



Minnesota Valley Transit Authority

Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 2017



MINNESOTA VALLEY TRANSIT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
December 31, 2017

Prepared By:
Finance Department

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MINNESOTA VALLEY TRANSIT AUTHORITY
TABLE OF CONTENTS

	Reference	Page #
I. INTRODUCTORY SECTION		
Letter of Transmittal		3
Certificate of Achievement for Excellence in Financial Reporting		11
Organizational Chart		12
Elected and Appointed Officials		13
II. FINANCIAL SECTION		
Independent Auditor's Report		17
Management's Discussion and Analysis		21
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	Statement 1	34
Statement of Activities	Statement 2	35
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	36
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	Statement 4	37
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	Statement 5	38
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	Statement 6	39
Notes to Financial Statements		41
Required Supplementary Information:		
Schedule of Proportionate Share of Net Pension Liability - General Employees Retirement Fund	Statement 7	62
Schedule of Pension Contributions - General Employees Retirement Fund	Statement 8	63
Notes to RSI		64
Individual Fund Financial Schedule:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	Statement 9	66
III. STATISTICAL SECTION (UNAUDITED)		
Net Position by Component	Table 1	70
Changes in Net Position	Table 2	72
Fund Balances of Governmental Funds	Table 3	74
Changes in Fund Balances of Governmental Funds	Table 4	76
Ratios of Outstanding Debt by Type	Table 5	78
Demographic and Economic Statistics	Table 6	79
Principal Employers	Table 7	81
Full-Time Equivalent MVTA Employees by Function	Table 8	82
Operating Statistics	Table 9	84
Capital Asset Statistics by Function/Program	Table 10	86
Operating Statistics - Farebox Recovery Percentage and Fare Structure	Table 11	88

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I. INTRODUCTORY SECTION

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June 14, 2018

Honorable Chair and Members of the Board
Minnesota Valley Transit Authority

We are pleased to submit the Minnesota Valley Transit Authority (MVTA) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017 to the Minnesota Valley Transit Authority Board of Commissioners, the citizens of this area and all interested in its financial condition. MVTA is a public agency created by a joint powers agreement between the Cities of Apple Valley, Burnsville, Eagan, Prior Lake, Rosemount, Savage and Shakopee and the Counties of Dakota and Scott for the purposes of providing public transit services to the Cities of Apple Valley, Burnsville, Eagan, Prior Lake, Rosemount, Savage and Shakopee and surrounding areas and made pursuant to the authority conferred upon the Cities by *Minnesota* § 473.388, 473.384 and 471.59. This report is published to fulfill the requirements of the Minnesota state law requiring all general purpose local governments publish annually a complete set of financial statements in conformance with U.S. generally accepted accounting principles (GAAP), and are audited in accordance with U.S. generally accepted accounting standards by a firm of licensed certified public accountants.

This report was prepared by MVTA's Finance Department and responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules and statistical tables rests with 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 designed to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of MVTA's financial statements in conformance with GAAP. Because the cost of internal controls should not outweigh their benefit, MVTA's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

MVTA's financial statements were audited by Redpath and Company, a firm of licensed and certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of MVTA for the fiscal year ended December 31, 2017 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and any significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on their audit, that there was a reasonable basis for rendering an unmodified opinion that MVTA's financial statements for the fiscal year ended December 31, 2017 are presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

The MVTA was formed on January 1, 1991 by a joint powers agreement (JPA) between the Cities of Apple Valley, Burnsville, Eagan, Prior Lake (who withdrew in 2001 and rejoined in 2014) Rosemount and Savage to provide public transit services. From its forming in 1991 until 2012, MVTA was governed by an eight member board (nine members when Prior Lake was a participant) consisting of elected officials or their designee(s) and one member-at-large. Each of the cities appointed one member to the MVTA Board, and one alternate board member (frequently a city staff person who also served on the Technical Work Group). The Apple Valley, Burnsville, and Eagan board members collectively appointed the member-at-large and an alternate. The remaining two seats were filled by a Scott County and a Dakota County Commissioner though the counties were not “Parties” (the cities that entered into the JPA were the only ones classified as “Parties”) to the agreement.

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

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

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

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

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

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

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

In keeping with its vision and mission, MVTA provides fixed route transit services within the seven cities and connects people within these communities to other metropolitan destinations, including downtown Minneapolis and St. Paul, the University of Minnesota, the Mall of America, the Minnesota Zoo and the Blue Line (light rail), as well as providing reverse commute services to businesses within MVTA's service area. MVTA also operates the Metro Red Line under contract to the Metropolitan Council. MVTA services are provided by a fleet of 164 vehicles. Operations and maintenance services are provided by one private contractor working out of two bus garages.

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

The annual operating budget serves as the basis for MVTA's financial planning and control. In early summer, the Management Committee meets to approve assumptions regarding revenues, expenses and services to be used in budget preparation. Departments then submit their line item detailed budget requests to the Accounting Manager in late summer. The requests are compiled, reviewed and revised by the Accounting Manager, Finance Director and Executive Director and presented to the Management Committee in August for its review and direction. Following the Management Committee meeting, the operating budget is revised based on the Committee's feedback. The proposed preliminary budget is then presented to the full Board for its approval. In the October and November, 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 six-year period follows the same timeframe as the Operating Budget with budget preparation occurring in the summer, preliminary approval of the CIP in August or September and final adoption of the CIP taking place in December.

For the operating budget, actual amounts exceeding the line item budget are allowed if there is a corresponding revenue increase or if the total expenses for the department are within the department budgeted amount. Management cannot overspend the budget without approval of the governing body at the General Fund level. For the CIP or Capital Fund, management must obtain

approval to exceed the project budget. If significant changes occur after the budget is adopted, budget adjustments are proposed by MVTA staff and adopted by the Board.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The MVTA service area is located in the southern Twin Cities, straddling both Dakota and Scott Counties and includes the cities of Apple Valley, Burnsville, Eagan, Prior Lake, Rosemount, Savage and Shakopee. The Twin Cities economy, of which the MVTA cities and counties are a part, have been experiencing slow, steady growth over the last several years. A robust demand for workers together with low unemployment continue to tighten Minnesota's labor market. Statewide, there are now more job vacancies than the number of unemployed job-seekers, and other indicators, such as initial claims for unemployment insurance and temporary help employment, are at levels consistent with a firm labor market. In December 2017, Minnesota's seasonally adjusted unemployment rate fell to 3.1 percent, 1.0 percentage point below the national rate and 0.9 percentage points lower than a year ago. It is the lowest unemployment rate the state has seen in more than 17 years. The Bureau of Economic Analysis and IHS Markit (IHS) has increased their growth expectations for 2018 and 2019. The largest change occurs in 2019, with projected real GDP growth in that year increasing from 2.2 percent in 2018 to 2.7 percent in 2019. Minnesota's Council of Economic Advisors has agreed that this forecast is realistic to use for the State while recognizing that for 2018 there are primarily downside risks. Also, given the political policy uncertainties caution needs to be applied when developing Minnesota's forecasts.

Annual ridership increased .08% in 2017, providing almost 3 million rides. In addition to strong ridership on commuter routes, local service also saw growth. The Route 495, which runs between Shakopee, Burnsville, and Mall of America, experienced significant growth in 2017. The route, which operates seven days a week, started in August 2016 with the support of the state Legislature and Public-Private Partnerships. Ridership on the route seen steady growth and total monthly ridership jumped from 3,526 in November 2016 to 10,714 in November 2017.

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

Operating Funds

In the fall of 2006, a constitutional amendment passed dedicating all Motor Vehicle Sales Tax (MVST) revenue to transportation, with 40% percent dedicated to transit. This was an increase from 21.5% of MVST revenue dedicated to transit. The enabling legislation, passed in the following legislative session, required that 36% of the MVST revenue be assigned to the Twin Cities metropolitan area with the remaining 4% used for Greater Minnesota transit programs. The legislation also stated that the Opt-out providers were guaranteed the same percentage they were receiving prior to the constitutional amendment or our portion of the 21.5%. This guarantee is known as Base MVST. The incremental increase in MVST revenue was phased-in over a five year period and is known as Regionally Allocated MVST. The law did not outline how the Regionally

Allocated MVST funds should be distributed by the Met Council within the metropolitan area. However, the Met Council created a procedure that distributes these additional MVST funds based on regional priorities. MVTA has been receiving a portion of this Regionally Allocated MVST revenue. In 2017, MVTA received \$14,774,709 of MVST of which \$958,000 of Regionally Allocated MVST.

MVTA will continue to pursue its share of Regionally Allocated MVST while continuing to operate and maintain transit services that meet the needs of our communities. 2018 will be a challenging year as the entire metropolitan region is facing possible funding cuts and fare increases.

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 an application for the capital funds.

Significant project activity in 2017 included the following:

- CAD/AVL Project (CAD/AVL)- Began a project to replace CAD/AVL system on entire bus fleet.
- Driver Assist System (DAS) - Revised scope of the project and implemented a functional DAS system on fifteen buses.
- Security Enhancements - Replaced and updated security cameras and card access at various transit stations.
- Transit amenities - Deployed Passenger Information System with digital displays across major MVTA customer facilities.
- Automated Passenger Counters (APC) – Continued the project to install automatic passenger counters on buses and received FTA verification.
- Blackhawk Park & Ride Camera Improvements - Completed successful deployment of fiber at Black Hawk Park and Ride; bringing the video surveillance, WLAN and foundation of other services to prepare the site for future shelter replacement and passenger information amenities.

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

MVTA has also adopted the following Capital Policies:

- The development of the Capital Improvement Plan (CIP) and budget will be coordinated with the operating budget to ensure that all operating costs associated with new capital projects are included in the proper operating budget.

- The impact on the operating budget from any new programs or activities should be offset by additional funding from current or newly created resources whenever possible.
- The MVTA implemented a six-year CIP in coordination with the Metropolitan Council and their Regional Capital Plan. Each year, this CIP is submitted to the Metropolitan Council for potential inclusion in their plan.

MAJOR INITIATIVES

- Dakota County Regional Railroad Authority, working in conjunction with MVTA and the Metropolitan Council has begun the second phase of the Cedar Avenue Transitway. An Implementation Plan Update (IPU) was finalized in December of 2015. The IPU includes currently programmed projects to occur in 2015 – 2020 and identifies projects that will occur based on outcomes of technical evaluations between 2020 and 2040. Capital projects programmed in MVTA's service area for 2016 – 2021 include Cedar Grove Online Station Construction and Apple Valley Transit Station Expansion. The Cedar Grove Online Station began operation on May 20th 2017. Construction of the Apple Valley Transit Station Expansion is anticipated in 2019.
- The Suburban Transit Authority (STA), in which MVTA is a member, received continuation of funding from the Minnesota State Legislature to operate a unique suburb-to-suburb bus demonstration project. A total of \$3 million has been appropriated through the end of state FY 2018. The current iteration of service on Route 495 provides 39 trips seven days per week and connects Shakopee, Burnsville, and the Mall of America in Bloomington. Service connections were enhanced in August 2017, when adjustments on Route 465 were coordinated to provide a transfer at Burnsville Transit Station and improve the travel time between Cedar Riverside in Minneapolis and the city of Shakopee.
- MVTA is proud to be the second largest public transit provider in the state of Minnesota. The agency provided more than 2.9 million rides in 2017, a modest increase over 2016, in a year when most providers remained flat or experienced a decline.
- MVTA maintains and manages seven transit stations and seven park and ride lots, with a combined capacity of almost 6,500 spaces. The agency recorded a record high park & ride use count in fall 2017, with 3,539 spaces occupied. This represents a 9% increase over 2016 counts.
- MVTA achieved federal certification of Automatic Passenger Count (APC) technology in July 2017, with 98% accuracy. MVTA has nearly 100 vehicles equipped with APCs, approximately 60% of the fleet, and continues to expand installations upon vehicle replacement.

