Minnesota Valley Transit Authority (MVTA) Comprehensive Annual Financial Report For Fiscal Year Ended Dec. 31, 2012

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MINNESOTA VALLEY TRANSIT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
December 31, 2012

Prepared By:
Finance Department

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MINNESOTA VALLEY TRANSIT AUTHORITY
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I. INTRODUCTORY SECTION

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Minnesota Valley Transit Authority

June 17, 2012

Honorable Chair and Members of the Board
Minnesota Valley Transit Authority

We are pleased to respectfully submit the Minnesota Valley Transit Authority (MVTA) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2012 to the Minnesota Valley Transit Authority Board of Commissioners, the citizens of this area and all interested in its financial condition. MVTA is a public agency created by a joint powers agreement between the Cities of Apple Valley, Burnsville, Eagan, Rosemount and Savage and the Counties of Dakota and Scott for the purposes of providing public transit services to the Cities of Apple Valley, Burnsville, Eagan, Rosemount and Savage and surrounding areas and made pursuant to the authority conferred upon the Cities by *Minnesota §* 473.388, 473.384 and 471.59. This report is published to fulfill the requirements of Minnesota state law that all general purpose local governments publish annually a complete set of financial statements in conformance with U.S. generally accepted accounting principles (GAAP), and are audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

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

MVTA's financial statements were audited by HLB Tautges Redpath, Ltd., a firm of licensed and certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of MVTA for the fiscal year ended December 31, 2012 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 unqualified opinion that MVTA's financial statements for the fiscal year ended December 31, 2012 are presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the MVTA was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and requirements involving the administration of federal awards. These reports are available in the MVTA's separately issued Single Audit Report.

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

PROFILE OF THE GOVERNMENT

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

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

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

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

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

- Delivery mobility to the MVTA cities and counties
- Manage MVTA's resources
- Govern with an emphasis on transit services that build vibrant communities

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

In keeping with its vision and mission, MVTA provides fixed route transit services within the five communities and connects people within these communities to other metropolitan destinations, including downtown Minneapolis and St. Paul, the University of Minnesota, the Mall of America, the Minnesota Zoo and the Hiawatha Light Rail line (Blue Line), as well as providing reverse commute services to businesses within MVTA's service area. MVTA services are provided by a fleet of 123 vehicles. Operations and maintenance services are provided by one private contractor working out of two bus garages.

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

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

For the operating budget, actual amounts exceeding the line item budget are allowed if there is a corresponding revenue increase or if the total expenses for the department are within the department budgeted amount. Management cannot overspend the budget without approval of the governing body at the General Fund level. For the CIP or Capital Fund, management must obtain approval to exceed the project budget. If significant changes occur after the budget is adopted, budget adjustments are proposed by MVTA staff and adopted by the Board.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

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

Annual ridership held steady in 2012, providing nearly 2.6 million rides. As economic recovery continues in the core cities of Minneapolis and St. Paul, ridership on MVTA service is expected to continue to grow. Increased gas prices and the implementation of Bus Rapid Transit (BRT) service will also contribute to ridership growth.

Preparations continued in 2012 for the opening of Minnesota's first Bus Rapid Transit (BRT) line along the Cedar Avenue Corridor in Apple Valley and Eagan. The service will be called Red Line and is scheduled for start-up in June 2013. MVTA, along with its partners Dakota County and the Metropolitan Council have reconstructed roadways, built new station stops, expanded another station, and procured seven new buses. The start-up of the BRT line is expected to lead to transit-oriented development, both residential and retail, near the transit stations and stops.

Operating Funds

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

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

Our ridership grew 5.9% from 2009 to 2,526,411 in 2012, close to the record of 2,596,045 set in 2008 before the recession took hold and downtown employment sank. Ridership remained steady in 2012 as MVTA continued to supplement our service offerings to attract new passengers.

MVTA will continue to pursue its share of Allocated MVST while continuing to operate and maintain transit services that meet the needs of our communities. 2013 will be an exciting year with the start-up of the Red Line (BRT) with service frequency every 15 minutes. Buses will travel between the Apple Valley Transit Station and the Mall of America.

Capital Funds

Historically, capital expenditures for facilities, such as park & ride lots, transit stations and bus garage facilities as well as bus purchases have been funded by state, local and federal grants. The majority of the capital funds are awarded on the basis of competitive proposals submitted by regional providers. MVTA has developed and maintains a long range Capital Improvement Plan (CIP) to plan for future needs and services and to support application for the capital funds. Significant project activity in 2012 included the following:

- Completed construction on an expanded, enclosed waiting area, new canopy and extended passenger platform at the Apple Valley Transit Station.
- Constructed a new transit station in the City of Rosemount that opened in December 2012.
- Installed Automated Vehicle Locator (AVL) Systems on all MVTA revenue vehicles.
- Received seven new vehicles for the June 2013 start-up of Bus Rapid Transit (BRT) service and readied them for operations. This will be the first service of its kind in the State of Minnesota.
- Procured 6 new vehicles for expansion of express service along the 35W Corridor.
- Conducted site grading in advance of the construction in 2013 of the Eagan Bus Garage expansion.

LONG TERM FINANCIAL PLANNING

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

- Strive to maintain the unreserved fund balance in the General Fund at four months of current year operating expenditures.
- A reserve/contingency line item in the operating budget equal to two percent of the budget.
- Restrict fund balance as needed to meet legal mandates.

MVTA has also adopted the following Capital Policies:

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

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

MAJOR INITIATIVES

Dakota County is leading development of the Cedar Avenue Transitway (Red Line) and is working in conjunction with MVTA, the Metropolitan Council, the State of Minnesota's Department of Transportation, the federal government and the Counties Transit Improvement Board (CTIB) to complete it. When finished, the Red Line will provide bus rapid transit (BRT) to the residents and businesses of Dakota County. BRT was chosen for this corridor because it combines the flexibility of buses with the frequency, speed and reliability of both commuter rail and light rail transit (LRT). BRT was also chosen for its ability to be implemented in phases which provides flexibility by constructing transitway facilities or providing transit services when ridership and demand is warranted.

Construction of the roadway improvements, facilities (Apple Valley and Cedar Grove Transit Stations, 140th Street and 147th Street Station stops), vehicles [seven station-to-station (Red Line) and three express] and technology components [Automatic Vehicle Locators (AVL), Automatic Passenger Counters (APC), Automatic Visual and Voice Annunciation System (AVVAS), and Transit Signal Priority (TSP)] is being funded through a number of sources including the Urban Partnership Agreement between the U.S. Department of Transportation, the State of Minnesota and the Metropolitan Council, additional Federal Transit Administration (FTA) and Federal Highway Administration (FHWA) funds, State bonding, CTIB, Dakota County Regional Rail Authority and Metropolitan Council's Regional Transit Capital. The initial operating expenses will be funded with CTIB and federal Congestion Mitigation/Air Quality (CMAQ) monies.

The Red Line is being developed in three stages with initial start-up of station-to-station service scheduled for June 2013. MVTA will operate service and maintain the vehicles and facilities along the transitway corridor. Station-to-station service (Red Line) plan will operate every 15 minutes during peak hours with local routes delivering passengers to the stations and stops.

In addition to MVTA's service expansion along the Cedar Avenue Transitway, MVTA will also, in the next few years, be expanding service from both the southwest and southeast portions of our service area to downtown Minneapolis and from the Apple Valley/Eagan area to downtown St. Paul. To accommodate the vehicles needed for the growth in service, MVTA is the process of constructing a 29,000 square foot expansion of our Eagan Bus Garage. Storage spaces to house 40 more vehicles and 3 additional maintenance bays are being added. Upon completion, the garage will be able to store 100 buses and have 11 maintenance bays. Construction will start in 2013 and is scheduled to last 14 months. Financing for the bus garage expansion will be done through the sale of revenue bonds.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MVTA for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the second year that the government submitted and was granted this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In 2012, Commissioner Willis E. Branning, current and founding member of the Minnesota Valley Transit Authority and a Dakota County Commissioner, was named "Friend of Transit" by the Minnesota Public Transit Association. The award is "presented to an individual who has distinguished himself through exceptional service toward the development and improvement of public transit in Minnesota by policy or legislative initiatives and/or leadership." Will Branning has been the driving force behind the Red Line project and a passionate advocate for transit through all his years of government service.

