

MINNESOTA VALLEY TRANSIT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
December 31, 2014

Prepared By:
Finance Department

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MINNESOTA VALLEY TRANSIT AUTHORITY
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I. INTRODUCTORY SECTION

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June 22, 2015

Honorable Chair and Members of the Board
Minnesota Valley Transit Authority

We are pleased to respectfully submit the Minnesota Valley Transit Authority (MVTA) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2014 to the Minnesota Valley Transit Authority Board of Commissioners, the citizens of this area and all interested in its financial condition. MVTA is a public agency created by a joint powers agreement between the Cities of Apple Valley, Burnsville, Eagan, Prior Lake, Rosemount, Savage and Shakopee and the Counties of Dakota and Scott for the purposes of providing public transit services to the Cities of Apple Valley, Burnsville, Eagan, Prior Lake, Rosemount, Savage and Shakopee and surrounding areas and made pursuant to the authority conferred upon the Cities by *Minnesota* § 473.388, 473.384 and 471.59. This report is published to fulfill the requirements of Minnesota state law that all general purpose local governments publish annually a complete set of financial statements in conformance with U.S. generally accepted accounting principles (GAAP), and are audited in accordance with U.S. general accepted accounting standards by a firm of licensed certified public accountants.

This report was prepared by the MVTA Finance Department and responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules and statistical tables rests with MVTA. Management believes the data, as presented, is accurate in all material respects; that it is presented in a manner designated to fairly set forth the financial position and results of MVTA as measured by the financial activity of its various funds and that all disclosures necessary to enable the reader to gain an understanding of MVTA's financial position have been included. Management of MVTA has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of MVTA's financial statements in conformance with GAAP. Because the cost of internal controls should not outweigh their benefit, MVTA's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

MVTA's financial statements were audited by Redpath and Company, a firm of licensed and certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of MVTA for the fiscal year ended December 31, 2014 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and any significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on their audit, that there was a reasonable basis for rendering an unmodified opinion that MVTA's financial statements for the fiscal year ended December 31, 2014 are presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the MVTA 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 MVTA’s separately issued Single Audit 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 the MD&A and should be read in conjunction with it. MVTA’s MD&A can be found in the financial section of this report immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The MVTA was formed on January 1, 1991 by a joint powers agreement (JPA) between the Cities of Apple Valley, Burnsville, Eagan, Prior Lake (who later withdrew at the end of 2001) Rosemount and Savage to provide public transit services. From its forming in 1991 until 2012, MVTA was governed by an eight member board (nine members when Prior Lake was a participant) consisting of elected officials or their designee(s) and one member-at-large. Each of the cities appointed one member to the MVTA Board, and one alternate board member (frequently a city staff person who also served on the Technical Work Group). The Apple Valley, Burnsville, and Eagan board members collectively appointed the member-at-large and an alternate. The remaining two seats were filled by a Scott County and a Dakota County Commissioner though the counties were not “Parties” (the cities that entered into the JPA were the only ones classified as “Parties”) to the agreement.

In 2012, changes were made to the Joint Powers Agreement. Dakota County and Scott County became “Parties” to the agreement, the alternate member was eliminated and a separate Bond Board was formed to issue bonds or obligations on behalf of the “Parties”. The MVTA’s Board of Commissioners then consisted of seven (7) voting commissioners. Each “Party” appoints one commissioner, one alternate commissioner and a staff member who serves on the Technical Work Group. The terms of each Board member are determined by the jurisdiction making the appointment.

This last year, the Cities of Prior Lake and Shakopee approached MVTA to merge their transit services with that operated by MVTA. After much study and discussions, on September 9, 2014, the Cities of Prior Lake and Shakopee joined the Minnesota Valley Transit Authority. Also, at that time, a Consolidation Agreement became effective. This agreement outlines the terms and conditions of the merger. There are now nine “Parties” to the Joint Powers Agreement: the seven cities and two counties previously mentioned.

Each year, the Board of Directors elects a Chair, Vice Chair, and Secretary/Treasurer in order to conduct its business and affairs. It is the responsibility of the Secretary/Treasurer to provide guidance and direction about the financial records of the Authority to the Executive Director who is the official custodian of these records. The Secretary/Treasurer also serves as the Chair of the Management Committee which replaced the Finance Committee.

The Executive Director is appointed by the Authority to administer and supervise the day to day activities of MVTA including, but not limited to, administration of the transit system, contracts for transportation services, marketing and promotion of such services, maintenance of transit vehicles, facilities and equipment, as well as recommendations for changes and additions to the transportation services provided.

The MVTA's mission is to provide mobility through an efficient, integrated network of equipment, facilities and service. To achieve its mission, MVTA has established three principle strategies:

- Delivery mobility
- Manage MVTA's resources
- Govern with an emphasis on transit services that build vibrant communities

These strategies and mission are combined into one over-arching vision for MVTA. This is to be a trusted partner in transportation, servicing as an innovative leader in moving people to destinations.

In keeping with its vision and mission, MVTA provides fixed route transit services within the seven communities and connects people within these communities to other metropolitan destinations, including downtown Minneapolis and St. Paul, the University of Minnesota, the Mall of America, the Minnesota Zoo and the Blue Line (light rail), as well as providing reverse commute services to businesses within MVTA's service area. MVTA also operates the Metro Red Line under contract to the Metropolitan Council. MVTA services are provided by a fleet of 128 vehicles. Operations and maintenance services are provided by one private contractor working out of two bus garages.

The MVTA Bond Board, a legally separate financing authority, was established in 2012 to issue bonds or obligations on behalf of the "Parties" and may use the proceeds to carry out the powers and duties of the MVTA. The MVTA Bond Board, since it provides financing for the MVTA, has been included as an integral part of the MVTA's financial statements. Additional information on the MVTA Bond Board can be found in Note 1.A. in the notes to the financial statements.

The annual operating budget serves as the basis for MVTA's financial planning and control. In early summer, the Management Committee meets to approve assumptions regarding revenues, expenses and services to be used in budget preparation. Departments then submit their line item detailed budget requests to the Finance Officer in late summer. The requests are compiled, reviewed and revised by the Finance Officer and Executive Director and presented to the Management Committee in August for its review and direction. In September, the Finance Officer presents the proposed preliminary budget to the Management Committee and then the Board for its approval. In the October – November timeframe, the budget assumptions are reviewed and adjustments are made before the final budget for the next fiscal year is adopted in December. The Capital Improvement Plan (CIP) which covers a 5 year period follows the same timeframe as the operating budget with budget preparation occurring in the summer, preliminary approval of the CIP in September and final adoption of the CIP taking place in December.

For the operating budget, actual amounts exceeding the line item budget are allowed if there is a corresponding revenue increase or if the total expenses for the department are within the department budgeted amount. Management cannot overspend the budget without approval of

the governing body at the General Fund level. For the CIP or Capital Fund, management must obtain approval to exceed the project budget. If significant changes occur after the budget is adopted, budget adjustments are proposed by MVTA staff and adopted by the Board.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The MVTA service area is located in the southern Twin Cities, straddling both Dakota and Scott Counties and includes the cities of Apple Valley, Burnsville, Eagan, Prior Lake, Rosemount, Savage and Shakopee. The Cities, as part of the Twin Cities economy, have been emerging from the recession at a more robust pace than other Midwestern cities. The unemployment rate continues to decline from a high of 7.1% in 2009 to its present level of 3.7%. It is considerably lower than the national average of 6.2% in 2014. In addition, the metropolitan area has a healthy and highly educated workforce that continues to attract employers. This activity reflects a strengthening economy with many of the cities doing the same as or better than the national average.

Annual ridership grew 3.9% in 2014, providing over 2.8 million rides. As economic recovery continues in the Twin Cities metropolitan area, ridership on MVTA service is expected to continue to grow. Planned service expansions in the Cities of Prior Lake, Rosemount, and Shakopee including further service to downtown St. Paul, along with the opening in August 2014 of the Twin Cities Premium Outlets along the Red Line in the City of Eagan will continue to attract riders.

Minnesota's first Bus Rapid Transit (BRT) line, the METRO Red Line, which opened on June 22, 2013 along the Cedar Avenue Transitway, completed its first full year of operation. The line runs from Apple Valley, through Eagan, to the Mall of America in Bloomington, and then reverses direction. Weekdays trips are every 15 minutes until evening and then run every 30 minutes. On weekends, there is a trip every 30 minutes. The start-up of the BRT line has already lead to transit-oriented development, both residential and retail, near the transit stations and stops including the Twin Cities Premium Outlets and multi-housing development.

Operating Funds

In the fall of 2006, a constitutional amendment passed dedicating all Motor Vehicle Sales Tax (MVST) revenue to transportation, with 40% percent dedicated to transit. This was an increase from 21.5% of MVST revenue dedicated to transit. The enabling legislation, passed in the following legislative session, required that 36% of the MVST revenue be assigned to the Twin Cities metropolitan area with the remaining 4% used for Greater Minnesota transit programs. The legislation also stated that the Opt-out providers were guaranteed the same percentage they were receiving prior to the constitutional amendment or our portion of the 21.5%. This guarantee is known as "Base" MVST. The incremental increase in MVST revenue was phased-in over a five year period and is known as regionally "Allocated" MVST. The law did not outline how the Allocated MVST funds should be distributed by the Met Council within the metropolitan area. However, the Met Council created a procedure that distributes these additional MVST funds based on regional priorities. MVTA has been receiving a portion of this Allocated MVST revenue.

Since 2009, the MVTA has maintained service levels, but has also been required by the Metropolitan Council to draw down its fund balance to their thresholds. MVST revenues started their rebound in 2010 which continued on through 2011. However, 2011 brought with it a significant state budget deficit for the biennium, an unprecedented state government shut-down and changes in legislation impacting MVST funds. The legislation reduced the “Base” MVST funding amounts to the Suburban Transit Providers of which MVTA is one and required most providers to spend down their fund balance to supplement their revenues. Although MVTA’s “Base” MVST funding was reduced, MVTA received additional “Allocated” MVST funding from the Metropolitan Council in order to maintain our fund balance at 25% of expenditures based on their “Regional Transit Operating Revenue Allocation Procedure”. When the legislation that reduced the “Base” MVST expired on June 30, 2013, MVTA went back to receiving its statutorily authorized share of MVST.

Our ridership grew 15.7% in five years – 2,431,012 in 2009 to 2,812,265 by the end of 2014. Approximately 2/3 of this increase was due to the start-up of Red Line in 2013. MVTA continues to supplement our service offerings to attract new passengers.

MVTA will continue to pursue its share of Allocated MVST while continuing to operate and maintain transit services that meet the needs of our communities. 2015 will be a challenging year as the Prior Lake/Shakopee service is integrated with MVTA’s current offerings and MVTA looks to the future with upcoming service expansions including a demonstration project along Highway 169 that aims at carrying passengers from suburb to suburb instead of just into the downtown areas.

Capital Funds

Historically, capital expenditures for facilities, such as park & ride lots, transit stations and bus garage facilities as well as bus purchases have been funded by state, local and federal grants. The majority of the capital funds are awarded on the basis of competitive proposals submitted by regional providers. MVTA has developed and maintains a long range Capital Improvement Plan (CIP) to plan for future needs and services and to support application for the capital funds.

Significant project activity in 2014 included the following:

- Completed construction of the Eagan Bus Garage Expansion with the opening occurring in May 2014.
- Began design and construction of the Apple Valley Layover facility.
- Continued deployment of new on-board bus technologies including Automated Vehicle Locator system (AVL), Automated Passenger Counters (APC), Automated Visual and Voice Annunciator System (AVVAS) and Transit Signal Priority system (TSP).
- Purchased and installed bus components that brought the Prior Lake and Shakopee fleet to the same standards that MVTA has.

LONG TERM FINANCIAL PLANNING

MVTA has implemented various financial/budget policies to guide the Board and staff when making financial decisions and to ensure the long-term stability of MVTA finances and operations. These policies include the following:

- Strive to maintain the unreserved fund balance in the General Fund at four months of next year’s operating expenditures.
- A reserve/contingency line item in the operating budget equal to two percent of the budget.

- Restrict fund balance as needed to meet legal mandates.

MVTA has also adopted the following Capital Policies:

- The development of the Capital Improvement Plan (CIP) and budget will be coordinated with the operating budget to ensure that all operating costs associated with new capital projects are included in the proper operating budget.
- The impact on the operating budget from any new programs or activities should be offset by additional funding from current or newly created resources whenever possible.
- The MVTA will implement a five-year CIP in coordination with the Metropolitan Council and their Regional Capital Plan. Each year, this CIP will be submitted to the Metropolitan Council for potential inclusion in their plan.

