

**ST. CLOUD METROPOLITAN  
TRANSIT COMMISSION  
St. Cloud, Minnesota**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2015**



**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**TABLE OF CONTENTS**

<b>BOARD OF COMMISSIONERS, ADMINISTRATION AND OTHER DATA</b> .....	1	
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	2	
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	5	
<b>BASIC FINANCIAL STATEMENTS</b>		
Government-Wide Financial Statements:		
Statement of Net Position .....	12	
Statement of Activities.....	13	
Fund Financial Statements:		
Balance Sheet – Governmental Funds .....	14	
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds .....	15	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	16	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds.....	17	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	18	
Notes to the Financial Statements .....	19	
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Schedule of Commission’s Proportionate Share of Net Pension Liability – GERS Retirement Fund .....	44	
Schedule of Commission Contributions – GERS Retirement Fund .....	44	
Schedule of Commission Contributions – Central States, Southeast and Southwest Areas Pension Fund.....	45	
<b>SUPPLEMENTARY INFORMATION</b>		
Statement of Revenues and Expenses Compared to Budget.....	47	
Statement of Expenses and Functions.....	48	
Statement of Changes in Equity .....	50	
Schedule of Tax Levies, Tax Capacity and Rates .....	53	
Schedule of Expenditures of Federal and State Awards .....	54	
Note to the Schedule of Expenditures of Federal and State Awards .....	56	
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b> .....		57
<b>REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133</b> .....		59

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**TABLE OF CONTENTS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH  
OMB *CIRCULAR A-133*..... 62**

**REPORT ON LEGAL COMPLIANCE ..... 66**

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**BOARD OF COMMISSIONERS, ADMINISTRATION AND OTHER DATA  
For the Year Ended September 30, 2015**

<u>Elected Officials</u>	<u>Position</u>	<u>Community Represented</u>	<u>Term Expires</u>
David Kleis	Chairperson	St. Cloud	June 30, 2017
Rick Miller	Vice Chairperson	Waite Park	June 30, 2016
Amy Braig-Lindstrom	Secretary	Sartell	June 30, 2016
Kurt Hunstiger	Treasurer	Sauk Rapids	June 30, 2017
John Libert	Member	St. Cloud	June 30, 2017
<u>Administration</u>			
Ryan I. Daniel	Executive Director		
Paula Mastey	Director of Finance		
<u>Other Data</u>			
Revenue Bus Miles		1,942,587	
Number of Passengers		2,232,804	
Revenue Bus Hours Operated		136,319	



## INDEPENDENT AUDITOR'S REPORT

BergankDV, Ltd.

To the Board of Commissioners  
St. Cloud Metropolitan Transit Commission  
St. Cloud, Minnesota

**Cedar Falls**  
602 Main Street  
Suite 100  
P.O. Box 489  
Cedar Falls, IA  
50613-0026  
T 319.268.1715  
F 319.268.1720

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of St. Cloud Metropolitan Transit Commission, St. Cloud Minnesota, as of and for the year ended September 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents.

**Cedar Rapids**  
2720 1st Avenue NE  
Suite 300  
P.O. Box 10200  
Cedar Rapids, IA  
52402-0200  
T 319.294.8000  
F 319.294.9003

### 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.

**Coralville**  
2530 Corridor Way  
Suite 301  
P.O. Box 5267  
Coralville, IA  
52241-0267  
T 319.248.0367  
F 319.248.0582

### 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.

**Des Moines**  
9207 Northpark Drive  
Johnston, IA  
50131-2933  
T 515.727.5700  
F 515.727.5800

**Minneapolis**  
3800 American Blvd W  
Suite 1000  
Bloomington, MN  
55431-4420  
T 952.563.6800  
F 952.563.6801

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 Commission'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 Commission'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.

**St. Cloud**  
220 Park Avenue S  
P.O. Box 1304  
St. Cloud, MN  
56302-3713  
T 320.251.7010  
F 320.251.1784

**Waterloo**  
100 East Park Avenue  
Suite 300  
P.O. Box 2100  
Waterloo, IA  
50704-2100  
T 319.234.6885  
F 319.234.6287

bergankdv.com

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 the major fund of St. Cloud Metropolitan Transit Commission, St. Cloud Minnesota, as of September 30, 2015, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Implementation of GASB 68 and GASB 71**

As discussed in Note 14 to the financial statements, the Commission has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, the Schedule of Commission's Proportionate Share of Net Pension Liability – GERS Retirement Fund on page 44, Schedule of Commission Contributions – GERS Retirement Fund on page 44 and Schedule of Commission Contributions – Central States, Southeast and Southwest Areas Pension Fund on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 the Commission's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the financial statements.

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were 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. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2016, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*Bergan KDV, Ltd.*

BerganKDV, Ltd.  
St. Cloud, Minnesota  
March 23, 2016

## **.ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2015**

As management of the St. Cloud Metropolitan Transit Commission (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended September 30, 2015. All amounts, unless otherwise indicated, are expressed in dollars. Certain comparative information between the current fiscal year and the prior fiscal year is presented in the Management's Discussion and Analysis (MD&A).

#### **FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2014 by \$ 25,523,196 (net position). Of this amount, \$ 4,427,081 (unrestricted net position) may be used to meet the Commission's ongoing obligations to customers and creditors.

The Commission's net position increased by \$ 997,992 based on 2015 activity with the completion of the CNG Fueling Station and the Community Outreach and Travel Training Center. Both projects began in 2013. However, this increase was offset by a change in accounting principle related to the implementation of GASB 68, which decreased net position by \$ 2,598,479. As a result unrestricted net position also decreased by \$ 840,658.

At the end of the 2015 fiscal year, total current assets increased \$ 2,148,434 from 2014 levels primarily due to increases in cash and investments. Metro Bus issued a revenue bond in 2014, which requires restricted investments, in 2015 this restricted amount was \$ 1,012,166. 2015 current and noncurrent liabilities decreased by \$ 2,605,775 from fiscal year 2014 due to the implementation of GASB 68, offset by the reduction of debt payable after one year.

Ridership on the fixed route transit system experienced a decline of 105,020 riders. The Northstar Link service also experienced a decline in ridership for the first time since service began in 2009. This service saw 1,583 less riders in 2015 than in 2014. Overall fixed route service saw a decrease of 1.57 passengers per hour in 2015. Metro Bus's paratransit service maintained service levels in 2015.

Metro Bus partnered with the St. Cloud APO in 2015 and began work on a long range plan update. An independent planning firm was hired to analyze ridership, demographics, and route needs. The updated plan will be completed in 2016, with plans to begin implementing recommended changes in late 2016. Routes will be adjusted to better meet the changing needs of our communities, including the changing demographics of St. Cloud State University students. Outlying areas will also be analyzed to determine the needs and potential for riders in those areas.

The Commission entered into an agreement in fiscal year 2009 with the Northstar Corridor Development Authority (NCDA) to administer and operate the Northstar Link Commuter Bus Service Demonstration Project, linking the City of St. Cloud, Minnesota, and the Northstar Commuter Rail station in Big Lake, Minnesota. The Commission receives \$ 36,000 in annual administrative fees and is reimbursed for all expenses, less retained passenger fare revenue, to operate the service during the calendar year. The State of Minnesota also participates in a subsidy agreement. For 2015 this was \$ 300,000. Northstar Link ridership has leveled off in 2015, after a steady increase each year since its origination in 2009.

Fiscal year 2015 experienced a decrease in passenger fares of \$ 35,812, for a total of \$ 1,763,849. This decrease directly correlates with the decrease in ridership for the same time period. Special transit fares attributable to the U-Pass Programs with SCTCC and Independent School District No.742 fares all remained constant in 2015. Due to a decrease in available resources and a decrease in enrollment, U-Pass program services with SCSU were decreased in 2015 by \$ 60,881 for a total contract amount of \$ 435,230. Auxiliary revenues attributable to exterior bus advertising also decreased slightly in 2015.

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2015

### FINANCIAL HIGHLIGHTS (Continued)

The Ad Valorem levied property tax used for operations increased by \$ 1,395,506 in 2015. This increase in the levy is to pay for debt that was issued in 2014 for the CNG fueling station, Mobility Training Center, and (23) CNG buses, as well as additional capital needs. State of Minnesota Funding grant revenue also increased by \$ 1,604,174. The State contract levels increased in calendar year 2015 compared to calendar year 2014. This amount was again slightly increased for calendar year 2016. The State has also changed their payment process; the Commission now receives four quarterly payments from the State in January, April, July, and a final payment in October. The annual FTA appropriation used for the operating budget decreased slightly in 2015 (\$ 56,291). Total operating revenues, not including capital funding grants and taxes levied for fixed asset acquisitions, were \$ 12,514,686. Total operating expenses before depreciation were \$ 11,291,935, resulting in net operating budget surplus of \$ 1,222,751 for fiscal year 2015.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) Notes to the Financial Statements and 4) compliance reports in accordance with governmental auditing standards and federal and state grant requirements.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a governing broad overview of the Commission's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Commission'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 Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission'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 excise taxes and earned but unused vacation leave).

With the implementation of GASB 68, the Statement of Net Position and the Statement of Activities will have significant changes from prior years. GASB 68 requires government entities to recognize a portion of the overall liability a pension fund has. Metro Bus employees contribute to two pension funds, PERA and Central States. Therefore, moving forward a portion of both of these entities' liabilities will be held on our government-wide financial statements. Additional information on this new requirement is given in detail in the notes section.

