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

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED DECEMBER 31, 2003

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

Prepared by the Finance Unit

Issued June 2004



METROPOLITAN COUNCIL  
Mears Park Centre, 230 East Fifth Street, St. Paul, Minnesota 55101

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE METROPOLITAN COUNCIL  
A COMPONENT UNIT OF THE STATE OF MINNESOTA  
FOR THE YEAR ENDING DECEMBER 31, 2003**

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# **INTRODUCTORY SECTION**



June 7, 2004

Mr. Peter Bell, Chair  
And Members of the Metropolitan Council  
Mears Park Centre  
230 East Fifth Street  
St. Paul, MN 55101

Dear Chair Bell and Council Members,

In accordance with state statutes, we hereby submit the Comprehensive Annual Financial Report of the Metropolitan Council for the fiscal year ended December 31, 2003. 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.

This report consists of management's representations concerning the finances of the Metropolitan Council. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these presentations, management of the Metropolitan Council has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Metropolitan Council's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Metropolitan Council's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. 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 Office of the State Auditor, State of Minnesota has audited the Metropolitan Council's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Council, for fiscal year ended December 31, 2003, are free of misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there is a reasonable basis for rendering an unqualified opinion that the Council's financial statements, for the fiscal year ended December 31, 2003, are fairly presented in conformity to GAAP. The independent auditor's report is presented as the first component of the basic financial section of this report.

The independent audit of the financial statements of the Metropolitan Council was part of a broader, federally mandated "Single Audit" 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 are available in the Metropolitan Council's

separately issued Management and Compliance Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Council's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

Created by the Minnesota Legislature in 1967, the Metropolitan Council, a component unit of the State of Minnesota, is the regional planning agency serving the Twin Cities seven-county metropolitan area. 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 2.6 million people. 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 responsible for planning and coordinating development cooperatively with the region's citizens and communities. The Council forecasts the region's growth, establishes regional policies and provides regional planning for land use, housing, transportation, wastewater services, aviation and parks. In addition to planning and overseeing growth and development, the Council is responsible for vital regional services including: collection and treatment of wastewater, operating the regional transit system and providing affordable housing opportunities to low and moderate income families. The Metropolitan Radio Board and the Metropolitan Sports Facilities Commission are component units of the Council due to fiscal dependence, and are reported separately within Metropolitan Council's financial statements. Additional information on these two legally separate entities can be found in Note I.A.2 in the notes to the financial statements.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund, all budgeted Special Revenue funds and the Metro Transit enterprise fund. The budget for the Environmental Services enterprise fund is 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, which is limited to five percent of operating expenses. Variances in 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 preliminary budget is approved by the Council in August. Public hearings are held in December and the final budget is approved at the end of December. Budgets to actual comparisons are presented in this report for each governmental fund for which an annual budget has been prepared. For the General Fund and the major special revenue funds, these comparisons are included in the Required Supplementary Information section. The budgets to actual comparisons for the non-major governmental funds are presented in the Combining and Individual Fund Statement and Schedules section.

Budgets are prepared at the division, and fund level. Budgetary controls are at the fund level within division. Council divisions have the authority to reallocate budgets within a fund. Transfers of authority across funds or divisions must be approved by the Council. Results of operations are reported against approved budget.



## **Factors Affecting Financial Condition**

**Local Economy.** Twin Cities employment finally began to stabilize in 2003. After nearly continuous quarterly job losses since early 2001, the number of jobs in the 13-county metro area inched up by 0.1 percent from a year ago. Jobs dropped by 0.1 percent in the state and 0.3 percent in the nation. The labor market remained weak, and claims for initial unemployment benefits receded very slowly. While the sluggish job market deterred commercial and industrial construction, home building and buying flourished in 2003 thanks to extremely low mortgage interest rates.

Local employers added only 1,200 jobs over the year, but the meager gain compared favorably to the 27,800 jobs lost in 2002. Most major industry sectors exhibited either stronger job gains or diminishing losses. In education and health care services, jobs went up by 11,100 and easily surpassed growth in other sectors. Jobs in leisure and hospitality firms increased by 3,600 during 2003, helped by stepped-up hiring in food services and eating and drinking places. Employment rose by 3,400 in financial activities and by 1,300 in other services, excluding government. Other industry sectors did not fare so well. Construction jobs dipped by 200, reflecting little demand for new office and industrial buildings given high vacancy rates and abundant sublease space. Government jobs fell by 700 as budget cuts prompted the loss of 4,500 jobs in local government. Transportation and warehousing jobs shrank, and employment in the trade, transportation and utilities sector declined by 2,300. In the information sector, jobs went down by 3,500 over the year, and continued large losses in tech jobs across the country fueled speculation on the impact of global outsourcing. Jobs in professional and business services dropped by 4,900, hurt by sizable layoffs in the management of companies and shrinking payrolls at temporary employment firms and professional, scientific and technical companies. Manufacturing remained the largest source of job losses, although the 6,600 jobs cut during 2003 represented less than half the number that disappeared in 2002.

The pace of job growth across industry sectors showed mixed success in making the transition to economic recovery. Education and health services jobs climbed by a robust 5.5 percent over the year. Employment increased by 2.5 percent in financial activities and by 2.4 percent in leisure and hospitality. Other services jobs, excluding government, grew by 1.8 percent from a year ago. Construction jobs edged down by 0.2 percent, and government jobs fell by 0.3 percent. Transportation, trade and utilities payrolls decreased by 0.7 percent over the year. Professional and business services jobs declined by 2.0 percent. Manufacturing employment fell by 3.1 percent, although medical equipment jobs rebounded by 1.4 percent. Information jobs slumped by 7.2 percent from a year earlier.

The unemployment rate in the seven-county region rose to 4.6 percent in 2003, up from 4.1 percent in 2002. Some discouraged workers dropped out the labor force, and if the number of people working or actively looking for work had not fallen, the jobless rate would be higher. Even so, the jobless rate was considerably lower than the nation's rate of 6.0 percent. The number of initial claims for unemployment insurance eased slightly toward the close of 2003, but remained stubbornly high.

Home building and buying thrived during 2003 in contrast with the gradually recuperating nonresidential construction market. Although the cumulative value of nonresidential construction starts reported by F.W. Dodge from January through December rose by 15.3 percent over the depressed level of 2002, activity remained subdued. By the end of the year, United Properties reported healthy, albeit competitive, demand for retail space and slowly improving prospects of industrial development in 2004 and office construction in 2005. Total residential building permits climbed by 6.2 percent, and single-family permits soared by 18.2 percent over the year. The value of residential construction starts reported by F.W. Dodge from January through December rose by 11.9 percent from a year ago. Existing home sales surged by 10.4 percent, and the median price of homes increased by 7.8 percent over the year.

**Goals and Objectives.** The Twin Cities region enjoys a widely acclaimed quality of life because of its broad-based economy, well-prepared work force, affordable housing, mobility and transportation options, strong neighborhoods and revitalized downtowns. The challenge is to maintain and enhance the region's quality of life and economic competitiveness as the region grows—an estimated 966,000 more people in the seven-county metropolitan area by 2030. Goals of providing choices, protecting the environment, growing the economy, creating efficiencies, promoting regional cooperation and collaboration and improving livability—provide the framework for future growth and development.

The Council invests regional, state and federal funds to promote affordable housing, job growth, livable communities, regional parks and transportation options, as well as to protect the environment.

### **Regional growth strategy**

In 2003 and early 2004, the Council, with broad community and public input, developed and adopted The 2030 Regional Development Framework, a regional plan to accommodate future growth in the Twin Cities region. This comprehensive strategy reflects the Council's commitment to working with communities in a collaborative and flexible manner, elevates transportation among regional priorities, emphasizes market-based development, focuses on the Council's core mission of promoting efficiencies and includes specific benchmarks for measuring progress. The Council's strategies are organized around four policies:

- § Work with local communities to accommodate growth in a flexible, connected and efficient manner
- § Plan and invest in multi-modal transportation choices, based on the full range of costs and benefits, to slow the growth in congestion and serve the region's economic needs
- § Encourage expanded choices in housing location and types, and improved access to jobs and opportunities
- § Work with local and regional partners to reclaim, conserve, protect and enhance the region's vital natural resources.

The Framework recognizes that different communities have different opportunities, needs and aspirations. But it also reflects the belief that communities have a shared responsibility to help accommodate the region's growth in a sensible, cost-effective manner.

### **Delivering high-performance regional services**

**Transit**—The Council operates the region's largest transit service, Metro Transit, which provides roughly 90 percent of the 73 million bus trips taken annually in the Twin Cities. Each weekday customers board Metro Transit buses an average of 222,000 times. Metro Transit operates 127 routes, of which; 66 are local-service routes, 49 are express routes and the remainder are contract services. Like many other transit agencies nationally, Metro Transit ridership was down in 2003. The Twin Cities economy and an unemployment rate exceeding 4 percent contributed to a ridership decrease of 3.4 percent. Because 80 percent of Metro Transit trips are work related, ridership rises and falls in close concert with the economy. In addition, an August 2003 increase of 25 cents to peak express fares affected ridership.

At the end of 2003, the region's first light rail transit line was nearly 90 percent complete from downtown Minneapolis to the Mall of America. Construction was on time and on budget for a partial opening in June 2004 and full opening in December 2004.

The 2004 Authorized Capital Budget for Metro Transit Bus is \$77.4 million and Metro Transit Light Rail \$107.9 million. The capital budget for Metro Transit Bus includes fleet replacement, improvements to support facilities and public facilities like park and rides and transit hubs. The capital budget for Metro Transit Light Rail is for the continued construction of the light rail line.

**Wastewater collection and treatment**—The Council collects and treats over one hundred billion gallons of wastewater annually from 103 communities in the region at nationally competitive rates while maintaining near-perfect compliance with environmental permits. The Council’s Environmental Services Division lowered its municipal wastewater rate in recent years to reduce costs to municipalities and industries and become more competitive. Modest rate increases in 2002 through 2004 resulted in a rate still below the rate charged in 1996.

The Council’s wastewater treatment plants continued to perform at a high level and in 2003 received awards from the Association of Metropolitan Sewerage Agencies for 2002 results. The Hastings, St Croix Valley and Eagles Point (Cottage Grove) plants earned the Platinum Award for achieving five consecutive years of complete and consistent permit compliance. The Blue Lake (Shakopee), Seneca (Eagan) and Rosemount plants earned the Gold award for one year of complete compliance and the Metro plant (St. Paul) received the Silver Award for having only two permit exceedances during the calendar year. In 2003, wastewater was treated to a greater than 99.9% compliance rate with permit conditions. The Council was also recognized as “Clean Water Partners for the 21<sup>st</sup> Century” by the U.S. Environmental Protection Agency for going beyond the requirements of the Clean Water Act to protect watersheds.

Key capital projects support regional goals of accommodating growth and protecting the environment while keeping down infrastructure costs. Construction of solids treatment and incineration facilities totaling \$202 million continued at the Metro Plant and are on schedule to start-up mid 2004. Liquid treatment facilities are also being upgraded at the Metro Plant at a total cost of \$79 million. Pretreatment and primary treatment improvements, including phosphorus removal modifications, were completed in December. Construction of solid treatment facilities at the Eagles Point Plant in Cottage Grove was completed in 2003. Total cost for the project, including a liquids process completed in 2002, was \$50 million. Related interceptor construction (total cost of \$64 million) is expected to be complete in 2005. A \$130 million expansion of the Empire Plant and construction of a new outfall pipe to the Mississippi River began in 2003. In addition, construction continues for a \$57 million extension of the Elm Creek interceptor in the northwest metropolitan area.

**Housing**—An adequate supply of affordable housing for the region’s workforce is essential for economic vitality. The Council provides housing choice vouchers to an estimated 5,900 low and moderate-income families, people with disabilities, and seniors. In 2003, the Council, through its Family Affordable Housing Program, will own and manage 150 housing units (single-family, townhouses and duplexes) in 10 cities in suburban Anoka, Ramsey and Hennepin Counties for rent to low-income families.

Working in partnership with cities, counties and municipal development authorities, the Council, through its Livable Communities Housing Incentive Programs, provides grants to projects that (1) clean up contaminated land for redevelopment, (2) promote efficient, connected development, and (3) support the development and preservation of affordable and lifecycle housing. As of 2003, 106 metropolitan area communities are participating in the local housing incentive program.

**Financial**—The Metropolitan Council's original adopted budget for 2004 was \$604 million, including operations, passthrough expenditures and debt service. In early 2004, the budget was revised to \$606 million. Property tax levies certified for collection in 2004 total \$70.1 million, an increase of \$0.7 million or 1.0 percent from 2003. Approximately 50.8 percent of the Council’s total property tax levy supports transit debt service. Of the remainder, 18.8 percent is for purposes specified in the Livable Communities Act, 11.7 percent supports parks, solid waste, and radio program debt service, 4.0 percent supports the Highway Right-of-Way Acquisition Loan Program, and 14.7 percent supports the general operations of the Council.

In 2002, the legislature changed transit operating funding from a regional property tax to the state motor vehicle excise tax (MVET). To manage historic fluctuations in this revenue source, the Council budgets

only 95% of MVET revenues and sets aside 5% in the event that actual revenues fall below projections. State appropriations for MVET funds were increased by the 2003 legislature by 1.0 percent to 21.5 percent.

**Cash management policies and practices.** The Council operates one core bank account at one primary bank. This arrangement meets the majority of the Council's cash management needs. Several other bank accounts are utilized for minor but specialized business cash flows. Cash is invested to the date of expected expenditures. The average maturity of the combined investment portfolios was about 5.3 years at the end of 2003; the effective duration was about 1.7 years.

The total fair value of the investment portfolio as of December 31, 2003 was \$258 million; the total return in 2003 was 2.4 percent. Average book yield at December 31, 2003 was 3.4 percent. Approximately 13.3 percent of the Council's taxable portfolio was invested in commercial paper, money market funds and/or savings accounts, 21.8 percent was invested in demand deposit accounts (DDA) yielding 1.25 percent, and the remainder was in longer-term investments. At year-end, the Council held \$0.9 million in tax-exempt money market funds to meet federal arbitrage requirements related to debt service.

**Risk management.** The Council is self-insured for auto liability and physical damage, directors and officers error and omissions, police liability (for transit police), employment practices, general liability for Metro Transit and Regional Administration premises, workers' compensation and pollution liability. A designation of \$1,029,973 has been established in the General Fund for errors and omissions.

The Council purchases property insurance, commercial crime and limited general liability policies. The limited general liability policy covers third-party liability for bodily injury and property damage at Environmental Services premises, Metro Transit hubs, bus shelters and park and ride facilities. Additional information on the Metropolitan Council's Risk Management can be found in Note V.A in the notes to the financial statements.

**Pension and other postemployment benefits.** Metropolitan Council employees are covered by one of two Minnesota State Retirement Systems (MSRS) retirement plans. The Council has no obligation in connection with employee benefits offered through this plan beyond its monthly contributions to the plan.

The Council also provides certain healthcare, life insurance and other benefits for certain retirees as negotiated in labor contracts. Metro Transit Bus employees become eligible for certain healthcare and life insurance benefits if they reach normal retirement age and meet certain eligibility requirements while working for Metro Transit Bus. Environmental Services employees, employed prior to December 5, 1996 become eligible for certain post retirement health benefits if they meet certain eligibility requirements. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the Council's retirement plans and post-employment benefits can be found in Notes V.B and V.C in the notes to the financial statements.

### **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, 2002. This was the twentieth consecutive year that 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 and component units 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,

A handwritten signature in black ink, appearing to read "Beth Widstrom-Anderson", with a long horizontal flourish extending to the right.

Beth Widstrom-Anderson  
Chief Financial Officer

# 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, 2002

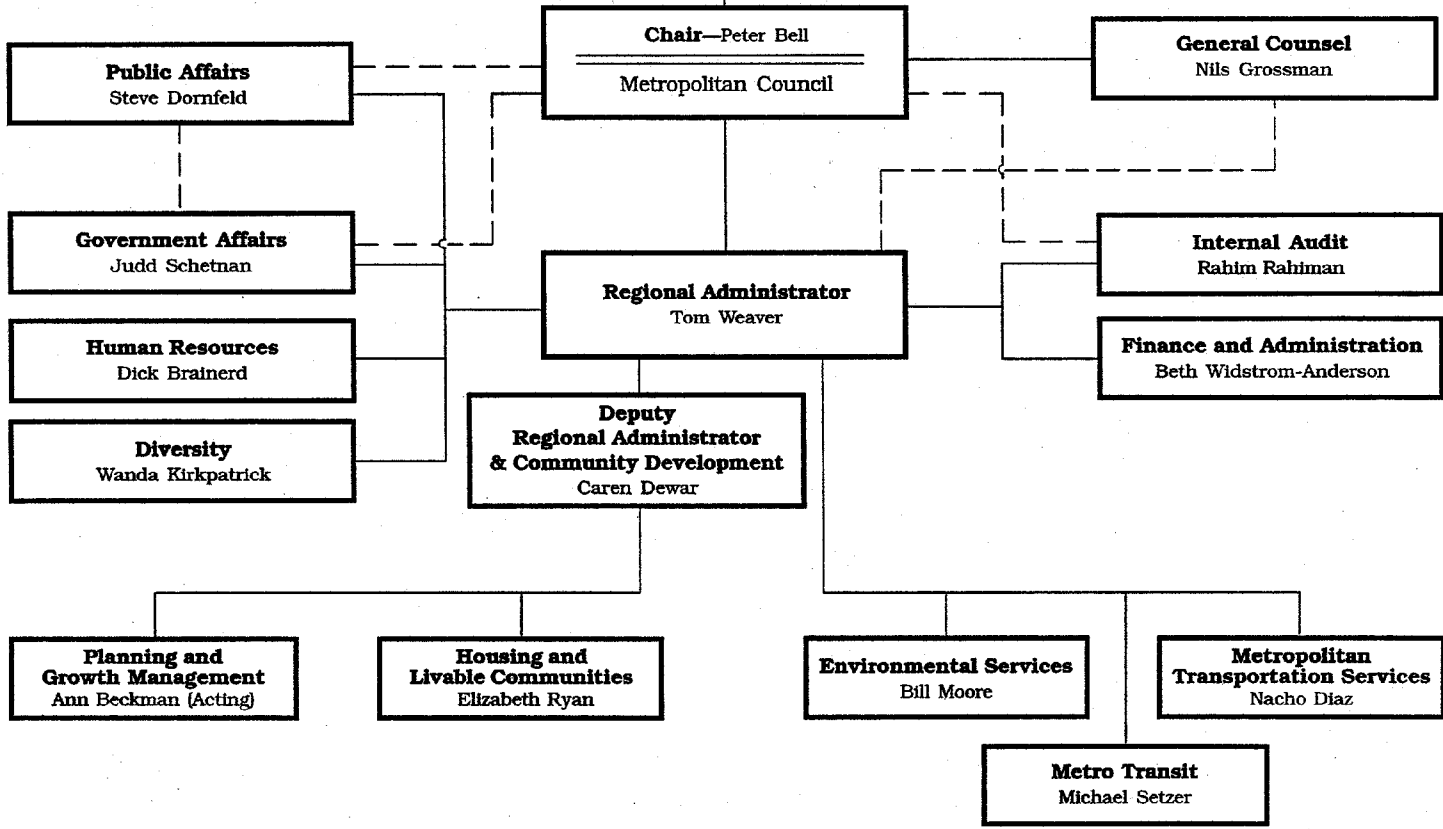
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

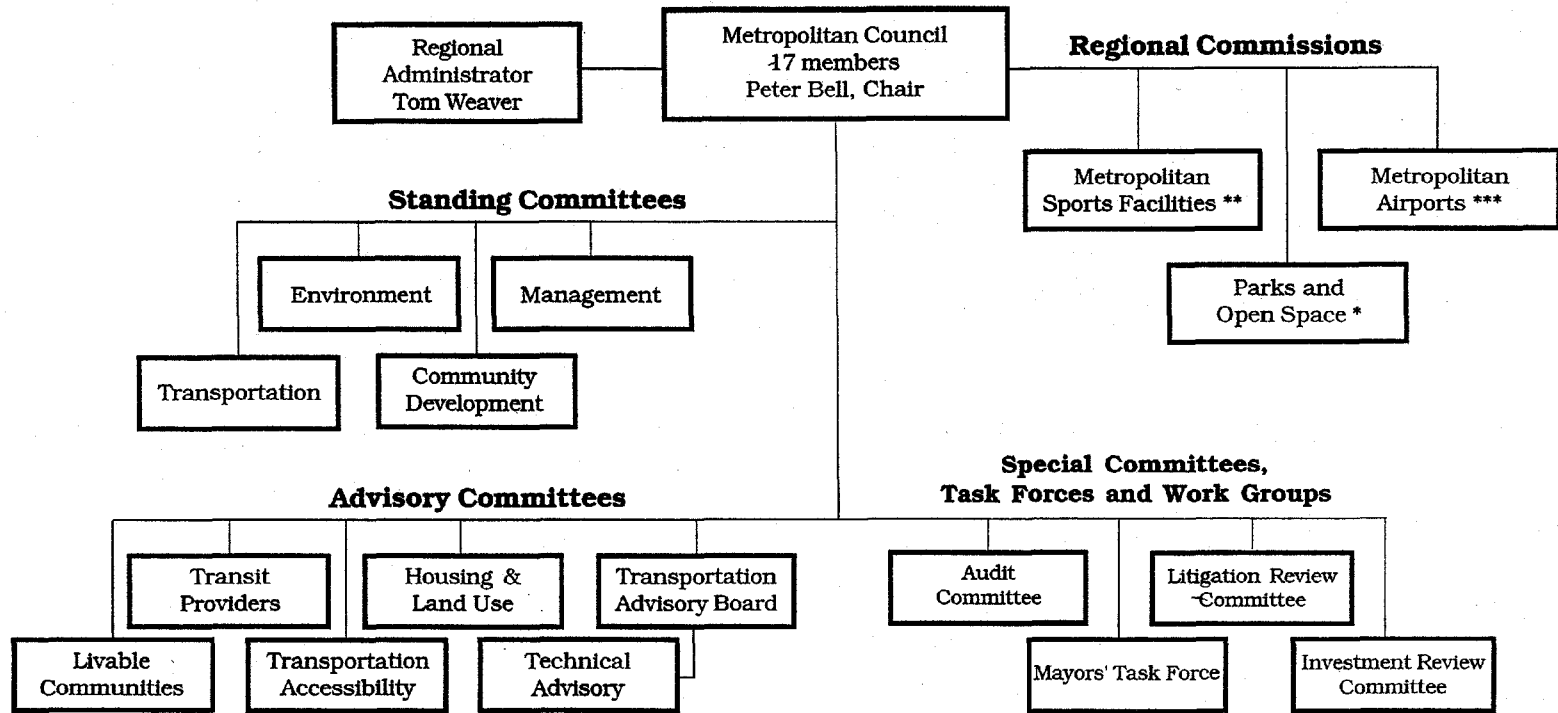
Executive Director

**METROPOLITAN COUNCIL**



XV

# Metropolitan Council Policymaking Structure



XV f

\* Staff support provided to Commission by Metropolitan Council.

\*\* The Metropolitan Council has budget approval and issues bonds for the commission.

\*\*\* The Metropolitan Council reviews the capital budget and approves certain projects.

## Metropolitan Council

Mears Park Centre  
230 East Fifth Street  
St. Paul, Minnesota 55101-1626  
(651) 602-1000 • Fax 602-1550 • TTY 291-0904



# METROPOLITAN COUNCIL

	Term of Office	
	First Appointed	End of Term
<b>COUNCIL MEMBERS:</b>		
<b>Chair -</b>		
Peter Bell	Jan. 8, 2003	Indefinite
<b>District Members -</b>		
District No. 1 -		
Roger Scherer	March 10, 2003	Jan. 1, 2007
District No. 2 -		
Tony Pistilli	March 19, 2003	Jan. 1, 2007
District No. 3 -		
Mary Hill Smith	Jan 4, 1993	Jan. 1, 2007
District No. 4 -		
Julius C. Smith	July 31, 1993	Jan. 1, 2007
District No. 5 -		
Russ Susag	March 10, 2003	Jan. 1, 2007
District No. 6 -		
Peggy Leppik	March 10, 2003	Jan. 1, 2007
District No. 7 -		
Annette Meeks	March 10, 2003	Jan. 1, 2007
District No. 8 -		
Lynette Wittsack	March 10, 2003	Jan. 1, 2007
District No. 9 -		
Natalie Haas Steffen	April 19, 1999	Jan. 1, 2007
District No. 10 -		
Marcel Eibensteiner	March 10, 2003	Jan. 1, 2007
District No. 11 -		
Georgeanne Hilker	Sept. 11, 2003	Jan. 1, 2007
District No. 12 -		
Chris Georgacas	March 10, 2003	Jan. 1, 2007
District No. 13 -		
Richard Aguilar	March 10, 2003	Jan. 1, 2007
District No. 14 -		
Song Lo Fawcett	March 10, 2003	Jan. 1, 2007
District No. 15 -		
Tom Egan	May 22, 2002	Jan. 1, 2007
District No. 16 -		
Brian McDaniel	Sept. 11, 2003	Jan. 1, 2007

**METROPOLITAN COUNCIL**

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***OFFICERS***

Peter Bell, appointed	Chair
Chris Georgacas	1 <sup>st</sup> Vice-Chair
Peggy Leppik	2 <sup>nd</sup> Vice-Chair
Roger Scherer	Treasurer
Mary Hill Smith	Secretary

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***FINANCIAL  
ADMINISTRATIVE  
OFFICIALS***

Tom Weaver	Regional Administrator
Beth Widstrom-Anderson	Chief Financial Officer

# **FINANCIAL SECTION**



PATRICIA ANDERSON  
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

Metropolitan Council of the Twin Cities Area  
Saint Paul, Minnesota

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2003, which collectively comprise the Council's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Metropolitan Council's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Sports Facilities Commission discretely presented component unit, which represent 89 and 92 percent, respectively, of the assets and program revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Metropolitan Sports Facilities Commission, is based solely on the report of other auditors.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented



component units, each major fund, and the aggregate remaining fund information of the Metropolitan Council of the Twin Cities Area as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of management inquiries regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Council's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Metropolitan Council of the Twin Cities Area. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we also issue a report dated June 7, 2004, on our consideration of the Metropolitan Council of the Twin Cities Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report does not include the Metropolitan Sports Facilities Commission, which was audited by other auditors.



