



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended: December 31, 2021

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MINNESOTA VALLEY TRANSIT AUTHORITY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
December 31, 2021

Prepared By:
Finance Department

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MINNESOTA VALLEY TRANSIT AUTHORITY
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I. INTRODUCTORY SECTION

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April 27, 2022

Honorable Chair and Members of the Board
Minnesota Valley Transit Authority

We are pleased to submit the Minnesota Valley Transit Authority (the Authority) Comprehensive Annual Financial Report for the fiscal year ended December 31, 2021, to the Minnesota Valley Transit Authority Board of Commissioners, the citizens of this area and all interested in its financial condition. The Authority 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 the Minnesota state law requiring 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 Authority's 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 the Authority. 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 the Authority as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain an understanding of the Authority's financial position have been included. Management of the Authority has established a comprehensive internal control framework designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformance with GAAP. Because the cost of internal controls should not outweigh their benefit, the Authority'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.

The Authority'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 the Authority for the fiscal year ended December 31, 2021, 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 the Authority's financial statements for the fiscal year ended December 31, 2021, 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 Authority 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 Authority's separately issued Single Audit Report.

The Comprehensive Annual Financial Report is presented in three sections. The Introductory Section includes the transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, the Authority's organizational chart, and a list of elected and appointed officials. The Financial Section includes Management's Discussion and Analysis (MD&A), basic financial statements, required supplementary information, and individual fund statements and schedules, as well as the independent auditor's report on the basic financial statements. The Statistical Section includes selected financial and demographic information generally presented in a multi-year basis.

PROFILE OF THE GOVERNMENT

The Authority

The Minnesota Valley Transit Authority (MVTA) is the public transportation agency for seven suburbs located approximately 15 miles south of Minneapolis and St. Paul: Apple Valley, Burnsville, Eagan, and Rosemount in Dakota County, Savage, Prior Lake, and Shakopee in Scott County. The MVTA is one of several independent bus transportation agencies formed in the late 1980s under state legislation that allowed outer-ring suburbs to "opt-out" of centrally provided transportation services.

The Authority's mission is to connect customer to desired destinations. To achieve its mission, the Authority has established three principle strategies:

- Delivery mobility
- Manage the Authority'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 the Authority: to be a trusted partner in transportation, serving as an innovative leader in moving people to destinations.

Governing Body

The Authority was formed on January 1, 1991, by a joint power agreement (JPA) between the Cities of Apple Valley, Burnsville, Eagan, Prior Lake (who withdrew in 2001 and rejoined in 2014) Rosemount and Savage to provide public transit services. From its forming in 1991 until 2012, the Authority 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 Authority 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 Authority'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 staff member can also serve as the alternate commissioner. The terms of each Board member are determined by the jurisdiction making the appointment.

In 2014, the Cities of Prior Lake and Shakopee approached the Authority to merge their transit services with that operated by the Authority. After much study and discussion, the Cities of Prior Lake and Shakopee entered into a consolidation agreement with the Authority. This agreement outlines the terms and conditions of the merger. At the same time, the Authority board approved an amendment to the JPA. The amendment was formally adopted by all parties and became effective on September 9, 2014. There are now nine "Parties" to the JPA: the seven cities and two counties previously mentioned.

The Minnesota Valley Transit Authority 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 Authority. The Minnesota Valley Transit Authority Bond Board, since it provides financing for the Authority, has been included as an integral part of the Authority's financial statements. Additional information on the Minnesota Valley Transit Authority Bond Board can be found in Note 1.A. in the notes to the financial statements.

Each year, the Board of Directors elects a Chair, Vice Chair, and Secretary/Treasurer 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 Chief Executive Officer who is the official custodian of these records. The Secretary/Treasurer also serves as the Chair of the Management Committee.

The Chief Executive Officer is appointed by the Authority's Board of Commissioners to administer and supervise the day-to-day activities of the Authority 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.

Services Provided

In keeping with its vision and mission, the Authority provides fixed route transit services within the seven cities 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 the Authority's service area. The Authority services are provided by a fleet of 171 vehicles. Operations and maintenance services are provided by one private contractor working out of two bus garages.

The Authority's Budget Process

The annual operating budget serves as the basis for the Authority's financial planning and control. In late 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 Director of Finance in the fall. The requests are compiled, reviewed, and revised by the Director of Finance and Chief Executive Officer and presented to the Management Committee in November for its review and direction. Following the Management Committee meeting, the operating budget is revised based on the Committee's feedback. The proposed budget is then presented to the full Board for its approval. In spring of the following year, the budget assumptions are reviewed, and adjustments are made before an amendment is adopted. The Capital Improvement Plan (CIP) which covers a five-year period follows the same timeframe as the Operating Budget with budget preparation occurring in the summer, preliminary approval of the CIP in September or October 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 the Authority staff and adopted by the Board.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Outlook (from Minnesota Management & Budget)

According to the Department of Employment and Economic Development's (DEED's), the state of Minnesota is projected to add just under 62,000 jobs between the third quarter of 2021 and the third quarter of 2022, an expansion of 2.1% over the year. This rate of employment growth is forecasted to slow from the more robust recovery that characterized mid-2020 to mid-2021 but continues the state's march back to economic recovery. One-year employment projections forecast an average of 5,159 added jobs per month which will bring employment to 99.8% of the February 2020 pre-pandemic level by third quarter 2022. Based on forecasted growth rates, statewide employment should surpass pre-pandemic levels soon after, likely in the fourth quarter of 2022 or perhaps the first quarter of 2023.

Local Economy According to the Minnesota State Demographic Center

Dakota County: Dakota County's population increased this decade, ranking as the 8th fastest growing of the 87 counties in the state from 2010 to 2020. It is now the 3rd largest in the state.

Scott County: Scott County's population increased this decade, ranking as the 2nd fastest growing of the 87 counties in the state from 2010 to 2020. It is now the 9th largest in the state. Scott Co.'s population is expected to grow from 2023 to 2033, with a rate of change that is faster than the projected statewide growth rate (5.6%).

Annual ridership in 2021 is growing month over month, but still down from pre-pandemic levels. In 2021, ridership dropped 31% overall compared to totaling just over 631,933 rides at year-end. Minneapolis and St. Paul express service experienced the largest decrease with a 56% change and suburb to suburb express service (route 495) was down only 9%. Local and weekend service increased 3% and 8% respectively, while Connect service is experiencing continuous month over month growth since November 2020 resulting in the largest increase in ridership up almost 300% compared to 2020.

New service introduced in 2021 included: Route 442 extension to Mall of America from Burnsville via Apple Valley; Route 447 local service from Apple Valley to Mystic Lake via County Road 42 crossing Dakota and Scott County; Orange Link, local service connecting Orange Line with Burnsville Transit Station and great Burnsville area; and 4FUN express bus connecting region to Valley Fair, Canterbury Park, and Mystic Lake.

MVTA Connect is the Authority's first and only on-demand bus service. The service launched in June 2019 and originally served the cities of Savage and Burnsville. In October 2020, the Authority Connect was expanded into Apple Valley and Rosemount, creating a cohesive service area providing east-west connections between the four cities. In 2021 new stand-alone Connect service in the Eagan city boundaries began.

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 Regionally 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. The Authority has been receiving a portion of this Regionally Allocated MVST revenue. In 2021, the Authority was allocated \$22,545,445 of MVST.

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. Most of the capital funds are awarded based on competitive proposals submitted by regional providers. The Authority has developed and maintains a long-range Capital Improvement Plan (CIP) to plan for future needs and services and to support an application for the capital funds. Included in this plan are the capital expenditures necessary to sustain and improve the equipment, facilities, and technology of the Minnesota Valley Transit Authority.

Significant project activity in 2021 included the following:

- Customer Facility Improvements including rehabilitation of the Burnsville Transit Station
- Support Facility Improvements at Burnsville Bus Garage
- Revenue Vehicles to accommodate the increase in Connect Service

LONG TERM FINANCIAL PLANNING

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

- Strive to maintain the unassigned 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.

The Authority 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 Authority implemented a six-year CIP in coordination with the Metropolitan Council and their Regional Capital Plan. Each year, this CIP is submitted to the Metropolitan Council for potential inclusion in their plan.

MAJOR INITIATIVES

Minnesota Valley Transit Authority Service Planning

The Authority continued to respond to the COVID-19 Pandemic and its impact to service levels in 2021. Over the course of 2021, service levels steadily increased from 62% of pre-COVID levels to 85% by October. Operator staffing challenges, however, led to slight reductions at the end of 2021, resulting in service levels being at 83% at year-end. Service increases primarily focused on reinstating routes and trips that had previously been suspended due to the Pandemic., responding to ridership demand increases. Additional resources were also added to MVTA Connect service, including the expansion into the City of Eagan and extension of operating hours.

Connect Service in Eagan

MVTA Connect micro-transit service expanded to Eagan in October 2021. The ride on demand service operates 7 days a week in Apple Valley, Burnsville, Rosemount, Savage and now Eagan.

The new Eagan zone provides curb-to-curb travel options for Eagan residents to connect with regional bus system.

Orange Link

The MVTA was awarded funding through the 2018 Regional Solicitation process. The funding was to assist in establishing weekday local service to connect Burnsville destinations with Orange Line Phase 1 terminus in Heart of the City.

Systemwide Study

The MVTA has partnered with SouthWest Transit (SWT) in completing a systemwide study for the five years including 2022 through 2026. The purpose of the MVTA/SWT Systemwide Study is to provide a comprehensive review of current services operating by MVTA and SWT, to examine unmet needs, and to identify opportunities for additional routes or services that retain and capture new transit riders. In 2021, the study team released two preliminary scenarios of what future transit in MVTA and SWT's service areas could look like and solicited feedback from the community through online surveys. The engagement on final network design began in the fall of 2021 and will continue through spring 2022.

Fleet & Facility Achievements

Developed new special service: determined locations, created schedules, routing, maps, operational procedures, and fare, coordinated training, and collected ridership. Conducted operator survey which led to improved layover times at MOA for 442 and 444; implemented safer turning movements on new corridors for 444 and 445 routes. Operator de-escalation routines to help protect operators when faced with challenging situations

- In 2021, MVTA continued modernizing facilities at the following locations:
 - Eagan Transit Station (Phase 1), Palomino Park & Ride, Eagan Bus Garage, & Apple Valley Transit Station
 - Burnsville Transit Station and Bus Garage Office Modernizations:
 - Over \$2,000,000 in modifications to customer and staff areas to address safety/security issues, code and accessibility requirements, and Stage of Good Repair.

Health and Safety Measures

COVID safety and cleaning protocols remained in place, including the installation of fleet bipolar ionization to enhance safety for customers and staff.

Customer Safety: Safety measures included but were not limited to addition of trips to ensure adequate social distancing on buses; reduction of bus capacity to comply with social distancing guidelines and allow for adequate spacing; installation of barriers and partitions were installed on buses to ensure health and safety of passengers and drivers; adopted procedures and guidelines as recommended by the CDC on enhanced cleaning, sanitizing, and disinfecting procedures; and following state mandated order of requiring all passengers and employees to wear face masks.

- Employee Safety: The Authority Administration Department continued to implement an employee hybrid work schedule during the calendar year. Guidelines were frequently reviewed while balancing employee/customer safety and needs.