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, 2017. This was the sixth 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.

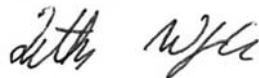
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Minnesota Valley Transit Authority's Procurement Manager Heidi Scholl was named the 2017 "Purchasing Manager of the Year" by *The Minnesota Chapter of the National Institute of Governmental Purchasing, Inc.* The award recognizes exemplary service, innovative purchasing processes and practices, significant contributions to the individual's agency and the MN NIGP Chapter, work toward professional certifications, and leadership, innovation, and high ethical standards within their agency and the purchasing profession.

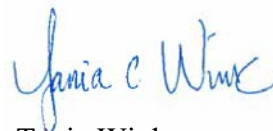
ACKNOWLEDGEMENTS

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

Respectfully submitted,



Luther Wynder
Executive Director



Tania Wink
Finance Manager

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Government Finance Officers Association

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

Presented to

Minnesota Valley Transit Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

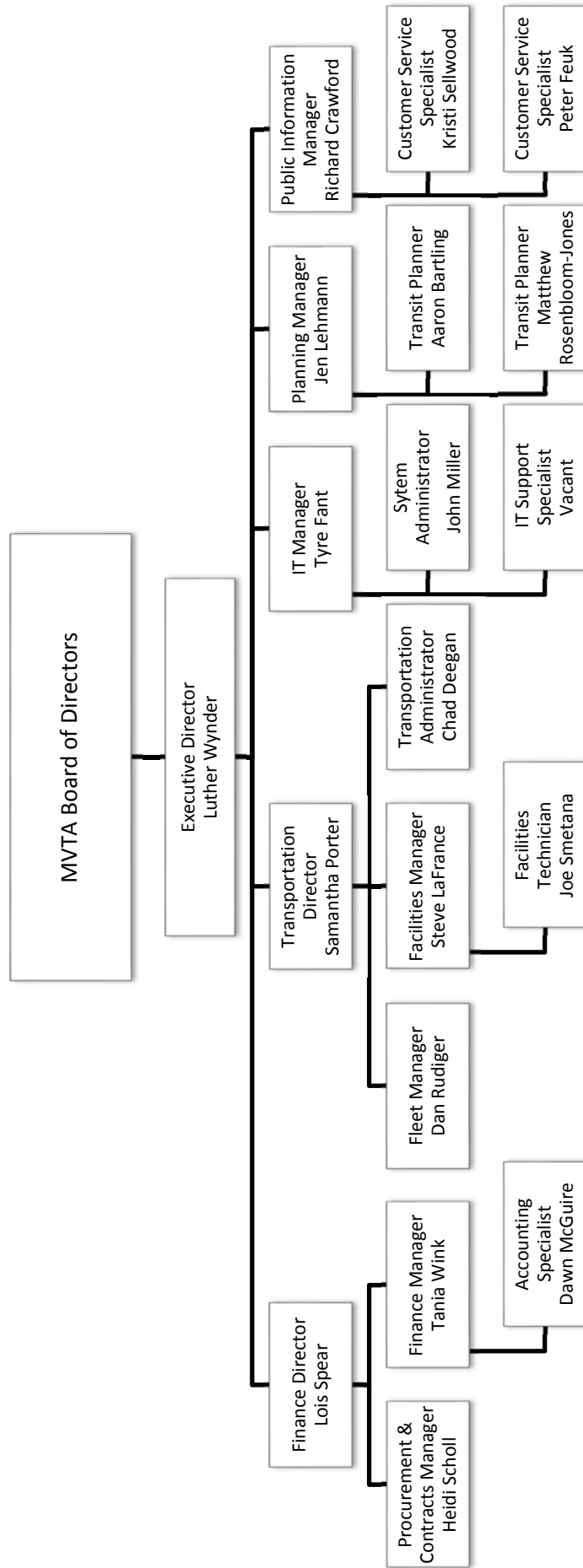
December 31, 2016

Christopher P. Morrill

Executive Director/CEO

Minnesota Valley Transit Authority Organizational Chart

December 31, 2017



MINNESOTA VALLEY TRANSIT AUTHORITY**ELECTED AND APPOINTED OFFICIALS**

December 31, 2017

<u>Elected Officials</u>	<u>Position</u>	<u>Community/County Represented</u>	<u>Term Expires</u>
Jon Ulrich	Chairperson	Scott County	*
Bill Droste	Vice Chairperson	Rosemount	*
Clint Hooppaw	Secretary/ Treasurer	Apple Valley	*
Gary Hansen	Board Member	Eagan	*
Chris Gerlach	Board Member	Dakota County	*
Jane Victorey	Board Member	Savage	*
Dan Kealey	Board Member	Burnsville	*
Michael McGuire	Board Member	Prior Lake	*
Jay Whiting	Board Member	Shakopee	*

Administration

Luther Wynder, Executive Director

Lois Spear, Finance Officer

Tania Wink, Accounting 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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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise Minnesota Valley Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Minnesota Valley Transit Authority, as of December 31, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Minnesota Valley Transit Authority's 2016 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated June 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability and the schedule of pension contributions on pages 21 - 31 and 62 -64, 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 section, individual fund financial schedule, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, the individual fund financial schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 14, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Minnesota Valley Transit Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Valley Transit Authority's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 14, 2018

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MINNESOTA VALLEY TRANSIT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

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, 2017. 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 2017 by \$53,018,289 (net position). Of this amount, \$9,558,635 (unrestricted net position) may be used to meet the government's ongoing obligations to customers and creditors.
- The MVTa's net position decreased by \$5,135,291.
- As of the close of the current fiscal year, the MVTa's governmental funds reported combined ending fund balances of \$11,140,445, a decrease of \$3,688,854 in comparison with the prior year. The unassigned fund balance at the end of 2017 was \$8,984,335.
- At the end of the current fiscal year, unrestricted (committed, assigned and unassigned) fund balance for the general fund was \$10,267,653 or 35.3% of total general fund expenditures at 2017 levels.
- In 2017, MVTa's outstanding debt decreased by \$340,000 from \$4,960,000 to \$4,620,000.
- MVTa received \$14,774,709 in Motor Vehicle Sales Tax (MVST) revenue in 2017. This consisted of \$13,816,709 of MVST revenue passed through the Metropolitan Council according to MN Statutes, and an additional \$958,000 of MVST funding allocated by the Metropolitan Council to MVTa.
- In 2017, MVTa added weekend service on Route 442 connecting Burnsville and Apple Valley along with weekday service (and limited weekend service) on Route 465 connecting Minneapolis to Burnsville, which was funded by public-private partnerships.
- Route 495 is the region's first suburb to suburb express bus service carrying riders from the Mall of America to jobs at major employers in Shakopee. This service continued to receive demonstration funds of \$1,000,000 in 2017.
- An online station was added to the Cedar Grove facility and opened for service in May 2017.

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

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

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

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

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

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

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

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

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

The Authority maintained three individual governmental funds during 2017 – the General Fund, the Capital Projects Fund and the Debt Service Fund.

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 – 60 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 \$53,018,289 at the close of fiscal year 2017.

The largest portion of the Authority’s net position (80.6%) reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide transit services to the citizens within our service area. Consequently, these assets are not available for future spending. Although the MVTA’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the MVTA’s net position (1.4%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of the Authority’s net position is unrestricted (18.0%). This is the amount available to meet the Authority’s ongoing obligations to its riders and creditors.

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

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$16,390,179	\$20,683,524
Capital Assets, net of depreciation	48,004,794	49,542,443
Total Assets	<u>64,394,973</u>	<u>70,225,967</u>
 Total deferred outflows of resources	 <u>401,321</u>	 <u>816,262</u>
 Long-term Liabilities Outstanding	 5,844,243	 6,455,981
Other Liabilities	5,694,675	6,268,978
Total Liabilities	<u>11,538,918</u>	<u>12,724,959</u>
 Total deferred inflows of resources	 <u>239,087</u>	 <u>163,690</u>
 Net Position:		
Net Investment in Capital Assets	42,721,137	44,521,482
Restricted for Debt Service	738,517	675,007
Unrestricted	<u>9,558,635</u>	<u>12,957,091</u>
Total Net Position	<u><u>\$53,018,289</u></u>	<u><u>\$58,153,580</u></u>

Governmental Activities – Governmental activities decreased the Authority's net position by \$5,135,291. Revenues in 2017 were \$26,483,448, or a decrease of \$5,484,462 from 2016. Expenses increased by \$1,642,110 to bring the total 2017 expenses to \$31,618,739. The net result is a decrease in net position of \$5,135,291. The key elements of this decrease are as follows:

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

	2017	2016
Revenues:		
Program Revenues:		
Charges for Services	\$5,860,300	\$5,620,589
Operating Grants and Contributions	5,073,960	4,573,433
Capital Grants and Contributions	676,361	2,563,056
General Revenues:		
Motor Vehicle Sales Tax	14,774,709	19,131,811
Revenues not Restricted to Specific Programs	29,520	66,701
Unrestricted Investment Earnings	68,598	12,320
Total Revenues	<u>\$26,483,448</u>	<u>\$31,967,910</u>
	2017	2016
Expenses:		
Transit Operations	\$239,938,885	\$22,683,944
Facilities Management	4,460,739	4,337,808
Administration	2,977,661	2,765,475
Interest on Long-Term Debt	186,454	189,402
Total Expenses	<u>247,563,739</u>	<u>29,976,629</u>
Change in Net Position	(5,135,291)	1,991,281
Net Position – January 1	<u>58,153,580</u>	<u>56,162,299</u>
Net Position – December 31	<u>\$53,018,289</u>	<u>\$58,153,580</u>

Revenue Changes

- Charges for Services increased \$239,711 in 2017. Ridership increased 0.8% in 2017. This increase in ridership along with a fare increase effective October 1, 2017 translated into an increase in passenger revenue.
- Operating Grants and Contributions increased \$500,527. The MVTA receives grants to operate federally- and state-funded expansion service along with some contracted service. The state portion of funding increased in 2017 over 2016 by \$636,215 due to operating a full year of Route 495 service. Federal grant funding for expansion service decreased by \$602,036 in 2017 when compared to 2016 due to the end of the federal grant for Red Line service. This decrease in federal funding, however, was offset by the receipt of additional revenue from the Met Council of \$467,484 to continue operating that service.
- Capital Grants and Contributions decreased \$1,886,695. Revenue in this category can fluctuate from year to year based on level of project activity. The federal research grant for

the design, procurement and installation of an upgraded driver assist system (DAS) on buses was almost completed in 2016, causing a decrease in grant revenue of approximately \$1.4 million. Other federal and local funding for improvements to facilities and bus equipment decreased about \$.4 million from the previous year.