One of MVTA's major initiatives was to finance the expansion of its Eagan Bus Garage having an estimated cost of \$10 million. MVTA worked with its Management Committee and financial advisor to develop a plan describing the sources of funding available and the various portions of the project each will finance. Regional Transit Capital, Counties Transit Improvement Board (CTIB) and Dakota County Regional Railroad Authority monies provided \$4.55 million of funding. The remainder of the project has been financed through a gross revenue bond sold by the MVTA Bond Board and backed by Minnesota Valley Transit Authority's gross revenues.

MAJOR INITIATIVES

Implementation of the first phase of the Cedar Avenue Transitway is complete and the next phase is underway. Dakota County Regional Railroad Authority, the lead agency, working in conjunction with MVTA and the Metropolitan Council, began the second phase by updating the 2010 Cedar Avenue Transitway Implementation Plan Update (IPU), amended in August 2011. The initial plan provided a general schedule for improvements based on the expected expansion of area development and service demand in the corridor. Changes have occurred affecting transit funding and operations and new data on population and land use is now available. This new data and constraints will be used to reassess the timing and extent of future service and facility expansion as shown in the current IPU. The draft IPU is scheduled for release and comment at the end of July 2015 with final adoption forecast for 2015 year-end.

MVTA will, in the next few years, be expanding service from both the southwest and southeast portions of our service area to downtown Minneapolis and from the Apple Valley/Eagan area to downtown St. Paul. To accommodate the vehicles needed for the growth in service, MVTA has completed the construction of a 29,000 square foot expansion of our Eagan Bus Garage. Storage spaces to house 40 more vehicles and 3 additional maintenance bays were added. The garage is now be able to store 100 buses and has 11 maintenance bays.

Upon the initiative of the Cities of Prior Lake and Shakopee, discussions were begun and completed to merge the Blue Express transit service provided by these cities with MVTA's operations. On September 9, 2014, the Cities became official members of the MVTA with transfer of operations scheduled on January 1, 2015. The Blue Express operates 5 weekday routes with an average daily ridership of 750 while MVTA operates 25 routes on weekdays and weekends with an average daily ridership of 10,000. Blue Express' annual operating expenditures are \$2 million versus MVTA's operating expenditures of \$20.6 million.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MVTA for its comprehensive annual financial report for the fiscal year ended December 31, 2013. This was the fourth year that the government submitted and was granted this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial 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.

In 2014, the American Public Transportation Association (APTA) announced the winners of its Safety and Security Awards program. In the category "Fewer than 4 million passenger trips annually" MVTA was selected to receive a Certificate of Merit for creating "a travel-training program that goes beyond the classroom to conduct excursions and safety training for older adults a group that is projected to represent 20 percent of the local population in the next 10 years." The MVTA safety program focused on helping Apple Valley seniors feel comfortable riding transit following the opening of the METRO Red Line.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the dedicated services of the finance staff. We would like to express our appreciation to all members of the staff who assisted and contributed to the preparation of this report. In addition, we need to give credit to the Management Committee members and MVTA's Board for their dedication and commitment to maintaining the financial integrity of the organization and guiding decision-making that protects MVTA's financial position.

Respectfully submitted,



Beverley Miller
Executive Director



Lois Spear
Finance Officer

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Minnesota Valley
Transit Authority**

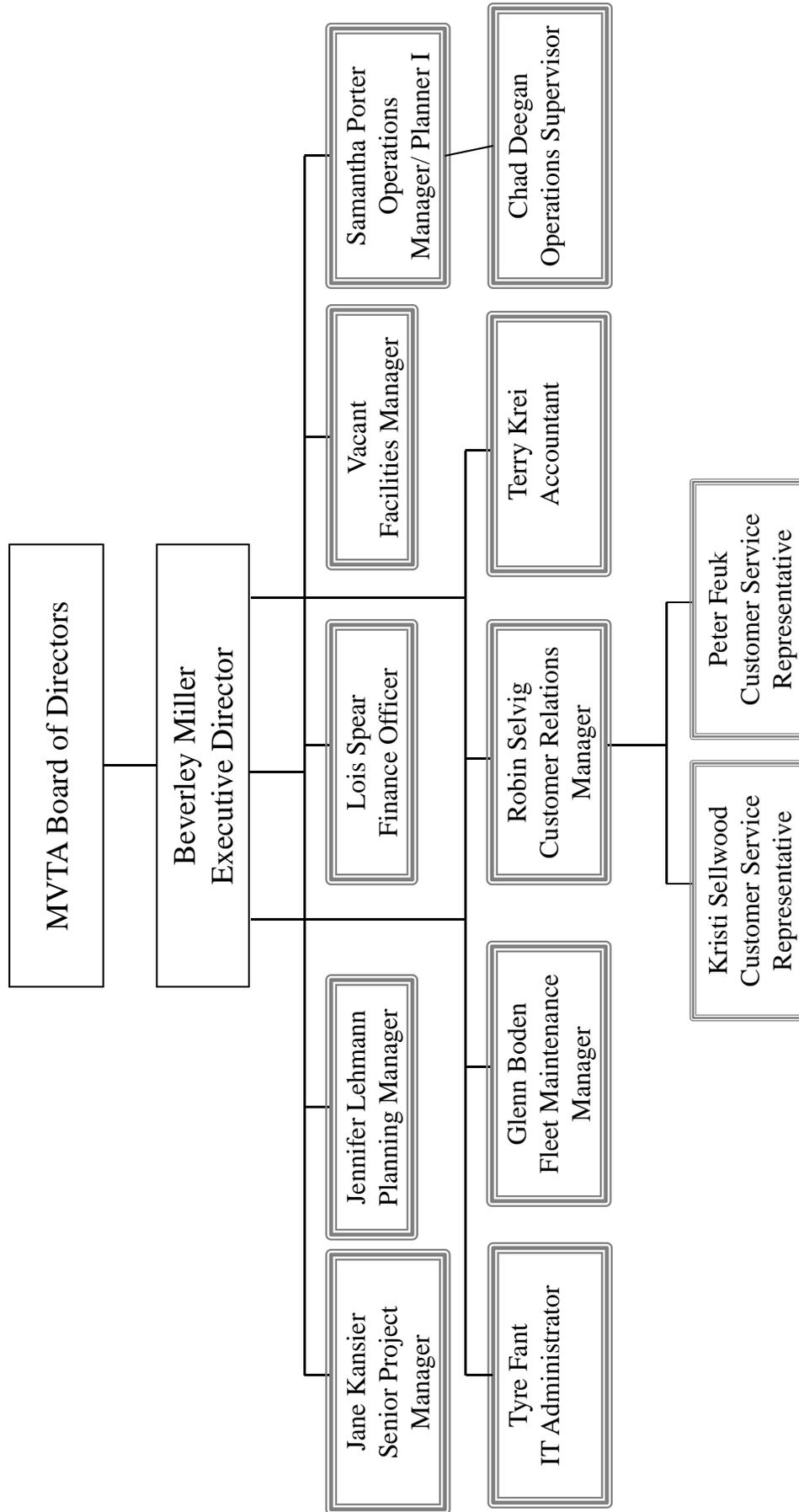
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

MINNESOTA VALLEY TRANSIT AUTHORITY ORGANIZATION CHART

December 31, 2014



MINNESOTA VALLEY TRANSIT AUTHORITY

ELECTED AND APPOINTED OFFICIALS

December 31, 2014

<u>Elected Officials</u>	<u>Position</u>	<u>Community/County Represented</u>	<u>Term Expires</u>
Clint Hooppaw	Chairperson	Apple Valley	*
Jon Ulrich	Vice Chairperson	Scott County	*
Jane Victorey	Secretary/ Treasurer	Savage	*
Gary Hansen	Board Member	Eagan	*
Liz Workman	Board Member	Dakota County	*
William Droste	Board Member	Rosemount	*
Bill Coughlin	Board Member	Burnsville	*
Michael McGuire	Board Member	Prior Lake	*
Michael Luce	Board Member	Shakopee	*

Administration

Beverley Miller, Executive Director

Lois Spear, Finance Officer

*The City and County Board Members serve at the pleasure of their respective jurisdictions. The bylaws state "the terms of the Office of Commissioners shall be determined by the party or the county making the appointment".

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II. FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Minnesota Valley Transit Authority
Burnsville, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Minnesota Valley Transit Authority as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Minnesota Valley Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Minnesota Valley Transit Authority, as of December 31, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Minnesota Valley Transit Authority's 2013 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated June 18, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 - 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Minnesota Valley Transit Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2015, on our consideration of Minnesota Valley Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Valley Transit Authority's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 22, 2015

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**MINNESOTA VALLEY TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2014

As management of the Authority, we offer readers of the Minnesota Valley Transit Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2014. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

- The assets of the Minnesota Valley Transit Authority (MVTA) exceeded its liabilities at the close of fiscal year 2014 by \$54,387,406 (net position). Of this amount, \$8,313,767 (unrestricted net position) may be used to meet the government's ongoing obligations to customers and creditors.
- The Authority's net position increased by \$3,244,534.
- As of the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$9,075,026, an increase of \$2,550,995 in comparison with the prior year. The unassigned fund balance at the end of 2014 was \$8,200,357.
- At the end of the current fiscal year, unrestricted (committed, assigned and unassigned) fund balance for the general fund was \$8,282,256 or 36.9% of total general fund expenditures at 2014 levels.
- In 2014, Minnesota Valley Transit Authority's outstanding debt decreased by \$280,000 from \$5,900,000 to \$5,620,000.
- MVTA received \$15,996,531 in Motor Vehicle Sales Tax revenue in 2014. This consisted of \$10,707,531 of MVST revenue passed through the Metropolitan Council according to MN Statutes and an additional \$5,289,000 of MVST funding allocated by Metropolitan Council to MVTA.
- Effective September 9, 2014, the Cities of Prior Lake and Shakopee agreed to become members of the Minnesota Valley Transit Authority; thereby consolidating their respective transit services and facilities. The Consolidation Agreement, signed by all parties, states that everyone will "diligently proceed towards the achievement of full consolidation of what were separate MVTA and Prior Lake/Shakopee Opt-Out transit services into a fully consolidated system operated by the MVTA...". The merger of the services is to occur on January 1, 2015. The service adds about \$2.4 million and 15 buses to MVTA's budget.

- The Red Line, which began operating in June 2013 and provides bus rapid transit service at 15 minute intervals between the Apple Valley Transit Station and Mall of America, had a ridership increase of 21.7 percent from July 2014 to December 2014 compared to the same timeframe in 2013.
- Funding of \$2,174,988 was received from the Federal Government, Counties Transit Improvement Board and the Metropolitan Council for operating the above referenced service.
- Two popular routes to Downtown Minneapolis and the University of Minnesota were expanded using federal and Met Council funds of \$610,136.
- Design for a new layover facility located in the City of Apple Valley was completed and construction started on the facility in November. The funding for the facility is \$1,761,665 composed of federal, state and local funds.
- The expansion of the Eagan Bus Garage opened in May 2014. It cost approximately \$10.1 million to complete and was funded by numerous sources including the 2013 issuance of revenue bonds, grants from the Counties Transit Improvement Board, Dakota County Regional Railroad Authority and MVTA's own funds. The garage now houses 100 vehicles; a storage increase of 40 vehicles, and 3 additional maintenance bays bringing the total to 11 bays.

Overview of the Financial Statements – This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Minnesota Valley Transit Authority's basic financial statements is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statements include only the Authority itself. The Authority has no discretely presented component units.

The government-wide financial statements can be found on pages 34-35 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 Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are governmental funds.

Governmental 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 Authority maintained three individual governmental funds during 2014 – the General Fund, the Capital Projects Fund and the Debt Service Fund.

The Authority adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 36-39 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 41-56 of this report.

Government-wide Financial Analysis – As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Authority, assets exceeded liabilities by \$54,387,406 at the close of fiscal year 2014.

The largest portion of the Authority’s net position (83.4%) reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide transit services to the citizens within our service area. Consequently, these assets are not available for future spending. Although the MVTA’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the MVTA’s net position (1.3%) represents resources that are subject to external restrictions on how they may be used.

**Minnesota Valley Transit Authority’s Net Position
Governmental Activities**

	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 14,909,058	\$ 11,653,776
Capital Assets, net of depreciation	<u>51,106,949</u>	<u>50,168,654</u>
Total Assets	\$ 66,016,007	\$ 61,822,430
Long-term Liabilities Outstanding	\$ 5,411,548	\$ 5,748,898
Other Liabilities	<u>6,217,053</u>	<u>5,458,130</u>
Total Liabilities	\$ 11,628,601	\$ 11,207,028
Net Position:		
Net Investment in Capital Assets	\$ 45,382,680	\$ 45,045,599
Restricted for Debt Service	690,959	690,917
Unrestricted	<u>8,313,767</u>	<u>4,878,886</u>
Total Net Position	\$ 54,387,406	\$ 50,615,402

The remaining portion of the Authority’s net position is unrestricted (15.3%). This is the amount available to meet the Authority’s ongoing obligations to its riders and creditors.