Enhanced Facility Security

Several safety and security measures were taken to improve overall safety of the Authority's community and assets. In 2021, the Authority partnered with the Transportation Security Administration (TSA) to enhance security efforts through the Security Enhancement Through Assessment (SETA) program. The SETA program is a no-cost, collaborative, voluntary program that is designed to evaluate and improve a surface transportation stakeholder's vehicle inspection

procedures. A tactical level assessment, SETA consists of covertly placing unattended bags on multiple vehicles simultaneously to simulate a coordinated terrorist attack.

The Authority prioritized SETA testing in 2021 to support of the TSA's Risk Based Security initiatives and a national strategy for performing risk mitigation activities by utilizing national security standards by mode of transportation. A multiple-phased approach, these joint assessments focus on five key elements: **Identify, Assess, Mitigate, Reassess, and Sustain.**

AWARDS

Government Finance Officers Association Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2021. This was the seventh year that the government submitted and was granted this prestigious award. 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.

Coronavirus Response and Relief Supplemental Appropriations

On December 27, 2020, the Coronavirus Response and Supplemental Appropriations Act (CRRSAA) was passed and signed into law. This Act included over \$900 billion in supplemental appropriations for COVID-19 relief, including the transit industry. Over \$14 billion in supplemental funding was appropriated for Federal Transit Administration (FTA) grantees to maintain transit service as well as supporting salaries and benefits for transit personnel due to reduced operations during an emergency.

The FTA appropriated \$185,891,087 to Minnesota's urban area transit system, which was reallocated by the Metropolitan Planning Organization through formula funding distributions, \$175,934,776 was allocated to the Metropolitan Council and \$9,956,327 allocated to regional providers.

Funds are accessed through a subrecipient grant agreement with Metropolitan Council (Council) and subsequent drawdowns. Activities eligible for CRRSA funding include administrative salaries, transit operations, planning, and capital (preventative maintenance, rolling stock, equipment, etc.). There was no limit on the amount of funds that may be used for operating expenses and funds are available until expended. Recipients were encouraged by the FTA to use the funds expeditiously.

In 2020 the Authority was awarded \$6.1M of Coronavirus Aid, Relieve and Economic Security (CARES) Act funds and in 2021 \$5.0M of CRRSA Act funds. The CARES funds were exhausted in FY 2020 and the CRRSA funds were not passed through by the Metropolitan Council until September 2021, however the Authority was able to fully utilize the funding through operation reimbursements in 2021.

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 the Authority's Board for their dedication and commitment to maintaining the financial integrity of the organization and guiding decision-making that protects the Authority's financial position.

Respectfully submitted,



Luther Wynder
Chief Executive Officer



Tania Wink
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Minnesota Valley Transit Authority

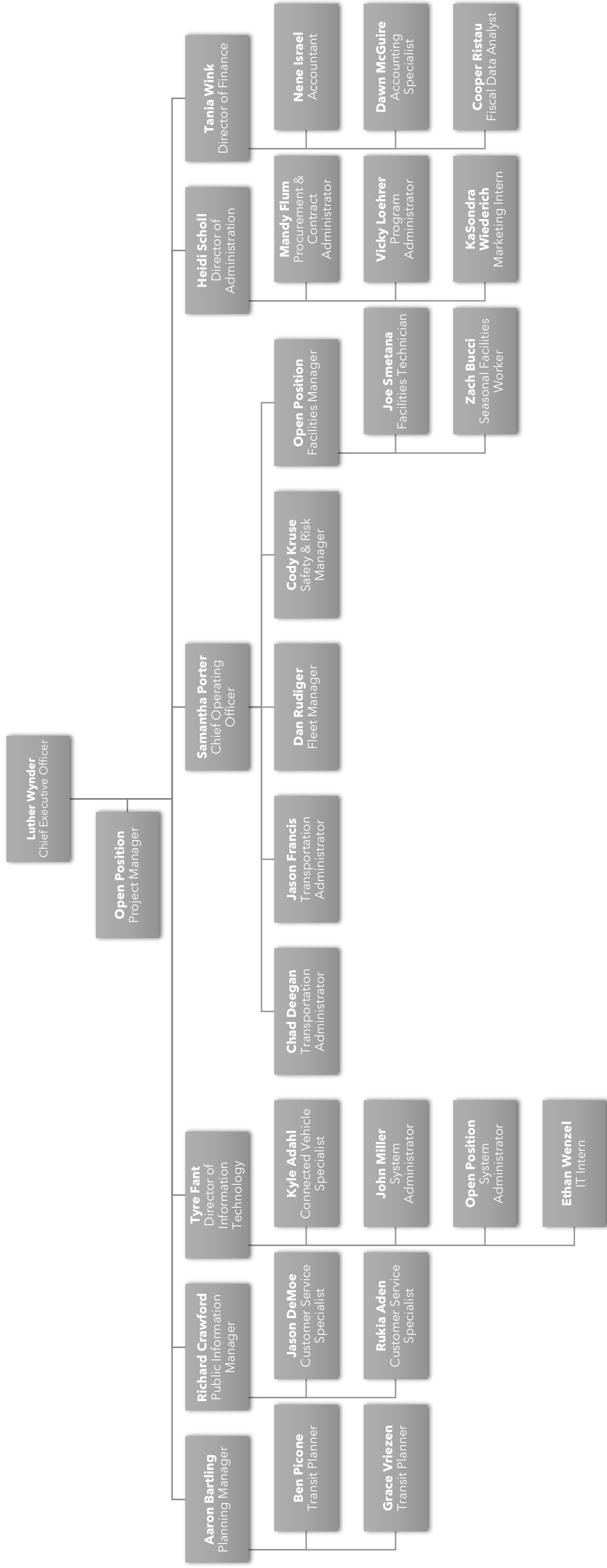
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morrill

Executive Director/CEO

MINNESOTA VALLEY TRANSIT AUTHORITY
Organizational Chart as of December 31, 2021



MINNESOTA VALLEY TRANSIT AUTHORITY

ELECTED AND APPOINTED OFFICIALS

December 31, 2021

<u>Elected Officials</u>	<u>Position</u>	<u>Community/County Represented</u>	<u>Term Expires</u>
Clint Hooppaw	Chairperson	Apple Valley	*
Kevin Burkart	Vice Chairperson	Prior Lake	*
Jon Ulrich	Secretary/Treasurer	Scott County	*
Gene Abbott	Board Member	Savage	*
Gary Hansen	Board Member	Eagan	*
Tammy Block	Board Member	Rosemount	*
Dan Kealey	Board Member	Burnsville	*
Jay Whiting	Board Member	Shakopee	*

Administration

Luther Wynder, Chief Executive Director

Tania Wink, Director of Finance

*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 Honorable Chair and Members of the Board
Minnesota Valley Transit Authority
Burnsville, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Minnesota Valley Transit Authority (the Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on Summarized Comparative Information

We have previously audited the Authority's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated April 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The individual fund financial schedule is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2022 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Redpath and Company Ltd." in a cursive, flowing script.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 27, 2022

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MINNESOTA VALLEY TRANSIT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

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, 2021. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Minnesota Valley Transit Authority (the Authority) exceeded its liabilities and deferred inflows at the close of the fiscal year 2021 by \$63,671,680 (net position). Of this amount, \$14,841,735 (unrestricted net position) may be used to meet the government's ongoing obligations to customers and creditors.
- The Authority's net position increased by \$318,276.
- As of the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$16,355,507, a decrease of 2,076,824 in comparison with the prior year. The unassigned fund balance at the end of 2021 was \$5,433,427.
- At the end of the current fiscal year, unrestricted (committed, assigned and unassigned) fund balance for the general fund was \$15,626,607, or 54.2% of total general fund expenditures at 2021 levels.
- In 2021, the Authority's outstanding bonded debt decreased by \$1,120,000, from \$3,540,000 to \$2,420,000, primarily related to a debt refunding.
- The Authority received \$22,545,445 in Motor Vehicle Sales Tax (MVST) revenue in 2021, which consisted of \$22,545,445 of MVST revenue passed through the Metropolitan Council according to MN Statutes.

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 36 – 37 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 2021 – the General Fund, the Capital Projects Fund and the Debt Service Fund.

The Authority adopts an annual budget for its General Fund and its Debt Service Fund. Budgetary comparison statements have been provided for the General Fund and Debt Service Fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 38– 41 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 43 – 62 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 \$63,671,680 at the close of fiscal year 2021.

The largest portion of the Authority’s net position (75.9%) 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 Authority’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 Authority’s net position (0.8%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of the Authority’s net position is unrestricted (23.3%). This is the amount available to meet the Authority’s ongoing obligations to its riders and creditors.

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

	2021	2020
Current and Other Assets	\$21,362,533	\$21,393,625
Capital Assets, net of depreciation	51,337,338	50,116,669
Total Assets	72,699,871	71,510,294
 Total deferred outflows of resources	 933,805	 271,537
Long-term Liabilities Outstanding	3,451,178	4,909,696
Other Liabilities	5,444,798	3,455,987
Total Liabilities	8,895,976	8,365,683
 Total deferred inflows of resources	 1,066,020	 62,744
 Net Position:		
Net Investment in Capital Assets	48,344,203	46,497,057
Restricted for Debt Service	485,742	764,913
Unrestricted	14,841,735	16,091,434
Total Net Position	63,671,680	63,353,404

Governmental Activities – Governmental activities increased the Authority’s net position by \$318,276. Revenues in 2021 were \$31,513,986, or a decrease of \$1,614,885 from 2020. Expenses increased by \$2,231,761 to bring the total 2021 expenses to \$31,195,710. The net result is an increase in net position of \$318,276. The key elements of this increase are as follows:

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

	2021	2020
Revenues:		
Program Revenues:		
Charges for Services	\$1,189,895	\$1,574,463
Operating Grants and Contributions	5,987,100	9,913,725
Capital Grants and Contributions	1,494,611	2,614,615
General Revenues:		
Motor Vehicle Sales Tax	22,545,445	18,775,395
Revenues not Restricted to Specific Programs	295,433	185,639
Unrestricted Investment Earnings	1,502	65,034
Total Revenues	\$31,513,986	\$33,128,871
	2021	2020
Expenses:		
Transit Operations	\$21,652,837	\$18,000,046
Facilities Management	4,814,814	6,584,638
Administration	4,580,857	4,228,257
Interest on Long-Term Debt	147,202	151,008
Total Expenses	31,195,710	28,963,949
Change in Net Position	318,276	4,164,922
Net Position – January 1	63,353,404	59,188,482
Net Position – December 31	\$63,671,680	\$63,353,404

Revenue Changes

- Charges for Services decreased \$384,568 in 2021. Ridership decreased in 2021, down 30.5% compared to 2020. This significant decrease was due to the continuing impacts of COVID-19 on ridership.
- Operating Grants and Contributions decreased \$3,926,625. The Authority receives grants to operate federally- and state-funded expansion service along with some contracted service. The funding consisted of \$5.0M which was awarded to the Authority by the Federal Transit Administration through a subrecipient grant agreement with Metropolitan Council.
- Capital Grants and Contributions decreased \$1,120,004. This decrease is primarily due to the completion of the Apple Valley Transit Station Modernization project.
- The Authority received \$3,770,050 more in Motor Vehicle Sales Tax (MVST) revenue in 2021 compared to 2020 due to increased MVST collections allocated to the Authority.
- Revenues not Restricted to Specific Programs increased \$109,794, primarily due to a claims reimbursement received for \$99,585.
- Investment earnings decreased \$63,532 due to the impact of COVID-19 on the Financial Market for the majority of the year.