- MVTA received \$4,357,102 less in Motor Vehicle Sales Tax (MVST) revenue in 2017 compared to 2016 due to the Metropolitan Council decreasing the amount of “allocated” MVST funding distributed to MVTA by \$4,861,000. This was partially offset by receiving \$503,897 more in statutorily distributed MVST from increased car sales.
- Revenues not Restricted to Specific Programs decreased \$37,181 primarily due to a decrease in insurance dividends of \$30,126 and no income from the sale of surplus items.
- Investment earnings increased \$56,278 due to a better market and investing in higher yielding securities.

Expense Changes

- Transit Operating costs, which comprised approximately 75.9% of the expenses, increased by \$1,309,203; 5.8% over last year. Approximately 2% of this increase is because of the rate increase in MVTA’s provider contract. The remainder of the increase is due to a full-year of service for expansion that started mid-2016.
- Facilities Management expenses increased in 2017 by \$122,931 or 2.8%. The reasons for the increase include normal inflationary contract increases, and the opening of the Cedar Grove Online facility.
- MVTA’s 2017 Administrative expenses grew by \$212,186 when compared to 2016. Full-time equivalents increased by 1. That along with normal salaries and benefits increases grew that expense category by \$136,000. In addition, temporary services were \$35,000 over last year’s expenses along with a rise in supplies of \$40,000 that included accessories for trucks, and outdoor computer monitors at stations.
- MVTA’s interest on long-term debt decreased by \$2,210 over 2016.

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

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

As of the close of the current fiscal year, the MVTA’s governmental funds reported combined ending fund balances of \$11,140,445, a decrease of \$3,688,854 in comparison with the prior year. The unassigned fund balance at the end of 2017 was \$8,984,335, which is available for spending at the Authority’s discretion. The remainder of the fund balance is *nonspendable* (\$119,129) to indicate that it is not available for new spending because it has already been committed to pay for fuel inventory and prepaid expenditures in the general fund, and *restricted* (\$753,663) to pay for

debt service, *committed* (\$349,628) for insurance reserves and the Shakopee line as imposed by formal action by the board, and *assigned* (\$933,690) for the use of fund balance for 2018 budgeted expenditures.

Fund balance decreased by \$3,693,834 in the General Fund to \$10,386,782, remained at \$0 in the Capital Project Fund, and increased by \$4,980 in the Debt Service to \$753,663.

- Revenues were under expenditures by \$3,616,507 in the General Fund. This was a planned use of fund balance in order to bring MVTA's fund balance into alignment with Metropolitan Councils procedure. MVTA also procured a vehicle communications system through a capital lease valued \$171,042; increasing the fund balance. \$58,478 was transferred out to the Capital Projects Fund and an additional \$189,891 was transferred to the Debt Service Fund. The result was a net decrease in the fund balance of the General Fund of \$3,693,834.
- Revenues were under expenditures by \$58,478 in the Capital Projects Fund. The same amount was transferred to the Capital Projects Fund from the General Fund, resulting in no change to the fund balance.
- Revenues were under expenditures in the Debt Service Fund by \$184,911. However, \$189,891 was transferred into this fund from the General Fund. Fund balance at year-end was \$753,663.

The combination of the above transactions resulted in a decrease in the combined fund balance of \$3,688,854.

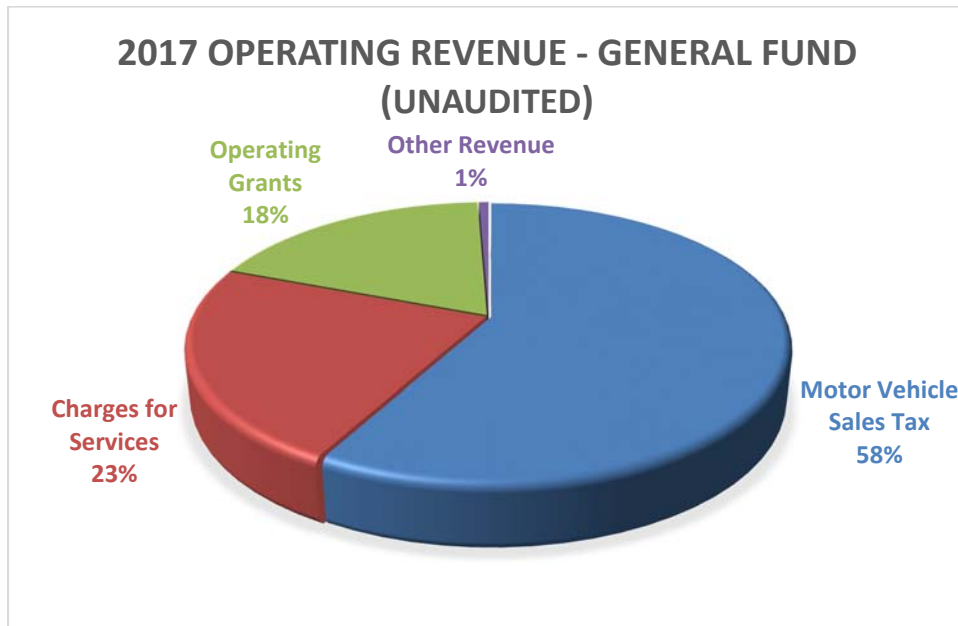
Revenue Changes from Budget

- 2017 General Fund Revenue was \$570,092 greater than the 2017 Final Budget. The main reasons for the increase is that intergovernmental revenue was \$422,081 higher than budgeted with passenger fare revenue and investment income higher than the budget by \$55,831 and \$65,159, respectively. Intergovernmental revenue was higher than budgeted due to receiving an additional \$485,000 from the Metropolitan Council in "Allocated" Motor Vehicle Sales Tax. Ridership increased 0.8% in 2017. This increase in ridership along with a fare increase effective October 1, 2017 translated into an increase in passenger revenue. Investment earnings came in over budget due to a better market and investing in higher yielding securities.
- 2017 Debt Service Fund Revenue was lower than budget by \$184,911. The reason for the decrease was that MVTA only sought reimbursement for the principle costs of \$340,000 in 2017 and not the interest expense of \$186,850. Funds were transferred from the General Fund to cover those costs.

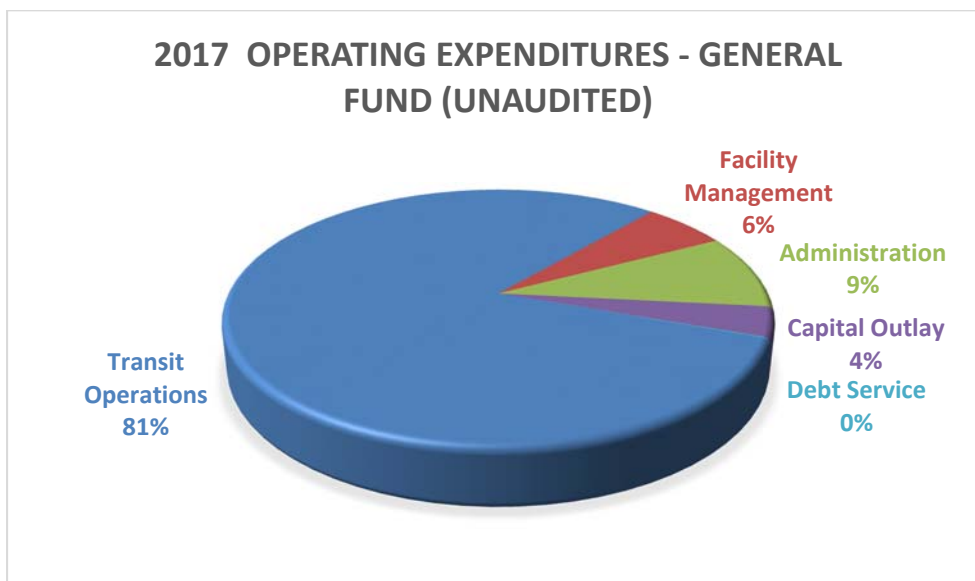
Expenditure Changes from Budget

- Actual expenditures in the General Fund were \$1,046,825 less than the Original and Final Budget. The main reasons for the Final Budget decreases are detailed below:
 - Transit Operations costs were under the Final Budget by 5% or \$1,325,717 almost exclusively due to fuel. Fuel pricing was lower than budgeted and less fuel was used.
 - Administrative expenses were under budget by 19% or \$657,212 primarily because the budgeted contingency of (\$590,745) was not needed.
 - Capital Outlay was \$956,392 over budget. Since expenditures in total were running under budget in 2017, MVTA decided to undertake some needed improvements to facilities including pavement and building improvements along with procurement of software upgrades and additional service vehicles and equipment.

Minnesota Valley Transit has four major categories of revenue: motor vehicle sales tax, charges for services (mainly passenger fares), operating grants, and other revenue. Motor vehicle sales taxes accounted for 58% of the revenue and charges for services made up 22.8%. These two revenue groupings accounted for 80.8% of MVTA's revenue. Operating grants made up 18.6% of the revenue with the remainder coming from other revenues (chart follows).



The General Fund expenditures were \$29,081,175 for the year. The majority of the costs were from providing transit services to the area's citizens. These accounted for 80.8% of the expenditures or \$23,485,315. Administrative functions cost the agency \$2,728,528 or 9.4% of the expenses. Facilities operation and maintenance activities accounted for the 6.0% with capital outlay and debt service making up the remaining 4.9%. The following chart depicts this information.



GENERAL FUND BUDGETARY HIGHLIGHTS

The budget was amended in 2017. The only change occurred in the Intergovernmental Revenue for the Motor Vehicle Sales Tax (MVST). This revenue was decreased by \$4,513,316; \$4,228,198 reduction in Allocated MVST and \$285,118 decline in “Statutory” MVST due to a drop in the February 2017 State MVST forecast. Even though budgeted revenues shrank significantly, MVTA did not adjust their budgeted expenditures. Instead, the Board decided to use their fund balance to cover the deficit.

The 2017 General Fund revenues were \$570,092 over the final budget and 2017 General Fund expenditures were \$1,046,825 under budget creating a \$1,616,917 favorable variance to the 2017 Final Budget before transfers to the Capital and Debt Service Funds and the issuance of the capital lease.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The Minnesota Valley Transit Authority’s investment in capital assets as of December 31, 2017 amounts to \$48,004,794 (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 decrease in Minnesota Valley Transit Authority’s investment in capital assets for the current fiscal year was 3.1%.

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

- Improvements to parking lots including pavement, sidewalks, addition of shelters and fiber (\$282,000),
- Upgrades to various software programs (\$163,000),
- Upgrades to security cameras and access at customer facilities and garages (\$222,000),
- Converted to LED lighting at the Burnsville Transit Station (\$111,000), and
- Procurement of additional service vehicles and related accessories.