Governmental Activities – Governmental activities increased the Authority’s net position by \$3,244,534. Revenues in 2014 were \$28,999,451 or an increase of \$2,515,900 from 2013. Expenses decreased by \$323,505 to bring the total 2014 expenses to \$25,754,917. The net result is an increase in net position of \$3,244,534. The key elements of this increase are as follows:

**Minnesota Valley Transit Authority's Activities
Government-wide**

	<u>2014</u>	<u>2013</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 5,370,044	\$ 5,232,852
Operating Grants and Contributions	4,043,023	2,431,037
Capital Grants and Contributions	3,557,949	4,394,557
General Revenues:		
Motor Vehicle Sales Tax	\$ 15,996,531	\$ 14,362,363
Revenues not Restricted to Specific Programs	31,393	61,970
Unrestricted Investment Earnings	<u>511</u>	<u>772</u>
Total Revenues	\$28,999,451	\$ 26,483,551

	<u>2014</u>	<u>2013</u>
Expenses:		
Transit Operations	\$ 19,545,729	\$ 20,455,244
Facilities Management	4,113,903	3,761,195
Administration	1,894,436	1,780,013
Interest on Long-Term Debt	<u>200,849</u>	<u>81,970</u>
Total Expenses	\$ 25,754,917	\$ 26,078,422
Change in Net Position	3,244,534	405,129
Net Position – January 1, as previously stated	50,615,402	50,210,273
Prior period adjustment	<u>527,470</u>	<u>0</u>
Net Position – January 1, as restated	<u>51,142,872</u>	<u>50,210,273</u>
Net Position – December 31	\$ 54,387,406	\$ 50,615,401

Revenue changes

- Charges for Services increased \$137,192 in 2014. Ridership increased 3.9% in 2014 mainly due to a full year of Red Line service. This increase in ridership translated directly into an increase in passenger revenue.
- Operating Grants and Contributions increased \$1,611,986. MVTA receives grant funding to operate the Red Line service. This service operated a full year in 2014 compared to one-half year in 2013 which accounts for 63% of the increase. MVTA also receives funding for certain aspects of their Cedar Avenue Express service. Funding for this increased \$89,448 or 5.5%. Another 30.2% of the increase is due to the receipt of grant funds to pay for 2014's debt service. The state, in 2014, appropriated funds to pay for free rides on election day. MVTA's share of that appropriation was \$21,663 and makes up the remainder of the increase.
- Capital Grants and Contributions decreased \$836,608. Grant revenue for the procurement of new buses decreased in 2014 from the prior year by \$2.6 million. This was offset by revenue for the following new projects:

- Federal and state grants for the design and construction of the Apple Valley Layover (\$1.2 million), and
- Money from the Cities of Prior Lake and Shakopee to procure bus components that are compatible with MVTA’s current bus standards (\$.4 million).
- In addition, MVTA received approximately \$.2 million more than last year for the standard facility improvement projects.
- MVTA received \$1,634,168 more in Motor Vehicle Sales Tax (MVST) revenue in 2014 compared to 2013 due to the Metropolitan Council increasing the amount of “Allocated” MVST funding distributed to MVTA by \$379,800 and receiving \$1,254,368 more in statutorily distributed MVST from increased car sales.
- Revenues not Restricted to Specific Programs decreased \$30,577 primarily due to a biodiesel fuel credit received only in 2013.
- Investment earnings remained steady.

Expense Changes

- Transit Operating costs, which comprised approximately 75.9% of the expenses, decreased by \$909,515; 4.4% under last year. Costs for the full year of Red Line service resulted in additional spending of about \$1.3 million which was offset by decreases in spending on new buses and bus components of \$2.2 million. Note: Buses are transferred to the Metropolitan Council after they are procured and then leased back from them at no cost.
- Facilities Management expenses increased in 2014 by \$352,708. The expanded Eagan Bus Garage became operational in May 2014 and resulted in additional costs of \$88,636. Also, 140th and 147th Street Station Stops were operational for one full year in 2014 compared in 3 months in 2013 causing an addition \$28,762 to be incurred. Spending on facility improvements likewise increased by about \$150,000.
- MVTA’s 2014 Administrative expenses grew by \$114,423 when compared to 2013. Full-time equivalents increased by 1.2 people. That along with normal salaries and benefits increases grew that expense category by \$152,848. Decreases in other administrative expenses including computer license fees and insurance offset the salary and benefit increase.
- MVTA’s interest on long-term debt increased by \$118,879 over 2013.

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

Governmental Funds – The focus of the Authority’s *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Authority’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.

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$9,075,026, an increase of \$2,550,995 in comparison with the prior year. 91.3% of the ending fund balance, or \$8,282,256, constitutes *unrestricted fund balance (committed, assigned and unassigned)*, which is available for spending at the Authority's discretion. The remainder of the fund balance is *nonspendable* (\$101,811) to indicate that it is not available for new spending because it has already been committed to pay for fuel inventory and prepaid expenditures in the general fund, and *restricted* (\$690,959) to pay for debt service.

The increase in the combined fund balance of \$2,550,995 results from the following:

- Revenues were \$2,488,795 over expenditures in the General Fund. This was increased by transfers from the Capital Project Fund of \$62,158 resulting in a net increase in the fund balance of the General Fund of \$2,550,953.
- Revenues were under expenditures by \$465,312. Another \$62,158 was transferred to the General Fund from the Capital Fund. This totals a decrease in the fund balance of \$527,470. There is a prior period adjustment which restates the January 1, 2014 fund balance to \$527,470 bringing the fund balance on December 31, 2014 to \$0.
- Revenues were over expenditures in the Debt Service Fund by \$42.

The combination of the above transactions resulted in an increase in the combined fund balance of \$2,550,995.

Revenue Changes from Budget

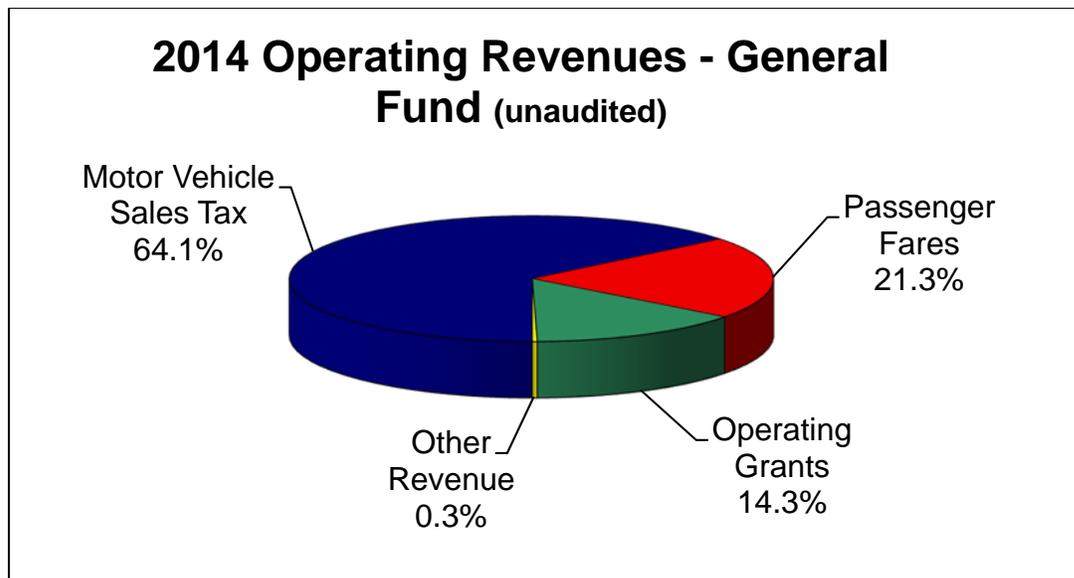
- 2014 General Fund Revenue was \$513,828 more than the 2014 Final Budget. The main reasons for the over-run is that intergovernmental revenue was \$879,570 over budget and passenger fare revenue was \$382,574 lower than budgeted. The under-run in passenger fares was because ridership was lower than budgeted thereby reducing revenues. The increase in intergovernmental revenue was due to the Motor Vehicle Sales Tax coming in higher than budgeted.

Expenditure Changes from Budget

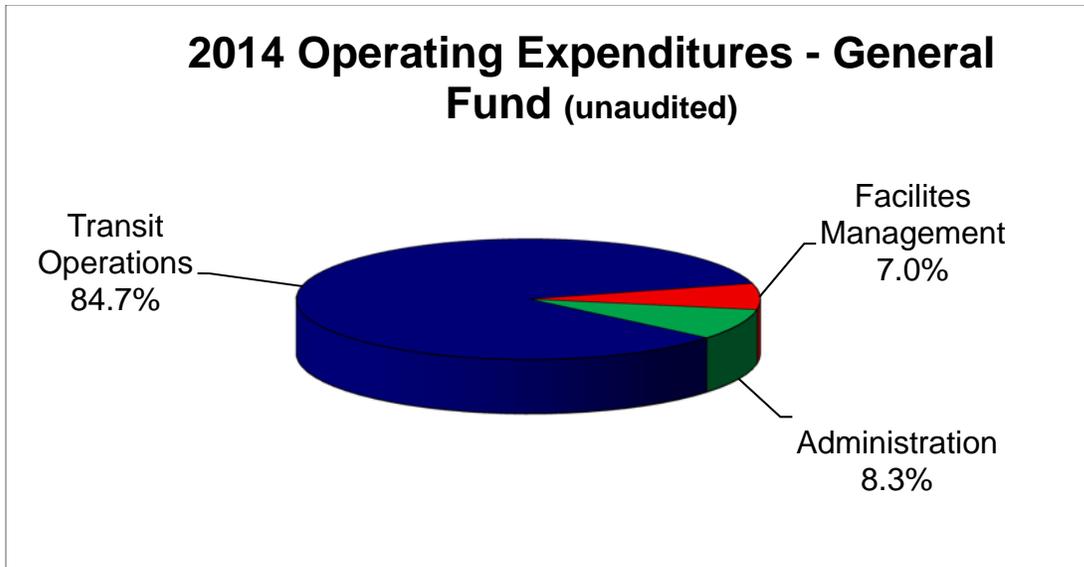
- Actual expenditures in the General Fund were \$1,876,604 less than the Original and Final Budget. The reasons for the Final Budget deviations are detailed below:
 - Transit Operations costs were under the Final Budget by 4.6% or \$926,150 mainly due to delay in the start-up of Rosemount service and streamlining local and express service (\$506,222), the price of fuel was less than budgeted (\$331,528) and bus maintenance costs were also less than budgeted (\$75,260).
 - Facilities Management costs were \$155,805 over the Final Budget. The budget deviations were as follows:
 - Contracted Services were \$119,249 over budget mostly in maintenance services (\$95,078) and snowplowing (\$29,898). Facilities maintenance and repair cost increases were due to unanticipated repairs at aging facilities while the overrun in snowplowing was due to another harsh winter.

- Engineering Services were over budget by \$21,761 because the unanticipated facilities repairs needed the services of engineers for repair recommendations and design.
- Lastly, signage expenses were \$19,160 over budget due to a higher than expected amount of signage that needed to be replaced.
- Administrative expenses were under budget by \$514,890 because of hiring delays (\$61,065) and because the budgeted contingency of \$477,233 was not needed.
- Capital Outlay of \$120,000 was budgeted but only \$14,831 was needed this year.
- Principal and interest payments of \$486,200 were budgeted in the Operating Fund. However, the expenses occurred in the Debt Service Fund that was created last year.

This year, there were four categories of revenue: motor vehicle sales tax, passenger fares, operating grants, and other revenue. Motor vehicle sales taxes accounted for 64.1% of the revenue and passenger fares made up another 21.3%. These two revenue groupings accounted for 85.4% of MVTA’s revenue. Operating grants made up 14.3% of the revenue with the remainder coming from other revenues (chart follows).



The general fund expenditures were \$22,461,776 for the year. The majority of the costs were from providing transit services to the area’s citizens. These accounted for 84.7% of the expenditures or \$19,031,207. Administrative functions cost the agency \$1,858,971 or 8.3% of the expenses. Facilities operation and maintenance activities accounted for the remaining 7.0%. The following chart depicts this information.



