Retirement; and \$44,687,000 in Transit Debt Retirement levies upon all taxable property within the Twin Cities Metropolitan Area. The Council also levied \$5,000,000 for Livable Communities Tax Base Revitalization upon taxable property included in the Metropolitan Fiscal Disparities contribution tax pool.

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

	Levy Limit	Council Levy
Operating Levy	\$ 14,451	\$ 14,451
Tax Base Revitalization	5,000	5,000
Livable Communities	11,343	11,343
Parks Debt Retirement	6,558	6,558
Transit Debt Retirement	44,687	44,687
Total	<u>\$ 82,039</u>	<u>\$ 82,039</u>

## E. Capital assets

Capital assets for the year ended December 31, 2016, was as follows:

	<i>Dollars in thousands</i>			
	Beginning Balance	Additions	Deductions/ Adjustments	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 6,958	\$ -	\$ -	\$ 6,958
Construction in progress	1,045	11,284	-	12,329
Total capital assets, not being depreciated	<u>8,003</u>	<u>11,284</u>	<u>-</u>	<u>19,287</u>
Capital assets, being depreciated				
Building	23,826	-	-	23,826
Vehicles	184,574	24,986	(8,267)	201,293
Equipment	11,692	1,070	(1,026)	11,736
Total capital assets being depreciated	<u>220,092</u>	<u>26,056</u>	<u>(9,293)</u>	<u>236,855</u>
Less accumulated depreciation for:				
Buildings	3,883	498	-	4,381
Vehicles	93,402	18,698	(8,015)	104,085
Equipment	8,775	1,545	(1,023)	9,297
Total accumulated depreciation	<u>106,060</u>	<u>20,741</u>	<u>(9,038)</u>	<u>117,763</u>
Total capital assets, being depreciated, net	<u>114,032</u>	<u>5,315</u>	<u>(255)</u>	<u>119,092</u>
Governmental activities capital assets, net	<u>\$ 122,035</u>	<u>\$ 16,599</u>	<u>\$ (255)</u>	<u>\$ 138,379</u>

	<i>Dollars in thousands</i>			
<b>Business-type Activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions/ Adjustments</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Land	\$ 249,032	\$ 6,484	\$ (12)	\$ 255,504
Construction in progress	389,590	225,982	(105,978)	509,594
Total capital assets, not being depreciated	638,622	232,466	(105,990)	765,098
Capital assets, being depreciated				
Building	4,267,073	124,833	(40,214)	4,351,692
Vehicles	812,078	48,085	(19,095)	841,068
Equipment	386,339	13,330	(24,722)	374,947
Total capital assets being depreciated	5,465,490	186,248	(84,031)	5,567,707
Less accumulated depreciation for:				
Buildings	1,609,757	137,080	(32,692)	1,714,145
Vehicles	287,478	46,763	(14,756)	319,485
Equipment	158,219	17,910	(24,037)	152,092
Total accumulated depreciation	2,055,454	201,753	(71,485)	2,185,722
Total capital assets, being depreciated, net	3,410,036	(15,505)	(12,546)	3,381,985
Business-type activities capital assets, net	\$ 4,048,658	\$ 216,961	\$ (118,536)	\$ 4,147,083

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

	<i>Dollars in thousands</i>
<b><u>Governmental activities:</u></b>	
General government	\$ 936
Transportation	19,805
Total depreciation expense-governmental activities	<u>\$ 20,741</u>
<b><u>Business-type activities:</u></b>	
Environmental Services	\$ 60,627
Metro Transit – Bus	58,808
Metro Transit – Light Rail	71,963
Metro Transit – Commuter Rail	9,286
Metropolitan Housing and Redevelopment Authority	1,069
Total depreciation expense-business-type activities	<u>\$ 201,753</u>

## F. Inter-fund receivables, payables, and transfers

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

The composition of interfund balances as of December 31, 2016, is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<i>Dollars in thousands</i>
Metro Mobility Special Revenue	Nonmajor Governmental	\$ 500

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

*Dollars in thousands*

<b>Transfers in</b>	<b>Transfers out</b>			<b>Total</b>
	<b>General Fund</b>	<b>Nonmajor Governmental</b>	<b>Metro Transit Light Rail</b>	
Nonmajor Governmental	\$ 3,000	\$ 561	\$ -	\$ 3,561
Debt Retirement	-	-	1,577	1,577
Environmental Services	1,108	-	-	1,108
Metro Transit Bus	1,500	24,515	-	26,015
Metro Transit Light Rail	-	5,817	-	5,817
Metro Transit Commuter	-	99	-	99
<b>Total</b>	<b>\$ 5,608</b>	<b>\$ 30,992</b>	<b>\$ 1,577</b>	<b>\$ 38,177</b>

## 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 2016 were \$388,000 for Metro Transit Bus enterprise fund, \$1,189,000 for Metro Transit-Light Rail enterprise fund, \$20,000 for Metro Transit Commuter Rail enterprise fund, and \$230,000 for Environmental Services enterprise fund. Commitments under operating lease agreements provide for minimum annual rental payments as follows:

*Dollars in thousands*

<b>Year</b>	<b>Metro Transit</b>				<b>Total</b>
	<b>Environmental Services</b>	<b>Bus</b>	<b>Light Rail</b>	<b>Commuter Rail</b>	
2017	\$ 153	\$ 245	\$ 698	\$ 38	\$ 1,134
2018	156	162	715	18	1,051
2019	160	77	414	17	668
2020	81	77	229	12	399
2021	-	47	236	1	284
2022-2026	-	157	-	2	159
2027-2031	-	141	-	1	142
2032-2036	-	136	-	-	136
2037-2041	-	9	-	-	9
<b>Total</b>	<b>\$ 550</b>	<b>\$ 1,051</b>	<b>\$ 2,292</b>	<b>\$ 89</b>	<b>\$ 3,982</b>

### 2. Capital Leases

On December 1, 2004, the Council entered into an annual appropriation lease purchase agreement for land and facilities to be renovated thereon. The Council granted a leasehold interest in the land and facilities to a trustee and proceeds from the issuance and sale of Certificates of Participation in the lease purchase agreement provided a portion of the funds to renovate, improve and equip the facilities for use as the Council's administrative headquarters. In 2006, the facilities were completed and the Council's administrative headquarters were relocated. On March 20, 2014, the Council paid the principal and interest payment due on the Council's Certificates of Participation, Series 2004G and redeemed the June 1, 2015 through June 1, 2025 maturities of the Series 2004G Certificates. New refunding certificates of participation, Series 2014E were issued on March 20, 2014. The Certificates of Participation are not an obligation of the Council and the lease is subject to non-appropriation by the Council in which event the lease is terminated and there is no obligation of the Council for future lease payments. The Council intends to continue the lease through its entire term.

<b>Capital Leases</b>	
<i>Dollars in thousands</i>	
<b>Year Ending</b>	<b>Nonmajor Governmental Fund</b>
2017	\$ 1,025
2018	1,025
2019	1,024
2020	1,023
2021	1,025
2022-2024	2,821
Total minimum lease payments	\$ 7,943
Less amount representing interest	(858)
Present value of minimum lease payments	<u>\$ 7,085</u>

## H. Long-term obligations

### 1. General obligation debt

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

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

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

The original amount of general obligation bonds issued in prior years was \$1,170,580,000.

During the year, \$4,700,000 of general obligation park bonds; \$30,000,000 of general obligation transit bonds; \$6,025,000 of general obligation transit refunding bonds; \$100,000,000 general obligation wastewater bonds; and \$23,355,000 general obligation wastewater refunding bonds were issued.

General obligation bonds currently outstanding on December 31, 2016, are as follows:

<b>Purpose</b>	<b>Interest Rates</b>	<i>Dollars in Thousands</i>
Governmental activities	0.60-5.50%	\$ 149,265
Governmental activities – refunding	2.00-5.00%	35,180
Business-type activities	2.00-5.00%	348,810
Business-type activities – refunding	0.25-5.25%	332,510
Total general obligation bonds		<u>\$ 865,765</u>

In addition to general obligation bonds, the Council has general obligation backed loan agreements with the Minnesota Public Facilities Authority (PFA). The loans are drawn down on a reimbursement basis and fund the same purposes as general obligation bonds.

The original amount of Minnesota Public Facilities Authority (PFA) loans drawn down in prior years was \$742,431,000. During the year, \$40,214,000 of Minnesota PFA loans were drawn down, entirely by business-type activities. The remaining available balance for the Council to drawdown on the Minnesota PFA loan is \$29,786,000.



Public Facilities Authority general obligation backed loans currently outstanding on December 31, 2016, are as follows:

<b>Purpose</b>	<b>Interest Rates</b>	<i>Dollars in Thousands</i>
Governmental activities	1.79-2.71%	\$ 3,185
Business-type activities	1.60-3.18%	<u>571,751</u>
Total Public Facilities Authority loans		<u>\$ 574,936</u>

The Council entered into a loan agreement with the Counties Transit Improvement Board (CTIB). The loan is drawn down on a reimbursement basis and will fund the purchase of five light rail vehicles. The loan is interest free, and backed by a security agreement. During the year, \$2,448,000 of the CTIB loan was drawn down, entirely by business-type activities.

The following is a summary of general obligation bond, CTIB and PFA loan transactions of the Council for the year ended December 31, 2016:

	<i>Dollars in thousands</i>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Balance, January 1, 2016	\$ 218,244	\$ 1,332,823
PFA drawdown	-	40,214
CTIB drawdown	-	2,448
Bond issued, net of discount/premium	45,425	139,659
Amortization of discount/premium	(2,423)	(4,431)
Less principal payment	(59,115)	(193,283)
Balance, December 31, 2016	<u>\$ 202,131</u>	<u>\$ 1,317,430</u>

As of December 31, 2016, the annual debt service requirements to amortize all general obligation bonds, grant anticipation notes CTIB and PFA loans outstanding, including interest of \$34,720,000 on the governmental activities debt and \$277,782,000 on the business-type activities debt was as follows:

Year Ending December 31	<i>Dollars in thousands</i>			<i>Dollars in thousands</i>		
	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 41,525	\$ 7,035	\$ 48,560	\$ 87,712	\$ 37,220	\$ 124,932
2018	25,615	5,676	31,291	91,862	34,799	126,661
2019	22,185	4,687	26,872	96,142	32,290	128,432
2020	17,865	3,826	21,691	105,045	29,471	134,516
2021	16,005	3,097	19,102	108,654	26,257	134,911
2022-2026	45,680	8,432	54,112	441,129	82,744	523,873
2027-2031	17,395	1,945	19,340	232,789	29,341	262,130
2032-2036	1,360	22	1,382	91,335	5,660	96,995
Subtotal	\$ 187,630	\$ 34,720	\$ 222,350	\$ 1,254,668	\$ 277,782	\$ 1,532,450
Net unamortized: Discounts/premium	14,501	-	14,501	62,762	-	62,762
Total payments	<u>\$ 202,131</u>	<u>\$ 34,720</u>	<u>\$ 236,851</u>	<u>\$ 1,317,430</u>	<u>\$ 277,782</u>	<u>\$ 1,595,212</u>

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

The bonds are direct pay tax credit Build American Bonds (BAB), in which the Council receives a 35 percent credit on bond interest paid. The Council has complied with all requirements of ARRA to be eligible for the BAB interest credit. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 the refundable credit has been reduced by 6.8 percent from sequestration through September 30, 2016 and 6.9 percent for the remainder of the year.

Taking into consideration the above BAB interest credit, as of December 31, 2016, the Council's net annual debt service requirements to amortize all general obligation bonds, grant anticipation notes and loans outstanding, including interest of \$30,314,000 on the governmental activities debt and \$268,349,000 on the business-type activities debt, was as follows:

*Dollars in thousands*

<b>Governmental Activities: Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Federal Subsidy</b>	<b>Net Interest</b>	<b>Net Payment</b>
2017	\$ 41,525	\$ 7,035	\$ (713)	\$ 6,322	\$ 47,847
2018	25,615	5,676	(626)	5,050	30,665
2019	22,185	4,687	(530)	4,157	26,342
2020	17,865	3,826	(446)	3,380	21,245
2021	16,005	3,097	(375)	2,722	18,727
2022-2026	45,680	8,432	(1,306)	7,126	52,806
2027-2031	17,395	1,945	(410)	1,535	18,930
2032-2036	1,360	22	-	22	1,382
Subtotal	\$ 187,630	\$ 34,720	\$ (4,406)	\$ 30,314	\$ 217,944
Net unamortized:					
Discounts/premiums	14,501	-	-	-	14,501
Total payments	\$ 202,131	\$ 34,720	\$ (4,406)	\$ 30,314	\$ 232,445

<b>Business-type Activities: Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Federal Subsidy</b>	<b>Net Interest</b>	<b>Net Payment</b>
2017	\$ 87,712	\$ 37,220	\$ (1,163)	\$ 36,057	\$ 123,769
2018	91,862	34,799	(1,140)	33,659	125,521
2019	96,142	32,290	(1,088)	31,202	127,344
2020	105,045	29,471	(1,000)	28,471	133,516
2021	108,654	26,257	(903)	25,354	134,008
2022-2026	441,129	82,744	(3,266)	79,478	520,607
2027-2031	232,789	29,341	(873)	28,468	261,257
2032-2036	91,335	5,660	-	5,660	96,995
Subtotal	\$ 1,254,668	\$ 277,782	\$ (9,433)	\$ 268,349	\$1,523,017
Net unamortized:					
Discounts/premiums	62,762	-	-	-	62,762
Total payments	\$ 1,317,430	\$ 277,782	\$ (9,433)	\$ 268,349	\$1,585,779

## 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 Council sold two refunding bonds in 2016. The following is a summary of refunding bond activities affecting the Council for the year ended December 31, 2016:

Bond Number	Type	<i>Dollars in thousands</i>			Refunded Bond	Bond Maturities
		Par Value	Present Value Savings	Debt Service Savings		
2012I	Wastewater	65,885	6,928	6,930	2008C	2017-2028
2016A	Transit	6,025	680	708	2005C	2017-2025
2016C	Wastewater	23,355	2,965	3,522	2010B BABS	2017-2030

### 4. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

<b>Governmental activities:</b>	<i>Dollars in thousands</i>				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds/loans payable:					
General obligation debt	\$ 206,020	\$ 40,725	\$ (59,115)	\$ 187,630	\$ 41,525
Discounts/premiums	12,224	4,700	(2,423)	14,501	-
Total general obligation debt	218,244	45,425	(61,538)	202,131	41,525
Capital lease	7,875	-	(790)	7,085	825
Compensated absences	4,134	3,416	(3,218)	4,332	2,600
Governmental long-term liabilities	\$ 230,253	\$ 48,841	\$ (65,546)	\$ 213,548	\$ 44,950

<b>Business Type Activities:</b>	<i>Dollars in thousands</i>				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds/loans/notes payable:					
General obligation debt	\$ 1,271,285	\$ 163,569	\$ (181,783)	\$ 1,253,071	\$ 86,115
Grant anticipation notes	8,700	-	(8,700)	-	-
Counties Transit Improvement Board					
Loan	1,949	2,448	(2,800)	1,597	1,597
Loans payable	1,405	-	-	1,405	-
Discounts/premiums	50,889	16,304	(4,431)	62,762	-
Total bonds/loans payable	1,334,228	182,321	(197,714)	1,318,835	87,712
Compensated absences	26,231	32,117	(31,426)	26,922	21,590
Accrued claims	22,002	2,029	(6,969)	17,062	7,237
Business-type long-term liabilities	\$ 1,382,461	\$ 216,467	\$ (236,109)	\$ 1,362,819	\$ 116,539

Capital leases in the Governmental Activities have been liquidated by funding from the General Fund in 2016 and prior years. The majority of Metro Transit Bus, Metro Transit Light Rail, and Metro Transit Commuter Rail employees earn vacation in one year that must be used within the following year. Actual payments of compensated absences are made directly from the same Governmental funds that incurred the salary expenditures. Prior years compensated absences were paid from the General Fund, Special Revenue funds, non-major governmental funds, and Enterprise funds.

Accrued claims include \$228,000 for the Family Self Sufficiency program escrow accounts in the Metropolitan Housing and Redevelopment fund.

## 5. Pollution Remediation Obligation

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

Pollution remediation obligation liability as of December 31, 2016 was \$4,500,000. The pollution remediation amounts are estimated through an analysis of the existing polluted site. The liability is measured at current value, and is subject to change due to inflation, technology, improvements, or changes to applicable laws and regulations. Funding for this pollution remediation will come from Property Taxes.