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

	2017	2016	Incr./ (Decr.)
Land	\$10,296,809	\$10,296,809	\$0
Land Improvements	15,930,704	16,484,164	(553,460)
Buildings and Improvements	17,295,360	18,530,971	(1,235,611)
Furniture and Equipment	240,941	1,674,307	(1,433,366)
Transit Vehicles	1,603,665	264,465	1,339,200
Construction in Progress	2,637,315	2,291,727	345,588
Total	<u>\$48,004,794</u>	<u>\$49,542,443</u>	<u>(\$1,537,649)</u>

Additional information on the MVTA’s capital assets can be found in Note 3 on page 50 of this report.

Long-Term Debt – In 2013, the MVTA issued gross revenue bonds. \$5,900,000 of bonds were issued to pay for the expansion of the Eagan Bus Garage. The bond contained an average coupon of 3.98% and was sold at a premium of \$79,131. During the year, principal of \$340,000 was paid leaving the MVTA with bonds outstanding of \$4,620,000 at year-end. The MVTA's gross revenues, consisting primarily of motor vehicle sales taxes, passenger fares and pass-through federal funds, were pledged to pay for the debt service. The bonds were rated A3 by Moody's Investors Service.

Additional information on the Authority's long-term debt can be found in Note 4 on pages 51-53 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The MVTA's 2018 General Fund revenues are currently budgeted at \$30,264,378 or \$4,799,710 more than last year's actual revenues and \$5,369,802 more than the 2017 budget. The MVTA's 2018 Debt Service Fund revenues are currently budgeted at \$526,500 or \$184,561 more than last year's actual revenues and \$350 less than the 2017 budget.

General Fund Revenue is increasing in one major category: Intergovernmental Revenue; specifically Motor Vehicle Sales Tax. Revenues for MVST are currently budgeted at \$19,858,159. During budgeting for 2018, MVTA was negotiating with the Metropolitan Council on the Allocated portion of MVST. The negotiations have been concluded and MVTA will be revising their budgeted revenue downward by approximately \$2 million in the next month or two.

The MVTA's 2018 budgeted expenditures in the General Fund are \$31,198,068. This is a 7.3% increase or \$2,116,893 over the 2017 actuals of \$29,081,175. The 2018 budget is 3.6% or \$1,070,068 over the 2017 final budget. The increase in the budget is primarily due to the effects of inflation, full year of salaries and benefits for staff added in 2017 and planned in 2018, and funding to expand service. The general fund used \$296,000 of fund balance that was set aside for expansion service from money received from the Cities of Prior Lake and Shakopee during the merger. MVTA plans to use \$90,000 of this fund balance for operations during 2018.

The MVTA's 2018 budgeted expenditures in the Debt Service Fund are \$526,500 or \$350 less than the 2017 budget and 2017 actuals of \$526,850.

If the service and facilities plans are implemented as budgeted, MVTA's fund balance position will decrease by \$933,690 by December 31, 2018.

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

Allocation Procedures” adopted in 2010, the Metropolitan Council will provide additional MVST funding to bring the fund balance up to the three month level.

Of the Authority’s unassigned fund balance, the Board has designated a minimum of 4 months of the agency’s budgeted operating expenditures to meet both unexpected fluctuations in its revenues and to fund capital expenditures before reimbursement. The Metropolitan Council, however, through its “Regional Transit Operating Revenue Allocation” procedure has set the minimum fund balance level to be 3 months. At the end of 2017, MVTA’s unassigned fund balance was sufficient to cover 3.7 months of 2018 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 Manager, 100 East Highway 13, Burnsville, MN 55337.

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BASIC FINANCIAL STATEMENTS

MINNESOTA VALLEY TRANSIT AUTHORITY
STATEMENT OF NET POSITION
December 31, 2017
With Comparative Totals For December 31, 2016

Statement 1

	Governmental Activities	
	2017	2016
Assets:		
Current assets:		
Cash and investments	\$6,707,453	\$10,685,865
Restricted cash	753,663	748,683
Accrued interest	19,235	-
Due from other governments	8,753,005	9,135,339
Accounts receivable	37,694	1,595
Prepaid items	68,932	59,913
Inventories	50,197	52,129
Total current assets	<u>16,390,179</u>	<u>20,683,524</u>
Noncurrent assets:		
Land	10,296,809	10,296,809
Construction in progress	2,637,315	2,291,727
Land improvements	28,241,026	28,165,584
Buildings and improvements	31,728,274	31,627,575
Transit vehicles	1,065,342	1,121,645
Furniture and equipment	6,311,124	5,856,825
Net capital assets	<u>80,279,890</u>	<u>79,360,165</u>
Less: accumulated depreciation	<u>(32,275,096)</u>	<u>(29,817,722)</u>
Total noncurrent assets	<u>48,004,794</u>	<u>49,542,443</u>
Total assets	<u>64,394,973</u>	<u>70,225,967</u>
Deferred outflows of resources:		
Related to pensions	<u>401,321</u>	<u>816,262</u>
Liabilities:		
Accounts payable	4,799,533	5,583,391
Due to other governments	108,592	134,271
Salaries and benefits payable	47,842	31,020
Accrued interest payable	15,146	15,996
Unearned revenue	293,767	105,543
Compensated absences payable:		
Due within one year	47,087	58,757
Due in more than one year	87,670	78,044
Bonds payable:		
Due within one year	350,000	340,000
Due in more than one year	4,325,621	4,680,961
Capital lease payable:		
Due within one year	32,708	-
Due in more than one year	109,478	-
Net pension liability:		
Due in more than one year	<u>1,321,474</u>	<u>1,696,976</u>
Total liabilities	<u>11,538,918</u>	<u>12,724,959</u>
Deferred inflows of resources:		
Related to pensions	<u>239,087</u>	<u>163,690</u>
Net position:		
Net investment in capital assets	42,721,137	44,521,482
Restricted for debt service	738,517	732,687
Unrestricted	<u>9,558,635</u>	<u>12,899,411</u>
Total net position	<u>\$53,018,289</u>	<u>\$58,153,580</u>

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

MINNESOTA VALLEY TRANSIT AUTHORITY
STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2017

With Comparative Totals For The Year Ended December 31, 2016

Statement 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2017	2016
Governmental activities:						
Transit operations	\$23,993,885	\$5,798,513	\$4,733,480	\$395,976	(\$13,065,916)	(\$10,604,965)
Facilities management	4,460,739	61,787	340,000	208,325	(3,850,627)	(3,693,907)
Administration	2,977,661	-	480	72,060	(2,905,121)	(2,731,277)
Interest on long-term debt	186,454	-	-	-	(186,454)	(189,402)
Total governmental activities	<u>\$31,618,739</u>	<u>\$5,860,300</u>	<u>\$5,073,960</u>	<u>\$676,361</u>	<u>(20,008,118)</u>	<u>(17,219,551)</u>
General revenues:						
Intergovernmental revenues not restricted to specific programs:						
Motor vehicle sales tax					14,774,709	19,131,811
Revenues not restricted to specific programs					29,520	66,701
Unrestricted investment earnings					68,598	12,320
Total general revenues					<u>14,872,827</u>	<u>19,210,832</u>
Change in net position					(5,135,291)	1,991,281
Net position - January 1					58,153,580	56,162,299
Net position - ending					<u>\$53,018,289</u>	<u>\$58,153,580</u>

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

MINNESOTA VALLEY TRANSIT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017
With Comparative Totals For December 31, 2016

Statement 3

	General Fund	Capital Projects	Debt Service	Total Governmental Funds	
				2017	2016
Assets					
Cash and investments	\$6,707,453	\$ -	\$ -	\$6,707,453	\$10,685,865
Restricted cash	-	-	753,663	753,663	748,683
Accrued interest	19,235	-	-	19,235	-
Due from other funds	956,691	-	-	956,691	1,758,190
Due from other governmental units	7,269,224	1,143,781	340,000	8,753,005	9,135,339
Accounts receivable	37,694	-	-	37,694	1,595
Inventory	50,197	-	-	50,197	52,129
Prepaid items	68,932	-	-	68,932	59,913
Total assets	\$15,109,426	\$1,143,781	\$1,093,663	\$17,346,870	\$22,441,714
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$4,333,683	\$465,850	\$ -	\$4,799,533	\$5,583,391
Due to other funds	-	616,691	340,000	956,691	1,758,190
Due to other governments	108,592	-	-	108,592	134,271
Salaries and benefits payable	47,842	-	-	47,842	31,020
Unearned revenue	232,527	61,240	-	293,767	105,543
Total liabilities	4,722,644	1,143,781	340,000	6,206,425	7,612,415
Fund balance:					
Nonspendable	119,129	-	-	119,129	112,042
Restricted	-	-	753,663	753,663	748,683
Committed	349,628	-	-	349,628	667,047
Assigned	933,690	-	-	933,690	-
Unassigned	8,984,335	-	-	8,984,335	13,301,527
Total fund balance	10,386,782	0	753,663	11,140,445	14,829,299
Total liabilities and fund balance	\$15,109,426	\$1,143,781	\$1,093,663	\$17,346,870	\$22,441,714
Fund balance reported above				\$11,140,445	\$14,829,299
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.				48,004,794	49,542,443
Deferred outflows of resources - pension related are not current financial resources and, therefore, are not reported in the funds.				401,321	816,262
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds:					
Accrued interest payable				(15,146)	(15,996)
Bonds payable				(4,620,000)	(4,960,000)
Unamortized bond premium				(55,621)	(60,961)
Capital lease payable				(142,186)	-
Compensated absences				(134,757)	(136,801)
Net pension liability				(1,321,474)	(1,696,976)
Deferred inflows of resources - pension related are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.				(239,087)	(163,690)
Net position of governmental activities				\$53,018,289	\$58,153,580

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, 2017
With Comparative Totals For The Year Ended December 31, 2016

Statement 4

	General Fund	Capital Projects	Debt Service	Total Governmental Funds	
				2017	2016
Revenues:					
Intergovernmental	\$19,508,189	\$676,361	\$340,000	\$20,524,550	\$26,261,683
Passenger fares	5,798,513	-	-	5,798,513	5,565,307
Investment income	66,659	-	1,939	68,598	12,320
Miscellaneous	91,307	-	-	91,307	121,983
Total revenues	<u>25,464,668</u>	<u>676,361</u>	<u>341,939</u>	<u>26,482,968</u>	<u>31,961,293</u>
Expenditures:					
Current:					
Transit operations	23,485,315	-	-	23,485,315	21,904,307
Facilities management	1,731,290	-	-	1,731,290	1,719,538
Administration	2,728,528	-	-	2,728,528	2,529,010
Capital outlay:					
Transit operations	269,121	425,317	-	694,438	2,458,716
Facilities management	681,094	234,945	-	916,039	517,210
Administration	151,177	74,577	-	225,754	47,764
Debt Service:					
Principal	28,856	-	340,000	368,856	335,000
Interest	5,794	-	186,850	192,644	195,300
Total expenditures	<u>29,081,175</u>	<u>734,839</u>	<u>526,850</u>	<u>30,342,864</u>	<u>29,706,845</u>
Revenues over (under) expenditures	<u>(3,616,507)</u>	<u>(58,478)</u>	<u>(184,911)</u>	<u>(3,859,896)</u>	<u>2,254,448</u>
Other financing sources (uses):					
Transfers in	-	58,478	189,891	248,369	328,016
Transfers out	(248,369)	-	-	(248,369)	(328,016)
Issuance of capital lease	171,042	-	-	171,042	-
Total other financing sources (uses)	<u>(77,327)</u>	<u>58,478</u>	<u>189,891</u>	<u>171,042</u>	<u>0</u>
Net change in fund balance	(3,693,834)	-	4,980	(3,688,854)	2,254,448
Fund balance - January 1	<u>14,080,616</u>	<u>-</u>	<u>748,683</u>	<u>14,829,299</u>	<u>12,574,851</u>
Fund balance - December 31	<u>\$10,386,782</u>	<u>\$0</u>	<u>\$753,663</u>	<u>\$11,140,445</u>	<u>\$14,829,299</u>