GENERAL FUND BUDGETARY HIGHLIGHTS

There were no budget amendments in 2014. General Fund revenues were \$513,828 over budget and General Fund expenditures were \$1,876,604 under budget creating a \$2,390,432 favorable variance to the 2014 Budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The Minnesota Valley Transit Authority’s investment in capital assets as of December 31, 2014 amounts to \$51,106,949 (net of accumulated depreciation). This investment in capital assets includes land, land improvements including parking decks and fencing, buildings and improvements, equipment and transit vehicles. The increase in Minnesota Valley Transit Authority’s investment in capital assets for the current fiscal year was 1.9%.

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

- Completed Eagan Bus Garage expansion and began expanded operations in May 2014,
- Began construction on the Apple Valley Layover Project (original contract amount \$1.4 million),
- Continue work on the development and deployment of on-board bus technology (\$.2 million),
- Various building and system improvements were started (\$.2 million).

**Minnesota Valley Transit Authority's Capital Assets
(Net of Depreciation)**

	2014	2013	Incr./(Decr.)
Land	\$10,133,082	\$ 9,888,926	\$ 244,156
Land Improvements	16,012,034	16,055,146	(43,112)
Buildings and Improvements	20,609,893	14,392,472	6,217,421
Furniture and Equipment	2,742,874	1,166,683	1,576,191
Transit Vehicles	173,833	88,023	85,810
Construction in Progress	<u>1,435,233</u>	<u>8,577,405</u>	<u>(7,142,172)</u>
Total	\$ 51,106,949	\$ 50,168,654	\$ 938,295

Additional information on the Authority's capital assets can be found in Note 3 on page 49 of this report.

Long-term Debt – The Minnesota Valley Transit Authority, for the first time last year, issued gross revenue bonds. \$5,900,000 of bonds were issued to pay for the expansion of the Eagan Bus Garage. The bond contained an average coupon of 3.98% and was sold at a premium of \$79,131. During the year, principal of \$280,000 was paid leaving MVTA with bonds outstanding of \$5,620,000 at year-end. MVTA's gross revenues, consisting primarily of motor vehicle sales taxes, passenger fares and pass-thru federal funds, were pledged to pay for the debt service. The bonds were rated A3 by Moody's Investors Service.

Additional information on the Authority's long-term debt can be found in note 4 on page 50 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

MVTA's 2015 General Fund revenues are currently budgeted at \$27,276,999 or \$2,326,428 more than last year's actual revenues and \$2,840,256 more than the 2014 budget. The revenue increase is primarily due to the merger of the Prior Lake and Shakopee into the MVTA system and accounts for 88.6% of the budgeted revenue increase.

Revenue is increasing in three major categories: Motor Vehicle Sales Tax (MVST) revenue, Passenger Fare revenue, and Operating Grant revenue. The majority of the increase (40.8%) is in revenue from passenger fares with another 40.1% of the increase coming from operating grants. 19.8% of the revenue growth is due to MVST increasing. Miscellaneous revenue is budgeted to decline by \$15,076 from 2014 results.

Passenger fare revenue is increasing by \$510,000 due to the additional of Prior Lake and Shakopee to MVTA's service area and the expansion of service for the Rosemount and Prior Lake areas, the increase in service to the downtown St. Paul and increased ridership on the Red Line (\$438,405).

Operating grant revenue is increasing by \$933,036 of which the federal government will be providing funding of \$406,136 to support the expansion of Rosemount, Prior Lake and St. Paul service. An additional increase of \$526,900 in operating grant revenue is a pass-through of money that will be used to pay for debt service on the Eagan Bus Garage expansion.

MVTA is budgeting an additional \$1,718,118 of MVST revenue from the merger with the Cities of Prior Lake and Shakopee. However, MVST revenue allocated by the Met Council is forecast to decrease. The combination of these two factors results in an overall increase of \$460,065 or 2.9%.

MVTA's 2015 budgeted expenditures in the General Fund are \$27,367,743. This is a 21.8% increase or \$4.9 million over the 2014 actuals of \$22,461,776. The merger of the Prior Lake and Shakopee service into MVTA's service accounts for \$2.4 million of this increase. MVTA is also planning to incur additional transit operations expenses of about \$1.2 million due to contract price increases (2%), the expansion of service in Rosemount and St. Paul, and fuel price increases. The debt service makes up \$.5 million of the increase with the budgeted reserve/contingency adding another \$.5 million. Lastly, salaries and benefits are increasing \$.3 million due to the addition of staff because of the service expansions that have been recently undertaken and are due to take place.

If the service and facilities plans are implemented as budgeted, MVTA's fund balance position will decrease by \$.1 million by December 31, 2015.

A portion of Minnesota Valley Transit Authority's revenue is uncertain and unpredictable because of a number of factors. These factors include political volatility at the State, Metropolitan Council, and local levels, and fluctuations in vehicle sales. However, Motor Vehicle Sales Taxes are now dedicated to transportation needs and MVTA is statutorily funded at the same level as pre-Constitutional Amendment (July 1, 2007) except for temporary changes authorized by the Legislature for the 2012 and 2013 biennium. In addition, if MVTA's fund balance drops below three months of expenditures, based on the Metropolitan Council's "Regional Operating Revenue Allocation Procedures" adopted in 2010, the Metropolitan Council will provide additional MVST funding to bring the fund balance up to the three month level.

Of the Authority's unassigned fund balance, the Board has designated a minimum of 4 months of the agency's budgeted operating expenditures to meet both unexpected fluctuations in its revenues and to fund capital expenditures before reimbursement. The Metropolitan Council, however, through its "Regional Transit Operating Revenue Allocation" procedure has set the minimum fund balance level to be 3 months. At the end of 2014, MVTA's unassigned fund balance was sufficient to cover 3.6 months of 2015 budgeted operating expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority'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 Finance Officer, 100 East Highway 13, Burnsville, MN 55337.

BASIC FINANCIAL STATEMENTS

MINNESOTA VALLEY TRANSIT AUTHORITY

STATEMENT OF NET POSITION

Statement 1

December 31, 2014

With Comparative Totals For December 31, 2013

	Governmental Activities	
	2014	2013
Assets:		
Current assets:		
Cash and investments	\$4,131,555	\$3,621,695
Restricted cash	777,173	1,565,076
Due from other governments	9,898,519	6,369,258
Accounts receivable	-	3,291
Prepaid items	31,616	51,473
Inventories	70,195	42,983
Total current assets	<u>14,909,058</u>	<u>11,653,776</u>
Noncurrent assets:		
Land	10,133,082	9,888,926
Construction in progress	1,435,233	8,577,405
Land improvements	26,414,748	25,454,159
Buildings and improvements	31,065,736	23,585,923
Transit vehicles	1,054,665	895,421
Furniture and equipment	5,175,573	2,905,070
Net capital assets	<u>75,279,037</u>	<u>71,306,904</u>
Less: accumulated depreciation	<u>(24,172,088)</u>	<u>(21,138,250)</u>
Total noncurrent assets	<u>51,106,949</u>	<u>50,168,654</u>
Total assets	<u>66,016,007</u>	<u>61,822,430</u>
Liabilities:		
Accounts payable	4,054,404	3,347,905
Contracts payable	1,373,375	1,366,101
Due to other governments	61,515	350,778
Salaries and benefits payable	24,428	64,961
Accrued interest payable	17,568	17,554
Unearned revenue	320,310	-
Compensated absences payable:		
Due within one year	40,453	30,831
Due in more than one year	44,570	51,555
Bonds payable:		
Due within one year	325,000	280,000
Due in more than one year	5,366,978	5,697,343
Total liabilities	<u>11,628,601</u>	<u>11,207,028</u>
Net position:		
Net investment in capital assets	45,382,680	45,045,599
Restricted for debt service	690,959	690,917
Unrestricted	8,313,767	4,878,886
Total net position	<u>\$54,387,406</u>	<u>\$50,615,402</u>

The accompanying notes are an integral part of these financial statements.

MINNESOTA VALLEY TRANSIT AUTHORITY

STATEMENT OF ACTIVITIES

Statement 2

For The Year Ended December 31, 2014

With Comparative Totals For The Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2014	2013
Governmental activities:						
Transit operations	\$19,545,729	\$5,315,555	\$3,556,823	\$566,312	(\$10,107,039)	(\$9,964,217)
Facilities management	4,113,903	54,489	280,000	2,899,367	(880,047)	(2,233,711)
Administration	1,894,436	-	-	92,270	(1,802,166)	(1,740,078)
Interest on long-term debt	200,849	-	206,200	-	5,351	(81,970)
Total governmental activities	<u>\$25,754,917</u>	<u>\$5,370,044</u>	<u>\$4,043,023</u>	<u>\$3,557,949</u>	<u>(12,783,901)</u>	<u>(14,019,976)</u>
General revenues:						
Intergovernmental revenues not restricted to specific programs:						
Motor vehicle sales tax					15,996,531	14,362,363
Revenues not restricted to specific programs					31,393	61,970
Unrestricted investment earnings					511	772
Total general revenues					<u>16,028,435</u>	<u>14,425,105</u>
Change in net position					<u>3,244,534</u>	<u>405,129</u>
Net position - January 1, as previously reported					50,615,402	50,210,273
Prior period adjustment					527,470	-
Net position - January 1, as restated					<u>51,142,872</u>	<u>50,210,273</u>
Net position - ending					<u>\$54,387,406</u>	<u>\$50,615,402</u>

The accompanying notes are an integral part of these financial statements.

MINNESOTA VALLEY TRANSIT AUTHORITY

BALANCE SHEET

Statement 3

GOVERNMENTAL FUNDS

December 31, 2014

With Comparative Totals For December 31, 2013

	General Fund	Capital Projects	Debt Service	Total Governmental Funds	
				2014	2013
Assets					
Cash and investments	\$4,131,555	\$ -	\$ -	\$4,131,555	\$3,621,695
Restricted cash	-	36,124	741,049	777,173	1,565,076
Accounts receivable - net	-	-	-	-	3,291
Due from other funds	1,254,833	-	-	1,254,833	461,240
Due from other governmental units	6,122,125	3,290,194	486,200	9,898,519	6,369,258
Inventory	70,195	-	-	70,195	42,983
Prepaid items	31,616	-	-	31,616	51,473
Total assets	<u>\$11,610,324</u>	<u>\$3,326,318</u>	<u>\$1,227,249</u>	<u>\$16,163,891</u>	<u>\$12,115,016</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$3,141,106	\$913,298	\$ -	\$4,054,404	\$3,347,905
Contracts payable	-	1,373,375	-	1,373,375	1,366,101
Due to other funds	-	718,543	536,290	1,254,833	461,240
Due to other governments	60,723	792	-	61,515	350,778
Salaries and benefits payable	24,428	-	-	24,428	64,961
Unearned revenue	-	320,310	-	320,310	-
Total liabilities	<u>3,226,257</u>	<u>3,326,318</u>	<u>536,290</u>	<u>7,088,865</u>	<u>5,590,985</u>
Fund balance:					
Nonspendable	101,811	-	-	101,811	94,456
Restricted	-	-	690,959	690,959	690,917
Committed	81,899	-	-	81,899	81,446
Unassigned	8,200,357	-	-	8,200,357	5,657,212
Total fund balance	<u>8,384,067</u>	<u>0</u>	<u>690,959</u>	<u>9,075,026</u>	<u>6,524,031</u>
Total liabilities and fund balance	<u>\$11,610,324</u>	<u>\$3,326,318</u>	<u>\$1,227,249</u>	<u>\$16,163,891</u>	<u>\$12,115,016</u>
Fund balance reported above				\$9,075,026	\$6,524,031
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.					
				51,106,949	50,168,654
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds:					
Accrued interest payable				(17,568)	(17,554)
Bonds payable				(5,620,000)	(5,900,000)
Unamortized bond premium				(71,978)	(77,343)
Compensated absences				(85,023)	(82,386)
Net position of governmental activities				<u>\$54,387,406</u>	<u>\$50,615,402</u>

The accompanying notes are an integral part of these financial statements.