### I. Compensated absences

In 2016, the General fund liability for compensated absences earned but not taken increased from \$4,134,000 to \$4,332,000. This liability is reported in the government-wide statement of net position. The following summary of changes during 2016 includes \$308,000 in payroll taxes:

	<i>Dollars in thousands</i>
Balance, January 1, 2016	\$ 4,134
Transferred from Enterprise Funds	(42)
Leave Earned	3,458
Leave Taken or Paid Off	<u>(3,218)</u>
Balance, December 31, 2016	<u>\$ 4,332</u>

### J. Fund balance

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

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

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

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

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

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

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

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

The summary of fund balance classifications is as follows:

<i>Dollars in thousands</i>					
<b>Major Funds</b>					
	<b>General Fund</b>	<b>Metro Mobility Special Revenue</b>	<b>Debt Retirement</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Fund Balances:					
Spendable:					
Restricted for:					
Debt Retirement Reserve	\$ -	\$ -	\$ 97,548	\$ -	\$ 97,548
Highway Right-of-Way Program	-	-	-	56,841	56,841
Economic Revitalization	-	-	-	16,381	16,381
Environment Development	-	-	-	46,744	46,744
Incentive Housing	-	-	-	4,943	4,943
Regional Land Use	-	-	-	1,116	1,116
North Mississippi Park Improvements	-	-	-	1,869	1,869
Regional Parks Capital Improvements	-	-	-	55,425	55,425
Transit Capital Improvements	-	-	-	3,708	3,708
Committed for:					
Self Insurance	1,500	-	-	-	1,500
Other Post Employment Benefits	4,018	-	-	-	4,018
Regional Water Supply Program	627	-	-	-	627
Regional ADA Transit Service	-	43,072	-	-	43,072
Regional Transit Provider Services	-	-	-	16,716	16,716
Assigned for:					
Capital Maintenance	1,009	-	-	-	1,009
Compensated Absences	2,599	-	-	-	2,599
Planning Assistance	-	-	-	598	598
Unassigned	15,634	-	-	(6,557)	9,077
Total fund balances	<u>\$ 25,387</u>	<u>\$ 43,072</u>	<u>\$ 97,548</u>	<u>\$ 197,784</u>	<u>\$ 363,791</u>

## **V. Other information**

### **A. Risk management**

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

#### **1. Liability**

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

#### **2. Automobile**

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

#### **3. Errors and omissions**

The Council self-insures for errors and omissions risk. There were no claims for 2015 or 2016.

#### **4. Property and crime**

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

#### **5. Workers' compensation**

Metro Transit Bus has been self-insured for worker's compensation since 1982, Environmental Services since 1993, and the rest of the Council since 1995. Prior to July 1, 1996, Environmental Services used a third-party administrator; since that time, the Council has self-administered workers' compensation claims for all divisions. Liabilities are recognized when there is information available that suggests there has been an occurrence in which a probable loss has occurred. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 3.02 percent.

The self-insurance retention limit for workers' compensation is \$2,000,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses the Council.

Changes in the balance of workers compensation liabilities during 2015 and 2016 are as follows:

<i>Dollars in thousands</i>					
<b>Metro Transit</b>					
<b>2015 Balance:</b>	<b>Bus</b>	<b>Light Rail</b>	<b>Commuter Rail</b>	<b>Environmental Services</b>	<b>Total</b>
Beginning Balance	\$ 11,741	\$ 1,081	\$ 3,020	\$ 830	\$ 16,672
Current year claims and changes in estimates	8,262	2,540	62	417	11,281
Payments on claims	(5,471)	(251)	(68)	(489)	(6,279)
Ending balance	<u>\$ 14,532</u>	<u>\$ 3,370</u>	<u>\$ 3,014</u>	<u>\$ 758</u>	<u>\$ 21,674</u>
<b>2016 Balance:</b>					
Beginning Balance	\$ 14,532	\$ 3,370	\$ 3,014	\$ 758	\$ 21,674
Current year claims and changes in estimates	2,121	(1,138)	79	743	1,805
Payments on claims	(5,097)	(631)	(71)	(846)	(6,645)
Ending balance	<u>\$ 11,556</u>	<u>\$ 1,601</u>	<u>\$ 3,022</u>	<u>\$ 655</u>	<u>\$ 16,834</u>

## 6. Internal service fund

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

<i>Dollars in thousands</i>	
<b>2015 Balance:</b>	<b>Internal Service Fund</b>
Beginning Balance	\$ 6,180
Incurred claims	62,970
Payments on claims	(64,186)
Ending Balance	<u>\$ 4,964</u>
<b>2016 Balance:</b>	
Beginning Balance	\$ 4,964
Incurred claims	70,299
Payments on claims	(68,414)
Ending Balance	<u>\$ 6,849</u>

## B. Pension obligations

Metropolitan Council has 3,985 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 151 employees that are covered by a plan administered by Public Employees Retirement Association of Minnesota (PERA) under the Public Employees Police and Fire Fund (PEPFF). The Metropolitan Council also has 20 people under an Unclassified Employees Retirement Fund (UER) administered by MSRS. Investments at these pensions plans are reported at fair value.

### 1. Defined benefit pension plans

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

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

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

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

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

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

**Contributions:** Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 5.50 percent of their annual covered salary. The Metropolitan Council's contribution to the General Plan for the fiscal year ending December 31, 2016 was \$15,024,000. These contributions were equal to the contractually required contributions for each year as set by state statute.



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

At December 31, 2016, the Metropolitan Council reported a liability of \$ 1,164,752,000 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2016, the Metropolitan Council's proportion was 9.394 percent, which was an increase of 0.275 percent from its proportion measured as of June 30, 2015.

There were no changes in benefit provisions since the prior measurement date.

The following changes in assumptions affected the measurement of the total pension liability since the prior measurement date. The long-term expected rate of return on pension plan investments changed from 7.90 percent to 7.50 percent. The inflation assumption was changed from 2.75 percent to 2.50 percent. The payroll growth assumption changed from 3.50 percent to 3.25 percent. The single discount rate changed from 7.90 percent to 4.17 percent. The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2043 and 2.50 percent per year thereafter to 2.0 percent per year for all future years. Assumed salary increase rates average 0.2 percent greater than the previous rates. Assumed rates of retirement were reduced. In addition, distinct rates for reduced (Early) retirements were adopted for members hired prior to July 1, 1989, and members hired after June 30, 1989. Assumed rates of termination were changed, generally resulting in greater rates for three to nine years of service, and lower for fifteen or more years of service. Assumed rates of disability were reduced. The base mortality table for annuitants and employees was changed from RP-2000 to RP-2014, fully generational, white collar adjustments with age adjustments. The mortality improvement scale was changed from Scale AA to Scale MP-2015. The percent married assumption was changed from 85.0 percent to 80.0 percent of active male members and from 70.0 percent to 65.0 percent of active female members. Form of payment assumptions were modified.

For the year ended December 31, 2016, the Metropolitan Council recognized pension expense of \$174,431,000 for its proportionate share of the MSRS-GEF pension expense. At December 31, 2016, the Metropolitan Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<i>(Dollars in thousands)</i>	
Differences between expected and actual experience	\$ 1,594	\$ 28,573
Changes of assumptions	744,855	53,319
Net difference between projected and actual earnings on investments	52,169	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	16,257	6,640
Contributions paid to MSRS subsequent to the measurement date	6,784	-
Total	<u>\$ 821,659</u>	<u>\$ 88,532</u>

Amounts reported as deferred outflows of resources related to pensions resulting from Metropolitan Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>Pension Expense</b>
	<i>(Dollars in thousands)</i>
2017	\$ 159,317
2018	159,317
2019	203,095
2020	204,614
2021	-
	<u>\$ 726,343</u>

**Actuarial Assumptions:** The Metropolitan Council's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 generational mortality tables for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees are assumed to be 2.0 percent every January 1<sup>st</sup>.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experiences studies for the period July 1, 2008, through June 30, 2014.

The long-term expected rate of return on pension plan investments is 7.50 percent. This is a reduction from the assumed rate of 7.90 percent in fiscal 2015. The earlier rate assumption was selected as a result of a 2014 actuarial review of assumptions. The review combined the asset class target allocations and long-term rate of return expectations from the State Board of Investment (SBI) with return expectations from eight other investment consultants. The review also factored in information from the Social Security Trustees Report, U.S. Department of the Treasury yield curve rates, and historical observations of inflation statistics and investment returns. All calculations in the review were made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. During fiscal year 2016, the SBI hired an outside consultant to perform a thorough asset and liability study. Based on the study, the SBI staff proposed an update to the asset allocation, which yields a lower nominal expected return. As a result of this study, and keeping in mind the national trends towards lower investment rate assumptions, the MSRS Board of Directors approved the use of a 7.50 percent long term expected rate of return assumption for the fiscal year 2016 actuarial valuations.

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

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

**Discount Rate:** The discount rate used to measure the total pension liability as of June 30, 2016, was 4.17 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, 2016, was projected to be available to make all projected future benefit payments of current active and inactive employees through the year ending June 30, 2042. 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 4.17 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 (3.17 percent) or 1 percentage point higher (5.17 percent) than the current rate (dollars in thousands):

	<b>1% Decrease (3.17%)</b>	<b>Current Discount Rate (4.17%)</b>	<b>1% Increase (5.17%)</b>
Council’s proportionate share of the Net pension liability (MSRS)	\$ 1,535,665	\$ 1,164,751	\$ 866,544

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

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

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

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

**Benefits provided:** Benefits for plan members hired prior to July 1, 2010, vest after three years of credited service. For members first hired after June 30, 2010 but before July 1, 2014, vest on a prorated basis from 50.0 percent after five years up to 100.0 percent after ten years of credited service. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50.0 percent after ten years up to 100.0 percent after twenty years of credited service.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reached 90.0 percent for two consecutive years, the benefit increase will revert to 2.50 percent. If, after reverting to a 2.50 percent increase, the funding ratio declines to less than 80.0 percent for one year or less than 85.0 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Retirement benefits are determined for employees as 3.0 percent of average salary for each of their years of service. A full unreduced retirement annuity is earned when members meet the following conditions: age 55 and vested or age plus years of service equal at least 90 if first hired prior to July 1, 1989. A reduced retirement annuity is available to members between the ages of 50 and 55. Under legislation enacted in the 2013 session of the Legislature, the reduction for Police and Fire plan early retirement began increasing incrementally in July 2014. It will culminate in a 5.0 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 60.0 percent of salary if disabled while engaged in hazardous activities related to the occupation. Disability under any other circumstances results in a minimum of 45.0 percent of salary.

Death benefits are calculated if a member dies while still an active employee, they are based on either 50.0 percent of the member's average salary during the six months prior to death or a formula using the member's total years of service, high-five salary, age at death and age of the spouse. Dependent children of active or disabled employees are eligible for benefits until age 18, or age 23 if full-time student. In this case, the maximum family benefit is 70.0 percent of the member's average monthly salary.

**Contributions:** Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions and may be amended by Minnesota Legislature. Employees are required to contribute 10.80 percent of their annual covered salary in 2016. The Metropolitan Council required contribution rate is 16.20 percent of annual covered salary in 2016. The rate increased for both the employee and employer 0.60 percent and 0.90 percent respectfully, as of January 1, 2015. It was actuarially determined when the employer rate when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Council were \$1,637,000 for the year ending December 31, 2016.

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

At December 31, 2016, the Metropolitan Council reported a liability of \$ 40,212,000 for its proportionate share of PERA's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Metropolitan Council's proportion was 1.002 percent, which was an increase of .022 percent from its proportion measured as of June 30, 2015.

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

The following changes in assumptions affected the measurement of the total pension liability since the prior measurement date. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.50 percent thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 5.60 percent. The assumed future salary increases and payroll growth were decreased by .25 percent to 3.25 percent. The assumed inflation rate decreased .25 percent to 2.50 percent.

For the year ended December 31, 2016, the Metropolitan Council recognized pension expense of \$6,375,000 for its proportionate share of the PEPFF's pension expense. At December 31, 2016, the Metropolitan Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	(Dollars in thousands)	
Differences between expected and actual experience	\$ 8	\$ 4,581
Changes of assumptions	23,570	-
Net difference between projected and actual earnings on investments	3,735	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	864	-
Contributions paid to PERA subsequent to the measurement date	836	-
Total	\$ 29,013	\$ 4,581

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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>Pension Expense</b>
	<i>Dollars in thousands</i>
2017	\$ 4,589
2018	4,589
2019	5,773
2020	4,805
2021	3,840
	<u>\$ 23,596</u>

**Actuarial Assumptions:** The Metropolitan Council's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-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 1<sup>st</sup>.

Actuarial assumptions used in the June 30, 2016 valuation are reviewed annually. The most recent 5-year experience study for the PEPEF was completed in 2010. The economic assumptions are based on a review of inflation and investment return assumptions dated September 11, 2014. An experience study for the 2011-2015 period was issued on August 30, 2016. This report recommended many changes to demographic assumptions, expected to be effective at a future date.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table:

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

**Discount Rate:** The discount rate used to measure the total pension liability as of June 30, 2016, was 5.60 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, 2016, was projected to be available to make all projected future benefit payments of current active and inactive employees through the year ending June 30, 2057. Beginning in fiscal year ended June 30, 2057, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the plan was determined that produced approximately the same present value on the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter. 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 5.60 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 (4.60 percent) or 1 percentage point higher (6.60 percent) than the current rate (dollars in thousands):

	<b>1% Decrease (4.60%)</b>	<b>Current Discount Rate (5.60%)</b>	<b>1% Increase (6.60%)</b>
Council's proportionate share of the Net pension liability (PERA)	\$ 56,291	\$ 40,212	\$ 27,074

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

**c. Summary of defined benefit plans:** For the year ended December 31, 2016, the Metropolitan Council recognized pension expense of \$180,807,000 for its proportionate share of the MSRS-GEF pension expense and its proportionate share of the PEPFF's pension expense. Actual payments of pension liability are made directly from the same Governmental funds that incurred the salary expenditures. Pension liability is paid from the General Fund, Special Revenue funds, non-major governmental funds, and Enterprise funds.

## 2. Defined contribution pension plan

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

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

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

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

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

For the year ending December 31, 2016 employer contributions were \$179,000. The plan did not have any forfeitures in the current period.

## C. Other postemployment benefits (OPEB) obligations

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

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 \$229,272,000 as of December 31, 2016, with the Minnesota State Board of Investment for this purpose. This funding arrangement does not meet the requirements of GASB Statement 45; accordingly, these funds are not included in the OPEB plan's assets. The Council's internal funding policy includes investing the plan's normal cost and continuing pay-as-you-go benefit payments until invested funds are adequate to cover all future benefits. The normal cost represents that portion of the Actuarial Present Value of the OPEB plan's benefits which is allocated to employee service in the current fiscal year. Actual payments of OPEB liability are made directly from the same Governmental funds that incurred the salary expenditures. Prior years OPEB liability were paid from the General Fund and each Enterprise fund.

**Annual OPEB Cost and Net OPEB Obligation:** The annual OPEB cost is calculated based on the Council's *annual required contribution (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of \$22,106,000 is 5.83 percent of annual covered payroll. The Council's OPEB cost for the current year and related information are as follows (dollars in thousands):

	<b>Environmental</b>			<b>Total</b>
	<b>Metro Transit</b>	<b>Services</b>	<b>General Fund</b>	
Annual Required Contribution (ARC)	\$ 15,751	\$ 6,014	\$ 341	\$ 22,106
Interest on net OPEB obligation	4,662	1,162	282	6,106
Adjustments to Annual Required Contribution (ARC)	(7,313)	(1,823)	(442)	(9,578)
Annual OPEB cost (expense)	13,100	5,353	181	18,634
Contributions made	(8,620)	(4,813)	(185)	(13,618)
Increase in Net OPEB Obligation	4,480	540	(4)	5,016
Net OPEB obligation beginning of year	66,603	16,606	4,022	87,231
Net OPEB obligation end of year	\$ 71,083	\$ 17,146	\$ 4,018	\$ 92,247

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, 2016, were as follows (dollars in thousands):

	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<b>Metro Transit</b>				
12/31/2014	\$ 12,715	\$ 8,451	66%	\$ 62,663
12/31/2015	12,546	8,606	69%	66,603
12/31/2016	13,100	8,620	66%	71,083
<b>Environmental Services</b>				
12/31/2014	4,402	3,834	87%	16,811
12/31/2015	4,380	4,585	105%	16,606
12/31/2016	5,353	4,813	90%	17,146
<b>General Fund</b>				
12/31/2014	84	164	195%	4,103
12/31/2015	87	167	192%	4,023
12/31/2016	180	186	103%	4,017
<b>Total</b>				
12/31/2014	17,201	12,449	72%	83,577
12/31/2015	17,013	13,359	79%	87,231
12/31/2016	18,633	13,618	73%	92,247

**Funded Status and Funded Progress:** As of December 31, 2016, the actuarial accrued liability (AAL) for benefits was \$215,484,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$379,435,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 56.79 percent.



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

**Actuarial Methods and Assumptions:** The actuarial valuation completed January 1, 2016, used the entry age normal level percentage of pay 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 2039 and beyond. The baseline inflation rate is 3.0 percent. The initial UAAL is being amortized as a level dollar amount over a 30-year period. Gains and losses are amortized on a level-dollar basis over 15 years. The remaining amortization period at December 31, 2016, was 23 years.