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

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

Statement 5

For The Year Ended December 31, 2017

With Comparative Amounts For The Year Ended December 31, 2016

	<u>2017</u>	<u>2016</u>
Amounts reported for governmental activities in the statement of activities (statement 2) are different because:		
Net changes in fund balances - total governmental funds (statement 4)	(\$3,688,854)	\$2,254,448
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	1,836,231	3,023,690
Less capital outlay not capitalized	(313,579)	(143,568)
Depreciation expense	(2,985,705)	(3,327,512)
Loss on disposal	(74,596)	(7,579)
The issuance of long-term debt (e.g. bonds) provides current financial resources for governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The amounts of these differences are:		
Principal payments on long-term debt	340,000	335,000
Principal payments on capital lease	28,856	-
Issuance of capital lease	(171,042)	
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Expenses reported in the statement of activities include the effect of the changes in these expense accruals as follows:		
Change in accrued interest payable	850	558
Change in compensated absences payable	2,044	15,174
Amortization of bond premium	5,340	5,340
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the Statement of Activities. This is the amount by which pension expense exceeded pension contributions:		
Pension contribution	\$104,929	99,633
Pension expense	<u>(219,765)</u>	<u>(263,903)</u>
Change in net position of governmental activities (statement 2)	<u><u>(\$5,135,291)</u></u>	<u><u>\$1,991,281</u></u>

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

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

Statement 6

For The Year Ended December 31, 2017

With Comparative Actual Amounts For The Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual	Variance with Final Budget - Positive (Negative)	2016 Actual
	Original	Final	Amounts		Amounts
Revenues:					
Intergovernmental	\$23,599,424	\$19,086,108	\$19,508,189	\$422,081	\$23,363,627
Passenger fares	5,742,682	5,742,682	5,798,513	55,831	5,565,307
Investment income	1,500	1,500	66,659	65,159	12,276
Miscellaneous	64,286	64,286	91,307	27,021	121,983
Total revenues	<u>29,407,892</u>	<u>24,894,576</u>	<u>25,464,668</u>	<u>570,092</u>	<u>29,063,193</u>
Expenditures:					
Current:					
Transit operations	24,811,032	24,811,032	23,485,315	1,325,717	21,904,307
Facilities management	1,786,228	1,786,228	1,731,290	54,938	1,719,538
Administration	3,385,740	3,385,740	2,728,528	657,212	2,529,010
Capital outlay	145,000	145,000	1,101,392	(956,392)	385,554
Debt Service:					
Principal	-	-	28,856	(28,856)	-
Interest	-	-	5,794	(5,794)	-
Total expenditures	<u>30,128,000</u>	<u>30,128,000</u>	<u>29,081,175</u>	<u>1,046,825</u>	<u>26,538,409</u>
Revenues over (under) expenditures	<u>(720,108)</u>	<u>(5,233,424)</u>	<u>(3,616,507)</u>	<u>1,616,917</u>	<u>2,524,784</u>
Other financing sources (uses):					
Transfers out	-	-	(248,369)	(248,369)	(328,016)
Issuance of capital lease	-	-	171,042	171,042	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(77,327)</u>	<u>(77,327)</u>	<u>(328,016)</u>
Net change in fund balance	<u>(\$720,108)</u>	<u>(\$5,233,424)</u>	<u>(3,693,834)</u>	<u>\$1,539,590</u>	<u>2,196,768</u>
Fund balance - beginning			<u>14,080,616</u>		<u>11,883,848</u>
Fund balance - ending			<u>\$10,386,782</u>		<u>\$14,080,616</u>

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

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

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

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

In October 2012, the 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. The Bond Board is reported as a blended component unit because the Minnesota Valley Transit Authority appoints a voting majority of the Bond Board and its purpose is to issue bonds on behalf of the Minnesota Valley Transit Authority. During 2013, the MVTA Bond Board issued the 2013 Gross Revenue Bonds in the amount of \$5,900,000.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The Authority reports the following major governmental funds:

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

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

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

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

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

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

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

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

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

D. BUDGETARY INFORMATION

The Authority annually prepares operating budgets for the General Fund and the Debt Service Fund. The budgets are prepared on a basis consistent with U.S. generally accepted accounting principles. Budget amounts are amended only upon approval of the authority's Board of Commissioners. The legal level of budgetary control is at the fund level for the General Fund and Debt Service Fund. Budgeted amounts in the financial statements are as originally adopted or as amended. Budget expenditure appropriations lapse at year end.

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

E. CASH AND INVESTMENTS

DEPOSITS

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

The Authority has not formally adopted a deposit and investment policy to address the risks described on the following page but has limited itself to deposits and investments allowed under Minnesota Statutes.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Minnesota Statutes requires all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments for the Authority are reported at fair value, except for investments in external investment pools that meet GASB 79 requirements, which are stated at amortized cost. Investment income is accrued at the balance sheet date.

F. RECEIVABLES AND PAYABLES

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

Amounts included in accounts payable include expenses incurred in 2017, but not paid until 2018 for subcontracted transit services and other operating expenses.

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

H. INVENTORY

Fuel inventory totaled \$36,524 and parts inventory totaled \$13,673 at December 31, 2017, and both are accounted for using the purchases method. The fuel inventory is valued based on weighted average prices for fuel during December 2017. The valuation for the parts inventory is based on the purchase price of the parts.

I. CAPITAL ASSETS

Capital assets, which include property, facilities equipment, intangibles and transit vehicles, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and having a useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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
Land improvements	10-35

J. COMPENSATED ABSENCES

Authority employees earn vacation time based on years of service with a maximum accrual at one-half times their annual vacation time. Upon termination, employees will receive compensation for unused vacation time. Sick leave is accumulated for all regular full-time employees at a rate of one day per calendar month with no maximum. Upon termination sick leave is converted into cash and deposited into the employee's HCSP account at a rate of 100% for the first 144 hours of sick leave and 50% for any additional balance, with no maximum. Vacation and sick leave benefits are recorded as expenditures in governmental funds only when the obligations have matured and are reflected as a liability in governmental funds for employees that have retired but have yet to receive their entire compensated absence balance. Compensated absences are recorded as expenses in governmental activities when earned. The Authority treats its compensated absences on a first-in – first-out basis.

K. LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

L. FUND BALANCE CLASSIFICATIONS

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

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

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

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

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

- In governmental funds other than the General Fund, assigned fund balances represent the remaining fund balance that is not restricted or committed.
- In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

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

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

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

M. NET POSITION

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

N. USE OF ESTIMATES

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

O. COMPARATIVE TOTALS

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

P. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. MVTA has one item that

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

qualifies for reporting in this category. It is the pension related deferred outflows of resources reported in the government-wide Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. MVTA has one item that qualifies for reporting in this category. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Position.

Q. DEFINED BENEFIT PENSION PLANS

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

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

As of December 31, 2017, the Authority had \$315 of petty cash on hand.

B. INVESTMENTS

As of December 31, 2017, the Authority had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1-5	6-10
Mutual funds	AAAm	\$753,663	\$753,663	\$ -	\$ -
External investment pool - 4M Liquid Assets Fund	N/R	1,190,967	1,190,967	-	-
External investment pool - 4M Plus Fund	N/R	1,516,171	1,516,171	-	-
External investment pool - 4M Term Series	N/R	4,000,000	4,000,000	-	-
Total investments		7,460,801	\$7,460,801	\$0	\$0
Petty cash		315			
Total cash and investments		\$7,461,116			

N/R - not rated

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Deposits and investments are presented in the December 31, 2017 basic financial statements as follows:

Statement of net position:	
Cash and investments	\$6,707,453
Restricted cash	<u>753,663</u>
Total deposits and investments	<u><u>\$7,461,116</u></u>

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

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

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

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets; Level 2 investments are valued using inputs that are based on quoted market prices for similar assets or inputs that are observable, either directly or indirectly; Level 3 investments are valued using inputs that are unobservable. The Authority does not have investments subject to categorization.

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

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

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

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017, the Authority did not have amounts on deposit.

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

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

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

<u>Investment Type</u>	<u>Rating</u>
Mutual funds	AAAm

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

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

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$10,296,809	\$ -	\$ -	\$10,296,809
Construction in progress	2,291,727	734,839	(389,251)	2,637,315
Total capital assets, not being depreciated	12,588,536	734,839	(389,251)	12,934,124
Capital assets, being depreciated:				
Land improvements	28,165,584	557,521	(482,079)	28,241,026
Buildings and improvements	31,627,575	108,483	(7,784)	31,728,274
Transit vehicles	1,121,645	56,761	(113,064)	1,065,342
Furniture and equipment	5,856,825	454,299	-	6,311,124
Total capital assets, being depreciated	66,771,629	1,177,064	(602,927)	67,345,766
Less accumulated depreciation for:				
Land improvements	11,681,420	1,036,385	(407,483)	12,310,322
Buildings and improvements	13,096,604	1,344,094	(7,784)	14,432,914
Transit vehicles	857,180	80,285	(113,064)	824,401
Furniture and equipment	4,182,518	524,941	-	4,707,459
Total accumulated depreciation	29,817,722	2,985,705	(528,331)	32,275,096
Total capital assets being depreciated - net	36,953,907	(1,808,641)	(74,596)	35,070,670
Governmental activities capital assets - net	\$49,542,443	(\$1,073,802)	(\$463,847)	\$48,004,794

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

Governmental activities:	
Transit operations	\$344,556
Facilities management	2,535,361
Administration	105,788
Total depreciation expense - governmental activities	<u>\$2,985,705</u>

The Authority has an agreement with the Metropolitan Council for use of Council vehicles. The gross value and net value of these assets is \$69,186,558 and \$32,906,955 respectively. The assets are not included in the Authority's capital assets as disclosed above.

