

**St. Cloud Metropolitan
Transit Commission
St. Cloud, Minnesota**

Financial Statements

September 30, 2020



**St. Cloud Metropolitan Transit Commission
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**St. Cloud Metropolitan Transit Commission
Board of Commissioners, Administration, and Other Data
September 30, 2020**

| <u>Elected Officials</u> | <u>Position</u> | <u>Community Represented</u> | <u>Term Expires</u> |
|--------------------------|------------------|------------------------------|---------------------|
| David Kleis | Chairperson | St. Cloud | June 30, 2023 |
| Rick Miller | Vice Chairperson | Waite Park | June 30, 2022 |
| John Libert | Secretary | St. Cloud | June 30, 2021 |
| Kurt Hunstiger | Treasurer | Sauk Rapids | June 30, 2023 |
| Ryan Fitzthum | Member | Sartell | June 30, 2022 |

Administration

| | |
|----------------|--|
| Ryan I. Daniel | Chief Executive Officer |
| Paula Mastey | Chief Finance and Administrative Officer |

Other Data

| | |
|----------------------------|-----------|
| Revenue Bus Miles | 1,666,992 |
| Number of Passengers | 1,081,423 |
| Revenue Bus Hours Operated | 123,959 |

Independent Auditor's Report

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

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, 2020, and the related notes to financial statements, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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 in the first paragraph 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, 2020, 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.

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, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 Matters (Continued)

Subsequently Discovered Information

The previously issued financial statements, issued April 5, 2021, have been restated due to the matter discussed in Note 14 on the financial statements. The previously issued independent auditor's report, dated April 5, 2021, is not to be relied on because the previously issued financial statements were materially misstated. The previously issued independent auditor's report is replaced by the independent auditor's report on the restated financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota

April 5, 2021, except for matters discussed in Note 14, as to which the date is April 12, 2022.

St. Cloud Metropolitan Transit Commission Management's Discussion and Analysis

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, 2020. 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 of the Commission exceeded its liabilities at the close of fiscal year 2020 by \$40,740,440 (net position). Of this amount, \$11,871,897 (unrestricted net position) may be used to meet the Commission's ongoing obligations to customers and creditors.

The Commission's net position increased by \$2,263,427 in fiscal year 2020 and the unrestricted net position increased by \$1,837,781. Net investment in capital assets decreased by \$432,650.

At the end of the 2020 fiscal year, the Commission's total current assets are \$21,421,837, an increase of \$3,530,516 from 2019. The increase is due to state and federal receivables. We did not receive third quarter operating contract payments from MnDOT as well as operating reimbursements relating to CARES Act funding. Metro Bus issued a revenue bond in 2014, which requires restricted investments; at the end of 2020 this restricted amount is \$988,763. 2020 current and noncurrent liabilities increased by \$1,519,519 from fiscal year 2019; primarily due to an increase in unearned revenue from state contracts and an increase in net pension liability.

COVID-19 has had a significant impact on all areas of our operations in 2020. As of January 31, ridership and revenues for fiscal year 2020 were above 2019 levels. Metro Bus began seeing an impact in ridership in late February. In March it was determined that for the safety of our employees and riders, Metro Bus would begin operating at a significantly reduced service level for all three modes of service. In addition, all staff that were able to work from home were instructed to do so. We received notification that \$7,588,569 in CARES Act funding had been appropriated to the organization to help offset the impact of COVID. In July it was determined that fixed route service could return to its normal operating schedule. Paratransit increased their hours of service to match that of fixed route, however demand is still significantly lower than pre-COVID. Commuter service continues to run to Big Lake on a reduced schedule, from ten trips daily to four trips on weekdays and no weekend service. Administrative staff continues to work remotely whenever possible.

CARES Act funding has been used to reimburse operating expenditures specifically related to COVID, such as additional janitorial services, cleaning supplies, face masks, bus shields, and technology equipment for remote work. During reduced service, it was determined that Metro Bus would do everything possible to ensure our employees were financially unharmed during the pandemic. CARES Act funding was used to offset this cost. As another precautionary measure, fares have not been collected during this time. Revenue contracts have been revised to reflect these changes as well as future assumptions. All pandemic-related measures are continuously monitored based on local conditions, the Minnesota Governor's Stay Safe Plan and recommendations from other entities. At the end of fiscal year 2020, approximately \$3.7 million in CARES Act funds has been used on COVID related items.

St. Cloud Metropolitan Transit Commission Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS (CONTINUED)

During the pandemic, ridership on all modes has seen significant decreases. Metro Bus continues to strongly recommend essential rides only. It is anticipated that it will take several years to see ridership trend back to pre-COVID levels.

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. The NCDA disbanded effective December 31, 2016. Four county Regional Rail Authorities (RRA) have continued to move forward with the Northstar Link agreement. The county RRA's are Stearns, Sherburne, Anoka, and Hennepin. These counties have agreed that the Northstar Link will continue to run for an additional five years, at which time they will re-evaluate its success for a second time. Northstar Link ridership leveled off in 2015, after a steady increase each year since its origination in 2009. It saw a slight increase in ridership until the pandemic hit the area.

Fiscal year 2020 saw a decrease of \$4.2 million in overall revenues. Passenger fares, including school district, Northstar Link, and U-Pass programs with SCSU and SCTCC saw a reduction of nearly \$700,000. State and federal funding decreased by \$3.4 million for the fiscal year. This is mainly due to timing of capital projects as well as a one-time increase to state operating contracts in 2019.

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 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).

St. Cloud Metropolitan Transit Commission Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

With the implementation of GASB 68 in 2015, the Statement of Net Position and the Statement of Activities now recognize a portion of the overall liability a pension fund has. Metro Bus employees contribute to two pension funds, PERA and Central States. However only a portion of the liability of PERA is recognized on the government-wide statements. Therefore, a portion of this entity's liabilities will be held on our government-wide financial statements. Additional information on this 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 14 and 15 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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.

Notes to 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 financial statements can be found on pages 21 thru 43 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 \$40,740,440 at the close of fiscal year 2020.

Of the Commission's net position, 29% (\$11,871,897) are unrestricted. This is the amount available to meet the Commission's ongoing obligations to its riders and creditors.

The other 71% (\$28,868,543) 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); \$959,096 and \$27,909,447 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.

**St. Cloud Metropolitan Transit Commission
Management's Discussion and Analysis**

**Net Position
Governmental Activities at September 30, 2020**

| | 2020 | 2019 |
|--|---------------|---------------|
| Current and other assets | \$ 21,421,837 | \$ 17,891,321 |
| Capital assets, net of depreciation | 31,116,881 | 31,443,590 |
| Total assets | 52,538,718 | 49,334,911 |
| Deferred outflows of pension related resources | 526,680 | 405,880 |
| Long-term liabilities outstanding | 2,842,724 | 3,640,015 |
| Other liabilities | 5,083,242 | 3,306,003 |
| Net pension liabilities | 4,232,793 | 3,693,222 |
| Total liabilities | 12,158,759 | 10,639,240 |
| Deferred inflows of pension related resources | 166,199 | 624,538 |
| Net Position | | |
| Net investment in capital assets | \$ 27,909,447 | \$ 27,476,797 |
| Restricted for debt service | 959,096 | 966,100 |
| Unrestricted | 11,871,897 | 10,034,116 |
| Total net position | \$ 40,740,440 | \$ 38,477,013 |

Statement of Activities for Fiscal Year 2020

| | 2020 | 2019 |
|--|---------------|---------------|
| Program Revenues | | |
| Charges for services | \$ 852,556 | \$ 1,547,076 |
| Operating grants and contributions | 9,411,996 | 13,810,630 |
| Capital grants and contributions | 1,876,959 | 4,257,293 |
| Total program revenues | 12,141,511 | 19,614,999 |
| General Revenues | | |
| Property taxes | 3,138,826 | 3,140,470 |
| Auxiliary | 149,578 | 141,197 |
| Revenues not restricted to specific programs | 3,942,508 | 80,510 |
| Unrestricted investment earnings | 64,810 | 90,845 |
| Total general revenues | 7,295,722 | 3,453,022 |
| Total Revenues | \$ 19,437,233 | \$ 23,068,021 |