MINNESOTA VALLEY TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

Statement 4

For The Year Ended December 31, 2014

With Comparative Totals For The Year Ended December 31, 2013

	General Fund	Capital Projects	Debt Service	Total Governmental Funds	
				2014	2013
Revenues:					
Intergovernmental	\$19,553,354	\$3,557,949	486,200	\$23,597,503	\$21,187,957
Passenger fares	5,315,555	-	-	5,315,555	5,179,965
Investment income	460	9	42	511	772
Miscellaneous	81,202	4,680	-	85,882	114,857
Total revenues	<u>24,950,571</u>	<u>3,562,638</u>	<u>486,242</u>	<u>28,999,451</u>	<u>26,483,551</u>
Expenditures:					
Current:					
Transit operations	19,031,207	-	-	19,031,207	17,509,083
Facilities management	1,559,293	-	-	1,559,293	1,416,694
Administration	1,856,445	-	-	1,856,445	1,714,685
Capital outlay:					
Transit operations	-	1,024,067	-	1,024,067	3,139,065
Facilities management	12,305	2,905,113	-	2,917,418	7,121,943
Administration	2,526	98,770	-	101,296	60,426
Debt Service:					
Principal	-	-	280,000	280,000	-
Interest	-	-	206,200	206,200	66,204
Issuance expense	-	-	-	-	202,632
Total expenditures	<u>22,461,776</u>	<u>4,027,950</u>	<u>486,200</u>	<u>26,975,926</u>	<u>31,230,732</u>
Revenues over (under) expenditures	<u>2,488,795</u>	<u>(465,312)</u>	<u>42</u>	<u>2,023,525</u>	<u>(4,747,181)</u>
Other financing sources (uses):					
Transfers in	62,158	-	-	62,158	854,655
Transfers out	-	(62,158)	-	(62,158)	(854,655)
Bond issuance	-	-	-	-	5,900,000
Bond premium	-	-	-	-	79,131
Total other financing sources (uses)	<u>62,158</u>	<u>(62,158)</u>	<u>0</u>	<u>0</u>	<u>5,979,131</u>
Net change in fund balance	2,550,953	(527,470)	42	2,023,525	1,231,950
Fund balance - January 1, as previously stated	5,833,114	-	690,917	6,524,031	5,292,081
Prior period adjustment	-	527,470	-	527,470	-
Fund balance - January 1, as restated	<u>5,833,114</u>	<u>527,470</u>	<u>690,917</u>	<u>7,051,501</u>	<u>5,292,081</u>
Fund balance - December 31	<u>\$8,384,067</u>	<u>\$0</u>	<u>\$690,959</u>	<u>\$9,075,026</u>	<u>\$6,524,031</u>

The accompanying notes are an integral part of these financial statements.

MINNESOTA VALLEY TRANSIT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS

Statement 5

For The Year Ended December 31, 2014

With Comparative Amounts For The Year Ended December 31, 2013

	<u>2014</u>	<u>2013</u>
Amounts reported for governmental activities in the statement of activities (statement 2) are different because:		
Net changes in fund balances - total governmental funds (statement 4)	\$2,023,525	\$1,231,950
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:		
Capital outlay	4,042,781	10,321,434
Less capital outlay not capitalized	(176,794)	(2,932,858)
Capitalized current expenditures	163,347	222,980
Depreciation expense	(3,089,636)	(2,384,218)
Loss on disposal	(1,403)	(9,673)
The issuance of long-term debt (e.g. bonds) provides current financial resources for governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The amounts of these differences are:		
Principal payments on long-term debt	280,000	-
Issuance of debt	-	(5,900,000)
Bond premium	-	(79,131)
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. Expenses reported in the statement of activities include the effect of the changes in these expense accruals as follows:		
Change in accrued interest payable	(14)	(17,554)
Change in compensated absences payable	(2,637)	(49,589)
Amortization of bond premium	5,365	1,788
Change in net position of governmental activities (statement 2)	<u>\$3,244,534</u>	<u>\$405,129</u>

The accompanying notes are an integral part of these financial statements.

MINNESOTA VALLEY TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND

Statement 6

For The Year Ended December 31, 2014

With Comparative Actual Amounts For The Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
Revenues:					
Intergovernmental	\$18,673,784	\$18,673,784	\$19,553,354	\$879,570	\$16,793,400
Passenger fares	5,698,129	5,698,129	5,315,555	(382,574)	5,179,965
Investment income	500	500	460	(40)	646
Miscellaneous	64,330	64,330	81,202	16,872	114,857
Total revenues	<u>24,436,743</u>	<u>24,436,743</u>	<u>24,950,571</u>	<u>513,828</u>	<u>22,088,868</u>
Expenditures:					
Current:					
Transit operations	19,957,357	19,957,357	19,031,207	(926,150)	17,509,083
Facilities management	1,403,488	1,403,488	1,559,293	155,805	1,416,694
Administration	2,371,335	2,371,335	1,856,445	(514,890)	1,714,685
Capital outlay	120,000	120,000	14,831	(105,169)	52,718
Debt service:					
Principal	280,000	280,000	-	(280,000)	-
Interest	206,200	206,200	-	(206,200)	-
Total expenditures	<u>24,338,380</u>	<u>24,338,380</u>	<u>22,461,776</u>	<u>(1,876,604)</u>	<u>20,693,180</u>
Revenues over (under) expenditures	<u>98,363</u>	<u>98,363</u>	<u>2,488,795</u>	<u>2,390,432</u>	<u>1,395,688</u>
Other financing sources (uses):					
Transfers in	-	-	62,158	62,158	-
Transfers out	-	-	-	-	(854,655)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>62,158</u>	<u>62,158</u>	<u>(854,655)</u>
Net change in fund balance	<u>\$98,363</u>	<u>\$98,363</u>	<u>2,550,953</u>	<u>\$2,452,590</u>	<u>541,033</u>
Fund balance - beginning			<u>5,833,114</u>		<u>5,292,081</u>
Fund balance - ending			<u>\$8,384,067</u>		<u>\$5,833,114</u>

The accompanying notes are an integral part of these financial statements.

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MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Minnesota Valley Transit Authority (the Authority) is a transit agency, operated under a joint powers agreement by and among the Cities of Apple Valley, Burnsville, Eagan, Prior Lake, Rosemount, Savage, and Shakopee and the Counties of Dakota and Scott in the State of Minnesota. These Cities are located in the southern Twin Cities Metropolitan Area. The Authority was organized in January 1990 under the “opt-out” statute, Minnesota Statutes 473.388. The opt-out statute allowed cities on the edge of the Metropolitan Transit District to opt-out of the regional transit system and set up a separate system. The Authority is governed by a nine member Board of Commissioners comprised of one representative from each member City and one representative from each County. The component unit discussed below is included in the Authority’s reporting entity because of the significance of its operational or financial relationships with the Authority.

Blended component units, although legally separate entities, are, in substance, part of the Authority’s operations and so data from these units are combined with data of the primary government.

In October 2012, the MVTA Bond Board was established by an amendment to the joint powers agreement. The MVTA Bond Board may issue bonds or obligations on behalf of the members, under any law by which any member may independently issue bonds or obligations, and may use the proceeds of the bonds or obligations to carry out the purposes of the law under which the bonds or obligations are issued. During 2013 the MVTA Bond Board issued the 2013 Gross Revenue Bonds in the amount of \$5,900,000. The Bond Board is reported as a blended component unit because the Minnesota Valley Transit Authority appoints a voting majority of the Bond Board and its purpose is to issue bonds on behalf of the Minnesota Valley Transit Authority.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the Authority. The Authority has only governmental activities, which normally are supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Motor Vehicle Sales Taxes (MVST) and other items not included among program revenues are reported instead as *general revenues*. Internally dedicated revenues are reported as general revenues rather than programs.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. MVST, which replaced property taxes as a major source of revenue are recognized in the year the taxes are collected by the State of Minnesota. 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 Authority considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year 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.

MVST, passenger fares, interest and grant funding 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 Authority.

The Authority reports the following major governmental funds:

The *General Fund* is the Authority's only operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in the Capital Projects Fund or the Debt Service Fund.

The *Capital Projects Fund* accounts for financial resources to be used to acquire transit vehicles, complete transit vehicle repairs that extend its useful life, acquire and construct transit facilities, install major facility improvements and acquire major transit related equipment. The Capital Projects Fund is used to account for funds received through the Metropolitan Council, Minnesota Department of Transportation (MnDOT) and other agencies along with funds transferred from the General Fund that pay for the above listed assets.

The *Debt Service Fund* accounts for the debt service payments relating to the 2013 Gross Revenue Bonds.

In 2001, the Minnesota Legislature amended the transit funding statute. The amendment eliminated property taxes as a source of funding for transit systems and dedicated a portion of the MVST revenues for this purpose instead. These funds were appropriated to the Metropolitan Council. The Metropolitan Council is then mandated to provide the requested financial assistance to the opt-out transit systems.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

On November 7, 2006, the citizens of Minnesota authorized changing the Minnesota Constitution to dedicate 100% of MVST revenues for transportation purposes. In 2007, the Minnesota State Legislature passed enabling legislation needed to implement this change. The legislation changed the existing deposit of MVST revenues in Minnesota Statutes 297B.09, subdivision 1 to provide a five year phase-in dedicating 60% of MVST revenue to the Highway User Tax Distribution Fund (HUTDF) for roadway purposes and 40% of MVST revenue to a transit assistance fund. The Transit Assistance Fund was split into two accounts, with 36% of MVST for metropolitan transit programs and 4% of MVST for Greater Minnesota Transit programs. The enabling legislation stated the Authority, along with the other opt-out providers, were guaranteed the same percentage of MVST they had been receiving prior to the Constitutional Amendment. The law does not outline how the supplemental MVST funds should be distributed by the Met Council within the metropolitan area. However, the Met Council has created a procedure that distributes these additional MVST funds based on regional priorities. The Council's Regional Operating Revenue Allocation Procedure establishes the process to distribute supplemental MVST revenue among regional transit providers and establishes minimum and maximum reserve (fund balance) levels. The procedure prioritizes the use of funds as follows: (1) preserve existing services, (2) ensure adequate fund balances among providers (25% for suburban transit providers), and (3) expand transit services based on regional priorities.

Capital funding contracts between the federal government, MnDOT, the Metropolitan Council and the Authority are designated for specific capital projects. These monies are available until the projects for which the funds were allocated are completed or until the end of the grant term, whichever occurs first.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the Authority. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. BUDGETARY INFORMATION

The Authority annually prepares an operating budget for the General Fund. The budget is prepared on a basis consistent with U.S. generally accepted accounting principles. State statutes define the source, method and allocation of a major portion of its fund. Budget amounts are amended only upon approval of the authority's Board of Commissioners. Budgeted amounts in the financial statements are as originally adopted or as amended. Budget expenditure appropriations lapse at year end.

The Authority does not prepare a budget for the Capital Projects Fund. Instead, individual capital project budgets are prepared for existing and potential capital assets for a five-year period. Funding sources along with the timing of funding agreements (appropriations), revenue recognition and project expenditures are budgeted for each project.

E. CASH AND INVESTMENTS

DEPOSITS

The Authority's cash is considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The Authority has not formally adopted a deposit and investment policy to address the risks described on the following page but has limited itself to deposits and investments allowed under Minnesota Statutes. Minnesota Statutes requires all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments for the Authority are reported at fair value. The Minnesota Municipal Money Market Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The reported value of the pool is the same as the fair value of the pool shares.

F. RECEIVABLES AND PAYABLES

Receivables include amounts due from the State of Minnesota through the Metropolitan Council for state appropriations, MVST collected but not received, the Metropolitan Council for passenger fares and various capital grants and other local receivables. No allowance for doubtful accounts has been deemed necessary.

Amounts included in accounts payable include expenses incurred in 2014, but not paid until 2014 for subcontracted transit services and other operating expenses.

G. PREPAID ITEMS

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. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

H. INVENTORY

Fuel inventory totaled \$59,978 and parts inventory totaled \$10,217 at December 31, 2014, and both are accounted for using the purchases method. Inventory is valued based on weighted average prices for fuel and parts purchased during December 2014.

I. CAPITAL ASSETS

Capital assets, which include property, facilities equipment, intangibles and transit vehicles, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized when they are placed in service.

The property, plant and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30
Building improvements	10-20
Furniture and fixtures	3-15
Vehicles	5-12
Lease Improvements	10-35

J. COMPENSATED ABSENCES

Authority employees earn vacation time based on years of service with a maximum accrual at one-half times their annual vacation time. Upon termination, employees will receive compensation for unused vacation time. Sick leave is accumulated for all regular full-time employees at a rate of one day per calendar month with no maximum. Upon termination sick leave is converted into cash and deposited into employees HCSP account up to a maximum of 144 hours of the employees' current sick leave balance. Vacation and sick leave benefits are recorded as expenditures in governmental funds only when the obligations have matured and are reflected as a liability in governmental funds for employees that have retired but have yet to receive their entire compensated absence balance. Compensated absences are recorded as expenses in governmental activities when earned. The Authority treats its compensated absences on a first-in – first-out basis.

K. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

L. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because they are not in spendable form, such as prepaid items.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the Authority's Board. The committed amounts cannot be used for any other purpose unless the Authority's Board removes or changes the specified use by resolution.

