

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

**Basic Financial Statements**

**September 30, 2023**



**St. Cloud Metropolitan Transit Commission  
Table of Contents**

|  |    |
|--|----|
| <b>Board of Commissioners, Administration, and Other Data</b>  | 1  |
| <b>Independent Auditor's Report</b>  | 2  |
| <b>Management's Discussion and Analysis</b>  | 5  |
| <b>Basic Financial Statements</b>  |    |
| Government-Wide Financial Statements   |    |
| Statement of Net Position  | 12 |
| Statement of Activities  | 13 |
| Fund Financial Statements  |    |
| Balance Sheet – Governmental Funds   | 14 |
| Reconciliation of the Balance Sheet to the Statement of Net Position<br>– Governmental Funds   | 15 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances<br>– Governmental Funds  | 16 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes<br>in Fund Balances to the Statement of Activities – Governmental Funds   | 17 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances<br>– Budget and Actual – General Fund  | 18 |
| Notes to Basic Financial Statements  | 19 |
| <b>Required Supplementary Information</b>  |    |
| Schedule of Commission's Proportionate Share of<br>Net Pension Liability – General Employees Retirement Fund   | 40 |
| Schedule of Commission Contributions – General Employees Retirement Fund   | 40 |
| Schedule of Commission Contributions – Central States, Southeast, and<br>Southwest Areas Pension Plan  | 41 |
| Notes to the Required Supplementary Information  | 42 |
| <b>Supplementary Information</b>   |    |
| Schedule of Revenues and Expenses Compared to Budget   | 47 |
| Schedule of Expenses and Functions   | 48 |
| Schedule of Changes in Equity  | 50 |
| Schedule of Tax Levies, Tax Capacity, and Rates  | 53 |
| Schedule of Expenditures of Federal and State Awards   | 54 |
| Notes to the Schedule of Expenditures of Federal Awards  | 56 |
| <b>Report on Internal Control over Financial Reporting and on Compliance<br/>and Other Matters Based on an Audit of Basic Financial Statements<br/>Performed in Accordance with <i>Government Auditing Standards</i></b> | 57 |
| <b>Report on Compliance for Each Major Federal Program and on Internal<br/>Control over Compliance Required by the Uniform Guidance</b>  | 59 |

**St. Cloud Metropolitan Transit Commission  
Table of Contents**

|  |    |
|--|----|
| <b>Schedule of Findings and Questioned Costs in Accordance with the<br/>Uniform Guidance</b> | 62 |
| <b>Minnesota Legal Compliance</b>  | 65 |
| <b>Schedule of Findings and Responses on Legal Compliance</b>                                | 66 |

**St. Cloud Metropolitan Transit Commission  
Board of Commissioners, Administration, and Other Data  
September 30, 2023**

| <u>Elected Officials</u> | <u>Position</u>  | <u>Community Represented</u> | <u>Term Expires</u> |
|--------------------------|------------------|------------------------------|---------------------|
| David Kleis              | Chairperson      | St. Cloud                    | June 30, 2027       |
| Rick Miller              | Vice Chairperson | Waite Park                   | June 30, 2025       |
| John Libert              | Secretary        | St. Cloud                    | June 30, 2024       |
| Kurt Hunstiger           | Treasurer        | Sauk Rapids                  | June 30, 2025       |
| Ryan Fitzthum            | Member           | Sartell                      | June 30, 2025       |

Administration

|                |                         |
|----------------|-------------------------|
| Ryan I. Daniel | Chief Executive Officer |
| Paula Mastey   | Director of Finance     |

Other Data

|                            |           |
|----------------------------|-----------|
| Revenue Bus Miles          | 1,694,728 |
| Number of Passengers       | 774,825   |
| Revenue Bus Hours Operated | 122,569   |

## Independent Auditor's Report

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

### **Report on the Audit of the Financial Statements**

We have audited the financial statements of the governmental activities and the major fund of , St. Cloud, Minnesota, as of and for the year ended September 30, 2023, and the related notes to the basic financial statements, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and major fund of as of September 30, 2023, and the respective changes in financial position and, where applicable, the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

The management of is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

## **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 Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### **Supplementary 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 Schedule of Expenditures of Federal 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 basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2024, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

*BergankDV, Ltd.*

St. Cloud, Minnesota

April 24, 2024

## **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, 2023. All amounts, unless otherwise indicated, are expressed in dollars. Certain comparative information between the current fiscal year and the prior fiscal year is presented in the Management's Discussion and Analysis (MD&A).

### **FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2023 by \$46,418,758 (net position). Of this amount, \$20,189,081 (unrestricted net position) may be used to meet the Commission's ongoing obligations to customers and creditors.

The Commission's net position increased by \$841,882 in fiscal year 2023 along with the unrestricted net position increasing by \$3,203,246. Net investment in capital assets decreased by \$2.3 million.

At the end of the 2023 fiscal year, the Commission's total current assets are \$26,683,071, an increase of \$4,101,068 from 2022. 2023 current and noncurrent liabilities also increased in 2023 by \$614,861.

COVID-19 had a significant impact on all areas of our operations in 2020 and 2021. In 2022, Metro Bus began transitioning to a post-pandemic environment. In January 2021, service was reduced due to staffing shortages. We have been forced to continue operating at this reduced level through 2023 as these shortages continue to plague our organization. Commuter service has also been running a reduced schedule, from ten trips daily to four trips on weekdays and no weekend service. This reduction is in place to match the current reduced train schedule of Metro Transit. Paratransit ridership has rebounded to pre-pandemic levels, while fixed route and commuter levels continue to remain significantly lower than 2019 and prior.

Emergency Relief funding continues to be used to reimburse operating expenditures for the organization. Metro Bus received three grants relating to the pandemic: CARES, CRSSA, and ARP, for a total of \$17.3 million. As of September 30, 2023, \$13.3 million of this funding has been spent. We will continue to use these grants to aid in offsetting operating expenditures as we build back our organization, without adding additional stress to our communities by keeping our tax levy stable.

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. At that time, four county Regional Rail Authorities (RRAs) elected to move forward with a Northstar Link agreement for an additional five years. As of January 1, 2022, a new five-year agreement was put in place with three remaining Regional Rail Authorities: Stearns, Sherburne, and Hennepin. These counties agree to cover the local share of costs for Link operations. Prior to the pandemic, Northstar Link saw steady or increased ridership year over year since its origination in 2009.



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

### **FINANCIAL HIGHLIGHTS (CONTINUED)**

Some additional service for both the bus and rail will be added back to the schedules effective October 2023. Ridership is anticipated to increase with the additional service.

Fiscal year 2023 had an increase of \$1,088,780 in overall revenues. Charges for services, which includes passenger fares, school district, Northstar Link, and U-Pass programs with SCSU and SCTCC saw an increase of \$140,000. State and federal operating funds also increased in 2023 by \$679,000. Emergency Relief funding once again added to this increase because of the 100% reimbursement for allowable expenditures; we do not anticipate continuing to see this in future years. Capital funding decreased by \$363,000 for the fiscal year. This was, in part, because of the industry-wide delays Metro Bus continues to experience in capital purchases. Other changes from 2022 to 2023 include \$500,000 in additional interest earnings and \$87,000 less in other revenues due mainly to one year of a CNG tax credit as opposed to two years' worth in 2022.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are 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).

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.

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

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-Wide Financial Statements (Continued)**

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

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

**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 19 through 39 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 \$46,418,758 at the close of fiscal year 2023.

Of the Commission's net position, 44% (\$20,189,081) are unrestricted. This is the amount available to meet the Commission's ongoing obligations to its riders and creditors.