The government-wide financial statements include only the Commission itself. The Commission has no component units.

The government-wide financial statements can be found on pages 12 and 13 of this report.

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2015

### OVERVIEW OF THE FINANCIAL STATEMENTS

**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 Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission has one General Fund to account for all of the activity of the Commission. The fund financial statements can be found on pages 14 thru 18 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 19 thru 40 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 Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 25,523,196 at the close of fiscal year 2015.

Of the Commission's net position, 17.3% (\$ 4,427,081) are unrestricted, down 2.1% from 19.4% in fiscal year 2014. This is the amount available to meet the Commission's ongoing obligations to its riders and creditors.

The other 82.7% (\$ 21,096,115) reflects the Commission's debt requirement for future bond payments, as well as its investment in capital assets (e.g. land, buildings, transit vehicles, equipment); \$ 950,599 and \$ 20,145,516 respectively. The Commission uses these capital assets to provide transit services to the citizens within the transit service area as defined by *Minnesota Statutes* 458A. Consequently, these assets are not available for future spending.

### Net Position Governmental Activities at September 30, 2015

	2015	2014
Current and Other Assets	\$ 9,813,540	\$ 7,665,106
Capital Assets, Net of Depreciation	<u>26,904,743</u>	<u>28,248,042</u>
Total Assets	36,718,283	35,913,148
Deferred Outflows of Pension Related Resources	384,303	-
Long-Term Liabilities Outstanding	6,435,192	7,189,983
Other Liabilities	2,021,560	1,599,482
Net Pension Liability	<u>2,938,488</u>	<u>-</u>
Total Liabilities	11,395,240	8,789,465
Deferred Inflows of Pension Related Resources	148,150	-
NET POSITION:		
Net Investment in Capital Assets	20,145,516	20,757,889
Restricted for Debt Service	950,599	1,098,055
Unrestricted	<u>4,427,081</u>	<u>5,267,739</u>
Total Net Position	<u>\$ 25,523,196</u>	<u>\$ 27,123,683</u>

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2015**

**Statement of Activities for Fiscal Year 2015**

	<u>2015</u>	<u>2014</u>
<b>PROGRAM REVENUES:</b>		
Charges for Services	\$ 1,799,849	\$ 1,835,661
Operating Grants and Contributions	8,702,083	7,018,963
Capital Grants and Contributions	1,108,670	12,770,416
Total Program Revenues	<u>11,610,602</u>	<u>21,625,040</u>
 <b>GENERAL REVENUES:</b>		
Property Taxes	2,467,058	1,068,621
Auxiliary	126,406	131,523
Revenues not Restricted to Specific Programs	182,355	115,450
Unrestricted Investment Earnings	19,695	19,360
Gain of Sale of Assets	-	110,086
Total General Revenues	<u>2,795,514</u>	<u>1,445,040</u>
 Total Revenues	<u><u>\$ 14,406,116</u></u>	<u><u>\$ 23,070,080</u></u>

	<u>Expenses</u>		<u>Net (Expense) Revenue</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>EXPENSES:</b>				
Operations	\$ 8,423,670	\$ 9,335,263	\$ (989,330)	\$ 6,836,343
Vehicle Maintenance	2,049,154	1,220,492	30,769	352,717
Facility Maintenance	1,214,021	201,911	(413,207)	2,627,340
General Administration	1,614,015	1,821,583	(318,490)	
Interest & Fiscal LT Debt	107,264	-	(107,264)	(770,609)
Total Expenses	<u><u>\$ 13,408,124</u></u>	<u><u>\$ 12,579,249</u></u>	<u><u>\$ (1,797,522)</u></u>	<u><u>\$ 9,045,791</u></u>

Change in Net Position      2015 - \$ 997,992                      2014 - \$10,490,831

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**CAPITAL ASSETS**

The Commission's investment in capital assets as of September 30, 2015 amounted to \$ 26,904,743 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, transit vehicles and equipment. See the table on following page for more detail.

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2015**

**CAPITAL ASSETS (CONTINUED)**

	<b>Capital Assets (Net of Depreciation)</b>	
	<u>2015</u>	<u>2014</u>
Land	\$ 783,923	\$ 788,831
Construction in Progress (not depreciated)	15,987	9,487,893
Buildings and Bus Shelters	13,765,923	4,450,996
Buses and Bus Equipment	12,074,053	13,377,798
Office Furniture, Computers and Equipment	217,107	58,176
Vehicles	32,727	56,587
Transit Priority Systems	<u>15,023</u>	<u>27,761</u>
Total	<u>\$ 26,904,743</u>	<u>\$ 28,248,042</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Commission's 2016 operating budget for Federal Transit Administration funding is based on stable allocations. Passenger fare revenues are projected to remain stable with flat ridership impacts. A large decrease in special transit fare revenues is budgeted, due to the anticipated reduction of SCSU contracted services. Auxiliary advertising revenues from vinyl wrapped buses and Jefferson Lines commissions, along with investment revenue are expected to remain consistent in 2016. The CNG powered buses began operating in May of 2014. With the favorable rate of diesel and the cost savings of operating a CNG fleet, the commission anticipates saving an additional \$ 150,000 in fuel costs for 2016. This savings is in addition to the \$ 150,000 decrease budgeted in 2015. The salaries and wages of all union employees will increase by 1.7% for fiscal year 2016, per the union contract, which was settled in June 2014. Non-union salaries were also budgeted for this increase. Health insurance costs are to remain stable through July 2017, with no increase. Fleet liability insurance and workers' compensation insurance costs are anticipated to increase significantly in 2016, due to an unfavorable claims year in 2014; an additional \$ 127,000 was budgeted for these increases. The Northstar Link Commuter Service contract with the NCDA provides 100% reimbursement of all operating deficit costs (less passenger fares and State funding assistance), and is projected to be approximately \$ 250,000. The FTA annual apportionments for operations in 2016 was decreased by \$ 107,332, for a total amount of \$ 1,975,715.

In 2009, the Commission completed a substantial fixed route restructuring study of which plans, entitled "Moving Forward", were approved to be implemented in September 2010. The Interim Service Plan was projected to cost approximately \$ 500,000 more than 2009 current levels of service. As a result of that Plan, the Commission's property tax rate was increased for 2010 payable, with future rate increases necessary to better implement the Plan. Because of the recession, the Interim Service Plan was tabled;

## **ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2014**

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)**

However, necessary improvements to the Sartell route could no longer be tabled and major changes were implemented in 2010 and 2011 costing an additional \$ 270,000. Due to Moving Forward a new assigned fund balance account entitled "Fixed Route Expansion" was established in 2010, and now has a balance of \$ 788,713 to be carried over and applied to future "Moving Forward" route initiatives once the Commission is in a position to permanently implement those improvements. The City of Waite Park recently annexed portions of St. Joseph Township which includes the Bel Clare Acres Park; transit service was extended to this area via a restructured route in 2014. An updated long range plan is scheduled for 2016. Once this plan is complete, new initiatives for route expansion and route adjustments will be made, adjusting for the changing demographics and needs of the ridership area.

Six ADA Compressed Natural Gas buses were budgeted for purchase in 2015. These buses have been ordered. However, due to a lengthy lag time, the buses will not be delivered and put into service until 2016. The total cost is approximately \$ 1,146,000. The State of Minnesota will provide funding of \$ 916,800 and local share of approximately \$ 229,000 has been set aside for this purchase.

As Metro Bus continues to grow, storage at the operations facility has become an issue. A vehicle storage addition was budgeted for 2015 along with a roof replacement of the operations facility. The overall project cost is anticipated at \$ 2.1 million; with a local share of \$ 450,000 and the remaining funding budgeted from the State. Due to unforeseen delays, this project has been put on hold; construction is anticipated to begin spring of 2016.

Replacement of scheduling and accounting software, replacing fareboxes, begin replacing the first of three maintenance hoists, and installing a new canopy for the back CNG fueling station are all capital projects budgeted to begin in 2016.

The Commission has been increasing its assigned fund balance for fixed asset acquisitions for several years. At the end of fiscal year 2013 this balance was \$ 1,446,626. Because of the substantial commitments in 2014 to the fleet replacement, CNG project and downtown training facility, these reserves were significantly reduced, with a 2014 balance of \$ 532,772. The commission has again set funds aside in 2015 (\$ 356,371) for future capital expenditures, for an assigned balance of \$ 889,143.

Revenue bonds were issued in 2014 to cover the remaining local share of capital projects. As part of the requirements of the bonds, a monthly, budgeted principal and interest payment of \$ 69,142 is made to an escrow account held at Wells Fargo, of which the semi-annual bond payments are made.

All of these factors plus more were considered in preparing the Commission's budget for fiscal year 2016.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission'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 Director of Finance, St. Cloud Metropolitan Transit Commission, 665 Franklin Avenue N.E., St. Cloud, Minnesota 56304.