During 2017, \$197,884 of construction in progress was expensed.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 4 LONG-TERM DEBT

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

A. GOVERNMENTAL ACTIVITIES

As of December 31, 2017, the long-term debt of the financial reporting entity consisted of the following:

	Issue Date	Final Maturity Date	Authorized and Issued	Interest Rate	Outstanding 12/31/17
Governmental activities:					
Gross Revenue Bonds, Series 2013	8/6/13	6/1/28	\$5,900,000	0.75% - 4.5%	\$4,620,000
Capital Lease - Radio Equipment	2/14/17	2/1/22	171,042	4%	142,186
Compensated absences payable	N/A	N/A	N/A	N/A	134,757
Total governmental activities					<u>\$4,896,943</u>

Governmental Activities		
Gross Revenue Bonds of 2013		
	Principal	Interest
2018	\$ 350,000	\$ 176,500
2019	360,000	165,850
2020	370,000	154,900
2021	385,000	141,650
2022	400,000	125,950
2023-2027	2,245,000	366,425
2028	510,000	11,475
	<u>\$4,620,000</u>	<u>\$1,142,750</u>

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

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Gross Revenue Bonds, Series 2013	\$4,960,000	\$ -	(\$340,000)	\$4,620,000	\$350,000
Capital Lease - Radio Equipment	-	171,042	(28,856)	142,186	32,708
Compensated Absences	136,801	151,918	(153,962)	134,757	47,087
Subtotal	5,096,801	322,960	(522,818)	4,896,943	\$429,795
Unamortized Premium on Bonds	60,961	-	(5,340)	55,621	
Total	<u>\$5,157,762</u>	<u>\$322,960</u>	<u>(\$528,158)</u>	<u>\$4,952,564</u>	

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

CAPITAL LEASE PAYABLE

On February 14, 2017, the Authority entered into an agreement with Schmitty and Sons Transit, Inc. (Schmitty & Sons) relating to the acquisition and use of radio equipment installed on the Schmitty & Sons transit vehicles. The agreement qualifies as a capital lease as the Authority will retain ownership of these radios at the expiration of the lease term. The agreement contains buy-out options at the end of each fiscal year, however the Authority has no intent to buy-out the radio equipment prior to the end of the lease. The buy-out option amount as of December 31, 2017 was \$180,522.

The present value of future minimum lease payments as of December 31, 2017 is \$142,186. The net book value of assets under the capital lease at December 31, 2017 is as follows:

	2017
Radio system	\$171,042
Accumulated depreciation	(28,856)
Net book value	<u>\$142,186</u>

The lease is payable in monthly installments of \$3,150 beginning in February 2017, and matures January 2022. Depreciation in the amount of \$28,856 has been recorded as depreciation expense during 2017. Interest expense in the amount of \$5,794 has been recorded as interest expense during 2017. The following is a schedule of future minimum lease payments under the capital lease:

	Governmental Activities					
	Capital Lease - Radio Equipment					
	Principal	Interest	Payment	Balance	Present Value	Buy-out Amount
12/31/2018	\$32,708	\$5,092	\$37,800	\$116,550	\$109,478	\$149,377
12/31/2019	34,040	3,760	37,800	78,750	75,438	116,964
12/31/2020	35,427	2,373	37,800	40,950	40,011	83,229
12/31/2021	36,871	929	37,800	3,150	3,140	-
12/31/2022	3,140	10	3,150	-	-	-
	<u>\$142,186</u>	<u>\$12,164</u>	<u>\$154,350</u>			

REVENUES PLEDGED

The 2013 Gross Revenue Bonds are limited obligations of the Authority payable from a portion of the Authority's gross revenue earned on the services provided. Total principal and interest remaining to be paid on the bonds is \$6,289,600. For the current year, principal, interest paid and gross revenues transferred into the debt service fund totaled \$340,000, \$186,850 and \$189,891, respectively.

Note 5 DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of MVTA are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan. All MVTA employees are members of the Coordinated Plan.

B. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following 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.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. There is an actuarial reduction of about 6% per year of service for each year you retire prior to full Social Security retirement age. For members hired

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. CONTRIBUTIONS

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

GERF Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2017. MVTA was required to contribute 7.50% of pay for Coordinated Plan members in calendar year 2017. MVTA's contributions to the GERF for the year ended December 31, 2017, were \$104,929. MVTA's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

GERF Pension Costs

December 31, 2017, MVTA reported a liability of \$1,321,474 for its proportionate share of the GERF's net pension liability. The MVTA's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with MVTA totaled \$16,611. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MVTA's proportion of the net pension liability was based on MVTA's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, MVTA's proportion was .0207% which was a decrease of .0002% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, MVTA recognized pension expense of \$219,765 for its proportionate share of the GERF's pension expense. In addition, MVTA recognized an additional \$480 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

At December 31, 2017, MVTA reported its proportionate share of the GERS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$43,552	\$84,927
Changes in actuarial assumptions	219,394	132,478
Difference between projected and actual investment earnings	8,370	-
Changes in proportion	74,603	21,682
Contributions paid to PERA subsequent to the measurement date	55,402	-
Total	<u>\$401,321</u>	<u>\$239,087</u>

\$55,402 reported as deferred outflows of resources related to pensions resulting from MVTA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2018	\$80,008
2019	110,864
2020	(27,946)
2021	(56,094)
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with the GERS slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year through 2044 and then 2.5% thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERS was completed in 2015.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

The following changes in actuarial assumptions occurred in 2017.

General Employees Fund

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

The long-term expected rate of return on pension plan investments is 7.5%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

G. PENSION LIABILITY SENSITIVITY

The following presents the MVTA's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the MVTA's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
MVTA's proportionate share of the GERF net pension liability	\$2,049,705	\$1,321,474	\$725,285

H. PENSION PLAN FIDUCIARY NET POSITION

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

Note 6 INTERFUND ACTIVITY

A. DUE TO/FROM OTHER FUNDS

At December 31, 2017 due to/from other funds for the Authority were as follows:

<u>Fund Type and Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$956,691	\$ -
Capital Projects Fund	-	616,691
Debt Service Fund	-	340,000
Total	<u>\$956,691</u>	<u>\$956,691</u>

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

B. TRANSFERS

Transfers during the year ended December 31, 2017 included a transfer to the Capital Projects Fund from the General Fund in the amount of \$58,478 and a transfer to the Debt Service Fund from the General Fund in the amount of \$189,891. The Capital Projects Fund transfer is performed to account for the Authority's local share for federal and state grants. The Debt Service Fund transfer is undertaken to cover the portion of debt service not covered by a local grant.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017.

Note 8 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2017, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Nonspendable:				
Prepaid items	\$68,932	\$ -	\$ -	\$68,932
Inventory	50,197	-	-	50,197
Restricted:				
Debt service	-	-	753,663	753,663
Committed to:				
Insurance reserves	200,295	-	-	200,295
Shakopee line	149,333	-	-	149,333
Assigned for ensuing years budget	933,690	-	-	933,690
Unassigned	<u>8,984,335</u>	<u>-</u>	<u>-</u>	<u>8,984,335</u>
 Total	 <u>\$10,386,782</u>	 <u>\$0</u>	 <u>\$753,663</u>	 <u>\$11,140,445</u>

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

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

The policy states the Authority will maintain an unassigned fund balance in the General Fund at a minimum of 4 months of operating expenditures. This will provide the Authority with funds to meet both unexpected fluctuations in its revenues and to fund capital expenditures before reimbursement. At December 31, 2017, unassigned fund balance was sufficient to cover 3.47 months of 2018 budgeted expenditures (excluding amounts budgeted for contingency). The Metropolitan Council, however, through its "Regional Transit Operating Revenue Allocation Procedure," has set the minimum fund balance level to be 3 months of budgeted operating expenditures.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017. The amount of these commitments were as follows:

Project	Vendor	Contract	Work-to- Date as of 12- 31-17	Remaining
Planning Software	GIRO, Inc. - Hastus	\$69,488	\$21,370	\$48,118
Palomino Hills Park and Ride Lease	Christus Victor Lutheran Church	12,398	10,040	2,359
Federal Government Relations	Messerli & Kramer	55,000	14,270	40,730
Procurement & Contract Software	Ion Wave Technologies	47,249	9,749	37,500
HVAC Routine Services	Metropolitan Mechancial Contractors, Inc.	77,000	55,000	22,000
DAS Consulting Services	Athey Creek Consultants	58,000	47,558	10,442
Auditing Services	Redpath and Company	9,365	-	9,365
DAS Consulting Services	University of South Florida (USF)	112,000	18,512	93,488
Snow Removal & Lawn Care	Beniek Property Services	57,108	13,968	43,140
Facility Cleaning Services	CADY Building Maintenance, Inc.	320,000	222,298	97,702
Operations and Fleet Maintenance	Schmitt & Sons Transit, Inc.	90,000,000	54,000,000	36,000,000
Marketing and Graphic Design Services	MOD and Company	28,750	17,250	11,500
Website Development & Hosting	Avallo Web Development	16,800	4,200	12,600
Passenger Information System - Software Annual Fee	REACH Media Network (11 devices)	5,500	-	5,500
DAS Service and Maintenance	MTS Systems Corporation	45,000	30,000	15,000
GIS Software & Support	ESRI	8,700	5,800	2,900
Cost Allocation Plan Services	De Novo Consulting Solutions, LLC	6,000	-	6,000
Snow Removal	Every Season Landscaping & Lawn Care	100,000	50,000	50,000

C. LITIGATION

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

Note 10 OPERATING LEASES - LESSOR

The Authority receives revenue from an agreement for a land lease. The lease is for land that is owned by the Authority at the Eagan Transit Facility and is leased by a tenant who built a building on the land. The term of the lease is thirty years. The lease calls for monthly payments increasing 10% every five years.

MINNESOTA VALLEY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Future minimum lease payments to be received are as follows:

2018	\$48,105
2019	48,105
2020	48,105
2021	52,916
2022	52,916
2023-2027	275,161
2028-2030	174,621
Total	<u>\$699,929</u>

Note 11 RECENTLY ISSUED ACCOUNTING STANDARDS

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

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

Statement No. 83 *Certain Asset Retirement Obligations.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 *Fiduciary Activities.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 85 *Omnibus 2017.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 86 *Certain Debt Extinguishment Issues.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87 *Leases.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The provisions of this Statements are effective for reporting periods beginning after June 15, 2018.