The other 56% (\$26,229,677) reflects the Commission's investment in capital assets (e.g., land, buildings, transit vehicles, equipment). The Commission uses these capital assets to provide transit services to the citizens within the transit service area as defined by *Minnesota Statutes* 458A. Consequently, these assets are not available for future spending.

**NET POSITION - GOVERNMENTAL ACTIVITIES AS OF SEPTEMBER 30, 2023**

|  | <b>2023</b>   | <b>2022</b>   |
|--|---------------|---------------|
| Current and other assets                       | \$ 26,683,071 | \$ 22,582,003 |
| Capital assets, net of depreciation            | 26,229,677    | 28,591,041    |
| Total assets                                   | 52,912,748    | 51,173,044    |
| Deferred outflows of pension related resources | 1,226,059     | 1,565,849     |
| Long-term liabilities outstanding              | 852,424       | 382,207       |
| Other liabilities                              | 1,372,038     | 1,193,650     |
| Net pension liabilities                        | 4,137,997     | 5,401,463     |
| Total liabilities                              | 6,362,459     | 6,977,320     |
| Deferred inflows of pension related resources  | 1,357,590     | 184,697       |

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

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-Wide Financial Statements (Continued)**

**NET POSITION - GOVERNMENTAL ACTIVITIES AS OF SEPTEMBER 30, 2023 (CONTINUED)**

|                                     | <b>2023</b>       | <b>2022</b>       |
|-------------------------------------|-------------------|-------------------|
| Net Position                        |                   |                   |
| Net investment in capital resources | \$ 26,229,677     | \$ 28,591,041     |
| Unrestricted                        | 20,189,081        | 16,985,835        |
| <br>Total net position              | <br>\$ 46,418,758 | <br>\$ 45,576,876 |

**STATEMENT OF ACTIVITIES FOR FISCAL YEAR 2023**

|  | <b>2023</b>       | <b>2022</b>       |
|--|-------------------|-------------------|
| <b>Program Revenues</b>                      |                   |                   |
| Charges for services                         | \$ 1,062,323      | \$ 922,260        |
| Operating grants and contributions           | 11,249,274        | 10,569,432        |
| Capital grants and contributions             | 616,778           | 979,323           |
| Total program revenues                       | 12,928,375        | 12,471,015        |
| <br><b>General Revenues</b>                  |                   |                   |
| Property taxes                               | 3,352,778         | 3,139,373         |
| Auxiliary                                    | 159,043           | 157,666           |
| Revenues not restricted to specific programs | 4,072,668         | 4,160,025         |
| Unrestricted investment earnings             | 559,752           | 55,757            |
| Total general revenues                       | 8,144,241         | 7,512,821         |
| <br>Total revenues                           | <br>\$ 21,072,616 | <br>\$ 19,983,836 |

|                        | <b>Expenses</b>   |                   | <b>Net (Expense) Revenue</b> |                    |
|------------------------|-------------------|-------------------|------------------------------|--------------------|
|                        | <b>2023</b>       | <b>2022</b>       | <b>2023</b>                  | <b>2022</b>        |
| <b>Expenses</b>        |                   |                   |                              |                    |
| Operations             | \$ 11,472,114     | \$ 10,859,315     | \$ (3,413,959)               | \$ (2,800,957)     |
| Vehicle maintenance    | 3,138,180         | 2,708,895         | (1,393,199)                  | (1,173,065)        |
| Facility maintenance   | 1,393,946         | 1,451,034         | (618,844)                    | (628,359)          |
| General administration | 4,226,494         | 3,623,112         | (1,876,357)                  | (1,568,960)        |
| <br>Total expenses     | <br>\$ 20,230,734 | <br>\$ 18,642,356 | <br>\$ (7,302,359)           | <br>\$ (6,171,341) |

|                               |       |            |       |              |
|-------------------------------|-------|------------|-------|--------------|
| <b>Change in Net Position</b> | 2023: | \$ 841,882 | 2022: | \$ 1,341,480 |
|-------------------------------|-------|------------|-------|--------------|

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

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

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, 2023, amounted to \$26,229,677 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, transit vehicles, and equipment. See Note 5 for additional information.

|  | <b>CAPITAL ASSETS<br/>(Net of Depreciation)</b> |               |
|--|---|---------------|
|  | <b>2023</b>                                     | <b>2022</b>   |
| Land                                       | \$ 956,720                                      | \$ 956,720    |
| Construction in progress (not depreciated) | 373,314   | 903,517       |
| Buildings                                  | 11,670,995                                      | 12,112,022    |
| Improvements other than buildings          | 1,051,486                                       | 1,078,280     |
| Buses and bus equipment                    | 8,015,669                                       | 11,864,766    |
| Non-revenue vehicles                       | 110,374   | 141,894       |
| Furnishings and equipment                  | 4,051,119                                       | 1,523,842     |
| Total Capital Assets                       | \$ 26,229,677                                   | \$ 28,591,041 |

**LONG TERM DEBT**

In 2014, 10-year, long-term revenue bonds were issued in the amount of \$7,100,000. Metro Bus initiated an early bond payoff in fiscal year 2021. With this payoff, Metro Bus has no long-term debt. See Note 6 for additional information.

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

The Commission's 2024 operating budget for Federal Transit Administration funding is based on stable allocations. Passenger fare revenues are projected to increase in 2024, based on actual earnings in 2022 and 2023. Special transit fare revenues continue to be budgeted at a fraction of what they used to be based on the continued decline in enrollment for the college. Auxiliary and non-transportation revenues, such as concessions, bus advertising, Jefferson Lines commissions, and interest increased slightly in total for 2024 mainly due to estimated interest earnings. There are little other anticipated changes in this area.

Overall, the operating budget increased in 2024 by \$1,024,962. Non-union and Teamsters employees will receive a 6% cost-of-living increase and AFSCME employees will receive 5%, based on ratified contracts for 10/01/2023 through 9/30/2026. Health insurance costs increased from \$265 per employee per week to \$270 in 2024.

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

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

Personnel expenditures increased overall by \$1,054,390, accounting for the total overall increase in 2024 operations.

To allow for a more consistent tax levy and to better plan for future initiatives, the Commission has approved fund balance assignments. As of September 30, 2023, these assignments and their balances are self-insurance for \$294,482, future route expansion for \$1,200,000, employee retention for \$45,042, CNG capital repairs of \$240,000, Employee-funded well-being fund for \$773, and fixed asset acquisitions for \$5,778,498.

An update to Metro Bus's 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 recommending 25,000 additional services hours, were not implemented because ridership decreased after adding the additional 10,000 hours of service. Metro Bus re-evaluated the future phases, and determined a new type of service may provide better coverage with less financial impact. On January 2, 2019, a pilot program in the City of Sartell called ConneX was implemented. The pilot was an on-demand, curb to curb service. In the midst of this trial the pandemic hit. The Commission extended ConneX Pilot through December 31, 2022. At the October 2022 Board Meeting the Commission voted to discontinue the ConneX pilot service. Fixed Route service was re-initiated in May 2023. A new long-range transit plan is now in progress. Nelson Nygaard has been selected as the consultant to lead Metro Bus through this process. The final results of the plan are expected to be complete sometime late 2024.

Staff has been working throughout 2023 to acquire property in our western service area. Construction of a new, secondary transit hub is planned to begin once property is purchased. The opening of this new transit hub should fit well with the completion and implementation of the long range plan.