Expense Changes

- Transit Operating costs, which comprised approximately 69.4 % of the expenses, increased by \$3,652,791; 20.3% over last year. This increase is primarily due to rise in service levels, rise in fuel costs, and COVID-19 cleaning protocols.
- Facilities Management expenses decreased in 2021 by \$1,769,824 or 26.9%. This decrease is due to supply chain and labor shortages.
- The Authority's 2021 Administrative expenses grew by \$352,600 when compared to 2020, this is due to increase in salaries and benefits, insurance, and marketing and advertising. are the primary drivers in this expense category.
- Interest on long-term debt decreased by \$3,806 over 2020.

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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$16,355,507, a decrease of \$2,076,824 in comparison with the prior year. The unassigned fund balance at the end of 2021 was \$5,433,427, which is available for spending at the Authority's discretion. The remainder of the fund balance is *nonspendable* (\$547,551) 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 capital projects fund, *restricted* (\$499,229) to pay for debt service, *committed* (\$481,187) for insurance reserves as imposed by formal action by the board, and *assigned* (\$9,394,113) for use of fund balance for 2021 budgeted expenditures as designated by the board.

Fund balance decreased by \$1,700,151 in the General Fund to \$15,856,278, decreased from \$98,543 to \$0 in the Capital Projects Fund, and decreased by \$278,130 in the Debt Service Fund to \$499,229.

- Revenues were under expenditures and other financing uses by \$1,700,151 in the General Fund. This was primarily due to a transfer from the general fund to the capital projects fund for \$1,814,235 and to the debt service fund for \$500,000. The result was a net decrease in the fund balance of the General Fund of \$1,700,151.
- Revenues and other financing sources were under expenditures by \$98,543 in the Capital Projects Fund, resulting in a decrease to the fund balance by the same amount.
- Revenues and other financing sources were under expenditures and other financing uses in the Debt Service Fund by \$278,130, resulting in a decrease to the fund balance by the same amount.

The combination of the above transactions resulted in a decrease in the combined fund balance of \$2,076,824.

Revenue Changes from Budget

The Authority has four major categories of revenue: motor vehicle sales tax, charges for services (mainly passenger fares), operating grants, and other revenue. Motor vehicle sales taxes accounted for 77% of the revenue and operating grants made up 19%. These two revenue groupings accounted for 96% of the Authority’s revenue. Charges for services made up 4% of the revenue with the remainder coming from other revenues.

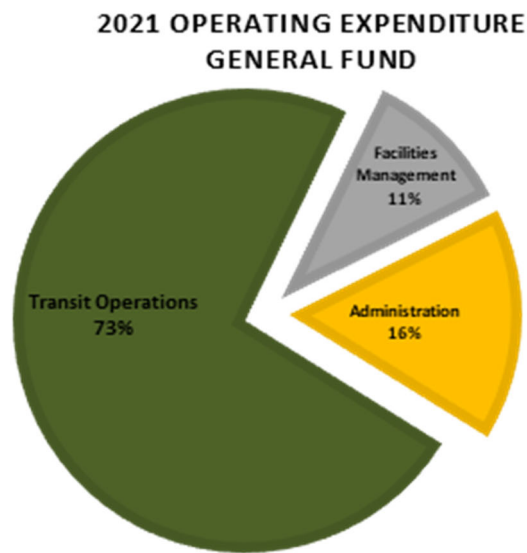


During the fiscal year, actual revenues were higher than budgetary estimated revenues by \$2,102,123. The increase in revenues is primarily due to increased motor vehicle sales tax receipts as a result of continued growth in consumer spending.

Expenditure Changes from Budget

Actual operating expenditures were \$6,091,860 less than the Final Budget due supply chain and labor shortages and uncertainties surrounding timing of revenue receipts resulting in a decision to pause certain project actions in order to further evaluate capital infrastructure affordability.

The General Fund expenditures were \$28,843,739 for the year (excluding transfers out of \$2,314,235). The majority of the costs were from providing transit services to the area's citizens. These accounted for 73% of the expenditures or \$21,154,629. Administrative functions cost the agency \$4,639,473 or 16% of the expenses. Facilities operation and maintenance activities accounted for the 11% with capital outlay and debt service making up the remaining < 1%. The following chart depicts this information.



GENERAL FUND BUDGETARY HIGHLIGHTS

The budget was amended in 2021. In Intergovernmental Revenue, the budget was increased by \$6,998,398 primarily due to Motor Vehicle Sales Tax receipts forecast and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA).

The 2021 General Fund revenues were \$2,102,123 over the final budget and 2021 General Fund expenditures were \$6,091,860 under budget creating a \$8,193,983 favorable variance to the 2021 Final Budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The Authority’s investment in capital assets as of December 31, 2021 amounts to \$48,344,203 (net of accumulated depreciation and related debt). This investment in capital assets includes land, land improvements including parking decks and fencing, buildings and improvements, equipment and transit vehicles. The increase in the Authority’s investment in capital assets for the current fiscal year was 4.0%.

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

- Burnsville Transit Station Renovation Project
- Burnsville Bus Garage Office Renovation Project
- Connect Micro-Transit Buses

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

	2021	2020	Incr./ (Decr.)
Land	\$10,296,809	\$10,296,809	\$0
Land Improvements	16,549,551	17,442,888	(893,337)
Buildings and Improvements	17,348,957	17,076,410	272,547
Furniture and Equipment	1,426,751	160,598	1,266,153
Transit Vehicles	3,135,399	3,194,516	(59,117)
Construction in Progress	2,579,871	1,945,448	634,423
Total	\$51,337,338	\$50,116,669	\$1,220,669

Additional information on the Authority’s capital assets can be found in Note 3 on page 52 of this report.

Long-Term Debt – On August 19, 2021, the Authority issued the \$2,420,000 Gross Revenue Refunding Bonds to refund the 2013 Gross Revenue Bonds. The 2013 Gross Revenue Bonds were issued to pay for the expansion of the Eagan Bus Garage. The 2013 bond contained an average interest rate of 3.98% and was sold at a premium of \$79,131. The 2021 bond contained an average interest rate of 1.52% with no premium or discount. The Authority refunded the 2013 Gross Revenue Bonds to reduce its future total debt service payments by \$1,165,139 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,102,298. The entire amount of the reissue proceeds, plus the \$534,350 funds held with the fiscal agent and \$500,000 paid in cash by the Authority, was used to call the \$3,155,000 outstanding balance of the 2013 Gross Revenue Bonds (\$3,540,000 less \$385,000 principal paid in 2021). The Authority’s gross revenues, consisting primarily of motor vehicle sales taxes, passenger fares and pass-through 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 pages 53-55 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During 2021, the COVID-19 pandemic continued to impact the Minnesota Valley Transit Authority (MVTA), as it has public transportation throughout the country. The MVTA has kept service running while ensuring the cleanest, healthiest commute possible for our customers. We continue to adopt our mission of Connecting customers to their desired destinations even in these unprecedented times.

Despite the pandemic, this year has been a time of progress and accomplishments for MVTA. The authority remains committed to recapitalization of infrastructure and investing in our communities. commitment to its riders and the communities we serve continues through fiscal year 2022.

MVTA's General Fund balance ended 2021 in a very strong financial position with an ending fund balance of \$15,856,278. While fare revenue continues to be depressed in 2022, Public Funding has seen significant growth due to increased sales tax receipts and coronavirus rescue and recovery stimulus grants and contributions.

Historically, MVTA's operating revenue has resulted in a surplus, primarily due to MVTA's strategy of maintaining readiness for a range of possible revenue situations, remaining engaged with local, state, and federal governments regarding the potential for additional funding.

The Authority's 2022 General Fund revenues are currently budgeted at \$27,692,001, an increase of \$336,301 compared to 2021 final budget. The 2022 General Fund budget incorporates all financial policies, assumptions, revenue forecasts, and program cost estimates needed to calculate cash flows, debt financing, and key performance indicators (e.g., cash balances and farebox recovery ratio) over the fiscal year. Operations and maintenance costs are projected as part of the annual budget process, taking into account all scheduled service expansions. Some purchased transportation costs are inflated at a higher rate based on historical experience or known contract increases. Non-labor operating costs are inflated using the Consumer Price Index (CPI-U Minneapolis). Labor costs are inflated according to Cost of Living Adjustment rate and historical average normalized wage growth.

The Authority's 2022 budgeted expenditures in the General Fund are \$34,627,570. This is a 20.5% increase or \$5,783,831 over the 2021 actuals of \$28,843,739. The increase in the budget from actuals is primarily due to two categories: Transit Operations and Capital Cost of Operating which allocates over \$3,500,000 in expenses towards the State of Good Repair at various facilities. The 2022 budget is 0.8% or \$254,317 under the 2021 final budget. The decrease in the budget is primarily due to reduction in operational expenses as they relate to in-house facilities maintenance projects .

The 2022 Operating Budget results in a decrease of approximately \$6,775,569 in the Authority's fund balance and 4 months or 33% of next year's expenditures assuming 2022 results come in as budgeted.

The Metropolitan Council' "Regional Transit 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:

- Preserve existing services
- Ensure adequate fund balances among providers (minimum 25% for suburban transit providers)
- Expand transit services based on regional priorities

The 2022 Operating budget reflects the continued impact of the COVID-19 pandemic with an estimated operating budget gap of \$9,234,114. To balance the 2022 Operating budget and meet Metropolitan Council's fund balance minimum of 25%, MVTA allocated reserves to offset the revenue gap.

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, fluctuations in vehicle sales, and the unprecedented decline in ridership as a result of the COVID-19 Pandemic. However, Motor Vehicle Sales Taxes are now dedicated to transportation needs and the Authority 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.

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 2021, the Authority's unassigned fund balance was sufficient to cover 3 months of 2022 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 Chief Executive Officer, Luther Wynder, 100 East Highway 13, Burnsville, MN 55337.