## D. Sub-grantee programs

During the year ended December 31, 2016, the Council was involved with the following sub-grantee programs:

### **General Fund:**

Parks (Maintenance and Operation Grants)

### **Nonmajor Governmental Funds:**

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

### **Enterprise Funds:**

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

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



## **E. Commitments and contingencies**

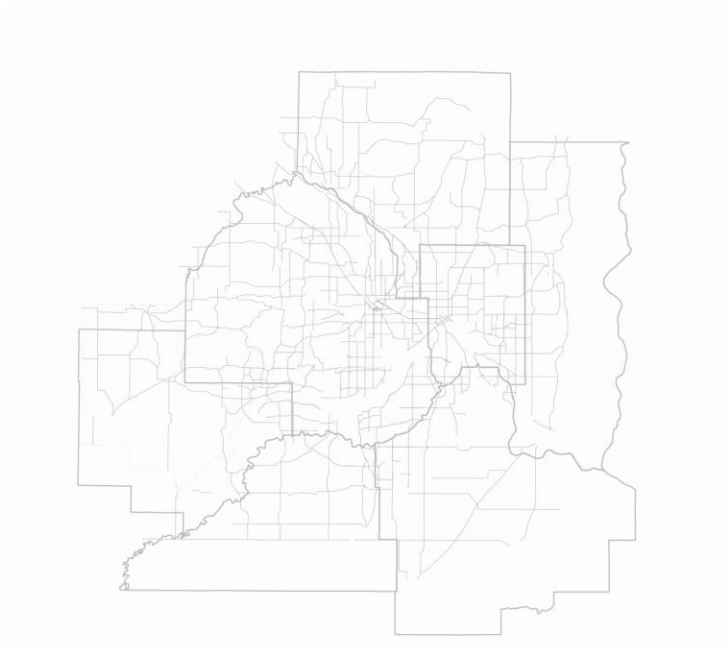
As part of its operations, the Council enters into contracts for various purposes including construction projects and transit services, among others. The majority of the Council's contracts are renegotiated annually with terms generally coinciding with the calendar year. However, some of the contracts span several years. Unpaid commitments for bus transit services totaled approximately \$301,230,000 as of December 31, 2016. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$58,436,000 will be paid from the Metro Transit Light Rail fund. Future commitments for commuter rail transit services of approximately \$9,106,000 as of December 31, 2016, will be paid from the Metro Transit Commuter Rail fund. Future commitments for regional transit services are approximately \$40,888,000 as of December 31, 2016. These commitments will be paid from Contracted Transit Service special revenue nonmajor fund. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately \$89,141,000 as of December 31, 2016. These commitments will be paid from the Environmental Services enterprise fund. At year end the amount of items that were authorized and initiated in the 2016 budget but not completely expended in 2016 were \$ 1,009,000. This total is all from the General Fund. Management fully expects that it will be able to fulfill its contractual obligations for these commitments.

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

## **F. Subsequent events**

On January 11, 2017, the Council agreed to a \$40,000,000 loan (2017A) from the Minnesota Public Facilities Authority for financing eligible wastewater capital expenditures.

On May 18, 2017, Metropolitan Council issued the following notes and bonds: \$40,000,000 General Obligation Transit Note, Series 2017B, and \$105,000,000 General Obligation Wastewater Revenue Bonds, Series 2017C.



Serving the Twin Cities seven-county metropolitan area

# **REQUIRED SUPPLEMENTARY INFORMATION**



**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 14,451	\$ 14,451	\$ 14,371	\$ (80)
Intergovernmental revenue:				
State	10,170	10,170	8,571	(1,599)
Local/other	-	-	174	174
Investment income	529	529	1,008	479
Total revenues	<u>25,150</u>	<u>25,150</u>	<u>24,124</u>	<u>(1,026)</u>
<b>EXPENDITURES</b>				
Current:				
General government	7,606	10,415	7,677	(2,738)
Intergovernmental:				
Culture and recreation	10,170	10,170	8,540	(1,630)
Economic revitalization	-	1,000	1,000	-
Debt service:				
Principal	790	790	790	-
Interest and other charges	232	232	232	-
Capital outlay	601	601	389	(212)
Total expenditures	<u>19,399</u>	<u>23,208</u>	<u>18,628</u>	<u>(4,580)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,751</u>	<u>1,942</u>	<u>5,496</u>	<u>3,554</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(6,345)</u>	<u>(6,345)</u>	<u>(5,608)</u>	<u>737</u>
Net change in fund balance	(594)	(4,403)	(112)	4,291
Fund balance, beginning	<u>25,499</u>	<u>25,499</u>	<u>25,499</u>	<u>-</u>
Fund balance, ending	<u>\$ 24,905</u>	<u>\$ 21,096</u>	<u>\$ 25,387</u>	<u>\$ 4,291</u>

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, 2016  
IN THOUSANDS**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental revenue:				
State	\$ 52,403	\$ 52,403	\$ 58,120	\$ 5,717
Investment income	-	-	117	117
Other	7,962	7,962	5,687	(2,275)
Total revenues	<u>60,365</u>	<u>60,365</u>	<u>63,924</u>	<u>3,559</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	62,605	62,605	58,093	(4,512)
Net change in fund balance	(2,240)	(2,240)	5,831	8,071
Fund balance, beginning	37,241	37,241	37,241	-
Fund balance, ending	<u>\$ 35,001</u>	<u>\$ 35,001</u>	<u>\$ 43,072</u>	<u>\$ 8,071</u>

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

**METROPOLITAN COUNCIL  
OTHER POSTEMPLOYMENT BENEFITS PLAN<sup>1</sup>  
SCHEDULE OF FUNDING PROGRESS  
IN THOUSANDS (EXCEPT PERCENTAGES)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ([(b-a)/c]</u>
<b><u>Metro Transit</u></b>						
1/1/2012	\$ -	\$ 187,818	\$ 187,818	0.00%	\$ 186,957	100.5%
1/1/2014	-	152,844	152,844	0.00%	214,610	71.2%
1/1/2016	-	152,636	152,636	0.00%	235,385	64.8%
<b><u>Environmental Services</u></b>						
1/1/2012	-	64,368	64,368	0.00%	57,440	112.1%
1/1/2014	-	53,715	53,715	0.00%	60,242	89.2%
1/1/2016	-	59,260	59,260	0.00%	61,139	96.9%
<b><u>General Fund</u></b>						
1/1/2012	-	9,513	9,513	0.00%	30,640	31.0%
1/1/2014	-	2,819	2,819	0.00%	35,992	7.8%
1/1/2016	-	3,588	3,588	0.00%	43,466	8.3%
<b><u>Total</u></b>						
1/1/2012	-	261,699	261,699	0.00%	275,037	95.2%
1/1/2014	-	209,378	209,378	0.00%	310,844	67.4%
1/1/2016	-	215,484	215,484	0.00%	339,990	63.4%

<sup>1</sup> This schedule represents the actuarially determined funding progress and required contributions, using the projected unit credit method

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

<b>Fiscal Year<sup>3</sup></b>	<b>Council's proportion of the net pension liability (asset)</b>	<b>Council's proportionate share of the net pension liability (asset)</b>	<b>Council's covered payroll</b>	<b>Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
2014	9.023%	\$ 146,314	\$ 230,978	63.35%	87.64%
2015	9.119%	\$ 140,378	\$ 242,551	57.88%	88.32%
2016	9.394%	\$ 1,164,751	\$ 258,161	451.17%	47.51%

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

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

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

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

<b>Fiscal Year<sup>3</sup></b>	<b>Council's proportion of the net pension liability (asset)</b>	<b>Council's proportionate share of the net pension liability (asset)</b>	<b>Council's covered payroll</b>	<b>Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
2014	0.889%	\$ 9,602	\$ 7,686	124.92%	87.07%
2015	0.980%	\$ 11,135	\$ 8,986	123.91%	86.61%
2016	1.002%	\$ 40,212	\$ 9,655	416.49%	63.88%

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

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

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



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

<b>Fiscal Year<sup>3</sup></b>	<b>Contractually required contribution</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Council's covered payroll</b>	<b>Contributions as a percentage of covered payroll</b>
2014	\$ 12,423	\$ 12,423	\$ -	\$ 237,074	5.24%
2015	\$ 13,040	\$ 13,040	\$ -	\$ 237,093	5.50%
2016	\$ 15,024	\$ 15,024	\$ -	\$ 273,171	5.50%

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

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

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

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

Fiscal Year <sup>3</sup>	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Council's covered payroll	Contributions as a percentage of covered payroll
2014	\$ 1,339	\$ 1,339	\$ -	\$ 8,753	15.30%
2015	\$ 1,459	\$ 1,459	\$ -	\$ 9,005	16.20%
2016	\$ 1,637	\$ 1,637	\$ -	\$ 10,104	16.20%

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

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

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

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2016

### Stewardship, compliance, and accountability

#### A. Budgetary information

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

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

#### B. General Fund - Budget to Actual Comparison by Division

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

	Dollars in thousands			Variance with Final Budget Over (Under)
	Original Budget	Final Budget	Actual	
Regional Administration	\$ 1,531	\$ 4,089	\$ 404	\$ (3,685)
Community Development	17,868	19,119	18,224	(895)
Total General Fund	\$ 19,399	\$ 23,208	\$ 18,628	\$ (4,580)

#### C. Pension Obligations

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

The amounts reported in 2016 reflect the following changes to the actuarial assumptions. The long-term expected rate of return on pension plan investments changed from 7.90 percent to 7.50 percent. The inflation assumption was changed from 2.75 percent to 2.50 percent. The payroll growth assumption changed from 3.50 percent to 3.25 percent. The single discount rate changed from 7.90 percent to 4.17 percent. The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2043 and 2.50 percent per year thereafter to 2.0 percent per year for all future years. Assumed salary increase rates average 0.2 percent greater than the previous rates. Assumed rates of retirement were changed, resulting in fewer unreduced retirements and fewer Rule of 90 retirements. Distinct rates for reduced (early) retirements were adopted for members hired prior to July 1, 1989, and members hired after June 30, 1989. Assumed rates of termination were changed, generally resulting in greater rates for three to nine years of service, and lower for fifteen or more years of service. Assumed rates of disability for females were reduced to 75.0 percent of previous rates. Rates for male members were lowered by utilizing the same disability rates as for females. The base mortality table for healthy annuitants and employees was changed from the RP-2000 fully generational table to the RP-2014 fully generational table, white collar adjustments, with age adjustments. The mortality improvement scale was changed from Scale AA to Scale MP-2015. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table, with age adjustments. The percent married assumption was changed from 85.0 percent to 80.0 percent of active male members and from 70.0 percent to 65.0 percent of active female members. The assumed number of married male new retirees electing the 75.0 percent Joint & Survivor option changed from 10.0 percent to 15.0 percent. The assumed number of married female new retirees electing the 75.0 percent and 100.0 percent Joint & Survivor options changed from 0.0 percent to 10.0 percent and from 25.0 percent to 30.0 percent, respectively. The corresponding number of married new retirees electing the Life Annuity option was adjusted accordingly.

The amounts reported in 2015 reflect the following changes to the benefit terms. The post-retirement benefit increase rate changed from 2.0 percent per year through 2015 and 2.5 percent thereafter to 2.0 percent per year through 2043 and 2.5 percent thereafter. The amounts reflect a provision added, effective July 1, 2015, so that if the 2.5 percent post-retirement benefit increase is triggered and the funding ratio (determined on a market value of asset basis) subsequently drops below 80.0 percent or less for the most recent valuation year or 85.0 percent or less for two consecutive years, the post-retirement benefit increase will change to 2.0 percent until the plan again reaches a 90.0 percent funding ratio for two consecutive years. Contributions changed effective July 1, 2014. The rates went from 5.0 percent for both employee and employer to 5.5 percent for both employee and employer.

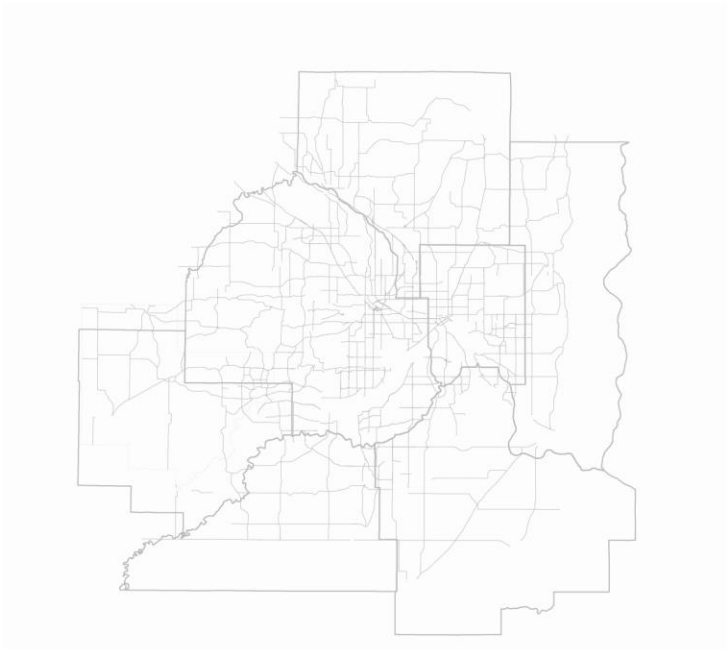
**Public Employees Retirement Association of Minnesota – Public Employees Police and Fire Fund:**

The amounts reported in 2016 reflect the following changes to the actuarial assumptions. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.50 percent thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 5.60 percent. The assumed future salary increases and payroll growth were decreased by .25 percent to 3.25 percent. The assumed inflation rate decreased .25 percent to 2.50 percent.

The amounts reported in 2015 reflect a post-retirement benefit increase from 1.0 percent per year through 2030 and 2.5 percent thereafter to 1.0 percent per year through 2037 and 2.5 percent thereafter. A provision was added so post-retirement benefit increase to be paid after attainment of the 90.0 percent threshold was changed from inflation up to 2.5 percent, to a fixed rate of 2.5 percent. Contributions changed effective January 1, 2015. The rates went from 10.2 percent for employee and 15.30 percent for employer to 10.8 percent for employee and 16.2 percent for employer.

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





Serving the Twin Cities seven-county metropolitan area

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

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

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

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

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

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

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

### **Capital Project Funds**

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

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

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

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

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2016  
IN THOUSANDS**

	<b>Total Special Revenue</b>	<b>Total Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 102,585	\$ 42,883	\$ 145,468
Accounts Receivable	4	2,369	2,373
Delinquent taxes receivable	657	-	657
Interest receivable	325	161	486
Due from other governmental units	9,958	32,899	42,857
Loans and advances	43,797	-	43,797
Total assets	<u>\$ 157,326</u>	<u>\$ 78,312</u>	<u>\$ 235,638</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts/contracts/subgrantees payable	\$ 13,501	\$ 22,703	\$ 36,204
Due to other funds	-	500	500
Unearned revenue	7	664	671
Total liabilities	<u>13,508</u>	<u>23,867</u>	<u>37,375</u>
Deferred inflows of resources:			
Unavailable revenue - taxes	479	-	479
Fund balances:			
Restricted	126,025	61,002	187,027
Committed	16,716	-	16,716
Assigned	598	-	598
Unassigned	-	(6,557)	(6,557)
Total fund balances	<u>143,339</u>	<u>54,445</u>	<u>197,784</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 157,326</u>	<u>\$ 78,312</u>	<u>\$ 235,638</u>



**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE**  
**DECEMBER 31, 2016**  
**IN THOUSANDS**

	<b>Highway Right-of-Way Acquisition Loan</b>	<b>Livable Communities</b>	<b>Transportation Planning</b>	<b>Suburban Transit Providers</b>	<b>Contracted Transit Service</b>	<b>Other Special Revenue</b>	<b>Total Special Revenue</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 14,539	\$ 69,853	\$ 2,922	\$ -	\$ 12,953	\$ 2,318	\$ 102,585
Accounts receivable	-	-	-	-	4	-	4
Delinquent taxes receivable	67	590	-	-	-	-	657
Interest receivable	50	240	10	-	17	8	325
Due from other governmental units	-	-	2,564	2,733	4,661	-	9,958
Loans and advances	42,252	1,544	1	-	-	-	43,797
Total assets	<u>\$ 56,908</u>	<u>\$ 72,227</u>	<u>\$ 5,497</u>	<u>\$ 2,733</u>	<u>\$ 17,635</u>	<u>\$ 2,326</u>	<u>\$ 157,326</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts/contracts/subgrantees payable	\$ -	\$ 3,747	\$ 440	\$ 2,733	\$ 5,969	\$ 612	\$ 13,501
Unearned revenue	-	-	7	-	-	-	7
Total liabilities	<u>-</u>	<u>3,747</u>	<u>447</u>	<u>2,733</u>	<u>5,969</u>	<u>612</u>	<u>13,508</u>
Deferred inflows of resources:							
Unavailable revenue - taxes	67	412	-	-	-	-	479
Fund balances:							
Restricted	56,841	68,068	-	-	-	1,116	126,025
Committed	-	-	5,050	-	11,666	-	16,716
Assigned	-	-	-	-	-	598	598
Total fund balances	<u>56,841</u>	<u>68,068</u>	<u>5,050</u>	<u>-</u>	<u>11,666</u>	<u>1,714</u>	<u>143,339</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 56,908</u>	<u>\$ 72,227</u>	<u>\$ 5,497</u>	<u>\$ 2,733</u>	<u>\$ 17,635</u>	<u>\$ 2,326</u>	<u>\$ 157,326</u>