2024 Capital plans include purchasing replacement equipment for maintenance and IT such as a skid loader, trailer, forklift, two (2) servers and DVRs. Facility improvements including a hoist replacement, HVAC integration, and a secondary CNG Compressor compound. In addition, eight (8) 400 series CNG replacement buses will be ordered. In total, \$5,575,000 is budgeted in capital for 2024.

All of these factors, in addition to inflation, department specific expenditures and cost saving initiatives, were considered in preparing the Commission's budget for fiscal year 2024.

### **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.

## **BASIC FINANCIAL STATEMENTS**

**St. Cloud Metropolitan Transit Commission**  
**Statement of Net Position**  
**September 30, 2023**

|  | Governmental<br>Activities  |
|--|-----------------------------|
| <b>Assets</b>  |                             |
| Cash and investments   | \$ 23,289,254               |
| Receivables  |                             |
| Local tax levies - current   | 1,657,724                   |
| Local tax levies - delinquent                                      | 19,424                      |
| State grants   | 160,271                     |
| Federal grants   | 1,129,822                   |
| Other  | 85,694                      |
| Materials and supplies inventory                                   | 331,718                     |
| Prepaid items  | 9,164                       |
| Capital assets   |                             |
| Land   | 956,720                     |
| Construction in progress   | 373,314                     |
| Buildings and bus shelters   | 22,034,263                  |
| Buses and bus equipment  | 28,940,938                  |
| Office furniture, computers, and equipment                         | 2,552,704                   |
| Vehicles   | 286,803                     |
| Transit priority systems   | 27,707                      |
| Less accumulated depreciation                                      | <u>(28,942,772)</u>         |
| Total assets   | <u>52,912,748</u>           |
| <b>Deferred Outflows of Resources</b>                              |                             |
| Deferred outflows of resources related to pensions                 | <u>1,226,059</u>            |
| Total assets and deferred outflows of resources                    | <u><u>\$ 54,138,807</u></u> |
| <b>Liabilities</b>   |                             |
| Accounts and contracts payable                                     | \$ 624,847                  |
| Salaries and benefits payable                                      | 192,827                     |
| Compensated absences payable                                       |                             |
| Payable within one year  | 554,364                     |
| Payable after one year   | 852,424                     |
| Net pension liability  | <u>4,137,997</u>            |
| Total liabilities  | <u>6,362,459</u>            |
| <b>Deferred Inflows of Resources</b>                               |                             |
| Deferred inflows of resources related to pensions                  | <u>1,357,590</u>            |
| <b>Net Position</b>  |                             |
| Net investment in capital assets                                   | 26,229,677                  |
| Unrestricted   | <u>20,189,081</u>           |
| Total net position   | <u>46,418,758</u>           |
| Total liabilities, deferred inflows of resources, and net position | <u><u>\$ 54,138,807</u></u> |

**St. Cloud Metropolitan Transit Commission**  
**Statement of Activities**  
**Year Ended September 30, 2023**

| Functions/Programs                         | Expenses             | Program Revenues        |                                       | Capital Grants<br>and<br>Contributions | Net (Expense)                              |
|--|----------------------|-------------------------|---------------------------------------|--|--|
|  |                      | Charges for<br>Services | Operating Grants<br>and Contributions |  | Revenues and<br>Changes in<br>Net Position |
| Governmental activities                    |                      |                         |                                       |  |  |
| Transit operations                         | \$ 11,468,643        | \$ 1,062,323            | \$ 6,377,124                          | \$ 616,778                             | \$ (3,412,418)                             |
| Vehicle maintenance                        | 3,138,180            | -                       | 1,744,981                             | -                                      | (1,393,199)                                |
| Facility maintenance                       | 1,393,946            | -                       | 775,102                               | -                                      | (618,844)                                  |
| General administration                     | 4,229,965            | -                       | 2,352,067                             | -                                      | (1,877,898)                                |
| Total governmental activities              | <u>\$ 20,230,734</u> | <u>\$ 1,062,323</u>     | <u>\$ 11,249,274</u>                  | <u>\$ 616,778</u>                      | (7,302,359)                                |
| General revenues                           |                      |                         |                                       |  |  |
| Property taxes                             |                      |                         |                                       |  | 3,352,778                                  |
| Auxiliary                                  |                      |                         |                                       |  | 159,043                                    |
| Grants not restricted to specific programs |                      |                         |                                       |  | 4,072,668                                  |
| Investment income                          |                      |                         |                                       |  | 559,752                                    |
| Total general revenues                     |                      |                         |                                       |  | <u>8,144,241</u>                           |
| Change in net position                     |                      |                         |                                       |  | 841,882                                    |
| Net position - beginning                   |                      |                         |                                       |  | <u>45,576,876</u>                          |
| Net position - ending                      |                      |                         |                                       |  | <u>\$ 46,418,758</u>                       |



**St. Cloud Metropolitan Transit Commission  
Balance Sheet - Governmental Funds  
September 30, 2023**

|  | <u>General Fund</u>  |
|--|----------------------|
| <b>Assets</b>  |                      |
| Cash and investments   | \$ 23,289,254        |
| Receivables  |                      |
| Local tax levies - current   | 1,657,724            |
| Local tax levies - delinquent  | 19,424               |
| State grants   | 160,271              |
| Federal grants   | 1,129,822            |
| Other  | 85,694               |
| Materials and supplies inventory                                       | 331,718              |
| Prepaid items  | 9,164                |
| Total assets   | <u>\$ 26,683,071</u> |
| <b>Liabilities</b>   |                      |
| Accounts and contracts payable   | \$ 624,847           |
| Salaries and benefits payable  | 192,827              |
| Total liabilities  | <u>817,674</u>       |
| <b>Deferred Inflows of Resources</b>                                   |                      |
| Unavailable revenue - delinquent property taxes                        | 19,424               |
| <b>Fund Balances</b>   |                      |
| Nonspendable   | 340,882              |
| Assigned for   |                      |
| Fixed asset acquisitions   | 5,778,498            |
| Self insurance   | 294,482              |
| Fixed route expansion  | 1,200,000            |
| CNG future capital repairs   | 240,000              |
| Employee wellness/retention  | 45,815               |
| Unassigned   | 17,946,296           |
| Total fund balances  | <u>25,845,973</u>    |
| Total liabilities, deferred inflows of<br>resources, and fund balances | <u>\$ 26,683,071</u> |

**St. Cloud Metropolitan Transit Commission  
Reconciliation of the Balance Sheet to  
the Statement of Net Position - Governmental Funds  
September 30, 2023**

|   |                             |
|---|-----------------------------|
| Total fund balances - governmental funds  | \$ 25,845,973               |
| 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  | 55,172,449                  |
| Less accumulated depreciation   | (28,942,772)                |
| 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:   |                             |
| Compensated absences payable  | (1,406,788)                 |
| Net pension liability   | (4,137,997)                 |
| 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. |                             |
|   | 19,424                      |
| 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   | (1,357,590)                 |
| Deferred outflows of resources related to pensions  | <u>1,226,059</u>            |
| Total net position - governmental activities  | <u><u>\$ 46,418,758</u></u> |