BASIC FINANCIAL STATEMENTS

MINNESOTA VALLEY TRANSIT AUTHORITY
STATEMENT OF NET POSITION
December 31, 2021
With Comparative Totals For December 31, 2020

Statement 1

	Governmental Activities	
	2021	2020
Assets:		
Current assets:		
Cash and investments	\$18,093,921	\$15,093,877
Restricted cash	224,576	771,382
Accrued interest	-	9,041
Due from other governments	2,432,005	4,912,443
Accounts receivable	64,480	6,205
Prepaid items	499,078	545,392
Inventories	48,473	55,285
Capital assets, net of related depreciation:		
Land	10,296,809	10,296,809
Construction in progress	2,579,871	1,945,448
Land improvements	16,549,551	17,442,888
Buildings and improvements	17,348,957	17,076,410
Transit vehicles	1,426,751	160,598
Furniture and equipment	3,135,399	3,194,516
Total assets	<u>72,699,871</u>	<u>71,510,294</u>
Deferred outflows of resources:		
Related to pensions	933,805	271,537
Liabilities:		
Accounts payable	4,661,778	2,778,315
Contracts payable	162,000	-
Due to other governments	20,076	22,796
Salaries and benefits payable	113,045	88,947
Accrued interest payable	13,487	12,446
Unearned revenue	50,127	71,236
Compensated absences payable:		
Due within one year	81,145	60,376
Due in more than one year	213,887	189,109
Bonds payable:		
Due within one year	340,000	385,000
Due in more than one year	2,080,000	3,194,601
Capital lease payable:		
Due within one year	3,140	36,871
Due in more than one year	-	3,140
Net pension liability:		
Due in more than one year	1,157,291	1,522,846
Total liabilities	<u>8,895,976</u>	<u>8,365,683</u>
Deferred inflows of resources:		
Related to pensions	1,066,020	62,744
Net position:		
Net investment in capital assets	48,344,203	46,497,057
Restricted for debt service	485,742	764,913
Unrestricted	14,841,735	16,091,434
Total net position	<u>\$63,671,680</u>	<u>\$63,353,404</u>

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

MINNESOTA VALLEY TRANSIT AUTHORITY

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2021

With Comparative Totals For The Year Ended December 31, 2020

Statement 2

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	
					2021	2020
Governmental activities:						
Transit operations	\$21,652,837	\$1,117,947	\$5,457,601	\$1,486,241	(\$13,591,048)	(\$6,388,532)
Facilities management	4,814,814	71,948	385,000	8,370	(4,349,496)	(4,252,323)
Administration	4,580,857	-	2,849	-	(4,578,008)	(4,224,183)
Interest on long-term debt	147,202	-	141,650	-	(5,552)	3,892
Total governmental activities	<u>\$31,195,710</u>	<u>\$1,189,895</u>	<u>\$5,987,100</u>	<u>\$1,494,611</u>	<u>(22,524,104)</u>	<u>(14,861,146)</u>
General revenues:						
Intergovernmental revenues not restricted to specific programs:						
Motor vehicle sales tax					22,545,445	18,775,395
Revenues not restricted to specific programs:						
Advertising and concession revenues					160,890	155,799
Other					134,543	29,840
Unrestricted investment earnings:					1,502	65,034
Total general revenues					<u>22,842,380</u>	<u>19,026,068</u>
Change in net position					318,276	4,164,922
Net position - beginning					<u>63,353,404</u>	<u>59,188,482</u>
Net position - ending					<u>\$63,671,680</u>	<u>\$63,353,404</u>

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

MINNESOTA VALLEY TRANSIT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021
With Comparative Totals For December 31, 2020

Statement 3

	General Fund	Capital Projects	Debt Service	Total Governmental Funds	
				2021	2020
Assets					
Cash and investments	\$18,093,921	\$ -	\$ -	\$18,093,921	\$15,093,877
Restricted cash	-	-	224,576	224,576	771,382
Accrued interest	-	-	-	-	9,041
Due from other funds	-	-	207,678	207,678	1,318,727
Due from other governmental units	1,948,884	416,146	66,975	2,432,005	4,912,443
Accounts receivable	64,480	-	-	64,480	6,205
Inventory	48,473	-	-	48,473	55,285
Prepaid items	181,198	317,880	-	499,078	545,392
Total assets	<u>\$20,336,956</u>	<u>\$734,026</u>	<u>\$499,229</u>	<u>\$21,570,211</u>	<u>\$22,712,352</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$4,091,783	\$569,995	\$ -	\$4,661,778	\$2,778,315
Contracts payable	162,000	-	-	162,000	-
Due to other funds	43,647	164,031	-	207,678	1,318,727
Due to other governments	20,076	-	-	20,076	22,796
Salaries and benefits payable	113,045	-	-	113,045	88,947
Unearned revenue	50,127	-	-	50,127	71,236
Total liabilities	<u>4,480,678</u>	<u>734,026</u>	<u>0</u>	<u>5,214,704</u>	<u>4,280,021</u>
Fund balance:					
Nonspendable	229,671	317,880	-	547,551	598,562
Restricted	-	-	499,229	499,229	777,359
Committed	481,187	-	-	481,187	193,632
Assigned	9,394,113	-	-	9,394,113	8,858,314
Unassigned	5,751,307	(317,880)	-	5,433,427	8,004,464
Total fund balance	<u>15,856,278</u>	<u>0</u>	<u>499,229</u>	<u>16,355,507</u>	<u>18,432,331</u>
Total liabilities and fund balance	<u>\$20,336,956</u>	<u>\$734,026</u>	<u>\$499,229</u>	<u>\$21,570,211</u>	<u>\$22,712,352</u>
Fund balance reported above				\$16,355,507	\$18,432,331
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.				51,337,338	50,116,669
Deferred outflows of resources - pension related are not current financial resources and, therefore, are not reported in the funds.				933,805	271,537
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds:					
Accrued interest payable				(13,487)	(12,446)
Bonds payable				(2,380,399)	(3,540,000)
Unamortized bond premium				(39,601)	(39,601)
Capital lease payable				(3,140)	(40,011)
Compensated absences				(295,032)	(249,485)
Net pension liability				(1,157,291)	(1,522,846)
Deferred inflows of resources - pension related are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.				(1,066,020)	(62,744)
Net position of governmental activities				<u>\$63,671,680</u>	<u>\$63,353,404</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, 2021

With Comparative Totals For The Year Ended December 31, 2020

	General Fund	Capital Projects	Debt Service	Total Governmental Funds	
				2021	2020
Revenues:					
Intergovernmental	\$28,003,046	\$1,494,611	\$526,650	\$30,024,307	\$31,299,661
Passenger fares	1,117,947	-	-	1,117,947	1,512,737
Advertising income	128,890	-	-	128,890	110,799
Investment income	1,449	-	53	1,502	65,034
Miscellaneous	206,491	-	-	206,491	91,566
Total revenues	<u>29,457,823</u>	<u>1,494,611</u>	<u>526,703</u>	<u>31,479,137</u>	<u>33,079,797</u>
Expenditures:					
Current:					
Transit operations	21,117,272	-	-	21,117,272	17,641,283
Facilities management	1,869,087	-	-	1,869,087	1,662,457
Administration	4,436,280	-	-	4,436,280	4,050,634
Capital outlay:					
Transit operations	37,357	1,580,501	-	1,617,858	319,502
Facilities management	1,142,750	1,826,888	-	2,969,638	2,264,662
Administration	203,193	-	-	203,193	-
Debt Service:					
Principal	36,871	-	1,120,000	1,156,871	405,427
Interest	929	-	116,720	117,649	157,273
Issuance expense	-	-	68,113	68,113	-
Total expenditures	<u>28,843,739</u>	<u>3,407,389</u>	<u>1,304,833</u>	<u>33,555,961</u>	<u>26,501,238</u>
Revenues over (under) expenditures:	<u>614,084</u>	<u>(1,912,778)</u>	<u>(778,130)</u>	<u>(2,076,824)</u>	<u>6,578,559</u>
Other financing sources (uses):					
Transfers in	-	1,814,235	500,000	2,314,235	-
Transfers out	(2,314,235)	-	-	(2,314,235)	-
Refunding bonds issued	-	-	2,420,000	2,420,000	-
Payment to refunded bond escrow agent	-	-	(2,420,000)	(2,420,000)	-
Total other financing sources (uses)	<u>(2,314,235)</u>	<u>1,814,235</u>	<u>500,000</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(1,700,151)	(98,543)	(278,130)	(2,076,824)	6,578,559
Fund balance - January 1	<u>17,556,429</u>	<u>98,543</u>	<u>777,359</u>	<u>18,432,331</u>	<u>11,853,772</u>
Fund balance - December 31	<u>\$15,856,278</u>	<u>\$0</u>	<u>\$499,229</u>	<u>\$16,355,507</u>	<u>\$18,432,331</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
For The Year Ended December 31, 2021
With Comparative Totals For The Year Ended December 31, 2020

Statement 5

	2021	2020
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)	(\$2,076,824)	\$6,578,559
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	4,790,689	2,584,164
Less capital outlay not capitalized	(224,986)	(589,533)
Less prior year capital outlay not capitalized	(48,782)	(1,763,700)
Depreciation expense	(3,296,252)	(2,980,474)
Loss on disposal	-	(32,982)
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:		
Refunding bond issuance	(2,420,000)	-
Principal payments on long-term debt	1,120,000	370,000
Payment to escrow agent for principal refunded	2,420,000	-
Principal payments on capital lease	36,871	35,427
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	(1,041)	925
Change in compensated absences payable	(45,547)	(65,783)
Amortization of bond premium	39,601	5,340
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities. This is the amount by which pension expense exceeded pension contributions:		
Pension contribution	151,916	142,816
Pension expense	(127,369)	(119,837)
Change in net position of governmental activities (statement 2)	\$318,276	\$4,164,922

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
For The Year Ended December 31, 2021
With Comparative Actual Amounts For The Year Ended December 31, 2020

Statement 6

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
Revenues:					
Intergovernmental	\$19,272,602	\$26,271,000	\$28,003,046	\$1,732,046	\$28,160,146
Passenger fares	2,100,000	820,200	1,117,947	297,747	1,512,737
Advertising income	50,000	100,000	128,890	28,890	110,799
Investment income	45,000	10,000	1,449	(8,551)	62,659
Miscellaneous	70,000	154,500	206,491	51,991	91,566
Total revenues	<u>21,537,602</u>	<u>27,355,700</u>	<u>29,457,823</u>	<u>2,102,123</u>	<u>29,937,907</u>
Expenditures:					
Current:					
Transit operations	21,430,030	22,934,192	21,117,272	1,816,920	17,641,283
Facilities management	1,925,270	2,323,220	1,869,087	454,133	1,662,457
Administration	5,240,616	6,299,850	4,436,280	1,863,570	4,050,634
Capital outlay	1,800,000	3,378,337	1,383,300	1,995,037	61,673
Debt Service:					
Principal	-	-	36,871	(36,871)	35,427
Interest	-	-	929	(929)	2,373
Total expenditures	<u>30,395,916</u>	<u>34,935,599</u>	<u>28,843,739</u>	<u>6,091,860</u>	<u>23,453,847</u>
Revenues over (under) expenditures	<u>(8,858,314)</u>	<u>(7,579,899)</u>	<u>614,084</u>	<u>8,193,983</u>	<u>6,484,060</u>
Other financing sources (uses):					
Transfers out	<u>-</u>	<u>-</u>	<u>(2,314,235)</u>	<u>(2,314,235)</u>	<u>-</u>
Net change in fund balance	<u><u>(\$8,858,314)</u></u>	<u><u>(\$7,579,899)</u></u>	<u>(1,700,151)</u>	<u>\$5,879,748</u>	<u>6,484,060</u>
Fund balance - beginning			<u>17,556,429</u>		<u>11,072,369</u>
Fund balance - ending			<u><u>\$15,856,278</u></u>		<u><u>\$17,556,429</u></u>

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

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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 Authority Bond Board was established by an amendment to the joint powers agreement. The Authority 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. 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. During 2021, the Authority Bond Board issued the 2021 Gross Revenue Refunding Bonds in the amount of \$2,420,000, to refund the 2013 Gross Revenue Bonds.

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. 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 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 and 2021 Gross Revenue Refunding 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.