**St. Cloud Metropolitan Transit Commission
Management's Discussion and Analysis**

Statement of Activities for Fiscal Year 2020

| | Expenses | | Net (Expense) Revenue | |
|-----------------------------|----------------------|----------------------|-----------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Expenses | | | | |
| Operations | \$ 10,878,841 | \$ 11,056,261 | \$ (2,140,550) | \$ 2,402,455 |
| Vehicle maintenance | 2,205,516 | 2,319,841 | (1,013,787) | 515,571 |
| Facility maintenance | 1,175,883 | 1,427,079 | (540,506) | (273,395) |
| General administration | 2,850,267 | 2,636,229 | (1,274,153) | (469,042) |
| Interest and fiscal IT debt | 63,299 | 78,891 | (63,299) | (78,891) |
| | <u>\$ 17,173,806</u> | <u>\$ 17,518,301</u> | <u>\$ (5,032,295)</u> | <u>\$ 2,096,698</u> |
| Change in Net Position | | 2020 - \$2,263,427 | | 2019 - \$5,549,720 |

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, 2020, amounted to \$31,116,881 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, transit vehicles, and equipment.

**Capital Assets
(Net of Depreciation)**

| | 2020 | 2019 |
|--|----------------------|---------------------|
| Land | \$ 956,720 | \$ 956,720 |
| Construction in progress (not depreciated) | 2,370,331 | 1,102,616 |
| Buildings and bus shelters | 13,889,352 | 13,852,605 |
| Buses and bus equipment | 13,427,164 | 15,165,507 |
| Office furniture, computers, and equipment | 349,053 | 212,722 |
| Vehicles | 118,298 | 147,457 |
| Transit priority systems | <u>5,963</u> | <u>5,963</u> |
| Total | <u>\$ 31,116,881</u> | <u>\$31,443,590</u> |

St. Cloud Metropolitan Transit Commission Management's Discussion and Analysis

LONG-TERM DEBT

At year-end 2020, the Commission had \$3,090,000 of long-term bonds outstanding, \$740,000 of which is due in 2021. See Note 7 for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's 2021 operating budget for Federal Transit Administration funding is based on stable allocations. Passenger fare revenues are projected to decrease, following prior year ridership trends. Special transit fare revenues are substantially lower in 2021 based on conversations with St. Cloud State University eliminating shuttle service as well as changing the contracts for both St. Cloud State and St. Cloud Technical College to charge on a per ride basis instead of a flat rate. Auxiliary and non-transportation revenues, such as concessions, bus advertising, Jefferson Lines commissions, and interest remain constant in 2021, with no anticipated significant changes.

Overall, the operating budget increased in 2021 by \$850,000. All employees received a cost of living increase of 2.0%. Health insurance costs increased from \$250 per employee per week to \$255 in 2021. Personnel expenditures increased overall by \$540,000. Professional services increased mainly because we have outsourced our janitorial needs. Materials and supplies increased by approximately \$150,000 mainly due to our aging Fixed Route fleet and maintenance needs in our facilities.

To allow for a more consistent tax levy and to better plan for future initiatives, the Commission has approved fund balance designations. As of September 30, 2020, these designations and their balances are self-insurance for \$236,446, future route expansion for \$1,013,713, employee retention for \$31,795, early bond payoff of \$630,000, CNG capital repairs of \$160,000, health insurance of \$111,562, Employee-funded well-being fund for \$51, and fixed asset acquisitions for \$2,430,295.

An updated long-range plan was completed in 2017. The plan proposed route expansion and adjustments in three phases. Phase I, implemented in August 2016, added an additional 10,000 service hours. Phase II and Phase III recommended adding a total of 25,000 additional services hours. Because our ridership has decreased since the additional 10,000 hours of service were added, Metro Bus re-evaluated the future phases, and determined a new type of service may provide better coverage with less of a financial impact. On January 2, 2019, we began a pilot program in the City of Sartell called ConneX. The pilot is designed as an on-demand, curb to curb service. Initially planned for six months, staff felt that we did not collect enough data to confidently determine if this type of service would better serve our customers so the pilot was extended to December 31, 2020. Due to COVID, it was determined that to get a true reflection of the service, it should once again be extended. The Commission extended ConneX Pilot through December 31, 2021. Towards the end of next year, it will be determined whether Sartell will continue to run as on-demand or return to the fixed route service model. It will also be determined if this type of on-demand service will better assist riders in other parts of our service area. Phases II and III of the 2017 Long Range Plan will be re-evaluated to determine which changes will work best to re-gain ridership.

**St. Cloud Metropolitan Transit Commission
Management's Discussion and Analysis**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

Facility improvements, a generator, website update, office, technology, and maintenance equipment, three (3) staff vehicles, and two (2) 700 series fixed route buses for a total of \$2.78 million have been budgeted capital for 2021.

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 \$69,446 is made to an escrow account held at Wells Fargo, of which the semi-annual bond payments are made.

All of these factors, in addition to inflation and department specific expenditures, were considered in preparing the Commission's budget for fiscal year 2021.

REQUESTS FOR INFORMATION

This financial report provides a general overview of the Commission's finances for anyone with an interest in the entity. 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 NE, St. Cloud, Minnesota 56304.

METRO BUS

BASIC FINANCIAL STATEMENTS

St. Cloud Metropolitan Transit Commission
Statement of Net Position
September 30, 2020

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and investments | \$ 13,482,231 |
| Restricted investments | 988,763 |
| Receivables | |
| Local tax levies - current | 1,490,672 |
| Local tax levies - delinquent | 7,848 |
| State grants | 2,457,710 |
| Federal grants | 2,620,948 |
| Other | 20,933 |
| Materials and supplies inventory | 234,405 |
| Prepaid insurance | 118,327 |
| Capital assets | |
| Land | 956,720 |
| Construction in progress | 2,370,331 |
| Buildings and bus shelters | 21,520,967 |
| Buses and bus equipment | 28,124,278 |
| Office furniture, computers, and equipment | 398,168 |
| Vehicles | 260,584 |
| Transit priority systems | 27,707 |
| Less accumulated depreciation | (22,541,874) |
| Total assets | 52,538,718 |
| Deferred Outflows of Resources | |
| Deferred outflows of resources related to pensions | 526,680 |
| Total assets and deferred outflows of resources | \$ 53,065,398 |
| Liabilities | |
| Accounts and contracts payable | \$ 401,214 |
| Salaries and benefits payable | 451,027 |
| Interest payable | 29,667 |
| Unearned revenue | 2,976,887 |
| Bond principal payable (net of unamortized premium) | |
| Payable within one year | 740,000 |
| Payable after one year | 2,467,434 |
| Compensated absences payable | |
| Payable within one year | 484,447 |
| Payable after one year | 375,290 |
| Net pension liability | 4,232,793 |
| Total liabilities | 12,158,759 |
| Deferred Inflows of Resources | |
| Deferred inflows of resources related to pensions | 166,199 |
| Net Position | |
| Net investment in capital assets | 27,909,447 |
| Restricted for debt service | 959,096 |
| Unrestricted | 11,871,897 |
| Total net position | 40,740,440 |
| Total liabilities, deferred inflows of resources, and net position | \$ 53,065,398 |

St. Cloud Metropolitan Transit Commission
Statement of Activities
Year Ended September 30, 2020