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS**  
**DECEMBER 31, 2016**  
**IN THOUSANDS**

	<b>North Mississippi Park</b>	<b>Parks and Open Space Grants</b>	<b>Transit</b>	<b>Total Capital Projects</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,865	\$ 41,018	\$ -	\$ 42,883
Accounts receivable	-	2,369	-	2,369
Interest receivable	4	143	14	161
Due from other governmental units	-	19,309	13,590	32,899
Total assets	<u>\$ 1,869</u>	<u>\$ 62,839</u>	<u>\$ 13,604</u>	<u>\$ 78,312</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts/contracts/subgrantees payable	\$ -	\$ 13,971	\$ 8,732	\$ 22,703
Due to other funds	-	-	500	500
Unearned revenue	-	-	664	664
Total liabilities	<u>-</u>	<u>13,971</u>	<u>9,896</u>	<u>23,867</u>
Fund balances:				
Restricted	1,869	55,425	3,708	61,002
Unassigned	-	(6,557)	-	(6,557)
Total fund balances	<u>1,869</u>	<u>48,868</u>	<u>3,708</u>	<u>54,445</u>
Total liabilities and fund balances	<u>\$ 1,869</u>	<u>\$ 62,839</u>	<u>\$ 13,604</u>	<u>\$ 78,312</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

	<u>Total Special Revenue</u>	<u>Total Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 16,277	\$ -	\$ 16,277
Intergovernmental revenue:			
Federal	10,364	12,476	22,840
State	51,832	45,178	97,010
Local/other	2,196	8,445	10,641
Investment income	860	459	1,319
Other	2,208	-	2,208
Total revenues	<u>83,737</u>	<u>66,558</u>	<u>150,295</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,792	36	2,828
Transportation	28,212	843	29,055
Intergovernmental:			
Transportation	35,851	3,411	39,262
Culture and recreation	-	39,864	39,864
Economic revitalization	9,756	-	9,756
Environment development	6,413	-	6,413
Housing	732	-	732
Debt service	-	85	85
Capital outlay	-	36,887	36,887
Total expenditures	<u>83,756</u>	<u>81,126</u>	<u>164,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19)</u>	<u>(14,568)</u>	<u>(14,587)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,000	561	3,561
Transfers out	-	(30,992)	(30,992)
Bonds issued	-	34,700	34,700
Sale of capital assets	30	494	524
Total other financing sources (uses)	<u>3,030</u>	<u>4,763</u>	<u>7,793</u>
Net change in fund balances	3,011	(9,805)	(6,794)
Fund balances, beginning	<u>140,328</u>	<u>64,250</u>	<u>204,578</u>
Fund balances, ending	<u>\$ 143,339</u>	<u>\$ 54,445</u>	<u>\$ 197,784</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

	Highway Right-of-Way Acquisition Loan	Livable Communities	Transportation Planning	Suburban Transit Providers	Contracted Transit Service	Other Special Revenue	Total Special Revenue
<b>REVENUES</b>							
Taxes	\$ -	\$ 16,277	\$ -	\$ -	\$ -	\$ -	\$ 16,277
Intergovernmental revenue:							
Federal	-	-	4,811	-	5,553	-	10,364
State	-	-	3,766	34,565	13,501	-	51,832
Local/other	-	-	516	-	1,680	-	2,196
Investment income	120	590	23	-	115	12	860
Other	-	-	-	-	2,208	-	2,208
Total revenues	<u>120</u>	<u>16,867</u>	<u>9,116</u>	<u>34,565</u>	<u>23,057</u>	<u>12</u>	<u>83,737</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	1,422	-	758	612	2,792
Transportation	258	-	4,526	-	23,428	-	28,212
Intergovernmental:							
Transportation	-	-	345	34,565	941	-	35,851
Economic revitalization	-	9,756	-	-	-	-	9,756
Environment development	-	6,413	-	-	-	-	6,413
Housing	-	732	-	-	-	-	732
Total expenditures	<u>258</u>	<u>16,901</u>	<u>6,293</u>	<u>34,565</u>	<u>25,127</u>	<u>612</u>	<u>83,756</u>
Excess (deficiency) of revenues over (under) expenditures	(138)	(34)	2,823	-	(2,070)	(600)	(19)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	2,000	-	-	-	1,000	3,000
Sale of capital assets	30	-	-	-	-	-	30
Total other financing sources (uses)	<u>30</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>3,030</u>
Net change in fund balances	(108)	1,966	2,823	-	(2,070)	400	3,011
Fund balances, beginning	56,949	66,102	2,227	-	13,736	1,314	140,328
Fund balances, ending	<u>\$ 56,841</u>	<u>\$ 68,068</u>	<u>\$ 5,050</u>	<u>\$ -</u>	<u>\$ 11,666</u>	<u>\$ 1,714</u>	<u>\$ 143,339</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**IN THOUSANDS**

	<u>North Mississippi Park</u>	<u>Parks and Open Space Grants</u>	<u>Transit</u>	<u>Total Capital Projects</u>
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ 12,476	\$ 12,476
State	-	39,631	5,547	45,178
Local/other	-	-	8,445	8,445
Investment income	11	345	103	459
Total revenues	<u>11</u>	<u>39,976</u>	<u>26,571</u>	<u>66,558</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	36	-	36
Transportation	-	-	843	843
Intergovernmental:				
Transportation	-	-	3,411	3,411
Culture and recreation	-	39,864	-	39,864
Debt service	-	85	-	85
Capital outlay	-	-	36,887	36,887
Total expenditures	<u>-</u>	<u>39,985</u>	<u>41,141</u>	<u>81,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11</u>	<u>(9)</u>	<u>(14,570)</u>	<u>(14,568)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	561	-	-	561
Transfers out	-	(561)	(30,431)	(30,992)
Bonds issued	-	4,700	30,000	34,700
Sale of capital assets	-	-	494	494
Total other financing sources (uses)	<u>561</u>	<u>4,139</u>	<u>63</u>	<u>4,763</u>
Net change in fund balances	572	4,130	(14,507)	(9,805)
Fund balances, beginning	<u>1,297</u>	<u>44,738</u>	<u>18,215</u>	<u>64,250</u>
Fund balances, ending	<u>\$ 1,869</u>	<u>\$ 48,868</u>	<u>\$ 3,708</u>	<u>\$ 54,445</u>

**BUDGETARY COMPARISON SCHEDULE  
LIVABLE COMMUNITIES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 16,343	\$ 16,343	\$ 16,277	\$ (66)
Investment income	1,160	1,160	590	(570)
Total revenues	<u>17,503</u>	<u>17,503</u>	<u>16,867</u>	<u>(636)</u>
<b>EXPENDITURES</b>				
Intergovernmental:				
Economic revitalization	11,593	11,593	9,756	(1,837)
Environment development	5,350	5,350	6,413	1,063
Housing	2,560	2,560	732	(1,828)
Total expenditures	<u>19,503</u>	<u>19,503</u>	<u>16,901</u>	<u>(2,602)</u>
Excess (deficiency) of revenues over (under) expenditures	(2,000)	(2,000)	(34)	1,966
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,000	2,000	2,000	-
Net change in fund balance	-	-	1,966	1,966
Fund balance, beginning	66,102	66,102	66,102	-
Fund balance, ending	<u>\$ 66,102</u>	<u>\$ 66,102</u>	<u>\$ 68,068</u>	<u>\$ 1,966</u>

**BUDGETARY COMPARISON SCHEDULE  
TRANSPORTATION PLANNING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal	\$ 5,375	\$ 5,375	\$ 4,811	\$ (564)
State	3,649	3,649	3,766	117
Local/other	100	100	516	416
Investment income	-	-	23	23
Total revenues	<u>9,124</u>	<u>9,124</u>	<u>9,116</u>	<u>(8)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,560	1,562	1,422	(140)
Transportation	5,750	5,750	4,526	(1,224)
Intergovernmental:				
Transportation	675	675	345	(330)
Total expenditures	<u>7,985</u>	<u>7,987</u>	<u>6,293</u>	<u>(1,694)</u>
Net change in fund balance	1,139	1,137	2,823	1,686
Fund balance, beginning	<u>2,227</u>	<u>2,227</u>	<u>2,227</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,366</u>	<u>\$ 3,364</u>	<u>\$ 5,050</u>	<u>\$ 1,686</u>

**BUDGETARY COMPARISON SCHEDULE  
SUBURBAN TRANSIT PROVIDERS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue:				
State	\$ 33,306	\$ 33,306	\$ 34,565	\$ 1,259
<b>EXPENDITURES</b>				
Intergovernmental:				
Transportation	<u>33,306</u>	<u>33,306</u>	<u>34,565</u>	<u>1,259</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



**BUDGETARY COMPARISON SCHEDULE  
 CONTRACTED TRANSIT SERVICE SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal	\$ 2,168	\$ 4,777	\$ 5,553	\$ 776
State	15,958	13,349	13,501	152
Local/other	1,916	1,916	1,680	(236)
Investment income	100	100	115	15
Other	2,541	2,541	2,208	(333)
Total revenues	<u>22,683</u>	<u>22,683</u>	<u>23,057</u>	<u>374</u>
<b>EXPENDITURES</b>				
Current:				
General government	836	836	758	(78)
Transportation	25,665	25,665	23,428	(2,237)
Intergovernmental:				
Transportation	1,060	1,060	941	(119)
Total expenditures	<u>27,561</u>	<u>27,561</u>	<u>25,127</u>	<u>(2,434)</u>
Net change in fund balance	(4,878)	(4,878)	(2,070)	2,808
Fund balance, beginning	13,736	13,736	13,736	-
Fund balance, ending	<u>\$ 8,858</u>	<u>\$ 8,858</u>	<u>\$ 11,666</u>	<u>\$ 2,808</u>

**BUDGETARY COMPARISON SCHEDULE  
OTHER SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget- Over (Under)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment income	\$ 35	\$ 35	\$ 12	\$ (23)
<b>EXPENDITURES</b>				
Current:				
General government	\$ 1,895	\$ 1,895	\$ 612	\$ (1,283)
Excess (deficiency) of revenues over (under) expenditures	<u>(1,860)</u>	<u>(1,860)</u>	<u>(600)</u>	<u>1,260</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Net change in fund balance	(860)	(860)	400	1,260
Fund balance, beginning	<u>1,314</u>	<u>1,314</u>	<u>1,314</u>	<u>-</u>
Fund balance, ending	<u>\$ 454</u>	<u>\$ 454</u>	<u>\$ 1,714</u>	<u>\$ 1,260</u>

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND BY DIVISION  
FOR THE YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

	<u>Regional Administration</u>			<u>Community Development</u>			<u>Total</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>									
Taxes	\$ 4,594	\$ 4,569	\$ (25)	\$ 9,857	\$ 9,802	\$ (55)	\$14,451	\$ 14,371	\$ (80)
Intergovernmental revenue:									
State	-	-	-	10,170	8,571	(1,599)	10,170	8,571	(1,599)
Local/other	-	174	174	-	-	-	-	174	174
Investment income	529	1,008	479	-	-	-	529	1,008	479
Total revenues	<u>5,123</u>	<u>5,751</u>	<u>628</u>	<u>20,027</u>	<u>18,373</u>	<u>(1,654)</u>	<u>25,150</u>	<u>24,124</u>	<u>(1,026)</u>
<b>EXPENDITURES</b>									
Current:									
General government	2,466	(1,007)	(3,473)	7,949	8,684	735	10,415	7,677	(2,738)
Intergovernmental:									
Culture and recreation	-	-	-	10,170	8,540	(1,630)	10,170	8,540	(1,630)
Economic revitalization	-	-	-	1,000	1,000	-	1,000	1,000	-
Debt service:									
Principal	790	790	-	-	-	-	790	790	-
Interest and other charges	232	232	-	-	-	-	232	232	-
Capital outlay	601	389	(212)	-	-	-	601	389	(212)
Total expenditures	<u>4,089</u>	<u>404</u>	<u>(3,685)</u>	<u>19,119</u>	<u>18,224</u>	<u>(895)</u>	<u>23,208</u>	<u>18,628</u>	<u>(4,580)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,034</u>	<u>5,347</u>	<u>4,313</u>	<u>908</u>	<u>149</u>	<u>(759)</u>	<u>1,942</u>	<u>5,496</u>	<u>3,554</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers out	<u>(3,945)</u>	<u>(3,608)</u>	<u>337</u>	<u>(2,400)</u>	<u>(2,000)</u>	<u>400</u>	<u>(6,345)</u>	<u>(5,608)</u>	<u>737</u>
Net change in fund balance	<u>\$ (2,911)</u>	<u>\$ 1,739</u>	<u>\$ 4,650</u>	<u>\$ (1,492)</u>	<u>\$ (1,851)</u>	<u>\$ (359)</u>	<u>\$ (4,403)</u>	<u>\$ (112)</u>	<u>\$ 4,291</u>

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2016</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,747	\$ 559	\$ -	\$ 3,306
<b>LIABILITIES</b>				
Due to participants	\$ 2,747	\$ 559	\$ -	\$ 3,306

**BONDS/LOANS/NOTES OUTSTANDING  
AS OF DECEMBER 31, 2016  
IN THOUSANDS**

Issues	Date	Final Maturity Date	Original Issue	Payments Prior Years	Payments Year Ended 12/31/16	Bonds/Loans/ Notes Issued/ Drawn Down in 2016	Bonds/ Loans/Notes Outstanding 12/31/2016	Refunded Bonds	Maturing in 2017	Future Maturities
<b>GENERAL OBLIGATION BONDS/LOANS/NOTES PAYABLE:</b>										
<b>GOVERNMENTAL ACTIVITIES:</b>										
G.O. Park Bonds:										
2012D	8-Jun-12	1-Mar-17	\$ 7,000	\$ 4,650	\$ 1,160	\$ -	\$ 1,190	\$ -	\$ 1,190	\$ -
2014B	6-Feb-14	1-Mar-16	8,000	3,725	4,275	-	-	-	-	-
2015B	6-Aug-15	1-Mar-20	6,000	-	1,450	-	4,550	-	1,075	3,475
2016B	23-Jun-16	1-Mar-19	4,700	-	-	4,700	4,700	-	3,525	1,175
Subtotal: G.O. Park Bonds			25,700	8,375	6,885	4,700	10,440	-	5,790	4,650
G.O. Transit Bonds:										
2005C	1-May-05	1-Feb-25	32,000	28,120	3,880	-	-	3,555	-	-
2005C, Refunding	1-May-05	1-Feb-20	13,285	9,215	4,070	-	-	3,220	-	-
2007E, Refunding	15-Mar-07	1-Feb-22	10,110	5,440	705	-	3,965	-	695	3,270
2009A	1-Sep-09	1-Mar-29	43,000	25,890	2,630	-	14,480	-	2,700	11,780
2009E, Refunding	1-Dec-09	1-Feb-18	10,490	7,670	940	-	1,880	-	945	935
2010E	22-Dec-10	1-Feb-31	69,000	30,360	3,950	-	34,690	-	4,010	30,680
2012C	8-Jun-12	1-Mar-32	52,000	18,335	2,960	-	30,705	-	2,890	27,815
2012C, Refunding	8-Jun-12	1-Mar-23	5,105	375	560	-	4,170	-	575	3,595
2012H, Refunding	29-Oct-12	1-Feb-28	24,620	510	4,970	-	19,140	-	4,985	14,155
2014C	6-Feb-14	1-Mar-16	25,000	14,795	10,205	-	-	-	-	-
2015A	6-Aug-15	1-Mar-25	45,000	-	16,050	-	28,950	-	3,800	25,150
2016A	23-Jun-16	1-Mar-26	30,000	-	-	30,000	30,000	-	12,800	17,200
2016A, Refunding	23-Jun-16	1-Mar-25	6,025	-	-	6,025	6,025	-	1,030	4,995
Subtotal: G.O. Transit Bonds			365,635	140,710	50,920	36,025	174,005	6,775	34,430	139,575
Minnesota Public Facilities Authority Loans--Transit (Backed by General Obligation Notes):										
	12-Mar-99	15-Feb-20	21,025	19,125	365	-	1,535	-	375	1,160
	24-Jan-08	15-Feb-18	10,000	7,405	945	-	1,650	-	930	720
Subtotal: Minnesota Public Facility Authority Loans--Transit			31,025	26,530	1,310	-	3,185	-	1,305	1,880
Total Governmental Activities G.O. Bonds/Loans Payable			422,360	175,615	59,115	40,725	187,630	6,775	41,525	146,105
<b>BUSINESS-TYPE ACTIVITIES:</b>										
G.O. Grant Anticipation Transit Notes:										
2014A	6-Feb-14	1-Mar-16	100,800	92,100	8,700	-	-	-	-	-
Subtotal: G.O. Grant Anticipation Transit Notes:			100,800	92,100	8,700	-	-	-	-	-
Counties Transit Improvement Board Loans:										
CTIB Notes Payable	25-Sep-15	30-Jun-20 (b)	4,397	-	2,800	2,448	1,597	-	1,597	-
Subtotal: Counties Transit Improvement Board Loans:			4,397	-	2,800	2,448	1,597	-	1,597	-
G.O.Sewer Bonds:										
2008C	12-Mar-08	1-Mar-28	80,000	11,000	69,000	-	-	-	-	-
2010B	22-Feb-10	1-Feb-30	36,000	6,500	29,500	-	-	26,600	-	-
2010F	22-Dec-10	1-Dec-30	65,000	13,630	3,145	-	48,225	-	1,000	47,225
2012B	8-Jun-12	1-Sep-32	55,110	6,250	1,250	-	47,610	-	1,250	46,360
2012E, Refunding	8-Jun-12	1-Sep-25	82,590	10,455	8,030	-	64,105	-	5,850	58,255
2012F, Refunding	29-Jun-12	1-Sep-22	214,035	68,125	23,625	-	122,285	-	23,840	98,445
2012I, Refunding	29-Oct-12	1-Mar-28	127,235	-	4,470	-	122,765	-	8,250	114,515
2014D	6-Feb-14	1-Sep-34	60,000	1,000	2,025	-	56,975	-	2,110	54,865
2015C	6-Aug-15	1-Mar-35	100,000	-	4,000	-	96,000	-	1,500	94,500
2016C	23-Jun-16	1-Mar-36	100,000	-	-	100,000	100,000	-	3,500	96,500
2016C, Refunding	23-Jun-16	1-Mar-30	23,355	-	-	23,355	23,355	-	25	23,330
Subtotal: G.O. Sewer Bonds			943,325	116,960	145,045	123,355	681,320	26,600	47,325	633,995
Minnesota Public Facilities Authority Loans--Sewer: (Backed by General Obligation Notes)										
	1-Sep-03	20-Feb-16	4,045	3,992	53	-	-	-	-	-
	26-Nov-03	20-Aug-23	100,000	38,500	8,500	-	53,000	-	9,500	43,500
	20-Oct-04	20-Feb-25	50,000	23,500	2,300	-	24,200	-	2,400	21,800
	10-Nov-05	20-Feb-25	40,000	11,370	2,550	-	26,080	-	3,000	23,080
	30-Aug-06	20-Aug-26	50,000	11,450	2,000	-	36,550	-	2,750	33,800
	11-Oct-07	20-Aug-27	80,000	7,800	3,950	-	68,250	-	8,000	60,250
	10-Sep-09	20-Aug-29	49,411	11,426	155	-	37,830	-	1,235	36,595
	28-Oct-09	20-Aug-29	30,589	7,074	95	-	23,420	-	765	22,655
	12-Jan-11	20-Aug-30	70,000	13,684	3,312	-	53,004	-	3,371	49,633
	15-Feb-12	20-Aug-31	60,000	7,235	1,823	-	50,942	-	1,367	49,575
	23-May-13	20-Aug-32	40,000	3,100	4,000	-	32,900	-	700	32,200
	30-Dec-13	20-Aug-33	60,000	3,000	4,000	-	53,000	-	2,000	51,000
	10-Dec-14	20-Aug-34	60,000	1,000	2,500	-	56,500	-	2,500	54,000
	6-Nov-15	20-Aug-35 (a)	57,574	-	1,500	40,214	56,075	-	1,202	54,872
Subtotal: Minnesota Public Facility Authority Loans--Sewer			751,619	143,131	36,738	40,214	571,751	-	38,790	532,960
Total G.O.Sewer Bonds/Loans Payable			1,694,944	260,091	181,783	163,569	1,253,071	26,600	86,115	1,166,955
Total Business-type Activities G.O. Bonds/Loans/Notes Payable			1,800,141	352,191	193,283	166,017	1,254,668	26,600	87,712	1,166,955
Total General Obligation Bonds/Loans/Notes Payable			\$ 2,222,501	\$ 527,806	\$ 252,398	\$ 206,742	\$ 1,442,298	\$ 33,375	\$ 129,237	\$ 1,313,060