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

REQUIRED SUPPLEMENTARY INFORMATION

MINNESOTA VALLEY TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY* -
GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2017

Statement 7

Measurement Date June 30	Fiscal Year Ending December 31	MVTA's Proportionate Share (Percentage) of the Net Pension Liability	MVTA's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with MVTA (b)	MVTA's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with MVTA (a+b)	Covered Payroll (c)	MVTA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.0179%	\$927,671	\$ -	\$927,671	\$1,066,295	87.0%	78.2%
2016	2016	0.0209%	1,696,976	22,191	1,719,167	1,258,954	136.6%	68.9%
2017	2017	0.0207%	1,321,474	16,611	1,338,085	1,333,078	100.4%	75.9%

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

MINNESOTA VALLEY TRANSIT AUTHORITY**REQUIRED SUPPLEMENTARY INFORMATION****Statement 8****SCHEDULE OF PENSION CONTRIBUTIONS* - GENERAL EMPLOYEES RETIREMENT FUND**

For The Year Ended December 31, 2017

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	\$85,500	\$85,500	\$ -	\$1,139,997	7.5%
December 31, 2016	99,633	99,633	-	1,328,431	7.5%
December 31, 2017	104,929	104,929	-	1,399,053	7.5%

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

Note A PENSION INFORMATION

PERA – General Employees Retirement Fund

2017 Changes

Changes in Actuarial Assumptions:

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

2016 Changes

Changes in Actuarial Assumptions:

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

SUPPLEMENTARY INFORMATION

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

Statement 9

For The Year Ended December 31, 2017

With Comparative Actual Amounts For The Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual	Variance with Final Budget - Positive (Negative)	2016 Actual
	Original	Final	Amounts		Amounts
Revenues:					
Intergovernmental	\$526,850	\$526,850	\$340,000	(\$186,850)	\$335,000
Investment income	-	-	1,939	1,939	44
Total revenues	<u>526,850</u>	<u>526,850</u>	<u>341,939</u>	<u>(184,911)</u>	<u>335,044</u>
Expenditures:					
Debt Service:					
Principal	340,000	340,000	340,000	-	335,000
Interest	186,850	186,850	186,850	-	195,300
Total expenditures	<u>526,850</u>	<u>526,850</u>	<u>526,850</u>	<u>0</u>	<u>530,300</u>
Revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>(184,911)</u>	<u>(184,911)</u>	<u>(195,256)</u>
Other financing sources (uses):					
Transfers in	-	-	189,891	189,891	252,936
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>189,891</u>	<u>189,891</u>	<u>252,936</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	4,980	<u>\$4,980</u>	57,680
Fund balance - beginning			<u>748,683</u>		<u>691,003</u>
Fund balance - ending			<u>\$753,663</u>		<u>\$748,683</u>

III. STATISTICAL SECTION (UNAUDITED)

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MINNESOTA VALLEY TRANSIT AUTHORITY
Burnsville, Minnesota

STATISTICAL SECTION
December 31, 2017
(Unaudited)

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

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

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

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

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

- Ratios of Outstanding Debt by Type

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

- Demographic and Economic Statistics
- Principal Employers

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

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

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

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

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$26,027,553	\$40,828,213	\$45,653,791	\$44,279,184
Restricted	68,060	125,190	-	-
Unrestricted	8,384,180	7,715,117	5,608,711	5,257,050
Total governmental activities net position	<u>\$34,479,793</u>	<u>\$48,668,520</u>	<u>\$51,262,502</u>	<u>\$49,536,234</u>

Source: Minnesota Valley Transit Authority financial records

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

Table 1

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$44,950,989	\$45,045,599	\$45,382,680	\$44,168,256	\$44,521,482	\$42,721,137
-	690,917	690,959	674,449	732,687	738,517
5,259,284	4,878,886	7,458,865	11,319,594	12,899,411	9,558,635
<u>\$50,210,273</u>	<u>\$50,615,402</u>	<u>\$53,532,504</u>	<u>\$56,162,299</u>	<u>\$58,153,580</u>	<u>\$53,018,289</u>

MINNESOTA VALLEY TRANSIT AUTHORITY
CHANGES IN NET POSITION

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
Expenses:				
Governmental activities:				
Transit operations	\$13,212,646	\$16,962,891	\$14,961,494	\$14,957,334
Facilities management	2,392,995	2,368,947	3,477,891	3,804,151
Administration	1,471,802	1,529,303	1,534,782	1,537,590
Interest on long-term debt	-	-	23,260	-
Total expenses	<u>\$17,077,443</u>	<u>\$20,861,141</u>	<u>\$19,997,427</u>	<u>\$20,299,075</u>
Program revenues:				
Governmental activities:				
Charges for services:				
Passenger fares	\$4,980,101	\$4,835,590	\$4,738,480	\$5,019,866
Ground lease	58,895	50,734	52,379	51,473
Operating grants and contributions	453,417	469,058	514,196	793,160
Capital grants and contributions	1,991,425	20,592,499	7,831,731	1,543,237
Total program revenue	<u>\$7,483,838</u>	<u>\$25,947,881</u>	<u>\$13,136,786</u>	<u>\$7,407,736</u>
Net expense	<u>(\$9,593,605)</u>	<u>\$5,086,740</u>	<u>(\$6,860,641)</u>	<u>(\$12,891,339)</u>
General revenue:				
Motor vehicle sales tax	9,443,437	8,592,596	9,378,089	11,139,660
State appropriations	1,358,270	463,876	-	-
Revenues not restricted to specific programs	25,695	27,118	73,797	24,802
Unrestricted investment earnings	168,852	18,397	2,017	609
Total general revenue	<u>10,996,254</u>	<u>9,101,987</u>	<u>9,453,903</u>	<u>11,165,071</u>
Special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$1,402,649</u>	<u>\$14,188,727</u>	<u>\$2,593,262</u>	<u>(\$1,726,268)</u>

Source: Minnesota Valley Transit Authority financial records

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

Table 2

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$20,390,062	\$20,455,244	\$19,545,729	\$21,662,463	\$22,683,944	\$23,993,885
3,911,843	3,761,195	4,113,903	2,245,417	4,337,808	4,460,739
1,655,153	1,780,013	1,894,436	4,200,518	2,765,475	2,977,661
-	81,970	200,849	195,209	189,402	186,454
<u>\$25,957,058</u>	<u>\$26,078,422</u>	<u>\$25,754,917</u>	<u>\$28,303,607</u>	<u>\$29,976,629</u>	<u>\$31,618,739</u>
\$4,927,964	\$5,179,965	\$5,315,555	\$5,653,801	\$5,565,307	\$5,798,513
53,127	52,887	54,489	54,371	55,282	61,787
676,608	2,431,037	4,043,023	3,203,076	4,573,433	5,073,960
8,264,614	4,394,557	3,557,949	2,341,870	2,563,056	676,361
<u>\$13,922,313</u>	<u>\$12,058,446</u>	<u>\$12,971,016</u>	<u>\$11,253,118</u>	<u>\$12,757,078</u>	<u>\$11,610,621</u>
<u>(\$12,034,745)</u>	<u>(\$14,019,976)</u>	<u>(\$12,783,901)</u>	<u>(\$17,050,489)</u>	<u>(\$17,219,551)</u>	<u>(\$20,008,118)</u>
12,674,238	14,362,363	15,996,531	18,021,624	19,131,811	14,774,709
-	-	-	-	-	-
33,898	61,970	31,393	37,055	66,701	29,520
648	772	511	855	12,320	68,598
<u>12,708,784</u>	<u>14,425,105</u>	<u>16,028,435</u>	<u>18,059,534</u>	<u>19,210,832</u>	<u>14,872,827</u>
-	-	-	1,620,750	-	-
<u>\$674,039</u>	<u>\$405,129</u>	<u>\$3,244,534</u>	<u>\$2,629,795</u>	<u>\$1,991,281</u>	<u>(\$5,135,291)</u>

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

	Fiscal Year			
	2008	2009	2010	2011
General Fund:				
Reserved	\$6,280,162	\$125,190	\$37,241	\$ -
Unreserved	2,191,391	7,739,062	5,598,373	-
Nonspendable	-	-	-	41,340
Committed	-	-	-	67,075
Assigned	-	-	-	-
Unassigned	-	-	-	5,172,037
Total General Fund	<u>\$8,471,553</u>	<u>\$7,864,252</u>	<u>\$5,635,614</u>	<u>\$5,280,452</u>
Capital Projects Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Unassigned	-	-	-	-
Total Capital Projects Fund	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Debt Service Fund:				
Restricted	\$ -	\$ -	\$ -	\$ -
Total Debt Service Fund	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subsequent years' budgeted expenditures	\$15,918,949	\$16,762,059	\$18,572,716	\$19,499,432
Months of expenditures in				
Unreserved/Unassigned Fund Balance	1.65	5.54	3.62	3.18

Source: Minnesota Valley Transit Authority financial records

Note: GASB 54 implemented in 2011 changing fund balance designations

Table 3

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
50,108	94,456	101,811	130,938	112,042	119,129
80,841	81,446	81,899	1,711,606	667,047	349,628
-	-	-	-	-	933,690
5,161,133	5,657,212	8,200,357	10,041,304	13,301,527	8,984,335
<u>\$5,292,082</u>	<u>\$5,833,114</u>	<u>\$8,384,067</u>	<u>\$11,883,848</u>	<u>\$14,080,616</u>	<u>\$10,386,782</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$ -	\$690,917	\$690,959	\$691,003	\$748,683	\$753,663
<u>\$0</u>	<u>\$690,917</u>	<u>\$690,959</u>	<u>\$691,003</u>	<u>\$748,683</u>	<u>\$753,663</u>
\$22,196,963	\$24,338,380	\$26,831,121	\$27,665,782	\$29,537,255	\$31,108,068
2.79	2.79	3.67	4.36	5.40	3.47

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues:				
General property tax	\$20,843	\$ -	\$ -	\$ -
Intergovernmental revenue	13,242,170	29,998,610	13,130,718	13,476,057
Passenger fares	4,980,100	4,835,590	4,738,480	5,019,866
Miscellaneous:				
Investment income	168,852	18,397	2,017	609
Miscellaneous	77,956	91,931	126,176	76,275
Total revenues	<u>18,489,921</u>	<u>34,944,528</u>	<u>17,997,391</u>	<u>18,572,807</u>
Expenditures:				
Current:				
Transit operations	13,021,496	12,698,070	13,908,956	14,708,445
Facilities management	886,379	951,232	1,139,106	1,063,229
Administration	1,442,103	1,472,106	1,480,585	1,569,645
Total current	<u>15,349,978</u>	<u>15,121,408</u>	<u>16,528,647</u>	<u>17,341,319</u>
Debt service:				
Principal	400,000	400,000	330,000	-
Interest and other charges	44,948	27,192	10,296	-
Issuance expense	-	-	-	-
Capital outlay	<u>2,394,548</u>	<u>20,003,229</u>	<u>3,357,086</u>	<u>1,586,650</u>
Total expenditures	<u>18,189,474</u>	<u>35,551,829</u>	<u>20,226,029</u>	<u>18,927,969</u>
Revenue over (under) expenditures	<u>300,447</u>	<u>(607,301)</u>	<u>(2,228,638)</u>	<u>(355,162)</u>
Other financing sources (uses):				
Bond issuance	-	-	-	-
Bond premium	-	-	-	-
Transfers in	441,564	483,929	26,575	43,413
Transfers out	(441,564)	(483,929)	(26,575)	(43,413)
Issuance of capital lease	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	300,447	(607,301)	(2,228,638)	(355,162)
Fund balance - January 1, as previously stated	8,171,106	8,471,553	7,864,252	5,635,614
Prior period adjustment	-	-	-	-
Fund balance - January 1, as restated	<u>8,171,106</u>	<u>8,471,553</u>	<u>7,864,252</u>	<u>5,635,614</u>
Fund balance - end of year	<u><u>\$8,471,553</u></u>	<u><u>\$7,864,252</u></u>	<u><u>\$5,635,614</u></u>	<u><u>\$5,280,452</u></u>
Debt service as a percent of noncapital expenditures	2.8%	2.7%	2.0%	0.0%