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

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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% minimum 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 and Debt Service Fund. The budget is prepared on a basis consistent with U.S. generally accepted accounting principles. Budget amounts are amended only upon approval of the authority's Board of Commissioners. The legal level of budgetary control is at the fund level for the General Fund and Debt Service Fund. 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, except for investments in external investment pools that meet GASB 79 requirements, which are stated at amortized cost. Investment income is accrued at the balance sheet date.

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 2021, but not paid until 2022 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 \$34,800 and parts inventory totaled \$13,673 at December 31, 2021, and both are accounted for using the purchases method. The fuel inventory is valued based on weighted average prices for fuel during December 2021. The valuation for the parts inventory is based on the purchase price of the parts.

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) and having a useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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 equipment	3-15
Vehicles	5-12
Land 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 the employee's HCSP account at a rate of 100% for the first 144 hours of sick leave and 50% for any additional balance, with no maximum. 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.

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.

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.

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 GAAP. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2020, 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. The Authority has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources reported in the government-wide Statement of Net Position.

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. The Authority has one item that qualifies for reporting in this category. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Position.

Q. DEFINED BENEFIT PENSION PLANS

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to and deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

As of December 31, 2021, the Authority had \$165 of petty cash on hand.

B. INVESTMENTS

As of December 31, 2021, the Authority had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1-5	6-10
External investment pool - 4M Liquid Assets Fund	N/R	\$12,255,287	\$12,255,287	\$ -	\$ -
External investment pool - 4M Plus Fund	N/R	4,067,245	4,067,245	-	-
External investment pool - 4M Term Series	N/R	1,995,800	1,995,800	-	-
Total investments		18,318,332	\$18,318,332	\$0	\$0
Petty cash		165			
Total		\$18,318,497			

N/R - not rated

Deposits and investments are presented in the December 31, 2021 basic financial statements as follows:

Statement of net position:

Cash and investments	\$18,093,921
Restricted cash	224,576
Total	\$18,318,497

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 fair value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Subject to rating, yield, maturity and issuer requirements as prescribed by statute, Minnesota Statutes 118A.04 and 118A.05 authorize the Authority to invest in United States securities, state and local securities, commercial paper, time deposits, high-risk mortgage-backed securities, temporary general obligation bonds, repurchase agreements, Minnesota joint powers investment trust and guaranteed investment contracts.

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets; Level 2 investments are valued using inputs that are based on quoted market prices for similar assets or inputs that are observable, either directly or indirectly; Level

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3 investments are valued using inputs that are unobservable. The Authority does not have investments subject to categorization.

The Authority's external investment pool investments are with the 4M Fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated pool and the fair value of the position in the pool is the same as the value of pool shares.

The pool is managed to maintain a portfolio weighted average maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1. The pool measures their investments in accordance with Government Accounting Standards Board Statement No. 79, at amortized cost.

The 4M Liquid Asset Fund has no redemption requirements. The 4M Plus Fund requires funds to be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period are subject to a penalty equal to seven days interest on the amount withdrawn. The 4M Term Series are designed for each investment to be held for the full term of that series. If an investment made in a Term Series is withdrawn prior to the maturity date of that Series, seven days' notice of redemption is required and a penalty will likely be assessed.

DEPOSIT/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 fair value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. As of December 31, 2021, 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 on the previous page. The Authority's investment policy does not place further restrictions on investment options.

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 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.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$10,296,809	\$ -	\$ -	\$10,296,809
Construction in progress	1,945,448	4,745,211	(4,110,788)	2,579,871
Total capital assets, not being depreciated	<u>12,242,257</u>	<u>4,745,211</u>	<u>(4,110,788)</u>	<u>12,876,680</u>
Capital assets, being depreciated:				
Land improvements	32,881,061	263,679	(3,632,707)	29,512,033
Buildings and improvements	35,356,873	1,630,734	(4,629,902)	32,357,705
Transit vehicles	1,226,425	1,517,810	(914,576)	1,829,659
Furniture and equipment	9,132,044	470,275	(4,105,952)	5,496,367
Total capital assets, being depreciated	<u>78,596,403</u>	<u>3,882,498</u>	<u>(13,283,137)</u>	<u>69,195,764</u>
Less accumulated depreciation for:				
Land improvements	15,438,173	1,157,016	(3,632,707)	12,962,482
Buildings and improvements	18,280,463	1,358,187	(4,629,902)	15,008,748
Transit vehicles	1,065,827	251,657	(914,576)	402,908
Furniture and equipment	5,937,528	529,392	(4,105,952)	2,360,968
Total accumulated depreciation	<u>40,721,991</u>	<u>3,296,252</u>	<u>(13,283,137)</u>	<u>30,735,106</u>
Total capital assets being depreciated - net	<u>37,874,412</u>	<u>586,246</u>	<u>0</u>	<u>38,460,658</u>
Governmental activities capital assets - net	<u>\$50,116,669</u>	<u>\$5,331,457</u>	<u>(\$4,110,788)</u>	<u>\$51,337,338</u>

Depreciation expense was charged to functions/programs of the Authority as shown below.

Governmental activities:	
Transit operations	\$333,433
Facilities management	2,892,237
Administration	<u>70,582</u>
Total depreciation expense - governmental activities	<u>\$3,296,252</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 \$68,771,846 and \$34,586,196, respectively. The assets are not included in the Authority's capital assets as disclosed above.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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, 2021, the long-term debt of the financial reporting entity consisted of the following:

	Issue Date	Final Maturity Date	Authorized and Issued	Interest Rate	Outstanding 12/31/2021
Governmental activities:					
Gross Revenue Refunding Bonds, Series 2021	8/19/21	6/1/28	\$2,420,000	1.52%	\$2,420,000
Capital Lease - Radio Equipment	2/14/17	2/1/22	171,042	4%	3,140
Compensated absences payable	N/A	N/A	N/A	N/A	295,032
Total governmental activities					<u>\$2,718,172</u>

Governmental Activities	
Gross Revenue Refunding Bonds, Series 2021	
	Interest
2022	\$44,622
2023	29,070
2024	23,940
2025	18,734
2026	13,452
2027-2028	10,868
	<u>\$140,686</u>

On August 19, 2021, the Authority issued the \$2,420,000 Gross Revenue Refunding Bonds, Series 2021, with an interest rate of 1.52%. The proceeds were used to refund the Gross Revenue Bonds, Series 2013, which had an average interest rate of 3.98%. The entire amount of the reissue proceeds, plus the \$534,350 funds held with the fiscal agent and \$500,000 paid in cash by the Authority, was used to call the \$3,155,000 outstanding balance of the 2013 Gross Revenue Bonds (\$3,540,000 less \$385,000 principal paid in 2021). The Authority refunded the 2013 Gross Revenue Bonds to reduce its future total debt service payments by \$1,165,139 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,102,298. The 2013 Gross Revenue Bond was used 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.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Gross Revenue Bonds, Series 2013	\$3,540,000	\$ -	(\$3,540,000)	\$ -	\$ -
Gross Revenue Refunding Bonds, Series 2021	-	2,420,000	-	2,420,000	340,000
Capital Lease - Radio Equipment	40,011	-	(36,871)	3,140	3,140
Compensated Absences	249,485	213,340	(167,793)	295,032	81,145
Subtotal	3,829,496	2,633,340	(3,744,664)	2,718,172	\$424,285
Bond issuance premium	39,601	-	(39,601)	-	
Total	<u>\$3,869,097</u>	<u>\$2,633,340</u>	<u>(\$3,784,265)</u>	<u>\$2,718,172</u>	

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

CAPITAL LEASE PAYABLE

On February 14, 2017, the Authority entered into an agreement with Schmitty and Sons Transit, Inc. (Schmitty & Sons) relating to the acquisition and use of radio equipment installed on the Schmitty & Sons transit vehicles. The agreement qualifies as a capital lease as the Authority will retain ownership of these radios at the expiration of the lease term. The agreement contains buy-out options at the end of each fiscal year through December 31, 2020. The Authority did not buy-out the radio equipment prior to December 31, 2020. The buy-out option amount as of December 31, 2021 was \$0.

The present value of future minimum lease payments and the net book value of the assets under the capital lease as of December 31, 2021 is as follows:

Radio system	\$171,042
Accumulated depreciation	<u>(167,902)</u>
Net book value	<u>\$3,140</u>

The lease is payable in monthly installments of \$3,150 beginning in February 2017 and matures January 2022. Depreciation in the amount of \$36,871 has been recorded as depreciation expense during 2021. Interest expense in the amount of \$929 has been recorded as interest expense during 2021. The following is a schedule of future minimum lease payments under the capital lease:

	Governmental Activities					
	Capital Lease - Radio Equipment					
	Principal	Interest	Payment	Balance	Present Value	Buy-out Amount
12/31/2022	<u>\$3,140</u>	<u>\$10</u>	<u>\$3,150</u>	\$0	\$0	\$0

B. REVENUES PLEDGED

The 2021 Gross Revenue Refunding Bonds and 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. The 2021 Gross Revenue Refunding Bonds were used to refund the 2013 Gross Revenue Bonds, as discussed in Note 4.A. above. Total principal and interest remaining to be paid on the 2021 Gross Revenue Refunding Bonds is \$2,560,686. No principal or interest payments are due on the 2021 Gross Revenue Refunding Bond until June 1, 2022. For the current year, principal and interest paid on the debt service fund for the 2013 Gross Revenue Bonds totaled \$385,000 and \$116,720, respectively.

Note 5 DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

The Authority participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time and certain part-time employees of the Authority are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

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. Two methods are used to compute benefits for PERA's Coordinated members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and the Authority was required to contribute 7.50% for Coordinated Plan members. The Authority contributions to the GERP for the year ended December 31, 2021 were \$151,916. The Authority's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

At December 31, 2021, the Authority reported a liability of \$1,157,291 for its proportionate share of GERP's net pension liability. The Authority's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Authority totaled \$35,306. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Authority's proportionate share was 0.0271% at the end of the measurement period and 0.0254% for the beginning of the period.

The Authority's proportionate share of the net pension liability	\$1,157,291
State of Minnesota's proportionate share of the net pension liability associated with the Authority	<u>35,306</u>
Total	<u><u>\$1,192,597</u></u>

For the year ended December 31, 2021, the Authority recognized pension expense of \$127,369 for its proportionate share of the GERP's pension expense. In addition, the Authority recognized an additional \$2,849 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERP.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

At December 31, 2021, the Authority reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$7,333	\$35,416
Changes in actuarial assumptions	706,618	25,855
Net collective difference between projected and actual investment earnings	-	1,004,749
Changes in proportion	141,977	-
Contributions paid to PERA	<u>77,877</u>	<u>-</u>
 Total	 <u><u>\$933,805</u></u>	 <u><u>\$1,066,020</u></u>

The \$77,877 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2022	\$20,689
2023	28,078
2024	14,511
2025	(273,370)
Thereafter	<u>-</u>
 Total	 <u><u>(\$210,092)</u></u>

Pension liabilities are generally liquidated by the General Fund.

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25% per year
Investment Rate of Return	6.50%

The long-term investment rate of return is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 6.50% was deemed to be within that range of reasonableness for financial reporting purposes.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Salary growth assumptions range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. Mortality rates were based on the Pub-2010 General Employee Mortality Table, with slight adjustments to fit PERA’s experience. Cost of living benefit increases after retirement are assumed to be 1.25% per year.