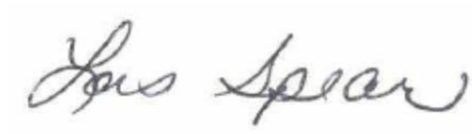
MVTA also won a first place prize in the 2012 Annual AdWheel Award competition for its "Pennant" in the "Promotional Materials" category that honors outstanding excellence in public transportation advertising, marketing, and communications. MVTA developed the pennant as a give away at area parades. It depicts scenes along MVTA bus routes and can be colored by children of all ages.

MVTA was one of twelve organizations to receive a Commuter Choice Award for innovation in helping people get to work without adding to traffic congestion. The award was received for developing ways to expand ridership while improving service to its customers. In addition, all buses passed its annual inspection by the Minnesota Department of Transportation (MnDOT) with zero deficiencies for the fourth year in a row – an amazing feat.

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

Respectfully submitted,

Beverley Miller	Lois Spear
Executive Director	Finance Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Minnesota Valley Transit Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

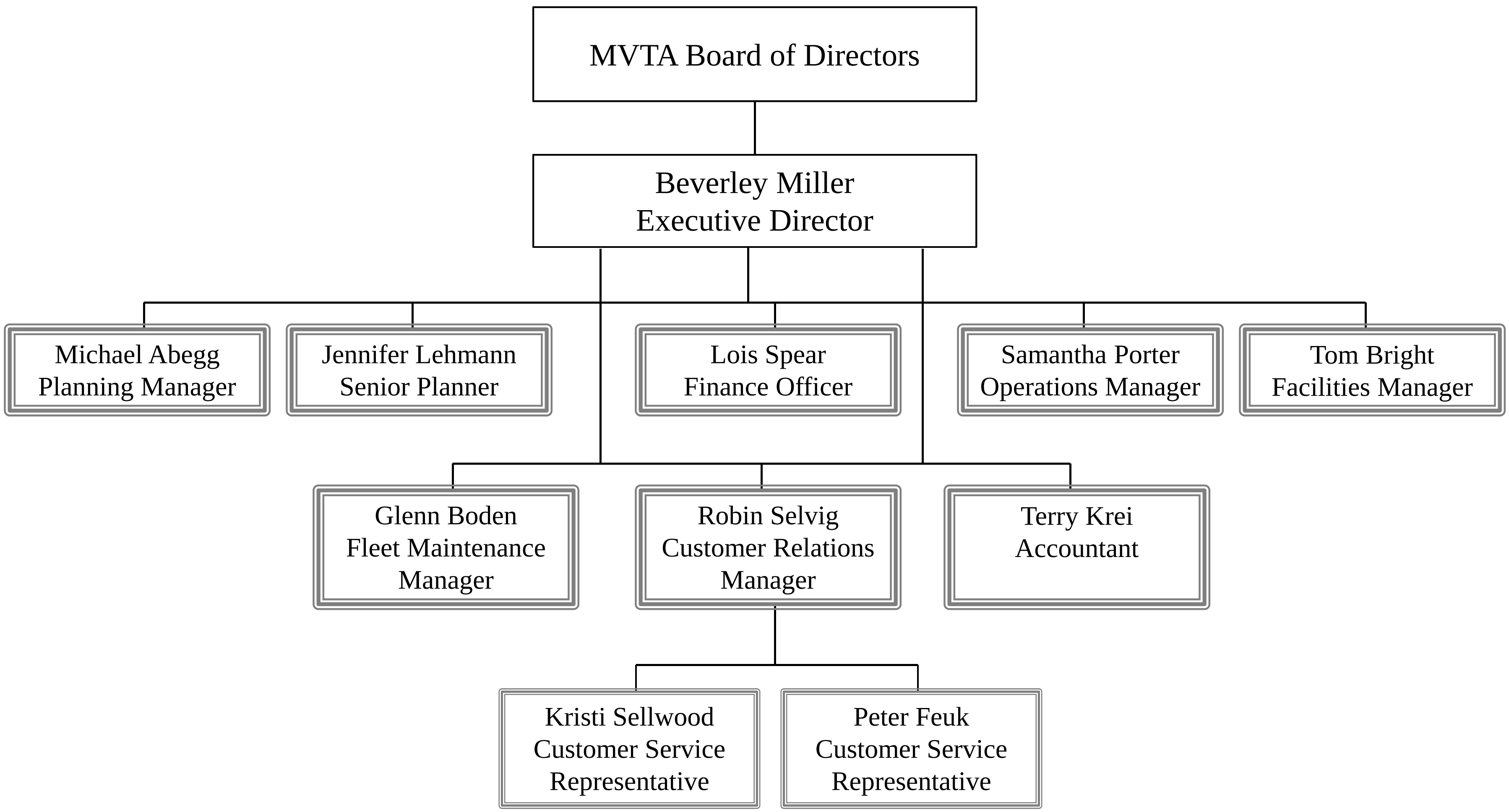
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

MINNESOTA VALLEY TRANSIT AUTHORITY
ORGANIZATION CHART
December 31, 2012



MINNESOTA VALLEY TRANSIT AUTHORITY
ELECTED AND APPOINTED OFFICIALS
December 31, 2012

Elected Officials	Position	Community/County Represented	Term Expires
Gary Hansen	Chairperson	Eagan	*
William Droste	Vice Chairperson	Rosemount	*
Jane Victorey	Secretary/ Treasurer	Savage	*
Willis Branning	Board Member	Dakota County	*
Clint Hooppaw	Board Member	Apple Valley	*
Dan Kealey	Board Member	Burnsville	*
Wally Lyslo	Board Member	Burnsville	*
Jon Ulrich	Board Member	Scott County	*

Administration

Beverley Miller, Executive Director
Lois Spear, Finance Officer
Michael Abegg, Planning Manager

*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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HLB **Tautges Redpath, Ltd.**
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Minnesota Valley Transit Authority as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Minnesota Valley Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Minnesota Valley Transit Authority, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Minnesota Valley Transit Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2013, on our consideration of Minnesota Valley Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Valley Transit Authority's internal control over financial reporting and compliance.

HLB TAUTGES REDPATH, LTD.

June 17, 2013

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MINNESOTA VALLEY TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

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, 2012. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

- The assets of the Minnesota Valley Transit Authority (MVTA) exceeded its liabilities at the close of fiscal year 2012 by $50,210,273 (net position). Of this amount, $5,259,284 (unrestricted net position) may be used to meet the government's ongoing obligations to customers and creditors.

- The government's total net position increased by $674,039.

- As of the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of $5,292,081, an increase of $11,629 in comparison with the prior year. The unassigned fund balance at the end of 2012 was $5,161,132.

- At the end of the current fiscal year, unrestricted (committed, assigned and unassigned) fund balance for the general fund was $5,241,973 or 29.1% of total general fund expenditures at 2012 levels.

- Minnesota Valley Transit Authority had no outstanding debt in 2012.

- MVTA received $12,674,238 in Motor Vehicle Sales Tax revenue in 2012. This consisted of $8,732,238 of MVST revenue passed through the Metropolitan Council according to MN Statutes and an additional $3,942,000 of MVST funding allocated by Metropolitan Council to MVTA.

- $536,428 of grant funding was received from the Counties Transit Improvement Board and the Metropolitan Council for operating service and facility maintenance associated with Cedar Avenue Bus Rapid Transit (BRT).

- In 2012, MVTA continued its portion of work on the new Cedar Avenue Bus Rapid Transit (Red Line) which is scheduled to open in June 2013. MVTA finished constructing the expansion at its Apple Valley Transit Station, received and readied the seven station-to-station (Red Line) vehicles for operating service and developed the Red Line service and local connecting schedules.

- MVTA continued to put the pieces in place for the expansion of its Eagan Bus Garage. After acquiring an adjacent parcel of land in December 2010 and completing the expansion design in 2011, MVTA completed site prep in 2012 along with clearing up some real estate matters. The garage will house an additional 40 vehicles and include 3 additional maintenance bays. Construction will start in spring 2013.