(a) Of the \$70 million note executed in 2015, only the amount shown was drawn down as of 12/31/16  
(b) Of the \$14 million note executed in 2015, only the amount shown was drawn down as of 12/31/16

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
IN THOUSANDS**

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Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>				
Direct				
Shelter Plus Care	14.238	MN0046L5K011508	\$ 536	\$ -
Shelter Plus Care	14.238	MN0046L5K011407	229	-
Shelter Plus Care	14.238	MN0010L5K001508	1,042	-
Shelter Plus Care	14.238	MN0010L5K001407	727	-
Shelter Plus Care	14.238	MN0068L5K031508	145	-
Shelter Plus Care	14.238	MN0068L5K031407	75	-
<b>Total CFDA #14.238</b>			<b>2,754</b>	<b>-</b>
Section 8 Housing Choice Vouchers	14.871	MN163VO/MN163AF	<b>61,952</b>	<b>-</b>
Passed through City of Minneapolis				
Housing Opportunities for Persons with AIDS	14.241	C-40303	189	-
Housing Opportunities for Persons with AIDS	14.241	C-41555	272	-
<b>Total CFDA #14.241</b>			<b>461</b>	<b>-</b>
<b>Total U. S. Department of Housing and Urban Development</b>			<b>65,167</b>	<b>-</b>
<b>U.S. Department of Transportation</b>				
Direct				
Federal Transit Administration				
Highway Planning and Construction				
2004 Urban Guarantee Section 133 (Total Highway Planning and Construction 20.205 \$1,345)	20.205	MN-90-X201	<b>597</b>	<b>-</b>
Federal Transit Cluster				
Federal Transit Capital Investment Grants				
2003 Section 5309	20.500	MN-03-0086	18	-
2000 Section 5309	20.500	MN-03-0101	1,157	-
2005 Section 5309	20.500	MN-03-0126	4	4
2006 Section 5309	20.500	MN-03-0200	3,404	771
2010 Section 5309 D2010-BUSP-05	20.500	MN-04-0039	80	-
2011 Section 5309	20.500	MN-04-0040	317	-
2013 Section 5309	20.500	MN-04-0049	66	-
2012 Section 5309	20.500	MN-04-0050	247	247
2015 Section 5309	20.500	MN-04-0053	159	-
2007-2008 Section 5309	20.500	MN-05-0019	36	-
2011 Section 5309	20.500	MN-05-0020	84	-
2012-2015 Section 5309 (Total Federal Transit Cluster \$96,935)	20.500	MN-05-0022	125	-
<b>Total CFDA #20.500</b> (Total Federal Transit Capital Investments 20.500 \$8,448)			<b>5,697</b>	<b>1,022</b>
Federal Transit Formula Grants				
2003 Section 5307	20.507	MN-90-X204	11	-
2003-2005 Section 5307	20.507	MN-90-X226	44	-
2006 Section 5307	20.507	MN-90-X235	143	-
2006 Section 5307	20.507	MN-90-X238	69	-
2007 Section 5307	20.507	MN-90-X242	49	-
2007 - 2008 Section 5307	20.507	MN-90-X260	44	-

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, 2016  
IN THOUSANDS**

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Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Transportation</b>				
Direct				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit Formula Grants (Continued)				
2010 Section 5307	20.507	MN-90-X274	338	-
2011 Section 5307	20.507	MN-90-X282	905	-
2011 Section 5307	20.507	MN-90-X283	2,274	-
2011 Section 5307	20.507	MN-90-X286	20	-
2011 Section 5307	20.507	MN-90-X289	257	-
2012 Section 5307	20.507	MN-90-X296	33	-
2012 Section 5307	20.507	MN-90-X297	4	-
2012 - 2013 Section 5307	20.507	MN-90-X300	275	-
2013 Section 5307	20.507	MN-90-X305	507	-
2013 Section 5307	20.507	MN-90-X307	1,526	-
2013 Section 5307	20.507	MN-90-X312	150	-
2013 Section 5307	20.507	MN-90-X315	1,969	-
2013-2014 Section 5307	20.507	MN-90-X323	10,708	-
2014 Section 5307	20.507	MN-90-X324	19,716	-
2013 Section 5307	20.507	MN-90-X328	2,498	-
2015 Section 5307	20.507	MN-90-X331	111	-
2015 Section 5307	20.507	MN-90-X332	1,141	-
2014 Section 5307	20.507	MN-90-X333	1,230	-
2015 Section 5307	20.507	MN-90-X337	8,098	-
2014 Section 5307	20.507	MN-90-X340	3,974	-
2013 Section 5307	20.507	MN-90-X344	1,039	-
2007 Section 5307	20.507	MN-95-X001	159	-
2008 CMAQ	20.507	MN-95-X008	(4)	-
2010 -2013 CMAQ	20.507	MN-95-X015	360	360
2012 Section 5307	20.507	MN-95-X026	922	922
2012 CMAQ	20.507	MN-95-X028	1,116	-
2012 Section 5307	20.507	MN-95-X031	47	-
2013 Section 5307	20.507	MN-95-X037	767	622
2014 CMAQ	20.507	MN-95-X040	3,483	902
2014 CMAQ	20.507	MN-95-X041	219	-
2015 CMAQ	20.507	MN-95-X042	430	60
2014 CMAQ	20.507	MN-95-X043	2,300	-
2015 CMAQ	20.507	MN-95-X044	3,614	355
2016 CMAQ	20.507	MN-2016-004	615	314
2015-2016 Section 5307	20.507	MN-2016-008-05	497	-
(Total Federal Transit Cluster \$96,935)				
<b>Total CFDA #20.507</b>			<b>71,658</b>	<b>3,535</b>
State of Good Repair Grants Program				
Rail Assoc Capital Maint	20.525	MN-54-0002	1,530	-
Bus Hoists & Tire Lease	20.525	MN-54-0003	10	-
2014 MT Buses	20.525	MN-54-0004	6,328	-
LRT and Facility Upgrades	20.525	MN-54-0005	1,034	-
2015 Rail Projects	20.525	MN-54-0006	841	-
2015 Section 5337	20.525	MN-2016-008-01	894	-
2016 Section 5337	20.525	MN-2016-006-02	225	-
(Total Federal Transit Cluster \$96,935)				
<b>Total CFDA #20.525</b>			<b>10,862</b>	<b>-</b>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
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<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number/ Pass-Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Transportation</b>				
Direct				
Federal Transit Administration				
Federal Transit Cluster (Continued)				
Bus and Bus Facilities Formula Program 2014 Section 5339 (Total Federal Transit Cluster \$96,935)	20.526	MN-34-0002	<u>5,967</u>	<u>-</u>
Transit Services Programs Cluster Job Access and Reverse Commute Program 2010-2012 Section 5316	20.516	MN-37-X015	<u>67</u>	<u>67</u>
New Freedom Program 2011-2013 New Freedom (Total Transit Services Cluster \$335)	20.521	MN-57-X006	<u>268</u>	<u>257</u>
Alternatives Analysis 2008 Section 5339	20.522	MN-39-0002	626	626
2011 -2012 Section 5339	20.522	MN-39-0005	<u>2</u>	<u>2</u>
<b>Total CFDA #20.522</b>			<u><b>628</b></u>	<u><b>628</b></u>
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction				
Transit On Board Survey (Total Highway Planning and Construction 20.205 \$1,345)	20.205	1001373	<u>748</u>	<u>-</u>
Federal Transit Cluster				
Federal Transit Capital Investment Grants				
Northstar Commuter Rail Project (Total Federal Transit Capital Investments Grants 20.500 \$8,448) (Total Federal Transit Cluster \$96,935)	20.500	90799	<u>2,751</u>	<u>-</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				
2012 Unified Planning Work Program (UPWP)	20.505	07304	677	-
2016 Unified Planning Work Program (UPWP)	20.505	1002842	<u>3,052</u>	<u>265</u>
<b>Total CFDA #20.505</b>			<u><b>3,729</b></u>	<u><b>265</b></u>
Formula Grants for Rural Areas 2010 Section 5311	20.509	1001755	<u>1,214</u>	<u>-</u>
Passed Through Operation Lifesaver, Inc. Railroad Safety	20.301	Not provided	<u>20</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u><b>104,206</b></u>	<u><b>5,774</b></u>
<b>U.S. Environmental Protection Agency</b>				
Passed Through Minnesota Public Facilities Authority				
Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA -16-0004R-FY16	<u>40,214</u>	<u>-</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
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<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number/ Pass-Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Homeland Security</b>				
Federal Emergency Management Agency (FEMA)				
Passed Through Minnesota Department of Public Safety				
Homeland Security Grant Program				
2014 State Homeland Security Program	97.067	A-SHSP-2014-METCOUN-00012	33	-
2015 State Homeland Security Program	97.067	A-SHSP-2015-METCOUN-00013	39	-
<b>Total CFDA #97.067</b>			<b>72</b>	<b>-</b>
Rail and Transit Security Grant Program	97.075	EMW-2014-RA00014	186	-
Rail and Transit Security Grant Program	97.075	EMW-2015-RA00021	235	-
<b>Total CFDA #97.075</b>			<b>421</b>	<b>-</b>
<b>Total U.S. Department of Homeland Security</b>			<b>493</b>	<b>-</b>
<b>Total Federal Awards</b>			<b>\$ 210,080</b>	<b>\$ 5,774</b>

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, 2016**

**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**

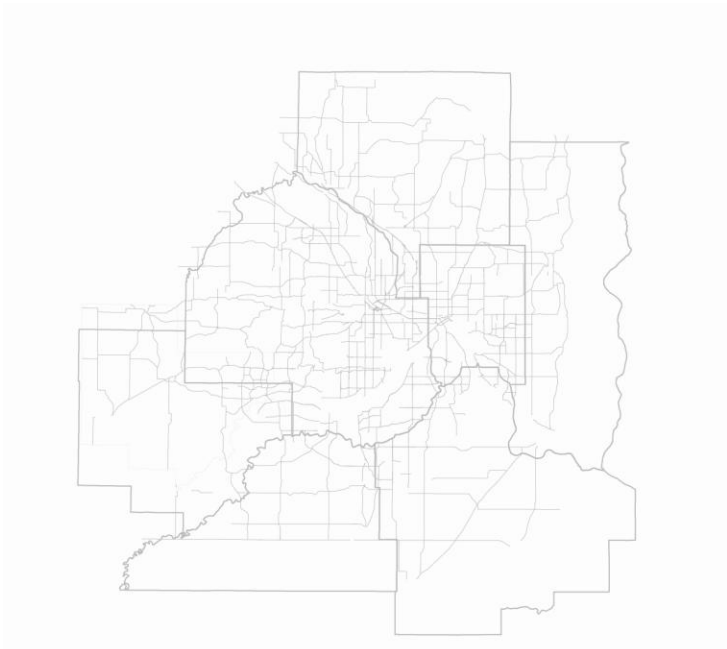
The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Metropolitan Council under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Metropolitan Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Metropolitan Council.