**St. Cloud Metropolitan Transit Commission  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds  
Year Ended September 30, 2023**

|                                   | <u>General Fund</u> |
|-----------------------------------|---------------------|
| <b>Revenues</b>                   |                     |
| Local property taxes              | \$ 3,341,409        |
| Revenue from state sources        | 11,248,762          |
| Revenue from federal sources      | 3,837,420           |
| Federal capital grant entitlement | 616,778             |
| Charges for services              | 1,062,323           |
| Auxiliary                         | 159,043             |
| Other nontransportation revenues  | 795,000             |
| Total revenues                    | 21,060,735          |
| <b>Expenditures</b>               |                     |
| Current                           |                     |
| Transit operations                | 9,137,329           |
| Vehicle maintenance               | 2,424,160           |
| Facility maintenance              | 1,189,754           |
| General administration            | 3,463,582           |
| Capital outlay                    |                     |
| Transit operations                | 238,911             |
| Vehicle maintenance               | 169,192             |
| Facility maintenance              | 22,628              |
| General administration            | 437,170             |
| Total expenditures                | 17,082,726          |
| Net change in fund balance        | 3,978,009           |
| <b>Fund Balance</b>               |                     |
| Beginning of year                 | 21,867,964          |
| End of year                       | \$ 25,845,973       |

**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, 2023**

Net change in fund balances - governmental funds \$ 3,978,009

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      | 867,901     |
| Depreciation expense | (3,194,590) |
| Loss on disposal     | (34,675)    |

|   |           |
|---|-----------|
| Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. | (536,915) |
|---|-----------|

|   |           |
|---|-----------|
| 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. | (249,217) |
|---|-----------|

|   |        |
|---|--------|
| 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. | 11,369 |
|---|--------|

|  |            |
|--|------------|
| Change in net position - governmental activities | \$ 841,882 |
|--|------------|

**St. Cloud Metropolitan Transit Commission  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended September 30, 2023**

|                                   | Budgeted<br>Amounts   |  | Actual<br>Amounts | Variance with<br>Final Budget -<br>Over (Under) |
|-----------------------------------|-----------------------|--|-------------------|---|
|                                   | Original<br>and Final |  |                   |   |
| <b>Revenues</b>                   |                       |  |                   |   |
| Local property taxes              | \$ 3,350,000          |  | \$ 3,341,409      | \$ (8,591)                                      |
| Revenue from state sources        | 16,846,340            |  | 11,248,762        | (5,597,578)                                     |
| Revenue from federal sources      | 690,785               |  | 3,837,420         | 3,146,635                                       |
| Federal capital grant entitlement | 128,000               |  | 616,778           | 488,778   |
| Charges for services              | 648,000               |  | 1,062,323         | 414,323   |
| Auxiliary                         | 128,000               |  | 159,043           | 31,043  |
| Other nontransportation revenues  | 26,800                |  | 795,000           | 768,200   |
| Total revenues                    | 21,817,925            |  | 21,060,735        | (757,190)                                       |
| <b>Expenditures</b>               |                       |  |                   |   |
| Current                           |                       |  |                   |   |
| Transit operations                | 9,878,825             |  | 9,137,329         | (741,496)                                       |
| Vehicle maintenance               | 2,867,317             |  | 2,424,160         | (443,157)                                       |
| Facility maintenance              | 838,515               |  | 1,189,754         | 351,239   |
| General administration            | 3,473,268             |  | 3,463,582         | (9,686)   |
| Capital outlay                    |                       |  |                   |   |
| Transit operations                | 4,600,000             |  | 238,911           | (4,361,089)                                     |
| Vehicle maintenance               | -                     |  | 169,192           | 169,192   |
| Facility maintenance              | 45,000                |  | 22,628            | (22,372)  |
| General administration            | 115,000               |  | 437,170           | 322,170   |
| Total expenditures                | 21,817,925            |  | 17,082,726        | (4,735,199)                                     |
| Net change in fund balances       | \$ -                  |  | 3,978,009         | \$ 3,978,009                                    |
| <b>Fund Balance</b>               |                       |  |                   |   |
| Beginning of year                 |                       |  | 21,867,964        |   |
| End of year                       |                       |  | \$ 25,845,973     |   |

**St. Cloud Metropolitan Transit Commission**  
**Notes to Basic 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* § 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 basic 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 basic 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 Basic 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 unrestricted resources from fund balance classifications in the following order: committed, 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, 2023, were comprised of deposits, including certificates of deposit, at Wells Fargo, and money market mutual funds.

**St. Cloud Metropolitan Transit Commission**  
**Notes to Basic 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. 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.

**F. 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.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

**H. 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 basic financial statements.

**I. 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. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

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



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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Capital Assets (Continued)**

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

| Assets                  | Years |
|-------------------------|-------|
| Buildings               | 40    |
| Building improvements   | 7-20  |
| Furniture and equipment | 5-20  |
| Vehicles                | 7-12  |

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.

**J. 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.

**K. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column of the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Long-Term Obligations (Continued)**

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**L. 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.

**M. 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.

**N. 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, 2023.

**O. 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 items insurance.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Fund Equity (Continued)**

- 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, fixed route expansion, CNG future capital repairs, 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 shall manage its cash flow needs by having a target unassigned fund balance at the close of each fiscal year of 40-50% of the next year's operating budget.

**P. 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.

**Q. Use of Estimates**

The preparation of basic 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 basic financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**R. 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.

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

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

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, 2023, 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           | \$ 6,734,094               |
| Certificates of deposit        | <u>2,096,872</u>           |
| Total deposits and investments | <u><u>\$ 8,830,966</u></u> |

**B. Investments**

Investments at September 30, 2023, were comprised of Wells Fargo Money Market Mutual Funds.

The following is a summary of total investments as of September 30, 2023:

|                                       |                             |
|---------------------------------------|-----------------------------|
| Wells Fargo Money Market Mutual Funds | <u><u>\$ 14,458,238</u></u> |
|---------------------------------------|-----------------------------|

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, 2023:

- \$14,458,238 are valued using quoted market prices (Level 1 inputs)

The following is a summary of total deposits and investments as of September 30, 2023:

|                                |                             |
|--------------------------------|-----------------------------|
| Deposits                       | \$ 8,830,966                |
| Investments                    | 14,458,238                  |
| Petty cash                     | <u>50</u>                   |
| Total deposits and investments | <u><u>\$ 23,289,254</u></u> |

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

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

Deposits and investments are presented in the September 30, 2023, basic financial statements as follows:

Statement of Net Position

|                      |                      |
|----------------------|----------------------|
| Cash and investments | <u>\$ 23,289,254</u> |
|----------------------|----------------------|

**Credit Risk:** Credit risk is the risk of loss due to failure of the security issuer or backer. Credit risk may be mitigated by A. Limiting investments to the safest types of securities; and B. Diversifying the investment portfolio so that potential losses from any type of security or from any on individual issuer will be minimized.

**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 general interest rates. The Commission's investment policy states the Commission shall mitigate this risk by A. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open prior to maturity; and B. By investing operating funds primarily in shorter-term securities.

**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.

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

**NOTE 3 – RECEIVABLES AND UNAVAILABLE REVENUE**

**A. Local Tax Levies**

Tax levies receivable at September 30, 2023, were:

|  |                            |
|--|----------------------------|
| Current taxes receivable                                     |                            |
| Stearns County   | \$ 1,311,248               |
| Benton County  | 292,832                    |
| Sherburne County   | <u>53,644</u>              |
| Total current taxes receivable                               | <u><u>\$ 1,657,724</u></u> |
|  |                            |
| Delinquent taxes receivable and unavailable revenue          |                            |
| Stearns County   | \$ 20,708                  |
| Benton County  | (1,697)                    |
| Sherburne County   | <u>413</u>                 |
| Total delinquent taxes receivable and<br>unavailable revenue | <u><u>\$ 19,424</u></u>    |

**NOTE 4 – CAPITAL GRANTS**

During the year ended September 30, 2023, the Commission earned, from the Federal Transit Administration, capital grants in the amount of \$616,778 which were used to purchase equipment, facility improvements, IT infrastructure, and software. These amounts collectively compromise the Federal Capital Grant Entitlement.