Overview of the Financial Statements – This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Minnesota Valley Transit Authority's basic financial statements comprise 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 component units.

The government-wide financial statements can be found on pages 34-35 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are governmental funds.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintained two individual governmental funds during 2012– the General Fund and the Capital Projects Fund.

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

The basic governmental fund financial statements can be found on pages 36-38 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-54 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 $50,210,273 at the close of fiscal year 2012.

10.5% of the Authority's net position is unrestricted. This is the amount available to meet the Authority's ongoing obligations to its riders and creditors.

Another 89.5% reflects the Authority's investment in capital assets (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding (of which the Authority has none). 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.

Minnesota Valley Transit Authority's Net Position
Governmental Activities

	2012	2011
Current and Other Assets	$ 9,142,242	$ 8,021,032
Capital Assets, net of depreciation	44,950,989	44,279,184
Total Assets	$ 54,093,231	$ 52,300,216
Long-term Liabilities Outstanding	$ 0	$ 0
Other Liabilities	3,882,958	2,763,982
Total Liabilities	$ 3,882,958	$ 2,763,982
Net Position:		
Net Investment in Capital Assets	$ 44,950,989	$ 44,279,184
Restricted	0	0
Unrestricted	5,259,284	5,257,050
Total Net Position	$ 50,210,273	$ 49,536,234

No portion of the Authority's net position represents resources that are subject to restrictions on how they may be used.

Governmental Activities – Governmental activities increased the Authority's net position by $674,039. Revenues in 2012 were $26,631,097 for an increase of $8,058,290. Expenses increased by $5,657,983 to bring the total 2012 expenses to $25,957,058. The net result is an increase in net position of $674,039. The key elements of this decrease are as follows:

Minnesota Valley Transit Authority's Activities
Government-wide

	2012	2011
Revenues:		
Program Revenues:		
Charges for Services	$ 4,981,091	$ 5,071,339
Operating Grants and Contributions	676,608	793,160
Capital Grants and Contributions	8,264,614	1,543,237
General Revenues:		
Motor Vehicle Sales Tax	12,674,238	11,139,660
Revenues not Restricted to Specific Programs	33,898	24,802
Unrestricted Investment Earnings	$ 648	$ 609
Total Revenues	$ 26,631,097	$ 18,572,807

	2012	2011
Expenses:		
Transit Operations	$ 20,390,062	$ 14,957,334
Facilities Management	3,911,843	3,804,151
Administration	1,655,153	1,537,590
Interest on Long-Term Debt	$ 0	$ 0
Total Expenses	$ 25,957,058	$ 20,299,075
Change in Net Position	$ 674,039	($ 1,726,268)
Net Position – January 1	49,536,234	51,262,502
Net Position – December 31	$ 50,210,273	$ 49,536,234

Revenue changes

- Charges for Services decreased $90,248 in 2012. While ridership remainder virtually constant, the ridership mix changed. Local routes garnered more riders while express ridership decreased. This caused a decrease in fare revenue because local fares cost less than express fares.
- Operating Grants and Contributions decreased $116,552. In June 2011, MVTA's contract with the Metropolitan Council for Cedar BRT express services was amended and MVTA was reimbursed $244,752 for 2010 expenses. Revenues for the Cedar Avenue BRT express services also decreased $11,979 when compared to 2011. In 2012, MVTA received a Congestion Mitigation/Air Quality(CMAQ) grant from FHWA for three years of new operating service along the 35W Transitway. This grant provided $140,181 for the portion of the service that started in September 2012.
- Capital Grants and Contributions increased $6,721,377. Activity on the MVTA's routine facilities improvement projects remained fairly constant while the increase in capital grants and contributions was due to new projects as follows:
    - Received and outfitted seven (7) station-to-station vehicles for use on Red Line service with start-up expected in June 2013 ($3,426,596).
    - Constructed the Rosemount Transit Station which opened in December 2012 ($1,063,419).
    - Replaced two (2) forty-foot and four (4) twenty-nine foot buses ($1,394,266).
    - Completed design and began construction administration of the two new station stops for the Red Line ($673,467).
    - Procured and installed new fleet maintenance software ($145,541).
- MVTA received $1,534,578 more in MVST revenue in 2012 compared to 2011 primarily due to the Metropolitan Council increasing the amount of "Allocated" MVST funding distributed to MVTA.
- Revenues not Restricted to Specific Programs increased $9,096 primarily due to an increase in the insurance dividend ($6,102), and additional reimbursement from claims ($2,523).
- Investment earnings remained steady.

Expense Changes

- Transit Operating costs, which comprised approximately 78.6% of the expenses, increased by $5,432,728. The seven new station-to-station and 6 replacement buses comprised $4,830,301 of the increase. Of the remaining increase ($634,695), $301,435 is caused by an increase in fuel expenditures (21% of this increase due to greater usage and 79% due to the rise in fuel prices) and the remaining $333,260 increase occurs because of growth in the 35W service and the increase in MVTA's provider contract.
- Facilities Management increased in 2012 by $107,692 due to additional spending over 2011 mainly for the design of the 140th/147th Street Station Stops.
- MVTA's 2012 Administrative expenses grew by $117,563 when compared to 2011. A portion of the growth was in repairing and replacing office equipment ($57,845). Salaries and benefits including compensated absences expense ($44,884) along with increases in computer licensing and maintenance fees ($8,029) contributed another $52,913.
- MVTA does not have any long-term debt and therefore pays no interest.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of $5,292,081, an increase of $11,629 in comparison with the prior year. Approximately 99.1% of the ending fund balance, or $5,241,973, constitutes *unrestricted fund balance (committed, assigned and unassigned)*, which is available for spending at the Authority's discretion. The remainder of the fund balance is *nonspendable* 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.

The revenue over expenditures in the General Fund of $383,678 offset the Capital Fund's revenues under expenditures of $372,049 causing the increase in the Authority's fund balance of $11,629 during the current fiscal year. General Fund revenues over expenditures occurred because two events that were budgeted (start-up of Red Line operations and issuance of debt financing) were delayed causing a decrease in both revenues and expenditures. In addition, because a deficit was projected, management eliminated or delayed some of the planned spending and weather was more moderate than expected. These measures reduced General Fund expenses.

The Capital Fund, on the other hand, had revenues under expenditures. This was due to the delay in receiving some grants which meant some expenditures couldn't be billed against grants. MVTA still anticipates receiving these grants, although as of this writing, they still were not received. The combination of the revenues being over expenditures in the General Fund and the Capital Fund revenues being under expenditures resulted in MVTA's fund balance remaining virtually unchanged from last year.

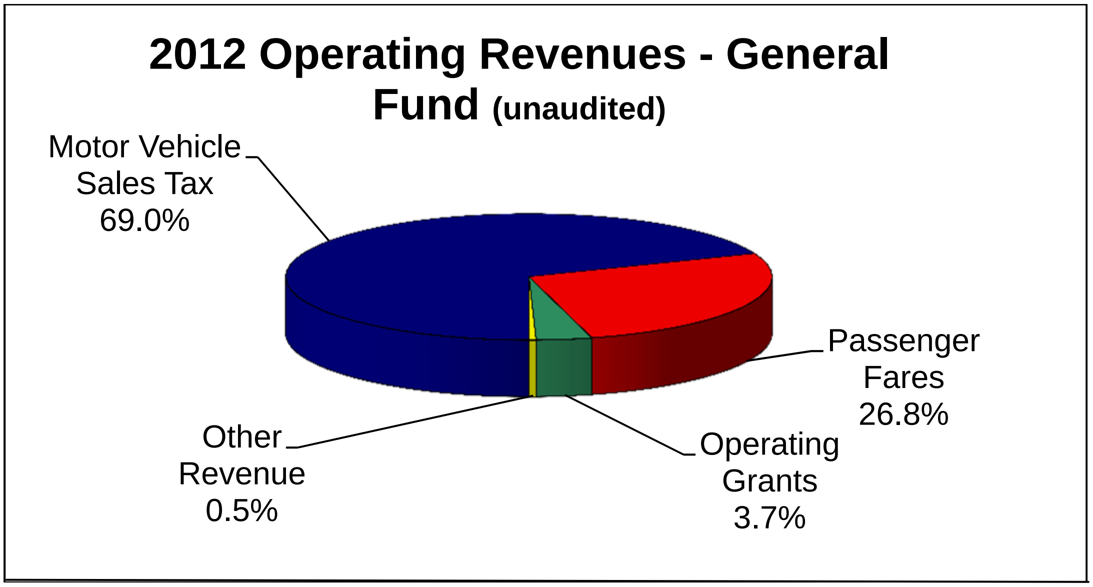
<u>Revenue Changes from Budget</u>

- 2012 Revenue was $739,449 less than the 2012 Final Budget. Intergovernmental revenue was $767,348 lower than budgeted because MVTA did not issue revenue bonds as anticipated and therefore didn't get the expected grant of $500,000. The remainder of the under-run was because start-up of the Red Line service was delayed from the November/December 2012 timeframe to June 2013 so reimbursement from the grant was not needed. Miscellaneous revenue was $22,883 over budget primarily due to an insurance dividend that was $17,706 higher than expected.