PATRICIA ANDERSON  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: June 7, 2004

# Management's Discussion and Analysis

As management of the Metropolitan Council, we offer readers of the Metropolitan Council's financial statements this narrative overview and analysis of the financial activities of the Metropolitan Council for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-xiii of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

## **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Metropolitan Council's basic financial statements. The Metropolitan Council's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains supplementary information.

### **Government-wide financial statements.**

The government-wide financial statements are designed to provide readers with a broad overview of the Metropolitan Council's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include the Metropolitan Council (the primary government), the Metropolitan Radio Board and the Metropolitan Sports Facilities Commission. These are legally separate entities for which the Metropolitan Council is financially accountable as a result of fiscal dependency. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-15 of this report.

### **Fund financial statements**

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 eighteen 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 fund, and Regional Transit Debt Retirement fund, since all three are considered to be major funds. Data from the other fifteen 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 elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

## **Proprietary funds**

The Metropolitan Council maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Metropolitan Council uses enterprise funds to account for its wastewater treatment, bus transportation, light rail transportation and housing operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater treatment, bus transportation, light rail transportation, and housing operations. All four funds are considered to be major funds of the Metropolitan Council.

The basic proprietary fund financial statement can be found on pages 20-25 of this report.

## **Fiduciary funds**

Fiduciary 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 statement because the resources of those funds are not available to support the Metropolitan Council's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 26 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 fund financial statements. The notes to the financial statements can be found on pages 27-51 of this report.

## **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 combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. These combining, as well as individual fund, capital asset and bond statements and schedules can be found on pages 60-79 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 82-105 of this report.

## Government-wide Financial Analysis

The following condensed financial information was derived from the government-wide Statement of Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Metropolitan Council, assets exceeded liabilities by \$1,345,124 on December 31, 2003.

### METROPOLITAN COUNCIL NET ASSETS

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Current and other assets	\$225,613	\$222,193	\$307,547	\$333,576	\$533,160	\$555,769
Capital assets	<u>33,506</u>	<u>16,638</u>	<u>1,972,991</u>	<u>1,701,514</u>	<u>2,006,497</u>	<u>1,718,152</u>
Total assets	<u>259,119</u>	<u>238,831</u>	<u>2,280,538</u>	<u>2,035,090</u>	<u>2,539,657</u>	<u>2,273,921</u>
Long-term liabilities outstanding	158,989	190,876	678,615	580,491	837,604	771,367
Other liabilities	<u>108,328</u>	<u>73,223</u>	<u>248,601</u>	<u>273,730</u>	<u>356,929</u>	<u>346,953</u>
Total liabilities	<u>267,317</u>	<u>264,099</u>	<u>927,216</u>	<u>854,221</u>	<u>1,194,533</u>	<u>1,118,320</u>
Net assets:						
Invested in capital assets, net of related debt	2,910	3,206	1,284,499	1,089,774	1,287,409	1,092,980
Restricted	91,617	110,341	24,943	26,202	116,560	136,543
Unrestricted	<u>(102,725)</u>	<u>(138,815)</u>	<u>43,880</u>	<u>64,893</u>	<u>(58,845)</u>	<u>(73,922)</u>
Total net assets	<u>\$(8,198)</u>	<u>\$(25,268)</u>	<u>\$1,353,322</u>	<u>\$1,180,869</u>	<u>\$1,345,124</u>	<u>\$1,155,601</u>

By far the largest portion of the Metropolitan Council's net assets (\$1,287,409 or 96 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The Metropolitan 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 restricted and non restricted assets, since the capital assets themselves cannot be used to liquidate these liabilities.

A significant portion of the Metropolitan Council's net assets (\$116,560) represent resources that are subject to external restrictions on how they may be used. These net assets consist of debt service, capital project and specific grant and loan programs. There was a decrease in the restricted net assets (\$19,983) due primarily to a \$22,421 decrease in capital project net assets.

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 assets, for the government as a whole and its business-type activities. Unrestricted net assets for the government as a whole, and for the governmental activities, are negative mainly because the governmental funds are responsible for Metro Transit Bus debt, but the related capital assets are held in that business-type fund.

The Metropolitan Council's combined net assets increased by \$189,523 over the course of the year. The net assets of the governmental activities increased \$17,070 while the business-type activities net assets increased by \$172,453.

Primarily the change in the governmental negative net assets was driven by increases in both Operating grants and contributions, and Capital grants and contributions. The business-type activities net assets increase came, primarily, from capital grants and contributions.



## Governmental activities

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

### Changes in Net Assets for the Years Ending December 31, 2003 and 2002

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Program revenues						
Charges for services	\$4,924	\$3,985	\$241,164	\$240,746	\$246,088	\$244,731
Operating Grants and Contributions	43,022	27,897	111,231	111,755	154,253	139,652
Capital Grants and Contributions	18,074	8,831	165,227	218,428	183,301	227,259
General revenues:						
Motor vehicle excise tax	35,799	15,327	88,308	48,311	124,107	63,638
Property taxes	66,484	55,672		723	66,484	56,395
Property tax related state revenues	3,056	3,914			3,056	3,914
Investment earnings	2,647	4,936	3,514	4,708	6,161	9,644
Other		371		6		377
Total revenues	<u>174,006</u>	<u>120,933</u>	<u>609,444</u>	<u>624,677</u>	<u>783,450</u>	<u>745,610</u>
Expenses:						
General government	10,007	12,606			10,007	12,606
Transportation	77,622	71,005			77,622	71,005
Culture and recreation	30,521	25,674			30,521	25,674
Environment	4,517	5,348			4,517	5,348
Economic development	8,036	6,965			8,036	6,965
Housing	1,958	2,739			1,958	2,739
Interest	8,891	7,298			8,891	7,298
Environmental services			153,373	154,842	153,373	154,842
Transit bus			226,770	229,342	226,770	229,342
Transit light rail			15,114	26,241	15,114	26,241
Housing			<u>56,222</u>	<u>50,398</u>	<u>56,222</u>	<u>50,398</u>
Total expenses	<u>141,552</u>	<u>131,635</u>	<u>451,479</u>	<u>460,823</u>	<u>593,031</u>	<u>592,458</u>
Increase in net assets before transfers	32,454	(10,702)	157,965	163,854	190,419	153,152
Transfers	<u>(19,536)</u>	<u>(22,385)</u>	<u>19,536</u>	<u>22,385</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	12,918	(33,087)	177,501	186,239	190,419	153,152
Net assets, January 1, restated	<u>(21,116)</u>	<u>7,819</u>	<u>1,175,821</u>	<u>994,630</u>	<u>1,154,705</u>	<u>1,002,449</u>
Net assets, December 31	<u>\$(8,198)</u>	<u>\$(25,268)</u>	<u>\$1,353,322</u>	<u>\$1,180,869</u>	<u>\$1,345,124</u>	<u>\$1,155,601</u>

## Governmental activities-Revenues

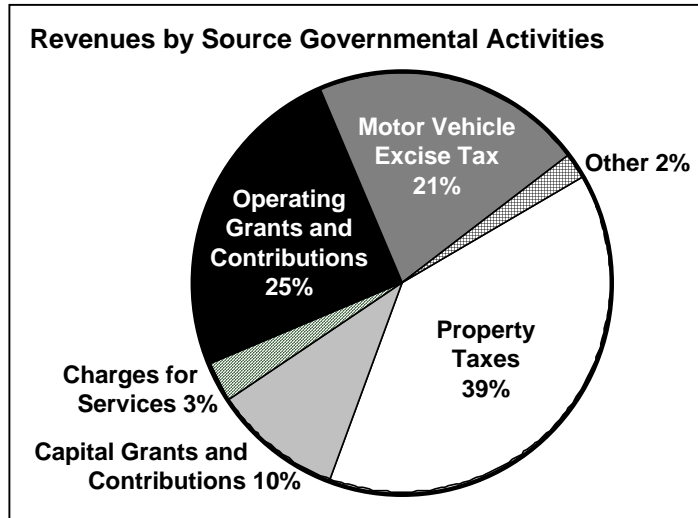
Some revenues for the Council's governmental activities are derived directly from the program itself (referred to as charges for services), parties outside the government, taxpayers or citizenry. As a whole, these revenues reduce the net cost of the function to be financed from the government's general revenue. The \$939 increase in charges for services primarily came from nonmajor transportation funds reporting higher fare revenues to the Council.

Operating Grants and Contributions increased by \$15,125 (54 percent) during the year. In 2003, allocated state appropriation grants were \$10,231 higher than 2002. Additionally, there was a \$4,850 federal operating grant received in 2003.

Capital Grants and Contributions increased by \$9,243 (105 percent). In 2003, nonmajor parks funds experienced a \$9,243 increase in state grants which were reimbursements of increased expenditures.

Motor Vehicle Excise Tax (MVET) receipts increased by \$20,472 (134%). In 2003, the MVET covered twelve months, while 2002 reflected only six months receipts.

Property tax related state revenues increased by \$10,812. Of that increase \$8,942 was to fund nonmajor debt service payments for the year.



The chart on the right depicts the revenues of the governmental activities for the year.

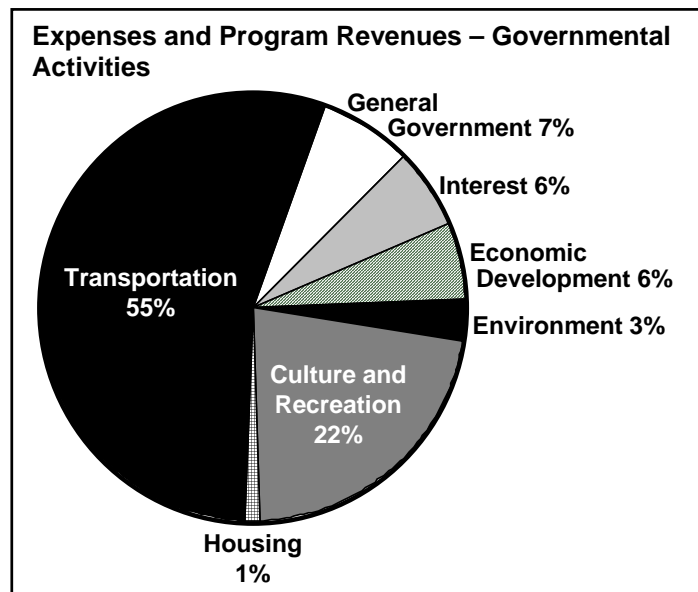
## Governmental activities-Expenses

Governmental expenses increased by \$9,917 (8 percent) during the year. Transportation program expenses increased by \$6,617 (9 percent) primarily from increased outside transit provider expenses. Culture program expenses increased by \$4,847 (19 percent) due to regional-parks capital project grants.

Key elements of these activities are as follows:

- € Total grants of \$71,225 were \$7,204 (11 percent) higher than 2002. Nonmajor parks funds increased their grants by \$6,748 (44 percent), which were funded by capital grant receipts.
- € Capital asset depreciation accounted for \$5,147, an increase of \$1,959 due to increased capital assets (primarily vehicles) in 2003.
- € Net transfers to business-type activities, (\$19,536), were used for capital project reimbursement to Metro Transit Bus.

The chart on the right depicts the expenses of the governmental activities for the year:

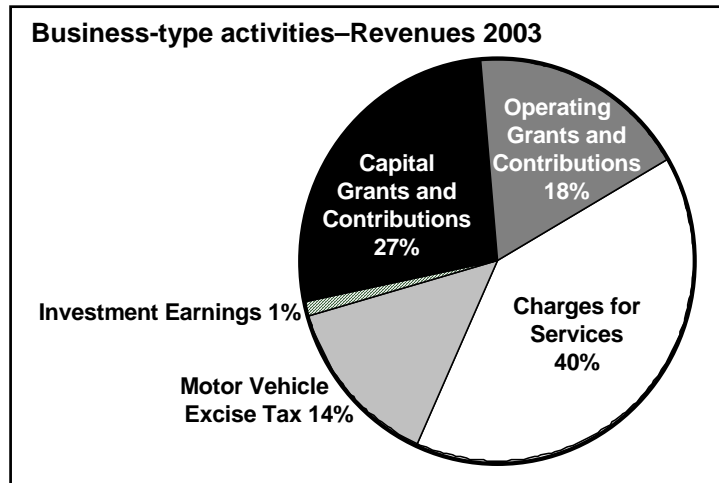


## Business-type activities—Revenues

Business-type activities increased the net assets of the Council by \$177,501 for the year, which is a change of 5 percent from the previous year. Program revenues decreased by \$53,307 to \$517,622. Most significant was the decrease in capital grants and contributions (\$53,201). The LRT project had lower capital grants, as it nears completion. Charges for services for the year was \$241,164, which was flat vs. 2002. Revenue decreases were offset by corresponding decreases in related operating expenses.

Key elements of these business-type revenues are:

- € Charges for services are the major revenue source for Environmental Services. These charges, comprising wastewater, industrial strength and sewer availability charges increased by \$3,031 (2 percent) from 2002 due primarily to a rate increase.
- € Charges for services, a major revenue source for transit bus, decreased by \$2,903 to \$65,943. Transit bus's share of the State of Minnesota appropriation decreased by \$19,546, which was offset by the \$39,997 increase in MVET proceeds. Transit LRT began receiving operating grants in 2003, which amounted to \$15,928.
- € Construction of the regional light rail system provided \$133,705 in capital grants, a decrease of \$28,185 as construction of the system neared completion.
- € Transit bus recognized \$24,135 in capital grants related to its fleet and facility improvements, a decrease of \$21,661 from 2002.
- € Operating grants are the primary revenue source for the Metropolitan Council's housing program, with total grants of \$52,342 an increase of \$1,879. The \$25,050 total grant for the purchase of housing units was completed in 2003



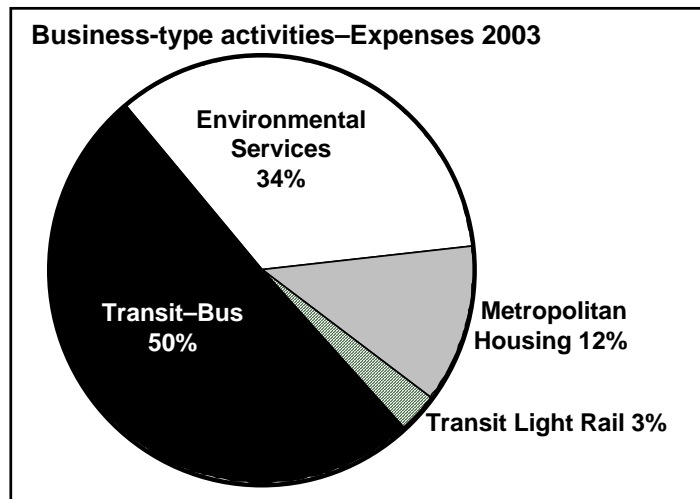
The chart depicts the revenues of the business-type activities for the year.

## Business-type activities-Expenses

Business-type expenses decreased by \$9,344 (2 percent) to \$451,479.

Key elements of these activities are:

- € Environmental services expense decreased by \$1,469. There was a reduction of \$2,123 of interest expense.
- € The Transit bus decrease of \$2,572, came primarily from lower salaries and wages.
- € Total depreciation expense totaled \$72,876 a marginal increase of \$2,193.
- € Transit light rail right-of-way grants of \$19,988 were offset by donations from Hennepin County for the same amount.
- € The majority of the Housing expenses was for housing assistance and subsidies (\$56,222) and was offset by subsidy operating grants of \$52,342.



The accompanying chart depicts the business-type expenses for the year.

## Financial Analysis of the Governmental Funds

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

### Governmental funds

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

During the year, the Metropolitan Council's governmental funds decreased by \$29,855 with an ending fund balance of \$162,488. Of that total:

- € \$64,847 is committed to liquidate existing contracts, grants and loan commitments,
- € \$79,379 is designated for specific programs and grant commitments and,
- € \$18,262 is unreserved-undesignated. \$21,112 of this balance is in restricted operating funds.

The general fund is the chief operating fund of the Metropolitan Council. At the end of the current year, of the total \$10,264 fund balance, \$8,939 is unreserved. For the year, the general fund had a \$2,188 increase in net assets.

For the general fund, revenues decreased by \$1,758 to \$19,701, while expenditures decreased by \$3,905 to \$16,513. State revenues decreased by \$1,255 due to lower parks grant appropriations, while other income decreased by \$528 reflecting lower reimbursement billings and one-time grant receipts in 2002. Salaries and wages were reduced by \$2,232. For the year, revenues exceeded expenditures by 3,188. The fund transferred a budgeted \$1,000 to nonmajor funds during the year.

The Metro Mobility governmental fund balance of \$14,157, increased by \$4,768. Total expenditures increased by \$1,667, total revenues increased by \$19,305. The revenue increase came, primarily, from two sources:

- € One time increase of \$14,162 in state appropriations to \$24,641.
- € New Federal grant reimbursement revenues of \$4,850.

The Regional Transit Debt Retirement fund balance of \$47,025, increased by \$606. Property tax revenues increased by \$6,602 to a total of \$30,530. Debt retirement payments were \$35,502, an increase of \$12,793.

## 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 unrestricted net assets of Environmental Services at the end of the year, \$14,622, includes amounts set aside for future retiree health expenses, capital projects, water quality grant agreements, emergencies and operating cash flow requirements. The unrestricted net assets of Metro Transit Bus, \$26,203, includes amounts set aside for future retiree health expenses, and for operating cash flow requirements. Metropolitan Housing and Redevelopment Authority at the end of the year had unrestricted net assets of \$925 which includes amounts set aside for revenue and expense contingencies and for operating cash flow requirements. The Metro Transit Light Rail has an unrestricted fund balance of \$2,131 during its construction stage.

The net assets growth in Environmental Services, Metro Transit Bus, Metropolitan Housing and Redevelopment Authority, and Metro Transit Light Rail funds were: \$26,476, \$14,315, \$2,163, and \$134,547 respectively. Other factors concerning the activities of these four funds have already been addressed in the discussion of the Metropolitan Council's business-type activities.

## General Fund Budgetary Highlights

The original budget was decreased by \$70 to arrive at the final budget. The decrease came from:

- € \$ 2,421 were budget carryovers from 2002
- € \$ 2,351 in reduced general government activities.

During the year, however, actual expenditures were \$3,447 less than the final budget estimates.

## 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, 2003 amounts to \$2,006,498 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, treatment plants, machinery, equipment, and vehicles.

#### **METROPOLITAN COUNCIL'S CAPITAL ASSETS** (Net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land and land improvements			\$47,655	\$44,055	\$47,655	\$44,055
Buildings and plants			1,101,184	1,053,158	1,101,184	1,053,158
Vehicles and other equipment	\$33,506	\$16,353	173,359	161,121	206,865	177,474
Construction in progress		285	650,794	443,180	650,794	443,465
Total	<u>\$33,506</u>	<u>\$16,638</u>	<u>\$1,972,992</u>	<u>\$1,701,514</u>	<u>\$2,006,498</u>	<u>\$1,718,152</u>

The Metropolitan Council's investment in capital assets increased by \$288,346 for the year a 17 percent increase. Purchases of buses for regional transportation services accounted for \$23,217 of the governmental activities increase.

Major capital asset events in the business-type activities during the current year included:

- € Construction for the Transit light rail system is now at \$429,893, an increase of \$132,256 for the year.
- € New bus and other equipment purchases were \$48,896, while bus garages and related buildings added \$92,661.
- € Environmental Services buildings and plants increased by \$78,364 to meet higher demand requirements.

Additional information on the Metropolitan Council's capital assets can be found on pages 40-41 of this report.

### Debt Administration

At the end of the current fiscal year, the Metropolitan Council had total bonds and loans outstanding of \$879,885. Of this amount, \$445,800 was for bonds issued by the Metropolitan Council, and \$434,085 was for loans from the State of Minnesota Public Facilities Authority, both of which are backed by the full faith and credit of the Metropolitan Council. Additionally, the Council has issued \$12,340 of revenue bonds on behalf of the Metropolitan Radio Board (a component unit). The Metropolitan Council also is contingently liable for \$2,696 in housing revenue bonds.

#### **METROPOLITAN COUNCIL'S OUTSTANDING DEBT** General Obligation Bonds and Loans

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General obligation bonds	\$183,905	\$205,270	\$261,895	\$159,205	\$445,800	\$364,475
State of Minnesota loans	<u>14,145</u>	<u>16,430</u>	<u>419,940</u>	<u>448,285</u>	<u>434,085</u>	<u>464,715</u>
Total	<u>\$198,050</u>	<u>\$221,700</u>	<u>\$681,835</u>	<u>\$607,490</u>	<u>\$879,885</u>	<u>\$829,190</u>

The Metropolitan Council's total debt increased by \$50,695 (6 percent) during the current year. General obligation debt increased by \$81,325. Most of the increase came from a \$121,490 refunding for the repayment of State of Minnesota sewer loans, that, in turn, contributed to decreasing the State of Minnesota sewer loans by \$30,630. During the year, the Metropolitan Council retired \$50,76 of general obligation debt, and loans of \$156,800.

During 2003, the Metropolitan Council issued \$121,490 of general obligation sewer refunding bonds (which included a debt service reduction of \$9,908) to refinance outstanding debt. This refinancing will result in present value savings of \$9,852.

During 2003, the Metropolitan Council also issued \$10,595 of general obligation refunding bonds (which included a debt service reduction of \$1,095) to refinance outstanding debt. This refinancing will result in present value savings of \$926.

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

State statutes do not limit the amount of general obligation debt on sewer bonds. The state statutes limit the amount of general obligation debt the Metropolitan Council may issue for regional recreation open space and the radio system, at \$40,000 and \$3,000 respectively. Currently, the Council has unused authority \$10,595 and \$1,285 respectively.

Transit debt is subject to limited amounts as authorized by statute. At the end of the year, the Metropolitan Council had unused authority of \$96,375 and transit general obligation bonds outstanding of \$152,015.

Additional information on the Metropolitan Council's long-term debt can be found in the notes on pages 43-45 of this report.

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

For the fiscal year ending June 30, 2004, the Metropolitan Council's share of the state's revenue budget reduction was \$915. This reduction has been incorporated into the financial statements.

In March 2004, the Metro Transit Bus Amalgamated Transit Union went on strike. The strike ended April 17, 2004. At the time of this printing, Metro Transit is in the process of amending its 2004 operating budget in response to the anticipated effects of the strike.

Environmental Services municipal wastewater rate was increased by 3.08 percent for the 2004 budget year. Anticipated higher operating expenses, both labor and non-labor, and retiree health reserve contributions were the primary causes for the increase.

## **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 Controller, Metropolitan Council, Mears Park Centre, 230 East Fifth Street, St. Paul, Minnesota 55101.