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) | |
|---|---------------|----------------------|------------------------------------|----------------------------------|--------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenues and Changes in Net Position |
| | | | | | |
| Governmental activities | | | | Governmental Activities | |
| Transit operations | \$ 10,878,841 | \$ 816,556 | \$ 6,044,776 | \$ 1,876,959 | \$ (2,140,550) |
| Vehicle maintenance | 2,205,516 | - | 1,191,729 | - | (1,013,787) |
| Facility maintenance | 1,175,883 | - | 635,377 | - | (540,506) |
| General administration | 2,850,267 | 36,000 | 1,540,114 | - | (1,274,153) |
| Interest and fiscal charges on long-term debt | 63,299 | - | - | - | (63,299) |
| | \$ 17,173,806 | \$ 852,556 | \$ 9,411,996 | \$ 1,876,959 | (5,032,295) |
| General revenues | | | | | |
| | | | | | 3,138,826 |
| | | | | | 149,578 |
| | | | | | 3,942,508 |
| | | | | | 64,810 |
| | | | | | 7,295,722 |
| | | | | | 2,263,427 |
| | | | | | 38,477,013 |
| | | | | | \$ 40,740,440 |

St. Cloud Metropolitan Transit Commission
Balance Sheet - Governmental Funds
September 30, 2020

| | <u>General Fund</u> |
|---|----------------------|
| Assets | |
| Cash and investments | \$ 13,482,231 |
| Restricted investments | 988,763 |
| Receivables | |
| Local tax levies - current | 1,490,672 |
| Local tax levies - delinquent | 7,848 |
| State grants | 2,457,710 |
| Federal grants | 2,620,948 |
| Other | 20,933 |
| Materials and supplies inventory | 234,405 |
| Prepaid insurance | 118,327 |
| | <u>118,327</u> |
| Total assets | <u>\$ 21,421,837</u> |
| Liabilities | |
| Accounts and contracts payable | \$ 401,214 |
| Salaries and benefits payable | 451,027 |
| Unearned revenue | 2,976,887 |
| Total liabilities | <u>3,829,128</u> |
| Deferred Inflows of Resources | |
| Unavailable revenue - delinquent property taxes | 7,848 |
| Fund Balances | |
| Nonspendable | 352,732 |
| Restricted for debt service | 988,763 |
| Assigned for | |
| Fixed asset acquisitions | 2,430,295 |
| Self insurance - vehicle collision and liability | 236,446 |
| Self insurance - health insurance | 111,562 |
| Fixed route expansion | 1,013,713 |
| CNG future capital repairs | 160,000 |
| Early bond payoff | 630,000 |
| Employee wellness/retention | 31,846 |
| Unassigned | 11,629,504 |
| Total fund balances | <u>17,584,861</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 21,421,837</u> |

**St. Cloud Metropolitan Transit Commission
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
September 30, 2020**

| | |
|---|---------------|
| Total fund balances - governmental funds | \$ 17,584,861 |
| 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 | 53,658,755 |
| Less accumulated depreciation | (22,541,874) |
| 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 | (3,090,000) |
| Premium on bonds payable | (117,434) |
| Compensated absences payable | (859,737) |
| Net pension liability | (4,232,793) |
| 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. | |
| | 7,848 |
| 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 | (166,199) |
| Deferred outflows of resources related to pensions | 526,680 |
| Governmental funds do not report a liability for accrued interest on bonds until due and payable. | (29,667) |
| Total net position - governmental activities | \$ 40,740,440 |

**St. Cloud Metropolitan Transit Commission
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended September 30, 2020**

| | <u>General Fund</u> |
|-----------------------------------|---------------------|
| Revenues | |
| Local property taxes | \$ 3,143,620 |
| Revenue from state sources | 9,226,520 |
| Revenue from federal sources | 3,722,824 |
| Federal capital grant entitlement | 2,043,461 |
| Charges for services | 816,556 |
| Auxiliary | 149,578 |
| Other local revenue | 43,611 |
| Other nontransportation revenues | 284,494 |
| Total revenues | 19,430,664 |
| Expenditures | |
| Current | |
| Transit operations | 8,827,490 |
| Vehicle maintenance | 2,132,150 |
| Facility maintenance | 591,419 |
| General administration | 2,743,601 |
| Capital outlay | |
| Transit operations | 1,267,715 |
| Vehicle maintenance | 65,932 |
| Facility maintenance | 598,845 |
| General administration | 525,997 |
| Debt service | |
| Principal | 730,000 |
| Interest and fiscal charges | 97,524 |
| Total expenditures | 17,580,673 |
| Net change in fund balance | 1,849,991 |
| Fund Balance | |
| Beginning of year | 15,734,870 |
| End of year | \$ 17,584,861 |

**St. Cloud Metropolitan Transit Commission
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended September 30, 2020**

| | |
|--|---------------------|
| Net change in fund balances - governmental funds | \$ 1,849,991 |
| 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 | 2,458,489 |
| Depreciation expense | (2,785,198) |
| Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. | |
| | (58,854) |
| 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. | |
| | 730,000 |
| 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. | |
| | 4,866 |
| 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. | |
| | 39,568 |
| 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. | |
| | <u>(4,794)</u> |
| Change in net position - governmental activities | <u>\$ 2,263,427</u> |

St. Cloud Metropolitan Transit Commission
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended September 30, 2020

| | Budgeted Amounts | | Variance with Final Budget - Over (Under) |
|-----------------------------------|-----------------------|-------------------|---|
| | Original and Final | Actual Amounts | |
| Revenues | | | |
| Local property taxes | \$ 3,136,403 | \$ 3,143,620 | \$ 7,217 |
| Revenue from state sources | 12,880,687 | 9,226,520 | (3,654,167) |
| Revenue from federal sources | 1,140,000 | 3,722,824 | 2,582,824 |
| Federal capital grant entitlement | 857,200 | 2,043,461 | 1,186,261 |
| Charges for services | 1,405,000 | 816,556 | (588,444) |
| Auxiliary | 121,000 | 149,578 | 28,578 |
| Other local revenue | 20,000 | 43,611 | 23,611 |
| Other nontransportation revenues | 42,000 | 284,494 | 242,494 |
| Total revenues | 19,602,290 | 19,430,664 | (171,626) |
| Expenditures | | | |
| Current | | | |
| Transit operations | 8,673,203 | 8,827,490 | 154,287 |
| Vehicle maintenance | 2,373,451 | 2,132,150 | (241,301) |
| Facility maintenance | 632,291 | 591,419 | (40,872) |
| General administration | 2,647,870 | 2,743,601 | 95,731 |
| Capital outlay | | | |
| Transit operations | 4,320,373 | 1,267,715 | (3,052,658) |
| Vehicle maintenance | - | 65,932 | 65,932 |
| Facility maintenance | 86,500 | 598,845 | 512,345 |
| General administration | 35,000 | 525,997 | 490,997 |
| Debt service | | | |
| Principal | - | 730,000 | 730,000 |
| Interest and fiscal charges | - | 97,524 | 97,524 |
| Total expenditures | 18,768,688 | 17,580,673 | (1,188,015) |
| Net change in fund balances | \$ 833,602 | 1,849,991 | \$ 1,016,389 |
| Fund Balance | | | |
| Beginning of year | | 15,734,870 | |
| End of year | | \$ 17,584,861 | |

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

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 Commission, except the Commission 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. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities.

Separate fund financial statements are provided for governmental funds.

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Federal grants are recorded in the year in which the related expenditure is made.

2. Recording of Expenditures

Expenditures are generally 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.

Cash and investments at September 30, 2020, were comprised of deposits, including certificates of deposit, at Wells Fargo.

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments (Continued)

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety 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.

E. Restricted Investments

Restricted investments totaling \$988,763 at September 30, 2020, 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.

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 levies its property tax during the month of December. December 28 is the last day the Commission can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Benton, Sherburne, and Stearns Counties are the collecting agencies for the levy and remit the collections to the Commission three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

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.

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$5,000. 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.

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 Net 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 and is reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Net 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 of resources related to pensions and is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

Pension expense for the Central States, Southeast, and Southwest Areas Pension Plan (the "Plan") is recognized as the Commission's required contributions to the Plan during the reporting period.

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, 2020.

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- Restricted Fund Balances – These are subject to externally enforceable legal restrictions.
- 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, CNG future capital repairs, early bond payoff, and employee wellness/retention. 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 of resources; and liabilities and deferred inflows of resources 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, 2020, \$959,096 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.