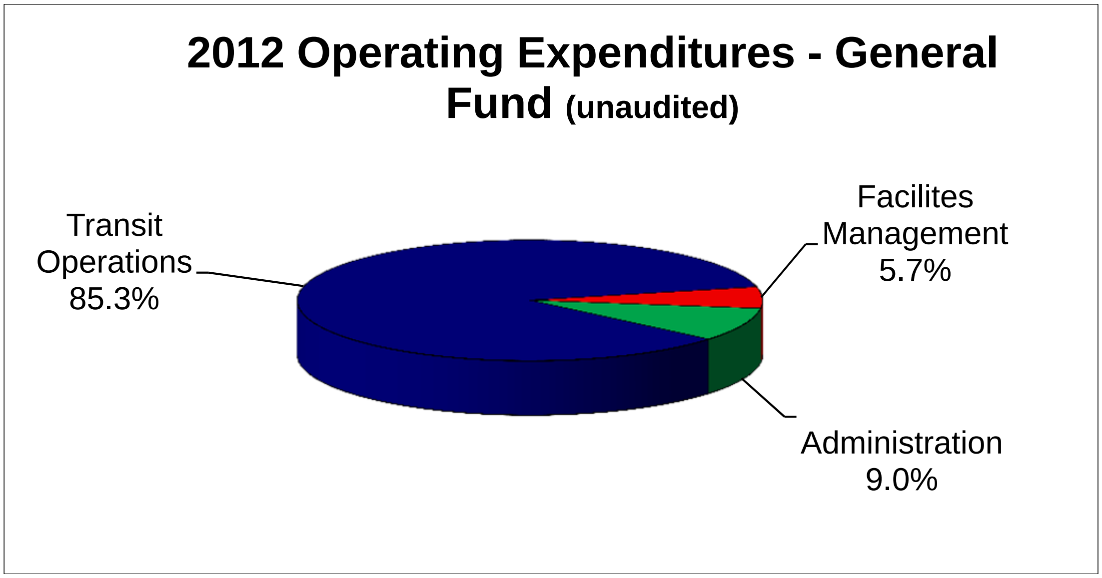
<u>Expenditure Changes from Budget</u>

- Actual expenditures were $1,516,629 less than the Original and Final Budget. The reasons for the Final Budget deviations are detailed below:
  - Transit Operations costs were under the Final Budget by 1.5% or $225,766 due to the delay in the start-up of Red Line service as previously mentioned offset by the start-up of additional service in the 35W corridor.
  - Facilities Management costs were $186,261 under the Final Budget. The budget deviations are as follows:
    - Utilities were $129,168 under budget mainly in gas and electric
    - Contracted Services were $97,716 under budget mostly in snowplowing due to the warmer winter, and
    - Maintenance and repairs were $69,621 over budget due to unexpected repairs.
  - Administrative expenses were under budget by $581,951 due to not needing the budgeted contingency of $382,342, not spending as much on professional services such as legal, engineering and accounting ($93,619), capital ($59,114), marketing efforts ($15,660) or office materials and supplies ($13,980) as planned.
  - The financing of the Eagan Bus Garage that was planned in 2012 was delayed until 2013 causing a favorable budget variance of $522,651.

This year, there are four categories of revenue: motor vehicle sales tax, passenger fares, operating grants, and other revenue. The motor vehicle sales tax accounted for 69.0% of the revenue and passenger fares made up 26.8%. These two revenue groupings accounted for nearly 96% of MVTA's revenue. Operating grants made up 3.7% of the revenue with the remainder coming from other revenues (chart follows).



The general fund expenditures were $17,982,805 for the year. The majority of the costs were from providing transit services to the area's citizens. These accounted for 85.3% of the expenditures or $15,343,140. Administrative functions cost the agency $1.6 million or 9.0% of the expenses. Facilities operation and maintenance activities accounted for the remaining 5.7%. The following chart depicts this information.



GENERAL FUND BUDGETARY HIGHLIGHTS

There were no budget amendments in 2012. Budgeted revenues in 2012 were $19,105,932 with expenditures including debt service budgeted at $19,499,434. The 2012 budget resulted in a use of fund balance of $393,502. Budget variances are discussed in the section above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The Minnesota Valley Transit Authority's investment in capital assets as of December 31, 2012 amounts to $44,950,989 (net of accumulated depreciation). This investment in capital assets includes land, land improvements including parking decks and fencing, buildings and improvements, equipment and transit vehicles. The increase in Minnesota Valley Transit Authority's investment in capital assets for the current fiscal year was 1.5%.

The primary reasons for the increase in MVTA's capital assets are net additions to Construction in Progress of $1.4 million, Building and Improvements of $1.3 million, and additions to Land, Land Improvements, and Furniture and Equipment of $100,000 each. This is offset by depreciation expense for the year of $2.4 million. The cost of all capital additions excluding construction in progress was $1,630,814 and the gross value of the deletions was $9,464.

Depreciation for the year was 2,358,070. The breakdown by category is as follows:

- Land Improvements - $938,002
- Buildings and Improvements - $1,049,818
- Furniture and Equipment - $206,034
- Transit Vehicles - $164,216

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

	2012	2011	Incr./(Decr.)
Land	$ 9,301,922	$ 9,241,101	$ 60,821
Land Improvements	16,325,207	17,123,250	(798,043)
Buildings and Improvements	14,966,682	14,711,985	254,697
Furniture and Equipment	1,127,916	1,228,172	(100,256)
Transit Vehicles	242,761	393,009	(150,248)
Construction in Progress	2,986,501	1,581,667	1,404,835
Total	$ 44,950,989	$ 44,279,184	$ 671,805

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

Long-term Debt – At the end of the current fiscal year, the Minnesota Valley Transit Authority has no capital leases or bond issues outstanding as no additional long-term debt was undertaken in 2012.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

MVTA's 2013 General Fund revenues are currently budgeted (based on the 1st Amendment to the Original Budget) at $22,757,746 or $4,391,263 more than last year's actual revenues. The revenue has increased in three major categories: Motor Vehicle Sales Tax (MVST) revenue, Passenger Fare Revenue, and Operating Grant revenue. Almost half (47.6%) of the increase is in revenue from operating grants with just over another one-third (36.5%) of the increase in MVST revenue. Additional passenger fare revenue makes up the remaining 15.9%.

Operating grant revenue is increasing by $2,091,741 of which an additional $1,488,146 is due to the start-up of Red Line service along Cedar Avenue. An additional $233,595 of operating grant revenue from the federal government will be received due to extra service being added along 35W into downtown Minneapolis. The remaining increase of $370,000 in operating grant revenue is a pass-through of federal money that will be used to pay for debt service on the Eagan Bus Garage expansion. A new debt issue is expected in 2013.

MVST revenue is expected to grow by $1,603,303 based on Met Council's procedure to distribute additional MVST funds in order to maintain our fund balance at 25% of expenditures based on their "Regional Transit Operating Revenue Allocation Procedure". Passenger fare revenue is also budgeted to increase from 2012 actual revenues by $714,887 due to the additional transit routes that are being added in 2013.