**3. Summary of Significant Accounting Policies**

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

# 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.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	104-107
Revenue Capacity These schedules contain information to help the reader assess the Council's most significant local revenue source, the property tax.	108-112
Debt Capacity These schedules present information to help the reader assess the affordability of the Council's current levels of outstanding debt and the Council's ability to issue additional debt in the future.	113-122
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Council's financial activities take place.	123-124
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Council's financial report relates to the services the Council provides and the activities it performs.	125-127

### 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)**

	2016	2015	2014	2013	2012 <sup>1</sup>	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	\$ 81,285	\$ 77,789	\$ 58,521	\$ 58,498	\$ 50,807	\$ 34,482	\$ 55,868	\$ 28,613	\$ 17,069	\$ 17,060
Restricted	284,575	309,633	315,137	230,051	273,620	211,377	246,986	162,814	152,325	107,253
Unrestricted	(126,124)	(159,310)	(179,688)	(75,745)	(146,295)	(88,722)	(165,010)	(84,128)	(104,689)	(62,054)
Total governmental activities net position	<u>\$ 239,736</u>	<u>\$ 228,112</u>	<u>\$ 193,970</u>	<u>\$ 212,804</u>	<u>\$ 178,132</u>	<u>\$ 157,137</u>	<u>\$ 137,844</u>	<u>\$ 107,299</u>	<u>\$ 64,705</u>	<u>\$ 62,259</u>
Business-type activities										
Net investment in capital assets	\$ 2,840,890	\$ 2,786,866	\$ 2,560,539	\$ 2,660,971	\$ 2,426,834	\$ 2,119,631	\$ 1,695,361	\$ 1,590,590	\$ 1,451,577	\$ 1,376,046
Restricted	45,132	108,188	443,824	295,447	271,959	8,039	28,180	4,205	38,715	19,751
Unrestricted	(119,454)	(62,933)	(289,409)	(106,789)	(72,722)	157,392	127,979	142,542	76,411	139,993
Total business-type activities net position	<u>\$ 2,766,568</u>	<u>\$ 2,832,121</u>	<u>\$ 2,714,954</u>	<u>\$ 2,849,629</u>	<u>\$ 2,626,071</u>	<u>\$ 2,285,062</u>	<u>\$ 1,851,520</u>	<u>\$ 1,737,337</u>	<u>\$ 1,566,703</u>	<u>\$ 1,535,790</u>
Total										
Net investment in capital assets	\$ 2,922,175	\$ 2,864,655	\$ 2,619,060	\$ 2,719,469	\$ 2,477,641	\$ 2,154,113	\$ 1,751,229	\$ 1,619,203	\$ 1,468,646	\$ 1,393,106
Restricted	329,707	417,821	758,961	525,498	545,579	219,416	275,166	167,019	191,040	127,004
Unrestricted	(245,578)	(222,243)	(469,097)	(182,534)	(219,017)	68,670	(37,031)	58,414	(28,278)	77,939
Total governmental and business-type activities net position	<u>\$ 3,006,304</u>	<u>\$ 3,060,233</u>	<u>\$ 2,908,924</u>	<u>\$ 3,062,433</u>	<u>\$ 2,804,203</u>	<u>\$ 2,442,199</u>	<u>\$ 1,989,364</u>	<u>\$ 1,844,636</u>	<u>\$ 1,631,408</u>	<u>\$ 1,598,049</u>

Notes:

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

Unaudited

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

	2016	2015	2014 <sup>1</sup>	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Governmental activities:										
General government	\$ 29,151	\$ 6,159	\$ 12,544	\$ 11,903	\$ 11,310	\$ 10,601	\$ 8,961	\$ 9,067	\$ 9,823	\$ 9,848
Transportation	146,214	143,681	138,525	126,384	116,818	107,251	107,087	107,715	102,476	92,732
Culture and recreation	48,704	27,984	30,657	37,337	46,358	30,659	31,860	28,151	39,007	26,377
Economic revitalization	10,756	12,250	8,153	12,733	9,446	4,684	6,767	4,488	1,136	4,548
Environment development	6,413	7,268	5,918	5,946	8,476	3,973	2,216	3,560	3,313	9,302
Housing	732	1,404	1,847	1,759	1,348	1,393	2,380	594	1,504	1,831
Interest and other charges	6,496	2,297	6,622	9,445	7,391	5,953	7,413	8,491	9,606	12,969
Total governmental activities expenses	248,466	201,043	204,266	205,507	201,147	164,514	166,684	162,066	166,865	157,607
Business-type activities:										
Environmental services	274,544	207,812	233,979	253,333	200,342	198,406	190,406	192,990	218,856	190,763
Transit bus	475,809	334,213	314,305	316,005	310,737	302,758	301,905	302,669	299,435	264,612
Transit light rail	166,464	141,209	142,929	66,082	69,975	66,183	58,334	51,895	55,766	49,524
Transit commuter rail	27,936	24,478	23,541	22,944	24,716	21,860	19,576	6,834	770	-
Housing	69,417	64,869	62,697	58,911	58,406	57,682	56,574	56,201	53,880	55,432
Total business-type activities expenses	1,014,170	772,581	777,451	717,275	664,176	646,889	626,795	610,589	628,707	560,331
Total expenses	\$ 1,262,636	\$ 973,624	\$ 981,717	\$ 922,782	\$ 865,323	\$ 811,403	\$ 793,479	\$ 772,655	\$ 795,572	\$ 717,938
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
Transit fares	\$ 7,895	\$ 10,015	\$ 9,214	\$ 8,825	\$ 7,661	\$ 8,108	\$ 7,514	\$ 7,443	\$ 6,396	\$ 7,254
Insurance reimbursements	586	140	208	196	124	285	180	203	172	118
Other activities	8,375	290	262	74	203	69	29	6	-	89
Operating grants and contributions	124,564	117,803	109,086	90,856	56,503	56,884	50,720	45,563	46,842	53,051
Capital grants and contributions	64,569	54,921	40,498	52,380	62,693	34,963	38,315	49,379	32,812	38,336
Total governmental activities program revenues	205,989	183,169	159,268	152,331	127,184	100,309	96,758	102,594	86,222	98,848
Business-type activities:										
Charges for services										
Wastewater	254,223	243,035	233,468	221,381	207,900	205,847	209,960	210,535	203,292	190,491
Transit fares	104,120	103,270	101,638	98,644	98,451	95,806	92,537	89,913	86,293	80,111
Other activities	1,116	1,112	1,013	994	902	779	789	781	744	661
Operating grants and contributions	373,874	323,292	369,833	262,658	276,255	246,436	226,647	255,898	211,805	237,438
Capital grants and contributions	156,981	181,712	177,690	288,045	380,174	494,132	181,429	195,827	129,184	57,603
Total business-type activities program revenues	890,314	852,421	883,642	871,722	963,682	1,043,000	711,362	752,954	631,318	566,304
Total program revenues	\$ 1,096,303	\$ 1,035,590	\$ 1,042,910	\$ 1,024,053	\$ 1,090,866	\$ 1,143,309	\$ 808,120	\$ 855,548	\$ 717,540	\$ 665,152
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (42,477)	\$ (17,874)	\$ (44,998)	\$ (53,176)	\$ (73,963)	\$ (64,205)	\$ (69,926)	\$ (59,472)	\$ (80,643)	\$ (58,759)
Business-type activities	(123,856)	79,840	106,191	154,447	299,506	396,111	84,567	142,365	2,611	5,973
Total net (expenses) revenues	\$ (166,333)	\$ 61,966	\$ 61,193	\$ 101,271	\$ 225,543	\$ 331,906	\$ 14,641	\$ 82,893	\$ (78,032)	\$ (52,786)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property tax	\$ 81,859	\$ 77,435	\$ 76,785	\$ 77,533	\$ 75,043	\$ 73,798	\$ 73,140	\$ 71,281	\$ 70,217	\$ 68,825
Market value and other credits	-	-	-	-	-	2,381	2,278	2,130	2,120	2,267
Motor vehicle sales tax	-	-	-	49,094	36,799	29,109	33,061	35,694	31,785	27,216
Investment earnings	2,891	3,371	12,035	(4,146)	4,419	7,675	6,027	4,831	5,981	14,249
Gain on sale of capital assets	813	310	275	378	350	-	-	97	83	446
Transfers	(31,462)	(29,100)	(24,628)	(35,011)	(21,653)	(29,465)	(14,035)	(11,967)	(27,097)	(17,739)
Total governmental activities	54,101	52,016	64,467	87,848	94,958	83,498	100,471	102,066	83,089	95,264
Business-type activities:										
Taxes										
Property tax	-	2,000	3,379	-	-	-	-	-	-	-
Investment earnings	26,841	6,227	37,611	33,878	19,850	7,966	15,581	16,302	1,205	12,912
Gain on sale of capital assets	-	-	261	222	-	-	-	-	-	-
Transfers	31,462	29,100	24,628	35,011	21,653	29,465	14,035	11,967	27,097	17,739
Total business-type activities	58,303	37,327	65,879	69,111	41,503	37,431	29,616	28,269	28,302	30,651
Total general revenues and other changes in net position	\$ 112,404	\$ 89,343	\$ 130,346	\$ 156,959	\$ 136,461	\$ 120,929	\$ 130,087	\$ 130,335	\$ 111,391	\$ 125,915
<b>Changes in Net Position</b>										
Governmental activities	\$ 11,624	\$ 34,142	\$ 19,469	\$ 34,672	\$ 20,995	\$ 19,293	\$ 30,545	\$ 42,594	\$ 2,446	\$ 36,505
Business-type activities	(65,553)	117,167	172,070	223,558	341,009	433,542	114,183	170,634	30,913	36,624
Total changes in net position	\$ (53,929)	\$ 151,309	\$ 191,539	\$ 258,230	\$ 362,004	\$ 452,835	\$ 144,728	\$ 213,228	\$ 33,359	\$ 73,129

Unaudited

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund										
Committed	\$ 6,145	\$ 6,153	\$ 6,338	\$ 6,363	\$ 6,008	\$ 5,297	\$ 4,537	\$ 3,793	\$ 2,899	\$ 2,612
Assigned	3,608	5,832	4,176	4,242	4,218	5,662	4,796	3,025	2,915	3,279
Unassigned	15,634	13,514	11,926	12,283	13,751	12,225	13,585	13,213	11,748	11,766
Total general fund	<u>\$ 25,387</u>	<u>\$ 25,499</u>	<u>\$ 22,440</u>	<u>\$ 22,888</u>	<u>\$ 23,977</u>	<u>\$ 23,184</u>	<u>\$ 22,918</u>	<u>\$ 20,031</u>	<u>\$ 17,562</u>	<u>\$ 17,657</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,724	\$ 41,875	\$ 37,712
Restricted	284,575	309,633	315,137	287,965	340,670	306,905	319,238	203,039	174,126	147,216
Committed	59,788	53,204	57,526	63,338	30,236	30,164	32,140	30,785	27,474	29,210
Assigned	598	-	-	-	-	-	-	-	-	-
Unassigned	(6,557)	(20,074)	(26,014)	(22,261)	(23,675)	(44,489)	(35,143)	(17,578)	(37,438)	(9,468)
Total all other governmental funds	<u>\$ 338,404</u>	<u>\$ 342,763</u>	<u>\$ 346,649</u>	<u>\$ 329,042</u>	<u>\$ 347,231</u>	<u>\$ 292,580</u>	<u>\$ 316,235</u>	<u>\$ 261,970</u>	<u>\$ 206,037</u>	<u>\$ 204,670</u>
Total all governmental funds	<u>\$ 363,791</u>	<u>\$ 368,262</u>	<u>\$ 369,089</u>	<u>\$ 351,930</u>	<u>\$ 371,208</u>	<u>\$ 315,764</u>	<u>\$ 339,153</u>	<u>\$ 282,001</u>	<u>\$ 223,599</u>	<u>\$ 222,327</u>

Unaudited



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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>REVENUES</b>										
Taxes	\$ 81,487	\$ 77,766	\$ 75,327	\$ 77,920	\$ 76,382	\$ 72,658	\$ 72,752	\$ 71,223	\$ 70,161	\$ 68,383
Intergovernmental revenue:										
Federal	22,840	36,677	20,950	22,629	38,933	18,460	20,107	19,947	14,009	20,046
Build America bonds interest subsidy	738	800	859	937	1,037	825	423	-	-	-
State	163,701	133,488	125,895	165,201	115,087	103,371	103,583	112,758	99,548	97,324
Local/other	10,815	2,189	2,350	3,653	1,062	1,493	1,108	1,101	927	3,759
Investment income	2,891	3,371	12,035	(4,146)	4,419	7,675	6,027	4,831	5,981	14,249
Other	7,895	10,015	9,214	9,005	7,864	7,650	6,876	6,612	5,713	7,202
Total revenues	<u>290,367</u>	<u>264,306</u>	<u>246,630</u>	<u>275,199</u>	<u>244,784</u>	<u>212,132</u>	<u>210,876</u>	<u>216,472</u>	<u>196,339</u>	<u>210,963</u>
<b>EXPENDITURES</b>										
Current:										
General government	10,568	8,913	12,496	11,232	10,914	8,861	7,638	7,932	8,862	8,817
Transportation	87,148	85,187	83,119	75,611	70,028	67,418	63,424	58,175	60,468	54,233
Economic development	-	-	49	275	866	-	-	-	-	-
Intergovernmental:										
Transportation	39,262	40,705	39,682	36,289	31,616	26,144	30,474	38,100	31,616	30,262
Culture and recreation	48,704	27,984	30,657	37,337	46,358	30,659	31,860	28,151	39,007	26,377
Economic revitalization	10,756	12,250	8,104	12,458	8,580	4,684	6,767	4,488	1,136	4,548
Environment development	6,413	7,268	5,918	5,946	8,476	3,973	2,216	3,560	3,313	9,302
Housing	732	1,404	1,847	1,759	1,348	1,393	2,380	594	1,504	1,831
Debt service:										
Principal	59,905	66,450	41,065	40,140	46,880	43,465	53,475	35,325	43,515	44,295
Interest and other charges	8,561	7,696	9,107	9,659	7,482	8,143	8,552	8,560	10,280	13,217
Capital outlay	37,276	39,109	21,399	29,292	32,376	11,480	10,945	18,916	5,796	22,198
Total expenditures	<u>309,325</u>	<u>296,966</u>	<u>253,443</u>	<u>259,998</u>	<u>264,924</u>	<u>206,220</u>	<u>217,731</u>	<u>203,801</u>	<u>205,497</u>	<u>215,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,958)</u>	<u>(32,660)</u>	<u>(6,813)</u>	<u>15,201</u>	<u>(20,140)</u>	<u>5,912</u>	<u>(6,855)</u>	<u>12,671</u>	<u>(9,158)</u>	<u>(4,117)</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	5,138	4,018	1,478	2,316	1,802	1,693	1,150	1,101	3,953	3,832
Transfers out	(36,600)	(28,646)	(22,199)	(37,327)	(23,704)	(31,158)	(15,185)	(19,632)	(31,241)	(21,805)
Bonds issued	34,700	51,000	42,077	-	59,000	-	77,600	53,000	50,300	45,900
Refunding bonds issued	6,025	-	-	-	29,725	-	-	10,490	-	17,375
Premium on bonds and capital related debt	3,903	5,119	2,362	-	5,388	-	296	588	841	698
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(13,600)	(2,860)
Premium on refunding bonds	797	-	-	-	2,829	-	-	-	-	-
Sale of capital assets	524	342	254	532	544	164	146	184	177	446
Total other financing sources (uses)	<u>14,487</u>	<u>31,833</u>	<u>23,972</u>	<u>(34,479)</u>	<u>75,584</u>	<u>(29,301)</u>	<u>64,007</u>	<u>45,731</u>	<u>10,430</u>	<u>43,586</u>
Net change in fund balances	<u>\$ (4,471)</u>	<u>\$ (827)</u>	<u>\$ 17,159</u>	<u>\$ (19,278)</u>	<u>\$ 55,444</u>	<u>\$ (23,389)</u>	<u>\$ 57,152</u>	<u>\$ 58,402</u>	<u>\$ 1,272</u>	<u>\$ 39,469</u>
Debt service as a percentage of noncapital expenditures	25.2%	28.8%	21.6%	21.6%	23.4%	26.5%	30.0%	23.7%	26.9%	29.8%

Unaudited

**GENERAL GOVERNMENTAL REVENUES AND  
OTHER FINANCING SOURCES BY SOURCE  
LAST TEN YEARS ENDED DECEMBER 31 <sup>1</sup>  
IN THOUSANDS**

Year	Taxes			Intergovernmental Revenue				Investment Income		Other Revenue and Financing Sources	Total Revenue and Other Financing Sources
	General	Special Revenue	Debt Service	Federal	Build America Bonds Interest Subsidy	State	Local/ Other	General and Special Revenue Funds	Debt Service Funds		
2007	\$ 9,862	\$ 14,891	\$ 43,630	\$ 20,046	-	\$ 78,936	\$ 259	\$ 8,110	\$ 5,116	\$ 10,462	\$ 191,312
2008	9,921	16,041	44,199	14,009	-	77,301	927	3,098	1,986	6,734	174,216
2009	9,911	16,165	45,147	19,947	-	80,125	1,101	3,133	1,313	7,633	184,475
2010	12,621	16,287	43,844	20,107	423	79,129	1,108	3,620	1,648	7,897	186,684
2011	9,023	16,321	47,314	18,460	825	81,785	1,493	4,228	1,649	8,728	189,826
2012	12,879	16,703	46,800	38,933	1,037	87,228	1,062	2,281	814	41,988	249,725
2013	10,602	18,983	48,335	22,629	937	133,559	1,666	(1,033)	(1,884)	11,026	244,820
2014	10,458	15,885	48,984	8,568	859	101,210	1,984	6,866	3,214	21,681	219,709
2015	11,852	16,505	49,409	7,379	800	110,197	1,829	2,083	752	16,242	217,048
2016	14,371	16,277	50,839	10,364	738	118,523	2,370	1,985	447	23,227	239,141

Unaudited

Notes: <sup>1</sup> Includes general, special revenue, and debt service funds.

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

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>		<u>Ratio of Net Tax Capacity Value to Market Value</u>	<u>Total Direct Tax Rate</u>
	<u>Market Value</u>	<u>Market Value</u>	<u>Market Value</u>	<u>Net Tax Capacity Value</u>		
2007	\$ 321,253,465	\$ 2,598,414	\$ 323,851,879	\$ 3,862,772	1.2%	0.01
2008	323,122,709	2,629,555	325,752,264	3,915,642	1.2%	0.01
2009	309,773,933	2,668,987	312,442,920	3,768,981	1.2%	0.01
2010	291,973,299	2,900,339	294,873,638	3,510,991	1.2%	0.01
2011	282,206,820	2,960,869	285,167,689	3,260,224	1.1%	0.02
2012	268,503,058	3,126,112	271,629,170	3,111,683	1.1%	0.02
2013	271,603,265	3,175,512	274,778,777	3,150,328	1.1%	0.03
2014	295,616,567	3,319,277	298,935,844	3,426,187	1.1%	0.01
2015	312,067,619	3,522,198	315,589,817	3,634,111	1.2%	0.01
2016	329,058,583	3,822,316	332,880,899	3,858,157	1.2%	0.01

Unaudited

Source: State of Minnesota, Department of Revenue.