## **BASIC FINANCIAL STATEMENTS**

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**STATEMENT OF NET POSITION**  
**September 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 7,187,704
Restricted Investments	1,012,166
Receivables:	
Local Tax Levies - Current	1,202,962
Local Tax Levies - Delinquent	12,129
Federal Grants	68,085
Other	89,652
Materials and Supplies Inventory	175,598
Prepaid Insurance	65,244
Capital Assets:	
Land	783,923
Construction In Progress	15,987
Buildings and Bus Shelters	18,845,805
Buses and Bus Equipment	20,225,730
Office Furniture, Computers and Equipment	332,779
Vehicles	186,795
Transit Priority Systems	934,302
Less Accumulated Depreciation	<u>(14,420,578)</u>
Total Assets	<u>36,718,283</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows of Resources Related to Pensions	<u>348,303</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 37,066,586</u></u>
<b>LIABILITIES</b>	
Accounts and Contracts Payable	\$ 817,351
Salaries and Benefits Payable	191,416
Interest Payable	61,567
Bond Principal Payable (Net Unamortized Premium):	
Payable Within One Year	645,000
Payable After One Year	6,114,227
Compensated Absences Payable:	
Payable Within One Year	306,226
Payable After One Year	320,965
Net Pension Liability	<u>2,938,488</u>
Total Liabilities	<u>11,395,240</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows of Resources Related to Pensions	<u>148,150</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	20,145,516
Restricted for Debt Service	950,599
Unrestricted	<u>4,427,081</u>
Total Net Position	<u>25,523,196</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 37,066,586</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2015**

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
Governmental Activities	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Transit Operations	\$ 8,423,670	\$ 1,763,849	\$ 5,511,895	\$ 158,596	\$ (989,330)
Vehicle Maintenance	2,049,154	-	1,339,849	740,074	30,769
Facility Maintenance	1,214,021	-	800,814	-	(413,207)
General Administration	1,614,015	36,000	1,049,525	210,000	(318,490)
Interest and Fiscal Charges on Long-Term Debt	107,264	-	-	-	(107,264)
Total Governmental Activities	<u>\$ 13,408,124</u>	<u>\$ 1,799,849</u>	<u>\$ 8,702,083</u>	<u>\$ 1,108,670</u>	<u>(1,797,522)</u>
<b>General Revenues</b>					
Property Taxes					
Auxiliary					
Revenues not Restricted to Specific Programs					
Investment Income					
Total General Revenues					
<b>Change in Net Position</b>					
<b>Net Position - Beginning, as Previously Stated</b>					
<b>Change in Accounting Principle (Note 14)</b>					
<b>Net Position - Beginning, As Restated</b>					
<b>Net Position - Ending</b>					
					<u>\$ 25,523,196</u>

13 The Notes to the Financial Statements are an integral part of this statement.

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**September 30, 2015**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 7,187,704
Restricted Investments	1,012,166
Receivables:	
Local Tax Levies - Current	1,202,962
Local Tax Levies - Delinquent	12,129
Federal Grants	68,085
Other	89,652
Materials and Supplies Inventory	175,598
Prepaid Insurance	<u>65,244</u>
 Total Assets	 <u><u>\$ 9,813,540</u></u>
<b>LIABILITIES</b>	
Accounts and Contracts Payable	\$ 817,351
Salaries and Benefits Payable	191,416
Total Liabilities	<u>1,008,767</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue - Delinquent Property Taxes	<u>12,129</u>
<b>FUND BALANCES</b>	
Nonspendable	240,842
Restricted for Debt Service	1,012,166
Assigned for:	
Fixed Asset Acquisitions	889,143
Self Insurance - Vehicle Collision and Liability	255,797
Self Insurance - Health Insurance	109,889
Fixed Route Expansion	788,713
FTA Funds for Future Bus Purchase	70,008
Long Range Plan	50,000
Early Bond Payoff	215,000
Employee Wellness/Retention	14,904
Unassigned	<u>5,146,182</u>
Total Fund Balances	<u><u>8,792,644</u></u>
 Total Liabilities and Deferred Inflows of Resources and Fund Balances	 <u><u>\$ 9,813,540</u></u>

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS  
September 30, 2015**

Total Fund Balances - Governmental Funds \$ 8,792,644

Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not current financial resources  
and, therefore, are not reported as assets in governmental funds.

Cost of Capital Assets	41,325,321
Less Accumulated Depreciation	(14,420,578)

Long-term liabilities, including loans payable, are not due and payable in  
the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond Principal Payable	(6,495,000)
Premium on Bonds Payable	(264,227)
Compensated Absences Payable	(627,191)
Net Pension Liability	(2,938,488)

Delinquent property taxes receivable will be collected in subsequent years,  
but are not available soon enough to pay for the current period's expenditures  
and, therefore, are deferred in the funds.

12,129

Deferred outflows of resources and deferred inflows of resources are created  
as a result of various differences related to pensions that are not recognized  
in the governmental funds.

Deferred inflows of resources related to pensions	(148,150)
Deferred outflows of resources related to pensions	348,303

Governmental funds do not report a liability for accrued interest on bonds  
until due and payable.

(61,567)

Total Net Position - Governmental Activities

\$ 25,523,196

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2015**

	<u>General Fund</u>
<b>REVENUES</b>	
Local Property Taxes	\$ 2,471,251
Revenue from State Sources	7,174,978
Revenue from Federal Sources	1,306,283
Federal Capital Grant Entitlement	898,670
Charges for Services	1,763,849
Auxiliary	126,406
Other Local Revenue	256,822
Other Nontransportation Revenues	202,050
Total Revenues	<u>14,200,309</u>
<b>EXPENDITURES</b>	
<b>Current</b>	
Transit Operations	6,769,481
Vehicle Maintenance	2,002,525
Facility Maintenance	785,043
General Administration	1,548,871
<b>Capital Outlay</b>	
Transit Operations	111,368
Vehicle Maintenance	75,724
Facility Maintenance	171,158
General Administration	64,784
<b>Debt Service:</b>	
Principal	605,000
Interest and Fiscal Charges	171,623
Total Expenditures	<u>12,305,577</u>
Excess of Revenues Over Expenditures	1,894,732
<b>FUND BALANCE</b>	
<b>Beginning of Year</b>	<u>6,897,912</u>
<b>End of Year</b>	<u>\$ 8,792,644</u>

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2015**

Net Change in Fund Balances - Governmental Funds \$ 1,894,732

Amounts reported for governmental activities in the Statement of Activities are different because:

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 Outlays	423,034
Depreciation Expense	(1,962,088)
Loss on Disposal	(14,245)
Donated Assets	210,000

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (78,751)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities. 605,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 35,000

Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. 29,359

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the statement of activities factors in items related to pensions on a full accrual perspective.

Pension Expense	(139,856)
-----------------	-----------

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. (4,193)

Change in Net Position - Governmental Activities \$ 997,992

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended September 30, 2015**

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	<u>Original and Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>			
Local Property Taxes	\$ 2,463,267	\$ 2,471,251	\$ 7,984
Revenue from State Sources	8,918,296	7,174,978	(1,743,318)
Revenue from Federal Sources	2,505,287	1,306,283	(1,199,004)
Federal Capital Grant Entitlement	-	898,670	898,670
Charges for Services	1,738,662	1,763,849	25,187
Auxiliary	118,500	126,406	7,906
Other Local Revenue	541,572	256,822	(284,750)
Other Nontransportation Revenues	65,801	202,050	136,249
Total Revenues	<u>16,351,385</u>	<u>14,200,309</u>	<u>(2,151,076)</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Transit Operations	6,978,777	6,769,481	(209,296)
Vehicle Maintenance	2,374,779	2,002,525	(372,254)
Facility Maintenance	414,296	785,043	370,747
General Administration	1,630,602	1,548,871	(81,731)
<b>Capital Outlay</b>			
Transit Operations	-	111,368	111,368
Vehicle Maintenance	-	75,724	75,724
Facility Maintenance	-	171,158	171,158
General Administration	-	64,784	64,784
Debt Service:			
Principal	605,000	605,000	-
Interest and Fiscal Charges	224,131	171,623	(52,508)
Total Expenditures	<u>12,227,585</u>	<u>12,305,577</u>	<u>77,992</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 4,123,800</u>	1,894,732	<u>\$ (2,229,068)</u>
<b>FUND BALANCE</b>			
<b>Beginning of Year</b>		<u>6,897,912</u>	
<b>End of Year</b>		<u>\$ 8,792,644</u>	

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Cloud Metropolitan Transit Commission (the “Commission”) is a transit agency, operated by and for the Cities of St. Cloud, Waite Park, Sauk Rapids and Sartell, Minnesota. The Commission was organized in 1969 under *Minnesota Statutes* Section 458A. The Commission is governed by a five member board comprised of one representative member from each City, except the City of St. Cloud has two members. Each representative is entitled to one vote.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

#### A. Reporting Entity

For financial reporting purposes, the Commission’s financial statements include all funds which the Commission exercises financial accountability. Component units are legally separate organizations for which the elected officials of the Commission are financially accountable and are included with the financial statements of the Commission because of the significance of their operational or financial relationships with the Commission. Based on the component unit definition criteria stated, it has been determined the Commission has no component units.

#### B. Basic Financial Statement Information

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information on the Commission as a whole. These statements include all the financial activities of the Commission. The Commission has only governmental activities, which normally are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues; instead, they are properly reported as general revenues.

The Commission applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense is included in the direct expenses of the function it is specifically identified with.

Separate fund financial statements are provided for governmental funds.

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner.

##### 1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current period. State grants are recorded in the year in which the scheduled payment from the state is due while federal grants are recorded in the year in which the related expenditure is made.