MVTA's 2013 budgeted expenditures in the General Fund are $22,196,963. This is a 23.4% increase over the 2012 actuals of $17,982,805 with the reserve/contingency line item budgeted at 2% of the budget or $.4 million. Service in 2013 is budgeted based on the service level in September 2012, the contracted provider rates and the planned transit service expansion. Start-up of new services (Red Line and 35W additional service) causes an increase of $2.3 million over 2012 actual expenditures while the provider rate increase of 2% adds $.3 million to the budget.

Historical cost trends for diesel fuel, electricity and natural gas along with usage were used to predict the 2013 budgeted amounts in these categories. The inflation rate was assumed to be 3.15% for all other items. Price increases in these categories add another $.4 million to 2013 over 2012. Also included in the 2013 budget is an increase in staffing and new bus technology costs of $.3 million. The final factor resulting in the budgeted expenditure increase is the new debt service ($.4 million) caused by the issuance of revenue bonds in the summer of 2013.

If the service and facilities plans are implemented as budgeted, MVTA will improve its fund balance position by $.6 million by December 31, 2013.

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

Of the Authority's unreserved 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 2012, MVTA's fund balance was sufficient to cover 2.8 months of 2013 budgeted operating expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer, 100 East Highway 13, Burnsville, MN 55337.

BASIC FINANCIAL STATEMENTS

MINNESOTA VALLEY TRANSIT AUTHORITY

STATEMENT OF NET POSITION **Statement 1**

December 31, 2012

	Governmental Activities
Assets:	
Current assets:	
Cash and investments	$4,881,050
Due from other governments	3,955,573
Accounts receivable	255,511
Prepaid items	8,218
Inventories	41,890
Total current assets	9,142,242
Noncurrent assets:	
Land	9,301,922
Construction in progress	2,986,501
Land improvements	24,764,524
Buildings and improvements	23,113,530
Transit vehicles	1,000,289
Furniture and equipment	2,689,156
Net capital assets	63,855,922
Less: accumulated depreciation	(18,904,933)
Total noncurrent assets	44,950,989
Total assets	54,093,231
Liabilities:	
Accounts payable	3,655,796
Contracts payable	61,989
Due to other governments	89,646
Salaries and benefits payable	42,730
Compensated absences payable:	
Due within one year	32,797
Total liabilities	3,882,958
Net position:	
Net investment in capital assets	44,950,989
Unrestricted	5,259,284
Total net position	$50,210,273

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

MINNESOTA VALLEY TRANSIT AUTHORITY
STATEMENT OF ACTIVITIES **Statement 2**
For The Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets: Governmental Activities
Governmental activities:					
Transit operations	$20,390,062	$4,927,964	$488,514	$4,828,403	($10,145,181)
Facilities management	3,911,843	53,127	188,094	3,290,670	(379,952)
Administration	1,655,153	-	-	145,541	(1,509,612)
Total governmental activities	$25,957,058	$4,981,091	$676,608	$8,264,614	(12,034,745)
General revenues:					
Intergovernmental revenues not restricted to specific programs:					
Motor vehicle sales tax					12,674,238
Revenues not restricted to specific programs					33,898
Unrestricted investment earnings					648
Total general revenues					12,708,784
Change in net position					674,039
Net position - beginning					49,536,234
Net position - ending					$50,210,273

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

MINNESOTA VALLEY TRANSIT AUTHORITY
BALANCE SHEET **Statement 3**
GOVERNMENTAL FUNDS
December 31, 2012

	General Fund	Capital Projects	Total Governmental Funds
Assets			
Cash and investments	$4,881,050	$ -	$4,881,050
Accounts receivable - net	255,511	-	255,511
Due from other funds	530,969	-	530,969
Due from other governmental units	2,147,451	1,808,122	3,955,573
Inventory	41,890	-	41,890
Prepaid items	8,218	-	8,218
Total assets	$7,865,089	$1,808,122	$9,673,211
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$2,444,648	$1,211,148	3,655,796
Contracts payable	-	61,989	61,989
Due to other funds	-	530,969	530,969
Due to other governments	85,630	4,016	89,646
Salaries and benefits payable	42,730	-	42,730
Total liabilities	2,573,008	1,808,122	4,381,130
Fund balance:			
Nonspendable	50,108	-	50,108
Committed	80,841	-	80,841
Unassigned	5,161,132	-	5,161,132
Total fund balance	5,292,081	0	5,292,081
Total liabilities and fund balance	$7,865,089	$1,808,122	$9,673,211

Fund balance reported above	$5,292,081
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.	44,950,989
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(32,797)
Net position of governmental activities	$50,210,273

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
For The Year Ended December 31, 2012

Statement 4

	General Fund	Capital Projects	Total Governmental Funds
Revenues:			
Intergovernmental	$13,350,846	$8,251,977	$21,602,823
Passenger fares	4,927,964	-	4,927,964
Investment income	648	-	648
Miscellaneous	87,025	-	87,025
Total revenues	18,366,483	8,251,977	26,618,460
Expenditures:			
Current:			
Transit operations	15,343,140	-	15,343,140
Facilities management	1,028,427	-	1,028,427
Administration	1,611,238	-	1,611,238
Capital outlay:			
Transit operations	-	5,067,971	5,067,971
Facilities management	-	3,407,509	3,407,509
Administration	-	148,546	148,546
Total expenditures	17,982,805	8,624,026	26,606,831
Revenues over (under) expenditures	383,678	(372,049)	11,629
Other financing sources (uses):			
Transfers in	-	372,049	372,049
Transfers out	(372,049)	-	(372,049)
Total other financing sources (uses)	(372,049)	372,049	0
Net change in fund balance	11,629	0	11,629
Fund balance - January 1	5,280,452	-	5,280,452
Fund balance - December 31	$5,292,081	$0	$5,292,081

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, 2012

Statement 5

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)	$11,629
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	8,626,160
Less capital outlay not capitalized	(5,590,511)
Depreciation expense	(2,358,070)
Loss on disposal	(5,774)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the statement of activities.	(9,395)
Change in net position of governmental activities (statement 2)	$674,039

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

MINNESOTA VALLEY TRANSIT AUTHORITY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND **Statement 6**
For The Year Ended December 31, 2012

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	$14,118,194	$14,118,194	$13,350,846	($767,348)
Passenger fares	4,923,096	4,923,096	4,927,964	4,868
Investment income	500	500	648	148
Miscellaneous	64,142	64,142	87,025	22,883
Total revenues	19,105,932	19,105,932	18,366,483	(739,449)
Expenditures:				
Current:				
Transit operations	15,568,906	15,568,906	15,343,140	(225,766)
Facilities management	1,214,688	1,214,688	1,028,427	(186,261)
Administration	2,193,189	2,193,189	1,611,238	(581,951)
Capital outlay	-	-	-	-
Debt service:				
Principal	220,000	220,000	-	(220,000)
Interest	302,651	302,651	-	(302,651)
Total expenditures	19,499,434	19,499,434	17,982,805	(1,516,629)
Revenues over (under) expenditures	(393,502)	(393,502)	383,678	777,180
Other financing sources (uses):				
Transfers out	-	-	(372,049)	(372,049)
Net change in fund balance	($393,502)	($393,502)	11,629	$405,131
Fund balance - beginning			5,280,452	
Fund balance - ending			$5,292,081	

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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, Rosemount and Savage 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 an seven member Board of Commissioners comprised of one representative from each member City and one representative from each County.

For financial reporting purposes, the Authority's financial statements include all funds over which the Authority exercises financial accountability. In October 2012, the MVTA Bond Board was established by an amendment to the joint powers agreement. The MVTA Bond Board may issue bonds or obligations on behalf of the members, under any law by which any member may independently issue bonds or obligations, and may use the proceeds of the bonds or obligations to carry out the purposes of the law under which the bonds or obligations are issued. When the Bond Board has reportable financial activity, it will be reported in the Authority's financial statements as a blended component unit.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. MVST, which replaced property taxes as a major source of revenue are recognized in the year the taxes are collected by the State of Minnesota. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

MVST, passenger fares, interest and grant funding associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental funds:

The G*eneral 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.