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

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: 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. As of September 30, 2020, 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.

The Commission's deposits had a book balance as follows:

| | |
|--------------------------------|-----------------------------|
| Checking and savings | \$ 8,550,933 |
| Certificates of deposit | <u>2,090,192</u> |
| Total deposits and investments | <u><u>\$ 10,641,125</u></u> |

B. Investments

Investments at September 30, 2020, were comprised of Wells Fargo Money Market Mutual Funds and Wells Fargo Advantage Treasury Money Market Funds.

The following is a summary of total investments as of September 30, 2020:

| | |
|---|----------------------------|
| Wells Fargo Advantage Treasury Money Market Funds | \$ 988,763 |
| Wells Fargo Money Market Mutual Funds | <u>2,840,356</u> |
| Total | <u><u>\$ 3,829,119</u></u> |

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 2 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

The Commission has the following recurring fair value measurements as of September 30, 2020:

- \$3,829,119 are valued using quoted market prices (Level 1 inputs)

The following is a summary of total deposits and investments as of September 30, 2020:

| | |
|--------------------------------|-----------------------------|
| Deposits | \$ 10,641,125 |
| Investments | 3,829,119 |
| Petty cash | 750 |
| | <u>750</u> |
| Total deposits and investments | <u><u>\$ 14,470,994</u></u> |

Deposits and investments are presented in the September 30, 2020, basic financial statements as follows:

| | |
|----------------------------|-----------------------------|
| Statement of Net Position | |
| Cash and investments | \$ 13,482,231 |
| Restricted investments | 988,763 |
| | <u>988,763</u> |
| Total cash and investments | <u><u>\$ 14,470,994</u></u> |

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 is the risk of loss attributed to the magnitude of an investment in a single 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.

Interest Rate Risk: This is the risk that market value of securities will fall due to changes in market 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.

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 2 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Custodial Credit Risk – Investments: 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.

NOTE 3 – RECEIVABLES AND UNAVAILABLE REVENUE

A. Local Tax Levies

Tax levies receivable at September 30, 2020, were:

| | |
|--|----------------------------|
| Current taxes receivable | |
| Stearns County | \$ 1,184,863 |
| Benton County | 260,386 |
| Sherburne County | <u>45,423</u> |
| Total current taxes receivable | <u><u>\$ 1,490,672</u></u> |
| Delinquent taxes receivable and unavailable revenue | |
| Stearns County | \$ 7,215 |
| Benton County | 321 |
| Sherburne County | <u>312</u> |
| Total delinquent taxes receivable and unavailable revenue | <u><u>\$ 7,848</u></u> |

NOTE 4 – CAPITAL GRANTS

During the year ended September 30, 2020, the Commission earned, from the Federal Transit Administration, capital grants in the amount of \$2,043,461, which were used to purchase equipment, facility improvements, IT infrastructure, and software. These amounts collectively comprise the Federal Capital Grant Entitlement.

During the year ended September 30, 2020, the Commission earned from the Minnesota Department of Transportation, capital grants in the amount of \$56,092, which were used for a Facility Feasibility study.

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

NOTE 5 – LESSOR AGREEMENT

In September 2014, the Commission entered into an agreement to lease out the second 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:

| | | |
|--------------------------------------|--|-----------|
| 2021 | | \$ 16,800 |
| 2022 | | 16,800 |
| 2023 | | 16,800 |
| 2024 | | 16,800 |
| | | \$ 67,200 |
| Total minimum future rental payments | | \$ 67,200 |

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as listed below:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------|--------------|-------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 956,720 | \$ - | \$ - | \$ 956,720 |
| Construction in progress | 1,102,616 | 2,350,053 | 1,082,338 | 2,370,331 |
| Total capital assets not being depreciated | 2,059,336 | 2,350,053 | 1,082,338 | 3,327,051 |
| Capital assets being depreciated | | | | |
| Buildings and bus shelters | 20,922,122 | 598,845 | - | 21,520,967 |
| Buses and bus equipment | 27,739,502 | 578,499 | 193,723 | 28,124,278 |
| Office furniture, computers, and equipment | 422,351 | 13,430 | 37,613 | 398,168 |
| Vehicles | 307,656 | - | 47,072 | 260,584 |
| Transit priority systems | 27,707 | - | - | 27,707 |
| Total capital assets being depreciated | 49,419,338 | 1,190,774 | 278,408 | 50,331,704 |
| Less accumulated depreciation for | | | | |
| Buildings and bus shelters | 7,069,517 | 562,096 | - | 7,631,613 |
| Buses and bus equipment | 12,573,995 | 2,146,936 | 193,723 | 14,527,208 |
| Office furniture, computers, and equipment | 209,629 | 47,007 | 37,613 | 219,023 |
| Vehicles | 160,199 | 29,159 | 47,072 | 142,286 |
| Transit priority systems | 21,744 | - | - | 21,744 |
| Total accumulated depreciation | 20,035,084 | 2,785,198 | 278,408 | 22,541,874 |
| Total capital assets being depreciated, net | 29,384,254 | (1,594,424) | - | 27,789,830 |
| Governmental activities, capital assets, net | \$ 31,443,590 | \$ 755,629 | \$ 1,082,338 | \$ 31,116,881 |

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$2,785,198 for the year ended September 30, 2020, was charged to functions/programs of the Commission as follows:

| | |
|----------------------------|----------------------------|
| Governmental activities | |
| Transit operations | \$ 2,073,354 |
| Vehicle maintenance | 50,760 |
| Facility maintenance | 562,095 |
| General administration | 98,989 |
| | <hr/> |
| Total depreciation expense | <u><u>\$ 2,785,198</u></u> |

NOTE 7 – LONG-TERM LIABILITIES

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% | \$7,100,000 | 06/01/24 | \$ 3,090,000 | \$ 740,000 |
| Unamortized bond premium | | | | | 117,434 | - |
| Compensated absences payable | | | | | 859,737 | 484,447 |
| | | | | | <hr/> | <hr/> |
| Total long-term liabilities | | | | | <u><u>\$ 4,067,171</u></u> | <u><u>\$ 1,224,447</u></u> |

B. Minimum Debt Payments for Bonds

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

| <u>Year Ending September 30,</u> | <u>Revenue Bond</u> | | |
|--------------------------------------|----------------------------|--------------------------|----------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2021 | \$ 740,000 | \$ 89,000 | \$ 829,000 |
| 2022 | 760,000 | 70,500 | 830,500 |
| 2023 | 785,000 | 47,700 | 832,700 |
| 2024 | 805,000 | 24,150 | 829,150 |
| | <hr/> | <hr/> | <hr/> |
| Total | <u><u>\$ 3,090,000</u></u> | <u><u>\$ 231,350</u></u> | <u><u>\$ 3,321,350</u></u> |

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

C. Changes in Long-Term Liabilities

| | Beginning Balance | Additions | Reductions | Ending Balance |
|----------------------|----------------------|-------------------|---------------------|---------------------|
| Revenue bond | \$ 3,820,000 | \$ - | \$ 730,000 | \$ 3,090,000 |
| Bond premium | 146,793 | - | 29,359 | 117,434 |
| Compensated absences | 800,883 | 739,555 | 680,701 | 859,737 |
| Total | <u>\$ 4,767,676</u> | <u>\$ 739,555</u> | <u>\$ 1,440,060</u> | <u>\$ 4,067,171</u> |

NOTE 8 – 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 | \$ 234,405 |
| Prepaid insurance | 118,327 |
| Total nonspendable | <u>352,732</u> |
| Restricted | |
| Debt service | 988,763 |
| Assigned for | |
| Fixed asset acquisition | 2,430,295 |
| Fixed route expansion | 1,013,713 |
| Self insurance - health insurance | 111,562 |
| Self insurance - vehicle collision and liability | 236,446 |
| CNG future capital repairs | 160,000 |
| Early bond payoff | 630,000 |
| Employee wellness/retention | 31,846 |
| Total assigned fund balance | <u>4,613,862</u> |
| Unassigned | <u>11,629,504</u> |
| Total fund balance | <u>\$ 17,584,861</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.