Assigned - consists of amounts intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as restricted or committed:

- In governmental funds other than the General Fund, assigned fund balances represent the remaining fund balance that is not restricted or committed.
- In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Currently, no individual has been delegated this authority because no fund balance is assigned in the General Fund.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the Authority's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

M. NET POSITION

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

N. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

O. COMPARATIVE TOTALS

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

P. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. MVTA has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. MVTA has no items that qualify for reporting in this category.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

As of December 31, 2014, the Authority had \$315 of petty cash on hand.

B. INVESTMENTS

As of December 31, 2014, the Authority had the following investments and maturities:

Investment Type	Rating	Maturity		
		Total	Less Than 1 Year	1-2 Years
Mutual funds	AAAm	\$777,173	\$777,173	\$ -
External investment pool - 4M Fund	N/R	4,131,240	4,131,240	-
Total investments		<u>\$4,908,413</u>	<u>\$4,908,413</u>	<u>\$0</u>
Total investments				\$4,908,413
Petty cash				315
Total cash and investments				<u>\$4,908,728</u>

N/R - not rated

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Deposits and investments are presented in the December 31, 2014 basic financial statements as follows:

Statement of net position:	
Cash and investments	\$4,131,555
Restricted cash	<u>777,173</u>
 Total deposits and investments	 <u><u>\$4,908,728</u></u>

In accordance with Minnesota Statutes, the Authority maintains deposits at those depository banks authorized by the Authority Board, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all Authority deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Securities in which the Authority may invest include governmental bonds, notes, bills, mortgages and other securities which are direct obligations or are guaranteed or insured issues of the U.S., its agencies, its instrumentalities or organizations created by an act of Congress. Safety of principal is the Authority’s foremost investment objective. The Authority may also invest in general obligation (G.O.) or revenue bonds of the State of Minnesota or Minnesota Municipalities provided the G.O. bonds are rated AA or better for states and AAA or better for political subdivisions and revenue bonds are rated AAA or better for both. Time deposits are allowed, provided they are fully insured by the FDIC. Also allowed is commercial paper maturing in 270 days or less and rated within the top two categories without gradation by either Standard & Poor’s (S&P) or Moody’s.

INVESTMENT RISKS

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all Authority deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. As of December 31, 2014, the Authority did not have amounts on deposit.

Interest rate risk – Interest rate risk is the risk that changes in interest rates of debt investments could adversely affect the fair value of an investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

The Authority’s exposure to interest rate risk is limited due to the shorter-term nature of the 4M Fund’s holdings.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. State law limits investments to those listed in Note 2B. The Authority’s investment policy does not place further restrictions on investment options.

<u>Investment Type</u>	<u>Rating</u>	<u>Credit Organization</u>
Mutual funds	AAAm	Standard & Poor's

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

The 4M Fund is an external investment pool not registered with the SEC that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

Concentration of credit risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government’s investment in a single issuer. The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority does not have exposure to a single issuer that equals or exceeds 5% of the overall portfolio and therefore there is no concentration of credit risk.

Custodial credit risk – investments – For investments in securities, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment securities that are in the possession of an outside party. Investments in investment pools and mutual funds are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. The Authority’s financial management plan states the Authority’s goal is to maximize yield while providing cash flow to meet expenditure needs.

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$9,888,926	\$244,156	\$ -	\$10,133,082
Construction in progress	8,577,405	4,027,950	(11,170,122)	1,435,233
Total capital assets, not being depreciated	<u>18,466,331</u>	<u>4,272,106</u>	<u>(11,170,122)</u>	<u>11,568,315</u>
Capital assets, being depreciated:				
Land improvements	25,454,159	960,589	-	26,414,748
Buildings and improvements	23,585,923	7,479,813	-	31,065,736
Transit vehicles	895,421	159,244	-	1,054,665
Furniture and equipment	2,905,070	2,327,704	(57,201)	5,175,573
Total capital assets, being depreciated	<u>52,840,573</u>	<u>10,927,350</u>	<u>(57,201)</u>	<u>63,710,722</u>
Less accumulated depreciation for:				
Land improvements	9,399,013	1,003,701	-	10,402,714
Buildings and improvements	9,193,451	1,262,392	-	10,455,843
Transit vehicles	807,399	73,433	-	880,832
Furniture and equipment	1,738,387	750,110	(55,798)	2,432,699
Total accumulated depreciation	<u>21,138,250</u>	<u>3,089,636</u>	<u>(55,798)</u>	<u>24,172,088</u>
Total capital assets being depreciated - net	<u>31,702,323</u>	<u>7,837,714</u>	<u>(1,403)</u>	<u>39,538,634</u>
Governmental activities capital assets - net	<u>\$50,168,654</u>	<u>\$12,109,820</u>	<u>(\$11,171,525)</u>	<u>\$51,106,949</u>

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Depreciation expense was charged to functions/programs of the Authority as shown on the following page.

Governmental activities:	
Transit operations	\$615,527
Facilities management	2,447,051
Administration	<u>27,058</u>
Total depreciation expense - governmental activities	<u><u>\$3,089,636</u></u>

The Authority has an agreement with the Metropolitan Council for use of Council vehicles. The gross value and net value of these assets is \$52,522,410 and \$17,172,370, respectively. The assets are not included in the Authority's capital assets as disclosed above.

During 2014, \$25,474 of construction in progress was contributed to the Metropolitan Council and \$252,128 was expensed.

Note 4 LONG-TERM DEBT

The Authority issues long-term debt to finance the construction of transit structures and buildings.

A. GOVERNMENTAL ACTIVITIES

As of December 31, 2014, the long-term debt of the financial reporting entity consisted of the following:

	Issue Date	Final Maturity Date	Authorized and Issued	Interest Rate	Outstanding 12/31/14
Governmental activities:					
Gross Revenue Bonds, Series 2013	8/6/13	6/1/28	\$5,900,000	0.75% - 4.5%	\$5,620,000
Compensated absences payable	N/A	N/A	N/A	N/A	<u>85,023</u>
Total governmental activities					<u><u>\$5,705,023</u></u>

<u>Governmental Activities</u>		
Gross Revenue Bonds of 2013		
	<u>Principal</u>	<u>Interest</u>
2015	\$325,000	\$201,900
2016	335,000	195,300
2017	340,000	186,850
2018	350,000	176,500
2019	360,000	165,850
2020-2024	2,000,000	624,900
2025-2028	1,910,000	175,500
	<u>\$5,620,000</u>	<u>\$1,726,800</u>

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

On August 6, 2013, the Authority issued the \$5,900,000 Gross Revenue Bonds with an average interest rate of 3.98% to finance a portion of the Eagan Bus Garage expansion project. The bond principal and interest payments are secured primarily by motor vehicle sales taxes, passenger fares, and pass-through federal funds.

CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Gross Revenue Bonds, Series 2013	\$5,900,000	\$ -	(\$280,000)	\$5,620,000	\$325,000
Compensated absences	82,386	125,967	(123,330)	85,023	40,453
Subtotal	5,982,386	125,967	(403,330)	5,705,023	\$365,453
Unamortized premium on bonds	77,343	-	(5,365)	71,978	
Total	<u>\$6,059,729</u>	<u>\$125,967</u>	<u>(\$408,695)</u>	<u>\$5,777,001</u>	

For the governmental activities, compensated absences are generally liquidated by the General Fund.

B. REVENUES PLEDGED

The 2013 Gross Revenue Bonds are limited obligations of the Authority payable from a portion of the Authority's gross revenue earned on the services provided. Total principal and interest remaining to be paid on the bonds is \$7,346,800. For the current year, principal, interest paid and gross revenues transferred into the debt service fund totaled \$280,000, \$206,200 and \$0, respectively.

Note 5 PENSION PLANS

A. PLAN DESCRIPTION

All full-time and certain part-time employees of the Authority are covered by a defined benefit plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with *Minnesota Statute*, Chapters 353 and 356.

GERF members (MVTA employees) belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651)296-7460 or 1-800-652-9026.

B. FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Authority makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.25%, of their annual covered salary in 2014. The Authority was required to contribute 7.25% for Coordinated Plan GERF members. The Authority's contributions to the General Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$74,326, \$67,111, and \$63,313, respectively, equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers).

Note 6 INTERFUND ACTIVITY

A. DUE TO/FROM OTHER FUNDS

At December 31, 2014 due to/from other funds for the Authority were as follows:

<u>Fund Type and Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$1,254,833	\$ -
Capital Projects Fund	-	718,543
Debt Service	-	536,290
	<u> </u>	<u> </u>
Total	<u>\$1,254,833</u>	<u>\$1,254,833</u>

Interfund receivables/payables are representative of lending/borrowing arrangements to cover temporary negative cash balances.

B. TRANSFERS

Transfers during the year ended December 31, 2014 included a transfer from the Capital Projects Fund to the General Fund in the amount of \$62,158. This transfer is performed to account for the Authority's local share for federal and state grants.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 7 CONTINGENCIES

FEDERAL AND STATE FUNDS

The Authority receives financial assistance from federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Authority at December 31, 2014.

Note 8 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2014, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Nonspendable:				
Prepaid items	\$31,616	\$ -	\$ -	\$31,616
Inventory	70,195	-	-	70,195
Restricted:				
Debt service	-	-	690,959	690,959
Committed to:				
Insurance reserves	81,899	-	-	81,899
Unassigned	<u>8,200,357</u>	<u>-</u>	<u>-</u>	<u>8,200,357</u>
 Total	 <u>\$8,384,067</u>	 <u>\$0</u>	 <u>\$690,959</u>	 <u>\$9,075,026</u>

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The Authority has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund.

The policy states the Authority will maintain an unreserved fund balance in the General Fund at a minimum of 4 months of operating expenditures. This will provide the Authority with funds to meet both unexpected fluctuations in its revenues and to fund capital expenditures before reimbursement. At December 31, 2014, unassigned fund balance was sufficient to cover 3.67 months of 2015 budgeted expenditures (excluding amounts budgeted for contingency). The Metropolitan Council, however, through its "Regional Transit Operating Revenue Allocation Procedure," has set the minimum fund balance level to be 3 months of budgeted operating expenditures.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 9 COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority carries commercial insurance policies. The Authority retains risk for the deductible portions of the insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

B. COMMITMENTS

The Authority has contract commitments at December 31, 2014. The amount of these commitments were as follows:

Project	Vendor	Contract	Work-to-Date as of 12-31-14	Remaining
Lawn Care	Carefree Services, Inc.	\$13,412	\$8,620	\$4,792
Lawn Care	Reliable Property Services, Inc.	24,477	16,237	\$8,240
Lawn Care	Outdoor Images, Inc.	74,634	46,990	\$27,644
Irrigation System Services	Wagner Sod Co. and Landscaping, Inc.	39,000	12,213	\$26,787
Sweeping	Carefree Services, Inc.	13,745	7,948	\$5,797
Security-AVTS, BTS	Universal Protection Services	35,000	12,984	\$22,016
Elevator Maintenance	Minnesota Elevator, Inc.	22,500	13,460	\$9,040
Bus Technology Procurement/Installation	Bus Technology Procurement/Installation RouteMatch	2,035,383	1,696,477	\$338,906
Operations and Maintenance Provider ¹	Schmitt and Sons Transit, Inc.	80,842,778	-	\$80,842,778
Website Re-design	Avallo	125,775	92,270	\$33,505
Apple Valley Layover Facility-Site Design/Cost Admin	TKDA	239,464	216,561	\$22,903
Apple Valley Layover Facility-Construction	Meartens-Brenny Construction Company	1,352,635	914,964	\$437,671
BTS Improvements-Engineering Design/Const Mgmt	URS	72,900	29,533	\$43,367
BTS Improvements	LS Black	959,153	-	\$959,153
Facility/Maintenance-Shakopee sites	Beniek Property Services, Inc.	83,328	-	\$83,328
Mitel/Integra	Mitel/Integra	52,000	-	\$52,000
AVL-Cubic Fare Collection System Integration Testing/APC Validation	SRF Consulting Group, Inc.	111,185	-	\$111,185
Ticket Vending Machine	Ticket Vendor Machine	84,989	-	\$84,989

1 - 5 year contract (2015-2019) with 1-2 year extension option, contract may also be terminated with a 30 day written notice

C. LITIGATION

The Authority attorney has indicated that existing and pending lawsuits, claims and other actions in which the Authority is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the Authority's management, remotely recoverable by plaintiffs.