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.

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

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

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

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

D. BUDGETARY INFORMATION

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

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

E. CASH AND INVESTMENTS

DEPOSITS

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

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

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

F. RECEIVABLES AND PAYABLES

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

Amounts included in accounts payable include expenses incurred in 2012, but not paid until 2013 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.

H. INVENTORY

Fuel inventory totaled $41,890 at December 31, 2012 and is accounted for using the purchases method. Inventory is valued based on weighted average prices for fuel purchased during December 2012.

I. CAPITAL ASSETS

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

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

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

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

J. COMPENSATED ABSENCES

Authority employees earn vacation time based on years of service with a maximum accrual at one-half times their annual vacation time. Upon termination, employees will receive compensation for unused vacation time. Sick leave is accumulated for all regular full-time employees at a rate of one day per calendar month with no maximum. There is no cash compensation for unused sick leave accrued upon termination of employment. 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. As annual usage on hours exceeds year end balances, the entire year end balance is reported as due within one year.

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.

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. Currently, no individual has been delegated this authority because no fund balance is assigned in the General Fund.

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

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

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

M. NET POSITION

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

N. USE OF ESTIMATES

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

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

As of December 31, 2012, the Authority had $315 of petty cash on hand.

B. INVESTMENTS

As of December 31, 2012, the Authority had investments in the Minnesota Municipal Money Market Fund (4M Fund) with a fair value totaling $4,915,887.

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

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

The following is a summary of total deposits and investments:

Petty cash	$315
Investments	4,880,735
Total deposits and investments	$4,881,050

Deposits and investments are presented in the December 31, 2012 basic financial statements as follows:

Statement of net position:	
Cash and investments - governmental activities	$4,881,050

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

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

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

INVESTMENT RISKS

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all Authority deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. As of December 31, 2012, 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.

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

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

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

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$9,241,101	$60,821	$ -	$9,301,922
Construction in progress	1,581,666	8,624,024	(7,219,189)	2,986,501
Total capital assets, not being depreciated	10,822,767	8,684,845	(7,219,189)	12,288,423
Capital assets, being depreciated:				
Land improvements	24,624,563	139,961	-	24,764,524
Buildings and improvements	21,812,741	1,310,253	(9,464)	23,113,530
Transit vehicles	986,321	13,968	-	1,000,289
Furniture and equipment	2,583,345	105,811	-	2,689,156
Total capital assets, being depreciated	50,006,970	1,569,993	(9,464)	51,567,499
Less accumulated depreciation for:				
Land improvements	7,501,315	938,002	-	8,439,317
Buildings and improvements	7,100,720	1,049,818	(3,690)	8,146,848
Transit vehicles	593,312	164,216	-	757,528
Furniture and equipment	1,355,206	206,034	-	1,561,240
Total accumulated depreciation	16,550,553	2,358,070	(3,690)	18,904,933
Total capital assets being depreciated - net	33,456,417	(788,077)	(5,774)	32,662,566
Governmental activities capital assets - net	$44,279,184	$7,896,768	($7,224,963)	$44,950,989

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

Governmental activities:	
Transit operations	$223,047
Facilities management	44,953
Administration	2,090,070
Total depreciation expense - governmental activities	$2,358,070

The Authority has an agreement with the Metropolitan Council for use of Council vehicles. The gross value and net value of these assets is $41,945,265 and $14,788,314, respectively. The assets are not included in the Authority's capital assets as disclosed above.

Note 4 LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$23,402	$32,797	($23,402)	$32,797	$32,797

Note 5 PENSION PLANS

A. PLAN DESCRIPTION

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

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

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

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

B. FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Authority makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.25%, of their annual covered salary in 2012. The Authority was required to contribute 7.25% for Coordinated Plan GERF members. The Authority's contributions to the General Employees Retirement Fund for the years ending December 31, 2012, 2011 and 2010 were $63,313, $62,275 and $57,091, respectively. The Authority's contributions were equal to the contractually required contributions for each year as set by state statute.

Note 6 INTERFUND ACTIVITY

A. DUE TO/FROM OTHER FUNDS

At December 31, 2012 due to/from other funds for the Authority were as follows:

Fund Type and Fund	Due from Other Funds	Due to Other Funds
General Fund	$530,969	$ -
Capital Projects Fund	-	530,969
Total	$530,969	$530,969

Interfund loans represent accruals to cover temporary negative cash balances.

B. TRANSFERS

Transfers during the year ended December 31, 2012 included a transfer from the General Fund to the Capital Projects Fund in the amount of $372,049. This transfer is performed to account for the Authority's local share for federal and state grants.

Note 7 CONTINGENCIES

FEDERAL AND STATE FUNDS

The Authority receives financial assistance from federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Authority at December 31, 2012.

Note 8 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2012, a summary of the governmental fund balance classifications are as follows:

	General Fund	Capital Projects	Total
Nonspendable:			
Prepaid items	$8,218	$ -	$8,218
Inventory	41,890	-	41,890
Committed to:			
Insurance reserves	80,841	-	80,841
Unassigned	5,161,132	-	5,161,132
Total	$5,292,081	$0	$5,292,081

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

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

The policy states the Authority will maintain an unreserved fund balance in the General Fund at a minimum of 4 months of operating expenditures. This will provide the Authority with funds to meet both unexpected fluctuations in its revenues and to fund capital expenditures before reimbursement. At December 31, 2012, unassigned fund balance was sufficient to cover 2.8 months of 2013 budgeted expenditures (excluding amounts budgeted for contingency). The Metropolitan Council, however, through its “Regional Transit Operating Revenue Allocation Procedure,” has set the minimum fund balance level to be 3 months of budgeted operating expenditures.

Note 9 COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

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

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

B. COMMITMENTS

The Authority has contract commitments at December 31, 2012. The amount of those commitments were as follows:

Project	Vendor	Contract	Work-to-Date as of 12-31-12	Remaining
Rosemount Park & Ride Design	Stantec	$164,765	$120,397	$44,368
Rosemount Park & Ride Construction	Black & Dew	1,388,878	1,119,381	269,497
140th/147th Station Stop Design	SRF	929,195	855,337	73,858
Eagan Bus Garage Design	BWBR	992,305	766,464	225,841
Eagan Bus Garage Site Grading	Rachel Contracting, Inc.	362,062	120,400	241,662
Eagan Bus Garage Site Grading Testing	Terracon	7,341	1,923	5,418
Eagan Bus Garage Construction	Morcon Con	6,725,304	-	6,725,304
Eagan Bus Garage Construction Testing	Terracon	27,500	-	27,500
Bus Technology Procurement/Installation	RouteMatch	1,415,239	587,762	827,477
Operations and Maintenance Provider[1]	Schmitty and Sons Transit, Inc.	30,049,350	-	30,049,350

1 - Contract was extended for 2 years (2013/2014), contract may also be terminated with a 30 day written notice

C. LITIGATION

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

Note 10 OPERATING LEASES - LESSOR

The Authority receives revenue from an agreement for a land lease. The 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:

2013	$43,732
2014	43,732
2015	43,732
2016	44,096
2017	48,105
2018-2030	744,024
Total	$967,421

Note 11 SUBSEQUENT EVENTS

In April 2012 the Board approved issuance of an amount not to exceed $6,500,000 in revenue bonds. The bond proceeds will be used to finance part of the Eagan Bus Garage Expansion.

The Board, in February 2013 awarded a construction contract to Morcon Construction Co., Inc. for the expansion of the Eagan Bus Garage in the amount of $6,615,600. There have been two change orders since that time totaling $109,704 bringing the total contract to $6,725,304.

At its March 2013 Board meeting, the Board approved the next phase of the bus technology project which includes automated vehicle locator (AVL) system, automated passenger counting system (APC) and an automated voice and visual annunication system (AVVAS). The approval was for an additional $484,000.