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

NOTE 8 – FUND BALANCES (CONTINUED)

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 "local" match to anticipated 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.

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 CNG Future Capital Repairs – This balance represents a portion of the fund balance that was created for future capital repairs associated with the CNG fueling station.

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 9 – LOCAL TAX LEVIED FOR CAPITAL IMPROVEMENTS

Included in the payable 2020 tax levy are levies for capital improvements for \$1,224,673.

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 10 – 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:

Vehicle Collision and Liability

| | |
|------------------------------|-----------------------------|
| Balance - September 30, 2019 | \$ 236,446 |
| Interest income | - |
| Insurance proceeds | 6,119 |
| Claims paid | (6,119) |
| | <u> </u> |
| Balance - September 30, 2020 | <u><u>\$ 236,446</u></u> |

Health Insurance

| | |
|------------------------------|-----------------------------|
| Balance - September 30, 2019 | \$ 111,562 |
| Interest income | - |
| | <u> </u> |
| Balance - September 30, 2020 | <u><u>\$ 111,562</u></u> |

NOTE 11 – PENSION PLANS

The Commission participates in various pension plans. Total pension expense for the year ended September 30, 2020 was \$765,350. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the liability related to the pensions.

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

All full-time and certain part-time employees of the Commission are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided

General Employees Retirement Plan (Continued)

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

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in fiscal year 2020 and the Commission was required to contribute 7.5% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended September 30, 2020, were \$371,017. The Commission's contributions were equal to the required contributions as set by state statute.

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At September 30, 2020, the Commission reported a liability of \$4,232,793 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Commission totaled \$130,565. The net pension liability was measured as of June 30, 2020, 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 proportionate share 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportionate share was 0.0706% at the end of the measurement period and 0.0668% for the beginning of the period.

| | |
|--|--------------|
| Commission's proportionate share of the net pension liability | \$ 4,232,793 |
| State of Minnesota's proportionate share of the net pension liability associated with the Commission | 130,565 |
| Total | \$ 4,363,358 |

For the year ended September 30, 2020, the Commission recognized pension expense of \$342,812 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the Commission recognized an additional \$11,363 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At September 30, 2020, the Commission reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual economic experience | \$ 36,450 | \$ 16,015 |
| Changes in actuarial assumptions | - | 150,184 |
| Net collective difference between projected and actual investments earnings | 113,601 | - |
| Changes in proportion | 283,875 | - |
| Contributions paid to PERA subsequent to the measurement date | <u>92,754</u> | <u>-</u> |
| Total | <u>\$ 526,680</u> | <u>\$ 166,199</u> |

The \$92,754 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending September 30,</u> | <u>Pension Expense Amount</u> |
|--------------------------------------|-----------------------------------|
| 2021 | \$ (65,054) |
| 2022 | 97,855 |
| 2023 | 132,660 |
| 2024 | <u>102,266</u> |
| Total | <u>\$ 267,727</u> |

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry age normal actuarial cost method and the following actuarial assumptions:

| | |
|------------------------------|-----------------|
| Inflation | 2.50 % Per year |
| Active member payroll growth | 3.25 % Per year |
| Investment rate of return | 7.50 % |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued)

Changes in Actuarial Assumptions (Continued):

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term</u> |
|--------------------------------------|--------------------------|------------------|
| Domestic stocks | 35.5 % | 5.10 % |
| International stocks | 17.5 | 5.30 |
| Bonds (fixed income) | 20.0 | 0.75 |
| Alternative assets (private markets) | 25.0 | 5.90 |
| Cash | 2.0 | 0.00 |
| | <hr/> | |
| Total | <u><u>100 %</u></u> | |

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following 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:

| | 1% Decrease in Discount Rate <u>(6.5%)</u> | Discount Rate <u>(7.5%)</u> | 1% Increase in Discount Rate <u>(8.5%)</u> |
|---|--|--------------------------------|--|
| Commission's proportionate share of the General Employee's Fund net pension liability | \$ 6,783,698 | \$ 4,232,793 | \$ 2,128,500 |

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

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

Central States, Southeast, and Southwest Areas Pension Plan

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 "Plan") 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, 2020, the Commission had 57 employees covered by the Plan. The Commission's payroll for employees covered by the Plan for the year ended September 30, 2020, was \$3,125,906 and the Commission's total payroll was \$8,371,470.

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 Plan.

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 Plan.

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Central States, Southeast, and Southwest Areas Pension Plan (Continued)

A. Plan Description (Continued)

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 Plan 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 Plan will continue providing benefits for many years in the future.

B. Contributions

Employers make contributions to the Plan, 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 Plan 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, 2017 through September 30, 2020, requires the commission to contribute to the Plan 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: \$130.80 weekly effective October 1, 2017, \$136.00 weekly effective October 1, 2018, and \$141.40 weekly effective October 1, 2019.

Total contributions made by the Commission during the year ended September 30, 2020, were:

| | |
|--|---------|
| Central States, Southeast, and Southwest Areas Pension Plan | |
| Employee contributions | \$ - |
| Employer contributions | 454,071 |

The December 31, 2019, Central States, Southeast, and Southwest Areas Pension Plan annual report was the most recent annual report available as of the date of the Commission's September 30, 2020, audited financial statements.

**St. Cloud Metropolitan Transit Commission
Notes to Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Central States, Southeast, and Southwest Areas Pension Plan (Continued)

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 Plan. The Plan does not make separate measurements of assets and pension benefit obligations for individual employers.

The fair market value of Plan assets was \$12,309,907,060 as of December 31, 2019.

The measurement of the pension benefit obligation is based on an actuarial valuation as of January 1, 2019. Net position available to pay pension benefits was valued as of December 31, 2019.

The Plan was in critical and declining status in the plan year ending December 31, 2017, and is projected to become insolvent in 2025.

The Plan does not issue a publicly available financial report.

D. Related Party

The Plan 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 Plan employees are covered by one of the Health and Welfare Fund's benefit plans. Shared costs are allocated between the Plan and the Health and Welfare Fund on the basis of estimated utilization.

NOTE 12 – COMMITMENTS

| <u>Contractor</u> | <u>Project</u> | <u>Contract</u> | <u>Completed and Stored to</u> | <u>Remaining Commitment</u> |
|-------------------------|----------------------|-----------------|------------------------------------|---------------------------------|
| TripSpark Technologies | Software Development | \$ 479,664 | \$ 334,774 | \$ 144,890 |
| North Central Bus Sales | Buses | 2,920,911 | - | 2,920,911 |
| Avail Technologies | Software | 794,700 | 307,946 | 486,754 |
| Genefare | Fare Collection | 1,629,058 | 1,276,492 | 352,566 |

NOTE 13 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending September 30, 2022.

St. Cloud Metropolitan Transit Commission
Notes to Financial Statements

NOTE 14 – SUBSEQUENTLY DISCOVERED INFORMATION

After the original date of the independent auditor's report dated April 5, 2021 for the financial statements of St. Cloud Metropolitan Transit Commission, St. Cloud, Minnesota, as of and for the year ended September 30, 2020, management has determined that certain expenditures of the Commission could be reimbursed through federal grants. As a result, the financial statements of St. Cloud Metropolitan Transit Commission, St. Cloud, Minnesota, as of and for the year ended September 30, 2020 were reissued to recognize additional federal grant revenue and federal grant receivable in the amount of \$2,214,631. Additional expenditures for CARES Act funding for CFDA No. 21.019 were also recognized in the amount of \$2,214,631 for a total of \$3,722,823 of federal expenditures reported on the Schedule of Expenditures of Federal and State Awards.