Actuarial assumptions for GERS are reviewed every four years. The most recent four-year experience study was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25.0%	0.75%
Private markets	25.0%	5.90%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2021 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rate set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

G. PENSION LIABILITY SENSITIVITY

The following presents the Authority's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (5.5%)</u>	<u>Discount Rate (6.5%)</u>	<u>1% Increase in Discount Rate (7.5%)</u>
The Authority's proportionate share of the GERF net pension liability	\$2,360,284	\$1,157,291	\$170,163

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 6 INTERFUND ACTIVITY

A. DUE TO/FROM OTHER FUNDS

At December 31, 2021 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	\$ -	\$43,647
Capital Projects Fund	-	164,031
Debt Service Fund	<u>207,678</u>	<u>-</u>
Total	<u>\$207,678</u>	<u>\$207,678</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, 2021 included a transfer to the Capital Projects Fund from the General Fund in the amount of \$1,814,235 and a transfer to the Debt Service Fund from the General Fund in the amount of \$500,000. The General Fund transfer to the Capital Projects Fund was performed to account for the Authority's local share of federal and state grants. The General Fund Transfer to the Debt Service Fund was performed to account for the Authority's cash paid to call the outstanding balance of the 2013 Gross Revenue Bonds (see Note 4 for further details).

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 7 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2021, 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	\$181,198	\$317,880	\$ -	\$499,078
Inventory	48,473	-	-	48,473
Restricted:				
Debt service	-	-	499,229	499,229
Committed to:				
Insurance reserves	319,187	-	-	319,187
City of Prior Lake	162,000	-	-	162,000
Assigned for ensuring next year's budget	9,394,113	-	-	9,394,113
Unassigned	<u>5,751,307</u>	<u>(317,880)</u>	<u>-</u>	<u>5,433,427</u>
 Total	 <u>\$15,856,278</u>	 <u>\$0</u>	 <u>\$499,229</u>	 <u>\$16,355,507</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 unassigned 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. 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. At December 31, 2021, unassigned fund balance was sufficient to cover 1.99 months of 2022 budgeted expenditures.

Note 8 COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

A. 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, 2021.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

B. 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.

C. COMMITMENTS

The Authority has contract commitments at December 31, 2021. The amount of these commitments were as follows:

Project	Vendor	Contract	Work-to-Date as of 12/31/2021	Remaining
Planning Software	GIRO, Inc. - Hastus	\$114,282	\$114,282	\$32,002
Procurement & Contract Software	Ion Wave Technologies	47,249	33,075	14,175
Federal Government Relations	Messerli & Kramer	252,000	182,000	70,000
Auditing Services	Redpath and Company	349,755	311,330	38,425
Operations and Fleet Maintenance	Schmitt & Sons Transit, Inc.	140,000,000	125,000,000	15,000,000
Passenger Information System - Software Annual Fee	REACH Media Network	11,000	-	11,000
Website Development & Hosting	Avallo Web Development	3,000	1,650	1,350
GIS Software & Support	ESRI	3,418	2,699	719
CAD/AVL System Implementation Consultant Services	IBI Group	269,700	243,700	26,000
CAD/AVL System	AVAIL Technologies LLC	2,735,104	2,192,945	542,159
Snow Removal	Best Lawn Guys	31,315	12,526	18,789
Snow Removal Services	Beniek Property Services Inc.	24,195	10,369	13,826
Planning Software Platform	Remix Software	128,400	107,066	21,334
Facility Sweeping Services	CareFree Sweeping Services	115,300	84,714	30,586
Trash Removal Services	Dick's Sanitation	8,716	6,994	1,722
Security System and Maintenance	VTI Security	48,264	39,343	8,921
Security Services	Allied Universal	110,000	60,690	49,310
Marketing Services	Russell Herder	168,120	67,248	100,872
HR Software	Bamboo HR	5,217	3,517	1,700
Snow Removal Group 1	SnowProws	233,100	33,300	199,800
Snow Removal Group 2	Every Season Landscape	334,800	47,829	286,971
Ramp Assessment Consultant Services	Meyer Borgman Johnson	21,912	8,578	13,334
Micro Transit License/Software	SpareLabs, Inc.	200,025	133,350	66,675
BBG Mod Phase I - Construction Administration	LHB, Inc.	263,169	236,599	26,570
BBG Mod Phase I - Contract Rep	Loeffler Construction & Consulting	78,360	8,160	70,200
BBG Mod Phase I - Central Contractor	Morcon Construction Co., Inc.	4,531,253	-	4,531,253
Systemwide Study	Foursquare	255,168	199,688	55,480
Scheduling Software	Optibus	639,800	-	639,800

D. LITIGATION

Management 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.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 9 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.

Future minimum lease payments to be received are as follows:

2022	\$53,062
2023	53,062
2024	53,062
2025	53,062
2026	56,599
2027-2030	<u>236,849</u>
Total	<u><u>\$505,696</u></u>

Note 10 RECENTLY ISSUED ACCOUNTING STANDARDS

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

Statement No. 87 Leases. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 91 Conduit Debt Obligations. The provisions of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92 Omnibus 2020. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 93 Replacement of Interbank Offered Rates. The provisions of this Statement contain multiple effective dates, the first being for reporting periods beginning after June 15, 2020.

Statement No. 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96 Subscription-Based Information Technology Agreements. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 87 may have a material impact.

REQUIRED SUPPLEMENTARY INFORMATION

MINNESOTA VALLEY TRANSIT AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY* -
 GENERAL EMPLOYEES RETIREMENT FUND
 For The Last Ten Years

Statement 7

Measurement Date June 30	Fiscal Year Ending December 31	Proportionate Share (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Authority (b)	Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the Authority (a+b)	Covered Payroll (c)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.0179%	\$927,671	\$ -	\$927,671	\$1,066,295	87.0%	78.2%
2016	2016	0.0209%	1,696,976	22,191	1,719,167	1,258,954	136.6%	68.9%
2017	2017	0.0207%	1,321,474	16,611	1,338,085	1,333,078	100.4%	75.9%
2018	2018	0.0226%	1,253,755	41,053	1,294,808	1,517,552	85.3%	79.5%
2019	2019	0.0238%	1,315,849	40,832	1,356,681	1,681,147	80.7%	80.2%
2020	2020	0.0254%	1,522,846	46,810	1,569,656	1,808,093	86.8%	79.1%
2021	2021	0.0271%	1,157,291	35,306	1,192,597	1,948,208	61.2%	87.0%

* The schedule is provided prospectively beginning with the Authority's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

MINNESOTA VALLEY TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS* - GENERAL EMPLOYEES RETIREMENT FUND
For The Last Ten Years

Statement 8

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	\$85,500	\$85,500	\$ -	\$1,139,997	7.5%
December 31, 2016	99,633	99,633	-	1,328,431	7.5%
December 31, 2017	104,929	104,929	-	1,399,053	7.5%
December 31, 2018	119,861	119,861	-	1,598,136	7.5%
December 31, 2019	129,511	129,511	-	1,726,794	7.5%
December 31, 2020	142,816	142,816	-	1,904,195	7.5%
December 31, 2021	157,634	157,634	-	2,101,785	7.5%

* The schedule is provided prospectively beginning with the Authority's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.

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Note A PENSION INFORMATION

PERA – General Employees Retirement Fund

2021 Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- Base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2020 Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 Changes in the Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

MINNESOTA VALLEY TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2021

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

SUPPLEMENTARY INFORMATION

MINNESOTA VALLEY TRANSIT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DEBT SERVICE FUND

Statement 9

For The Year Ended December 31, 2021

With Comparative Actual Amounts For The Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
Revenues:					
Intergovernmental	\$526,650	\$526,650	\$526,650	\$ -	\$524,900
Investment income	-	-	53	53	2,375
Total revenues	<u>526,650</u>	<u>526,650</u>	<u>526,703</u>	<u>53</u>	<u>527,275</u>
Expenditures:					
Debt Service:					
Principal	385,000	385,000	1,120,000	735,000	370,000
Interest	141,650	141,650	116,720	(24,930)	154,900
Issuance expense	-	-	68,113	68,113	-
Total expenditures	<u>526,650</u>	<u>526,650</u>	<u>1,304,833</u>	<u>778,183</u>	<u>524,900</u>
Revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>(778,130)</u>	<u>(778,130)</u>	<u>2,375</u>
Other financing sources (uses):					
Transfers in	-	-	500,000	500,000	-
Refunding bond issuance	-	-	2,420,000	2,420,000	-
Payment to refunded bond escrow agent	-	-	(2,420,000)	(2,420,000)	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>500,000</u>	<u>0</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	<u>(278,130)</u>	<u>(\$278,130)</u>	<u>2,375</u>
Fund balance - beginning			<u>777,359</u>		<u>774,984</u>
Fund balance - ending			<u>\$499,229</u>		<u>\$777,359</u>

III. STATISTICAL SECTION (UNAUDITED)

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MINNESOTA VALLEY TRANSIT AUTHORITY
Burnsville, Minnesota

STATISTICAL SECTION
12/31/2021
(Unaudited)

This part of Minnesota Valley Transit Authority's (the Authority's) Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Authority'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 the Authority'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 Authority'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. The Authority no longer receives any property tax.

Debt Capacity – These schedules present information to help the reader assess the affordability of the Authority's current level of outstanding debt and The Authority'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 the Authority'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 the Authority's financial report relates to the services the government provides and the activities it performs.

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

MINNESOTA VALLEY TRANSIT AUTHORITY
NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year			
	2012	2013	2014	2015
Governmental activities:				
Net investment in capital assets	\$44,950,989	\$45,045,599	\$45,382,680	\$44,168,256
Restricted	-	690,917	690,959	674,449
Unrestricted	5,259,284	4,878,886	7,458,865	11,319,594
Total governmental activities net position	<u>\$50,210,273</u>	<u>\$50,615,402</u>	<u>\$53,532,504</u>	<u>\$56,162,299</u>

Source: Minnesota Valley Transit Authority financial records

Note: GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows of resources. Net position for years prior to 2014 was not restated.

