

MINNESOTA VALLEY TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND INDEPENDENT AUDITOR'S REPORTS

For The Year Ended December 31, 2016

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MINNESOTA VALLEY TRANSIT AUTHORITY
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Minnesota Valley Transit Authority, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Minnesota Valley Transit Authority's basic financial statements, and have issued our report thereon dated June 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minnesota Valley Transit Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Minnesota Valley Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Minnesota Valley Transit Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less secure than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minnesota Valley Transit Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 20, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Minnesota Valley Transit Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Minnesota Valley Transit Authority's major federal programs for the year ended December 31, 2016. Minnesota Valley Transit Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Minnesota Valley Transit Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Minnesota Valley Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Minnesota Valley Transit Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Minnesota Valley Transit Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Minnesota Valley Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Minnesota Valley Transit Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Minnesota Valley Transit Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of Minnesota Valley Transit Authority as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Minnesota Valley Transit Authority's basic financial statements. We issued our report thereon dated June 20, 2017, which contained unmodified opinions on those financial statements. 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 20, 2017

MINNESOTA VALLEY TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation:			
Passed through the Metropolitan Council:			
Federal Transit Cluster:			
Federal Transit - Formula Grant - Grant No. MN-95-X026	20.507	SG-2012-077	\$96,495
Federal Transit - Formula Grant - Grant No. MN-95-X026	20.507	13P058	588,694
Federal Transit - Formula Grant - Grant No. MN-95-X037	20.507	SG-2015-001	128,000
Federal Transit - Formula Grant - Grant No. MN-95-X037	20.507	SG-2015-002	140,025
Federal Transit - Formula Grant - Grant No. MN-95-X015	20.507	SG-2011-138	360,000
Federal Transit - Formula Grant - Grant No. MN-95-X042	20.507	SG-2016-013	60,000
Federal Transit - Formula Grant - Grant No. MN-95-X044	20.507	SG-2016-015	355,674
New Freedom Cluster:			
Federal Transit - Capital Investment Grant - Grant No. MN-57-S006	20.521	SG-2014-012	20,739
Total Metropolitan Council			1,749,627
Public Transportation Research, Technical Assistance, & Training Grant - Grant No. MN-26-7008 - D2015-SRER-009	20.514	N/A	1,447,797
Total Expenditures of Federal Awards			\$3,197,424

Notes to the schedule of expenditures of federal awards

Note 1. Basis of Presentation

The financial statements of the governmental activities and each major fund of the Minnesota Valley Transit Authority, follow generally accepted accounting principles. The government-wide financial statements are reported using the accrual basis of accounting. The governmental fund financial statements are reported using the modified accrual basis of accounting as disclosed in the notes to the financial statements. The above schedule of expenditures of federal awards includes only the federal grant activity of Minnesota Valley Transit Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Indirect Costs

MVTA has a negotiated indirect cost rate that is approved by the pass through entity Metropolitan Council. Therefore, MVTA did not elect to use the 10% de minimis cost rate for indirect (F&A) costs.

Note 3. Subrecipients

During 2016, Minnesota Valley Transit Authority did not pass federal awards through to any subrecipients.

Note 4. Reporting Entity

For the purposes of this schedule, the reporting entity includes all funds of the Minnesota Valley Transit Authority.

MINNESOTA VALLEY TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2016

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

- | | | | | |
|--|------------|-----|----------------------|---------------|
| A. Type of auditors' report issued: | Unmodified | | | |
| B. Internal control over financial reporting: | | | | |
| • Material weakness(es) identified? | _____ | Yes | _____ <u>X</u> _____ | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | _____ | Yes | _____ <u>X</u> _____ | None reported |
| C. Noncompliance material to financial statements noted? | _____ | Yes | _____ <u>X</u> _____ | No |

Federal Awards

- | | | | | |
|--|------------|-----|----------------------|---------------|
| D. Internal control over major programs: | | | | |
| • Material weakness(es) identified? | _____ | Yes | _____ <u>X</u> _____ | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | _____ | Yes | _____ <u>X</u> _____ | None reported |
| E. Type of auditors' report issued on compliance for major programs: | Unmodified | | | |
| F. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance | _____ | Yes | _____ <u>X</u> _____ | None reported |
| G. Identification of major programs: | | | | |

Name of Federal Program	CFDA Number
Public Transportation Research, Technical Assistance, & Training Grant	20.514

- | | | | | |
|---|-----------|-----|----------------------|----|
| H. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 | | | |
| I. Auditee qualified as a low-risk auditee: | _____ | Yes | _____ <u>X</u> _____ | No |

MINNESOTA VALLEY TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

No current year findings.

SECTION III – FEDERAL AWARD FINDINGS

No current year findings.

SECTION IV – MINNESOTA LEGAL COMPLIANCE FINDINGS

No current year findings.

MINNESOTA VALLEY TRANSIT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended December 31, 2016

FOLLOW-UP ON PRIOR YEAR FINDINGS

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS

None.

MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

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MINNESOTA LEGAL COMPLIANCE REPORT

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

We have audited, 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 the financial statements of the governmental activities and each major fund of Minnesota Valley Transit Authority as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Minnesota Valley Transit Authority's basic financial statements, and have issued our report thereon dated June 20, 2017.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because this is not applicable to the Minnesota Valley Transit Authority.

In connection with our audit, nothing came to our attention that caused us to believe that Minnesota Valley Transit Authority failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Minnesota Valley Transit Authority's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 20, 2017

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