REQUIRED SUPPLEMENTARY INFORMATION

**St. Cloud Metropolitan Transit Commission
Schedule of Commission's Proportionate Share
of Net Pension Liability - General Employees Retirement Fund
Last Ten Years***

| For Plan's Fiscal Year Ended June 30, | Commission's Proportionate Share (Percentage) of the Net Pension Liability (Asset) | Commission's Proportionate Share (Amount) of the Net Pension Liability (Asset) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Commission | Commission's Proportionate Share of the Net Pension Liability Associated with the Commission | Commission's Covered Payroll | Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|--|--|--|---|---------------------------------|--|---|
| 2015 | 0.0567% | \$ 2,938,488 | \$ - | \$ 2,938,488 | \$ 3,279,280 | 89.61% | 78.19% |
| 2016 | 0.0609% | 4,944,778 | - | 4,944,778 | 3,777,147 | 130.91% | 68.91% |
| 2017 | 0.0611% | 3,900,584 | 49,022 | 3,949,606 | 3,934,240 | 99.14% | 75.90% |
| 2018 | 0.0638% | 3,539,362 | 116,110 | 3,655,472 | 4,287,333 | 82.55% | 79.53% |
| 2019 | 0.0668% | 3,693,222 | 114,662 | 3,807,884 | 4,724,547 | 78.17% | 80.23% |
| 2020 | 0.0706% | 4,232,793 | 130,565 | 4,363,358 | 5,032,987 | 84.10% | 79.06% |

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of Commission Contributions -
General Employees Retirement Fund
Last Ten Years***

| Fiscal Year Ending September 30, | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Commission's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|--|---|---|--|---------------------------------|---|
| 2014 | \$ 222,438 | \$ 222,438 | \$ - | \$ 3,068,110 | 7.25% |
| 2015 | 252,341 | 252,341 | - | 3,364,547 | 7.50% |
| 2016 | 297,115 | 297,115 | - | 3,961,533 | 7.50% |
| 2017 | 301,332 | 301,332 | - | 4,017,760 | 7.50% |
| 2018 | 344,582 | 344,582 | - | 4,594,427 | 7.50% |
| 2019 | 370,358 | 370,358 | - | 4,938,107 | 7.50% |
| 2020 | 371,017 | 371,017 | - | 4,946,893 | 7.50% |

Note: Schedule is intended to show ten year trend. Additional years will be reported 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> |
|--|---|
| 2010 | \$ 240,584 |
| 2011 | 237,857 |
| 2012 | 276,604 |
| 2013 | 284,436 |
| 2014 | 287,598 |
| 2015 | 393,668 |
| 2016 | 356,687 |
| 2017 | 409,503 |
| 2018 | 418,168 |
| 2019 | 398,792 |
| 2020 | 454,071 |

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 contribution rates.

METRO BUS

St. Cloud Metropolitan Transit Commission
Notes to the Required Supplementary Information

GENERAL EMPLOYEES FUND

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

St. Cloud Metropolitan Transit Commission
Notes to the Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2018 Changes (Continued)

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

St. Cloud Metropolitan Transit Commission
Notes to the Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

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SUPPLEMENTARY INFORMATION

METRO BUS

St. Cloud Metropolitan Transit Commission
Schedule of Revenues and Expenses
Compared to Budget
Year Ended September 30, 2020

| | <u>Budgeted Amounts</u> Original and Final | Actual Amounts | Variance with Final Budget Over (Under) |
|--|--|----------------------|---|
| Revenues | | | |
| Passenger fares for transit service | \$ 900,000 | \$ 482,910 | \$ (417,090) |
| Northstar Link fares | 80,000 | 33,072 | (46,928) |
| Special transit fares - other | 400,000 | 239,281 | (160,719) |
| Special transit fares - students | 25,000 | 10,107 | (14,893) |
| Charges for service - other | - | 51,186 | 51,186 |
| Auxiliary transportation revenues | 121,000 | 149,578 | 28,578 |
| Nontransportation revenues - other | 30,000 | 219,684 | 189,684 |
| Nontransportation revenues - investment income | 12,000 | 64,810 | 52,810 |
| Taxes levied by transit system - operations | 2,282,103 | 2,284,526 | 2,423 |
| State of Minnesota grants - operating assistance | 12,880,687 | 9,181,791 | (3,698,896) |
| Northstar corridor development authority - NCDA | 20,000 | 43,611 | 23,611 |
| Federal operating grants | 1,140,000 | 3,722,824 | 2,582,824 |
| Total operating revenues | <u>17,890,790</u> | <u>16,483,380</u> | <u>(1,407,410)</u> |
| Taxes levied for fixed asset acquisitions | 854,300 | 854,300 | - |
| Federal capital grant aid | 857,200 | 2,043,461 | 1,186,261 |
| State capital grant aid | - | 56,092 | 56,092 |
| Total nonoperating revenues | <u>1,711,500</u> | <u>2,953,853</u> | <u>1,242,353</u> |
| Total revenues | <u>\$ 19,602,290</u> | <u>\$ 19,437,233</u> | <u>\$ (165,057)</u> |
| Expenses | | | |
| Operators' salaries and wages | \$ 4,394,861 | \$ 4,665,335 | \$ 270,474 |
| Other salaries and wages | 3,681,089 | 3,699,259 | 18,170 |
| Payroll taxes | 617,810 | 610,810 | (7,000) |
| Hospital, medical, and surgical plans | 1,738,000 | 1,822,925 | 84,925 |
| Uniform and work clothing allowances | 20,900 | 21,820 | 920 |
| Other fringe benefits - retirement | 914,698 | 860,334 | (54,364) |
| Unemployment insurance | 35,050 | 2,613 | (32,437) |
| Workers' compensation | 261,850 | 234,882 | (26,968) |
| Advertising fees | 21,000 | 4,784 | (16,216) |
| Professional and technical services | 522,356 | 586,866 | 64,510 |
| Sublet mechanic labor and preventative maintenance | 67,100 | 70,951 | 3,851 |
| Other services | 24,500 | 92,507 | 68,007 |
| Fuel and lubricants | 611,000 | 520,459 | (90,541) |
| Tires and tubes | 85,700 | 63,766 | (21,934) |
| Other materials and supplies | 590,450 | 369,012 | (221,438) |
| Utilities | 287,569 | 280,306 | (7,263) |
| Insurance | 243,860 | 263,813 | 19,953 |
| Dues and subscriptions | 36,672 | 35,748 | (924) |
| Travel and meetings | 40,350 | 5,700 | (34,650) |
| Advertising - promotion/media | 88,000 | 61,471 | (26,529) |
| Miscellaneous expenses | 37,500 | 51,358 | 13,858 |
| Interest | - | 63,299 | 63,299 |
| Transit way structures and equipment | 6,500 | 590 | (5,910) |
| Total expenses before depreciation and loss on disposal of capital assets | <u>\$ 14,326,815</u> | <u>\$ 14,388,608</u> | <u>\$ 61,793</u> |

St. Cloud Metropolitan Transit Commission
Schedule of Expenses and Functions
Year Ended September 30, 2020

| Expense Object Classes | <u>Total Expenses</u> | <u>Fixed Route Operations</u> | <u>Dial-A-Ride Operations</u> |
|--|-----------------------|-----------------------------------|-----------------------------------|
| Labor | | | |
| Operators' salaries and wages | \$ 4,665,335 | \$ 3,236,979 | \$ 1,428,356 |
| Other salaries and wages | 3,699,259 | 901,425 | 325,916 |
| Fringe benefits | | | |
| Payroll taxes | 610,810 | 301,649 | 127,447 |
| Hospital, medical, and surgical plans | 1,822,925 | 948,665 | 469,901 |
| Uniforms and work clothing allowances | 21,820 | 9,962 | 4,310 |
| Other fringe benefits | | | |
| Retirement | 860,334 | 522,663 | 142,526 |
| Reemployment insurance | 2,613 | 2,310 | - |
| Workers' compensation | 234,882 | 168,638 | 60,556 |
| Services | | | |
| Advertising fees | 4,784 | - | - |
| Professional and technical services | 586,866 | 65,609 | 59,416 |
| Sublet mechanic labor and preventative maintenance | 70,951 | - | - |
| Other services | 92,507 | - | - |
| Materials and supplies consumed | | | |
| Fuel and lubricants | 520,459 | - | - |
| Tires and tubes | 63,766 | - | - |
| Other materials and supplies | 369,012 | - | - |
| Utilities | 280,306 | 6,067 | 661 |
| Insurance | 263,813 | 14,915 | 6,250 |
| Miscellaneous expenses | | | |
| Dues and subscriptions | 35,748 | - | - |
| Travel and meetings | 5,700 | (364) | (307) |
| Advertising - promotion/media | 61,471 | - | - |
| Other miscellaneous expenses | 51,358 | 160 | 1,777 |
| Interest | 63,299 | - | - |
| Leases and rentals | | | |
| Transit way structures and equipment | 590 | - | - |
| Total expenses before depreciation and loss on disposal of capital assets | 14,388,608 | 6,178,678 | 2,626,809 |
| Depreciation expense | 2,785,198 | 1,456,048 | 617,306 |
| Total operating expenses | <u>\$ 17,173,806</u> | <u>\$ 7,634,726</u> | <u>\$ 3,244,115</u> |