Table 1

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$44,521,482	\$42,721,137	\$42,806,701	\$47,001,307	\$46,497,057	\$48,344,203
732,687	738,517	747,917	761,613	764,913	485,742
12,899,411	9,558,635	9,338,054	11,425,562	16,091,434	14,841,735
<u>\$58,153,580</u>	<u>\$53,018,289</u>	<u>\$52,892,672</u>	<u>\$59,188,482</u>	<u>\$63,353,404</u>	<u>\$63,671,680</u>

MINNESOTA VALLEY TRANSIT AUTHORITY
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year			
	2012	2013	2014	2015
Expenses:				
Governmental activities:				
Transit operations	\$20,390,062	\$20,455,244	\$19,545,729	\$21,662,463
Facilities management	3,911,843	3,761,195	4,113,903	2,245,417
Administration	1,655,153	1,780,013	1,894,436	4,200,518
Interest on long-term debt	-	81,970	200,849	195,209
Total expenses	<u>\$25,957,058</u>	<u>\$26,078,422</u>	<u>\$25,754,917</u>	<u>\$28,303,607</u>
Program revenues:				
Governmental activities:				
Charges for services:				
Passenger fares	\$4,927,964	\$5,179,965	\$5,315,555	\$5,653,801
Ground lease	53,127	52,887	54,489	54,371
Operating grants and contributions	676,608	2,431,037	4,043,023	3,203,076
Capital grants and contributions	8,264,614	4,394,557	3,557,949	2,341,870
Total program revenue	<u>\$13,922,313</u>	<u>\$12,058,446</u>	<u>\$12,971,016</u>	<u>\$11,253,118</u>
Net expense	<u>(\$12,034,745)</u>	<u>(\$14,019,976)</u>	<u>(\$12,783,901)</u>	<u>(\$17,050,489)</u>
General revenue:				
Motor vehicle sales tax	12,674,238	14,362,363	15,996,531	18,021,624
Revenues not restricted to specific programs	33,898	61,970	31,393	37,055
Unrestricted investment earnings	648	772	511	855
Total general revenue	<u>12,708,784</u>	<u>14,425,105</u>	<u>16,028,435</u>	<u>18,059,534</u>
Special item	-	-	-	1,620,750
Change in net position	<u>\$674,039</u>	<u>\$405,129</u>	<u>\$3,244,534</u>	<u>\$2,629,795</u>

Source: Minnesota Valley Transit Authority financial records

Note: GASB 68 was implemented in 2015. Pension expenses for years prior to 2015 were not restated.

Table 2

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$22,683,944	\$23,993,885	\$25,509,187	\$24,689,253	\$18,000,046	\$21,652,837
4,337,808	4,460,739	4,399,941	4,496,819	6,584,638	4,814,814
2,765,475	2,977,661	3,352,218	3,632,427	4,228,257	4,580,857
189,402	186,454	175,377	163,370	151,008	147,202
<u>\$29,976,629</u>	<u>\$31,618,739</u>	<u>\$33,436,723</u>	<u>\$32,981,869</u>	<u>\$28,963,949</u>	<u>\$31,195,710</u>
\$5,565,307	\$5,798,513	\$6,217,639	\$6,035,953	\$1,512,737	\$1,117,947
55,282	61,787	77,068	90,102	61,726	71,948
4,573,433	5,073,960	6,696,635	4,891,621	9,913,725	5,987,100
2,563,056	676,361	1,728,035	8,778,427	2,614,615	1,494,611
<u>\$12,757,078</u>	<u>\$11,610,621</u>	<u>\$14,719,377</u>	<u>\$19,796,103</u>	<u>\$14,102,803</u>	<u>\$8,671,606</u>
(\$17,219,551)	(\$20,008,118)	(\$18,717,346)	(\$13,185,766)	(\$14,861,146)	(\$22,524,104)
19,131,811	14,774,709	18,242,465	18,920,458	18,775,395	22,545,445
66,701	29,520	234,957	356,091	185,639	295,433
12,320	68,598	114,307	205,027	65,034	1,502
<u>19,210,832</u>	<u>14,872,827</u>	<u>18,591,729</u>	<u>19,481,576</u>	<u>19,026,068</u>	<u>22,842,380</u>
-	-	-	-	-	-
<u>\$1,991,281</u>	<u>(\$5,135,291)</u>	<u>(\$125,617)</u>	<u>\$6,295,810</u>	<u>\$4,164,922</u>	<u>\$318,276</u>

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

	Fiscal Year			
	2012	2013	2014	2015
General Fund:				
Nonspendable	\$50,108	\$94,456	\$101,811	\$130,938
Committed	80,841	81,446	81,899	1,711,606
Assigned	-	-	-	-
Unassigned	5,161,133	5,657,212	8,200,357	10,041,304
Total General Fund	\$5,292,082	\$5,833,114	\$8,384,067	\$11,883,848
Capital Projects Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Capital Projects Fund	\$0	\$0	\$0	\$0
Debt Service Fund:				
Restricted	\$ -	\$690,917	\$690,959	\$691,003
Total Debt Service Fund	\$0	\$690,917	\$690,959	\$691,003
Subsequent years' budgeted expenditures	\$22,196,963	\$24,338,380	\$26,831,121	\$27,665,782
Months of expenditures in				
Unreserved/Unassigned Fund Balance	2.79	2.79	3.67	4.36

Source: Minnesota Valley Transit Authority financial records

Table 3

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$112,042	\$119,129	\$136,630	\$132,114	\$186,422	\$229,671
667,047	349,628	212,936	184,787	193,632	481,187
-	933,690	-	1,420,035	8,858,313	9,394,113
13,301,527	8,984,335	10,375,076	9,335,433	8,318,062	5,751,307
<u>\$14,080,616</u>	<u>\$10,386,782</u>	<u>\$10,724,642</u>	<u>\$11,072,369</u>	<u>\$17,556,429</u>	<u>\$15,856,278</u>
\$ -	\$ -	\$ -	\$ -	\$412,140	\$317,880
-	-	-	6,419	-	-
-	-	-	-	(313,597)	(317,880)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,419</u>	<u>\$98,543</u>	<u>\$0</u>
\$748,683	\$753,663	\$762,188	\$774,984	\$777,359	\$499,229
<u>\$748,683</u>	<u>\$753,663</u>	<u>\$762,188</u>	<u>\$774,984</u>	<u>\$777,359</u>	<u>\$499,229</u>
\$29,537,255	\$31,108,068	\$31,800,197	\$30,557,926	\$30,395,916	\$34,627,570
5.40	3.47	3.92	3.67	3.28	1.99

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

	Fiscal Year			
	2012	2013	2014	2015
Revenues:				
Intergovernmental revenue	\$21,602,823	\$21,187,957	\$23,597,503	\$23,566,570
Passenger fares	4,927,964	5,179,965	5,315,555	5,653,801
Miscellaneous:				
Advertising income	-	-	-	-
Investment income	648	772	511	855
Miscellaneous	87,025	114,857	85,882	91,426
Total revenues	<u>26,618,460</u>	<u>26,483,551</u>	<u>28,999,451</u>	<u>29,312,652</u>
Expenditures:				
Current:				
Transit operations	15,343,140	17,509,083	19,031,207	20,605,999
Facilities management	1,028,427	1,416,694	1,559,293	1,581,121
Administration	1,611,238	1,714,685	1,856,445	2,090,118
Total current	<u>17,982,805</u>	<u>20,640,462</u>	<u>22,446,945</u>	<u>24,277,238</u>
Debt service:				
Principal	-	-	280,000	325,000
Interest and other charges	-	66,204	206,200	201,900
Issuance expense	-	202,632	-	-
Capital outlay	<u>8,624,026</u>	<u>10,321,434</u>	<u>4,042,781</u>	<u>2,629,439</u>
Total expenditures	<u>26,606,831</u>	<u>31,230,732</u>	<u>26,975,926</u>	<u>27,433,577</u>
Revenue over (under) expenditures	<u>11,629</u>	<u>(4,747,181)</u>	<u>2,023,525</u>	<u>1,879,075</u>
Other financing sources (uses):				
Bond issuance	-	5,900,000	-	-
Bond premium	-	79,131	-	-
Refunding bond issuance	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	372,049	854,655	62,158	248,019
Transfers out	(372,049)	(854,655)	(62,158)	(248,019)
Issuance of capital lease	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>5,979,131</u>	<u>0</u>	<u>0</u>
Special item	-	-	-	1,620,750
Net change in fund balance	11,629	1,231,950	2,023,525	3,499,825
Fund balance - January 1, as previously stated	5,280,452	5,292,081	6,524,031	9,075,026
Prior period adjustment	-	-	527,470	-
Fund balance - January 1, as restated	<u>5,280,452</u>	<u>5,292,081</u>	<u>7,051,501</u>	<u>9,075,026</u>
Fund balance - end of year	<u>\$5,292,081</u>	<u>\$6,524,031</u>	<u>\$9,075,026</u>	<u>\$12,574,851</u>
Debt service as a percent of noncapital expenditures	0.0%	0.3%	2.1%	2.1%

Source: Minnesota Valley Transit Authority financial records

Table 4

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$26,261,683	\$20,524,550	\$26,657,562	\$32,587,448	\$31,299,661	\$30,024,307
5,565,307	5,798,513	6,217,639	6,035,953	1,512,737	1,117,947
-	-	184,179	201,650	110,799	128,890
12,320	68,598	114,307	205,027	65,034	1,502
121,983	91,307	127,846	199,543	91,566	206,491
<u>31,961,293</u>	<u>26,482,968</u>	<u>33,301,533</u>	<u>39,229,621</u>	<u>33,079,797</u>	<u>31,479,137</u>
21,904,307	23,485,315	25,210,183	24,249,746	17,641,283	21,117,272
1,719,538	1,731,290	1,773,685	1,733,508	1,662,457	1,869,087
2,529,010	2,728,528	3,137,500	3,332,203	4,050,634	4,436,280
<u>26,152,855</u>	<u>27,945,133</u>	<u>30,121,368</u>	<u>29,315,457</u>	<u>23,354,374</u>	<u>27,422,639</u>
335,000	368,856	382,708	394,040	405,427	1,156,871
195,300	192,644	181,592	169,610	157,273	117,649
-	-	-	-	-	68,113
3,023,690	1,836,231	2,269,480	8,983,572	2,584,164	4,790,689
<u>29,706,845</u>	<u>30,342,864</u>	<u>32,955,148</u>	<u>38,862,679</u>	<u>26,501,238</u>	<u>33,555,961</u>
<u>2,254,448</u>	<u>(3,859,896)</u>	<u>346,385</u>	<u>366,942</u>	<u>6,578,559</u>	<u>(2,076,824)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	2,420,000
-	-	-	-	-	(2,420,000)
270,336	248,369	435,915	-	-	2,314,235
(270,336)	(248,369)	(435,915)	-	-	(2,314,235)
-	171,042	-	-	-	-
<u>0</u>	<u>171,042</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
-	-	-	-	-	-
2,254,448	(3,688,854)	346,385	366,942	6,578,559	(2,076,824)
12,574,851	14,829,299	11,140,445	11,486,830	11,853,772	18,432,331
-	-	-	-	-	-
<u>12,574,851</u>	<u>14,829,299</u>	<u>11,140,445</u>	<u>11,486,830</u>	<u>11,853,772</u>	<u>18,432,331</u>
<u>\$14,829,299</u>	<u>\$11,140,445</u>	<u>\$11,486,830</u>	<u>\$11,853,772</u>	<u>\$18,432,331</u>	<u>\$16,355,507</u>
2.0%	1.9%	1.8%	1.9%	2.3%	4.4%

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MINNESOTA VALLEY TRANSIT AUTHORITY
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last 10 Fiscal Years
 (Unaudited)

Table 5

Fiscal Year	Governmental Activities				Total Primary Government	Debt as Percentage of Personal Income (1)(3)	Total Primary Government Debt Per Capita (2)(3)
	General Obligation Bonds	Special Assessment Bonds	Gross Revenue Bonds	Capital Leases			
2012	-	-	-	-	-	*	*
2013	-	-	5,900,000	-	5,900,000	0.051%	26
2014	-	-	5,620,000	-	5,620,000	0.046%	24
2015	-	-	5,295,000	-	5,295,000	0.033%	18
2016	-	-	4,960,000	-	4,960,000	0.029%	16
2017	-	-	4,620,000	142,186	4,762,186	0.027%	16
2018	-	-	4,270,000	109,478	4,379,478	0.023%	14
2019	-	-	3,910,000	75,438	3,985,438	0.020%	13
2020	-	-	3,540,000	40,011	3,580,011	0.017%	11
2021	-	-	2,420,000	36,995	2,456,995	0.011%	8