Note 10 OPERATING LEASES - LESSOR

The Authority receives revenue from an agreement for a land lease. The lease is for land that is owned by the Authority at the Eagan Transit Facility and is leased by a tenant who built a building on the land. The term of the lease is thirty years. The lease calls for monthly payments increasing 10% every five years. Total lease revenue for the year ended December 31, 2014 was \$52,911.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Future minimum lease payments to be received are as follows:

2015	\$43,732
2016	44,096
2017	48,105
2018	48,105
2019	48,105
2020-2024	259,767
2025-2029	281,735
2030	<u>58,207</u>
Total	<u><u>\$831,852</u></u>

Note 11 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 68 *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement 27. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time.

Statement No. 71 *Pension Transition for Contributions - Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

Statement No. 72 *Fair Value Measurement and Application* - The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* - The provisions of this statement are effective for financial statements of periods beginning after June 15, 2015.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* - The provisions of this statement are effective for financial statements for periods beginning after June 15, 2016.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The provisions of this statement are effective for financial statements for periods beginning after June 15, 2017.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statements No. 68 and No. 71 will have a material impact.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 12 PRIOR PERIOD ADJUSTMENT

During 2014, a correction to the prior year financial statements was made to correct the under accrual of revenue and the related receivable in the Capital Projects Fund.

	<u>Net Position</u> Governmental Activities	<u>Fund Balance</u> Capital Projects Fund
Balance - January 1, as previously stated	\$50,615,402	\$ -
Prior period adjustment	<u>527,470</u>	<u>527,470</u>
Balance - January 1, as restated	<u><u>\$51,142,872</u></u>	<u><u>\$527,470</u></u>

Note 13 SUBSEQUENT EVENT

On September 9, 2014, the Cities of Prior Lake and Shakopee merged with the Minnesota Valley Transit Authority (MVTA) and became full members of the MVTA Board bringing the Board to a total of nine parties: the Cities of Apple Valley, Burnsville, Eagan, Prior Lake, Rosemount, Savage and Shakopee, and the Counties of Dakota and Scott. This merger also authorized staff to begin the process of fully consolidating services with a date of January 1, 2015 for MVTA to begin operating the Prior Lake and Shakopee transit service. The consolidation allowed the Cities to offer their riders more options, greater flexibility and improve the overall efficiency of the service.

III. STATISTICAL SECTION (UNAUDITED)

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MINNESOTA VALLEY TRANSIT AUTHORITY
Burnsville, Minnesota

STATISTICAL SECTION
December 31, 2014
(Unaudited)

This part of MVTA's CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about MVTA's overall financial health. The following are the categories of the various schedules that are included in this section.

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

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

Revenue Capacity – These schedules contain information to help the reader assess the MVTA's most significant local revenue source, Motor Vehicle Sales Taxes (MVST). In 2002, the main source of revenue shifted from property tax to MVST. The agency does not control the amount of MVST it receives. The allocation is both controlled through state statute and a portion is controlled through the Metropolitan Council. MVTA no longer receives any property tax.

Debt Capacity – These schedules present information to help the reader assess the affordability of MVTA's current level of outstanding debt and MVTA's ability to issue additional debt in the future.

- Ratios of Outstanding Debt by Type

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which MVTA's financial activities take place.

- Demographic and Economic Statistics
- Principal Employers

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in MVTA's financial report relates to the services the government provides and the activities it performs.

- Full-Time Equivalent MVTA Employees by Function
- Operating Statistics
- Capital Asset Statistics by Function/Program
- Operating Statistics - Farebox Recovery Percentage and Fare Structure

Sources: Unless otherwise noted, the information in these schedules is derived from the CAFR for the relevant year. MVTA implemented GASB Statement No. 34 in calendar year 2003. MVTA has chosen to provide information for that year forward. Ultimately, these schedules will contain information for the last 10 years unless otherwise available.

MINNESOTA VALLEY TRANSIT AUTHORITY**NET POSITION BY COMPONENT**

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities:				
Net investment in capital assets	\$26,503,958	\$25,846,949	\$24,924,761	\$26,027,553
Restricted	920,893	34,724	55,250	68,060
Unrestricted	4,561,838	6,180,970	8,097,133	8,384,180
 Total governmental activities net position	<u>\$31,986,689</u>	<u>\$32,062,643</u>	<u>\$33,077,144</u>	<u>\$34,479,793</u>

Source: Minnesota Valley Transit Authority financial records

Table 1

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$40,828,213	\$45,653,791	\$44,279,184	\$44,950,989	\$45,045,599	\$45,382,680
125,190	-	-	-	690,917	690,959
7,715,117	5,608,711	5,257,050	5,259,284	4,878,886	8,313,767
<u>\$48,668,520</u>	<u>\$51,262,502</u>	<u>\$49,536,234</u>	<u>\$50,210,273</u>	<u>\$50,615,402</u>	<u>\$54,387,406</u>

MINNESOTA VALLEY TRANSIT AUTHORITY

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	2005	2006	2007	2008
Expenses:				
Governmental activities:				
Transit operations	\$13,000,000	\$16,467,122	\$15,424,261	\$13,212,646
Facilities management	1,746,573	2,405,597	2,351,076	2,392,995
Administration	974,181	1,063,509	1,188,460	1,471,802
Interest on long-term debt	-	-	-	-
Total expenses	<u>\$15,720,754</u>	<u>\$19,936,228</u>	<u>\$18,963,797</u>	<u>\$17,077,443</u>
Program revenues:				
Governmental activities:				
Charges for services:				
Passenger fares	\$3,916,617 ¹	\$4,567,636	\$4,751,464	\$4,980,101
Ground lease	58,556 ²	66,368	81,419	58,895
Operating grants and contributions	2,000	413,208	400,000	453,417
Capital grants and contributions	6,903,646	4,769,196	2,978,519	1,991,425
Total program revenue	<u>\$10,880,819</u>	<u>\$9,816,408</u>	<u>\$8,211,402</u>	<u>\$7,483,838</u>
Net expense	<u>(\$4,839,935)</u>	<u>(\$10,119,820)</u>	<u>(\$10,752,395)</u>	<u>(\$9,593,605)</u>
General revenue:				
Property taxes	3,755	1,005	-	-
Motor vehicle sales tax	8,834,857	8,492,543	8,655,276	9,443,437
State appropriations	396,450	794,058	1,937,876	1,358,270
Revenues not restricted to specific programs	20,064 ²	635,218	940,305	25,695
Unrestricted investment earnings	152,480	272,950	233,439	168,852
Total general revenue	<u>9,407,606</u>	<u>10,195,774</u>	<u>11,766,896</u>	<u>10,996,254</u>
Change in net position	<u>\$4,567,671</u>	<u>\$75,954</u>	<u>\$1,014,501</u>	<u>\$1,402,649</u>

¹ This amount includes passenger fares, and other revenue

² Reclassed ground lease from revenues not restricted to specific programs to charges for services - ground lease

Source: Minnesota Valley Transit Authority financial records

Table 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$16,962,891	\$14,961,494	\$14,957,334	\$20,390,062	\$20,455,244	\$19,545,729
2,368,947	3,477,891	3,804,151	3,911,843	3,761,195	4,113,903
1,529,303	1,534,782	1,537,590	1,655,153	1,780,013	1,894,436
-	23,260	-	-	81,970	200,849
<u>\$20,861,141</u>	<u>\$19,997,427</u>	<u>\$20,299,075</u>	<u>\$25,957,058</u>	<u>\$26,078,422</u>	<u>\$25,754,917</u>
\$4,835,590	\$4,738,480	\$5,019,866	\$4,927,964	\$5,179,965	\$5,315,555
50,734	52,379	51,473	53,127	52,887	54,489
469,058	514,196	793,160	676,608	2,431,037	4,043,023
20,592,499	7,831,731	1,543,237	8,264,614	4,394,557	3,557,949
<u>\$25,947,881</u>	<u>\$13,136,786</u>	<u>\$7,407,736</u>	<u>\$13,922,313</u>	<u>\$12,058,446</u>	<u>\$12,971,016</u>
<u>\$5,086,740</u>	<u>(\$6,860,641)</u>	<u>(\$12,891,339)</u>	<u>(\$12,034,745)</u>	<u>(\$14,019,976)</u>	<u>(\$12,783,901)</u>
-	-	-	-	-	-
8,592,596	9,378,089	11,139,660	12,674,238	14,362,363	15,996,531
463,876	-	-	-	-	-
27,118	73,797	24,802	33,898	61,970	31,393
18,397	2,017	609	648	772	511
<u>9,101,987</u>	<u>9,453,903</u>	<u>11,165,071</u>	<u>12,708,784</u>	<u>14,425,105</u>	<u>16,028,435</u>
<u>\$14,188,727</u>	<u>\$2,593,262</u>	<u>(\$1,726,268)</u>	<u>\$674,039</u>	<u>\$405,129</u>	<u>\$3,244,534</u>

MINNESOTA VALLEY TRANSIT AUTHORITY
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year			
	2005	2006	2007	2008
General Fund:				
Reserved	\$920,893	\$34,724	\$55,250	\$6,280,162
Unreserved	4,586,094	6,180,970	8,115,856	2,191,391
Nonspendable	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	\$5,506,987	\$6,215,694	\$8,171,106	\$8,471,553
Capital Projects Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Unassigned	-	-	-	-
Total Capital Projects Fund	\$0	\$0	\$0	\$0
Debt Service Fund:				
Restricted	\$ -	\$ -	\$ -	\$ -
Total Debt Service Fund	\$0	\$0	\$0	\$0
Subsequent years' budgeted expenditures	\$15,441,880	\$15,500,849	\$16,452,501	\$15,918,949
Months of expenditures in				
Unreserved/Unassigned Fund Balance	3.56	4.79	5.92	1.65

Source: Minnesota Valley Transit Authority financial records

Note: GASB 54 implemented in 2011 changing fund balance designations

Table 3

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$125,190	\$37,241	\$ -	\$ -	\$ -	\$ -
7,739,062	5,598,373	-	-	-	-
-	-	41,340	50,108	94,456	101,811
-	-	67,075	80,841	81,446	81,899
-	-	5,172,037	5,161,133	5,657,212	8,200,357
<u>\$7,864,252</u>	<u>\$5,635,614</u>	<u>\$5,280,452</u>	<u>\$5,292,082</u>	<u>\$5,833,114</u>	<u>\$8,384,067</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$ -	\$ -	\$ -	\$ -	\$690,917	\$690,959
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$690,917</u>	<u>\$690,959</u>
\$16,762,059	\$18,572,716	\$19,499,432	\$22,196,963	\$24,338,380	\$26,831,121
5.54	3.62	3.18	2.79	2.79	3.67

MINNESOTA VALLEY TRANSIT AUTHORITY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year			
	2005	2006	2007	2008
Revenues:				
General property tax	\$3,755	\$1,005	\$ -	\$20,843
Intergovernmental revenue	16,136,952	15,049,756	14,891,742	13,242,170
Passenger fares	3,834,235	4,452,966	4,650,501	4,980,100
Miscellaneous:				
Investment income	152,480	272,950	233,439	168,852
Miscellaneous	161,002	235,505	202,616	77,956
Total revenues	<u>20,288,424</u>	<u>20,012,182</u>	<u>19,978,298</u>	<u>18,489,921</u>
Expenditures:				
Current:				
Transit operations	11,357,812	12,040,297	12,328,812	13,021,496
Facilities management	630,086	944,394	831,364	886,379
Administration	992,945	1,210,265	1,181,793	1,442,103
Total current	<u>12,980,843</u>	<u>14,194,956</u>	<u>14,341,969</u>	<u>15,349,978</u>
Debt service:				
Principal	235,000	400,000	400,000	400,000
Interest and other charges	83,457	74,644	61,434	44,948
Issuance expense	-	-	-	-
Capital outlay	7,336,920	4,612,987	3,240,371	2,394,548
Total expenditures	<u>20,636,220</u>	<u>19,282,587</u>	<u>18,043,774</u>	<u>18,189,474</u>
Revenue over (under) expenditures	<u>(347,796)</u>	<u>729,595</u>	<u>1,934,524</u>	<u>300,447</u>
Other financing sources (uses):				
Bond issuance	-	-	-	-
Bond premium	-	-	-	-
Transfers in	433,274	195,972	175,831	441,564
Transfers out	(433,274)	(195,972)	(175,831)	(441,564)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(347,796)	729,595	1,934,524	300,447
Fund balance - January 1, as previously stated	5,854,783	5,506,987	6,236,582	8,171,106
Prior period adjustment	-	-	-	-
Fund balance - January 1, as restated	<u>5,854,783</u>	<u>5,506,987</u>	<u>6,236,582</u>	<u>8,171,106</u>
Fund balance - end of year	<u>\$5,506,987</u>	<u>\$6,236,582</u>	<u>\$8,171,106</u>	<u>\$8,471,553</u>
Debt service as a percent of noncapital expenditures	2.4%	3.2%	3.1%	2.8%