##### 2. Recording of Expenditures

Expenditures generally are recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures on long-term debt, compensated absences and claims and judgments are recognized when payment is due.

The Commission applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the Commission will strive to spend resources from fund balance classifications in the following order: assigned and unassigned.

#### Description of Fund:

Major Fund:

General Fund – This Fund is the Commission’s only operating fund. It accounts for all financial resources of the Commission.

#### D. Cash and Investments

Cash and investments are invested to the extent available in various securities as authorized by state law. State statutes authorize the Commission to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Short-term, highly liquid debt instruments (including commercial paper, banker’s acceptances and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### D. Cash and Investments (Continued)

**Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. In accordance with the Commission's investment policy and applicable *Minnesota Statutes*, the Commission maintains deposits at depository banks authorized by the Commission's Board. *Minnesota Statutes* requires all deposits be protected by federal depository insurance, corporate security bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

**Interest Rate Risk:** This is the risk that correlates with managing exposure to fair value arising from increasing interest rates. The Commission's investment policy states the Commission shall manage its investments in a manner to attain a market rate of return through various economic and budgetary cycles.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission's investment policy requires their investments be rated as required by *Minnesota Statutes* 118A.04. These Statutes limit investments to those that are in the top two ratings issued by nationally recognized statistical rating organizations.

**Concentration of Credit Risk:** This risk limits the amount the Commission may invest in any one issuer. The Commission's policy states the Commission shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

**Custodial Credit Risk – Investments:** For an investment, this is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per the Commission's investment policy, all investment securities purchased by the Commission shall be held in third party safekeeping by an institution designated as custodial agent. The custodial agent may be any federal reserve bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in the United States government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in *Minnesota Statutes* 118A.06.

#### E. Restricted Investments

Restricted investments totaling \$ 1,012,166 at September 30, 2015 were comprised of two escrows invested in Wells Fargo Advantage Treasury Money Markets funds. The amounts are restricted for the 2014 Gross Revenue Bonds. One escrow is required upon issuance of the bond to be used in case of deficiency of funds of the general fund or default. The other escrow consists of monthly principal and interest payments the Commission makes, upon which the escrow then makes the semi-annually required payments specified under the bond agreement.

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### F. Taxes Receivable

Current taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the Commission. Delinquent property taxes receivable represent uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the Commission in the current year.

#### G. Materials and Supplies Inventory

Materials and supplies inventory are stated at cost which does not exceed market on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

#### H. Prepaid Insurance

Insurance payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid insurance in both government-wide and fund financial statements. Prepaid insurance is recorded as an expenditure as the insurance policy period expires.

#### I. Tax Levies

The Commission operates in the Counties of Benton, Sherburne and Stearns.

Tax levies are certified to the County Auditors in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The counties spread all levies over taxable property. Such taxes become a lien on property on the following January 1. The Counties generally remit taxes to the Commission at periodic intervals as they are collected.

A portion of taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

#### J. Capital Assets

Capital assets, which include property, facilities, equipment and transit vehicles, are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$ 2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### J. Capital Assets (Continued)

Property, plant and equipment of the Commission are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30-40
Building Improvements	5-20
Furniture and Equipment	5-15
Vehicles	5-12

Capital assets not being depreciated include land and construction in progress. The Commission does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

#### K. 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 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 that time. The Commission has one item that qualifies for reporting in this category – deferred outflow relating to pension activity, reported in the government-wide Statement of Net Position. A deferred outflow relating to pension activity results from the net effect of the change in proportionate share and employer contributions.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has two types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is deferred inflows relating to pension activity and is a result of the net difference between projected and actual earnings on plan investments and is reported in the government-wide Statement of Net Position.

#### L. 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 column of the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### L. Long-Term Obligations (Continued)

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### M. Compensated Absences

Commission employees earn vacation time based on years of service with a maximum accrual amount depending on the employee contract. Upon termination, employees will receive compensation for unused vacation time. Sick leave is accumulated depending on the employee contract with various maximum carryover amounts. The Commission compensates employees who leave the Commission for unused sick time at various amounts. Union employees also have the option of being paid out their unused sick time on an annual basis. In addition, employees earn personal holidays throughout the year, which are also paid out upon termination. Vacation, sick and personal leave benefits are recorded as expenditures in governmental funds when payment is made and in the government-wide financial statements when earned by the employees.

#### N. 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 the Central States, Southeast and Southwest Areas Pension Fund (the “Fund”) and additions to/deductions from PERA’s and the Fund’s fiduciary net position have been determined on the same basis as they are reported by PERA and the Fund. 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.

#### O. Risk Management

The Commission is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the Commission carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the Commission’s insurance coverage during the year ending September 30, 2015.

#### P. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Commission is bound to honor constraints on the specific purpose for which amounts in these funds can be spent.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and includes inventory and prepaid insurance.

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### P. Fund Equity (Continued)

- Assigned Fund Balances – The Board of Commissioner’s is authorized to assign fund balances for fixed asset acquisition, self-insurance collision and liability, fixed route expansion, self-insurance health insurance, long range plan, pay equity study and FTA funds for future bus purchase. The policy to establish that authorization is a majority vote by the Board of Commissioners. The Executive Director also has been delegated the power to assign portions of fund balance.
- Unassigned Fund Balances – These are amounts that have not been assigned to a specific purpose.
- Minimum Fund Balance Policy – The Commission will strive to maintain an unassigned fund balance equal to 30% of the annual operating budget.

#### Q. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows 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 statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of September 30, 2015, \$ 950,599 of net position was restricted for debt service payments.

#### R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Information

The Commission annually prepares an operating budget for the General Fund. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America. State statutes define the source, method and allocation of a major portion of its funding. Budget amounts are amended only upon approval of the Board of Commissioners.

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**B. Excess of Expenditures Over Appropriations**

Expenditures exceed appropriations in the following Fund for the year ending September 30, 2015.

	<u>Appropriations</u>	<u>Expenditures</u>
General Fund	\$ 12,227,585	\$ 12,305,577

**NOTE 3 – DEPOSITS**

**A. Deposits**

In accordance with applicable *Minnesota Statutes*, the Commission maintains deposits at depository banks authorized by the Commission’s Governing Board.

Custodial Credit Risk – Deposits: As of September 30, 2015, the Commission’s bank balance was not exposed to custodial credit risk because it was insured through FDIC and fully collateralized with securities held by the pledging financial institution’s trust department or agent and in the Commission’s name.

**B. Investments**

The following is a summary of total deposits and investments as of September 30, 2015:

Deposits	\$ 7,186,204
Wells Fargo Advantage Treasury Money Market Funds	1,012,166
Petty Cash	<u>1,500</u>
Total Deposits and Investments	<u><u>\$ 8,199,870</u></u>

Deposits and investments are presented in the September 30, 2015 basic financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 7,187,704
Restricted Investments	<u>1,012,166</u>
Total Cash and Investments	<u><u>\$ 8,199,870</u></u>

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

**A. Local Tax Levies**

Tax levies receivable at September 30, 2015 were:

Current Taxes Receivable:

Stearns County	\$ 960,022
Benton County	208,582
Sherburne County	<u>34,358</u>

Total Current Taxes Receivable \$ 1,202,962

Delinquent Taxes Receivable and Unavailable Revenue:

Stearns County	\$ 6,929
Benton County	4,535
Sherburne County	<u>665</u>

Total Delinquent Taxes Receivable and Unavailable Revenue \$ 12,129

**NOTE 5 – CAPITAL GRANTS**

During the year ended September 30, 2015, the Commission earned, from the Federal Transit Administration, capital grants in the amount of \$ 898,670, which were used to purchase equipment and complete various projects. These amounts collectively compromise the Federal Capital Grant Entitlement.

**NOTE 6 – LESSOR AGREEMENT**

In September 2014, the Commission entered into an agreement to lease out the 2<sup>nd</sup> floor of the Mobility Training Center to a lessor. Beginning October 1, 2014 the Commission will receive monthly rental payments of \$ 1,400 through September 2024. Under the lease agreement, the Commission has the right to increase the base rent amounts to match the fair market value of rental space in the area beginning in 2018. Future payments to be received by the Commission are as follows:

2016	\$ 16,800
2017	16,800
2018	16,800
2019	16,800
2020	16,800
Thereafter	<u>67,200</u>

Total Minimum Future Rental Payments \$ 151,200

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015 was as listed below:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 788,831	\$ -	\$ 4,908	\$ 783,923
Construction In Progress	<u>9,487,893</u>	<u>282,177</u>	<u>9,754,083</u>	<u>15,987</u>
Total Capital Assets not being Depreciated	10,276,724	282,177	9,758,991	799,910
Capital Assets being Depreciated:				
Buildings and Bus Shelters	9,548,387	9,716,764	419,346	18,845,805
Buses and Bus Equipment	20,699,763	208,423	682,456	20,225,730
Office Furniture, Computers and Equipment	378,602	179,753	225,576	332,779
Vehicles	186,795	-	-	186,795
Transit Priority Systems	<u>934,302</u>	<u>-</u>	<u>-</u>	<u>934,302</u>
Total Capital Assets being Depreciated	<u>31,747,849</u>	<u>10,104,940</u>	<u>1,327,378</u>	<u>40,525,411</u>
Less Accumulated Depreciation for:				
Buildings and Bus Shelters	5,097,391	399,111	416,620	5,079,882
Buses and Bus Equipment	7,321,965	1,506,320	676,608	8,151,677
Office Furniture, Computers and Equipment	320,426	20,059	224,813	115,672
Vehicles	130,208	23,860	-	154,068
Transit Priority Systems	<u>906,541</u>	<u>12,738</u>	<u>-</u>	<u>919,279</u>
Total Accumulated Depreciation	<u>13,776,531</u>	<u>1,962,088</u>	<u>1,318,041</u>	<u>14,420,578</u>
Total Capital Assets being Depreciated, Net	<u>17,971,318</u>	<u>8,142,852</u>	<u>9,337</u>	<u>26,104,833</u>
Governmental Activities Capital Assets, Net	<u>\$ 28,248,042</u>	<u>\$ 8,425,029</u>	<u>\$ 9,768,328</u>	<u>\$ 26,904,743</u>