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
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2021
(Unaudited)

Table 6

Governmental Unit	2021		Estimated Share of Overlapping Debt
	Debt Outstanding	Estimated Percentage Applicable	
Direct			
Minnesota Valley Transit Authority	\$3,985,438	100.000%	\$3,985,438
Overlapping			
Counties			
Scott County	125,530	100.00%	125,530
Dakota County	-	100.00%	-
Cities			
City of Apple Valley	21,809,840	100.00%	21,809,840
City of Burnsville	74,030,083	100.00%	74,030,083
City of Eagan	42,445,000	100.00%	42,445,000
City of Rosemount	8,030,000	100.00%	8,030,000
Elko New Market	11,576,057	100.00%	11,576,057
Prior Lake	29,365,000	100.00%	29,365,000
Savage	37,583,200	100.00%	37,583,200
Shakopee	41,075,000	100.00%	41,075,000
School Districts:			
ISD No. 191-Burnsville-Eagan-Savage	142,835,000	75.80%	108,268,930
ISD No. 196-Rosemount-Apple Valley-Eagan	122,785,000	100.00%	122,785,000
ISD No. 719-Prior Lake-Savage	170,299,049	100.00%	170,299,049
ISD No. 720-Shakopee-Prior Lake	194,313,822	100.00%	194,313,822
Special Taxing Districts			
Metropolitan Council	\$1,688,625,660	4.78%	\$80,716,307
Subtotal, overlapping debt			<u>\$942,422,818</u>
Total underlying and overlapping debt			<u><u>\$946,408,256</u></u>

(a) Only those taxing units with debt outstanding are shown here.

(b) Scott County data excludes general obligation debt supported by revenues and general obligation tax and aid anticipation certificates of indebtedness, but includes debt supported by tax increments.

(c) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

Source: Dakota County, Scott County and Metropolitan Council

MINNESOTA VALLEY TRANSIT AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last 10 Fiscal Years
 (Unaudited)

Table 7

<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>
2012	225,864	49,697	11,224,763	37,209	5.0
2013	229,135	50,286	11,522,283	36,950	4.4
2014	230,424	52,746	12,153,944	36,787	3.5
2015	297,947	54,493	16,236,026	36,608	3.1
2016	301,417	56,007	16,881,462	37,382	3.2
2017	305,020	58,179	17,745,759	45,996	2.9
2018	307,823	60,958	18,764,274	46,087	2.5
2019	312,396	62,447	19,508,193	46,070	2.8
2020	318,976	65,202	20,797,714	46,284	5.9
2021	323,761	67,223	21,764,079	44,973	3.3

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) Met Council (Minnesota Community Profile)

Prior Lake and Shakopee was added to service area in 2015.

** Information is not available*

MINNESOTA VALLEY TRANSIT AUTHORITY
 PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago
 (Unaudited)

Employer	2020*		Percentage of Total Cities Employment
	Employees	Rank	
Thomson West	6,000	1	2.4%
I SD 196	4,500	2	1.8%
Shakopee Mdewakanton Sioux (Mystic Lake)	4,200	3	1.6%
Blue Cross-Blue Shield	3,000	4	1.2%
Burnsville Center	3,000	5	1.2%
Amazon	2,500	6	1.0%
Dakota County	1,912	7	0.7%
US Postal Service	2,400	8	0.9%
Valley Fair	1,600	9	0.6%
ISD 194	1,596	10	0.6%
Total principal employees	30,708		12.0%
Total employees in cities	255,179		100.0%

*Includes the addition of Prior Lake and Shakopee

Sources:

2020 Annual Reports for Dakota and Scott County, as 2021 Annual Reports are not yet available.

Table 8

Employer	2011		
	Employees	Rank	Percentage of Total Cities Employment
Thomson West	7,500	1	3.1%
I SD 196	4,160	2	1.7%
Shakopee Mdewakanton Sioux (Mystic Lake)	3,900	3	1.6%
Blue Cross-Blue Shield	3,500	4	1.4%
C H S Incorp	2,000	5	0.8%
US Postal Service	2,000	6	0.8%
Dakota County	1,706	7	0.7%
Valley Fair	1,600	8	0.7%
Segate	1,600	9	0.7%
ISD 191	1,500		0.6%
	29,466		12.1%
	243,727		100.0%
	0		

MINNESOTA VALLEY TRANSIT AUTHORITY
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last 10 Fiscal Years
(Unaudited)

FUNCTION	Fiscal Year			
	2012	2013	2014	2015
Transit Operations	6.0	5.9	5.9	6.5
Facilities Management	1.0	1.0	1.0	0.5
Administration	4.0	4.6	5.8	6.2
Total	11.0	11.5	12.7	13.2

Source: Minnesota Valley Transit Authority personnel records

Table 9

Fiscal Year					
2016	2017	2018	2019	2020	2021
7.9	8.2	7.6	7.6	7.6	11.2
0.5	1.6	2.5	2.5	3.5	3.4
7.1	6.8	10.1	10.1	10.0	10.6
15.5	16.6	20.2	20.2	21.1	25.2

MINNESOTA VALLEY TRANSIT AUTHORITY
OPERATING STATISTICS
Last 10 Fiscal Years
(Unaudited)

SYSTEM RIDERSHIP:	Fiscal Year			
	2012	2013	2014	2015*
Minneapolis Express	1,549,198	1,592,370	1,577,581	1,723,273
St. Paul Express	179,435	185,775	200,851	192,425
Suburb to Suburb Express	-	-	-	-
Red Line BRT	-	130,733	265,514	265,410
Local	646,467	597,728	550,153	564,261
Reverse Commute	55,055	64,564	61,856	57,538
Weekend	96,256	92,299	98,990	95,291
State Fair/Special Events	48,952	42,947	57,320	67,766
Viking Shuttle				
Connect Services				
Special Services				
	<u>2,575,363</u>	<u>2,706,416</u>	<u>2,812,265</u>	<u>2,965,964</u>
VEHICLE REVENUE HOURS:				
Fixed Route	120,829	136,014	148,942	165,945
Special Events	1,055	1,059	1,050	1,480
Connect Services	-	-	-	-
VEHICLE REVENUE MILES:				
Fixed Route	2,451,467	2,800,574	3,059,011	3,446,765
Special Events	26,173	26,002	27,312	31,194
Connect Services	-	-	-	-

*includes the addition of Prior Lake and Shakopee

** Special Events Hours and Miles were not available for 2007 - 2008

BRT = Bus Rapid Transit

For 2020: There was low Ridership as a results of COVID-19 Pandemic. There were no Special events and state fair due to COVID-19 Pandemic

Source: Planning Department-Minnesota Valley Transit Authority

Table 10

Fiscal Year					
2016*	2017*	2018*	2019*	2020*	2021*
1,681,239	1,645,271	1,605,319	1,576,529	373,443	172,599
195,125	192,171	189,128	185,011	44,009	10,297
13,239	64,163	78,774	81,151	60,035	54,862
266,811	270,400	254,125	238,833	117,414	-
527,954	509,091	494,290	451,710	222,543	229,104
52,149	52,850	54,908	47,444	14,845	7,497
88,152	102,969	109,758	104,296	67,228	72,865
77,729	87,449	86,082	97,291	-	37,463
		1,076	718	-	1,162
		456	3,505	9,295	37,054
				2,112	9,030
2,902,398	2,924,364	2,873,916	2,786,488	910,924	631,933
182,903	173,386	180,721	170,273	103,086	141,806
1,112	1,164	1,164	1,164	-	1,129
-	-	-	-	-	18,075
3,829,560	3,561,802	3,652,965	3,555,521	2,086,426	2,839,792
32,219	33,891	33,891	32,820	-	37,249
-	-	-	-	-	271,400

MINNESOTA VALLEY TRANSIT AUTHORITY
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last 10 Fiscal Years
(Unaudited)

FUNCTION/PROGRAM	Fiscal Year			
	2012	2013	2014	2015*
Transit Operations				
Transit Revenue Vehicles - #	124	128	128	150
Maximum # of Rev. Vehicles in Operation	99	105	106	127
Facilities Management				
Transit Stations - # owned	5	5	5	5
Transit Stations - # leased	1	1	1	2
Transit Stations - # of parking spaces	3,348	3,348	3,348	3,790
Park & Rides - # owned	3	3	3	3
Park & Rides - # leased	2	2	2	4
Park & Rides - # of parking spaces	1,403	1,403	1,403	2,479
Transit Station Stops - # leased		2	2	2
Bus Garages - #	2	2	2	2
Bus Garages - bus storage capacity	100	100	150	150
Bus Garages - # of maintenance bays	12	12	15	15
Layover Facility				1

*includes the addition of Prior Lake and Shakopee

Source: Various Minnesota Valley Transit Authority departments

Table 11

Fiscal Year					
2016*	2017*	2018*	2019*	2020*	2021*
164	165	165	165	162	172
139	133	134	136	136	116
5	5	5	5	5	5
2	3	3	3	1	1
3,790	3,790	3,790	3,790	4,016	4,016
3	3	3	3	3	3
4	4	4	4	4	4
2479	2479	2479	2479	2479	2479
2	2	2	2	0	0
2	2	2	2	2	2
150	150	150	150	150	150
15	15	15	15	15	15
1	1	1	1	1	1

MINNESOTA VALLEY TRANSIT AUTHORITY
OPERATING STATISTICS
FAREBOX RECOVERY PERCENTAGE AND FARE STRUCTURE
Last 10 Fiscal Years
(Unaudited)

Table 12

As of December 31, 2021

FAREBOX RECOVER PERCENTAGE

Year	Percentage
2012	27.4%
2013	25.0%
2014	23.7%
2015	23.3%
2016	21.0%
2017	19.9%
2018	18.6%
2019	18.9%
2020	5.7%
2021	2.4%

Definition: passenger fare revenue divided by general fund expenditures

FARE STRUCTURES

Express Routes (460-484, 490-493 and 495 run Monday through Friday)
(495 runs weekends)

Cash Fares	Peak Hours	Nonpeak Hours
Adults (13-64)	\$ 3.25	\$ 2.50
Seniors (65+), Youth (6-12)	\$ 3.25	\$ 1.00
Children (5 and Under)	Free*	Free*
Persons with Disabilities	\$ 1.00	\$ 1.00

* When Accompanied by paying adult (limit 3)

Local Routes (420-446, 489, 497, 499 and Red Line run Monday through Friday)
(440, 444, 445 and Red Line run weekends)

Cash Fares	Peak Hours	Nonpeak Hours
Adults (13-64)	\$ 2.50	\$ 2.00
Seniors (65+), Youth (6-12)	\$ 2.50	\$ 1.00
Children (5 and Under)	Free*	Free*
Persons with Disabilities	\$ 1.00	\$ 1.00

* 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: Minnesota Valley Transit Authority does not have the ability to set fares. Fares are set for the region by the Metropolitan Council.