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# **BASIC FINANCIAL STATEMENTS**



**METROPOLITAN COUNCIL  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2003**

	<b>Primary Government</b>			<b>Component units</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Metropolitan Radio Board</b>	<b>Metropolitan Sports Facilities Commission</b>
<b>ASSETS</b>					
Cash and investments	\$ 171,062,268	\$ 70,535,336	\$ 241,597,604	\$ 862,848	\$ 18,923,685
Receivables, (net)	4,756,171	9,744,388	14,500,559	18,131	4,558,570
Internal balances	(1,986,108)	1,986,108			
Due from other governmental units	23,867,247	28,632,989	52,500,236	1,498,135	
Due from restricted assets		4,128,112	4,128,112		
Due from component unit	6,481		6,481		
Inventory		15,124,270	15,124,270		
Prepays and other	342,318	297,233	639,551	12,330	278,351
Restricted assets:					
Cash and cash equivalents		70,317,626	70,317,626	3,976,369	
Cash with fiscal agent		19,533,249	19,533,249		
Receivables, (net)		32,751,609	32,751,609	11,806	
Due from other governmental units		53,294,993	53,294,993	878,306	
Inventory				10,038	
Prepays and others		4,431	4,431		
Capital assets (net of accumulated depreciation):					
Land		47,655,134	47,655,134		8,700,000
Buildings and improvements		1,101,184,363	1,101,184,363		24,273,541
Vehicles	32,873,786	145,511,668	178,385,454		
Equipment	632,361	27,847,093	28,479,454		3,862,513
Construction in progress		650,793,792	650,793,792		
Noncurrent assets:					
Accounts receivable					351,500
Loans/advances	27,564,510		27,564,510		
Restricted assets:					
Due from other governmental units		829,708	829,708		
Deferred Charges		366,459	366,459		
Total assets	<u>259,119,034</u>	<u>2,280,538,561</u>	<u>2,539,657,595</u>	<u>7,267,963</u>	<u>60,948,160</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	60,018,312	63,518,956	123,537,268	532,389	4,827,087
Accrued interest payable	3,696,957		3,696,957		
Due to primary government				6,481	
Unearned revenue	18,443	6,876,616	6,895,059	555,081	178,589
Due to current assets-restricted		4,128,112	4,128,112		
Liabilities payable from restricted assets		36,833,385	36,833,385	2,137,679	
Unearned revenue-restricted		93,366,377	93,366,377		
Noncurrent liabilities:					
Due within one year	44,594,774	43,877,502	88,472,276		
Due in more than one year	158,989,038	678,615,131	837,604,169	11,430,140	162,731
Total liabilities	<u>267,317,524</u>	<u>927,216,079</u>	<u>1,194,533,603</u>	<u>14,661,770</u>	<u>5,168,407</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,910,070	1,284,499,313	1,287,409,383		36,836,054
Restricted for:					
Radio system				888,344	
Debt service	28,381,059	21,945,439	50,326,498	1,850,495	
Capital projects		2,997,082	2,997,082		
Grants and loans	63,235,937		63,235,937		
Unrestricted	(102,725,556)	43,880,648	(58,844,908)	(10,132,646)	18,943,699
Total net assets	<u>\$ (8,198,490)</u>	<u>\$ 1,353,322,482</u>	<u>\$ 1,345,123,992</u>	<u>\$ (7,393,807)</u>	<u>\$ 55,779,753</u>

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

**METROPOLITAN COUNCIL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

Function/program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Component units		
						Metropolitan Radio Board	Metropolitan Sports Facility	Commission
<b>Primary government:</b>								
Governmental activities				\$ (9,938,537)	\$ (9,938,537)			
General government	\$ 10,007,130	\$ 68,593		(37,937,093)	(37,937,093)			
Transportation	77,621,807	4,855,984	\$ 34,828,730	(1,957,637)	(1,957,637)			
Housing	1,957,637			(4,301,860)	(4,301,860)			
Culture and recreation	30,521,046	8,145,553	\$ 18,073,633	(4,516,632)	(4,516,632)			
Environment	4,516,632			(7,988,168)	(7,988,168)			
Economic development	8,035,779	47,611		(8,891,187)	(8,891,187)			
Interest and other charge:	8,891,187							
Total governmental activities:	141,551,218	43,021,894	18,073,633	(75,531,114)	\$ 0	\$ 0	\$ 0	\$ 0
<b>Business-type activities</b>								
Environmental service:								
Transit bus	153,372,773	285,089	2,031,906		23,690,855			23,690,855
Transit light rail	226,769,391	42,676,229	24,135,034		(94,014,669)			(94,014,669)
Housing	15,113,873	15,927,517	133,705,347		134,532,824			134,532,824
Total business-type activities:	56,221,977	52,341,816	5,354,465		1,934,095			1,934,095
Total business-type activities:	451,478,014	111,230,651	165,226,752		66,143,105			66,143,105
<b>Total primary government</b>	\$593,029,232	\$ 154,252,545	\$183,300,385	(75,531,114)	\$ 0	\$ 0	\$ 0	\$ 0
<b>Component units:</b>								
Regional radio system	\$ 5,161,523	\$ 2,984,740	\$ 3,000				(1,426,222)	(2,443,500)
Sports facilities	43,203,603							
<b>Total component units</b>	\$ 48,365,126	\$ 2,984,740	\$ 3,000	0	0	0	(1,426,222)	(2,443,500)
<b>General revenues:</b>								
Property taxes:								
Market value credit				66,483,519				66,483,519
Motor vehicle excise tax				3,055,685				3,055,685
Investment earnings:				35,798,734	88,307,808			124,106,542
Transfers				2,646,977	3,513,753			6,160,730
Total general revenues and transfer				(19,536,226)	19,536,226			
Change in net asset:				88,448,689	111,357,787			199,806,476
Net assets, beginning				12,917,575	177,500,892			190,418,467
Prior period adjustment/restatement				(25,268,455)	1,180,869,218			1,155,600,763
Net assets, beginning, as restated				4,152,390	(5,047,628)			(895,238)
Net assets, ending				(21,116,065)	1,175,821,590			1,154,705,525
				\$ (8,198,490)	\$1,353,322,482			\$ (7,393,807)
								\$ 55,779,753

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

**METROPOLITAN COUNCIL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2003**

	<u>General</u>	<u>Metro Mobility Special Revenue Fund</u>	<u>Regional Transit Debt Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 15,239,093	\$ 6,972,920	\$ 60,452,043	\$ 88,398,212	\$ 171,062,268
Accounts receivable	3,717	78,084		279,631	361,432
Delinquent taxes receivable	638,725		2,138,382	1,168,731	3,945,838
Interest receivable	45,062	12,487	160,025	231,327	448,901
Due from other funds	468,888			1,503,907	1,972,795
Due from other governmental units	702,078	10,385,056		12,780,113	23,867,247
Due from component unit	6,481				6,481
Prepays	199,461	8,088		13,188	220,737
Loans and advances				27,564,510	27,564,510
Total assets	<u>\$ 17,303,505</u>	<u>\$ 17,456,635</u>	<u>\$ 62,750,450</u>	<u>\$ 131,939,619</u>	<u>\$ 229,450,209</u>
<b>LIABILITIES</b>					
Accounts/contracts/subgrantees payable	\$ 5,593,696	\$ 3,299,932	\$ 14,027,099	\$ 36,141,514	\$ 59,062,241
Salaries payable	956,071				956,071
Due to other funds	45,259			3,913,644	3,958,903
Accrued interest payable			5,785	3,413	9,198
Deferred revenue	444,619		1,692,351	839,127	2,976,097
Total liabilities	<u>7,039,645</u>	<u>3,299,932</u>	<u>15,725,235</u>	<u>40,897,698</u>	<u>66,962,510</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	1,325,000				1,325,000
Grants and loans				63,235,937	63,235,937
Credit enhancement				286,500	286,500
Unreserved					
Designated for:					
Self-insurance	1,029,973				1,029,973
Compensated absences	2,178,146				2,178,146
Designated in:					
Special revenue funds				9,003,793	9,003,793
Debt service funds			47,025,215	19,299,553	66,324,768
Capital projects funds				842,074	842,074
Undesignated					
General fund	5,730,741				5,730,741
Metro Mobility fund		14,156,703			14,156,703
Special revenue funds				6,955,874	6,955,874
Capital projects funds				(8,581,810)	(8,581,810)
Total fund balances	<u>10,263,860</u>	<u>14,156,703</u>	<u>47,025,215</u>	<u>91,041,921</u>	<u>162,487,699</u>
Total liabilities and fund balances	<u>\$ 17,303,505</u>	<u>\$ 17,456,635</u>	<u>\$ 62,750,450</u>	<u>\$ 131,939,619</u>	<u>\$ 229,450,209</u>

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

**METROPOLITAN COUNCIL  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2003**

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

Fund balances-total governmental funds (page 16)	\$ 162,487,699
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,506,147
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	2,957,654
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(207,149,990)
Net assets of governmental activities (page 14)	<u><u>\$ (8,198,490)</u></u>

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

**METROPOLITAN COUNCIL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Metro Mobility Special Revenue</u>	<u>Regional Transit Debt Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 10,362,820		\$ 30,530,183	\$ 23,927,007	\$ 64,820,010
Intergovernmental revenue:					
Federal	47,611	\$ 4,850,000		4,809,636	9,707,247
State	8,664,550	24,837,507	1,587,933	55,154,644	90,244,634
Local/other	33,396			244,354	277,750
Investment income	557,638	275,189	647,759	1,166,391	2,646,977
Other	35,197	3,105,486		1,504,209	4,644,892
Total revenues	<u>19,701,212</u>	<u>33,068,182</u>	<u>32,765,875</u>	<u>86,806,241</u>	<u>172,341,510</u>
<b>EXPENDITURES</b>					
Current:					
General government	8,084,814	249,775		1,381,888	9,716,477
Transportation		28,047,532		18,852,169	46,899,701
Culture and recreation	143,065				143,065
Intergovernmental:					
Transportation				25,993,807	25,993,807
Culture and recreation	8,145,554			22,232,427	30,377,981
Environment				4,516,632	4,516,632
Housing				1,957,637	1,957,637
Economic development				8,035,779	8,035,779
Debt service:					
Principal			28,080,000	6,165,000	34,245,000
Interest and other charges	4,362	3,121	7,421,961	1,553,790	8,983,234
Capital outlay	135,450			21,582,105	21,717,555
Total expenditures	<u>16,513,245</u>	<u>28,300,428</u>	<u>35,501,961</u>	<u>112,271,234</u>	<u>192,586,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,187,967</u>	<u>4,767,754</u>	<u>(2,736,086)</u>	<u>(25,464,993)</u>	<u>(20,245,358)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets				27,270	27,270
Refunding bonds issued			3,341,906	7,384,086	10,725,992
Transfers in				1,585,111	1,585,111
Transfers out	<u>(1,000,000)</u>			<u>(20,947,932)</u>	<u>(21,947,932)</u>
Total other financing sources (uses)	<u>(1,000,000)</u>		<u>3,341,906</u>	<u>(11,951,465)</u>	<u>(9,609,559)</u>
Net change in fund balances	<u>2,187,967</u>	<u>4,767,754</u>	<u>605,820</u>	<u>(37,416,458)</u>	<u>(29,854,917)</u>
Fund balances, beginning, as previously reported	8,075,893	3,333,449	46,419,395	129,866,251	187,694,988
Prior period adjustment/restatements		<u>6,055,500</u>		<u>(1,407,872)</u>	<u>4,647,628</u>
Fund balances, beginning, as restated	8,075,893	9,388,949	46,419,395	128,458,379	192,342,616
Fund balances, ending	<u>\$ 10,263,860</u>	<u>\$ 14,156,703</u>	<u>\$ 47,025,215</u>	<u>\$ 91,041,921</u>	<u>\$ 162,487,699</u>

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

**METROPOLITAN COUNCIL  
RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

Net change in fund balances--total governmental funds (page 18)	\$ (29,854,917)
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	16,563,921
The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to increase net assets.	799,325
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,663,509
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 assets. Also, governmental funds report the effect of issuance costs, 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.	23,707,773
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.	37,964
Change in net assets of governmental activities (page 15)	\$ 12,917,575

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

**METROPOLITAN COUNCIL  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2003**

	Business-type Activities - Enterprise Fund:					Total
	Environmental Services	Metro Transit		Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	
		Bus	Light Rail	Light Rail	Authority	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 49,634,282	\$ 19,723,739		\$ 1,177,315	\$ 70,535,336	
Receivables, net	2,880,845	6,634,320	\$ 17,659	211,564	9,744,388	
Due from other funds	1,299	24,740,420	319,509	44,856	25,106,084	
Due from other governmental units		25,027,905	2,922,864	682,220	28,632,989	
Due from restricted assets		3,095,122		1,032,990	4,128,112	
Inventory	7,020,277	8,088,671	15,322		15,124,270	
Prepaid	72	235,061	60,221	1,879	297,233	
Total current assets	<u>59,536,775</u>	<u>87,545,238</u>	<u>3,335,575</u>	<u>3,150,824</u>	<u>153,568,412</u>	
Current assets - restricted:						
Cash and cash equivalents	70,317,626				70,317,626	
Cash with fiscal agent	19,533,249				19,533,249	
Receivables, net	32,481,375		5,642	264,592	32,751,609	
Due from other funds		2,371,407	764		2,372,171	
Due from other governmental units		4,675,428	47,761,565	858,000	53,294,993	
Prepays		4,031	400		4,431	
Total current assets - restricted	<u>122,332,250</u>	<u>7,050,866</u>	<u>47,768,371</u>	<u>1,122,592</u>	<u>178,274,079</u>	
Noncurrent assets:						
Restricted assets						
Due from other governments	829,708				829,708	
Deferred charges	366,459				366,459	
Total noncurrent assets - restricted	<u>1,196,167</u>				<u>1,196,167</u>	
Capital assets:						
Land	5,604,581	22,569,779	14,608,950	4,871,824	47,655,134	
Buildings and plants	1,477,603,631	163,029,804	40,118,426	17,022,083	1,697,773,944	
Vehicles	6,241,233	266,756,263	1,506,510		274,504,006	
Equipment	53,127,277	39,647,323	171,994	99,998	93,046,592	
Construction in progress	248,130,232	23,534,817	375,647,348	3,481,395	650,793,792	
Less accumulated depreciation	(585,943,535)	(201,547,711)	(2,159,942)	(1,130,230)	(790,781,418)	
Total capital assets	<u>1,204,763,419</u>	<u>313,990,275</u>	<u>429,893,286</u>	<u>24,345,070</u>	<u>1,972,992,050</u>	
Total assets	<u>1,387,828,611</u>	<u>408,586,379</u>	<u>480,997,232</u>	<u>28,618,486</u>	<u>2,306,030,708</u>	

**METROPOLITAN COUNCIL**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2003**

	Business-type Activities - Enterprise Fund:					Total
	Environmental Services	Metro Transit		Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	
		Bus	Light Rail	Light Rail	Authority	
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	16,808,128	18,505,084	456,037	581,000	36,350,249	
Salaries payable	8,526,801	17,788,022	374,947	186,499	26,876,269	
Due to other funds		319,509	330,620	459,292	1,109,421	
Due to other governmental units	423,887	254,240		26,291	704,418	
Unearned revenue	4,882,717	1,334,810		659,089	6,876,616	
Accrued claims	1,244,710	7,537,018			8,781,728	
Other		11,907			11,907	
Total current liabilities	31,886,243	45,750,590	1,161,604	1,912,171	80,710,608	
Current liabilities (payable from restricted assets):						
Payables	18,654,697	817,594	7,624,048	3,031	27,099,370	
Accrued interest payable	7,477,780				7,477,780	
Bonds/loans payable	34,631,611				34,631,611	
Due to other funds		9,676	24,373,050		24,382,726	
Due to other governmental units			2,167,017		2,167,017	
Due to current assets		3,095,122		1,032,990	4,128,112	
Unearned revenue	79,717,378	1,991	13,647,008		93,366,377	
Other		89,218			89,218	
Capital lease obligations		40,276			40,276	
Total current liabilities (payable from restricted liabilities)	140,481,466	4,053,877	47,811,123	1,036,021	193,382,487	
Noncurrent liabilities:						
Compensated absences payable	3,514,305	2,260,848			5,775,153	
Due to other governmental units	7,973,525				7,973,525	
Accrued claims		13,013,319			13,013,319	
Bonds/loans payable after one year	651,135,433			400,000	651,535,433	
Capital lease obligations		317,701			317,701	
Total noncurrent liabilities	662,623,263	15,591,868		400,000	678,615,131	
Total liabilities	834,990,972	65,396,335	48,972,727	3,348,192	952,708,226	
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	516,270,682	313,990,275	429,893,286	24,345,070	1,284,499,313	
Restricted for debt service	21,945,439				21,945,439	
Restricted for capital projects		2,997,082			2,997,082	
Unrestricted	14,621,518	26,202,687	2,131,219	925,224	43,880,648	
Total net assets	\$ 552,837,639	\$ 343,190,044	\$ 432,024,505	\$ 25,270,294	\$ 1,353,322,482	

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



**METROPOLITAN COUNCIL  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Business-type Activities--Enterprise Funds</b>				<b>Total</b>
	<b>Environmental Services</b>	<b>Metro Transit Bus</b>	<b>Metro Transit Light Rail</b>	<b>Metropolitan Housing and Redevelopment Authority</b>	
Operating revenues:					
Charges for services:	\$ 136,332,596				\$ 136,332,596
Wastewater and industrial strength charges		\$ 62,994,814			62,994,814
Transit fares		2,253,421	\$ 13,830	\$ 353,601	2,620,852
Advertising and auxiliary		65,248,235	13,830	353,601	201,948,262
Total operating revenues:	136,332,596				
Operating expenses:					
Salaries and employee benefits	56,258,319	155,546,841	2,018,412	2,796,880	216,620,452
Contracted services	8,679,331	5,858,886	94,613	2,176,587	16,809,417
Materials and supplies	5,325,609	18,442,414	87,402	24,029	23,879,454
Insurance	776,938	7,306,563	9,119	69,618	8,162,238
Utilities	15,117,195	3,513,445	334,297	135,298	19,100,235
Advertising		810,706			810,706
Housing related expenses				49,739,078	49,739,078
Other	9,885,879	2,041,978	2,829	388,112	12,318,798
Depreciation	37,701,012	32,968,004	1,448,780	758,377	72,876,173
Total operating expenses:	133,744,283	226,488,837	3,995,452	56,087,979	420,316,551
Operating income (loss)	2,588,313	(161,240,602)	(3,981,622)	(55,734,378)	(218,368,289)
Nonoperating revenues (expenses)					
Intergovernmental	285,089	131,137,686	15,927,517	52,341,816	199,692,108
Pass-through grants			(11,117,462)		(11,117,462)
Service availability charges	35,971,275				35,971,275
Investment income	5,031,756	485,729	14,113	228,342	5,759,940
Interest and fiscal charges	(18,452,780)	(55,713)	(959)	(133,998)	(18,643,450)
Gain/(loss) on sale of fixed assets	(1,175,710)	(224,841)			(1,400,551)
Miscellaneous	196,575	541,575	3	106,190	844,343
Total nonoperating revenues (expenses)	21,856,205	131,884,436	4,823,212	52,542,350	211,106,203

**METROPOLITAN COUNCIL  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Business-type Activities--Enterprise Funds</b>				<b>Total</b>
	<b>Environmental Services</b>	<b>Metro Transit Bus</b>	<b>Metro Transit Light Rail</b>	<b>Metropolitan Housing and Redevelopment Authority</b>	
Income (loss) before contribution: and transfers	24,444,518	(29,356,166)	841,590	(3,192,028)	(7,262,086)
Capital contributions	2,031,906	24,135,034	133,705,347	5,354,465	165,226,752
Transfers in		20,379,455			20,379,455
Transfers out		(843,229)			(843,229)
Total contributions and transfers	<u>2,031,906</u>	<u>43,671,260</u>	<u>133,705,347</u>	<u>5,354,465</u>	<u>184,762,978</u>
Change in net assets	<u>26,476,424</u>	<u>14,315,094</u>	<u>134,546,937</u>	<u>2,162,437</u>	<u>177,500,892</u>
Total net assets, beginning, as previously reported	526,361,215	333,522,578	297,477,568	23,507,857	1,180,869,218
Prior period adjustment/restatement		(4,647,628)		(400,000)	(5,047,628)
Total net assets, beginning, as restated	<u>526,361,215</u>	<u>328,874,950</u>	<u>297,477,568</u>	<u>23,107,857</u>	<u>1,175,821,590</u>
Total net assets, ending	<u>\$ 552,837,639</u>	<u>\$ 343,190,044</u>	<u>\$ 432,024,505</u>	<u>\$ 25,270,294</u>	<u>\$ 1,353,322,482</u>

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

**METROPOLITAN COUNCIL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Business-type Activities--Enterprise Funds				
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metro Transit Housing and Redevelopment Authority	Total
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 137,685,723	\$ 62,626,091		\$ 353,601	\$ 200,665,415
Payments to suppliers	(32,760,567)	(38,003,435)	\$ (509,764)	(53,727,846)	(125,001,612)
Payments to employees	(56,172,769)	(150,145,309)	(1,643,465)	(2,852,253)	(210,813,796)
Receipts from others	196,575	2,626,846	3	106,190	2,929,614
Net cash provided (used) by operating activities	48,948,962	(122,895,807)	(2,153,226)	(56,120,308)	(132,220,379)
<b>Cash flows from non-capital financing activities</b>					
Cash deficit implicitly financed		(25,148,369)	24,384,489		(763,880)
Intergovernmental receipts	285,089	105,958,749	13,004,653	51,087,574	170,336,065
Transfers out		(16,634)			(16,634)
Pass-through grant payments			(11,117,462)		(11,117,462)
Net cash provided by non-capital financing activities	285,089	80,793,746	26,271,680	51,087,574	158,438,089
<b>Cash flows from capital and related financing activities</b>					
Transfers in		18,264,550			18,264,550
Capital contributions	2,031,906	26,629,676	85,770,423	5,354,465	119,786,470
Proceeds from capital debt	252,422,099				252,422,099
Proceeds from service availability charges	25,913,099				25,913,099
Proceeds from sale of capital assets	70,064	101,987			172,051
Purchase of capital assets	(151,394,402)	(49,364,855)	(137,006,220)	(5,354,465)	(343,119,942)
Principal paid on capital debt	(173,722,450)	(170,723)			(173,893,173)
Interest paid on capital debt	(27,603,256)	(31,493)			(27,634,749)
Net cash provided by (used in) capital and related financing activities	(72,282,940)	(4,570,858)	(51,235,797)	0	(128,089,595)
<b>Cash flows from investing activities</b>					
Investment purchase/sale	744,254		346,814		1,091,068
Interest received/paid	4,885,819	461,509	9,325	99,538	5,456,191
Increase (decrease) in securities lending receivables/payables	9,060,294	8,678,792	(8,882,764)	(359,630)	8,496,692
Net cash provided by (used in) investing activities	14,690,367	9,140,301	(8,526,625)	(260,092)	15,043,951

**METROPOLITAN COUNCIL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Business-type Activities--Enterprise Funds				Total
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Metropolitan Housing and Redevelopment Authority	
Net increase (decrease) in cash and cash equivalents	(8,358,522)	(37,532,618)	(35,643,968)	(5,292,826)	(86,827,934)
Balances, beginning	128,310,430	57,256,357	35,643,968	6,470,140	227,680,895
Balances, ending	\$ 119,951,908	\$ 19,723,739	\$ 0	\$ 1,177,314	\$ 140,852,961

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities**

Operating income (loss)	\$ 2,588,313	\$ (161,240,602)	\$ (3,981,622)	\$ (55,734,378)	\$ (218,368,289)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	37,701,012		1,448,780	758,377	72,876,173
Miscellaneous revenue	196,575	32,968,004	541,575	106,190	844,343
Change in assets and liabilities:					
Accounts receivable	402,869	(468,473)	(13,830)	165,751	86,317
Due to/due from other funds	62,221	254,380		(1,463,120)	(1,146,519)
Materials and supplies (inventory)	422,417	(485,636)			(78,541)
Prepaid expenses and other current assets	(72)	(102,296)		16,353	(146,236)
Accounts payable	954,683	402,351	94,039	85,892	1,536,965
Accrued payroll liabilities	85,550	5,147,152	374,947	(55,373)	5,552,276
Due to other governments	5,671,719	254,240			5,925,959
Unearned revenues	863,675	(154,490)			709,185
Other liabilities		(12,012)			(12,012)
Net cash provided (used) by operating activities	\$ 48,948,962	\$ (122,895,807)	\$ (2,153,226)	\$ (56,120,308)	\$ (132,220,379)

**Non-cash capital and related financing activities:**

Environmental Services had a non-cash loss of \$1,250,010 related to the disposition of property, plant, and equipment.  
Metro Transit Bus had a non-cash loss of \$326,828 related to the disposition of property, plant, and equipment.  
Metro Transit Bus had a non-cash transfer of \$826,595 on fixed assets transferred to a governmental fund.

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

**METROPOLITAN COUNCIL  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2003**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 36,466
Accrued interest receivable	108
Total assets	\$ 36,574
 <b>LIABILITIES</b>	
Accounts payable	\$ 9,555
Due to participants	27,019
Total liabilities	\$ 36,574

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

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# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

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**I. Summary of significant accounting policies**

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

This financial report has been prepared in conformity with Governmental Accounting Standard Board Statement No.33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended, Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, as amended, and Statement No. 38, *Certain Financial Statement Note Disclosures*.

**A. Reporting entity**

**1. Primary government**

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.

**2. Discretely presented component units**

Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for descriptions) to emphasize that it is legally separate from the Council.