| <u>Vehicle Maintenance</u> | <u>Facility Maintenance</u> | <u>General Administration</u> |
|--------------------------------|---------------------------------|-----------------------------------|
| \$ - | \$ - | \$ - |
| 886,179 | 100,218 | 1,485,521 |
| 65,233 | 7,462 | 109,019 |
| 190,310 | 13,980 | 200,069 |
| 7,305 | 243 | - |
| 85,178 | 18,404 | 91,563 |
| - | - | 303 |
| 5,688 | - | - |
| - | - | 4,784 |
| 18,125 | 7,669 | 436,047 |
| 18,033 | 52,918 | - |
| 3,079 | 82,552 | 6,876 |
| 520,459 | - | - |
| 63,766 | - | - |
| 254,170 | 106,304 | 8,538 |
| 2,800 | 245,040 | 25,738 |
| - | - | 242,648 |
| 299 | - | 35,449 |
| 50 | - | 6,321 |
| - | - | 61,471 |
| 157 | 12,333 | 36,931 |
| - | - | 63,299 |
| - | 590 | - |
| 2,120,831 | 647,713 | 2,814,577 |
| 84,685 | 528,170 | 98,989 |
| <u>\$ 2,205,516</u> | <u>\$ 1,175,883</u> | <u>\$ 2,913,566</u> |

St. Cloud Metropolitan Transit Commission
Schedule of Changes in Equity
September 30, 2020

| | <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> |
|--|---|---------------------|---------------------|--|--|
| Balance - September 30, 2019 | \$ 27,476,797 | \$ 5,885,083 | \$ 287,225 | \$ 966,100 | \$ 1,680,967 |
| Revenues over (under) expenses for the year ended September 30, 2020 | <u>432,650</u> | <u>1,020,220</u> | <u>65,507</u> | <u>(7,004)</u> | <u>749,328</u> |
| Balance - September 30, 2020 | <u>\$ 27,909,447</u> | <u>\$ 6,905,303</u> | <u>\$ 352,732</u> | <u>\$ 959,096</u> | <u>\$ 2,430,295</u> |

| Assigned for Self Insurance Vehicle Collision and Liability | Assigned for Self Insurance Health Insurance | Assigned for Fixed Route Expansion | Assigned for CNG Future Capital Repairs | Assigned for Early Bond Payoff | Assigned for Employee Wellness/ Retention | Total |
|---|---|--|--|--------------------------------------|--|----------------------|
| \$ 236,446 | \$ 111,562 | \$ 1,013,713 | \$ 160,000 | \$ 630,000 | \$ 29,120 | \$ 38,477,013 |
| - | - | - | - | - | 2,726 | 2,263,427 |
| <u>\$ 236,446</u> | <u>\$ 111,562</u> | <u>\$ 1,013,713</u> | <u>\$ 160,000</u> | <u>\$ 630,000</u> | <u>\$ 31,846</u> | <u>\$ 40,740,440</u> |

ME**T**RO BUS

**St. Cloud Metropolitan Transit Commission
Schedule of Tax Levies, Tax Capacity, and Rates
For Taxes Payable in 2020**

| | Levy | | | | | Initial Net Tax Capacity Rates |
|-------------------------|----------------------------|----------------------------|--------------------------|--------------------------|--------------------------|---|
| | Total | St. Cloud | Waite Park | Sauk Rapids | Sartell | |
| Stearns County | \$ 2,500,543 | \$ 1,549,177 | \$ 401,587 | \$ - | \$ 549,779 | 3.527 |
| Benton County | 540,362 | 162,524 | - | 327,543 | 50,295 | 3.527 |
| Sherburne County | 95,498 | 95,498 | - | - | - | 3.527 |
| Total net levy | <u>3,136,403</u> | <u>\$ 1,807,199</u> | <u>\$ 401,587</u> | <u>\$ 327,543</u> | <u>\$ 600,074</u> | |
| Total gross levy | <u>\$ 3,136,403</u> | | | | | |

| Tax Capacity | Valuations |
|--------------------------------------|-----------------------------|
| Stearns County - City of St. Cloud | \$ 44,419,247 |
| Stearns County - City of Waite Park | 11,514,644 |
| Stearns County - City of Sartell | 15,763,705 |
| Benton County - City of St. Cloud | 4,660,041 |
| Benton County - City of Sauk Rapids | 9,391,566 |
| Benton County - City of Sartell | 1,442,108 |
| Sherburne County - City of St. Cloud | <u>2,738,202</u> |
| Total | <u>\$ 89,929,513</u> |

**St. Cloud Metropolitan Transit Commission
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2020**

| Federal Assistance Grant Number/ Funding Source | Grant Name | Project Time Period |
|---|--|---------------------|
| Through U.S. Department of Transportation | | |
| CFDA No. 20.507: | | |
| MN-2017-011 | Section 5307 - Capital | 10/01/16-01/30/19 |
| MN-2018-010-00 | Section 5307 - Capital | 08/14/18-12/31/19 |
| MN-2018-018-00 | Section 5307 - Capital | 09/10/18-03/30/20 |
| MN-2019-003-00 | Section 5307 - Capital | 04/25/19-09/30/22 |
| MN-2020-039-00 | Section 5307 - Capital | 07/06/20-03/30/24 |
| CFDA No. 20.526: | | |
| MN-2018-010-00 | Section 5339 - Capital | 08/14/18-12/31/19 |
| MN-2018-018-00 | Section 5339 - Capital | 09/10/18-03/30/20 |
| CFDA No. 21.019: | | |
| MN-2020-019-00 | Section 5307 - CARES Act | 04/24/20-06/30/25 |
| Total Federal Grants | | |
| | | |
| State Assistance Contract Number | | |
| Through Minnesota Department of Transportation | | |
| 1032148 | Public Transit Operating Assistance Contract | 01/01/19-12/31/19 |
| 1032149 | Public Transit Operating Assistance Contract | 01/01/19-12/31/19 |
| 1032592 | Public Transit Operating Assistance Contract | 01/01/19-12/31/19 |
| 1035625 | Public Transit Operating Assistance Contract | 01/01/20-12/31/20 |
| 1035624 | Public Transit Operating Assistance Contract | 01/01/20-12/31/20 |
| 1035674 | Public Transit Operating Assistance Contract | 01/01/20-12/31/20 |
| 1029547 | Public Transit Capital Grant Contract | 01/01/17-06/30/19 |
| Total State Grants | | |