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE 7 – CAPITAL ASSETS**

Depreciation expense of \$ 1,962,088 for the year ended September 30, 2015 was charged to functions/programs of the Commission as follows:

Governmental Activities:	
Transit Operations	\$ 1,497,558
Vehicle Maintenance	19,141
Facility Maintenance	426,094
General Administration	<u>19,295</u>
 Total Depreciation Expense	 <u><u>\$ 1,962,088</u></u>

**NOTE 8 – SHORT TERM DEBT**

The Commission has a revolving line of credit (LOC) for \$ 1,500,000 through Wells Fargo Bank. The agreement expired on April 20, 2015. The agreement requires interest on all borrowings based on a prime rate, subject to a floor of 5%, and was secured by certificates of deposit the Commission had at the Bank. As of September 30, 2015, there was no amount due on the LOC and there were no draws on the LOC during the year ended September 30, 2015.

**NOTE 9 – LONG-TERM DEBT**

**A. Components of Long-Term Liabilities**

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Total Outstanding</u>	<u>Due Within One Year</u>
Gross Revenue Bonds, Series 2014	03/28/14	1.00% - 5.00%	03/28/14	06/01/24	\$ 6,495,000	\$ 645,000
Unamortized Bond Premium					264,227	-
Compensated Absences Payable					<u>627,191</u>	<u>306,226</u>
 Total Long-Term Liabilities					 <u><u>\$ 7,386,418</u></u>	 <u><u>\$ 951,226</u></u>

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 9 – LONG-TERM DEBT**

**B. Minimum Debt Payments for Bonds and Loans**

Minimum annual principal and interest payments required to retire bond and loan liabilities:

Year Ending September 30,	Revenue Bond		
	Principal	Interest	Total
2016	\$ 645,000	\$ 184,700	\$ 829,700
2017	660,000	171,800	831,800
2018	675,000	158,600	833,600
2019	695,000	138,350	833,350
2020	730,000	103,600	833,600
2021-2024	3,090,000	231,350	3,321,350
Total	<u>\$ 6,495,000</u>	<u>\$ 988,400</u>	<u>\$ 7,483,400</u>

**C. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bond	\$ 7,100,000	\$ -	\$ 605,000	\$ 6,495,000
Bond Premium	293,586	-	29,359	264,227
Compensated Absences	548,440	565,691	486,940	627,191
	<u>\$ 7,942,026</u>	<u>\$ 565,691</u>	<u>\$ 1,121,299</u>	<u>\$ 7,386,418</u>

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 10 – FUND BALANCES**

Fund balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	<u>General Fund</u>
Nonspendable:	
Materials and Supplies Inventory	\$ 175,598
Prepaid Insurance	65,244
Total Nonspendable	<u>240,842</u>
Restricted	
Debt Service	1,012,166
Assigned for:	
Fixed Asset Acquisition	889,143
Fixed Route Expansion	788,713
Self Insurance - Health Insurance	109,889
Self Insurance - Vehicle Collision and Liability	255,797
Long Range Plan	50,000
FTA Funds for Future Bus Purchase	70,008
Early Bond Payoff	215,000
Employee Wellness/Retention	14,904
Total Assigned Fund Balance	<u>2,393,454</u>
Unassigned	<u>5,146,182</u>
Total Fund Balance	<u><u>\$ 8,792,644</u></u>

Nonspendable for Materials and Supplies Inventory – This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

Nonspendable for Prepaid Insurance – This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the Commission on expenses for the next year.

Restricted for Debt Service – This balance represents a portion of the fund balance that is restricted for debt service principal and interest payments that is held as a restricted investment.

Assigned for Fixed Asset Acquisition – This balance represents a portion of the fund balance that can provide a 20% “local” match to anticipated 80% FTA and/or state matches to scheduled capital improvement projects adopted each year by the Commission and programmed in the multi-year State Transportation Improvement Plan.

## **ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

### **NOTES TO THE FINANCIAL STATEMENTS September 30, 2015**

#### **NOTE 10 – FUND BALANCES**

Assigned for Fixed Route Expansion – This balance represents a portion of the fund balance that is used to fund future route expansion as identified in the “Moving Forward” process, and to bank the unspent balance.

Assigned for Self Insurance Health Insurance – This balance represents a portion of the fund balance that was created to offer funding for alternative employee health insurance programs.

Assigned for Self Insurance Vehicle Collision and Liability – This balance represents a portion of the fund balance that was created to offer funding for vehicle collision and liability self-insurance.

Assigned for Long Range Plan – This balance represents a portion of the fund balance that was created as the Plan was partially budgeted to begin in fiscal year 2014, however due to other project completion delays, the long range plan was moved back, and began in fiscal year 2015, with completion expected in 2016.

Assigned for FTA (Federal Transit Administration) Funds for Future Bus Purchase – This balance represents a portion of the fund balance that was created as the Commission sold buses in fiscal year 2014 and the FTA requires that if any bus sale is greater than \$ 5,000, 80% of the amount above that is given back to the FTA, or used for a future bus purchase. The Commission will be using it on future bus purchases.

Assigned for Early Bond Payoff – This balance represents a portion of the fund balance that was created to be able to make an early payment on the bond when the option is there in 2021.

Assigned for Employee Wellness/Retention – This balance represents a portion of fund balance to offset employee appreciation, retention and wellness activities.

#### **NOTE 11 – LOCAL TAX LEVIED FOR CAPITAL IMPROVEMENTS**

Included in the payable 2015 tax levy are levies for capital improvements for \$ 782,760.

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

### NOTE 12 – SELF INSURANCE

The Commission maintains self-insurance for vehicle collision and liability and health insurance. A summary of the activity in the assignment for self-insurance is as follows:

<u>Vehicle Collision and Liability</u>	
Balance - September 30, 2014	\$ 355,048
Levy for Self Insurance	-
Interest Income	106
Insurance Proceeds	23,197
Claims Paid	<u>(122,554)</u>
Balance - September 30, 2015	<u>\$ 255,797</u>
<u>Health Insurance</u>	
Balance - September 30, 2014	\$ 109,856
Interest Income	33
Claims Paid	<u>-</u>
Balance - September 30, 2015	<u>\$ 109,889</u>

### NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

#### Public Employees' Retirement Association

##### A. Plan Description

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 ad 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 the Commission are covered by the 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.

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2015

### NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

#### Public Employees' Retirement Association (Continued)

##### 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% 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 and Basic 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 Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% 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 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

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

##### GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. The Commission was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended September 30, 2014, were \$252,341. The Commission's contributions were equal to the required contributions as set by state statute.

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Public Employees’ Retirement Association (Continued)**

**D. Pension Costs**

GERF Pension Costs

At September 30, 2015, the Commission reported a liability of \$ 2,938,488 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission’s proportion of the net pension liability was based on the Commission’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2015, the Commission’s proportion was 0.0567%.

For the year ended September 30, 2015, the Commission recognized pension expense of \$ 139,856 for its proportionate share of GERF’s pension expense.

At September 30, 2015, the Commission reported its proportionate share of GERF’s deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 148,150
Difference Between Projected and Actual Investments Earnings	278,173	-
Changes in Proportion	7,046	-
Contributions paid to PERA Subsequent to the Measurement Date	<u>63,084</u>	<u>-</u>
	<u>\$ 348,303</u>	<u>\$ 148,150</u>

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Public Employees’ Retirement Association (Continued)**

**D. Pension Costs (Continued)**

\$ 63,084 reported as deferred outflows of resources related to pensions resulting from Commission contributions to subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Pension Expense Amount</u>
2016	\$ 22,509
2017	22,509
2018	22,507
2019	69,544

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>
Inflation	2.75 % Per Year
Active Member Payroll Growth	3.50 % Per Year
Investment Rate of Return	7.90 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1<sup>st</sup> through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2015**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Public Employees’ Retirement Association (Continued)**

**E. Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic 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	45%	5.50 %
International Stock	15%	6.00 %
Bonds	18%	1.45 %
Alternative Assets	20%	6.40 %
Cash	2%	0.50 %
Total	<u>100%</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.9% for GERR. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on those assumptions, each of the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

### NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

#### Public Employees' Retirement Association (Continued)

##### G. Pension Liability Sensitivity

The following table presents the Commission'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 Commission'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</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF Discount Rate	6.9%	7.9%	8.9%
Commission's Proportionate Share of the GERF Net Pension Liability	\$ 4,620,348	\$ 2,938,488	\$ 1,549,530

##### H. Pension Plan Fiduciary Net Position

Detailed information about GERF'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](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

#### Central States, Southeast and Southwest Areas Pension Fund

##### A. Plan Description

Union employees are covered by a defined benefit pension plan administered by a Board of Trustees composed of four Teamsters Union employees and four nonunion employees. The Trustees administer the Central States, Southeast and Southwest Areas Pension Fund (the "Fund") which is a cost sharing, multiple-employer defined benefit plan that is not a state or local government pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers and has no predominant state or local governmental employer. As of September 30, 2015 the Commission had 54 employees covered by the Fund. The Commission's payroll for employees covered by the plan for the year ended September 30, 2015 was \$ 2,470,279 and the Commission's total payroll was \$ 5,784,380.