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

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2023, was as listed below:

|   | Beginning<br>Balance | Increases             | Decreases         | Ending<br>Balance    |
|---|----------------------|-----------------------|-------------------|----------------------|
| Governmental activities                         |                      |                       |                   |                      |
| Capital assets not<br>being depreciated         |                      |                       |                   |                      |
| Land  | \$ 956,720           | \$ -                  | \$ -              | \$ 956,720           |
| Construction in progress                        | 903,517              | 238,911               | 769,114           | 373,314              |
| Total capital assets not<br>being depreciated   | <u>1,860,237</u>     | <u>238,911</u>        | <u>769,114</u>    | <u>1,330,034</u>     |
| Capital assets being depreciated                |                      |                       |                   |                      |
| Buildings and bus shelters                      | 21,911,374           | 169,193               | 46,304            | 22,034,263           |
| Buses and bus equipment                         | 28,856,187           | 84,751                | -                 | 28,940,938           |
| Office furniture, computers,<br>and equipment   | 1,459,495            | 1,144,160             | 50,951            | 2,552,704            |
| Vehicles  | 286,803              | -                     | -                 | 286,803              |
| Transit priority systems                        | 27,707               | -                     | -                 | 27,707               |
| Total capital assets<br>being depreciated       | <u>52,541,566</u>    | <u>1,398,104</u>      | <u>97,255</u>     | <u>53,842,415</u>    |
| Less accumulated depreciation for               |                      |                       |                   |                      |
| Buildings and bus shelters                      | 8,713,377            | 598,402               | 38,665            | 9,273,114            |
| Buses and bus equipment                         | 16,624,081           | 2,364,508             | -                 | 18,988,589           |
| Office furniture, computers,<br>and equipment   | 302,995              | 197,851               | 23,915            | 476,931              |
| Vehicles  | 144,909              | 31,520                | -                 | 176,429              |
| Transit priority systems                        | 25,400               | 2,309                 | -                 | 27,709               |
| Total accumulated<br>depreciation               | <u>25,810,762</u>    | <u>3,194,590</u>      | <u>62,580</u>     | <u>28,942,772</u>    |
| Total capital assets<br>being depreciated, net  | <u>26,730,804</u>    | <u>(1,796,486)</u>    | <u>34,675</u>     | <u>24,899,643</u>    |
| Governmental activities,<br>capital assets, net | <u>\$ 28,591,041</u> | <u>\$ (1,557,575)</u> | <u>\$ 803,789</u> | <u>\$ 26,229,677</u> |

Depreciation expense of \$3,194,590 for the year ended September 30, 2023, was charged to functions/programs of the Commission as follows:

|                            |                     |
|----------------------------|---------------------|
| Governmental activities    |                     |
| Transit operations         | \$ 2,133,832        |
| Vehicle maintenance        | 600,712             |
| Facility maintenance       | 96,976              |
| General administration     | <u>363,070</u>      |
| Total depreciation expense | <u>\$ 3,194,590</u> |

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

**NOTE 6 – LONG-TERM LIABILITIES**

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

|                              | Total<br>Outstanding | Due Within<br>One Year |
|------------------------------|----------------------|------------------------|
| Compensated absences payable | \$ 1,406,788         | \$ 554,364             |

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

|                      | Beginning<br>Balance | Additions  | Reductions | Ending<br>Balance |
|----------------------|----------------------|------------|------------|-------------------|
| Compensated absences | \$ 869,873           | \$ 962,641 | \$ 425,726 | \$ 1,406,788      |

**NOTE 7 – FUND BALANCES**

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

|                                  | General Fund  |
|----------------------------------|---------------|
| Nonspendable                     |               |
| Materials and supplies inventory | \$ 331,718    |
| Prepaid items                    | 9,164         |
| Total nonspendable               | 340,882       |
| Assigned for                     |               |
| Fixed asset acquisition          | 5,778,498     |
| Fixed route expansion            | 1,200,000     |
| Self-insurance                   | 294,482       |
| CNG future capital repairs       | 240,000       |
| Employee wellness/retention      | 45,815        |
| Total assigned fund balance      | 7,558,795     |
| Unassigned                       | 17,946,296    |
| Total fund balance               | \$ 25,845,973 |

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

Nonspendable for Prepaid Items – 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.



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

**NOTE 7 – FUND BALANCES (CONTINUED)**

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 – This balance represents a portion of the fund balance that was created offer funding for self-insurance programs.

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

**NOTE 8 – LOCAL TAX LEVIED FOR CAPITAL IMPROVEMENTS**

Included in the payable 2022 tax levy are levies for capital improvements for \$1,432,000.

**NOTE 9 – PENSION PLANS**

**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.

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

**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.

**B. Benefits Provided**

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

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

**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**B. Benefits Provided (Continued)**

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 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 Coordinated members 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 in 2019, the postretirement increase is 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. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

**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 2023 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, 2023, were \$467,591. The Commission's contributions were equal to the required contributions as set by state statute.

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

**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**D. Pension Costs**

General Employees Fund Pension Costs

At September 30, 2023, the Commission reported a liability of \$4,137,997 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 \$114,010. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportionate share was 0.0740% at the end of the measurement period and 0.0682% for the beginning of the period.

|  |              |
|--|--------------|
| Commission's proportionate share of the net pension liability  | \$ 4,137,997 |
| State of Minnesota's proportionate share of the net pension liability associated with the Commission | 114,010      |
| Total  | \$ 4,252,007 |

For the year ended September 30, 2023, the Commission recognized pension expense of \$717,320 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the Commission recognized an additional \$512 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 Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

At September 30, 2023, 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:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience                    | \$ 133,335                           | \$ 25,848                           |
| Changes in actuarial assumptions   | 607,818                              | 1,134,191                           |
| Net collective difference between projected<br>and actual investments earnings | -                                    | 145,091                             |
| Changes in proportion  | 368,008                              | 52,460                              |
| Contributions paid to PERA subsequent to the<br>measurement date               | 116,898                              | -                                   |
| Total  | \$ 1,226,059                         | \$ 1,357,590                        |

The \$116,898 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, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending<br>September 30, | Pension Expense<br>Amount |
|------------------------------|---------------------------|
| 2024                         | \$ 139,293                |
| 2025                         | (467,867)                 |
| 2026                         | 169,912                   |
| 2027                         | (89,767)                  |
| Total                        | \$ (248,429)              |

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

**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**E. Long-Term Expected Return on Investment**

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<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic equity      | 33.5 %                   | 5.10 %  |
| International equity | 16.5                     | 5.30  |
| Fixed income         | 25.0                     | 0.75  |
| Private markets      | 25.0                     | 5.90  |
| Total                | <u>100.0 %</u>           |   |

**F. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation.

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

**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**F. Actuarial Methods and Assumptions (Continued)**

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- ◆ An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- ◆ The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- ◆ The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- ◆ A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.0%. 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.

**H. 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<br>Discount Rate<br>6.0% | Current<br>Discount Rate<br>7.0% | 1% Increase in<br>Discount Rate<br>8.0% |
|---|---|----------------------------------|---|
| Commission's proportionate share of<br>the General Employee's Fund net<br>pension liability | \$ 7,320,449                            | \$ 4,137,997                     | \$ 1,520,309                            |

**I. 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 basic financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

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

**NOTE 9 – PENSION PLANS (CONTINUED)**

**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, 2023, the Commission had 48 employees covered by the Plan. The Commission's payroll for employees covered by the Plan for the year ended September 30, 2023, was \$2,933,640 and the Commission's total payroll was \$9,718,844.