| Audit Report This Period | Expenditures | | Total |
|-----------------------------|---------------------|---------------------|----------------------|
| | Prior Reports | This Report | |
| 10/01/19-09/30/20 | \$ 568,376 | \$ 661,154 | \$ 1,229,530 |
| 10/01/19-09/30/20 | 216,839 | 27,471 | 244,310 |
| 10/01/19-09/30/20 | 174,165 | 119,781 | 293,946 |
| 10/01/19-09/30/20 | 277,309 | 1,033,192 | 1,310,501 |
| 10/01/19-09/30/20 | - | 37,993 | 37,993 |
| 10/01/19-09/30/20 | 698,928 | 54,971 | 753,899 |
| 10/01/19-09/30/20 | 109,849 | 108,899 | 218,748 |
| 10/01/19-09/30/20 | - | 3,722,823 | 3,722,823 |
| | <u>\$ 2,045,466</u> | <u>\$ 5,766,284</u> | <u>\$ 7,811,750</u> |
| 10/01/19-09/30/20 | \$ 4,734,419 | \$ 1,738,775 | \$ 6,473,194 |
| 10/01/19-09/30/20 | 3,172,455 | 1,096,063 | 4,268,518 |
| 10/01/19-09/30/20 | 556,150 | 205,425 | 761,575 |
| 10/01/19-09/30/20 | - | 2,729,554 | 2,729,554 |
| 10/01/19-09/30/20 | - | 2,851,011 | 2,851,011 |
| 10/01/19-09/30/20 | - | 549,600 | 549,600 |
| 10/01/19-09/30/20 | 178,424 | 56,092 | 234,516 |
| | <u>\$ 8,641,448</u> | <u>\$ 9,226,520</u> | <u>\$ 17,867,968</u> |

St. Cloud Metropolitan Transit Commission
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Commission and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INDIRECT COST RATE

The Commission did not elect to use the 10 percent de minimis indirect cost rate.

NOTE 4 – SUBSEQUENTLY DISCOVERED INFORMATION

After the original date of the independent auditor's report dated April 5, 2021 for the financial statements of St. Cloud Metropolitan Transit Commission, St. Cloud, Minnesota, as of and for the year ended September 30, 2020, management has determined that certain expenditures of the Commission could be reimbursed through federal grants. As a result, the financial statements of St. Cloud Metropolitan Transit Commission, St. Cloud, Minnesota, as of and for the year ended September 30, 2020 were reissued to recognize additional federal grant revenue and federal grant receivable in the amount of \$2,214,631. Additional expenditures for CARES Act funding for CFDA No. 21.019 were also recognized in the amount of \$2,214,631 for a total of \$3,722,823 of federal expenditures reported on the Schedule of Expenditures of Federal and State Awards.

**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, 2020, and the related notes to financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated April 12, 2022.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance to be a material weakness, as Audit Finding 2020-002.

Internal Control over Financial Reporting (Continued)

A significant 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance to be a significant deficiency, as Audit Finding 2020-001.

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*.

This report revises our report initially issued April 5, 2021. Subsequent to our report, initially issued April 5, 2021, the Commission's management determined that certain expenditures of the Commission should have been reimbursed through federal grants for the year ended September 30, 2020. As a result, Audit Finding 2020-002 was revised to recognize an additional material audit adjustment.

Commission's Response to the Findings

The Commission's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Bergan KDV, Ltd.

St. Cloud, Minnesota
April 12, 2022

**Report on Compliance for Each Major Federal Program and on Internal Control
over Compliance Required by the Uniform Guidance**

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 St. Cloud Metropolitan Transit Commission's, St. Cloud, Minnesota compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) 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, 2020. 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 the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 a legal determination of the Commission's compliance.

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, 2020.

Report on Internal Control over Compliance

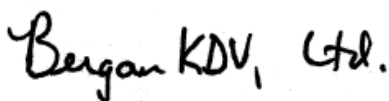
Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Audit Finding 2020-003 that we consider to be a material weakness.

This report revises our report initially issued April 5, 2021. Subsequent to our report, initially issued April 5, 2021, the Commission's management determined that certain expenditures of the Commission should have been reimbursed through federal grants for the year ended September 30, 2020. As a result, the Schedule of Expenditures of Federal Awards was revised to include additional expenditures. This revision did not result in any changes to major program determination; however, additional procedures were performed on compliance and internal control for the additional expenditures recorded.

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



St. Cloud, Minnesota
April 12, 2022

**St. Cloud Metropolitan Transit Commission
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|----------------------------------|---|
| Type of auditor's report issued: | We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP). |
|----------------------------------|---|

| | |
|--|---|
| Internal control over financial reporting: | |
| <ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified? | <p>Yes, Audit Finding 2020-002</p> <p>Yes, Audit Finding 2020-001</p> |

| | |
|---|----|
| 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: | |
| <ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified? | <p>Yes, Audit Finding 2020-003</p> <p>No</p> |

| | |
|---|----|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? | No |
|---|----|

Identification of Major Programs

| | |
|-------------------------------------|-------------------------|
| CFDA No: | 21.019 |
| Name of Federal Program or Cluster: | Coronavirus Relief Fund |

| | |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
|--|-----------|

| | |
|--|----|
| Auditee qualified as low risk auditee? | No |
|--|----|

**St. Cloud Metropolitan Transit Commission
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2020-001 – Lack of Segregation of Accounting Duties

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 Chief Financial Officer 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 Chief Financial Officer creates journal entries, enters them into the accounting system, and reconciles the bank statement. The Commission does include in their procedures that the Chief Financial Officer will review the journal entries and bank reconciliations.

Context:

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

Effect or Potential 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.

**St. Cloud Metropolitan Transit Commission
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2020-001 – Lack of Segregation of Accounting Duties (Continued)

Recommendation:

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

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Administration will review current segregation of accounting duties to determine if further segregation is possible.
3. Official Responsible for Ensuring CAP
Paula Mastey, Chief Finance and Administrative Officer, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The Board of Commissioners will be monitoring this CAP.

Audit Finding 2020-002 – Material Audit Adjustment

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:

During the course of our engagement, material audit adjustments were required that would not have been identified as a result of the Commission's existing internal control system and, therefore, could have resulted in a material misstatement of the financial statements.

Context:

This finding impacts the Commission's ability to internally prepare their financial statements free from material misstatement.

**St. Cloud Metropolitan Transit Commission
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2020-002 – Material Audit Adjustment (Continued)

Effect:

The financial statements had material misstatements.

Cause:

Commission personnel did not make all the required audit adjustments or prepare government wide conversion reconciliations. The Commission did not properly recognize federal grant revenue.

Recommendation:

Review the Commission's financial statements to assure all entries and reconciliations are prepared and posted.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Administration will review transactions and prepare reconciliations.
3. Official Responsible for Ensuring CAP
Paula Mastey is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The Board of Commissioners will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding 2020-003 – Improper Reconciliation of Federal Expenditures of Federal Awards

Criteria or Specific Requirement:

Internal control that supports the Commission's ability to properly reconcile and report allowable activities in the Schedule of Federal of Expenditures of Federal Awards consistent with the assertions of management.

**St. Cloud Metropolitan Transit Commission
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

**Audit Finding 2020-003 – Improper Reconciliation of Federal Expenditures of Federal Awards
(Continued)**

Condition:

During the course of our engagement, we identified an error in the reconciliation of expenditures charged to the Coronavirus Relief Fund program that resulted in the Commission needing to reissue the financial statements and Schedule of Expenditures of Federal Awards for the year ended September 30, 2020 to properly report federal expenditures for allowable activities in the proper period.

Context:

This finding impacts the Commission's ability to maintain compliance with the allowable activities compliance requirements.

Effect:

The Commission did not properly request reimbursement for allowable activities in the proper period.

Cause:

Commission personnel did not properly reconcile grant activity when determining draw amounts for federal awards.

Recommendation:

Review the Commission's reconciliation procedures to ensure all allowable activities intended for reimbursements are used in reimbursement requests in the proper period.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Administration will review and modify reconciliation procedures.
3. Official Responsible for Ensuring CAP
Paula Mastey is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The Board of Commissioners will be monitoring this CAP.

**St. Cloud Metropolitan Transit Commission
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota 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, 2020, and the related notes to financial statements, and have issued our report thereon dated April 5, 2021.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 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 Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the 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.

Bergan KDV, Ltd.

St. Cloud, Minnesota
April 5, 2021