Employers and the Union may apply to have eligible employees participate in the plan. Participation is based on covered service as defined by the collective bargaining agreement. Benefits under the plan are generally based on the participant's age, accumulated service credit (including certain noncontributory service credit) and the rate at which contributions were required to be made to the Fund.

# ST. CLOUD METROPOLITAN TRANSIT COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

### NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

#### Central States, Southeast and Southwest Areas Pension Fund (Continued)

##### A. Plan Description (Continued)

The principal benefit under the plan is a 20 year service pension, which is available to participants who attain age 57 and have 20 years of service credit. A 30-and-Out Pension is available to participants of any age who have 30 years of contributory service credit and meet certain other requirements. The plan provides a 10 Year Vested Pension upon completion of 10 years of vesting service and satisfaction of certain other conditions. An Age 65 Vested Pension is available to participants who attain age 65, have 5 years of vesting service and satisfy certain other conditions. A Joint and Survivor Pension and pre-retirement and post retirement survivor benefits are provided and an Early Retirement Pension is available at reduced amounts. Eligible participants may defer the payment of their 20 Year Service Pension or Early Retirement Pension to receive a larger monthly benefit. The plan also provides for a disability pension benefit and for lump sum disability and death benefits. Under certain conditions, partial pensions are available at reduced amounts where participation has been divided between the plan and other pension plans that have reciprocal agreements with the Fund.

The Contribution Based Pension and Transition Pension are available to participants whose pensions were first payable on or after January 1, 1987, and who have established a specified contribution rate and have met certain other requirements. The Contribution Based Pension provides for monthly pensions equal to 2% of the amount of contributions required to be paid on behalf of a qualifying participant after January 1, 1986, plus the participant's accrued benefit as of that date. The Transition Pension is a fixed amount payable to pensioners who are at least age 57 at retirement, have 25 or more years of contributory service credit and meet certain other requirements. The Contributory Credit Pension also provides a fixed amount payable to pensioners who are at least age 57 at retirement, have at least 20 years of contributory service credit and have established Benefit Class 16.

On September 25, 2015, the Fund filed an application with the U.S. Department of Treasury seeking approval for a pension rescue plan under the Multiemployer Pension Reform Act of 2014 to ensure that the Fund will continue providing benefits for many years in the future.

##### B. Contributions

Employers make contributions to the Fund, on behalf of employee participants, at the rate specified in the applicable collective bargaining agreement. Participating employees, under specified conditions, may make self contributions to secure benefits. Trustees are empowered to establish and amend the level of plan benefits. Although an individual Trustee may participate in collective bargaining in the capacity of an employer or Union representative, the Fund itself is not a party to such negotiations. Collective bargaining agreements are generally negotiated for three-year periods with varying expiration dates, terms and employer contribution rates.

The current collective bargaining agreement, which is effective October 1, 2014 through September 30, 2017, requires the commission to contribute to the Fund for each employee covered by the collective bargaining agreement who has completed 30 days of employment. For each eligible employee, contributions shall be made for each week according to the following rates: \$ 116.30 weekly effective July 1, 2014, \$ 121.00 weekly effective July 1, 2015, and \$ 125.80 weekly effective July 1, 2016.

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Central States, Southeast and Southwest Areas Pension Fund (Continued)**

**B. Contributions (Continued)**

Total contributions made by the Commission during the year ended September 30, 2015 were:

Central States, Southeast and Southwest  
Areas Pension Fund:

Employee Contributions	\$	-
Employer Contributions		393,668

The December 31, 2014 Central States, Southeast and Southwest Areas Pension Fund annual report was the most recent annual report available as of the date of the Commission's September 30, 2015 audited financial statements.

**C. Funding Status and Progress**

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among the Fund. The Fund does not make separate measurements of assets and pension benefit obligations for individual employers.

The fair market value of plan assets was \$ 17,863,105,558 as of December 31, 2014.

The measurement of the pension benefit obligation is based on an actuarial valuation as of January 1, 2014. Net position available to pay pension benefits was valued as of December 31, 2014.

The Fund does not issue a publicly available financial report.

**D. Related Party**

The Fund has common Trustees and shares the cost of common office facilities, personnel and other functions with Central States, Southeast and Southwest Areas Health and Welfare Fund (Health and Welfare Fund). In addition, all Fund employees are covered by one of the Health and Welfare Fund's benefit plans. Shared costs are allocated between the Fund and the Health and Welfare Fund on the basis of estimated utilization.

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended September 30, 2015, the Commission implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This resulted in an adjustment to the beginning net position on the Statement of Activities of \$ 2,598,479 to add the beginning net pension liability.

**NOTE 15 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

Accounting Standards Board (GASB) has issued GASB statement No. 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

(THIS PAGE LEFT BLANK INTENTIONALLY)

**REQUIRED SUPPLEMENTARY INFORMATION**

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY - GERS RETIREMENT FUND  
LAST TEN YEARS\***

<u>For Fiscal Year Ended June 30,</u>	<u>Commission's Proportion of the Net Pension Liability (Asset)</u>	<u>Commission's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Commission's Covered- Employee Payroll</u>	<u>Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0567%	\$ 2,938,488	\$ 3,279,280	89.6%	78.2%

**SCHEDULE OF COMMISSION CONTRIBUTIONS -  
GERS RETIREMENT FUND  
LAST TEN YEARS\***

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Commission's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2014	\$ 245,946	\$ 245,946	\$ -	\$ 3,279,280	7.50%

\* These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**SCHEDULE OF COMMISSION CONTRIBUTIONS - CENTRAL STATES,  
SOUTHEAST AND SOUTHWEST AREAS PENSION FUND  
LAST TEN YEARS**

<u>For Fiscal Year Ended September 30,</u>	<u>Employer Contributions to the Plan</u>
2006	\$ 154,015
2007	147,177
2008	176,925
2009	203,166
2010	240,584
2011	237,857
2012	276,604
2013	284,436
2014	287,598
2015	393,668

Note: Significant factors that affect trends in the amounts of employer contributions include changes in the size of the population covered by the benefit and changes in the required contributino rates.

**SUPPLEMENTARY INFORMATION**

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**STATEMENT OF REVENUES AND EXPENSES  
COMPARED TO BUDGET  
For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u> Original and Final	<u>Actual</u> Amounts	<u>Variance with</u> Final Budget Over (Under)
<b>REVENUES</b>			
Passenger Fares for Transit Service	\$ 1,050,000	\$ 1,087,533	\$ 37,533
Northstar Link Fares	112,785	98,442	(14,343)
Special Transit Fares - Other	543,877	542,128	(1,749)
Special Transit Fares - Students	32,000	29,258	(2,742)
Charges for Service - Other	-	6,488	6,488
Auxiliary Transportation Revenues	118,500	126,406	7,906
Nontransportation Revenues - Other	47,801	182,355	134,554
Nontransportation Revenues - Investment Income	18,000	19,695	1,695
Taxes Levied by Transit System - Operations	1,680,507	1,684,298	3,791
State of Minnesota Grants - Operating Assistance	8,918,296	7,174,978	(1,743,318)
Northstar Corridor Development Authority - NCDA	541,572	256,822	(284,750)
Federal JARC and New Freedom Grants	-	54,209	54,209
Federal Operating Grants	2,083,047	1,252,074	(830,973)
Total Operating Revenues	<u>15,146,385</u>	<u>12,514,686</u>	<u>(2,631,699)</u>
Taxes Levied for Fixed Asset Acquisitions	782,760	782,760	-
Federal Capital Grant Entitlement	422,240	898,670	476,430
Capital Contribution	-	210,000	210,000
Total Nonoperating Revenues	<u>1,205,000</u>	<u>1,891,430</u>	<u>686,430</u>
Total Revenues	<u>\$ 16,351,385</u>	<u>\$ 14,406,116</u>	<u>\$ (1,945,269)</u>
<b>EXPENSES</b>			
Operators' Salaries and Wages	\$ 4,049,955	\$ 3,634,632	\$ (415,323)
Other Salaries and Wages	2,106,335	2,149,742	43,407
Payroll Taxes	470,957	433,605	(37,352)
Hospital, Medical and Surgical Plans	1,429,129	1,358,709	(70,420)
Uniform and Work Clothing Allowances	17,500	11,773	(5,727)
Other Fringe Benefits - Retirement	681,641	798,308	116,667
Unemployment Insurance	29,542	17,759	(11,783)
Workers' Compensation	197,544	248,282	50,738
Advertising Fees	14,800	10,499	(4,301)
Professional and Technical Services	248,156	696,332	448,176
Sublet Mechanic Labor and Preventative Maintenance	50,500	63,471	12,971
Other Services	23,900	14,802	(9,098)
Fuel and Lubricants	1,014,000	696,897	(317,103)
Tires and Tubes	107,500	87,862	(19,638)
Other Material and Supplies	387,331	463,766	76,435
Utilities	188,600	232,125	43,525
Insurance	169,300	221,909	52,609
Dues and Subscriptions	24,665	31,289	6,624
Travel and Meetings	34,199	27,824	(6,375)
Advertising - Promotion/Media	94,000	77,906	(16,094)
Miscellaneous Expenses	57,400	40,954	(16,446)
Interest	829,131	107,264	(721,867)
Transit Way Structures and Equipment	1,500	6,081	4,581
Total Expenses before Depreciation and Loss on Disposal of Capital Assets	<u>\$ 12,227,585</u>	<u>\$ 11,431,791</u>	<u>\$ (795,794)</u>