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

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

<b>Year</b>	<b>General Fund</b>	<b>Highway Right-of-Way Fund</b>	<b>Special Revenue and Transit Funds</b>	<b>Debt Service Funds</b>	<b>Total Direct Tax Rate</b>	<b>School Districts</b>	<b>Counties</b>	<b>Cities and Townships</b>	<b>Other</b>
2007	0.00	0.00	0.00	0.01	0.01	0.29	0.28	0.26	0.32
2008	0.00	0.00	0.00	0.01	0.01	0.30	0.29	0.28	0.34
2009	0.00	0.00	0.00	0.01	0.01	0.34	0.32	0.30	0.38
2010	0.00	0.00	0.00	0.01	0.01	0.37	0.35	0.33	0.40
2011	0.00	0.00	0.00	0.02	0.02	0.40	0.37	0.36	0.45
2012	0.00	0.00	0.00	0.02	0.02	0.42	0.39	0.38	0.47
2013	0.00	0.00	0.01	0.02	0.03	0.43	0.39	0.38	0.46
2014	0.00	0.00	0.00	0.01	0.01	0.40	0.36	0.35	0.44
2015	0.00	0.00	0.00	0.01	0.01	0.39	0.34	0.34	0.41
2016	0.00	0.00	0.00	0.01	0.01	0.40	0.34	0.34	0.39

Unaudited

Source: State of Minnesota, Department of Revenue.

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

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

*Largest taxpayers in Hennepin and Ramsey counties*

<u>Taxpayer</u>	2016			2007		
	Net Tax Capacity	Rank	Percentage of Total Tax Capacity <sup>1,3</sup>	2007 Tax Capacity	Rank	Percentage of Total Tax Capacity <sup>2,3</sup>
Xcel Energy / Northern States Power Co	\$ 19,428	1	0.50%	\$ 8,864	2	0.23%
MOA Mall Holdings LLC	16,449	2	0.43%	10,046	1	0.26
IDS MB Minneapolis 8th St LLC	4,755	3	0.12%	3,839	4	0.10
NWC Limited Partnership	4,493	4	0.12%	3,439	5	0.09
Minneapolis 225 Holdings LLC	4,385	5	0.11%	2,679	9	0.07
3M Company	3,846	6	0.10%	6,266	3	0.16
SRI Ten City Center LLC	3,729	7	0.10%	-	-	-
US Bank Corp	3,221	8	0.08%	-	-	-
Best Buy Co. Inc	3,204	9	0.08%	2,831	7	0.07
Wells REIT	3,055	10	0.08%	2,879	6	0.07
Flanagan-AMEX	-	-	-	2,599	10	0.07
First Minneapolis - Hines Co.	-	-	-	2,719	8	0.07
Total	<u>\$ 66,565</u>		<u>1.72%</u>	<u>\$ 46,161</u>		<u>1.19%</u>

Unaudited

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

- Notes
- <sup>1</sup> Net tax capacity value for 2016 = \$3,858,157
  - <sup>2</sup> Net tax capacity value for 2007 = \$3,862,772
  - <sup>3</sup> Net tax capacity value is determined by multiplying taxable market value by class rates for different types of property set by Minnesota state law.

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

<u>Year</u>	<u>Total Tax Levy</u>	<u>State Levy Reduction<sup>1</sup></u>	<u>Net Taxes Levied for the Year</u>	<u>Collected within the Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2007	\$ 71,067	\$ 2,267	\$ 68,800	\$ 67,750	98.47%	\$ 878	\$ 68,628	99.75%
2008	72,788	2,103	70,685	69,355	98.12%	1,017	70,372	99.56%
2009	73,886	2,101	71,785	70,248	97.86%	905	71,153	99.12%
2010	75,394	2,252	73,142	71,815	98.19%	316	72,131	98.62%
2011	75,424	2,353	73,071	71,923	98.43%	314	72,237	98.86%
2012	76,934	-	76,934	75,989	98.77%	164	76,153	98.98%
2013	78,452	-	78,452	77,651	98.98%	145	77,796	99.16%
2014	80,041	-	80,041	78,624	98.23%	868	79,492	99.31%
2015	80,431	-	80,431	79,757	99.16%	140	79,897	99.34%
2016	82,039	-	82,039	81,453	99.29%	-	81,453	99.29%

Unaudited

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

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

Fiscal Year	General Bonded Debt Outstanding						Percentage of	
	General Obligation Bonds Transit <sup>3</sup>	General Obligation Bonds Parks <sup>3</sup>	General Obligation Bonds Other	General Obligation Bonds Wastewater <sup>3</sup>	Less: Amounts Available in Debt Service Fund <sup>4</sup>	Total <sup>3</sup>	Actual Taxable Value <sup>1</sup> of Property	Per Capita <sup>2</sup>
2007	\$ 184,981	\$ 18,544	\$ 375	\$ 342,336	\$ 89,734	\$ 456,502	11.82%	\$ 139.62
2008	181,870	8,707	-	394,367	72,300	512,644	13.09%	155.29
2009	208,420	15,358	-	365,241	89,403	499,616	13.26%	150.01
2010	237,600	13,975	-	447,158	77,257	621,476	17.70%	185.21
2011	197,811	11,219	-	421,662	79,200	551,492	16.92%	162.70
2012	249,700	11,778	-	901,980	107,652	1,055,806	33.93%	308.42
2013	215,848	7,647	-	834,764	102,860	955,399	30.33%	276.06
2014	213,503	13,128	-	823,068	118,056	931,643	27.19%	266.51
2015	200,370	13,379	-	754,130	100,944	866,935	23.86%	245.97
2016	187,903	11,043	-	744,148	97,548	845,546	21.92%	239.90

Unaudited

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

Ratios are calculated using population from prior year.

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

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

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

<sup>4</sup> This is the amount restricted for debt service principal payments.

**RATIOS OF OUTSTANDING DEBT BY TYPE<sup>6</sup>**  
**LAST TEN YEARS ENDED DECEMBER 31**  
**IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)**

**Governmental Activities**

<b>Fiscal Year</b>	<b>General Obligation Bonds- Transit<sup>5</sup></b>	<b>General Obligation Bonds- Parks<sup>5</sup></b>	<b>General Obligation Bonds- Other</b>	<b>Revenue Bonds<sup>2</sup></b>	<b>PFA Transit Loan<sup>1</sup></b>	<b>Capital Leases</b>	<b>Total Governmental Activities<sup>5</sup></b>
2007	\$ 184,981	\$ 18,544	\$ 375	\$ 7,319	\$ 7,855	\$ 13,020	\$ 232,094
2008	181,870	8,707	-	6,279	16,210	12,495	225,561
2009	208,420	15,358	-	5,134	12,860	11,955	253,727
2010	237,600	13,975	-	3,938	10,635	11,395	277,543
2011	197,811	11,219	-	2,700	9,460	10,820	232,010
2012	249,700	11,778	-	1,368	8,255	10,225	281,326
2013	215,848	7,647	-	-	7,030	9,610	240,135
2014	213,503	13,128	-	-	5,780	8,570	240,981
2015	200,370	13,379	-	-	4,495	7,875	226,119
2016	187,903	11,043	-	-	3,185	7,085	209,216

Unaudited

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

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

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

<sup>3</sup> See the demographic and economic statistics schedule for personal income and population data. All ratios are calculated using personal income and population from prior calendar year.

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

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

<sup>6</sup> Table restated net of original issuance discounts and premiums.



**Business-Type Activities**

<b>General Obligation Grant Anticipation Transit Notes<sup>4</sup></b>	<b>General Obligation Bonds Wastewater<sup>5</sup></b>	<b>PFA Wastewater<sup>5</sup></b>	<b>CTIB Loan</b>	<b>Loan Payable</b>	<b>Total Business- Type Activities<sup>6</sup></b>	<b>Total Primary Government<sup>6</sup></b>	<b>Percentage of Personal Income<sup>3</sup></b>	<b>Per Capita<sup>3</sup></b>
\$ -	\$ 342,336	\$ 564,673	\$ -	\$ 1,405	\$ 908,414	\$ 1,140,508	0.75%	\$ 348.82
-	394,367	576,010	-	1,405	971,782	1,197,343	0.77%	362.69
-	365,241	592,169	-	1,405	958,815	1,212,542	0.82%	364.07
-	447,158	598,059	-	1,405	1,046,622	1,324,165	0.87%	394.62
88,567	421,662	633,750	-	1,405	1,145,384	1,377,394	0.84%	406.36
165,558	901,980	448,039	-	1,405	1,516,982	1,798,308	1.03%	525.32
143,224	834,764	483,124	-	1,405	1,462,517	1,702,652	0.97%	491.98
188,573	823,068	535,984	-	1,405	1,549,030	1,790,011	0.96%	512.07
8,931	754,130	567,813	1,949	1,405	1,334,228	1,560,347	0.80%	442.70
-	744,148	571,685	1,597	1,405	1,318,835	1,528,051	0.79%	433.54

**COMPILATION OF OVERLAPPING DEBT<sup>1</sup>**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**IN THOUSANDS**

Page (1 of 5)

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
<b>Counties:</b>			
Anoka	\$ 116,115	100.0%	\$ 116,115
Carver	29,255	100.0%	29,255
Dakota	-	99.7%	-
Hennepin	1,151,785	99.9%	1,150,633
Ramsey	209,862	100.0%	209,862
Scott	74,730	97.9%	73,161
Washington	177,010	100.0%	177,010
Total counties	1,758,757		1,756,036
<b>School districts:</b>			
ISD #11 Anoka	69,965	100.0%	69,965
ISD #12 Centennial	102,019	100.0%	102,019
ISD #13 Columbia Heights	14,085	100.0%	14,085
ISD #14 Fridley	75,795	100.0%	75,795
ISD #15 St. Francis	34,620	92.0%	31,850
ISD #16 Spring Lake Park	138,580	100.0%	138,580
ISD #108 Norwood-Young America	10,910	96.5%	10,528
ISD #110 Waconia	111,825	100.0%	111,825
ISD #111 Watertown-Mayer	49,100	88.8%	43,601
ISD #112 Chaska	246,825	100.0%	246,825
ISD #191 Burnsville	207,630	100.0%	207,630
ISD #192 Farmington	213,165	100.0%	213,165
ISD #194 Lakeville	131,960	100.0%	131,960
ISD #195 Randolph	6,405	88.3%	5,656
ISD #196 Rosemount	170,930	100.0%	170,930
ISD #197 West St. Paul	15,085	100.0%	15,085
ISD #199 Inver Grove Heights	61,840	100.0%	61,840
ISD #200 Hastings	36,745	99.9%	36,708
ISD #252 Cannon Falls	27,220	5.9%	1,606
ISD #270 Hopkins-Golden Valley	138,185	100.0%	138,185
ISD #271 Bloomington	53,600	100.0%	53,600
ISD #272 Eden Prairie	60,970	100.0%	60,970
ISD #273 Edina	172,010	100.0%	172,010
ISD #276 Minnetonka	198,373	100.0%	198,373
ISD #277 Westonka	46,160	100.0%	46,160
ISD #278 Orono	46,840	100.0%	46,840
ISD #279 Osseo	175,190	100.0%	175,190
ISD #280 Richfield	39,385	100.0%	39,385
ISD #281 Robbinsdale	217,764	100.0%	217,764
ISD #282 St Anthony-New Brighton	36,885	100.0%	36,885
ISD #283 St. Louis Park	43,030	100.0%	43,030
ISD #284 Wayzata	165,110	100.0%	165,110
ISD #286 Brooklyn Center	24,480	100.0%	24,480
ISD #424 Lester Prairie	3,585	0.2%	7
ISD #621 Mounds View	88,300	100.0%	88,300
ISD #622 North St. Paul-Maplewood-Oakdale	138,410	100.0%	138,410
ISD #623 Roseville	37,255	100.0%	37,255
ISD #624 White Bear Lake	86,195	100.0%	86,195
ISD #625 St. Paul	344,935	100.0%	344,935
ISD #659 Northfield	35,940	13.6%	4,888
ISD #716 Belle Plaine	30,240	84.9%	25,674

**COMPILATION OF OVERLAPPING DEBT<sup>1</sup>**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**IN THOUSANDS**

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<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
<b>School districts (continued):</b>			
ISD #717 Jordan	39,935	100.0%	39,935
ISD #719 Prior Lake	122,455	100.0%	122,455
ISD #720 Shakopee	222,585	100.0%	222,585
ISD #721 New Prague	97,370	47.2%	45,959
ISD #728 Elk River	274,800	35.3%	97,004
ISD #831 Forest Lake	162,965	87.2%	142,105
ISD #832 Mahtomedi	53,720	100.0%	53,720
ISD #833 South Washington	329,995	100.0%	329,995
ISD #834 Stillwater	113,990	100.0%	113,990
ISD #877 Buffalo-Hanover-Montrose	78,265	13.9%	10,879
ISD #879 Delano	79,285	35.2%	27,908
ISD #883 Rockford	46,220	65.4%	30,228
ISD #916 Special Intermediate-Vo Tech	80,750	100.0%	80,750
ISD #2144 Chisago Lakes	10,675	4.4%	470
ISD #2397 LeSueur-Henderson	12,035	1.3%	156
ISD #2687 Howard Lake-Waverly-Winsted	43,125	0.5%	216
ISD #2859 Glencoe-Sliver Lake	23,695	0.2%	47
SSD #1 Minneapolis	410,825	100.0%	410,825
SSD #6 South St. Paul	36,680	100.0%	36,680
Total school districts	6,146,916		5,599,206
<b>Cities:</b>			
Afton	6,565	100.0%	6,565
Andover	27,110	100.0%	27,110
Anoka	7,265	100.0%	7,265
Apple Valley	42,290	100.0%	42,290
Arden Hills	-	100.0%	-
Bayport	2,025	100.0%	2,025
Belle Plaine	16,865	100.0%	16,865
Bethel	649	100.0%	649
Birchwood	47	100.0%	47
Blaine	36,661	100.0%	36,661
Bloomington	65,250	100.0%	65,250
Brooklyn Center	51,303	100.0%	51,303
Brooklyn Park	39,390	100.0%	39,390
Burnsville	65,300	100.0%	65,300
Carver	17,948	100.0%	17,948
Centerville	8,765	100.0%	8,765
Champlin	9,085	100.0%	9,085
Chanhassen	21,320	100.0%	21,320
Chaska	100,605	100.0%	100,605
Circle Pines	17,500	100.0%	17,500
Cologne	12,583	100.0%	12,583
Columbia Heights	20,915	100.0%	20,915
Columbus	11,164	100.0%	11,164
Coon Rapids	59,268	100.0%	59,268
Corcoran	10,811	100.0%	10,811
Cottage Grove	26,660	100.0%	26,660
Crystal	16,711	100.0%	16,711
Dayton	52,472	100.0%	52,472
Dellwood	500	100.0%	500
Eagan	27,930	100.0%	27,930
East Bethel	19,691	100.0%	19,691
Eden Prairie	46,170	100.0%	46,170
Edina	116,893	100.0%	116,893
Elko/New Market	17,044	100.0%	17,044
Excelsior	3,106	100.0%	3,106

**COMPILATION OF OVERLAPPING DEBT <sup>1</sup>**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**IN THOUSANDS**

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<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
<b>Cities (continued):</b>			
Falcon Heights	930	100.0%	930
Farmington	36,295	100.0%	36,295
Forest Lake	39,720	100.0%	39,720
Fridley	13,755	100.0%	13,755
Gem Lake	775	100.0%	775
Golden Valley	84,440	100.0%	84,440
Greenfield	1,960	100.0%	1,960
Hamburg	1,752	100.0%	1,752
Ham Lake	3,738	100.0%	3,738
Hampton	1,949	100.0%	1,949
Hastings	25,610	100.0%	25,610
Hopkins	52,865	100.0%	52,865
Hugo	7,225	100.0%	7,225
Independence	2,590	100.0%	2,590
Inver Grove Heights	51,725	100.0%	51,725
Jordan	25,487	100.0%	25,487
Lake Elmo	29,393	100.0%	29,393
Lakeland	2,035	100.0%	2,035
Lake St. Croix Beach	-	100.0%	-
Lakeville	131,950	100.0%	131,950
Lexington	1,787	100.0%	1,787
Lilydale	2,650	100.0%	2,650
Lino Lakes	27,600	100.0%	27,600
Little Canada	7,285	100.0%	7,285
Long Lake	1,420	100.0%	1,420
Loretto	412	100.0%	412
Mahtomedi	23,905	100.0%	23,905
Maple Grove	116,805	100.0%	116,805
Maple Plain	8,677	100.0%	8,677
Maplewood	68,624	100.0%	68,624
Marine	126	100.0%	126
Mayer	7,394	100.0%	7,394
Medina	15,160	100.0%	15,160
Mendota	61	100.0%	61
Mendota Heights	14,945	100.0%	14,945
Minneapolis	596,685	100.0%	596,685
Minnetonka	24,960	100.0%	24,960
Minnetonka Beach	1,670	100.0%	1,670
Minnetrissa	25,451	100.0%	25,451
Mound	64,585	100.0%	64,585
Mounds View	716	100.0%	716
New Brighton	61,300	100.0%	61,300
New Germany	8,424	100.0%	8,424
New Hope	24,155	100.0%	24,155
Newport	7,205	100.0%	7,205
North Oaks	390	100.0%	390
North St. Paul	30,685	100.0%	30,685
Northfield	44,744	100.0%	44,744
Norwood-Young America	22,165	100.0%	22,165
Nowthen	780	100.0%	780