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.

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.

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

**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**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, 2020 through September 30, 2023, 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: \$147.10 weekly effective October 1, 2020, \$153.00 weekly effective October 1, 2021, and \$159.10 weekly effective October 1, 2022.

Total contributions made by the Commission during the year ended September 30, 2023, were:

Central States, Southeast, and Southwest  
Areas Pension Plan

|                        |    |         |
|------------------------|----|---------|
| Employee contributions | \$ | -       |
| Employer contributions |    | 406,328 |

The December 31, 2022, 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, 2023, audited basic financial statements.

**C. Funding Status and Progress**

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among the 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 \$5,715,700,020 as of December 31, 2022.



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

**NOTE 9 – PENSION PLANS (CONTINUED)**

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

**C. Funding Status and Progress (Continued)**

The measurement of the pension benefit obligation is based on an actuarial valuation as of January 1, 2021. Net position available to pay pension benefits was valued as of December 31, 2021.

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 10 – COMMITMENTS**

The Commission had commitments for future bus purchases in the amount of \$3,688,132.

**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<br>Fiscal Year<br>Ended June 30, | Commission's<br>Proportionate<br>Share<br>(Percentage) of<br>the Net Pension<br>Liability<br>(Asset) | Commission's<br>Proportionate<br>Share (Amount)<br>of the Net<br>Pension<br>Liability<br>(Asset) | State's<br>Proportionate<br>Share (Amount)<br>of the Net<br>Pension<br>Liability<br>Associated with<br>the Commission | Commission's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>Associated with<br>the Commission | Commission's<br>Covered<br>Payroll | Commission's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset) as a<br>Percentage of<br>its Covered<br>Payroll | Plan Fiduciary<br>Net Position as<br>a Percentage of<br>the Total<br>Pension<br>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%  |
| 2021  | 0.0671%  | 2,865,471  | 87,443  | 2,952,914  | 4,828,173                          | 59.35%   | 87.00%  |
| 2022  | 0.0682%  | 5,401,463  | 158,356   | 5,559,819  | 5,109,467                          | 105.71%  | 76.67%  |
| 2023  | 0.0740%  | 4,137,997  | 114,010   | 4,252,007  | 5,884,733                          | 70.32%   | 83.10%  |

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<br>Ending<br>September 30, | Statutorily<br>Required<br>Contribution | Contributions<br>in Relation to<br>the Statutorily<br>Required<br>Contributions | Contribution<br>Deficiency<br>(Excess) | Commission's<br>Covered<br>Payroll | Contributions<br>as a Percentage<br>of Covered<br>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%   |
| 2021                                   | 364,660                                 | 364,660   | -                                      | 4,862,133                          | 7.50%   |
| 2022                                   | 383,369                                 | 383,369   | -                                      | 5,111,587                          | 7.50%   |
| 2023                                   | 467,591                                 | 467,591   | -                                      | 6,234,547                          | 7.50%   |

**St. Cloud Metropolitan Transit Commission  
Schedule of Commission Contributions - Central States,  
Southeast, and Southwest Areas Pension Fund  
Last Ten Years**

| <u>For Fiscal<br/>Year Ended<br/>September 30,</u> | <u>Employer<br/>Contributions<br/>to the Plan</u> |
|--|---|
| 2014   | 287,598   |
| 2015   | 393,668   |
| 2016   | 356,687   |
| 2017   | 409,503   |
| 2018   | 418,168   |
| 2019   | 398,792   |
| 2020   | 422,538   |
| 2021   | 401,469   |
| 2022   | 381,617   |
| 2023   | 406,328   |

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.

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

**General Employees Fund**

**2023 Changes**

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**2022 Changes**

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**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.

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

**General Employees Fund (Continued)**

**2020 Changes (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.

**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.

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 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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.

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

**General Employees Fund (Continued)**

**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 annual 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.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed annual 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 annual 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.

**SUPPLEMENTARY INFORMATION**



ME**T**RO BUS

**St. Cloud Metropolitan Transit Commission**  
**Schedule of Revenues and Expenses**  
**Compared to Budget**  
**Year Ended September 30, 2023**

|  | Budgeted              |                      | Variance with<br>Final Budget<br>Over (Under) |
|--|-----------------------|----------------------|---|
|  | Amounts               | Actual               |   |
|  | Original<br>and Final | Amounts              |   |
| <b>Revenues</b>  |                       |                      |   |
| Passenger fares for transit service  | \$ 600,000            | \$ 903,657           | \$ 303,657                                    |
| Northstar Link fares   | 10,000                | 20,647               | 10,647  |
| Special transit fares - other  | 30,000                | 72,314               | 42,314  |
| Special transit fares - students   | 8,000                 | 2,268                | (5,732)                                       |
| Charges for service - other  | -                     | 63,437               | 63,437  |
| Auxiliary transportation revenues  | 128,000               | 159,043              | 31,043  |
| Nontransportation revenues - other   | 16,800                | 235,248              | 218,448                                       |
| Nontransportation revenues - investment income                               | 10,000                | 559,752              | 549,752                                       |
| Taxes levied by transit system - operations                                  | 1,918,000             | 1,920,778            | 2,778   |
| State of Minnesota grants - operating assistance                             | 13,646,340            | 11,249,274           | (2,397,066)                                   |
| Federal operating grants   | 690,785               | 3,837,420            | 3,146,635                                     |
| Total operating revenues   | <u>17,057,925</u>     | <u>19,023,838</u>    | <u>1,965,913</u>                              |
| Taxes levied for fixed asset acquisitions                                    | 1,432,000             | 1,432,000            | -   |
| Federal capital grant aid  | 128,000               | 616,778              | 488,778                                       |
| State capital grant aid  | 3,200,000             | -                    | (3,200,000)                                   |
| Total nonoperating revenues  | <u>4,760,000</u>      | <u>2,048,778</u>     | <u>(2,711,222)</u>                            |
| Total revenues   | <u>\$ 21,817,925</u>  | <u>\$ 21,072,616</u> | <u>\$ (745,309)</u>                           |
| <b>Expenses</b>  |                       |                      |   |
| Operators' salaries and wages  | \$ 5,019,725          | \$ 4,867,664         | \$ (152,061)                                  |
| Other salaries and wages   | 4,421,603             | 4,851,180            | 429,577                                       |
| Payroll taxes  | 721,343               | 707,063              | (14,280)                                      |
| Hospital, medical, and surgical plans  | 1,955,072             | 1,722,397            | (232,675)                                     |
| Uniform and work clothing allowances, employee parking                       | 25,800                | 33,481               | 7,681   |
| Other fringe benefits - retirement   | 1,055,828             | 1,160,756            | 104,928                                       |
| Unemployment insurance   | 20,000                | -                    | (20,000)                                      |
| Workers' compensation  | 288,386               | 248,759              | (39,627)                                      |
| Advertising fees   | 5,000                 | 9,629                | 4,629   |
| Professional and technical services  | 776,573               | 753,864              | (22,709)                                      |
| Sublet mechanic labor and preventative maintenance                           | 85,150                | 113,809              | 28,659  |
| Other services   | 159,182               | 143,017              | (16,165)                                      |
| Fuel and lubricants  | 891,459               | 655,743              | (235,716)                                     |
| Tires and tubes  | 54,620                | 75,766               | 21,146  |
| Other materials and supplies   | 626,289               | 668,780              | 42,491  |
| Utilities  | 389,576               | 369,064              | (20,512)                                      |
| Insurance  | 343,596               | 435,744              | 92,148  |
| Dues and subscriptions   | 45,658                | 42,635               | (3,023)                                       |
| Travel and meetings  | 42,970                | 60,488               | 17,518  |
| Advertising - promotion/media  | 100,000               | 55,240               | (44,760)                                      |
| Miscellaneous expenses   | 29,600                | 25,453               | (4,147)                                       |
| Transit way structures and equipment   | 500                   | 937                  | 437   |
| Total expenses before depreciation<br>and loss on disposal of capital assets | <u>\$ 17,057,930</u>  | <u>\$ 17,001,469</u> | <u>\$ (56,461)</u>                            |