Metropolitan Sports Facilities Commission (MSFC) operates the Hubert H. Humphrey Metrodome sports facility. The Council approves the MSFC's budget, has issued debt for the MSFC, and must annually determine the amount and approve the imposition of a liquor/lodging tax if necessary to fund expenses related to operating or debt service expenses. The MSFC is presented as an enterprise fund.

Complete financial statements of the MSFC can be obtained at the following administrative office address:

Metropolitan Sports Facilities Commission  
Hubert H. Humphrey Metrodome  
900 South 5<sup>th</sup> Street  
Minneapolis, MN 55415

Metropolitan Radio Board (MRB) was created by the 1995 legislature under Minnesota Statute 473.894, Subd. 2, to establish a region-wide public safety radio communications system. The Council approves the budget and has issued debt for the MRB. Funds of the MRB are held, invested and disbursed from the Council's main operating account. The MRB is presented as an enterprise fund.

Complete financial statements of the MRB can be obtained at the following administrative office address:

Metropolitan Radio Board  
2099 University Avenue  
St. Paul, MN 55104



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

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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) charge to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported, instead, as *general revenues*.

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

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

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

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

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

The Council reports the following major governmental funds:

The *General fund* is the Council's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *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 *Regional Transit debt retirement fund* accounts for the resources accumulated, and payments made, for principal and interest on transit related long-term general obligation debt.

The Council reports the following major proprietary funds:

The *Environmental Services fund* accounts for the activities of the regional municipal wastewater system.

The *Metro Transit Bus fund* accounts for the activities of the regional mass public transit system.

The *Metro Transit Light Rail fund* accounts for the activities of the regional light rail transit system currently under construction.

The *Metropolitan Housing and Redevelopment Authority fund* accounts for the activities of the Council's housing programs. Additionally, the government reports the following fund type:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Council has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary 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. Metro Transit Light Rail enterprise fund is currently in its construction stage and, therefore, has minimal operating revenues. Metropolitan Housing and Redevelopment Authority (HRA) enterprise fund has house rental as 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 nonoperating 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.

## **D. Assets, liabilities, and net assets 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. Council deposits are backed by a combination of FDIC insurance and collateral in the form of statutorily approved securities.

#### **b. Investments**

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

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

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

- (c) 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;
- (d) Bankers' acceptances of United States banks;
- (e) 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
- (f) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The Council participates in a securities lending program. In accordance with GASB Statement 28, "Accounting and Financial Reporting for Securities Lending Transactions," investments lent under the program are reported as assets and collateral received on those investments is reported as an asset and as a liability.

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

The MRB's investments are held, disbursed, and invested along with other Council funds in an investment pool. The Council invests the MRB's funds on behalf of the MRB and according to Council policy.

### 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. Service Availability Charge (SAC) receivables are based on SAC reports from communities in January detailing preceding December's activity.

Where appropriate, account receivables are reported net of allowance for doubtful accounts. As of December 31, 2003, the allowances for doubtful accounts were:

<u>Enterprise Funds</u>	<u>Balance</u>
Environmental Services	\$245,000
Metro Transit Bus	<u>480,154</u>
Total	<u>\$725,154</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 revenue. For government-wide and proprietary fund financial statements there is no offset to deferred revenue. 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.

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

### 4. Inventories and prepaid items

Inventories in the enterprise funds are valued at cost using the weighted average costing method. When appropriate, an associated allowance for obsolete inventory has been established. As of December 31, 2003 the allowances for obsolete inventory accounts were:

<u>Enterprise Funds</u>	<u>Balance</u>
Environmental Services	\$ 50,000
Metro Transit Bus	<u>401,028</u>
Total	<u>\$451,028</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.

### 5. Restricted assets

Restricted assets include:

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

### 6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial individual cost of more than \$5,000 (amount not rounded) and a useful life in excess of one year. MSFC uses costs of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated assets are recorded at fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives 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 \$26,854,945. Of this amount, \$8,402,165 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 is depreciated using the straight line method over the following estimated useful lives:

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

Depreciation for the Metropolitan Sports Facility Commission (MSFC), a component unit, is recorded using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Useful Life</u>
Buildings	9 to 30 years up to Year 2011
Equipment	3 to 10 years up to Year 2011

**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 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 revenue**

For proprietary funds, deferred revenue consists of amounts recognized as assets that have not been earned. These amounts include municipal wastewater service charges, SAC collected in advance of associated costs, and local contributions for light rail costs that had not been incurred at year end. For the MSFC these amounts include admission taxes, advertising revenues and rent. For governmental funds, deferred revenue consists of offsets for delinquent taxes receivable, for amounts that are not considered to be available to liquidate liabilities of the current period, in addition to other amounts actually received but not earned.

**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.

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

MSFC accrues vacation and sick leave when earned. All full-time employees earn annual vacation leave based on years of service and are allowed to accumulate up to a maximum of 280 hours as of the end of each year. Certain employees qualify for sick leave severance benefit paid at termination. The pay rate in effect at the end of the year and the employer's share of social security contributions are used to calculate compensated absences accruals at December 31.

**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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a straight line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding.

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

**11. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**12. Unrestricted net assets**

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 enterprise fund. The recognition of the debt in the government-wide statement of net assets contributes to the negative unrestricted net asset balance in the governmental activities column.

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

MSFC maintains the following unrestricted net asset accounts:

<u>Unrestricted net asset account</u>	<u>Balance as of December 31, 2003</u>
Operating account	\$6,661,686
Capital improvement account	7,889,481
Repair and replacement account	3,772,559
Concessions reserve account	<u>619,973</u>
Total unrestricted net assets	<u>\$18,943,699</u>

## 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 assets

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

One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$207,149,990) difference are as follows:

General obligation bonds payable	\$ (198,050,000)
Less: Issuance discounts (to be amortized as interest expense)	(3,037,458)
Less: Deferred issuance costs	121,581
Accrued interest payable	(3,687,759)
Arbitrage payable	(151,580)
Compensated absences	<u>(2,344,774)</u>
Net adjustment to reduce <i>fund balances – total governmental Funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>(207,149,990)</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 assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$16,647,289 difference are as follows:

Capital outlay	\$21,717,555
Depreciation expense	<u>(5,070,266)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>16,647,289</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 increase net assets.” The details of this \$715,957 difference are as follows:

The statement of activities reports <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.	(\$110,638)
Transfers of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>826,595</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	= <u>\$715,957</u>

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

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 has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$23,707,773 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (10,725,992)
Less: (Premium)/discounts	219,028
Cost of issuance	96,718
Accrued interest (including arbitrage)	(126,981)
Principal payments of general obligation bonds	<u>34,245,000</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i>	
to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 23,707,773</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 (GAAP) for the general fund, all budgeted special revenue funds, and the Metro Transit Bus enterprise fund. 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 5% of the operating expenses. Variances in expenses are accumulated for contingency reserves. All annual appropriations lapse at year-end.

Division staff, starting in February, prepare 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. Excess of expenditures over appropriations

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Nonmajor special revenue funds				
Livable communities	\$15,904,550	\$15,904,550	\$14,374,286	\$(1,530,264)
Transit administration	5,479,877	5,704,862	5,777,334	72,472
Opt out	23,183,268	22,427,000	21,922,462	(504,538)
Regular route	12,949,750	11,574,917	10,326,277	(1,248,640)
Rural small urban	3,152,231	3,121,775	3,898,446	776,671
Other special revenue	250,000	250,000	155,958	(94,042)
Total nonmajor special revenue funds	<u>\$60,919,676</u>	<u>\$58,983,104</u>	<u>\$56,454,763</u>	<u>\$(2,528,341)</u>

Expenditures in excess of budget in the transit administration special revenue fund were funded by fund balance. Excess expenditures in the rural small urban special revenue fund were offset by fare related revenues.

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

### 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. Because of market conditions, the Council had placed \$58,288,600 into an interest bearing demand deposit account as of December 31, 2003. This account yielded an annual rate of 1.0% on December 31, 2003 (comparable to money market yields).

In addition to \$6,796 of petty cash, the Council holds the following cash type accounts as of December 31, 2003:

<u>Account - type</u>	<u>Operating</u>	<u>Investment</u>	<u>Total</u>
Bank Balances	\$ 337,172	\$58,413,585	\$58,750,757
Carrying Values	(7,816,218)	58,288,600	50,472,382

Total bank balances were \$58,750,757 of which \$200,000 was covered by Federal depository insurance. The balance was collateralized 110% with securities held by the Federal Reserve Bank.

At December 31, 2003, the carrying amount of the MSFC's bank accounts was \$573,039. Bank balances were \$904,450 of which \$100,000 was covered by Federal depository insurance and the remaining \$804,450 was collateralized with securities held by the pledging institution's agent in MSFC's name.

##### 2. Investments

The Council participates in a securities lending program. On December 31, 2003, 35.4% of its non-escrowed United States Treasury and Agency obligations were loaned out. This corresponds to 23.0% of the total non-escrowed investment portfolio including cash for investment.

State statutes and Council policy permit the Council to enter into securities lending transactions. These are loans of securities to broker/dealers and other entities in exchange for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Loans may be made only to pre-approved borrowers. The Council's securities custodian is the agent in lending the Council's U.S. Government securities for collateral of 102% of the market value of loaned securities. Loaned investments are marked to market daily. If the collateral provided by the borrower falls below 100% of the market value of the loaned investment, the borrower is required to provide additional collateral to bring the collateral to 102% of the current market value. 100% of the collateral at December 31, 2003 was provided in cash. The Council has no credit risk exposure to borrowers because the amounts the Council owes borrowers exceed amounts borrowers owe the Council. The contract with the trust company does not require the trust company to indemnify the Council if borrowers fail to return the securities, but does provide for the trust company to deliver collateral up to the market value of the loaned securities to the Council. The trust company does not have the ability to pledge or sell collateral securities absent a borrower default. Either the Council or the borrower may terminate all securities loans, on demand. The average term of loan is 2 days. Cash collateral is invested in a short-term investment pool with a weighted average maturity of 12 days. The Council's share of the pool is 10.2%.

Included in the investment pool managed by the Council is \$4,838,717 of Metropolitan Radio Board assets, which the Council invests for the MRB.

Generally accepted accounting principles have determined three levels of custodial credit risk for securities:

1. insured or registered, or securities held by the Council or its agent in the Council's name;
2. uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Council's name;
3. uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Council's name.



# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

Following is a summary of the fair values of securities at December 31, 2003 categorized into levels of risk as described above:

<u>Metropolitan Council:</u>	<u>Credit Risk Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government Securities	\$108,311,125			\$108,311,125
Commercial Paper	29,957,000			29,957,000
Escrow Account-Repurchase Agreement		\$19,533,249		19,533,249
Escrow Account-U. S. Government Securities	<u>6,181,604</u>			<u>6,181,604</u>
Total Investments	<u>\$144,449,729</u>	<u>\$19,533,249</u>		\$163,982,978
Investments held by brokers under				
Securities lending program				59,272,612
Money Market Funds				2,244,366
Escrow Account-Money Market Funds				6,365
Securities Lending Short-Term collateral Investment pool				60,338,663
Cash for Investments				58,288,600
Cash for Operations				(7,816,218)
Petty Cash				<u>6,796</u>
Total Cash and Investments				<u>\$336,324,162</u>
<u>Component Units</u>				
<u>MSFC:</u>				
U.S. Government Securities	\$7,570,959			\$7,570,959
Money Market Funds				10,779,687
Cash				<u>573,039</u>
Total Cash and Investments	<u>\$7,570,959</u>			<u>\$18,923,685</u>
<u>Radio Board:</u>				
Included in the Metropolitan Council investment pool reported above				\$4,838,717
Petty cash				<u>500</u>
Total Cash and Investments				<u>\$4,839,217</u>

### B. 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:

	General	Metro	Regional	Nonmajor	Environmental	Metro	Metro	Metropolitan	Total
			Transit			Transit	Housing and		
Receivables:	Fund	Mobility	Debt	Governmental	Services	Bus	LRT	Authority	
Accounts	\$ 3,717	\$ 78,084		\$ 279,631	\$ 2,978,475	\$ 6,294,457	\$13,830	\$ 92,421	\$ 9,740,615
Delinquent taxes	638,725		\$2,138,382	1,168,731		662,442			4,608,280
Interest	45,062	12,487	160,025	231,327	147,370	157,575	3,829	4,143	761,818
Loans								115,000	115,000
Less: allowance					(245,000)	(480,154)			(725,154)
For uncollectibles									
Net total receivables	<u>\$ 687,504</u>	<u>\$ 90,571</u>	<u>\$2,298,407</u>	<u>\$1,679,689</u>	<u>\$ 2,880,845</u>	<u>\$ 6,634,320</u>	<u>\$ 17,659</u>	<u>\$ 211,564</u>	<u>\$ 14,500,559</u>
<b>Receivables-restricted:</b>					<b>Environmental</b>	<b>Metro</b>	<b>Metropolitan</b>	<b>Total</b>	
				<b>Services</b>	<b>Transit</b>	<b>Housing and</b>			
					<b>Light Rail</b>	<b>Authority</b>			
Accounts				\$31,688,993	\$ 5,526	\$ 263,592		\$ 31,958,111	
Interest				792,382	116			792,498	
Loans						1,000		1,000	
Net total receivables-restricted				<u>\$ 32,481,375</u>	<u>\$ 5,642</u>	<u>\$ 264,592</u>		<u>\$ 32,751,609</u>	

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General fund)	\$ 444,619	
Delinquent property taxes receivable (Regional transit debt retirement fund)	1,692,351	
Delinquent property taxes receivable (Other governmental funds)	820,684	
Grant drawdowns prior to meeting all eligibility requirements (other governmental funds)		<u>\$ 18,443</u>
Total deferred/unearned revenue for governmental funds	<u>\$2,957,654</u>	<u>\$ 18,443</u>

### C. 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 is no property tax levy limits for the debt service levy.

In 2003 the Council levied \$11,130,137 for the General levy; \$3,142,643 for the Highway Right-of-Way Loan levy; \$8,259,070 for the Livable Communities Demonstration Account levy; and \$8,945,613 for Parks and Radio system debt service levies. The Council levied these taxes upon all taxable property within the Twin Cities Metropolitan Area. The Council levied \$32,894,175 in transit debt service 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.

Council levies are reduced by a Market Value Credit (MVC). This credit is paid to the Council by the State of Minnesota.

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

	<u>Levy Limit</u>	<u>Council Levy</u>	<u>Less: MVC</u>	<u>Adjusted Levy</u>
Operating Levy	\$ 11,130,137	\$ 11,130,137	\$ (518,997)	\$ 10,611,140
Tax Base Revitalization	5,000,000	5,000,000		5,000,000
Highway Right-of-Way	3,142,643	3,142,643	(146,482)	2,996,161
Livable Communities	8,259,070	8,259,070	(385,138)	7,873,932
Parks and Radio System				
Debt Service	8,945,613	8,945,613	(417,134)	8,528,479
Transit Debt Service	<u>32,894,175</u>	<u>32,894,175</u>	<u>(1,587,933)</u>	<u>31,306,242</u>
Total	<u>\$ 69,371,638</u>	<u>\$ 69,371,638</u>	<u>\$ (3,055,684)</u>	<u>\$ 66,315,954</u>

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

### D. Capital assets

#### 1. Primary government

Capital asset activity for the year ended December 31, 2003 was as follows:

	<b>Beginning Balance</b>			<b>Ending Balance</b>
	<b>Restated</b>	<b>Increases</b>	<b>Decreases</b>	
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	<u>\$ 285,385</u>		<u>\$ (285,385)</u>	<u>\$ 0</u>
Capital assets, being depreciated:				
Vehicles	19,840,746	\$ 23,217,384	(276,593)	42,781,537
Equipment	<u>3,822,742</u>	<u>420,836</u>	<u>(54,041)</u>	<u>4,189,537</u>
Total capital assets, being depreciated	<u>23,663,488</u>	<u>23,638,220</u>	<u>(330,634)</u>	<u>46,971,074</u>
Less accumulated depreciation for:				
Vehicles	4,635,373	5,438,334	(165,956)	9,907,751
Equipment	<u>3,170,599</u>	<u>440,618</u>	<u>(54,041)</u>	<u>3,557,176</u>
Total accumulated depreciation	<u>7,805,972</u>	<u>5,878,952</u>	<u>(219,997)</u>	<u>13,464,927</u>
Total capital assets, being depreciated, net	<u>15,857,516</u>	<u>17,759,268</u>	<u>(110,637)</u>	<u>33,506,147</u>
Governmental activities capital assets, net	<u>\$ 16,142,901</u>	<u>\$ 17,759,268</u>	<u>\$ (396,022)</u>	<u>\$ 33,506,147</u>
	<b>Beginning Balance</b>			<b>Ending Balance</b>
		<b>Increases</b>	<b>Decreases</b>	
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 44,055,081	\$ 3,610,053	\$ (10,000)	\$ 47,655,134
Construction in progress	<u>443,179,994</u>	<u>297,224,165</u>	<u>(89,610,367)</u>	<u>650,793,792</u>
Total capital assets, not being depreciated	<u>487,235,075</u>	<u>300,834,218</u>	<u>(89,620,367)</u>	<u>698,448,926</u>
Capital assets, being depreciated:				
Buildings and improvements	1,609,726,724	92,660,961	(4,613,741)	1,697,773,944
Vehicles	279,948,408	23,955,135	(29,399,537)	274,504,006
Equipment	<u>88,740,122</u>	<u>19,009,406</u>	<u>(14,702,936)</u>	<u>93,046,592</u>
Total capital assets, being depreciated	<u>1,978,415,254</u>	<u>135,625,502</u>	<u>(48,716,214)</u>	<u>2,065,324,542</u>
Less accumulated depreciation for:				
Buildings and improvements	556,568,939	43,551,058	(3,530,416)	596,589,581
Vehicles	134,918,685	22,394,271	(28,320,618)	128,992,338
Equipment	<u>72,648,625</u>	<u>6,930,846</u>	<u>(14,379,972)</u>	<u>65,199,499</u>
Total accumulated depreciation	<u>764,136,249</u>	<u>72,876,175</u>	<u>(46,231,006)</u>	<u>790,781,418</u>
Total capital assets, being depreciated, net	<u>1,214,279,005</u>	<u>62,749,327</u>	<u>(2,485,208)</u>	<u>1,274,543,124</u>
Business-type activities capital assets, net	<u>\$ 1,701,514,080</u>	<u>\$ 363,583,545</u>	<u>\$ (92,105,575)</u>	<u>\$ 1,972,992,050</u>

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

#### Governmental activities:

General government	\$ 341,967
Transportation	<u>4,728,299</u>
Total depreciation expense-governmental activities	<u>\$ 5,070,266</u>

#### Business-type activities:

Environmental Services	\$ 37,701,012
Transit Bus	32,968,004
Transit Light Rail	1,448,781
Housing	<u>758,378</u>
Total depreciation expense-business-type activities	<u>\$ 72,876,175</u>

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

### 2. Discretely presented component unit

Activity for Metropolitan Sports Facilities Commission for the year ended December 31, 2003 was as follows:

<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 8,700,000	\$ 0	\$ 0	\$ 8,700,000
Capital assets, being depreciated:				
Buildings and improvements	95,046,903	3,307,365		98,354,268
Equipment	10,862,340	569,176	(1,129,549)	10,301,967
Total capital assets, being depreciated	105,909,243	3,876,541	(1,129,549)	108,656,235
Less accumulated depreciation for:				
Building and improvements	69,900,080	4,180,647		74,080,727
Equipment	6,611,551	909,532	(1,081,629)	6,439,454
Total accumulated depreciation	76,511,631	5,090,179	(1,081,629)	80,520,181
Total capital assets, being depreciated, net	29,397,612	(1,213,638)	(47,920)	28,136,054
Metropolitan Sports Facilities Commission, capital assets, net	\$ 38,097,612	\$ (1,213,638)	\$ (47,920)	\$ 36,836,054

### E. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2003, is as follows:

Due from/due to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor government	\$684
General	Metro Transit Bus	8,912
General	Metropolitan Housing and Redevelopment Authority	459,292
Metropolitan Housing and Redevelopment Authority	General Fund	38,421
Metropolitan Housing and Redevelopment Authority	Nonmajor government	6,435
Nonmajor government	General	1,000
Nonmajor government	Nonmajor government	1,502,907
Environmental Services	General	1,299
Metro Transit LRT	Metro Transit Bus	24,703,670
Metro Transit Bus	General	4,539
Metro Transit Bus	Metro Transit LRT	320,273
Metro Transit Bus	Nonmajor government	2,403,618
Total		\$29,451,050

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government – General fund	Component unit – Metropolitan Radio Board	6,481
Total		\$6,481

Inter-fund transfers:

<u>Transfers out:</u>	<u>Transfers In:</u>		
	<u>Nonmajor Government</u>	<u>MetroTransit Bus</u>	<u>Total</u>
General fund	\$1,000,000		\$1,000,000
Metro Transit Bus	16,634		16,634
Nonmajor government	568,477	\$20,379,455	20,947,932
Total transfers	\$1,585,111	\$20,379,455	\$21,964,566

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

### F. Restricted payables

Restricted payables as of year-end for the Council's individual major and nonmajor funds are as follows:

	<u>Environmental Services</u>	<u>Metro Transit Bus</u>	<u>Metro Transit Light Rail</u>	<u>Metropolitan Housing and Redevelopment Authority</u>	<u>Total</u>
Payables:					
Accounts	\$ 18,654,697	\$ 817,594	\$ 7,624,048	\$ 3,031	\$ 27,099,370
Interest	7,477,780				7,477,780
Due to other governments			2,167,017		2,167,017
Other		89,218			89,218
Net restricted payables	<u>\$ 26,132,477</u>	<u>\$ 906,812</u>	<u>\$ 9,791,065</u>	<u>\$ 3,031</u>	<u>\$ 36,833,385</u>

### G. Leases

#### 1. Operating leases

##### a. Primary government

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 2003 were General Fund payments of \$1,775,326, Metro Transit Bus enterprise fund payments of \$543,638, and Environmental Service enterprise fund payments of \$237,424.

Commitments under operating lease agreements provide for minimum annual rental payments as follows:

<u>Year</u>	<u>Enterprise Funds</u>				<u>Total</u>
	<u>Governmental Funds</u>	<u>Environmental Services</u>	<u>Metro Transit Bus</u>	<u>Enterprise Total</u>	
2004	\$1,144,665	\$241,405	\$ 434,538	\$675,943	\$1,820,608
2005	1,137,771	205,215	117,086	322,301	1,460,072
2006	614,283	193,674	104,876	298,550	912,833
2007		149,772	70,674	220,446	220,446
2008		149,772	64,010	213,782	213,782
2009-2012		<u>299,544</u>	<u>200,252</u>	<u>499,796</u>	<u>499,796</u>
Total	<u>\$2,896,719</u>	<u>\$1,239,382</u>	<u>\$ 991,436</u>	<u>\$2,230,818</u>	<u>\$5,127,537</u>

##### b. Discretely presented component unit

The Metropolitan Radio Board has entered into various operating lease agreements through 2024 for tower space and facilities to operate a region-wide public safety radio system. Payments made during 2003 were \$429,616.

Commitments under operating lease agreements provide for minimum annual rental payments as follows:

<u>Year ending December 31</u>	<u>Amount</u>
2004	\$442,974
2005	429,607
2006	433,679
2007	437,854
2008	441,736
2009-2013	471,938
2014-2018	108,723
2019-2023	67,500
2024	<u>13,000</u>
Total	<u>\$2,847,011</u>

**2. Capital leases**

On October 1, 1999, the Council entered into an eleven-year six-month capital lease for two commuter coach buses.

Assets acquired under capital lease agreements are recorded at the present value of the future minimum lease payments. Assets acquired under this capital lease are:

-	Vehicles	\$ 743,800
	Less accumulated depreciation	(288,958)
	Net assets acquired under capital leases	<u>\$ 454,842</u>

The liabilities recognized are the net present value of future minimum lease obligations. Minimum annual rentals for years subsequent to 2003 are reported in the table below:

	<u>Metro Transit Bus</u>
2004	\$60,150
2005	60,150
2006	60,150
2007	60,150
2008	60,150
2009-2011	<u>140,346</u>
Total minimum lease payments	\$ 441,096
Less amount representing interest	<u>(83,119)</u>
Present value of minimum lease payments	<u>\$ 357,977</u>

**H. Long-term obligations**

**1. Primary government**

**a. General obligation debt**

The Council issues general obligation bonds for parks, solid waste, transportation and sewers. General obligation bonds have been issued for both governmental and business-type activities. The Council also issues general obligation bonds for the Metropolitan Radio Board, a component unit.

The parks and solid waste bonds have been issued for park, acquisition grants and funding the cost of sanitary landfill siting and environmental reviews. The Council's full faith and credit and taxing powers are pledged. The park bonds generally were issued as 20- to 30-year serial bonds, while the solid waste bonds generally were 5- to 15-year serial bonds. Beginning in November of 1994 the Council issued 5-year serial park bonds and intends to issue approximately \$5 million of 5-year park bonds each year to create a park revolving fund.