Source: Minnesota Valley Transit Authority financial records

Table 4

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21,602,823	21,187,957	23,597,503	23,566,570	26,261,683	20,524,550
4,927,964	5,179,965	5,315,555	5,653,801	5,565,307	5,798,513
648	772	511	855	12,320	68,598
87,025	114,857	85,882	91,426	121,983	91,307
26,618,460	26,483,551	28,999,451	29,312,652	31,961,293	26,482,968
15,343,140	17,509,083	19,031,207	20,605,999	21,904,307	23,485,315
1,028,427	1,416,694	1,559,293	1,581,121	1,719,538	1,731,290
1,611,238	1,714,685	1,856,445	2,090,118	2,529,010	2,728,528
17,982,805	20,640,462	22,446,945	24,277,238	26,152,855	27,945,133
-	-	280,000	325,000	335,000	368,856
-	66,204	206,200	201,900	195,300	192,644
-	202,632	-	-	-	-
8,624,026	10,321,434	4,042,781	2,629,439	3,023,690	1,836,231
26,606,831	31,230,732	26,975,926	27,433,577	29,706,845	30,342,864
11,629	(4,747,181)	2,023,525	1,879,075	2,254,448	(3,859,896)
-	5,900,000	-	-	-	-
-	79,131	-	-	-	-
372,049	854,655	62,158	248,019	270,336	248,369
(372,049)	(854,655)	(62,158)	(248,019)	(270,336)	(248,369)
-	-	-	-	-	171,042
0	5,979,131	0	0	0	171,042
-	-	-	1,620,750	-	-
11,629	1,231,950	2,023,525	3,499,825	2,254,448	(3,688,854)
5,280,452	5,292,081	6,524,031	9,075,026	12,574,851	14,829,299
-	-	527,470	-	-	-
5,280,452	5,292,081	7,051,501	9,075,026	12,574,851	14,829,299
\$5,292,081	\$6,524,031	\$9,075,026	\$12,574,851	\$14,829,299	\$11,140,445
0.0%	0.3%	2.1%	2.1%	2.0%	1.9%

MINNESOTA VALLEY TRANSIT AUTHORITY
RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Unaudited)

Table 5

Fiscal Year	Governmental Activities				Total Primary Government	Debt as Percentage of Personal Income (1)	Total Primary Government Debt Per Capita (2)(3)
	General Obligation Bonds	Special Assessment Bonds	Gross Revenue Bonds	Capital Leases			
2008	\$ -	\$ -	\$ -	\$730,000	\$730,000	0.008%	3
2009	-	-	-	330,000	330,000	0.003%	1
2010	-	-	-	-	-	*	*
2011	-	-	-	-	-	*	*
2012	-	-	-	-	-	*	*
2013	-	-	5,977,343	-	5,977,343	0.053%	26
2014	-	-	5,691,978	-	5,691,978	0.049%	25
2015	-	-	5,361,301	-	5,361,301	0.034%	18
2016	-	-	5,020,961	-	5,020,961	0.031%	17
2017	-	-	4,675,621	142,186	4,817,807	0.028%	16

Source: Minnesota Valley Transit Authority financial records

(1) See Demographic and Economic Statistics Personal Income

(2) See Demographic and Economic Statistics For Population

(3) Calculations completed using prior year demographic data

* Not applicable

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

Table 6

Fiscal Year	Population(1)	Per Capita Personal Income (2)	Personal Income (thousands of dollars) (3)	K-12 Enrollment (4)	Unemployment Rate (5)
2008	224,716	\$44,341	\$9,964,132	\$37,974	4.5
2009	224,207	42,434	9,514,000	37,679	7.1
2010	222,381	43,868	9,755,410	37,415	6.6
2011	224,207	45,430	10,185,612	37,446	5.7
2012	225,864	48,539	10,963,100	37,209	5.0
2013	229,135	48,931	11,211,690	36,950	4.4
2014	230,424	50,479	11,631,573	36,787	3.7
2015	297,947	52,876	15,754,246	36,608	4.7
2016	301,417	54,150	16,321,731	37,382	3.1
2017	305,020	55,829	17,028,855	45,064	3.0

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) Met Council (Minnesota Community Profile)

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

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MINNESOTA VALLEY TRANSIT AUTHORITY
PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Table 7

Employer	2017*			2008		
	Employees	Rank	Percentage of Total Cities Employment	Employees	Rank	Percentage of Total Cities Employment
Thomson Reuters	6,500	1	4.1%	6,000	1	5.3%
Shakopee Mdewakanton Sioux	4,200	2	2.6%	4,200	2	3.7%
Blue Cross-Blue Shield	3,250	3	2.0%	4,000	4	3.6%
Amazon	2,500	4	1.6%	-	-	0.0%
US Postal Service	2,000	5	1.3%	1,570	9	1.4%
Seagate Technology, LLC	1,800	6	1.1%	1,227	-	1.1%
UTC Aerospace (Formerly BF Goodrich)	1,800	7	1.1%	-	-	0.0%
Seagate	1,800	8	1.1%	-	-	0.0%
Valley Fair	1,600	9	1.0%	1,600	7	1.4%
Independent School District #191	1,510	10	0.9%	1,600	6	1.4%
Independent School District #196	1,414	-	0.9%	4,000	3	3.6%
United Parcel Service	1,400	-	0.9%	-	-	0.0%
Ecolab	1,300	-	0.8%	-	-	0.0%
Independent School District #720	1,100	-	0.7%	-	-	0.0%
Canterbury Park	1,000	-	0.6%	-	-	0.0%
Northwest Airline	-	-	-	1,830	5	1.6%
Lockheed Martin	-	-	-	1,500	8	1.3%
Fairview Ridges Hospital	-	-	-	1,400	10	1.2%
Total principal employees	<u>33,174</u>		<u>20.7%</u>	<u>28,927</u>		<u>25.6%</u>
Total employees in cities	<u>159,503</u>		<u>100.0%</u>	<u>112,513</u>		<u>100.0%</u>

*Includes the addition of Prior Lake and Shakopee

Sources:

2017 CAFR for Dakota and Scott County, Cities of Apple Valley, Burnsville, Eagan, Prior Lake, Rosemount, Savage and Shakopee

2016-2017 CAFR for Independent School District #196 and Burnsville Public Schools - ISD #191.

(State of Minnesota Department of Employment and Economic Development)

Met Council (Minnesota Community Profile)

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

Function	Fiscal Year			
	2008	2009	2010	2011
Transit operations	5.3	6.0	6.0	6.5
Facilities management	1.0	1.0	1.0	1.0
Administration	4.0	4.0	4.0	4.0
Total	10.3	11.0	11.0	11.5

Source: Minnesota Valley Transit Authority personnel records

Table 8

Fiscal Year					
2012	2013	2014	2015	2016	2017
6.0	5.9	5.9	6.5	7.9	8.2
1.0	1.0	1.0	0.5	0.5	1.6
4.0	4.6	5.8	6.2	7.1	6.8
11.0	11.5	12.7	13.2	15.5	16.6

MINNESOTA VALLEY TRANSIT AUTHORITY**OPERATING STATISTICS**

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
System ridership:				
Minneapolis express	1,674,840	1,535,786	1,518,411	1,563,162
St. Paul express	190,215	182,386	189,350	193,969
Suburb to Suburb Express	-	-	-	-
Red Line BRT	-	-	-	-
Local	592,093	540,714	552,850	633,963
Reverse commute	48,327	44,911	49,920	49,236
Weekend	90,570	85,127	84,317	94,979
State Fair/Special Events	42,838	42,088	43,085	52,874
Total system ridership	<u>2,638,883</u>	<u>2,431,012</u>	<u>2,437,933</u>	<u>2,588,183</u>
Vehicle revenue hours:				
Fixed route	104,223	118,125	121,541	121,286
Special events	**	1,088	1,128	982
Vehicle revenue miles:				
Fixed route	2,216,734	2,276,781	2,420,433	2,455,288
Special events	**	25,823	27,081	24,653

*Includes the addition of Prior Lake and Shakopee

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

BRT = Bus Rapid Transit

Source: Planning Department - MVTA

Table 9

Fiscal Year					
2012	2013	2014	2015*	2016*	2017*
1,549,198	1,585,161	1,577,581	1,723,273	1,681,239	1,645,271
179,435	186,095	200,851	192,425	195,125	192,171
-	-	-	-	13,239	64,163
-	130,733	265,514	265,410	266,811	270,400
646,467	610,617	550,153	564,261	527,954	509,091
55,055	58,647	61,856	57,538	52,149	52,850
96,256	92,328	98,990	95,291	88,152	102,969
48,952	42,835	57,320	67,766	77,729	87,449
<u>2,575,363</u>	<u>2,706,416</u>	<u>2,812,265</u>	<u>2,965,964</u>	<u>2,902,398</u>	<u>2,924,364</u>
120,829	136,014	148,942	165,945	182,903	173,386
1,055	1,059	1,050	1,480	1,112	1,164
2,451,467	2,800,574	3,059,011	3,446,765	3,829,560	3,561,802
26,173	26,002	27,312	31,194	32,219	33,891

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

Function/Program	Fiscal Year			
	2008	2009	2010	2011
Transit operations:				
Transit revenue vehicles - #	112	116	118	118
Maximum # of rev. vehicles in operation	91	96	99	99
Facilities management:				
Transit stations - # owned	4	4	4	4
Transit stations - # leased	-	-	1	1
Transit stations - # of parking spaces	2,962	2,962	3,226	3,226
Park & rides - # owned	3	3	3	3
Park & rides - # leased	2	2	2	2
Park & rides - # of parking spaces	1,288	1,288	1,288	1,288
Transit Station Stops - # leased	-	-	-	-
Bus garages - #	2	2	2	2
Bus garages - bus storage capacity	100	100	100	100
Bus garages - # of maintenance bays	12	12	12	12
Layover facility	-	-	-	-

*Includes the addition of Prior Lake and Shakopee

Table 10

Fiscal Year					
2012	2013	2014	2015*	2016*	2017*
124	128	128	150	164	165
99	105	106	127	139	133
5	5	5	5	5	5
1	1	1	2	2	3
3,348	3,348	3,348	3,790	3,790	3,790
3	3	3	3	3	3
1	1	1	3	4	4
1,213	1,213	1,213	2,289	2,479	2,479
-	2	2	2	2	2
2	2	2	2	2	2
100	100	150	150	150	150
12	12	15	15	15	15
-	-	-	1	1	1

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

Table 11

As of December 31, 2017	
FAREBOX RECOVER PERCENTAGE	
Year	Percentage
2008	31.5%
2009	31.1%
2010	27.9%
2011	28.9%
2012	27.4%
2013	25.0%
2014	23.7%
2015	23.3%
2016	21.0%
2017	19.9%

Definition: passenger fare revenue divided by general fund expenditures

FARE STRUCTURES

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

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

* When accompanied by paying adult (limit 3)

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

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

* When accompanied by paying adult (limit 3)

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

Note: Fares listed reflect the \$0.25 Fare Increase Effective October 1, 2017. Minnesota Valley Transit Authority does not have the ability to set fares. Fares are set for the region by the Metropolitan Council.