**St. Cloud Metropolitan Transit Commission**  
**Schedule of Expenses and Functions**  
**Year Ended September 30, 2023**

| <b>Expense Object Classes</b>  | <u>Total Expenses</u>    | <u>Fixed Route<br/>Operations</u> | <u>Dial-A-Ride<br/>Operations</u> |
|--|--------------------------|-----------------------------------|-----------------------------------|
| Labor  |                          |                                   |                                   |
| Operators' salaries and wages  | \$ 4,867,664             | \$ 2,969,454                      | \$ 1,898,210                      |
| Other salaries and wages   | 4,851,180                | 992,371                           | 540,863                           |
| Fringe benefits  |                          |                                   |                                   |
| Payroll taxes  | 707,063                  | 249,229                           | 225,299                           |
| Hospital, medical, and surgical plans  | 1,722,397                | 850,739                           | 438,782                           |
| Uniforms and work clothing allowances, employee parking                      | 33,481                   | 10,301                            | 4,991                             |
| Other fringe benefits  |                          |                                   |                                   |
| Retirement   | 1,160,756                | 410,190                           | 254,850                           |
| Reemployment insurance   | -                        | -                                 | -                                 |
| Workers' compensation  | 248,759                  | 184,471                           | 59,145                            |
| Services   |                          |                                   |                                   |
| Advertising fees   | 9,629                    | -                                 | -                                 |
| Professional and technical services  | 753,864                  | 122,767                           | 97,889                            |
| Sublet mechanic labor and<br>preventative maintenance                        | 113,809                  | -                                 | -                                 |
| Other services   | 143,017                  | -                                 | -                                 |
| Materials and supplies consumed  |                          |                                   |                                   |
| Fuel and lubricants  | 655,743                  | -                                 | -                                 |
| Tires and tubes  | 75,766                   | -                                 | -                                 |
| Other materials and supplies   | 668,780                  | -                                 | -                                 |
| Utilities  | 369,064                  | 3,465                             | 2,035                             |
| Insurance  | 435,744                  | -                                 | -                                 |
| Miscellaneous expenses   |                          |                                   |                                   |
| Dues and subscriptions   | 42,635                   | -                                 | -                                 |
| Travel and meetings  | 60,488                   | 10,541                            | 6,190                             |
| Advertising - promotion/media  | 55,240                   | -                                 | -                                 |
| Other miscellaneous expenses   | 25,453                   | -                                 | -                                 |
| Transit way structures and equipment   | 937                      | -                                 | -                                 |
| Total expenses before depreciation and<br>loss on disposal of capital assets | <u>17,001,469</u>        | <u>5,803,528</u>                  | <u>3,528,254</u>                  |
| Depreciation expense   | 3,194,589                | 1,498,208                         | 638,653                           |
| Loss on disposal of capital assets   | <u>34,676</u>            | <u>-</u>                          | <u>-</u>                          |
| <br>Total operating expenses   | <br><u>\$ 20,230,734</u> | <br><u>\$ 7,301,736</u>           | <br><u>\$ 4,166,907</u>           |

| <u>Vehicle<br/>Maintenance</u> | <u>Facility<br/>Maintenance</u> | <u>General<br/>Administration</u> |
|--------------------------------|---------------------------------|-----------------------------------|
| \$ -                           | \$ -                            | \$ -                              |
| 1,155,754                      | 101,429                         | 2,060,763                         |
| 80,575                         | 7,693                           | 144,267                           |
| 188,632                        | 14,045                          | 230,199                           |
| 14,659                         | 417                             | 3,113                             |
| 185,527                        | (952)                           | 311,141                           |
| -                              | -                               | -                                 |
| 5,143                          | -                               | -                                 |
| -                              | -                               | 9,629                             |
| 17,403                         | 4,189                           | 511,616                           |
| 18,510                         | 95,299                          | -                                 |
| 6,922                          | 136,095                         | -                                 |
| 655,695                        | 48                              | -                                 |
| 75,766                         | -                               | -                                 |
| 495,913                        | 140,076                         | 32,791                            |
| 2,950                          | 330,744                         | 29,870                            |
| -                              | -                               | 435,744                           |
| 886                            | -                               | 41,749                            |
| 808                            | -                               | 42,949                            |
| -                              | -                               | 55,240                            |
| 29                             | -                               | 25,424                            |
| -                              | 937                             | -                                 |
| <u>2,905,172</u>               | <u>830,020</u>                  | <u>3,934,495</u>                  |
| 233,008                        | 556,287                         | 268,433                           |
| -                              | 7,639                           | 27,037                            |
| <u>\$ 3,138,180</u>            | <u>\$ 1,393,946</u>             | <u>\$ 4,229,965</u>               |

**St. Cloud Metropolitan Transit Commission**  
**Schedule of Changes in Equity**  
**September 30, 2023**

|  | <u>Net Investment<br/>in Capital Assets</u> | <u>Unassigned</u>           | <u>Nonspendable</u>      | <u>Assigned for<br/>Fixed Asset<br/>Acquisitions</u> |
|--|---|-----------------------------|--------------------------|--|
| Balance - September 30, 2022   | \$ 28,591,041                               | \$ 11,114,375               | \$ 296,520               | \$ 3,920,080   |
| Revenues over (under)<br>expenses for the year ended<br>September 30, 2023 | <u>(2,361,364)</u>                          | <u>1,175,029</u>            | <u>44,362</u>            | <u>1,858,418</u>                                     |
| Balance - September 30, 2023   | <u><u>\$ 26,229,677</u></u>                 | <u><u>\$ 12,289,404</u></u> | <u><u>\$ 340,882</u></u> | <u><u>\$ 5,778,498</u></u>                           |

| <u>Assigned for<br/>Fixed Route<br/>Expansion</u> | <u>Assigned for Self-<br/>Insurance</u> | <u>Assigned for<br/>CNG Future<br/>Capital Repairs</u> | <u>Assigned for<br/>Employee<br/>Wellness/<br/>Retention</u> | <u>Total</u>         |
|---|---|--|--|----------------------|
| \$ 1,200,000                                      | \$ 252,102                              | \$ 160,000   | \$ 42,758  | \$ 45,576,876        |
| -   | 42,380                                  | 80,000   | 3,057  | 841,882              |
| <u>\$ 1,200,000</u>                               | <u>\$ 294,482</u>                       | <u>\$ 240,000</u>                                      | <u>\$ 45,815</u>   | <u>\$ 46,418,758</u> |