The transportation bonds are issued for the acquisition of transit vehicles, equipment and facilities. These bonds, backed by the taxing powers of the Council, generally are 10-year serial bonds.

Bonds issued for parks, solid waste and transportation are intended to be repaid by levying property taxes in future years, and a liability is recognized in the government-wide statement of net assets. Bonds issued for sewers are intended to be repaid by charges for wastewater services and a liability is recognized.

The original amount of general obligation bonds issued in prior years was \$465,370,000. During the year, \$10,595,000 of general obligation refunding bonds were issued along with \$121,490,000 of general obligation sewer refunding bonds.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	3.00 – 6.00%	\$151,530,000
Governmental activities---refunding	2.50 – 5.10%	32,375,000
Business-type activities	3.75 – 5.60%	45,370,000
Business-type activities---refunding	2.50 – 5.55%	<u>216,525,000</u>
		<u>\$ 445,800,000</u>

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

The original amount of Minnesota Public Facilities Authority (PFA) loans drawn down in prior years was \$596,325,005. During the year, \$126,169,711 of Minnesota PFA loans were drawn down.

Public Facilities Authority general obligation backed loans currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.71%	\$ 14,145,000
Business-type activities	0.00 – 5.38%	<u>419,939,716</u>
Total Public Facilities Authority loans		<u>\$ 434,084,716</u>

The following is a summary of bond transactions of the Council for the year ended December 31, 2003:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Balance, January 1, 2003	\$224,825,493	\$608,607,082
Bonds issued, net of discount/ premium	10,725,992	124,561,863
PFA drawdown		126,169,711
Amortization of discount/premium	(219,027)	(312,226)
Amortization of deferred amount on refunding		55,614
Less principal payments	<u>(34,245,000)</u>	<u>(173,315,000)</u>
Balance, December 31, 2003	<u>\$201,087,458</u>	<u>\$685,767,044</u>

As of December 31, 2003, the annual debt service requirements to amortize all bonds outstanding, including interest of \$40,624,013 on the governmental activities debt and \$215,118,672 business-type activities debt, are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$42,250,000	\$7,898,481	\$50,148,481	\$34,631,611	\$25,180,354	\$59,811,965
2005	31,960,000	6,307,790	38,267,790	64,475,338	24,809,619	89,284,957
2006	24,135,000	5,025,141	29,160,141	45,035,249	22,144,137	67,179,386
2007	16,285,000	4,120,775	20,405,775	42,452,647	20,134,953	62,587,600
2008	14,930,000	3,447,797	18,377,797	40,286,806	18,357,693	58,644,499
2009-2013	44,675,000	9,484,132	54,159,132	195,443,310	66,677,465	262,120,775
2014-2018	16,135,000	3,781,554	19,916,554	168,914,352	31,441,488	200,355,840
2019-2023	<u>7,680,000</u>	<u>558,343</u>	<u>8,238,343</u>	<u>90,595,403</u>	<u>6,372,963</u>	<u>96,968,366</u>
Sub-total	198,050,000	40,624,013	238,674,013	681,834,716	215,118,672	896,953,388
Net unamortized:						
Discounts/ premiums	3,037,458		3,037,458	4,316,991		4,316,991
Deferred on refunding				(384,663)		(384,663)
Total payments	<u>\$201,087,458</u>	<u>\$40,624,013</u>	<u>\$241,711,471</u>	<u>\$685,767,044</u>	<u>\$215,118,672</u>	<u>\$900,885,716</u>

### b. Refunded bonds

The Council sold three refunding bonds in 2003:

<u>Bond Number</u>	<u>Type</u>	<u>Par Value</u>	<u>Present Value Savings</u>	<u>Debt Service Reduction</u>	<u>Refunded Bond</u>	<u>Bonds Maturities</u>
2003A	Sewer	\$121,490,000	\$9,852,379	\$9,907,654	1990PFA 1991-1PFA 1991-2PFA 1992-2PFA 1994PFA	2004-2010 2004-2012 2004-2012 2004-2013 2004-2015
2003B	Parks	7,240,000	740,337	848,842	1994A	2004-2011
2003C	Transit	3,355,000	185,346	245,835	1996D 1994D	2006-2017 2004
Total		<u>\$132,085,000</u>	<u>\$10,778,062</u>	<u>\$11,002,331</u>		

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

### c. Loans payable

In 2002, the Minnesota Housing Finance Authority issued a loan to the Council in the amount of \$400,000. The term of the loan agreement is 30 years, although it may be extended indefinitely if all the terms of the loan agreement are met.

### 2. Discretely presented component unit

On November 1, 1999, the Council, for the MRB, issued \$14,280,000 of Revenue Bonds. The bonds bear interest from 4.10 to 5.50 percent and are being repaid over a 15-year period. Principal and interest are payable from revenues derived from the collection of emergency telephone service fees ("911 Fees"). The proceeds are being used to purchase the elements of the first phase of a region-wide public safety radio communications system.

The following is a summary of bond transactions of the MRB for the year ended December 31, 2003:

Balance, January 1, 2003	\$12,922,521
Amortization of discount	12,619
Less principal payment	(735,000)
Less current portion	<u>(770,000)</u>
Balance, December 31, 2003	<u>\$11,430,140</u>

As of December 31, 2003, the annual requirements to amortize all bonds outstanding including interest of \$4,274,239 is as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$770,000	\$609,252	\$1,379,252
2005	810,000	573,297	1,383,297
2006	845,000	534,810	1,379,810
2007	890,000	493,593	1,383,593
2008	935,000	449,325	1,384,325
2009-2013	5,465,000	1,467,524	6,932,524
2014-2015	<u>2,625,000</u>	<u>146,438</u>	<u>2,771,438</u>
Sub-total	12,340,000	4,274,239	16,614,239
Less net unamortized discount	<u>(139,860)</u>		<u>(139,860)</u>
Balance, December 31, 2003	<u>\$12,200,140</u>	<u>\$4,274,239</u>	<u>\$16,474,379</u>

### 3. Current value, flow, and facilities cost credits

Environmental Services, an enterprise fund, is indebted to various municipalities for equity in treatment works and interceptors in service when the fund acquired the facilities. This liability is a component of due to other governments. The municipalities receive a check in July for the portion of the credit amortized annually plus interest on the unamortized balance at 4%. During 2003, \$407,450 of principal was retired. The unpaid balance was \$2,725,693 at December 31, 2003.

Environmental Services, an enterprise fund, is indebted to the City of St. Paul based on estimated flow numbers. In 1999, the City and the Council agreed to an interim billing arrangement until new meters were installed and working. This liability is a component of due to other governments. Based on the first year results of the new meters and the agreement, the Council will pay the City of St. Paul \$5,671,719 made up of principal of \$4,867,000 and interest, through 2003, of \$804,719.

MSFC created the facilities cost credit to assist the Minnesota Twins, Minnesota Vikings and the University of Minnesota football Gophers in enhancing team revenues and/or reducing event day costs of operations in the Metrodome. Since 1999 the MSFC has issued an annual payment to the Minnesota Twins and the University of Minnesota football Gophers that is equal to the admission tax paid by each team for their events in the Metrodome. At the request of the Minnesota Vikings, the MSFC waived the required rent payment in lieu of the facilities cost credit. Although the facilities cost credit may not exceed admission tax amounts for each team's events, the tax is not waived or pledge to the teams.



# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

### 4. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2003 was as follows:

<b>Governmental activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Bond/loans payable:					
General obligation debt	\$ 221,700,000	\$10,595,000	\$ (34,245,000)	\$ 198,050,000	\$ 42,250,000
Less discounts/Premiums	<u>3,125,493</u>	<u>130,992</u>	<u>(219,027)</u>	<u>3,037,458</u>	
Total bonds payable	224,825,493	10,725,992	(34,464,027)	201,087,458	42,250,000
Bond arbitrage	295,924	151,580	(295,924)	151,580	
Compensated absences	<u>2,382,738</u>	<u>2,257,188</u>	<u>(2,295,152)</u>	<u>2,344,774</u>	<u>2,344,774</u>
Long-term liabilities	<u>\$ 227,504,155</u>	<u>\$ 13,134,760</u>	<u>\$ (37,055,103)</u>	<u>\$ 203,583,812</u>	<u>\$ 44,594,774</u>

<b>Business-type activities:</b>	<b>Beginning Balance Restated</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Bond/loans payable					
General obligation debt	\$ 607,490,005	\$ 247,659,711	\$ (173,315,000)	\$ 681,834,716	\$ 34,631,611
Loans payable	400,000			400,000	
Discounts/premiums	1,557,354	2,890,216	(130,579)	4,316,991	
Deferred on refunding	<u>(440,277)</u>		<u>55,614</u>	<u>(384,663)</u>	
Total bonds/loans payable	609,007,082	250,549,927	(173,389,965)	686,167,044	34,631,611
Compensated absences	4,935,329	2,298,134	(1,458,310)	5,775,153	
Due to other governments	3,133,143	5,671,719	(407,450)	8,397,412	423,887
Accrued claims	18,647,438	10,374,161	(7,226,552)	21,795,047	8,781,728
Capital lease obligations	<u>528,700</u>		<u>(170,723)</u>	<u>357,977</u>	<u>40,276</u>
Business-type activity					
Long-term liabilities	<u>\$ 636,251,692</u>	<u>\$ 268,893,941</u>	<u>\$ (182,653,000)</u>	<u>\$ 722,492,633</u>	<u>\$ 43,877,502</u>

### I. Compensated absences

#### 1. Primary government

In 2003, the General fund liability for compensated absences earned but not taken decreased from \$2,382,738 to \$2,344,774. This liability is reported in the government-wide statement of net assets. The following summary of changes during 2003 includes \$166,628 in payroll taxes:

Balance, January 1, 2003	\$2,382,738
Transferred from Enterprise Funds	2,776
Leave Earned	2,254,412
Leave Taken or Paid Off	<u>(2,295,152)</u>
Balance, December 31, 2003	<u>\$2,344,774</u>

#### 2. Discretely presented component unit

In fiscal year 2003, the MSFC decided to report separately compensated absences and salaries and benefits payable. Long-term activity for the year ended December 31, 2003, was:

<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<u>\$ 0</u>	<u>\$162,731</u>	<u>\$ 0</u>	<u>\$162,731</u>	<u>\$ 0</u>

### J. Deficit fund balance

The Transit Capital Projects fund has a negative fund balance of \$3,572,494. This negative balance, in turn, has resulted in the Nonmajor Governmental Funds—Capital Projects reporting a negative balance of \$2,506,765. The negative balance in the Transit Capital Projects Fund is the result of Metro Transit Bus fund (an enterprise fund) transfers in late 2003. The Council

has issued \$41,375,000 in General Obligation Transit Bonds on April 1, 2004, to return the Transit Capital Projects fund balance to a positive balance; which, in turn, will bring the Nonmajor Governmental Funds—Capital Projects fund balance to a positive balance.

**K. Prior period adjustment/restatement**

**1. Correction of an error -- Capital assets**

In 2000, the Council implemented a policy concerning the ownership of vehicles provided to outside transit providers (transit providers other than Metro Transit Bus). During 2002, some vehicles purchased in behalf of one of the outside transit providers were recognized as capital assets of the Council. Upon later negotiations, these vehicles were deemed to be owned by the outside transit provider. Accordingly, prior year expenditures that had been identified as capital assets should have been recorded as capital outlays. This reduction of \$495,238 (the net book value of those vehicles as of January 1, 2003) has also been reflected in the associated schedules of Capital Assets.

**2. Correction of an error -- Long-term loans**

In 2002, the Council reported \$400,000 from the State of Minnesota (Minnesota Housing Finance Agency) as intergovernmental revenue. Upon review in 2003, it was determined that the proceeds were actually a long-term loan rather than intergovernmental revenues. This 30-year loan bears no interest and has several terms that, if met over the 30 years, the maturity date may be extended indefinitely. Accordingly, the associated Government-wide Statement of Net Assets Business-type Activities reflects the \$400,000 additional loan.

**3. Restatement -- Intergovernmental revenue**

During 2002, the Council implemented Governmental Accounting Standards Board Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." Appropriations from the State of Minnesota were allocated using 2002 budget criteria. Upon later review it was determined that 2003 budget criteria should have been used instead. Although the total appropriations were unchanged, the re-allocation decreased Business-type Activities and increased Governmental Activities.

The following is a summary of this change to beginning net assets:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Total net assets, January 1, 2003	\$ (25,268,455)	\$ 1,180,869,218	\$ 1,155,600,763
Correction of error—Capital assets	(495,238)		(495,238)
Correction of error—Long term loan		(400,000)	(400,000)
Restatement—Intergovernmental revenue	<u>4,647,628</u>	<u>(4,647,628)</u>	<u>0</u>
Total net assets, January 1, 2003 restated	<u>\$ (21,116,065)</u>	<u>\$ 1,175,821,590</u>	<u>\$ 1,154,705,525</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 both purchases commercial insurance and self-insures for these risks of loss as discussed below. Within the past three fiscal years, no settled claims have exceeded commercial coverage. There have been no significant reductions in insurance coverage from the prior year by major categories of risk.

**1. Liability**

The Council purchases general liability insurance to protect against various liability risks in all divisions of the Council. Metro Transit-Bus recognizes a current liability for incurred, reported claims and a 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 \$300,000 per claim and \$1,000,000 per occurrence for a claim arising on or after January 1, 2000. For claims arising earlier, the limits are \$300,000 per claim and up

to \$750,000 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 2002 or 2003.

**4. Property and crime**

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

**5. Workers' compensation**

Metro Transit Bus has been self-insured for workers' compensation since 1982, MCES since 1993, and the rest of the Council since 1995. Prior to July 1, 1996, MCES used a third party administrator; since that time, the Council has self-administered workers' compensation claims for all divisions. Liabilities are recognized when there is information available that suggests there has been an occurrence in which a probable loss has incurred. 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 5.5%.

The self-insurance retention limit for Workers' Compensation is \$1,440,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses the Council.

Changes in the balances of workers compensation liabilities during 2002 and 2003 are as follows:

	<b>Metro Transit Bus</b>	<b>Environmental Services</b>
<b>2002 Balances</b>		
Beginning balance	\$ 17,447,632	\$ 1,400,258
Current year claims and changes in estimates	6,338,169	716,755
Payments on claims	(6,561,965)	(693,411)
Ending Balance	<u>\$ 17,223,836</u>	<u>\$ 1,423,602</u>
<b>2003 Balances</b>		
Beginning balance	\$ 17,223,836	\$ 1,423,602
Current year claims and changes in estimates	9,164,277	1,209,884
Payments on claims	(5,837,776)	(1,388,776)
Ending Balance	<u>\$ 20,550,337</u>	<u>\$ 1,244,710</u>

**6. Component Unit**

Both MRB and MSFC purchase general and umbrella liability insurance to protect against various risks related to, among other, torts, theft of, damage to, and destruction of assets, errors and omissions; work related injuries; and natural disasters for which MRB and MSFC have purchased commercial coverage. Within the past three fiscal years, no settled claims have exceeded commercial coverage. The MSFC has added terrorism coverage to its general and umbrella liability policies and purchased a separate terrorism property insurance policy.

**B. Retirement plan**

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

**1. General employees plan (GEP) description**

The MSRS-GEP is a cost-sharing multiple employer public employee retirement plan. A majority of the employees of the Council and MSFC are covered by this defined benefit plan administered by MSRS. MSRS provides retirement benefits, as well as disability benefits to members, and benefits to survivors upon the death of eligible members.

Minnesota Statutes, Chapter 352 establishes MSRS and the plan benefit provisions. MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the MSRS plan administrator at:

Minnesota State Retirement System  
60 Empire Drive, Suite 300  
St. Paul, Minnesota 55103-3000

Minnesota Statutes, Chapter 352 sets the rate for employee and employer contributions. Contributions are made to the fund by the employees and the employer, based on a percentage of gross salary. The total required contribution rate was 8.0 percent. The employee and employer each have a required contribution rate of 4.0 percent. Employer contributions to MSRS (which equaled the required contributions for each year) were:

<u>Year</u>	<u>Council</u>	<u>MSFC</u>	<u>Metropolitan Radio Board</u>
2001	\$6,344,122	\$74,501	\$0
2002	6,775,281	74,504	982
2003	6,725,866	76,944	1,852

**2. Unclassified employees plan (UEP) description**

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

Minnesota Statutes Chapter 352D sets the contribution rates. Contribution rates for 2003 were 4.0 percent for employees, and 6.0 percent for employers. Contributions in 2003 were \$69,102 from employees, and \$103,652 from the Council and \$3,432 from employees and \$5,148 from MRB.

**C. Post-employment benefits**

In addition to providing pension benefits, the Council provides certain health care, life insurance and other benefits for certain employees as negotiated in labor contracts.

Substantially all the employees of Metro Transit Bus, an enterprise fund, become eligible for certain health care and life insurance benefits if they reach normal retirement age while working for Metro Transit Bus. Metro Transit Bus recognizes the cost of providing those benefits by expensing the annual insurance premiums, which were \$3,591,188 for 2003, when due. The number of retirees covered by the plan in 2003 was 668. In addition, \$14,776,865 is earmarked in the enterprise fund to pay future Metro Transit Bus retiree health benefits.

Substantially all employees of Environmental Services, an enterprise fund, employed prior to December 5, 1996 become eligible for certain health care benefits by meeting one of three eligibility requirements. Employees who retire at the age of 65, and have at least 10 years of continuous employment; or employees who retire prior to age 65, and have at least 25 years

of continuous employment; are eligible for insurance benefits based on the current plan for active employees. Employees who retire between the ages of 60 and 65, and have at least 20 years of continuous employment; are eligible to receive 65% of the employer-paid, post-retirement insurance benefits. Environmental Services recognizes the cost of providing these benefits by expensing the insurance premiums when due. The cost of providing these benefits in 2003 was \$1,427,725. The number of retirees receiving benefits in 2003 was 348. In addition, \$11,398,342 is earmarked in the enterprise fund to pay future Environmental Services retiree health benefits. All Environmental Services labor agreements negotiated after December 5, 1996 contain language which limits eligibility for these benefits to existing employees. No newly hired employees are eligible.

The Council provided healthcare and dental benefits of \$50,500 to 22 employees that qualified under the provisions of either a confidential staff labor union agreement, or under provisions of the Council's 1995 and 1999 voluntary separation programs.

**D. Sub-grantee programs**

During the year ended December 31, 2003, the Council was involved with the following sub-grantee programs:

General Fund:

Habitat for Humanity (Planning Grants)  
Parks (Maintenance and Operation Grants)

Non-major governmental funds:

Federal Transit Administration (Pass-Through and Study Grants)  
Federal Highway Administration (Pass-through and Study Grants)  
Livable Communities (Metropolitan Development)  
Parks (Capital Improvement)

Enterprise Funds:

Federal Transit Administration (Capital and Operating Assistance Grant Programs)  
Housing and Redevelopment Authority (Rental Certificate Program)  
Housing and Redevelopment Authority (Rental Voucher Program)  
Minnesota Housing Finance Agency (Rehabilitation 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**

The 1986 Tax Reform Act requires state and local governments to rebate to the Federal Government any earnings from the investment of tax-free debt proceeds, and debt service balances in excess of the interest cost of that debt. Liabilities related to bond proceed interest earnings are calculated as the proceeds are spent and are paid after passage of various pre-defined anniversary dates. Debt service rebate calculations are performed on an annual basis and any payment due must be made every five years. The rebate calculations on the Council's bond issues currently results in a liability of \$151,580, which is reflected in the government-wide statement of net assets. This amount is subject to increase or decrease by future calculations and subsequent regulations or rulings issued by the Federal Government.

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 transit services totaled approximately \$83.5 million as of December 31, 2003. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$78.3 million will be paid from the Metro Transit Light Rail fund. Future commitments for regional transit services are approximately \$20.4 million as of December 31, 2003. These commitments will be paid from Regional Transit special revenue funds. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately \$111.7 million as of December 31, 2003. These commitments will be paid from the Environmental Services enterprise fund. Management fully expects that it will be able to fulfill its contractual obligations for these commitments.

Since January 18, 2000, the Council has been contingently liable for Carver County Housing and Redevelopment Authority Revenue Bonds. The bond issue was for \$2,695,691, payable primarily from the revenues of the Housing Authority, but is also secured by the pledge of the full faith and credit of the City of Chaska, and the Council. The City must reimburse the Council for any money paid by the Council for debt service on these bonds. These bonds have a final maturity on January 1, 2030.

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 March 4, 2004, the Amalgamated Transit Union, Local 1105 went on strike affecting bus service. The strike was settled on April 16, 2004.

On April 1, 2004, the Council sold \$41,375,000 General Obligation Transit Bonds, Series 2004A; \$25,000,000 General Obligation Waste Water Treatment Revenue Bonds, Series 2004B, and \$6,000,000 General Obligation Park Bonds, Series 2004C.

On May 20, 2004 the United States department of Housing and Urban Development notified the Council's Metropolitan Housing and Redevelopment Authority of the availability of \$3,514,919 for restoration of program reserves.

In February 2004 two former MSFC employees commenced a suit against the MSFC. The plaintiffs are seeking damages in excess of \$50,000.

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# **REQUIRED SUPPLEMENTARY INFORMATION**



**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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>				
Taxes	\$ 11,023,437	\$ 10,843,517	\$10,362,820	\$ (480,697)
Intergovernmental revenue:				
Federal		250,000	47,611	(202,389)
State	8,630,000	8,630,000	8,664,550	34,550
Local/other	239,780	239,780	33,396	(206,384)
Investment income	375,000	375,000	557,638	182,638
Other	633,998	633,998	35,197	(598,801)
Total revenues	<u>20,902,215</u>	<u>20,972,295</u>	<u>19,701,212</u>	<u>(1,271,083)</u>
<b>EXPENDITURES</b>				
Current:				
General government	10,638,217	10,568,271	8,084,814	(2,483,457)
Culture and recreation			143,065	143,065
Intergovernmental:				
General government				
Culture and recreation	8,630,000	8,630,000	8,145,554	(484,446)
Capital outlay	761,761	761,761	135,450	(626,311)
Debt service			4,362	4,362
Total expenditures	<u>20,029,978</u>	<u>19,960,032</u>	<u>16,513,245</u>	<u>(3,446,787)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>872,237</u>	<u>1,012,263</u>	<u>3,187,967</u>	<u>2,175,704</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	87,978	87,978		(87,978)
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	
Total other financing sources and uses	<u>(912,022)</u>	<u>(912,022)</u>	<u>(1,000,000)</u>	<u>(87,978)</u>
Net change in fund balances	(39,785)	100,241	2,187,967	2,087,726
Fund balance, beginning	8,075,893	8,075,893	8,075,893	
Fund balance, ending	<u>\$ 8,036,108</u>	<u>\$ 8,176,134</u>	<u>\$10,263,860</u>	<u>\$ 2,087,726</u>

Unaudited

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON SCHEDULE  
METRO MOBILITY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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	\$ 3,500,000	\$ 4,850,000	\$ 4,850,000	
State	22,480,000	20,089,000	24,837,507	\$ 4,748,507
Investment income	200,000	200,000	275,189	75,189
Other	167,000	167,000		(167,000)
Fare related	2,646,000	3,021,000	3,105,486	84,486
Transfers from other funds				
Total revenues	<u>28,993,000</u>	<u>28,327,000</u>	<u>33,068,182</u>	<u>4,741,182</u>
<b>EXPENDITURES</b>				
Current:				
General government	559,065	554,730	249,775	(304,955)
General Government				
Transportation	28,438,270	28,208,270	28,047,532	(160,738)
Debt service			3,121	3,121
Capital outlay				
Total expenditures	<u>28,997,335</u>	<u>28,763,000</u>	<u>28,300,428</u>	<u>(462,572)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,335)</u>	<u>(436,000)</u>	<u>4,767,754</u>	<u>5,203,754</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		150,000		(150,000)
Total other financing sources and uses	<u>0</u>	<u>150,000</u>	<u>0</u>	<u>(150,000)</u>
Net change in fund balances	(4,335)	(286,000)	4,767,754	5,053,754
Fund balance, beginning, restated	9,388,949	9,388,949	9,388,949	
Fund balance, ending	<u>\$ 9,384,614</u>	<u>\$ 9,102,949</u>	<u>\$ 14,156,703</u>	<u>\$ 5,053,754</u>

Unaudited

# METROPOLITAN COUNCIL

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2002

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### Stewardship, compliance, and accountability

#### A. Budgetary information

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund, all budgeted special revenue funds, and the Metro Transit Bus enterprise fund. 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 5% of the operating expenses. Variances in expenses are accumulated for contingency reserves. All annual appropriations lapse at year-end.