**COMPILATION OF OVERLAPPING DEBT<sup>1</sup>**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**IN THOUSANDS**

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Jurisdiction	Net G.O. Debt Outstanding	Percent Applicable to Council	Overlapping Debt
<b>Cities (continued):</b>			
Oakdale	26,310	100.0%	26,310
Oak Grove	1,668	100.0%	1,668
Oak Park Heights	8,770	100.0%	8,770
Orono	12,330	100.0%	12,330
Osseo	15,110	100.0%	15,110
Plymouth	15,875	100.0%	15,875
Prior Lake	42,980	100.0%	42,980
Ramsey	28,285	100.0%	28,285
Richfield	60,116	100.0%	60,116
Robbinsdale	21,475	100.0%	21,475
Rogers & Hassan Combined	12,055	100.0%	12,055
Rosemount	17,250	100.0%	17,250
Roseville	28,585	100.0%	28,585
St. Anthony	25,325	100.0%	25,325
St. Bonifacius	3,371	100.0%	3,371
St. Francis	51,429	100.0%	51,429
St. Louis Park	44,030	100.0%	44,030
St. Paul	450,195	100.0%	450,195
St. Paul Park	6,551	100.0%	6,551
Savage	62,539	100.0%	62,539
Scandia	577	100.0%	577
Shakopee	44,045	100.0%	44,045
Shoreview	35,085	100.0%	35,085
Shorewood	7,595	100.0%	7,595
South St. Paul	21,952	100.0%	21,952
Spring Lake Park	4,988	100.0%	4,988
Spring Park	2,520	100.0%	2,520
Stillwater	40,400	100.0%	40,400
Sunfish Lake	455	100.0%	455
Vadnais Heights	6,795	100.0%	6,795
Vermillion	70	100.0%	70
Victoria	35,693	100.0%	35,693
Waconia	43,335	100.0%	43,335
Watertown	8,025	100.0%	8,025
Wayzata	19,300	100.0%	19,300
West St. Paul	40,040	100.0%	40,040
White Bear Lake	5,335	100.0%	5,335
Woodbury	51,615	100.0%	51,615
Woodland	94	100.0%	94
Total cities	4,004,989		4,004,989
<b>Townships:</b>			
Baytown	430	100.0%	430
Cedar Lake	147	100.0%	147
Credit River	2,505	100.0%	2,505
Empire	450	100.0%	450
Laketown	65	100.0%	65
Linwood	300	100.0%	300
Randolph	180	100.0%	180
Ravenna	76	100.0%	76
Sand Creek	415	100.0%	415
Spring Lake	2,490	100.0%	2,490
White Bear	3,375	100.0%	3,375
Total townships	10,433		10,433

**COMPILATION OF OVERLAPPING DEBT<sup>1</sup>**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**IN THOUSANDS**

(Page 5 of 5)

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding</u>	<u>Percent Applicable to Council</u>	<u>Overlapping Debt</u>
<b>Miscellaneous:</b>			
Anoka County HRA	20,455	100.0%	20,455
Anoka Tax Increment	5,970	100.0%	5,970
Blaine EDA/HRA	3,600	100.0%	3,600
Bloomington Port Authority	7,150	100.0%	7,150
Brooklyn Park EDA	1,665	100.0%	1,665
Capital Region Watershed District	3,765	100.0%	3,765
Carver County CDA	28,480	100.0%	28,480
Cedar Lake Sewer Sanitary District	1,591	68.2%	1,085
Chanhassen HRA	-	100.0%	-
Circle Pines Tax Increment	1,870	100.0%	1,870
Columbia Heights Tax Increment	350	100.0%	350
Dakota County CDA	271,311	100.0%	271,311
Hastings EDA	-	100.0%	-
Hennepin City Park	70,475	100.0%	70,475
Hennepin Regional Railroad Authority	33,145	100.0%	33,145
HRA of St. Paul	92,029	100.0%	92,029
Logis (Local Gov Info Sys)	1,446	100.0%	1,446
Maple Grove HRA	355	100.0%	355
Metropolitan Airports Commission	1,499,640	100.0%	1,499,640
Minnesota Municipal Power Agency	316,475	61.6%	194,949
MN Valley Transit Auth	4,960	100.0%	4,960
Mound HRA	2,520	100.0%	2,520
Norwood-Young America EDA	5,570	100.0%	5,570
Prior Lake-Spring Lake Watershed District	810	100.0%	810
Plymouth HRA	11,875	100.0%	11,875
Ramsey-Washington Metro Watershed District	4,927	100.0%	4,927
Ramsey Regional Rail	3,372	100.0%	3,372
Regional Railroad Authority-Anoka County	49,985	100.0%	49,985
Rice Creek Watershed	381	100.0%	381
Scott County CDA	45,670	100.0%	45,670
South Washington Watershed District	3,698	100.0%	3,698
St. Anthony HRA	7,450	100.0%	7,450
St. Paul Port Authority	76,552	100.0%	76,552
Tech & Info Edu Serv	3,834	100.0%	3,834
Waconia HRA	11,001	100.0%	11,001
Washington County HRA	53,633	100.0%	53,633
Total miscellaneous	2,646,010		2,523,978
Subtotal, overlapping debt	\$ 14,567,105		13,894,642
Metropolitan Council direct debt			209,216
<b>Total direct and overlapping debt</b>			<b>\$ 14,103,858</b>

Unaudited

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt limit	\$ 307,390	\$ 353,595	\$ 413,505	\$ 367,025	\$ 365,515	\$ 334,245	\$ 338,265	\$ 345,190	\$ 330,655	\$ 306,495
Total net debt applicable to limit	<u>187,630</u>	<u>206,020</u>	<u>220,775</u>	<u>219,230</u>	<u>257,390</u>	<u>213,645</u>	<u>255,290</u>	<u>229,420</u>	<u>199,580</u>	<u>198,870</u>
Legal debt margin	<u>\$ 119,760</u>	<u>\$ 147,575</u>	<u>\$ 192,730</u>	<u>\$ 147,795</u>	<u>\$ 108,125</u>	<u>\$ 120,600</u>	<u>\$ 82,975</u>	<u>\$ 115,770</u>	<u>\$ 131,075</u>	<u>\$ 107,625</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>61.04%</u>	<u>58.26%</u>	<u>53.39%</u>	<u>59.73%</u>	<u>70.42%</u>	<u>63.92%</u>	<u>75.47%</u>	<u>66.46%</u>	<u>60.36%</u>	<u>64.89%</u>

Unaudited

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

**PLEGGED-REVENUE COVERAGE  
LAST TEN YEARS ENDED DECEMBER 31  
IN THOUSANDS (EXCEPT COVERAGE)**

**Radio Revenue Bonds**

<b>Year</b>	<b>Total Bond Outstanding<sup>1,3</sup></b>	<b>911 Fee Revenue<sup>2</sup></b>	<b>Principal<sup>1,5</sup></b>	<b>Interest</b>	<b>Coverage<sup>4</sup></b>
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 <sup>6</sup>	-	705	1,365	27	0.51
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-

Unaudited

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

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

<sup>3</sup> 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.

<sup>4</sup> Coverage for 2007 only was calculated by using the scheduled principal payment of original bond--\$890,000 plus interest for the year --\$476,000.

<sup>5</sup> 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.

<sup>6</sup> On February, 1, 2013, the Council paid the Metropolitan Radio Board Bond. Currently, there are no revenue bonds outstanding at this time.



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

<b>Year</b>	<b>Population<sup>1,3</sup></b>	<b>Personal Income<sup>1,3</sup> (In Millions)</b>	<b>Per Capita<sup>1,3</sup> Income</b>	<b>Unemployment Rate<sup>2</sup></b>
2007	3,269,613	151,541	46,348	4.30%
2008	3,301,252	156,511	47,410	5.20%
2009	3,330,508	147,914	44,412	7.70%
2010	3,355,540	153,074	45,618	7.30%
2011	3,389,626	163,306	48,178	6.30%
2012	3,423,250	173,992	50,827	5.50%
2013	3,460,826	175,414	50,685	4.80%
2014	3,495,656	186,241	53,278	4.00%
2015	3,524,583	194,372	55,148	3.50%
2016	3,524,583	194,372	55,148	3.60%

Unaudited

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

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

<sup>3</sup> 2016 Data not available at time of report.

**PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
IN THOUSANDS (EXCEPT PERCENTAGE)**

*Employers in Minnesota by number of Minnesota only employees*

<b>Employer</b>	<b>2016</b>			<b>2007</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>
State of Minnesota	55	1	2.94%	55	1	3.10%
Mayo Clinic	42	2	2.25%	36	2	2.02%
United States Federal Government	33	3	1.77%	34	3	1.91%
Target Corporation	27	4	1.44%	25	4	1.41%
Allina Health System	26	5	1.39%	23	5	1.30%
University of Minnesota	26	6	1.39%	19	8	1.06%
HealthPartners Inc.	23	7	1.23%	-	-	-
Fairview Health Services	22	8	1.18%	19	7	1.06%
Wells Fargo Minnesota	20	9	1.07%	21	6	1.19%
UnitedHealth Group, Inc.	16	10	0.86%	-	-	-
3M Co.	-	-	-	17	10	0.96%
Wal-Mart Stores Inc.	-	-	-	18	9	1.02%
<b>Total</b>	<b>290</b>		<b>15.52%</b>	<b>267</b>		<b>15.03%</b>

Unaudited.

Source: Department of Employment and Economic Development, Minneapolis-St. Paul Business Journal, July 8, 2016 and Business Journal, Book of Lists, December 28, 2007.

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

Walmart was not included because it declined to provide data for 2016.

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>Regional Administration</u>										
Human Resources	47	42	40	36	32	33	33	33	33	33
Information Services	110	107	98	90	81	79	75	64	62	54
Finance/Central Services	54	53	50	46	44	42	38	38	37	38
Other	116	108	95	89	84	79	75	75	67	77
Total Regional Administration	327	310	283	261	241	233	221	210	199	202
<u>Community Development</u>										
Metro HRA	40	40	40	38	37	34	33	33	33	34
Other	38	36	36	36	35	35	34	41	42	45
Total Community Development	78	76	76	74	72	69	67	74	75	79
<u>Environmental Services Division</u>										
Environmental Quality Assurance	101	101	102	100	95	98	103	109	109	110
Treatment Services	503	506	532	527	514	526	528	505	501	502
Other	29	27	25	24	22	20	20	32	28	28
Total Environmental Services Division	633	634	659	651	631	644	651	646	638	640
<u>Transportation Division</u>										
Metro Mobility	17	12	11	10	10	9	10	14	15	13
Transportation Planning	27	33	32	30	27	28	29	28	26	28
Other	1	-	-	-	-	-	-	-	-	-
Total Transportation Planning	45	45	43	40	37	37	39	42	41	41
<u>Metro Transit Bus</u>										
Operations	1,640	1,617	1,600	1,566	1,512	1,502	1,500	1,346	1,291	1,273
Maintenance	466	432	428	424	422	429	470	417	442	437
Administration/Clerical	646	616	607	507	465	448	420	439	540	545
Total Metro Transit	2,752	2,665	2,635	2,497	2,399	2,379	2,390	2,202	2,273	2,255
<u>Metro Transit Commuter Rail</u>										
Maintenance	29	28	29	27	28	28	27	28	-	-
Administration/Clerical	4	4	7	7	8	9	10	8	-	-
Total Metro Transit	33	32	36	34	36	37	37	36	-	-
<u>Metro Transit Light Rail</u>										
Operations	64	62	85	76	56	57	57	50	44	44
Maintenance	141	138	92	72	80	81	80	70	69	60
Administration/Clerical	237	231	230	184	134	100	82	45	42	39
Total Metro Transit	442	431	407	332	270	238	219	165	155	143
Total	4,310	4,193	4,139	3,889	3,686	3,637	3,624	3,375	3,381	3,360

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**

<b>Function/Program</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Governmental activities										
Metro Mobility-passenger miles	24,264,290	22,168,347	20,570,713	17,918,147	16,562,355	15,503,454	15,534,246	13,634,343	13,452,124	11,470,739
Metro Mobility-passenger trips	2,133,727	2,020,700	1,905,563	1,747,911	1,628,051	1,516,901	1,410,369	1,237,570	1,220,775	1,162,872
Parks visits to Metro Parks System <sup>1</sup>	47,328,887	47,328,887	48,687,143	47,304,800	45,843,800	44,111,200	40,867,500	38,062,600	33,047,700	33,171,200
Business-type activities										
Wastewater										
Average daily sewage treatment (millions of gallons)	245	250	255	240	210	260	260	260	250	250
Transit-bus										
Total route miles	31,598,429	31,198,704	30,661,418	29,490,406	28,817,105	28,763,822	28,894,682	29,703,751	30,268,310	28,416,623
Passenger trips <sup>2</sup>	58,949,824	62,106,089	67,814,305	70,418,593	69,854,994	69,782,602	66,882,361	66,401,218	71,614,056	67,865,688
Transit-commuter rail <sup>3</sup>										
Total route miles	550,196	547,051	546,092	529,007	521,537	556,631	601,119	69,320	-	-
Passenger trips <sup>2</sup>	711,167	722,637	721,214	787,241	700,276	703,427	710,426	78,782	-	-
Transit-light rail										
Total passenger car miles	5,325,645	5,202,174	4,081,921	2,370,943	2,103,215	2,101,289	2,056,261	2,041,244	2,024,493	1,931,754
Passenger trips <sup>2</sup>	22,963,629	23,003,457	15,999,993	10,162,919	10,498,236	10,400,864	10,423,862	9,863,042	10,221,682	9,098,297
Housing										
Metro HRA unit months leased	87,755	86,076	81,425	82,612	82,264	82,247	81,455	80,243	78,658	81,634

Unaudited

Sources: Various Metropolitan Council Divisions

## Notes:

<sup>1</sup> 2016 Data not available at time of report.<sup>2</sup> UPT - Unlinked Passenger Trips is the number of passengers who board public transportation vehicles<sup>3</sup> Commuter Rail began limited operation on November 16, 2009.

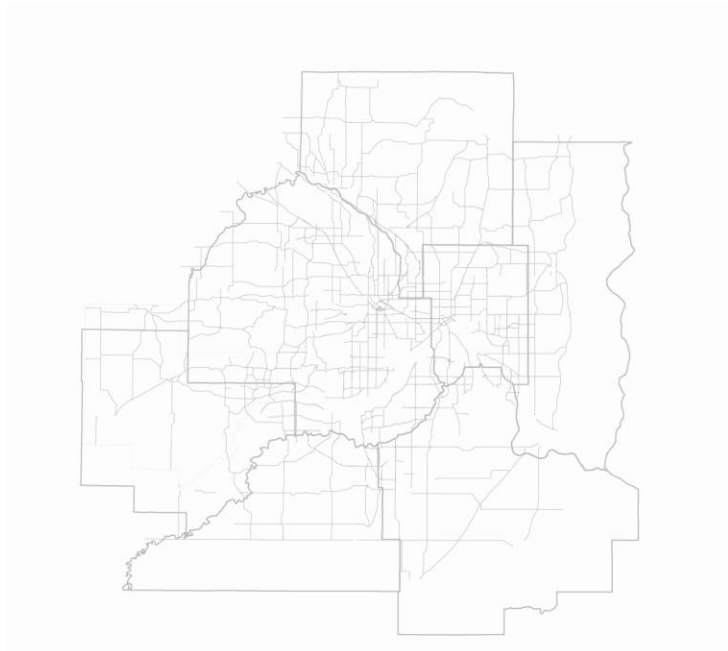
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
FOR THE LAST TEN YEARS ENDED DECEMBER 31**

<b>Function/Program</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Governmental activities</b>										
<b>Metro Mobility</b>										
Total fleet size	519	485	442	407	399	340	314	274	265	262
Number of Parks/Trails	102	102	102	97	95	95	89	89	85	83
Acres of Regional Parks and Trails open to the public	54,613	54,488	54,307	54,581	54,842	54,631	54,633	53,111	52,918	52,661
<b>Business-type activities</b>										
<b>Wastewater</b>										
Treatment Plants	8	8	8	7	7	7	7	7	8	8
Miles of MCES Interceptors	643	643	643	643	645	626	625	624	615	585
Wastewater Treatment Plant Capacities (millions of gallons)	358	358	358	358	358	358	358	358	358	358
<b>Transit-bus</b>										
Total fleet size	902	907	905	912	888	876	888	929	1,093	979
<b>Transit-commuter rail</b>										
Total fleet size	6	6	6	6	6	6	6	6	-	-
<b>Transit-light rail</b>										
Total fleet size	86	86	86	62	27	27	27	27	27	27
<b>Housing</b>										
Metro HRA unit months available	85,270	86,539	84,288	83,979	83,795	83,173	82,668	81,613	79,270	83,732
Family Affordable Housing Units	150	150	150	150	150	150	150	150	150	150

Unaudited

Source: Metropolitan Council external and internal reports.

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



Serving the Twin Cities seven-county metropolitan area



Twin Cities Area, Minnesota

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2016

A Component Unit of the State of Minnesota



**METROPOLITAN**  
C O U N C I L

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