III. STATISTICAL SECTION

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MINNESOTA VALLEY TRANSIT AUTHORITY
Burnsville, Minnesota

STATISTICAL SECTION
December 31, 2012
(Unaudited)

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

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

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

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

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

- Ratios of Outstanding Debt by Type

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

- Demographic and Economic Statistics
- Principal Employers

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

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

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

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Net investment in capital assets	$31,194,452	$21,608,828	$26,503,958	$25,846,949
Restricted	13,934	28,934	920,893	34,724
Unrestricted	4,503,893	5,781,256	4,561,838	6,180,970
Total governmental activites net position	$35,712,279	$27,419,018	$31,986,689	$32,062,643

Source: Minnesota Valley Transit Authority financial records

The Authority implemented GASB Statement No. 34 in 2003; Net Position was not reported for the years prior to 2003

Table 1

		Fiscal Year			
2007	2008	2009	2010	2011	2012
$24,924,761	$26,027,553	$40,828,213	$45,653,791	$44,279,184	$44,950,989
55,250	68,060	125,190	-	-	-
8,097,133	8,384,180	7,715,117	5,608,711	5,257,050	5,259,284
$33,077,144	$34,479,793	$48,668,520	$51,262,502	$49,536,234	$50,210,273

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
Transit operations	$ - [3]	$10,484,373	$13,000,000	$16,467,122
Facilities management	- [3]	1,654,152	1,746,573	2,405,597
Administration	- [3]	1,105,733	974,181	1,063,509
Interest on long-term debt	- [3]	-	-	
Total expenses	$13,710,925	$13,244,258	$15,720,754	$19,936,228
Program revenues:				
Governmental activities:				
Charges for services:				
Passenger fares	$3,269,103	$3,413,536	$3,916,617 [1]	$4,567,636
Ground lease			58,556 [4]	66,368
Operating grants and contributions	312,030	-	2,000	413,208
Capital grants and contributions	12,965,157	5,690,829	6,903,646	4,769,196
Total program revenue	$16,546,290	$9,104,365	$10,880,819	$9,816,408
Net expense	$2,835,365	($4,139,893)	($4,839,935)	($10,119,820)
General revenue:				
Property taxes	8,881	486	3,755	1,005
Motor vehicle sales tax	9,513,452	9,333,045	8,834,857	8,492,543
State appropriations	-	-	396,450	794,058
Revenues not restricted to specific programs	97,833	165,720	20,064 [4]	635,218
Special item	-	(13,704,620) [2]	-	-
Unrestricted investment earnings	31,716	52,001	152,480	272,950
Total general revenue	9,651,882	(4,153,368) [2]	9,407,606	10,195,774
Change in net position	$12,487,247	($8,293,261)	$4,567,671	$75,954

[1] This amount includes passenger fares, and other revenue

[2] During 2004, the Authority transferred the title for transit vehciles that were funded through various grants to the Metropolitan Council (MC). The Authority then entered into a lease agreement with MC for these same vehicles at $1 per year. The effect of this transaction removed from the Authority's accounting records transit vehicles totaling $14,903,662 with accumulated depreciation of $1,199,042.

[3] Comparable expenditure breakdown is not available for 2003.

[4] Reclassed ground lease from revenues not restricted to specific programs to charges for services - ground lease

Source: Minnesota Valley Transit Authority financial records

Table 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
$15,424,261	$13,212,646	$16,962,891	$14,961,494	$14,957,334	$20,390,062
2,351,076	2,392,995	2,368,947	3,477,891	3,804,151	3,911,843
1,188,460	1,471,802	1,529,303	1,534,782	1,537,590	1,655,153
			23,260	-	-
$18,963,797	$17,077,443	$20,861,141	$19,997,427	$20,299,075	$25,957,058
$4,751,464	$4,980,101	$4,835,590	$4,738,480	$5,019,866	$4,927,964
81,419	58,895	50,734	52,379	51,473	53,127
400,000	453,417	469,058	514,196	793,160	676,608
2,978,519	1,991,425	20,592,499	7,831,731	1,543,237	8,264,614
$8,211,402	$7,483,838	$25,947,881	$13,136,786	$7,407,736	$13,922,313
($10,752,395)	($9,593,605)	$5,086,740	($6,860,641)	($12,891,339)	($12,034,745)
-	-	-	-	-	-
8,655,276	9,443,437	8,592,596	9,378,089	11,139,660	12,674,238
1,937,876	1,358,270	463,876	-	-	-
940,305	25,695	27,118	73,797	24,802	33,898
-	-	-	-	-	-
233,439	168,852	18,397	2,017	609	648
11,766,896	10,996,254	9,101,987	9,453,903	11,165,071	12,708,784
$1,014,501	$1,402,649	$14,188,727	$2,593,262	($1,726,268)	$674,039

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

	Fiscal Year			
	2003	2004	2005	2006
General Fund:				
Reserved	$13,934	$28,934	$920,893	$34,724
Unreserved	4,585,613	5,825,849	4,586,094	6,180,970
Nonspendable	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	$4,599,547	$5,854,783	$5,506,987	$6,215,694
Capital Projects Fund:				
Reserved	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-
Unassigned	-	-	-	-
Total Capital Projects Fund	$0	$0	$0	$0
Subsequent years' budgeted expenditures	$12,757,562	$14,308,954	$15,441,880	$15,500,849
Months of expenditures in Unreserved/Unassigned Fund Balance	4.31	4.89	3.56	4.79

Source: Minnesota Valley Transit Authority financial records

Note: GASB 54 implemented in 2011 changing fund balance designations

Table 3

	Fiscal Year					
	2007	2008	2009	2010	2011	2012
	$55,250	$6,280,162	$125,190	$37,241	$ -	$ -
	8,115,856	2,191,391	7,739,062	5,598,373	-	-
	-	-	-	-	41,340	50,108
	-	-	-	-	67,075	80,841
	-	-	-	-	5,172,037	5,161,133
	$8,171,106	$8,471,553	$7,864,252	$5,635,614	$5,280,452	$5,292,082
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	$0	$0	$0	$0	$0	$0
	$16,452,501	$15,918,949	$16,762,059	$18,572,716	$19,499,432	$22,196,963
	5.92	1.65	5.54	3.62	3.18	2.79

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
General property tax	$18,504	$9,367	$3,755	$1,005
Intergovernmental revenue	22,790,639	15,023,874	16,136,952	15,049,756
Passenger fares	3,269,103	3,413,536	3,834,235	4,452,966
Miscellaneous:				
Investment income	31,716	52,001	152,480	272,950
Miscellaneous	97,833	165,720	161,002	235,505
Total revenues	26,207,795	18,664,498	20,288,424	20,012,182
Expenditures:				
Current:				
Transit operations	N/A	10,224,017	11,357,812	12,040,297
Facilities management	N/A	270,839	630,086	944,394
Administration	N/A	1,349,148	992,945	1,210,265
Total current	11,200,717	11,844,004	12,980,843	14,194,956
Debt service:				
Principal	215,000	225,000	235,000	400,000
Interest and other charges	96,781	92,466	83,457	74,644
Capital outlay	13,117,251	5,247,792	7,336,920	4,612,987
Total expenditures	24,629,749	17,409,262	20,636,220	19,282,587
Revenue over (under) expenditures	1,578,046	1,255,236	(347,796)	729,595
Other financing sources (uses):				
Lease proceeds	-	-	-	-
Insurance proceeds	-	-	-	-
Refunding payment (capital lease)	(2,641,110)	-	-	-
Transfers in	152,094	443,037	433,274	195,972
Transfers out	(152,094)	(443,037)	(433,274)	(195,972)
Total other financing sources (uses)	(2,641,110)	0	0	0
Net change in fund balance	(1,063,064)	1,255,236	(347,796)	729,595
Fund balance - beginning of year	5,662,611	4,599,547	5,854,783	5,506,987
Fund balance - end of year	$4,599,547	$5,854,783	$5,506,987	$6,236,582
Debt service as a percent of noncapital expenditures	2.7%	2.6%	2.4%	3.2%