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

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

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Regional Administration	\$ 5,773,388	\$ 5,453,442	\$ 3,686,050	\$ (1,767,392)
Community Development	14,256,590	14,506,590	12,827,195	(1,679,395)
Total General Fund	<u>\$ 20,029,978</u>	<u>\$ 19,960,032</u>	<u>\$ 16,513,245</u>	<u>\$ (3,446,787)</u>

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

**Nonmajor Government Funds**

**Special Revenue Funds**

Special revenue funds are used to account for specific revenue that are legally 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.

Transit administration, opt-out, regular route, and rural small urban funds account for taxes, state appropriations, and federal grants used in defined and legally restricted regional transportation programs within the Metropolitan Council's boundaries.

Other special revenue funds account for specific revenues that are restricted to expenditures for specifically defined, and legally restricted land use planning assistance.

**Debt Service Funds**

Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Housing bond credit enhancement fund reports the accumulation of resources for the backing of a program for housing development projects.

The following funds are used to report the accumulation of resources for, and the payment of, interest and principal on the related bonds:

- Parks and open space debt retirement fund.
- Solid waste disposal debt retirement fund.
- Radio board debt retirement fund.

**Capital Project Funds**

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

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

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

Solid waste disposal capital projects fund accounts for funds from bonds to finance the acquisition of landfill sites and related environmental review costs in the Metropolitan Council's boundary.

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

**METROPOLITAN COUNCIL  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2003**

	<u>Total Special Revenue</u>	<u>Total Debt Service</u>	<u>Total Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 62,011,925	\$ 23,701,033	\$ 2,685,254	\$ 88,398,212
Accounts receivable	2,652		276,979	279,631
Delinquent taxes receivable	676,827	491,904		1,168,731
Interest receivable	171,898	48,315	11,114	231,327
Due from other funds	1,053,285		450,622	1,503,907
Due from other governmental units	6,659,583		6,120,530	12,780,113
Prepays	13,188			13,188
Loans and advances	27,564,510			27,564,510
Total assets	<u>\$ 98,153,868</u>	<u>\$ 24,241,252</u>	<u>\$ 9,544,499</u>	<u>\$ 131,939,619</u>
<b>LIABILITIES</b>				
Accounts/contracts/subgrantees payable	\$ 22,594,954	\$ 4,255,068	\$ 9,291,492	\$ 36,141,514
Due to other funds	1,096,511	57,361	2,759,772	3,913,644
Accrued interest payable		3,413		3,413
Deferred revenue	499,770	339,357		839,127
Total liabilities	<u>24,191,235</u>	<u>4,655,199</u>	<u>12,051,264</u>	<u>40,897,698</u>
<b>FUND BALANCES</b>				
Reserved for:				
Grants and loans	58,002,966		5,232,971	63,235,937
Credit enhancement		286,500		286,500
Unreserved				
Designated for:				
Grants and loans	9,003,793			9,003,793
Housing programs			360,440	360,440
Debt service		19,299,553		19,299,553
Capital projects			481,634	481,634
Undesignated	6,955,874		(8,581,810)	(1,625,936)
Total fund balances	<u>73,962,633</u>	<u>19,586,053</u>	<u>(2,506,765)</u>	<u>91,041,921</u>
Total liabilities and fund balances	<u>\$ 98,153,868</u>	<u>\$ 24,241,252</u>	<u>\$ 9,544,499</u>	<u>\$ 131,939,619</u>

**METROPOLITAN COUNCIL  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE  
DECEMBER 31, 2003**

	<b>Highway Right-of-Way Acquisition Loan</b>	<b>Livable Communities</b>	<b>Transit Administration</b>	<b>Opt-Out Transit</b>	<b>Regular Route Transit</b>	<b>Rural Small Urban Transit</b>	<b>Other Special Revenue</b>	<b>Total Special Revenue</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 7,903,982	\$ 48,133,356	\$ 2,227	\$ 38,646	\$ 4,090,966	\$ 1,071,018	\$ 773,957	\$ 62,011,925
Accounts receivable				425				2,652
Delinquent taxes receivable	168,774	453,651		40,779	676,827	13,623		676,827
Interest receivable	23,467	142,918	314	2,264	171,898	638	2,297	171,898
Due from other funds		156	1,000	1,052,129	1,053,285			1,053,285
Due from other governmental units			3,290,666	1,658,520	6,659,583	369,974		6,659,583
Prepays			13,188		13,188			13,188
Loans and advances	27,411,682						152,828	27,564,510
Total assets	<u>\$ 35,507,905</u>	<u>\$ 48,730,081</u>	<u>\$ 3,307,395</u>	<u>\$ 1,697,166</u>	<u>\$ 6,526,986</u>	<u>\$ 1,455,253</u>	<u>\$ 929,082</u>	<u>\$ 98,153,868</u>
<b>LIABILITIES</b>								
Accounts/contracts/subgrantees payable	\$ 2,070,381	\$ 15,458,778	\$ 336,893	\$ 1,658,520	\$ 1,995,144	\$ 872,544	\$ 202,694	\$ 22,594,954
Due to other funds			1,052,813	38,646	4,896		156	1,096,511
Deferred revenue	115,446	312,854	18,443	39,767	499,770	13,260		499,770
Total liabilities	<u>2,185,827</u>	<u>15,771,632</u>	<u>1,408,149</u>	<u>1,697,166</u>	<u>2,039,807</u>	<u>885,804</u>	<u>202,850</u>	<u>24,191,235</u>
<b>FUND BALANCES</b>								
Reserved for:								
Grants and loans	27,411,682	30,358,913					232,371	58,002,966
Unreserved								
Designated for:								
Grants and loans	5,910,396	2,599,536	1,899,246	0	4,487,179	569,449	493,861	9,003,793
Undesignated			1,899,246	0	4,487,179	569,449	726,232	6,955,874
Total fund balances	<u>33,322,078</u>	<u>32,958,449</u>	<u>1,899,246</u>	<u>0</u>	<u>8,974,358</u>	<u>1,138,898</u>	<u>929,082</u>	<u>73,962,633</u>
Total liabilities and fund balances	<u>\$ 35,507,905</u>	<u>\$ 48,730,081</u>	<u>\$ 3,307,395</u>	<u>\$ 1,697,166</u>	<u>\$ 6,526,986</u>	<u>\$ 1,455,253</u>	<u>\$ 929,082</u>	<u>\$ 98,153,868</u>



**METROPOLITAN COUNCIL  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS-DEBT SERVICE  
DECEMBER 31, 2003**

	<u>Housing Bond Credit Enhancement</u>	<u>Parks and Open Space Debt Retirement</u>	<u>Solid Waste Disposal Debt Retirement</u>	<u>Radio Board Debt Retirement</u>	<u>Total Debt Service</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,776,379	\$ 19,914,949	\$ 615,163	\$ 394,542	\$ 23,701,033
Delinquent taxes receivable		443,866	21,598	26,440	491,904
Interest receivable	8,243	37,102	1,798	1,172	48,315
Total assets	<u>\$ 2,784,622</u>	<u>\$ 20,395,917</u>	<u>\$ 638,559</u>	<u>\$ 422,154</u>	<u>\$ 24,241,252</u>
<b>LIABILITIES</b>					
Accounts/contracts/subgrantees payable	\$ 727,261	\$ 3,268,577	\$ 155,872	\$ 103,358	\$ 4,255,068
Due to other funds	57,361				57,361
Accrued interest payable		3,413			3,413
Deferred revenue		305,919	14,283	19,155	339,357
Total liabilities	<u>784,622</u>	<u>3,577,909</u>	<u>170,155</u>	<u>122,513</u>	<u>4,655,199</u>
<b>FUND BALANCES</b>					
Reserved for:					
Credit enhancement	286,500				286,500
Unreserved					
Designated for:					
Debt service	1,713,500	16,818,008	468,404	299,641	19,299,553
Total fund balances	<u>2,000,000</u>	<u>16,818,008</u>	<u>468,404</u>	<u>299,641</u>	<u>19,586,053</u>
Total liabilities and fund balances	<u>\$ 2,784,622</u>	<u>\$ 20,395,917</u>	<u>\$ 638,559</u>	<u>\$ 422,154</u>	<u>\$ 24,241,252</u>

**METROPOLITAN COUNCIL  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS  
DECEMBER 31, 2003**

	North Mississippi Park	Parks and Open Space Grants	Solid Waste Disposal Capital Projects	Transit Capital Projects	Total Capital Projects
<b>ASSETS</b>					
Cash and cash equivalents					\$ 2,685,254
Accounts Receivable	\$ 276,979	\$ 2,276,253	\$ 409,001		276,979
Interest receivable		9,900	1,214		11,114
Due from other funds	388,365		57,361	\$ 4,896	450,622
Due from other governmental units		6,120,530			6,120,530
Total assets	<u>\$ 665,344</u>	<u>\$ 8,406,683</u>	<u>\$ 467,576</u>	<u>\$ 4,896</u>	<u>\$ 9,544,499</u>
<b>LIABILITIES</b>					
Accounts/contracts/subgrantees payable	\$ 3,139	\$ 7,975,234	\$ 107,136	\$ 1,205,983	\$ 9,291,492
Due to other funds		388,365		2,371,407	2,759,772
Total liabilities	<u>3,139</u>	<u>8,363,599</u>	<u>107,136</u>	<u>3,577,390</u>	<u>12,051,264</u>
<b>FUND BALANCES</b>					
Reserved for:					
Grants and loans	180,571	5,052,400			5,232,971
Unreserved					
Designated for:					
Housing programs			360,440		360,440
Capital Projects	481,634				481,634
Undesignated		(5,009,316)		(3,572,494)	(8,581,810)
Total fund balances	<u>662,205</u>	<u>43,084</u>	<u>360,440</u>	<u>(3,572,494)</u>	<u>(2,506,765)</u>
Total liabilities and fund balances	<u>\$ 665,344</u>	<u>\$ 8,406,683</u>	<u>\$ 467,576</u>	<u>\$ 4,896</u>	<u>\$ 9,544,499</u>

**METROPOLITAN COUNCIL**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Total Special Revenue</b>	<b>Total Debt Service</b>	<b>Total Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 15,610,997	\$ 8,316,010		\$ 23,927,007
Intergovernmental revenue:				
Federal	4,809,636			4,809,636
State	36,663,876	417,135	\$ 18,073,633	55,154,644
Local/other	244,354			244,354
Investment income	774,162	191,135	201,094	1,166,391
Other	1,504,209			1,504,209
Total revenues	<u>59,607,234</u>	<u>8,924,280</u>	<u>18,274,727</u>	<u>86,806,241</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,326,353		55,535	1,381,888
Transportation	18,017,102		835,067	18,852,169
Intergovernmental:				
Transportation	22,544,381		3,449,426	25,993,807
Culture and recreation			22,232,427	22,232,427
Environment	4,516,632			4,516,632
Housing	1,957,637			1,957,637
Economic development	8,035,779			8,035,779
Debt service:				
Principal		6,165,000		6,165,000
Interest and other charges	59,519	1,412,133	82,138	1,553,790
Capital outlay			21,582,105	21,582,105
Total expenditures	<u>56,457,403</u>	<u>7,577,133</u>	<u>48,236,698</u>	<u>112,271,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,149,831</u>	<u>1,347,147</u>	<u>(29,961,971)</u>	<u>(25,464,993)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of general fixed assets			27,270	27,270
Proceeds from bonds		7,384,086		7,384,086
Transfers in	1,392,283		192,828	1,585,111
Transfers out	(375,649)	(57,361)	(20,514,922)	(20,947,932)
Total other financing sources (uses)	<u>1,016,634</u>	<u>7,326,725</u>	<u>(20,294,824)</u>	<u>(11,951,465)</u>
Net change in fund balances	4,166,465	8,673,872	(50,256,795)	(37,416,458)
Fund balances, beginning, as previously stated	71,204,040	10,912,181	47,750,030	129,866,251
Prior period adjustment/restatements	(1,407,872)			(1,407,872)
Fund balances, beginning, as restated	<u>69,796,168</u>	<u>10,912,181</u>	<u>47,750,030</u>	<u>128,458,379</u>
Fund balances, ending	<u>\$ 73,962,633</u>	<u>\$ 19,586,053</u>	<u>\$ (2,506,765)</u>	<u>\$ 91,041,921</u>

**METROPOLITAN COUNCIL**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	Highway Right-of-Way Acquisition Loan	Livable Communities	Transit Administration	Opt-Out Transit	Regular Route Transit	Rural Small Urban Transit	Other Special Revenue	Total Special Revenue
<b>REVENUES</b>								
Taxes	\$ 2,919,939	\$ 12,681,096			\$ 7,353	\$ 2,609		\$ 15,610,997
Intergovernmental revenue:								
Federal		\$ 4,477,987			254,690	76,959		4,809,636
State	146,482	385,138	322,645	\$21,922,462	10,768,396	3,118,753		36,663,876
Local/other			244,354					244,354
Investment income	75,759	590,642	4,183		81,853	2,802	\$ 18,923	774,162
Other			124,206		601,655	778,348		1,504,209
Total revenues	<u>3,142,180</u>	<u>13,656,876</u>	<u>5,173,375</u>	<u>21,922,462</u>	<u>11,713,947</u>	<u>3,979,471</u>	<u>18,923</u>	<u>59,607,234</u>
<b>EXPENDITURES</b>								
Current:								
General government			1,213,073		79,751	33,529		1,326,353
Transportation			3,906,386		10,245,959	3,864,757		18,017,102
Intergovernmental:								
Transportation			621,919	21,922,462				22,544,381
Environment		4,361,033					155,599	4,516,632
Housing		1,957,637						1,957,637
Economic development		8,035,779						8,035,779
Debt service:								
Interest and other charges	2,640	19,837	35,956		567	160	359	59,519
Total expenditures	<u>2,640</u>	<u>14,374,286</u>	<u>5,777,334</u>	<u>21,922,462</u>	<u>10,326,277</u>	<u>3,898,446</u>	<u>155,958</u>	<u>56,457,403</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,139,540</u>	<u>(717,410)</u>	<u>(603,959)</u>	<u>0</u>	<u>1,387,670</u>	<u>81,025</u>	<u>(137,035)</u>	<u>3,149,831</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in		1,375,649	16,634					1,392,283
Transfers out	0	1,375,649	16,634	0	0	0	(375,649)	(375,649)
Total other financing sources (uses)								1,016,634
Net change in fund balances	3,139,540	658,239	(587,325)	0	1,387,670	81,025	(512,684)	4,166,465
Fund balances, beginning, as previously stated	30,182,538	32,300,210	2,341,443	0	4,224,562	916,371	1,238,916	71,204,040
Prior period adjustment/restatements			145,128		(1,125,053)	(427,947)		(1,407,872)
Fund balances, beginning, as restated	<u>30,182,538</u>	<u>32,300,210</u>	<u>2,486,571</u>	<u>0</u>	<u>3,099,509</u>	<u>488,424</u>	<u>1,238,916</u>	<u>69,796,168</u>
Fund balances, ending	<u>\$ 33,322,078</u>	<u>\$ 32,958,449</u>	<u>\$ 1,899,246</u>	<u>\$ 0</u>	<u>\$ 4,487,179</u>	<u>\$ 569,449</u>	<u>\$ 726,232</u>	<u>\$ 73,962,633</u>

**METROPOLITAN COUNCIL**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS-DEBT SERVICE**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Housing Bond Credit Enhancement</b>	<b>Parks and Open Space Debt Retirement</b>	<b>Solid Waste Disposal Debt Retirement</b>	<b>Radio Board Debt Retirement</b>	<b>Total Debt Service</b>
<b>REVENUES</b>					
Taxes		\$ 7,519,193	\$ 403,549	\$ 393,268	\$ 8,316,010
Intergovernmental revenue:					
State	377,212		20,255	19,668	417,135
Investment income	58,624	129,475		3,036	191,135
Total revenues	58,624	8,025,880	423,804	415,972	8,924,280
<b>EXPENDITURES</b>					
Debt service:					
Principal		5,505,000	360,000	300,000	6,165,000
Interest and other charges	1,263	1,166,780	48,253	195,837	1,412,133
Total expenditures	1,263	6,671,780	408,253	495,837	7,577,133
Excess (deficiency) of revenues over (under) expenditures	57,361	1,354,100	15,551	(79,865)	1,347,147
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from bonds		7,384,086			7,384,086
Transfers out	(57,361)				(57,361)
Total other financing sources (uses)	(57,361)	7,384,086	0	0	7,326,725
Net change in fund balances	0	8,738,186	15,551	(79,865)	8,673,872
Fund balances, beginning	2,000,000	8,079,822	452,853	379,506	10,912,181
Fund balances, ending	2,000,000	16,818,008	468,404	299,641	19,586,053

**METROPOLITAN COUNCIL**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	North Mississippi Park	Parks and Open Space Grants	Solid Waste Disposal Capital Projects	Transit Capital Projects	Total Capital Projects
<b>REVENUES</b>					
Intergovernmental revenue:					
State	\$ 39,911	\$ 18,073,633			\$ 18,073,633
Investment income	39,911	124,517	\$ 36,666		201,094
Total revenues	<u>39,911</u>	<u>18,198,150</u>	<u>36,666</u>	<u>0</u>	<u>18,274,727</u>
<b>EXPENDITURES</b>					
Current:					
General government		22,091		33,444	55,535
Transportation				835,067	835,067
Intergovernmental:					
Transportation				3,449,426	3,449,426
Culture and recreation		22,232,427			22,232,427
Debt service:					
Interest and other charges		3,140	186	78,812	82,138
Capital outlay	0		186	21,582,105	21,582,105
Total expenditures	<u>0</u>	<u>22,257,658</u>	<u>186</u>	<u>25,978,854</u>	<u>48,236,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39,911</u>	<u>(4,059,508)</u>	<u>36,480</u>	<u>(25,978,854)</u>	<u>(29,961,971)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of general fixed assets					
Transfers in	135,467	(135,467)	57,361	27,270	27,270
Transfers out	<u>135,467</u>	<u>(135,467)</u>	<u>57,361</u>	<u>(20,379,455)</u>	<u>192,828</u>
Total other financing sources (uses)				<u>(20,352,185)</u>	<u>(20,294,824)</u>
Net change in fund balances	175,378	(4,194,975)	93,841	(46,331,039)	(50,256,795)
Fund balances, beginning	486,827	4,238,059	266,599	42,758,545	47,750,030
Fund balances, ending	<u>\$ 662,205</u>	<u>\$ 43,084</u>	<u>\$ 360,440</u>	<u>\$ (3,572,494)</u>	<u>\$ (2,506,765)</u>

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON STATEMENT  
LIVABLE COMMUNITIES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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>				
Taxes	\$ 13,135,000	\$ 13,135,000	\$12,681,096	\$ (453,904)
Intergovernmental revenue:				
State			385,138	385,138
Investment income	<u>1,463,000</u>	<u>1,463,000</u>	<u>590,642</u>	<u>(872,358)</u>
Total revenues	<u>14,598,000</u>	<u>14,598,000</u>	<u>13,656,876</u>	<u>(941,124)</u>
<b>EXPENDITURES</b>				
Intergovernmental:				
Environment	5,405,000	5,405,000	4,361,033	(1,043,967)
Housing	2,262,000	2,262,000	1,957,637	(304,363)
Economic development	8,237,550	8,237,550	8,035,779	(201,771)
Debt service			19,837	19,837
Total expenditures	<u>15,904,550</u>	<u>15,904,550</u>	<u>14,374,286</u>	<u>(1,530,264)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,306,550)</u>	<u>(1,306,550)</u>	<u>(717,410)</u>	<u>589,140</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,000,000	1,000,000	1,375,649	375,649
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>                    </u>	<u>200,000</u>
Total other financing sources and uses	<u>800,000</u>	<u>800,000</u>	<u>1,375,649</u>	<u>575,649</u>
Net change in fund balances	(506,550)	(506,550)	658,239	1,164,789
Fund balance, beginning	<u>32,300,210</u>	<u>32,300,210</u>	<u>32,300,210</u>	<u>                    </u>
Fund balance, ending	<u>\$ 31,793,660</u>	<u>\$ 31,793,660</u>	<u>\$32,958,449</u>	<u>\$ 1,164,789</u>

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON STATEMENT  
TRANSIT ADMINISTRATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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	\$ 3,988,345	\$ 4,326,334	\$ 4,477,987	\$ 151,653
State	887,432	470,540	322,645	(147,895)
Local/other	353,000	353,000	244,354	(108,646)
Investment income	250,000	250,000	4,183	(245,817)
Other	49,000	161,432	124,206	(37,226)
Total revenues	<u>5,527,777</u>	<u>5,561,306</u>	<u>5,173,375</u>	<u>(387,931)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,104,328	948,534	1,213,073	264,539
Transportation	4,375,549	4,756,328	3,906,386	(849,942)
Intergovernmental:				
Transportation			621,919	621,919
Capital outlay			35,956	35,956
Total expenditures	<u>5,479,877</u>	<u>5,704,862</u>	<u>5,777,334</u>	<u>72,472</u>
Excess (deficiency) of revenues over (under) expenditures	<u>47,900</u>	<u>(143,556)</u>	<u>(603,959)</u>	<u>(460,403)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			16,634	16,634
Total other financing sources and uses			<u>16,634</u>	<u>16,634</u>
Net change in fund balances	47,900	(143,556)	(587,325)	(443,769)
Fund balance, beginning, restated	<u>2,486,571</u>	<u>2,486,571</u>	<u>2,486,571</u>	
Fund balance, ending	<u>\$ 2,534,471</u>	<u>\$ 2,343,015</u>	<u>\$ 1,899,246</u>	<u>\$ (443,769)</u>



**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON STATEMENT  
OPT OUT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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	\$ 23,183,268	\$ 22,427,000	\$21,922,462	(\$504,538)
Total revenues	<u>23,183,268</u>	<u>22,427,000</u>	<u>21,922,462</u>	<u>(504,538)</u>
<b>EXPENDITURES</b>				
Intergovernmental:				
Transportation	23,183,268	22,427,000	21,922,462	(504,538)
Total expenditures	<u>23,183,268</u>	<u>22,427,000</u>	<u>21,922,462</u>	<u>(504,538)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance, beginning, restated				
Fund balance, ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON STATEMENT  
REGULAR ROUTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Over (Under)</u>
<b>REVENUES</b>				
Taxes			\$ 7,353	\$ 7,353
Intergovernmental revenue:				
Federal	\$ 402,897	\$ 402,897	254,690	(148,207)
State	11,939,026	10,531,939	10,768,396	236,457
Investment income			81,853	81,853
Fare related	564,718	614,718	601,655	(13,063)
Total revenues	<u>12,906,641</u>	<u>11,549,554</u>	<u>11,713,947</u>	<u>164,393</u>
<b>EXPENDITURES</b>				
Current:				
General government	212,845	211,110	79,751	(131,359)
Transportation	12,736,905	11,363,807	10,245,959	(1,117,848)
Debt service			567	567
Total expenditures	<u>12,949,750</u>	<u>11,574,917</u>	<u>10,326,277</u>	<u>(1,248,640)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43,109)</u>	<u>(25,363)</u>	<u>1,387,670</u>	<u>1,413,033</u>
Net change in fund balances	(43,109)	(25,363)	1,387,670	1,413,033
Fund balance, beginning, restated	3,099,509	3,099,509	3,099,509	
Fund balance, ending	<u>\$ 3,056,400</u>	<u>\$ 3,074,146</u>	<u>\$ 4,487,179</u>	<u>\$ 1,413,033</u>

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON STATEMENT  
RURAL SMALL URBAN SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>REVENUES</b>				
Taxes			\$ 2,609	\$ 2,609
Intergovernmental revenue:				
Federal	\$ 64,896	\$ 64,896	76,959	12,063
State	3,086,879	3,056,879	3,118,753	61,874
Investment income			2,802	2,802
Fare related			778,348	778,348
Total revenues	<u>3,151,775</u>	<u>3,121,775</u>	<u>3,979,471</u>	<u>857,696</u>
<b>EXPENDITURES</b>				
Current:				
General government	56,012	55,556	33,529	(22,027)
Transportation	3,096,219	3,066,219	3,864,757	798,538
Debt service			160	160
Total expenditures	<u>3,152,231</u>	<u>3,121,775</u>	<u>3,898,446</u>	<u>776,671</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(456)</u>		<u>81,025</u>	<u>81,025</u>
Net change in fund balances	(456)		81,025	81,025
Fund balance, beginning, restated	<u>488,424</u>	<u>488,424</u>	<u>488,424</u>	
Fund balance, ending	<u>\$ 487,968</u>	<u>\$ 488,424</u>	<u>\$ 569,449</u>	<u>\$ 81,025</u>