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**STATEMENT OF EXPENSES AND FUNCTIONS**

**For the Year Ended September 30, 2015**

<b>EXPENSE OBJECT CLASSES</b>	<u>Total Expenses</u>	<u>Fixed Route Operations</u>	<u>Dial-A-Ride Operations</u>
<b>Labor</b>			
Operators' Salaries and Wages	\$ 3,634,632	\$ 2,440,273	\$ 1,194,359
Other Salaries and Wages	2,149,742	516,469	262,824
<b>Fringe Benefits</b>			
Payroll Taxes	433,605	222,910	108,676
Hospital, Medical and Surgical Plans	1,358,709	733,945	389,881
Uniforms and Work Clothing Allowances	11,773	6,771	1,919
<b>Other Fringe Benefits</b>			
Retirement	798,308	426,579	221,991
Reemployment Insurance	17,759	16,778	313
Workers' Compensation	248,282	179,650	53,888
<b>Services</b>			
Advertising Fees	10,499	-	-
Professional and Technical Services	696,332	39,946	44,485
Sublet Mechanic Labor and Preventative Maintenance	63,471	-	-
Other Services	14,802	-	-
<b>Materials and Supplies Consumed</b>			
Fuel and Lubricants	696,897	-	-
Tires and Tubes	87,862	172	283
Other Materials and Supplies	463,766	86	24
Utilities	232,125	2,910	-
Insurance	221,909	33,697	5,374
<b>Miscellaneous Expenses</b>			
Dues and Subscriptions	31,289	-	-
Travel and Meetings	27,824	3,829	1,430
Advertising - Promotion/Media	77,906	-	-
Other Miscellaneous Expenses	40,954	5,944	1,944
Interest	107,264	-	-
<b>Leases and Rentals</b>			
Transit Way Structures and Equipment	6,081	-	-
Total Expenses before Depreciation and Loss on Disposal of Capital Assets	11,431,791	4,629,959	2,287,391
Depreciation Expense	1,962,088	1,245,840	251,718
Loss on Disposal of Capital Assets	14,245	4,406	4,356
Total Operating Expenses	<u>\$ 13,408,124</u>	<u>\$ 5,880,205</u>	<u>\$ 2,543,465</u>

<u>Vehicle Maintenance</u>	<u>Facility Maintenance</u>	<u>General Administration</u>
\$ -	\$ -	\$ -
577,779	74,328	718,342
42,991	5,678	53,350
109,158	13,160	112,565
2,940	143	-
65,104	8,181	76,453
668	-	-
13,569	-	1,175
-	-	10,499
8,042	345,636	258,223
44,144	19,327	-
3,138	11,354	310
696,897	-	-
87,407	-	-
368,931	88,184	6,541
720	212,193	16,302
-	-	182,838
664	-	30,625
2,072	-	20,493
-	-	77,906
235	4,497	28,334
-	-	107,264
835	5,246	-
2,025,294	787,927	1,701,220
19,141	426,094	19,295
4,719	-	764
<u>\$ 2,049,154</u>	<u>\$ 1,214,021</u>	<u>\$ 1,721,279</u>

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**STATEMENT OF CHANGES IN EQUITY  
September 30, 2015**

	<u>Net Investment in Capital Assets</u>	<u>Unassigned</u>	<u>Nonspendable</u>	<u>Restricted for Debt Service</u>	<u>Assigned for Fixed Asset Acquisitions</u>	<u>Assigned for Self Insurance Vehicle Collision and Liability</u>
<b>Balance - September 30, 2014</b>	\$ 20,757,889	\$ 3,116,691	\$ 250,503	\$ 1,098,055	\$ 532,772	\$ 355,048
Revenues Over (Under) Expenses for the Year Ended September 30, 2015	(612,373)	1,274,573	(9,661)	(147,456)	356,371	(99,251)
Change in Accounting Principle	-	(2,598,479)	-	-	-	-
<b>Balance - September 30, 2015</b>	<u>\$ 20,145,516</u>	<u>\$ 1,792,785</u>	<u>\$ 240,842</u>	<u>\$ 950,599</u>	<u>\$ 889,143</u>	<u>\$ 255,797</u>

<u>Assigned for Self Insurance Health Insurance</u>	<u>Assigned for Fixed Route Expansion</u>	<u>Assigned for Long Range Plan</u>	<u>Assigned for Pay Equity Study</u>	<u>Assigned for Early Bond Payoff</u>	<u>Assigned for Employee Wellness/ Retention</u>	<u>Assigned for FTA Funds for Future Bus Purchase</u>	<u>Total</u>
\$ 109,856	\$ 738,713	\$ 141,500	\$ 8,000	\$ -	\$ -	\$ 14,656	\$ 27,123,683
33	50,000	(91,500)	(8,000)	215,000	14,904	55,352	997,992
-	-	-	-	-	-	-	(2,598,479)
<u>\$ 109,889</u>	<u>\$ 788,713</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 215,000</u>	<u>\$ 14,904</u>	<u>\$ 70,008</u>	<u>\$ 25,523,196</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**  
**SCHEDULE OF TAX LEVIES, TAX CAPACITY AND RATES**  
**For Taxes Payable in 2015**

	Levy					Initial Net Tax Capacity Rates
	Total	St. Cloud	Waite Park	Sauk Rapids	Sartell	
Stearns County	\$ 1,957,919	\$ 1,260,498	\$ 286,479	\$ 410,942	\$ -	3.457
Benton County	430,787	143,429	-	245,358	42,000	3.457
Sherburne County	74,561	74,561	-	-	-	3.457
<b>Total Net Levy</b>	<u>2,463,267</u>	<u>\$ 1,478,488</u>	<u>\$ 286,479</u>	<u>\$ 656,300</u>	<u>\$ 42,000</u>	
<b>Total Gross Levy</b>	<u>\$ 2,463,267</u>					
<u>Tax Capacity</u>					<u>Valuations</u>	
Stearns County - City of St. Cloud					\$ 36,457,845	
Stearns County - City of Waite Park					8,285,951	
Stearns County - City of Sartell					11,885,821	
Benton County - City of St. Cloud					4,148,469	
Benton County - City of Sauk Rapids					7,096,571	
Benton County - City of Sartell					1,214,781	
Sherburne County - City of St. Cloud					2,156,550	
<b>Total</b>					<u>\$ 71,245,988</u>	

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended September 30, 2015**

Federal Assistance Grant Number/ Funding Source	Grant Name	Project Time Period
---	------------	---------------------

**Through U.S. Department of Transportation**

CFDA No. 20.507:

MN-90-0321	Section 5307 - Capital Assistance	06/01/13-06/30/15
MN-90-0335	Section 5307 - Capital Assistance - PM	10/01/14-12/31/15
MN-90-0335	Section 5307 - Capital	10/01/14-12/31/15
MN-90-0335	Section 5307 - Operating	10/01/14-12/31/15

**Through Minnesota Department of Transportation**

CFDA No. 20.521:

MnDOT 05496	Section 5317 - Operating Assistance	04/01/14-12/31/14
-------------	-------------------------------------	-------------------

Total Federal Grants

State Assistance  
Contract Number

**Through Minnesota Department of Transportation**

07172	Public Transit Operating Assistance Contract	01/01/15-12/31/15
05024	Public Transit Operating Assistance Contract	01/01/14-12/31/14
05025	Public Transit Operating Assistance Contract	01/01/14-12/31/14
07171	Public Transit Operating Assistance Contract	01/01/15-12/31/15
07212	Public Transit Operating Assistance Contract	01/01/15-12/31/15

Total State Grants

Audit Report This Period	Expenditures		Total
	Prior Reports	This Report	
10/01/14-09/30/15	\$ 585,902	\$ 54,998	\$ 640,900
10/01/14-09/30/15	-	740,074	740,074
10/01/14-09/30/15	-	103,598	103,598
10/01/14-09/30/15	-	1,252,074	1,252,074
10/01/14-09/30/15	97,791	54,209	152,000
	<u>\$ 683,693</u>	<u>\$ 2,204,953</u>	<u>\$ 2,888,646</u>
10/01/14-09/30/15	\$ -	\$ 3,562,950	\$ 3,562,950
10/01/14-09/30/15	1,850,592	359,408	2,210,000
10/01/14-09/30/15	3,090,828	925,372	4,016,200
10/01/14-09/30/15	-	2,098,600	2,098,600
10/01/14-09/30/15	-	225,000	225,000
	<u>\$ 4,941,420</u>	<u>\$ 7,171,330</u>	<u>\$ 12,112,750</u>

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**NOTE TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AND STATE AWARDS  
September 30, 2015**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal grant activity of the Commission and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
St. Cloud Metropolitan Transit Commission  
St. Cloud, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of St. Cloud Metropolitan Transit Commission, St. Cloud, Minnesota, as of and for the year ending September 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 23, 2016.