Source: Minnesota Valley Transit Authority financial records

Table 4

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29,998,610	13,130,718	13,476,057	21,602,823	21,187,957	23,597,503
4,835,590	4,738,480	5,019,866	4,927,964	5,179,965	5,315,555
18,397	2,017	609	648	772	511
91,931	126,176	76,275	87,025	114,857	85,882
<u>34,944,528</u>	<u>17,997,391</u>	<u>18,572,807</u>	<u>26,618,460</u>	<u>26,483,551</u>	<u>28,999,451</u>
12,698,070	13,908,956	14,708,445	15,343,140	17,509,083	19,031,207
951,232	1,139,106	1,063,229	1,028,427	1,416,694	1,559,293
1,472,106	1,480,585	1,569,645	1,611,238	1,714,685	1,856,445
<u>15,121,408</u>	<u>16,528,647</u>	<u>17,341,319</u>	<u>17,982,805</u>	<u>20,640,462</u>	<u>22,446,945</u>
400,000	330,000	-	-	-	280,000
27,192	10,296	-	-	66,204	206,200
-	-	-	-	202,632	-
<u>20,003,229</u>	<u>3,357,086</u>	<u>1,586,650</u>	<u>8,624,026</u>	<u>10,321,434</u>	<u>4,042,781</u>
<u>35,551,829</u>	<u>20,226,029</u>	<u>18,927,969</u>	<u>26,606,831</u>	<u>31,230,732</u>	<u>26,975,926</u>
<u>(607,301)</u>	<u>(2,228,638)</u>	<u>(355,162)</u>	<u>11,629</u>	<u>(4,747,181)</u>	<u>2,023,525</u>
-	-	-	-	5,900,000	-
-	-	-	-	79,131	-
483,929	26,575	43,413	372,049	854,655	62,158
<u>(483,929)</u>	<u>(26,575)</u>	<u>(43,413)</u>	<u>(372,049)</u>	<u>(854,655)</u>	<u>(62,158)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,979,131</u>	<u>0</u>
<u>(607,301)</u>	<u>(2,228,638)</u>	<u>(355,162)</u>	<u>11,629</u>	<u>1,231,950</u>	<u>2,023,525</u>
8,471,553	7,864,252	5,635,614	5,280,452	5,292,081	6,524,031
-	-	-	-	-	527,470
<u>8,471,553</u>	<u>7,864,252</u>	<u>5,635,614</u>	<u>5,280,452</u>	<u>5,292,081</u>	<u>7,051,501</u>
<u>\$7,864,252</u>	<u>\$5,635,614</u>	<u>\$5,280,452</u>	<u>\$5,292,081</u>	<u>\$6,524,031</u>	<u>\$9,075,026</u>
2.7%	2.0%	0.0%	0.0%	0.3%	2.1%

MINNESOTA VALLEY TRANSIT AUTHORITY

RATIOS OF OUTSTANDING DEBT BY TYPE

Table 5

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities			Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita Personal Income (2)
	General Obligation Bonds	Special Assessment Bonds	Gross Revenue Bonds				
2005	-	-	-	1,930,000	1,930,000	0.022%	9
2006	-	-	-	1,530,000	1,530,000	0.017%	7
2007	-	-	-	1,130,000	1,130,000	0.012%	5
2008	-	-	-	730,000	730,000	0.007%	3
2009	-	-	-	330,000	330,000	0.003%	1
2010	-	-	-	-	-	*	*
2011	-	-	-	-	-	*	*
2012	-	-	-	-	-	*	*
2013	-	-	5,900,000	-	5,900,000	0.054%	26
2014	-	-	5,620,000	-	5,620,000	0.050%	25 ⁽³⁾

Source: Minnesota Valley Transit Authority financial records

- (1) See Demographic and Economic Statistics Personal Income
- (2) See Demographic and Economic Statistics Per Capita Personal Income
- (3) Calculations completed using prior year demographic data
- * Not applicable

MINNESOTA VALLEY TRANSIT AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years
 (Unaudited)

Table 6

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Personal Income (thousands of dollars) (3)</u>	<u>K-12 Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2005	221,039	39,631	8,759,997	38,960	3.4
2006	221,660	40,984	9,084,403	38,617	3.2
2007	224,165	43,120	9,665,883	38,369	3.7
2008	224,716	44,341	9,964,132	37,974	4.5
2009	224,207	42,434	9,514,000	37,679	7.1
2010	222,381	43,868	9,755,410	37,415	6.6
2011	224,207	45,430	10,185,612	37,446	5.7
2012	225,864	48,539	10,963,100	37,209	5.0
2013	229,138	48,931	11,211,690	36,950	4.4
2014	*	*	*	*	3.7

Data sources:

- (1) Population: Metropolitan Council Population Estimates.
- (2) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.
- (3) These figures are derived by multiplying the population figure times the average of Dakota and Scott County's per capita income figures from the Bureau of Economic Analysis.
- (4) School enrollment is in ISD# 191 (Burnsville-Savage) and ISD# 196 (Rosemount-Eagan-Apple Valley). Data is compiled by the MN Department of Education.
- (5) Minnesota Department of Economic Development.

* Information is not available

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MINNESOTA VALLEY TRANSIT AUTHORITY

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Table 7

Employer	2014		Percentage of Total Cities	2005		Percentage of Total Cities
	Employees	Rank	Employment	Employees	Rank	Employment
Thomson Reuters	7,000	1	5.9%	6,000	1	5.5%
Blue Cross and Blue Shield	3,250	2	2.7%	3,300	2	3.1%
U.S. Postal Service	2,000	3	1.7%	1,570	4	1.5%
Burnsville Public Schools - ISD # 191	1,600	4	1.3%	1,500	6	1.5%
Ecolab	1,500	5	1.3%	700	9	0.6%
Independent School District # 196	1,414	6	1.2%	1,528	5	1.5%
United Parcel Service	1,400	7	1.2%	1,400	7	1.4%
UTC Aerospace (Formerly BF Goodrich)	1,400	8	1.2%	800	8	0.8%
Fairview Ridges Hospital	1,200	9	1.0%	1,700	3	1.5%
Flint Hills Resources Refinery	1,100	10	0.9%	-	-	0.0%
Total principal employees	<u>21,864</u>		<u>18.4%</u>	<u>18,498</u>		<u>16.7%</u>
Total employees in cities	<u>119,083</u>		<u>100.0%</u>	<u>110,775</u>		<u>100.0%</u>

Sources:

2014 CAFR for Dakota County and Cities of Apple Valley, Burnsville, Eagan, Rosemount and Savage

(State of Minnesota Department of Employment and Economic Development)

Met Council (Minnesota Community Profile)

MINNESOTA VALLEY TRANSIT AUTHORITY
FULL-TIME EQUIVALENT MVTA EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years
 (Unaudited)

Function	Fiscal Year			
	2005	2006	2007	2008
Transit operations	4.0	4.0	4.2	5.3
Facilities management	1.0	1.0	1.0	1.0
Administration	3.0	3.0	3.1	4.0
Total	<u>8.0</u>	<u>8.0</u>	<u>8.3</u>	<u>10.3</u>

Source: Minnesota Valley Transit Authority personnel records

Table 8

Fiscal Year					
2009	2010	2011	2012	2013	2014
6.0	6.0	6.5	6.0	5.9	5.9
1.0	1.0	1.0	1.0	1.0	1.0
4.0	4.0	4.0	4.0	4.6	5.8
11.0	11.0	11.5	11.0	11.5	12.7

MINNESOTA VALLEY TRANSIT AUTHORITY

OPERATING STATISTICS

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	2005	2006	2007	2008
System ridership:				
Minneapolis express	1,440,539	1,538,373	1,612,356	1,674,840
St. Paul express	154,502	163,791	166,936	190,215
Red Line BRT	-	-	-	-
Local	406,340	479,214	518,589	592,093
Reverse commute	33,391	44,679	45,864	48,327
Weekend	62,495	79,845	84,183	90,570
State Fair	34,378	31,316	42,104	42,838
Total system ridership	<u>2,131,645</u>	<u>2,337,218</u>	<u>2,470,032</u>	<u>2,638,883</u>
Vehicle revenue hours:				
Fixed route	93,795	100,192	101,366	104,223
Special events	**	**	**	**
Vehicle revenue miles:				
Fixed route	2,022,095	2,126,789	2,147,863	2,216,734
Special events	**	**	**	**

** Special Events Hours and Miles were not available for 2004 - 2008

BRT = Bus Rapid Transit

Source: Various governmental reports

Table 9

Fiscal Year					
2009	2010	2011	2012	2013	2014
1,535,786	1,518,411	1,563,162	1,549,198	1,585,161	1,577,581
182,386	189,350	193,969	179,435	186,095	200,851
-	-	-	-	130,733	265,514
540,714	552,850	633,963	646,467	610,617	550,153
44,911	49,920	49,236	55,055	58,647	61,856
85,127	84,317	94,979	96,256	92,328	98,990
42,088	43,085	52,874	48,952	42,835	57,320
<u>2,431,012</u>	<u>2,437,933</u>	<u>2,588,183</u>	<u>2,575,363</u>	<u>2,706,416</u>	<u>2,812,265</u>
118,125	121,541	121,286	120,829	136,014	148,942
1,088	1,128	982	1,055	1,059	1,050
2,276,781	2,420,433	2,455,288	2,451,467	2,800,574	3,059,011
25,823	27,081	24,653	26,173	26,002	27,312

MINNESOTA VALLEY TRANSIT AUTHORITY
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years
 (Unaudited)

Function/Program	Fiscal Year			
	2005	2006	2007	2008
Transit operations:				
Transit revenue vehicles - #	108	112	112	112
Maximum # of rev. vehicles in operation	83	86	90	91
Facilities management:				
Transit stations - #	3	3	4	4
Transit stations - # of parking spaces	2,704	2,704	2,962	2,962
Park & rides - # owned	3	3	3	3
Park & rides - # leased	2	1	1	2
Park & rides - # of parking spaces	1,248	1,213	1,213	1,288
Transit Station Stops - # leased	-	-	-	-
Bus garages - #	2	2	2	2
Bus garages - bus storage capacity	100	100	100	100
Bus garages - # of maintenance bays	12	12	12	12

Source: Various MVTA departments

Table 10

Fiscal Year					
2009	2010	2011	2012	2013	2014
116	118	118	124	128	128
96	99	99	99	105	106
4	5	5	6	6	6
2,962	3,226	3,226	3,348	3,348	3,348
3	3	3	3	3	3
2	2	2	1	1	1
1,288	1,288	1,288	1,213	1,213	1,213
-	-	-	-	2	2
2	2	2	2	2	2
100	100	100	100	100	150
12	12	12	12	12	15

MINNESOTA VALLEY TRANSIT AUTHORITY
OPERATING STATISTICS
FAREBOX RECOVERY PERCENTAGE AND FARE STRUCTURE
 Last Ten Fiscal Years
 (Unaudited)

Table 11

As of December 31, 2014

FAREBOX RECOVER PERCENTAGE

Year	Percentage
2005.....	28.8%
2006.....	30.4%
2007.....	31.4%
2008.....	31.5%
2009.....	31.1%
2010.....	27.9%
2011.....	28.9%
2012.....	27.4%
2013.....	25.0%
2014.....	23.7%

Definition: passenger fare revenue divided by general fund expenditures

FARE STRUCTURES

Express Routes (460-484 run Monday through Friday)

Cash Fares	Peak Hours	Nonpeak Hours
Adults (13-64)	\$ 3.00	\$ 2.25
Seniors (65+), Youth (6-12)	\$ 3.00	\$ 0.75
Children (5 and Under)	Free*	Free*
Persons with Disabilities	\$ 0.75	\$ 0.75

* When accompanied by paying adult (limit 3)

Local Routes (420-446, 489 and RedLine run Monday through Friday)
(440 began 6/13, 441 ended 6/13, 444, 445 and RedLine run weekends)

Cash Fares	Peak Hours	Nonpeak Hours
Adults (13-64)	\$ 2.25	\$ 1.75
Seniors (65+), Youth (6-12)	\$ 2.25	\$ 0.75
Children (5 and Under)	Free*	Free*
Persons with Disabilities	\$ 0.75	\$ 0.75

* When accompanied by paying adult (limit 3)

Peak Hours: Monday through Friday 6:00 a.m.-9:00a.m. and 3:00p.m.-6:30p.m.

Note: There have been no fare increases since 2008. Minnesota Valley Transit Authority does not have the ability to set fares. Fares are set for the region by Metropolitan Council.