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON STATEMENT  
OTHER SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment income	\$ 51,000	\$ 51,000	\$ 18,923	\$ (32,077)
Total revenues	<u>51,000</u>	<u>51,000</u>	<u>18,923</u>	<u>(32,077)</u>
<b>EXPENDITURES</b>				
Intergovernmental:				
Environment	250,000	250,000	155,599	(94,401)
Debt service			359	359
Total expenditures	<u>250,000</u>	<u>250,000</u>	<u>155,958</u>	<u>(94,042)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(199,000)</u>	<u>(199,000)</u>	<u>(137,035)</u>	<u>61,965</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out			(375,649)	(375,649)
Total other financing sources and uses			<u>(375,649)</u>	<u>(375,649)</u>
Net change in fund balances	(199,000)	(199,000)	(512,684)	(313,684)
Fund balance, beginning	<u>1,238,916</u>	<u>1,238,916</u>	<u>1,238,916</u>	
Fund balance, ending	<u>\$ 1,039,916</u>	<u>\$ 1,039,916</u>	<u>\$ 726,232</u>	<u>\$ (313,684)</u>

**METROPOLITAN COUNCIL  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Balance January 1, 2003</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2003</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,038	\$ 30,643	\$ 25,215	\$ 36,466
Accrued interest receivable	77	114	83	108
Due from other governmental units	5,000		5,000	-
Total assets	<u>\$ 36,115</u>	<u>\$ 30,757</u>	<u>\$ 30,298</u>	<u>\$ 36,574</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,579	\$ 8,565	\$ 1,589	\$ 9,555
Due to participants	33,536	22,192	28,709	27,019
Total liabilities	<u>\$ 36,115</u>	<u>\$ 30,757</u>	<u>\$ 30,298</u>	<u>\$ 36,574</u>

**METROPOLITAN COUNCIL  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCE  
DECEMBER 31, 2003 AND 2002**

	<b>2003</b>	<b>2002 Restated</b>	<b>2002 As previously Reported</b>
Governmental funds capital assets:			
Vehicles	\$ 42,781,537	\$ 19,840,746	\$ 20,362,049
Equipment	4,189,537	3,822,742	3,822,742
Construction in progress		285,385	285,385
Total governmental funds capital assets	\$ 46,971,074	\$ 23,948,873	\$ 24,470,176
Investments in governmental funds capital assets by source:			
General fund	\$ 3,342,656	\$ 3,261,246	\$ 3,261,246
Special revenue funds	327,192	327,192	327,192
Capital projects funds	43,301,226	20,360,435	20,881,738
Total governmental funds capital assets	\$ 46,971,074	\$ 23,948,873	\$ 24,470,176

**METROPOLITAN COUNCIL  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
DECEMBER 31, 2003**

<u>Function and Activity</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
General government:			
Council		\$ 585,945	\$ 585,945
Information services		2,771,073	2,771,073
Total general government	<u>\$ 0</u>	<u>3,357,018</u>	<u>3,357,018</u>
Transportation:			
Metro mobility	7,027,463	684,398	7,711,861
Transit administration	30,014	148,121	178,135
Outside transit providers	35,724,060		35,724,060
Total transportation	<u>42,781,537</u>	<u>832,519</u>	<u>43,614,056</u>
Total governmental funds capital assets	<u>\$ 42,781,537</u>	<u>\$ 4,189,537</u>	<u>\$ 46,971,074</u>

**METROPOLITAN COUNCIL**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets January 1, 2003</b>	<b>Governmental Funds Capital Assets Restated January 1, 2003</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets December 31, 2003</b>
General government:					
Council	\$ 585,945	\$ 585,945			\$ 585,945
Information services	2,689,663	2,689,663	\$ 135,451	\$ 54,041	2,771,073
Total general government	<u>3,275,608</u>	<u>3,275,608</u>	<u>135,451</u>	<u>54,041</u>	<u>3,357,018</u>
Transportation:					
Metro mobility	7,711,861	7,711,861			7,711,861
Transit administration	178,135	178,135			178,135
Outside transit providers	13,304,572	12,783,269	23,217,384	276,593	35,724,060
Total transportation	<u>21,194,568</u>	<u>20,673,265</u>	<u>23,217,384</u>	<u>276,593</u>	<u>43,614,056</u>
Total governmental funds capital assets	<u>\$ 24,470,176</u>	<u>\$ 23,948,873</u>	<u>\$ 23,352,835</u>	<u>\$ 330,634</u>	<u>\$ 46,971,074</u>



**METROPOLITAN COUNCIL  
BONDS/LOANS OUTSTANDING  
AS OF DECEMBER 31, 2003**

Issues	Date	Final Maturity Date	Original Issue	Payments Prior Years	Payments Year Ended 12/31/03
<b>GENERAL OBLIGATION BONDS AND LOANS PAYABLE</b>					
G.O. Park Bonds					
1994A, Refunding	1-Jan-94	1-Jan-11 (a)	\$ 11,720,000	\$ 2,370,000	\$ 850,000
1997A	1-May-97	1-Feb-03	5,300,000	4,115,000	1,185,000
1998C	1-Dec-98	1-Feb-04	5,300,000	2,350,000	1,450,000
2000B	1-Mar-00	1-Feb-06	5,300,000	780,000	1,055,000
2001C	1-Aug-01	1-Feb-06	3,600,000	435,000	670,000
2002D	1-Nov-02	1-Feb-07	6,500,000		295,000
2003B, Refunding	1-Oct-03	1-Jan-11	7,240,000		
Subtotal: G. O. Park Bond			44,960,000	10,050,000	5,505,000
G.O. Solid Waste Bonds					
1998B, Refunding	1-May-98	1-Feb-05	2,395,000	1,265,000	360,000
Subtotal: G. O. Solid Waste Bond			2,395,000	1,265,000	360,000
G.O. Radio Bonds					
1997B	1-May-97	1-Feb-08	3,000,000	985,000	300,000
Subtotal: G. O. Radio Bonds			3,000,000	985,000	300,000
G.O. Transit Bonds					
1993D	1-Sep-93	1-Feb-09 (a)	20,000,000	12,950,000	7,050,000
1994D	1-Nov-94	1-Jan-10 (a)	10,000,000	5,845,000	975,000
1995C	1-Nov-95	1-Feb-06 (a)	18,000,000	13,825,000	4,175,000
1996D	1-Nov-96	1-Feb-17 (a)	15,000,000	10,895,000	275,000
1997C	1-May-97	1-Feb-18	14,500,000	10,340,000	260,000
1998A	1-May-98	1-Feb-09	13,500,000	2,590,000	1,370,000
1998D, Refunding	1-Dec-98	1-Feb-13	1,365,000	445,000	235,000
2000A	1-Mar-00	1-Feb-20	42,000,000	7,725,000	5,475,000
2001B	1-Aug-01	1-Feb-21	44,000,000	1,120,000	4,300,000
2002C	1-Nov-02	1-Feb-22	50,000,000		1,680,000
2002E, Refunding	1-Nov-02	1-Feb-10	11,825,000		
2003C, Refunding	1-Sep-03	1-Feb-17	3,355,000		
Subtotal: G. O. Transit Bond			243,545,000	65,735,000	25,795,000
Minnesota Public Facilities Authority Loans--Trans (Backed by General Obligation Notes)					
	12-Mar-95	15-Feb-20	21,025,000	4,595,000	2,285,000
Subtotal: MN Publ Facil Authority--Trans			21,025,000	4,595,000	2,285,000
<b>Total Bonds-General Long Term Obligations</b>			<b>\$ 314,925,000</b>	<b>\$ 82,630,000</b>	<b>\$ 34,245,000</b>
G.O.Sewer Bonds					
1995A	1-Jun-95	1-Jun-15 (a)	\$ 20,000,000	\$ 5,050,000	\$ 875,000
1996A, Refunding	1-Apr-96	1-Dec-07	8,325,000	3,375,000	1,110,000
1996B, Refunding	1-Apr-96	1-Sep-12	32,085,000	5,685,000	2,585,000
1996E	1-Nov-96	1-Dec-16 (a)	10,000,000	2,050,000	395,000
1999B	1-Jul-99	1-Dec-14	14,000,000	1,675,000	1,325,000
2001A, Refunding	1-Sep-01	1-Dec-09	31,525,000	4,500,000	4,900,000
2001D	1-Aug-01	1-Dec-16	14,000,000	525,000	735,000
2002A, Refunding	1-Sep-02	1-Dec-10	32,395,000		6,875,000
2002B, Refunding	1-Jul-02	1-Dec-16	19,735,000		
2003A, Refunding	1-Sep-03	1-Mar-16	121,490,000		
Subtotal: G. O. Sewer Bond			303,555,000	22,860,000	18,800,000
Minnesota Public Facilities Authority Loans--Sewer (Backed by General Obligation Notes)					
	12-Jul-85	20-Feb-09	40,000,000	20,550,000	2,750,000
	8-Aug-90	20-Feb-10	65,000,000	27,000,000	38,000,000
	11-Jun-91	20-Aug-12	37,300,000	11,500,000	25,800,000
	11-Jun-91	20-Aug-12	27,700,000	7,800,000	19,900,000
	4-May-92	20-Aug-13	40,000,000	12,100,000	27,900,000
	20-Jul-93	20-Feb-14	20,000,000	5,000,000	840,000
	28-Nov-94	20-Aug-15	40,000,000	10,285,000	29,715,000
	30-Sep-96	20-Aug-16	40,000,000	9,250,000	1,700,000
	3-Oct-97	20-Aug-17	40,000,000	9,350,000	1,150,000
	31-Dec-98	20-Aug-15	60,000,000	11,100,000	995,000
	27-Jul-00	20-Aug-20	60,000,000	2,580,000	2,265,000
	14-Nov-01	20-Aug-21	75,000,000	500,000	3,500,000
	20-Dec-02	20-Feb-22	100,000,000		
	1-Sep-03	20-Feb-16	4,953,827		
	26-Nov-03	20-Aug-23	51,515,886 (b)		
Subtotal: Minnesota Public Facility Authority Loans--Sewer			701,469,716	127,015,000	154,515,000
<b>Total G.O.Sewer Bonds/Loans Payable</b>			<b>\$ 1,005,024,716</b>	<b>\$ 149,875,000</b>	<b>\$ 173,315,000</b>
<b>Total General Obligation Bonds and Loans Payable</b>			<b>\$ 1,319,949,716</b>	<b>\$ 232,505,000</b>	<b>\$ 207,560,000</b>
<b>REVENUE BONDS (Not tax supported)</b>					
(Radio Board, Series 1999C)	1-Nov-99	1-Feb-15	\$ 14,280,000	\$ 1,205,000	\$ 735,000

(a) Called prior to final maturity

(b) Of the \$100 million note executed in 2003 only the amount shown was effectively incurred at 12/31/03.

(c) Escrowed.

<b>Bonds/Loans Issued/ Drawn Down in 2003</b>	<b>Bonds/ Loans Outstanding 12/31/2003</b>	<b>Refunded Bonds</b>	<b>Maturing in 2004</b>	<b>Future Maturities</b>
	\$ 8,500,000	\$ 7,600,000	\$ 900,000	
	1,500,000		1,500,000	
	3,465,000		1,100,000	\$ 2,365,000
	2,495,000		805,000	1,690,000
	6,205,000		1,590,000	4,615,000
\$ 7,240,000	7,240,000			7,240,000
7,240,000	29,405,000	7,600,000	5,895,000	15,910,000
	770,000		380,000	390,000
0	770,000	0	380,000	390,000
	1,715,000		315,000	1,400,000
0	1,715,000	0	315,000	1,400,000
	0			
	3,180,000	2,795,000 (c)	385,000	
	0			
	3,830,000	3,280,000 (c)	275,000	275,000
	3,900,000		260,000	3,640,000
	9,540,000		1,430,000	8,110,000
	685,000		55,000	630,000
	28,800,000		5,500,000	23,300,000
	38,580,000		7,440,000	31,140,000
	48,320,000		5,890,000	42,430,000
	11,825,000		1,780,000	10,045,000
3,355,000	3,355,000			3,355,000
3,355,000	152,015,000	6,075,000	23,015,000	122,925,000
	14,145,000		2,250,000	11,895,000
0	14,145,000	0	2,250,000	11,895,000
<u>\$ 10,595,000</u>	<u>\$ 198,050,000</u>	<u>\$ 13,675,000</u>	<u>\$ 31,855,000</u>	<u>\$ 152,520,000</u>
	\$ 14,075,000	\$ 12,700,000 (c)	\$ 900,000	\$ 475,000
	3,840,000		1,085,000	2,755,000
	23,815,000		2,550,000	21,265,000
	7,555,000	6,705,000 (c)	415,000	435,000
	11,000,000		500,000	10,500,000
	22,125,000		5,525,000	16,600,000
	12,740,000		765,000	11,975,000
	25,520,000		6,860,000	18,660,000
	19,735,000			19,735,000
\$ 121,490,000	121,490,000		4,355,000	117,135,000
121,490,000	261,895,000	19,405,000	22,955,000	219,535,000
	16,700,000		2,750,000	13,950,000
	-			-
	-			-
	-			-
	14,160,000		900,000	13,260,000
	-			-
	29,050,000		1,800,000	27,250,000
	29,500,000		825,000	28,675,000
	47,905,000		875,000	47,030,000
	55,155,000		780,000	54,375,000
	71,000,000		2,400,000	68,600,000
69,699,995	100,000,000		1,000,000	99,000,000
4,953,827	4,953,827		346,611	4,607,216
51,515,889	51,515,889			51,515,889
126,169,711	419,939,711	0	11,676,611	408,263,105
<u>\$ 247,659,711</u>	<u>\$ 681,834,716</u>	<u>\$ 19,405,000</u>	<u>\$ 34,631,611</u>	<u>\$ 627,798,105</u>
<u>\$ 258,254,711</u>	<u>\$ 879,884,716</u>	<u>\$ 33,080,000</u>	<u>\$ 66,486,611</u>	<u>\$ 780,318,105</u>
<u>\$ C</u>	<u>\$ 12,340,000</u>	<u>\$ C</u>	<u>\$ 770,000</u>	<u>\$ 11,570,000</u>

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**STATISTICAL SECTION**

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**METROPOLITAN COUNCIL  
GENERAL GOVERNMENT EXPENDITURES  
AND OTHER FINANCING USES BY FUND TYPE  
LAST TEN YEARS ENDED DECEMBER 31, 2003 (1)**

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General fund:				
Planning and administration	\$ 8,227,879	\$ 10,840,249	\$ 9,458,948	\$ 29,022,137
Pass-through grants	8,145,554	9,143,291	7,125,602	6,729,357
Other financing uses	1,000,000	2,000,000	1,299,000	1,299,000
Debt service	4,362	2,650	6,585	45,687
Capital outlay	135,450	431,732	616,195	
Total general fund	<u>17,513,245</u>	<u>22,417,922</u>	<u>18,506,330</u>	<u>37,096,181</u>
Special revenue funds:				
Planning and administration	1,576,128	1,561,673	2,918,736	287,822
Pass-through grants				29,450,040
Transit program grants	46,064,634	43,356,541	40,976,183	38,554,675
Intergovernmental	37,054,429	31,544,464	22,941,650	20,367,358
Other financing uses (3)		5,773,852	5,064,742	4,165,560
Debt service	62,640	20,134	50,041	608,021
Capital outlay		6,008	3,892,643	169,385
Other financing uses	375,649			
Total special revenue funds	<u>85,133,480</u>	<u>82,262,672</u>	<u>75,843,995</u>	<u>93,602,861</u>
Debt service funds:				
Principal	34,245,000	22,940,000	19,290,000	19,095,000
Interest, fiscal and other charges	8,834,094	7,201,123	6,305,505	5,077,135
Other financing uses	57,361	103,763	141,891	208,320
Total debt service funds	<u>43,136,455</u>	<u>30,244,886</u>	<u>25,737,396</u>	<u>24,380,455</u>
 Total expenditures and other financing uses	 <u>\$ 145,783,180</u>	 <u>\$134,925,480</u>	 <u>\$ 120,087,721</u>	 <u>\$ 155,079,497</u>

Unaudited

Notes: (1) Includes general, special revenue, and debt service funds.

(2) Starting 1997 - Property tax revenue and state revenue for the Transit-Bus enterprise fund are receipted directly into the enterprise fund rather than transferred from the special revenue fund.

<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
\$ 34,948,958	\$ 31,445,635	\$ 24,109,531	\$ 19,147,686	\$ 9,264,183	\$ 9,941,560
4,533,924	3,034,557	3,232,053	2,248,000	2,359,855	2,256,033
1,470,000	2,487,753	4,115,115	1,649,891	381,522	89,466
37,302	4,428	76,652	68,598	68,598	68,598
			6,647	360,346	597,251
<u>40,990,184</u>	<u>36,972,373</u>	<u>31,533,351</u>	<u>23,120,822</u>	<u>12,434,504</u>	<u>12,952,908</u>
1,080,087	2,512,475	1,665,303	3,395,849	6,070,757	5,408,807
27,428,108	27,019,949	25,652,432	25,936,474	23,902,212	25,990,388
35,327,713	27,841,558	27,191,447	21,545,831	31,405,763	31,478,761
16,312,497	13,210,720	12,050,990	12,429,755	963,983	2,442,381
376,934	2,316,702	3,885,566	82,383,856	79,132,037	67,413,983
547,947	753,297	211,095	339,747	2,071,749	
275,300	864,519	802,736	1,490,396		204,612
<u>81,348,586</u>	<u>74,519,220</u>	<u>71,459,569</u>	<u>147,521,908</u>	<u>143,546,501</u>	<u>132,938,932</u>
34,100,000	17,430,000	24,070,000	18,240,000	8,790,000	29,365,000
6,414,035	6,808,253	5,777,643	5,794,686	5,573,768	6,098,744
26,592	2,518,152	118,880	117,536	1,228,513	
<u>40,540,627</u>	<u>26,756,405</u>	<u>29,966,523</u>	<u>24,152,222</u>	<u>15,592,281</u>	<u>35,463,744</u>
<u>\$ 162,879,397</u>	<u>\$ 138,247,998</u>	<u>\$ 132,959,443</u>	<u>\$ 194,794,952</u>	<u>\$ 171,573,286</u>	<u>\$ 181,355,584</u>

**METROPOLITAN COUNCIL  
GENERAL GOVERNMENTAL REVENUES AND  
OTHER FINANCING SOURCES BY SOURCE  
LAST TEN YEARS ENDED DECEMBER 31, 2003 (1)**

<u>Year</u>	<u>Taxes</u>			<u>Intergovernmental Revenue</u>		
	<u>General Fund</u>	<u>Special Revenue Funds (2)</u>	<u>Debt Service Funds</u>	<u>Federal</u>	<u>State (2)</u>	<u>Local/Other</u>
1994	\$ 6,099,346	\$ 49,966,006	\$10,734,865	\$ 30,074,583	\$ 59,860,713	\$ 826,700
1995	6,465,548	51,693,012	12,146,863	28,484,851	64,427,502	823,756
1996	6,790,785	64,614,521	17,132,272	26,885,092	70,166,061	753,133
1997	7,352,683	15,357,734	19,017,816	27,304,595	40,990,915	814,148
1998	7,861,508	18,263,116	21,819,860	28,494,474	35,990,318	855,047
1999	8,310,274	19,238,347	22,017,647	28,160,608	45,981,282	1,541,237
2000	8,167,259	20,280,350	22,388,469	29,496,540	43,769,106	1,902,778
2001	8,265,971	21,919,625	23,492,368	11,582,777	51,234,600	943,604
2002	9,821,329	14,455,896	30,996,502	3,248,918	43,363,882	630,916
2003	10,362,820	15,610,997	38,846,193	9,707,247	72,171,001	277,750

Unaudited

Notes: (1) Includes general, special revenue, and debt service funds.

(2) Starting 1997 - Property tax revenue and state revenue for the Transit enterprise fund are received directly into the enterprise fund rather than transferred from the special revenue fund.

(3) From 1996 to 2000 other revenue and financing sources included transfers from proprietary funds to the general fund for administrative programs.



<b>Investment Income</b>			
<b>General &amp; Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Other Revenue and Financing Sources (3)</b>	<b>Total Revenue and Other Financing Sources</b>
\$ 976,713	\$ 1,258,785	\$ 15,540,062	\$ 175,337,773
1,481,955	1,451,814	6,764,005	173,739,306
1,832,658	1,302,134	22,254,056	211,730,712
2,522,037	1,387,410	34,389,661	149,136,999
3,911,881	1,946,665	35,897,665	155,040,534
1,343,380	467,176	32,895,294	159,955,245
7,439,269	1,540,515	28,994,855	163,979,141
4,604,152	1,315,058	8,160,141	131,518,296
3,013,107	885,916	22,331,616	128,748,082
1,606,989	838,894	16,763,167	166,185,058

**METROPOLITAN COUNCIL  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN YEARS ENDED DECEMBER 31, 2003**

<b>Year</b>	<b>Total Tax Levy</b>	<b>Levy Reduction by State</b>	<b>Net Tax Levy Collectible From Property Taxpayers</b>	<b>Current Tax Collections</b>	<b>Percent of Net Levy Collected</b>
1994	\$ 89,992,131	\$ 19,297,542	\$ 70,694,589	\$ 66,778,078	94.46%
1995	95,541,235	21,760,885	73,780,350	69,769,542	94.56
1996	107,029,960	21,913,119	85,116,841	83,697,093	98.33
1997	110,107,504	20,767,001	89,340,503	88,132,842	98.65
1998	119,134,508	20,875,688	98,258,820	97,075,884	98.80
1999	122,843,817	18,885,396	103,958,421	101,236,850	97.38
2000	129,067,332	21,008,200	108,059,132	106,659,590	98.70
2001	137,648,158	21,031,445	116,616,713	114,783,518	98.43
2002	59,586,855	3,909,624	55,677,231	54,993,780	98.77
2003	69,371,638	3,055,684	66,315,954	64,474,547	97.22

Unaudited

<u>Net Delinquent Tax Collections</u>	<u>Total Tax Credits and Collections</u>	<u>Percent of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Total Tax Levy</u>
\$ 22,139	\$ 86,097,759	95.67%	\$ 2,091,180	2.3%
1,031,076	92,561,503	96.88	1,652,340	1.7
83,242	105,693,454	98.75	2,468,443	2.3
604,393	109,504,236	99.45	3,267,671	3.0
797,039	118,748,611	99.68	3,037,741	2.5
682,212	120,804,458	98.34	3,164,243	2.6
702,305	128,370,095	99.46	5,603,448	4.3
437,315	136,540,774	99.20	2,928,315	2.1
621,306	59,524,710	99.90	2,896,053	4.9
463,917	67,994,148	98.01	3,001,013	4.3

**METROPOLITAN COUNCIL  
NET TAX CAPACITY VALUE AND  
MARKET VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS ENDED DECEMBER 31, 2003**

<b>Year</b>	<b>Real Property</b>		<b>Personal Property</b>	
	<b>Market Value</b>	<b>Net Tax Capacity Value</b>	<b>Market Value</b>	<b>Net Tax Capacity Value</b>
1994	\$ 90,859,044,917	\$ 1,765,657,533	\$ 1,627,176,078	\$ 73,919,053
1995	94,980,059,930	1,990,892,102	1,655,838,678	75,308,994
1996	100,629,058,460	2,103,826,901	1,752,042,514	79,676,662
1997	107,297,907,818	2,265,538,534	1,864,685,379	84,523,322
1998	115,331,420,239	2,210,511,364	1,914,552,679	75,500,441
1999	124,696,038,071	2,202,563,181	1,970,769,479	67,922,056
2000	135,670,771,517	2,367,348,000	2,050,153,379	69,790,730
2001	150,978,502,678	2,673,606,527	2,068,362,317	68,554,752
2002	168,702,914,768	2,083,018,124	2,101,262,167	41,724,217
2003	211,748,716,732	2,523,544,320	2,292,856,100	45,135,596

Unaudited

Source: State of Minnesota, Department of Revenue.

<b>Total</b>		
<b>Market Value</b>	<b>Net Tax Capacity Value</b>	<b>Ratio of Net Tax Capacity Value to Market Value</b>
\$ 92,486,220,995	\$ 1,839,576,586	2.0%
96,635,898,608	2,066,201,096	2.1
102,381,100,974	2,183,503,563	2.1
109,162,593,197	2,350,061,856	2.2
117,245,972,918	2,286,011,805	1.9
126,666,807,550	2,270,485,237	1.8
137,720,924,896	2,437,138,730	1.8
153,046,864,995	2,742,161,279	1.8
170,804,176,935	2,124,742,341	1.2
214,041,572,832	2,568,679,916	1.2

**METROPOLITAN COUNCIL  
PROPERTY TAX RATES AND LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN YEARS ENDED DECEMBER 31, 2003**

<u>Year</u>	<u>General Fund</u>	<u>Highway Right-of-Way Fund</u>	<u>Special Revenue and Transit Funds</u>	<u>Debt Service Funds</u>
1994	0.49%	0.00	3.64%	0.77%
1995	0.43	0.00	3.31	0.75
1996	0.41	0.00	3.56	0.93
1997	0.40	0.00	3.08	0.99
1998	0.42	0.00	3.63	1.16
1999	0.42	0.09	3.70	1.15
2000	0.45	0.05	4.05	1.20
2001	0.41	0.05	3.90	1.11
2002	0.50	0.13	0.58	1.58
2003	0.43	0.12	0.52	1.63
1994	\$ 8,924,609		\$ 66,985,014	\$ 14,128,508
1995	8,924,609		68,344,726	15,404,485
1996	9,024,609		77,703,847	20,301,504
1997	9,354,609		72,432,281	23,320,614
1998	9,694,609		82,998,738	26,441,161
1999	9,694,609	\$ 2,142,932	84,664,585	26,341,676
2000	10,174,600	1,142,446	90,884,989	26,865,297
2001	10,274,600	1,142,446	98,222,212	28,008,900
2002	10,674,600	2,822,906	12,418,782	33,670,567
2003	11,130,137	3,142,643	13,259,070	41,839,788

Unaudited

Source: State of Minnesota, Department of Revenue.