**Internal Control over Financial Reporting**

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

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

BergankDV, Ltd.

**Cedar Falls**  
602 Main Street  
Suite 100  
P.O. Box 489  
Cedar Falls, IA  
50613-0026  
T 319.268.1715  
F 319.268.1720

**Cedar Rapids**  
2720 1st Avenue NE  
Suite 300  
P.O. Box 10200  
Cedar Rapids, IA  
52402-0200  
T 319.294.8000  
F 319.294.9003

**Coralville**  
2530 Corridor Way  
Suite 301  
P.O. Box 5267  
Coralville, IA  
52241-0267  
T 319.248.0367  
F 319.248.0582

**Des Moines**  
9207 Northpark Drive  
Johnston, IA  
50131-2933  
T 515.727.5700  
F 515.727.5800

**Minneapolis**  
3800 American Blvd W  
Suite 1000  
Bloomington, MN  
55431-4420  
T 952.563.6800  
F 952.563.6801

**St. Cloud**  
220 Park Avenue S  
P.O. Box 1304  
St. Cloud, MN  
56302-3713  
T 320.251.7010  
F 320.251.1784

**Waterloo**  
100 East Park Avenue  
Suite 300  
P.O. Box 2100  
Waterloo, IA  
50704-2100  
T 319.234.6885  
F 319.234.6287

bergankdv.com



Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133* as Audit Findings 2002-001 and 2007-001 that we consider to be significant deficiencies in internal control.

### **Compliance and Other Matters**

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

### **Commission's Response to the Findings**

The Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Bergan KDV, Ltd." in a cursive, slightly slanted script.

BerganKDV, Ltd.  
St. Cloud, Minnesota  
March 23, 2016



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
St. Cloud Metropolitan Transit Commission  
St. Cloud, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of St. Cloud Metropolitan Transit Commission, St. Cloud, Minnesota with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended September 30, 2015. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination of the compliance of St. Cloud Metropolitan Transit Commission.

BergankDV, Ltd.

**Cedar Falls**  
602 Main Street  
Suite 100  
P.O. Box 489  
Cedar Falls, IA  
50613-0026  
T 319.268.1715  
F 319.268.1720

**Cedar Rapids**  
2720 1st Avenue NE  
Suite 300  
P.O. Box 10200  
Cedar Rapids, IA  
52402-0200  
T 319.294.8000  
F 319.294.9003

**Coralville**  
2530 Corridor Way  
Suite 301  
P.O. Box 5267  
Coralville, IA  
52241-0267  
T 319.248.0367  
F 319.248.0582

**Des Moines**  
9207 Northpark Drive  
Johnston, IA  
50131-2933  
T 515.727.5700  
F 515.727.5800

**Minneapolis**  
3800 American Blvd W  
Suite 1000  
Bloomington, MN  
55431-4420  
T 952.563.6800  
F 952.563.6801

**St. Cloud**  
220 Park Avenue S  
P.O. Box 1304  
St. Cloud, MN  
56302-3713  
T 320.251.7010  
F 320.251.1784

**Waterloo**  
100 East Park Avenue  
Suite 300  
P.O. Box 2100  
Waterloo, IA  
50704-2100  
T 319.234.6885  
F 319.234.6287

bergankdv.com



## **Opinion on Each Major Federal Program**

In our opinion, St. Cloud Metropolitan Transit Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

## **Report on Internal Control Over Compliance**

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB *Circular A-133*. Accordingly, this report is not suitable for any other purpose.

*Bergan KDV, Ltd.*

BerganKDV, Ltd.  
St. Cloud, Minnesota  
March 23, 2016

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB *CIRCULAR A-133*  
September 30, 2015**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes, Audit Findings 2002-001 and 2007-001
Noncompliance material to financial statements noted?	No

**Federal Awards**

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	No

**Identification of Major Programs**

CFDA No.:	20.507
Name of Federal Program or Cluster:	Federal Transit – Formula Grants
Auditee qualified as low risk auditee?	Yes

## ST. CLOUD METROPOLITAN TRANSIT COMMISSION

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB *CIRCULAR A-133* September 30, 2015

#### SECTION II – FINANCIAL STATEMENT FINDINGS

##### Audit Finding 2002-001

*Criteria or Specific Requirement:*

Internal control that supports the Commission's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

*Condition:*

The Commission has a lack of segregation of accounting duties due to a limited number of office employees.

Management and Board of Commissioners are aware of this condition and have taken certain steps to compensate for the lack of segregation but due to the number of staff needed to properly segregate all of the accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the Board of Commissioners must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Director of Finance has access to all areas of the accounting system.
- The Accounting Coordinator enters invoices into the accounting system, prepares the checks, and has access to the Treasurer's signature stamp.
- The Director of Finance creates journal entries, enters them into the accounting system and reconciles the bank statement. The Commission does include in their procedures that the Executive Director will review the journal entries and bank reconciliations.

*Context:*

This finding impacts the internal control for all significant accounting functions.

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**  
**September 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2002-001 (Continued)**

*Effect:*

The lack of adequate segregation of accounting duties could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

*Cause:*

There are a limited number of office employees.

*Recommendation:*

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

*Views of Responsible Officials and Planned Corrective Actions:*

Management has determined the cost of obtaining complete segregation of accounting duties exceeds the benefits which could be derived. Management, however, continues to explore methods to improve compliance to this area, has implemented a number of changes in the past several years and will continue to implement additional measures in the future where practical and feasible.

**Audit Finding 2007-001**

*Criteria or Specific Requirement:*

Internal control should be established to provide for the preparation of the financial statements being audited.

*Condition:*

As a function of the audit process, auditors are required to gain an understanding of the Commission's internal control, including the financial reporting process.

The Commission does not have an internal control system designed to provide for the preparation of the financial statements and related note disclosures in accordance with accounting principles generally accepted in the United States of America. As auditors, we were requested to draft the financial statements and accompanying Notes to the Financial Statements.

Even though all management decisions related to financial reporting are made by the Commission's management and approval of the financial statements and accompanying note disclosures lies with management, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**ST. CLOUD METROPOLITAN TRANSIT COMMISSION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB *CIRCULAR A-133*  
September 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2007-001 (Continued)**

*Context:*

This finding impacts the Commission's ability to internally prepare the financial statements.

*Effect:*

This could result in a misstatement to the financial statements and incomplete financial disclosures in the financial statements that would not be prevented, or detected and corrected in a timely manner as a result of the Commission's current internal controls.

*Cause:*

There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements by the Commission.

*Recommendation:*

Continue to request assistance from a third party to draft the financial statements and accompanying Notes to the Financial Statements and thoroughly review these financial statements after they have been prepared so the Commission can take responsibility for them.

*Views of Responsible Officials and Planned Corrective Actions:*

Because of cost and staffing considerations with internally preparing a complete financial statement for the auditors and noting the Director of Finance is capable of discovering potential financial report misstatements or errors, the degree of risk associated with this condition is minor and acceptable to both management and the Commission. Management has assumed certain financial statement preparatory activities within the past several years and will continue to evaluate and assume more activities in the future where practical and responsible.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings or questioned costs.

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

None



## REPORT ON LEGAL COMPLIANCE

### INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
St. Cloud Metropolitan Transit Commission  
St. Cloud, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of St. Cloud Metropolitan Transit Commission, St. Cloud, Minnesota, as of and for the year ended September 30, 2015, and the related Notes to the Financial Statements, and have issued our report thereon dated March 23, 2016.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to *Minnesota Statutes* Sec. 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions. Our audit considered all of the listed categories.

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

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

BerganKDV, Ltd.  
St. Cloud, Minnesota  
March 23, 2016

BerganKDV, Ltd.

**Cedar Falls**  
602 Main Street  
Suite 100  
P.O. Box 489  
Cedar Falls, IA  
50613-0026  
T 319.268.1715  
F 319.268.1720

**Cedar Rapids**  
2720 1st Avenue NE  
Suite 300  
P.O. Box 10200  
Cedar Rapids, IA  
52402-0200  
T 319.294.8000  
F 319.294.9003

**Coralville**  
2530 Corridor Way  
Suite 301  
P.O. Box 5267  
Coralville, IA  
52241-0267  
T 319.248.0367  
F 319.248.0582

**Des Moines**  
9207 Northpark Drive  
Johnston, IA  
50131-2933  
T 515.727.5700  
F 515.727.5800

**Minneapolis**  
3800 American Blvd W  
Suite 1000  
Bloomington, MN  
55431-4420  
T 952.563.6800  
F 952.563.6801

**St. Cloud**  
220 Park Avenue S  
P.O. Box 1304  
St. Cloud, MN  
56302-3713  
T 320.251.7010  
F 320.251.1784

**Waterloo**  
100 East Park Avenue  
Suite 300  
P.O. Box 2100  
Waterloo, IA  
50704-2100  
T 319.234.6885  
F 319.234.6287

bergankdv.com