Source: Minnesota Valley Transit Authority financial records

Current Expenditures by Function were not available for 2002 - 2003

Table 4

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ -	$20,843	$ -	$ -	$ -	$ -
14,891,742	13,242,170	29,998,610	13,130,718	13,476,057	21,602,823
4,650,501	4,980,100	4,835,590	4,738,480	5,019,866	4,927,964
233,439	168,852	18,397	2,017	609	648
202,616	77,956	91,931	126,176	76,275	87,025
19,978,298	18,489,921	34,944,528	17,997,391	18,572,807	26,618,460
12,328,812	13,021,496	12,698,070	13,908,956	14,708,445	15,343,140
831,364	886,379	951,232	1,139,106	1,063,229	1,028,427
1,181,793	1,442,103	1,472,106	1,480,585	1,569,645	1,611,238
14,341,969	15,349,978	15,121,408	16,528,647	17,341,319	17,982,805
400,000	400,000	400,000	330,000	-	-
61,434	44,948	27,192	10,296	-	-
3,240,371	2,394,548	20,003,229	3,357,086	1,586,650	8,624,026
18,043,774	18,189,474	35,551,829	20,226,029	18,927,969	26,606,831
1,934,524	300,447	(607,301)	(2,228,638)	(355,162)	11,629
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
175,831	441,564	483,929	26,575	43,413	372,049
(175,831)	(441,564)	(483,929)	(26,575)	(43,413)	(372,049)
0	0	0	0	0	0
1,934,524	300,447	(607,301)	(2,228,638)	(355,162)	11,629
6,236,582	8,171,106	8,471,553	7,864,252	5,635,614	5,280,452
$8,171,106	$8,471,553	$7,864,252	$5,635,614	$5,280,452	$5,292,081
3.1%	2.8%	2.7%	2.0%	0.0%	0.0%

MINNESOTA VALLEY TRANSIT AUTHORITY
RATIOS OF OUTSTANDING DEBT BY TYPE **Table 5**
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities: General Obligation Bonds	Governmental Activities: Special Assessment Bonds	Governmental Activities: Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita Personal Income (2)
2003	$ -	$ -	$2,390,000	$2,390,000	0.030%	$65
2004	-	-	2,165,000	2,165,000	0.026%	57
2005	-	-	1,930,000	1,930,000	0.022%	49
2006	-	-	1,530,000	1,530,000	0.017%	38
2007	-	-	1,130,000	1,130,000	0.012%	26
2008	-	-	730,000	730,000	0.007%	17
2009	-	-	330,000	330,000	0.003%	8
2010	-	-	-	-	*	*
2011	-	-	-	-	*	*
2012	-	-	-	-	*	*

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
* Not applicable

MINNESOTA VALLEY TRANSIT AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS **Table 6**
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population(1)	Per Capita Personal Income (2)	Personal Income (thousands of dollars) (3)	K-12 Enrollment (4)	Unemployment Rate (5)
2003	215,112	$36,792	$7,914,293	39,781	3.8
2004	217,822	38,236	8,328,533	39,255	4.0
2005	221,039	39,631	8,759,997	38,960	3.7
2006	221,660	40,984	9,084,403	38,617	3.4
2007	224,165	43,120	9,665,883	38,369	3.2
2008	224,716	44,341	9,964,132	37,974	3.7
2009	224,207	42,434	9,514,000	37,679	4.5
2010	222,381	43,868	9,755,410	37,415	7.1
2011	222,381	45,850	10,279,891	37,446	6.4
2012	*	*	*	37,209	5.0

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

* Information is not available

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MINNESOTA VALLEY TRANSIT AUTHORITY
PRINCIPAL EMPLOYERS **Table 7**
Current Year and Nine Years Ago

Employer	2012 Employees	Rank	Percentage of Total Cities Employment	2003 Employees	Rank	Percentage of Total Cities Employment
Thomson Reuters	7,700	1	6.8%	7,000	1	6.6%
Blue Cross and Blue Shield	3,250	2	2.9%	3,000	2	2.8%
U.S. Postal Service	2,000	3	1.8%	680	10	0.6%
Burnsville Public Schools - ISD # 191	1,600	4	1.4%	1,700	3	1.6%
Ecolab	1,500	5	1.3%	1,435	5	1.4%
Independent School District # 196	1,420	6	1.3%	1,528	4	1.4%
United Parcel Service	1,400	7	1.2%	-	-	0.0%
Fairview Ridges Hospital	1,400	8	1.2%	1,200	6	1.1%
B.F. Goodrich/Rosemount Aerospace	1,200	9	1.1%	800	8	0.8%
Coca-Cola Midwest Bottling	800	10	0.7%	885	7	0.8%
Prime Therapeutics	-	-	0.0%	736	9	-
Total principal employees	22,270		19.6%	18,964		17.9%
Total employees in cities	113,418		100.0%	105,762		100.0%

Sources:
2012 CAFR for Dakota County and Cities of Apple Valley Burnsville, Eagan, Rosemount and Savage
(State of Minnesota Department of Employment and Economic Development)
Met Council (Minnesota Community Profile)

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

	Fiscal Year			
Function	2003	2004	2005	2006
Transit operations	4.0	4.0	4.0	4.0
Facilities management	1.0	1.0	1.0	1.0
Administration	3.0	3.0	3.0	3.0
Total	8.0	8.0	8.0	8.0

Source: Minnesota Valley Transit Authority personnel records

Table 8

Fiscal Year					
2007	2008	2009	2010	2011	2012
4.2	5.3	6.0	6.0	6.5	6.0
1.0	1.0	1.0	1.0	1.0	1.0
3.1	4.0	4.0	4.0	4.0	4.0
8.3	10.3	11.0	11.0	11.5	11.0

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

	Fiscal Year			
	2003	2004	2005	2006
System ridership:				
Minneapolis express	1,348,922	1,421,268	1,440,539	1,538,373
St. Paul express	134,514	138,683	154,502	163,791
Local	340,065	313,464	406,340	479,214
Reverse commute	32,162	30,191	33,391	44,679
Weekend	41,093	47,423	62,495	79,845
State Fair	13,421	18,806	34,378	31,316
Total system ridership	1,910,177	1,969,835	2,131,645	2,337,218
Vehicle revenue hours:				
Fixed route	81,936	89,060	93,795	100,192
Special events	**	**	**	**
Vehicle revenue miles:				
Fixed route	1,809,492	1,935,998	2,022,095	2,126,789
Special events	**	**	**	**

** Special Events Hours and Miles were not available for 2002 - 2008

Source: Various governmental reports

Table 9

Fiscal Year					
2007	2008	2009	2010	2011	2012
1,612,356	1,674,840	1,535,786	1,518,411	1,563,162	1,549,198
166,936	190,215	182,386	189,350	193,969	179,435
518,589	592,093	540,714	552,850	633,963	646,467
45,864	48,327	44,911	49,920	49,236	55,055
84,183	90,570	85,127	84,317	94,979	96,256
42,104	42,838	42,088	43,085	52,874	48,952
2,470,032	2,638,883	2,431,012	2,437,933	2,588,183	2,575,363
101,366	104,223	118,125	121,541	121,286	120,829
**	**	1,088	1,128	982	1,055
2,147,863	2,216,734	2,276,781	2,420,433	2,455,288	2,451,467
**	**	25,823	27,081	24,653	26,173

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

	Fiscal Year			
Function/Program	2003	2004	2005	2006
Transit operations:				
Transit revenue vehicles - #	108	108	108	112
Maximum # of rev. vehicles in operation	84	84	83	86
Facilites management:				
Transit stations - #	3	3	3	3
Transit stations - # of parking spaces	2,704	2,704	2,704	2,704
Park & rides - # owned	3	3	3	3
Park & rides - # leased	1	2	2	1
Park & rides - # of parking spaces	905	1,248	1,248	1,213
Bus garages - #	1	1	2	2
Bus garages - bus storage capacity	40	40	100	100
Bus garages - # of maintenance bays	4	4	12	12

Source: Various MVTA departments

Table 10

Fiscal Year					
2007	2008	2009	2010	2011	2012
112	112	116	118	118	123
90	91	96	99	99	99
4	4	4	5	5	6
2,962	2,962	2,962	3,226	3,226	3,328
3	3	3	3	3	3
1	2	2	2	2	1
1,213	1,288	1,288	1,288	1,288	1,213
2	2	2	2	2	2
100	100	100	100	100	100
12	12	12	12	12	12