<b>School Districts</b>	<b>Counties</b>	<b>Cities and Townships</b>	<b>Other</b>	<b>Total</b>
54.92%	30.83%	21.04%	31.71%	143.40%
54.10	29.18	20.00	30.97	138.74
54.51	28.54	19.73	27.10	134.78
50.68	27.82	23.61	23.38	129.96
51.84	29.22	20.67	28.30	135.24
52.43	30.57	21.96	28.19	138.51
56.37	31.88	23.45	29.70	147.15
53.99	29.90	22.67	28.64	140.67
29.80	37.13	32.59	47.43	149.75
30.66	33.73	28.84	39.36	135.30
\$ 1,010,302,259	\$ 567,145,967	\$ 387,073,659	\$ 583,322,822	\$ 2,637,882,838
1,117,894,248	602,952,480	413,266,591	639,993,962	2,866,781,101
1,190,287,543	623,274,423	430,790,954	591,644,525	2,943,027,405
1,190,865,982	653,839,700	554,507,397	591,644,525	3,095,965,108
1,185,026,602	667,886,367	472,464,357	647,011,892	3,091,523,726
1,198,498,728	698,821,189	501,961,419	644,339,416	3,166,464,554
1,265,205,126	715,555,559	526,236,062	666,698,754	3,302,762,833
1,361,358,283	753,789,778	571,494,572	722,216,635	3,546,507,426
633,170,315	788,995,147	692,392,535	1,007,742,673	3,181,887,525
787,513,235	866,535,935	740,857,393	1,011,119,757	3,475,397,958

**METROPOLITAN COUNCIL**  
**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO NET TAX CAPACITY**  
**VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA**  
**LAST TEN YEARS ENDED DECEMBER 31, 2003**

<u>Year</u>	<u>Population (2)</u>	<u>Net Tax Capacity Value (3)</u>	<u>Gross Bonded Debt (1)</u>
1994	2,415,207	\$ 1,839,576,586	\$ 108,560,000
1995	2,448,967	2,066,201,096	120,840,000
1996	2,482,000	2,183,503,563	122,100,000
1997	2,500,000	2,350,061,856	130,130,000
1998	2,545,000	2,286,011,805	132,875,000
1999	2,578,000	2,270,485,237	113,735,902
2000	2,642,056	2,437,138,730	146,299,306
2001	2,674,927	2,742,161,279	176,315,000
2002	2,708,916	2,124,742,341	221,700,000
2003	2,708,916	2,568,679,916	198,050,000

Unaudited

Notes: (1) Includes only debt funded by property tax.

Sources: (2) 2000 U.S. Department of Commerce, Census Bureau; other years internally generated.

(3) State of Minnesota, Department of Revenue.



<b><u>Debt Service Monies Available</u></b>		<b><u>Net Bonded Debt</u></b>		<b><u>Ratio of Net Bonded Debt to Net Tax Capacity Value</u></b>	<b><u>Net Bonded Debt Per Capita</u></b>
\$	35,663,287	\$	72,896,713	3.96%	\$ 30.18
	37,257,851		83,582,149	4.05	34.13
	34,509,041		87,590,959	4.01	35.29
	36,467,720		93,662,280	3.99	37.46
	42,168,608		90,706,392	3.97	35.64
	27,980,907		85,754,995	3.78	33.26
	32,255,760		114,043,546	4.68	43.16
	35,970,578		140,344,422	5.12	52.47
	55,331,576		166,368,424	7.83	61.42
	64,611,268		133,438,732	5.19	49.26

**METROPOLITAN COUNCIL  
 COMPILATION OF OVERLAPPING DEBT (1)  
 FOR THE YEAR ENDED DECEMBER 31, 2003**

Page (1 of 5)

<b>Jurisdiction</b>	<b>Debt Outstanding</b>
<b>Counties:</b>	
Anoka	\$ 84,195,000
Carver	13,060,000
Dakota	97,415,000
Hennepin	452,850,000
Ramsey	180,192,000
Scott	51,120,000
Washington	67,305,000
Total counties	\$ 946,137,000
<b>School districts:</b>	
SSD #1 Minneapolis	\$ 388,461,000
SSD #6 South St. Paul	22,375,000
ISD #11 Anoka	198,623,637
ISD #12 Centennial	92,545,000
ISD #13 Columbia Heights	30,440,000
ISD #14 Fridley	16,800,000
ISD #15 St. Francis	58,685,000
ISD #16 Spring Lake Park	26,015,000
ISD #108 Norwood-Young America	4,480,000
ISD #110 Waconia	43,167,800
ISD #111 Watertown-Mayer	3,514,490
ISD #112 Chaska	118,880,000
ISD #191 Burnsville	68,415,000
ISD #192 Farmington	120,887,379
ISD #194 Lakeville	169,672,029
ISD #195 Randolph	6,375,000
ISD #196 Rosemount	167,704,626
ISD #197 West St. Paul	25,884,087
ISD #199 Inver Grove Heights	15,700,000
ISD #200 Hastings	42,675,000
ISD #252 Cannon Falls	3,305,000
ISD #270 Hopkins-Golden Valley	84,055,000
ISD #271 Bloomington	135,688,304
ISD #272 Eden Prairie	98,800,000
ISD #273 Edina	28,260,000
ISD #276 Minnetonka	48,535,000
ISD #277 Westonka	22,175,000
ISD #278 Orono	20,520,000
ISD #279 Osseo	228,140,000
ISD #280 Richfield	41,795,000
ISD #281 Robbinsdale	192,835,000
ISD #282 St Anthony-New Brighton	4,065,000
ISD #283 St. Louis Park	49,645,000
ISD #284 Wayzata	98,290,000
ISD #286 Brooklyn Center	31,035,000
ISD #424 Lester Prairie	1,209,877
ISD #621 Mounds View	116,165,000
ISD #622 North St. Paul-Maplewood-Oakdale	101,600,000
ISD #623 Roseville	42,475,000
ISD #624 White Bear Lake	35,385,000
ISD #625 St. Paul	297,840,612
ISD #659 Northfield	56,790,000
ISD #716 Belle Plaine	4,205,000
ISD #717 Jordan	22,960,000

**METROPOLITAN COUNCIL  
 COMPILATION OF OVERLAPPING DEBT (1)  
 FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Jurisdiction</b>	<b>Debt Outstanding</b>
<b>School districts (continued):</b>	
ISD #719 Prior lake	95,990,000
ISD #720 Shakopee	53,925,000
ISD #721 New Prague	19,675,000
ISD #728 Elk River	160,162,052
ISD #831 Forest Lake	46,890,000
ISD #832 Mahtomedi	32,218,114
ISD #833 South Washington	168,025,000
ISD #834 Stillwater	58,985,000
ISD #916 Special Intermediate-Vo Tech	15,965,000
ISD #2144 Chisago Lakes	18,350,000
ISD #2397 LeSueur-Henderson	2,795,000
ISD #2859 Glencoe-Silver Lake	1,150,000
	1,150,000
Total school districts	\$ 4,061,204,007
<b>Cities:</b>	
Afton	\$ 200,000
Andover	36,360,000
Anoka	8,975,000
Apple Valley	44,295,000
Arden Hills	2,715,000
Bayport	1,395,000
Belle Plaine	9,260,000
Bethel	1,550,826
Birchwood	89,000
Blaine	25,430,000
Bloomington	25,120,000
Brooklyn Center	17,380,000
Brooklyn Park	50,558,000
Burnsville	44,908,919
Carver	5,270,010
Centerville	4,990,000
Champlin	20,930,000
Chanhassen	20,540,000
Chaska	115,877,133
Circle Pines	670,000
Cologne	1,311,988
Columbia Heights	4,675,000
Coon Rapids	36,123,179
Corcoran	374,000
Cottage Grove	33,360,000
Crystal	12,637,777
Dayton	5,735,000
Eagan	35,845,000
East Bethel	2,169,000
Eden Prairie	37,109,516
Edina	68,740,000
Elko	1,205,000
Excelsior	540,000
Falcon Heights	2,440,000
Farmington	22,839,419
Forest Lake	13,575,000
Fridley	13,820,000

**METROPOLITAN COUNCIL  
 COMPILATION OF OVERLAPPING DEBT (1)  
 FOR THE YEAR ENDED DECEMBER 31, 2003**

(Page 3 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
<b>Cities (continued):</b>	
Golden Valley	76,120,000
Grant	94,400
Greenfield	5,060,000
Hamburg	532,342
Ham Lake	5,335,000
Hastings	39,450,000
Hopkins	21,763,056
Hugo	8,320,000
Independence	3,605,000
Inver Grove Heights	49,733,424
Jordan	17,801,000
Lake Elmo	1,985,000
Lakeland	370,000
Lake St. Croix Beach	672,730
Lakeville	69,530,000
Landfall	676,181
Lauderdale	3,185,000
Lexington	995,000
Lilydale	3,355,000
Lino Lakes	21,840,000
Little Canada	4,165,000
Long Lake	2,495,000
Loretto	375,000
Mahtomedi	5,170,000
Maple Grove	61,480,000
Maple Plain	116,000
Maplewood	34,487,297
Mayer	6,062,655
Medina	535,000
Mendota Heights	6,965,000
Minneapolis	1,297,833,000
Minnetonka	12,920,000
Minnetonka Beach	1,450,000
Minnetrissa	4,030,000
Mound	10,485,000
Mounds View	6,764,162
New Brighton	34,190,000
New Germany	165,000
New Hope	13,090,000
New Market	1,560,664
New Prague	15,960,008
Newport	8,237,167
North St. Paul	11,460,000
Northfield	59,803,000
Norwood-Young America	8,662,000
Oakdale	18,690,000
Oak Grove	1,402,550
Oak Park Heights	1,860,000
Orono	8,340,000
Osseo	9,985,000
Plymouth	14,595,000
Prior Lake	18,085,000
Ramsey	14,498,000

**METROPOLITAN COUNCIL  
 COMPILATION OF OVERLAPPING DEBT (1)  
 FOR THE YEAR ENDED DECEMBER 31, 2003**

(Page 4 of 5)

<b>Jurisdiction</b>	<b>Debt Outstanding</b>
<b>Cities (continued):</b>	
Richfield	32,616,310
Robbinsdale	11,085,000
Rogers	23,835,000
Rosemount	30,230,000
Roseville	21,650,000
St. Anthony	18,560,000
St. Bonifacius	4,905,000
St. Francis	5,407,000
St. Louis Park	39,600,000
St. Paul	253,160,000
St. Paul Park	4,975,000
Savage	90,525,395
Shakopee	40,720,000
Shoreview	12,555,000
Shorewood	13,720,000
South St. Paul	19,275,000
Spring Lake Park	13,635,557
Spring Park	760,000
Stillwater	29,955,000
Vadnais Heights	6,780,000
Vermillion	890,000
Victoria	15,582,203
Waconia	4,780,000
Watertown	9,858,184
Wayzata	10,760,000
West St. Paul	16,185,000
White Bear Lake	13,370,000
Woodbury	75,413,000
Woodland	744,098
	744,098
Total cities	\$ 3,576,885,150
<b>Townships:</b>	
Burns	\$ 149,000
Castle Rock	11,738
Columbus	178,000
Credit River	34,900
Dahlgren	39,000
Hassan	1,415,000
Laketown	1,064,978
Marshan	34,489
New Market	150,057
New Scandia	2,265,000
Ravenna	213,969
Spring Lake	1,715,100
Stillwater	255,000
Watertown	71,701
White Bear	8,690,000
Total townships	\$ 16,287,932

**METROPOLITAN COUNCIL  
 COMPILATION OF OVERLAPPING DEBT (1)  
 FOR THE YEAR ENDED DECEMBER 31, 2003**

(Page 5 of 5)

<b>Jurisdiction</b>	<b>Debt Outstanding</b>
<b>Miscellaneous:</b>	
Anoka Tax Increment	\$ 1,735,000
Bloomington HRA	7,555,000
Bloomington Port Authority	52,580,000
Carver County HRA	27,012,949
Cedar Lake Sewer Sanitary District	3,666,869
Chanhassen HRA	3,935,000
Circle Pines HRA	1,290,000
Circle Pines Tax Increment	4,810,000
Columbia Heights Tax Increment	1,630,288
Coon Rapids Tax Increment	13,630,000
Dakota County CDA	464,859,100
Hennepin County Regional Park	40,195,000
Hennepin Regional Railroad Authority	48,555,000
Hopkins HRA	13,810,000
Housing Authority of St. Anthony	2,950,000
Housing Authority of St. Paul	208,309,000
Maple Grove HRA	23,205,000
Metropolitan Airports Commission	1,751,651,000
Mound HRA	6,860,000
North Suburban Hospital	5,845,000
Plymouth HRA	4,750,000
Port Authority of St. Paul	83,694,891
Ramsey-Washington Metro Watershed	1,741,888
Scott County HRA	25,855,000
South Washington Watershed	5,610,000
St. Anthony HRA	2,950,000
St. Paul Public Housing Authority	1,750,000
Vadnais Heights Economic Development Authority	970,000
Waconia HRA	5,114,021
Washington County HRA	58,125,000
Total miscellaneous	\$ 2,874,645,006
<b>TOTAL</b>	<b>\$ 11,475,159,095</b>

Unaudited

Notes: (1) Jurisdictions in two counties are included if the assessed property value is greater than 50% (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%. The error resulting from the use of this method is significantly less than 1%.

Source: County Auditors Report of Outstanding Indebtedness of the Governmental Units

**METROPOLITAN COUNCIL  
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
TO TOTAL GENERAL EXPENDITURES  
LAST TEN YEARS ENDED DECEMBER 31, 2003**

<u>Year</u>	<u>Debt Service</u>			<u>Total General Expenditures (1)</u>	<u>Ratio of Debt Service Expenditures to Total General Expenditures</u>
	<u>Principal</u>	<u>Interest, Fiscal and Other Charges</u>	<u>Total Debt Service Expenditures (2)</u>		
1994	\$ 29,365,000	\$ 6,098,744	\$ 35,463,744	\$ 181,355,584	19.55%
1995	8,790,000	5,573,768	14,363,768	171,573,286	8.37
1996	18,240,000	5,794,686	24,034,686	194,794,952	12.34
1997	24,070,000	5,777,643	29,847,643	132,959,443	22.45
1998	17,430,000	6,808,253	24,238,253	138,247,998	17.53
1999	34,100,000	6,414,035	40,514,035	162,879,397	24.87
2000	19,095,000	5,077,135	24,172,135	155,079,497	15.59
2001	19,290,000	6,305,505	25,595,505	120,087,721	21.31
2002	22,940,000	7,201,123	30,141,123	134,925,480	22.34
2003	34,245,000	8,834,094	43,079,094	145,783,180	29.55

Unaudited

- Notes:
- (1) Includes general, special revenue, and debt service funds.
  - (2) Debt service expenditure for 1994 have been restated to report on a basis consistent with the current year.

**METROPOLITAN COUNCIL  
DEMOGRAPHIC STATISTICS  
LAST TEN YEARS ENDED DECEMBER 31, 2003**

<u>Year</u>	<u>Population (3)</u>	<u>Per Capita Income (1)</u>	<u>K - 12 School Enrollment (2)(4)</u>	<u>Unemployment Rate (5)</u>
1994	2,415,207	\$ 25,231	401,756	3.1%
1995	2,448,967	27,315	412,644	2.8
1996	2,482,000	28,739	422,025	3.0
1997	2,500,000	31,065	430,260	2.4
1998	2,545,000	33,308	436,839	1.9
1999	2,578,000	34,671	438,545	2.1
2000	2,642,056	37,152	443,480	2.6
2001	2,674,927	38,131	444,177	3.1
2002	2,708,916	Not available	433,783	4.1
2003	2,708,916	Not available	431,584	4.6

Unaudited

Notes: (1) Income for thirteen-county Minneapolis-St. Paul Standard Metropolitan Statistical Area. U.S. Commerce Department, Bureau of Economic Analysis.

(2) Public schools only (private school enrollment not available).

Sources: (3) 2000 U.S. Department of Commerce, U.S. Census Bureau; other years internally generated.

(4) State of Minnesota, Department of Children, Families & Learning

(5) State of Minnesota, Department of Economic Security. (Seven County Area data.)



**METROPOLITAN COUNCIL  
PRINCIPAL TAXPAYERS  
DECEMBER 31, 2003**

*Largest Metropolitan Taxpayers*

<u>Taxpayer</u>	<u>2003 Net Tax Capacity</u>
Xcel Energy	\$ 27,258,466
MOAC Mall Holdings LLC	16,916,900
Minnesota Mining & Manufacturing Company	12,176,761
NWC Limited Partnership	5,907,700
601 Second Avenue LTD Partnership	5,506,500
First Minneapolis-Hines Co.	5,176,700
RREEF Funds	4,775,500
City Center Associates	4,544,300
Federal Reserve Bank of Minneapolis	3,624,855
Ridgedale Joint Venture	<u>3,460,474</u>
 Total	 <u>\$ 89,348,156</u>

Unaudited

Source: Evensen Dodge, Inc.  
County Tax Certification

**METROPOLITAN COUNCIL  
MISCELLANEOUS STATISTICS  
YEAR ENDED DECEMBER 31, 2003**

**Area:**

Land	2,834 Square Miles
Water	151 Square Miles

**Education (1):**

Number of public schools	677
Number of non-public schools	285

**Recreation and culture:**

Number of regional parks/trails/park reserves/special recreation features	71
Acres of regional parks and trails, open to the public	50,276
Number of public library facilities (2)	102

**Council staff:**

Represented	3,464
Non-represented	157

Unaudited

Sources: (1) State of Minnesota, Department of Education  
(2) Metropolitan Library Service Agency (MELSA)  
All other information internally gathered

**METROPOLITAN COUNCIL  
ENVIRONMENTAL SERVICES  
LARGEST CUSTOMERS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Municipal Wastewater (Volume) Charges (1)</b>			<b>Sewer Availability (Connection) Charges (2)</b>		
<u>Municipalities</u>	<u>Gross Revenue</u>	<u>% of Municipal Wastewater Charges</u>	<u>Municipalities</u>	<u>Gross Revenue</u>	<u>% of Sewer Availability Charges</u>
Minneapolis	\$ 26,659,416	20.07%	Minneapolis	\$ 1,571,513	5.89%
Saint Paul	14,258,920	10.73	Shakopee	1,532,372	5.75
Bloomington	4,630,600	3.49	Lakeville	1,468,368	5.51
Plymouth	3,764,254	2.83	Blaine	1,349,050	5.06
Edina	3,201,926	2.41	Maple Grove	1,276,580	4.79
Minnetonka	3,189,979	2.40	Eden Prairie	1,094,965	4.11
Eagan	3,057,210	2.30	Inver Grove Heights	963,097	3.61
Burnsville	2,998,931	2.26	Plymouth	849,494	3.19
St. Louis Park	2,958,150	2.23	Apple Valley	752,301	2.82
Coon Rapids	2,934,802	2.21	Brooklyn Park	705,927	2.65
Maple Grove	2,696,486	2.03	Prior Lake	701,811	2.63
Brooklyn Park	2,527,330	1.90	Farmington	683,570	2.56
Fridley	2,441,725	1.84	Chaska	682,877	2.56
Eden Prairie	2,244,034	1.69	Eagan	675,923	2.53
Woodbury	2,164,877	1.63	Woodbury	660,157	2.48
Maplewood	2,149,563	1.62	Coon Rapids	653,846	2.45
Lakeville	2,058,199	1.55	Ramsey	622,586	2.33
Roseville	2,057,575	1.55	Forest Lake	619,987	2.32
Blaine	1,761,357	1.33	Hastings	556,034	2.09
Apple Valley	1,754,740	1.32	Rosemount	554,128	2.08
South St. Paul	1,713,270	1.29	Savage	540,245	2.03
Richfield	1,539,174	1.16	Chanhassen	496,460	1.86
Golden Valley	1,506,934	1.13	Oakdale	433,368	1.63
Brooklyn Center	1,408,953	1.06	Cottage Grove	383,724	1.44
Shoreview	1,399,294	1.05	Maplewood	362,340	1.36
Other municipalities	<u>35,760,760</u>	<u>26.92</u>	Other municipalities	<u>6,476,688</u>	<u>24.27</u>
Total	<u><u>\$132,838,459</u></u>	<u><u>100.00%</u></u>	Total	<u><u>\$ 26,667,411</u></u>	<u><u>100.00%</u></u>

Unaudited

Sources: (1) MC Finance Section, 2003 General Ledger

(2) MCES Financial Management & Planning Section, 2003 Billings

**METROPOLITAN COUNCIL  
METRO TRANSIT STATISTICS  
FOR THE TEN YEARS ENDED DECEMBER 31, 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>Ridership data</b>				
Regular rides	60,586,589	62,968,027	66,661,903	66,759,911
Senior rides	1,180,873	913,170	933,730	1,013,070
Youth rides	606,839	971,006	928,380	845,662
Limited mobility rides	2,637,307	2,494,742	2,149,599	1,958,888
Other rides	<u>2,224,168</u>	<u>2,242,430</u>	<u>2,674,247</u>	<u>2,900,178</u>
Total	<u><u>67,235,776</u></u>	<u><u>69,589,375</u></u>	<u><u>73,347,859</u></u>	<u><u>73,477,709</u></u>
<b>Service level statistics</b>				
Total fleet size	982	980	953	974
Peak bus level	774	841	786	776
Gallons of diesel fuel consumed	8,471,981	8,938,222	9,146,086	9,425,137
Total miles operated	30,969,504	32,291,090	32,207,416	32,238,150
Average fleet miles per gallon	4.0	4.0	3.5	3.4
Bus stop count	17,986	18,623	19,878	21,454
Passenger shelter count	822	802	802	785
<b>Route profiles</b>				
Local service	65	70	77	63
Express service	47	51	53	48
Contract service	<u>15</u>	<u>16</u>	<u>18</u>	<u>31</u>
Total	<u><u>127</u></u>	<u><u>137</u></u>	<u><u>148</u></u>	<u><u>142</u></u>
<b>Metro transit employment levels</b>				
Drivers (1)	1,475	1,592	1,738	1,579
Mechanics	457	469	479	476
Administration/clerical	<u>628</u>	<u>676</u>	<u>673</u>	<u>615</u>
Total	<u><u>2,560</u></u>	<u><u>2,737</u></u>	<u><u>2,890</u></u>	<u><u>2,670</u></u>

Unaudited

Notes: (1) Includes both full and part-time driver workforce.

Source: Metro Transit

<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
65,753,289	60,116,983	56,616,000	56,535,000	53,213,000	57,166,000
1,139,392	1,403,547	1,828,000	1,774,000	2,245,000	2,594,000
859,812	976,882	1,046,000	1,591,000	3,809,000	4,057,000
1,836,160	1,687,950	1,083,000	315,000	124,000	121,000
<u>2,285,493</u>	<u>1,842,036</u>	<u>1,472,000</u>	<u>1,673,000</u>	<u>1,668,000</u>	<u>1,529,000</u>
<u>71,874,146</u>	<u>66,027,398</u>	<u>62,045,000</u>	<u>61,888,000</u>	<u>61,059,000</u>	<u>65,467,000</u>
963	1,011	1,000	1,025	1,045	1,029
784	910	866	735	781	837
9,300,013	8,739,757	8,215,000	8,404,000	8,154,000	8,793,000
32,000,000	30,051,415	29,000,000	29,140,000	28,979,000	31,209,000
3.4	3.4	3.5	3.5	3.6	3.5
18,262	20,950	16,460	16,460	16,460	16,933
720	708	708	708	708	712
63	126	55	53	55	55
42	45	45	44	43	47
<u>27</u>	<u>12</u>	<u>14</u>	<u>12</u>	<u>15</u>	<u>17</u>
<u>132</u>	<u>183</u>	<u>114</u>	<u>109</u>	<u>113</u>	<u>119</u>
1,563	1,540	1,506	1,411	1,361	1,514
468	445	426	426	437	462
<u>594</u>	<u>522</u>	<u>443</u>	<u>532</u>	<u>567</u>	<u>635</u>
<u>2,625</u>	<u>2,507</u>	<u>2,375</u>	<u>2,369</u>	<u>2,365</u>	<u>2,611</u>

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