ME**T**RO BUS

**St. Cloud Metropolitan Transit Commission**  
**Schedule of Tax Levies, Tax Capacity, and Rates**  
**For Taxes Payable in 2023**

|                      | Levy                    |                         |                       |                       |                       | Initial<br>Net Tax<br>Capacity<br>Rates |
|----------------------|-------------------------|-------------------------|-----------------------|-----------------------|-----------------------|---|
|                      | Total                   | St. Cloud               | Waite Park            | Sauk Rapids           | Sartell               |   |
| Stearns County       | \$ 2,615,693            | \$ 1,626,702            | \$ 378,063            | \$ -                  | \$ 610,928            | 2.998                                   |
| Benton County        | 618,241                 | 169,120                 | -                     | 394,205               | 54,916                | 2.998                                   |
| Sherburne County     | 116,066                 | 116,066                 | -                     | -                     | -                     | 2.998                                   |
| <br>Total net levy   | <br><u>3,350,000</u>    | <br><u>\$ 1,911,888</u> | <br><u>\$ 378,063</u> | <br><u>\$ 394,205</u> | <br><u>\$ 665,844</u> |   |
| <br>Total gross levy | <br><u>\$ 3,350,000</u> |                         |                       |                       |                       |   |

| Tax Capacity                         | Valuations                |
|--------------------------------------|---------------------------|
| Stearns County - City of St. Cloud   | \$ 54,259,954             |
| Stearns County - City of Waite Park  | 12,610,615                |
| Stearns County - City of Sartell     | 20,377,997                |
| Benton County - City of St. Cloud    | 5,641,150                 |
| Benton County - City of Sauk Rapids  | 13,149,034                |
| Benton County - City of Sartell      | 1,831,759                 |
| Sherburne County - City of St. Cloud | <u>3,871,477</u>          |
| <br>Total                            | <br><u>\$ 111,741,986</u> |



**St. Cloud Metropolitan Transit Commission  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2023**

| Federal Assistance<br>Grant Number/<br>Funding Source | Grant Name                                 | Project Time Period |
|---|--|---------------------|
| <b>Through U.S. Department of Transportation</b>      |  |                     |
| CFDA No. 20.507:                                      |  |                     |
| MN-2017-011   | Section 5307 - Capital                     | 10/01/16-03/29/24   |
| MN-2020-039-00  | Section 5307 - Capital                     | 07/06/20-03/30/24   |
| MN-2021-012-00  | Section 5307 - Capital                     | 04/06/21-03/31/25   |
| MN-2021-007-00  | Section 5307 - CRRSAA Operating Assistance | 03/31/21-03/31/25   |
| MN-2021-025-00  | Section 5307 - ARP Act                     | 06/28/21-03/03/28   |
| MN-2023-025-00  | Section 5307 - Capital                     | 07/24/23-03/30/28   |

| State Assistance<br>Contract Number                   |  |                   |
|---|--|-------------------|
| <b>Through Minnesota Department of Transportation</b> |  |                   |
| 1031281   | Public Transit Operating Assistance Contract | 07/01/17-06/30/18 |
| 1032149   | Public Transit Operating Assistance Contract | 01/01/19-12/31/19 |
| 1035624   | Public Transit Operating Assistance Contract | 01/01/20-12/31/21 |
| 1048068   | Public Transit Operating Assistance Contract | 01/01/21-12/31/22 |
| 1048074   | Public Transit Operating Assistance Contract | 01/01/21-12/31/22 |
| 1048075   | Public Transit Operating Assistance Contract | 01/01/21-12/31/22 |
| 1051395   | Public Transit Operating Assistance Contract | 01/01/22-12/31/23 |
| 1051401   | Public Transit Operating Assistance Contract | 01/01/22-12/31/23 |
| 1051725   | Public Transit Operating Assistance Contract | 01/01/22-12/31/23 |

| Audit Report<br>This Period | Expenditures        |                     | Total               |
|-----------------------------|---------------------|---------------------|---------------------|
|                             | Prior<br>Reports    | This<br>Report      |                     |
| 10/01/22-09/30/23           | \$ 1,623,272        | \$ 297,600          | \$ 1,920,872        |
| 10/01/22-09/30/23           | 505,175             | 24,803              | 529,978             |
| 10/01/22-09/30/23           | 551,616             | 147,660             | 699,276             |
| 10/01/22-09/30/23           | 598,116             | 1,424,645           | 2,022,761           |
| 10/01/22-09/30/23           | 1,326,381           | 2,412,775           | 3,739,156           |
| 10/01/22-09/30/23           | -                   | 146,715             | 146,715             |
| <b>Total Federal Grants</b> | <b>\$ 4,604,560</b> | <b>\$ 4,454,198</b> | <b>\$ 9,058,758</b> |

|                           |                      |                      |                      |
|---------------------------|----------------------|----------------------|----------------------|
| 10/01/22-09/30/23         | \$ 239,000           | \$ 8,102             | \$ 247,102           |
| 10/01/22-09/30/23         | 4,268,518            | 85,476               | 4,353,994            |
| 10/01/22-09/30/23         | 8,437,984            | 20,610               | 8,458,594            |
| 10/01/22-09/30/23         | 4,554,980            | 1,833,813            | 6,388,793            |
| 10/01/22-09/30/23         | 2,874,316            | 910,224              | 3,784,540            |
| 10/01/22-09/30/23         | 506,535              | 141,353              | 647,888              |
| 10/01/22-09/30/23         | -                    | 4,792,214            | 4,792,214            |
| 10/01/22-09/30/23         | -                    | 3,603,017            | 3,603,017            |
| 10/01/22-09/30/23         | -                    | 337,001              | 337,001              |
| <b>Total State Grants</b> | <b>\$ 20,881,333</b> | <b>\$ 11,731,810</b> | <b>\$ 32,613,143</b> |

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

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state award activity of the Commission under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the Commission.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – PASS-THROUGH GRANT NUMBERS**

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

**NOTE 4 – INDIRECT COST RATE**

The Commission did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Basic 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 basic financial statements of the governmental activities and the major fund of , St. Cloud, Minnesota, as of and for the year ending September 30, 2023, and the related notes to basic financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated April 24, 2024.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a material weakness, 2023-001.

### **Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Commission's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Commission's response to the finding identified in our audit and 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 the response.

### **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.

*BergankDV, Ltd.*

St. Cloud, Minnesota

April 24, 2024

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

**Opinion on Each Major Federal Program**

We have audited 's, St. Cloud, Minnesota compliance with the types of compliance requirements identified as subject to audit *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended September 30, 2023. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Commission complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2023.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Commission 's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commission 's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission 's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission 's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission 's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Example Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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.

**Report on Internal Control over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
April 24, 2024



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

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

**Basic Financial Statements**

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

Internal control over financial reporting:  
 • Material weakness(es) identified? 2023-001  
 • Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:  
 • Material weakness(es) identified? No  
 • Significant deficiency(ies) identified? None reported

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

**Identification of Major Programs**

Assistance Listing No: 20.507  
 Name of Federal Program or Cluster: Federal Transit Cluster

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 – BASIC FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2023-001 – Lack of Segregation of Accounting Duties**

*Criteria:*

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

*Condition:*

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

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

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

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

During the course of our engagement, a material audit adjustment was 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 basic financial statements.

*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 basic 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 – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Audit Finding 2023-001 – Lack of Segregation of Accounting Duties (Continued)**

*Recommendation:*

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

*Responsible Official'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, Director of Finance, 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 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 basic 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, 2023, and the related notes to basic financial statements, and have issued our report thereon dated April 17, 2024.

In connection with our audit, we noted that the Commission failed to comply with provisions of the contracting - bid laws of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Responses on Legal Compliance. Also, 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 depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they related to accounting matters. 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, insofar as they related to accounting matters.

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



St. Cloud, Minnesota  
April 24, 2024

**St. Cloud Metropolitan Transit Commission  
Schedule of Findings and Responses on  
Legal Compliance**

**FOLLOWING BIDDING PROCEDURES**

According to *Minnesota State Statute* § 471.345, subd. 4, if the amount of the contract is estimated to exceed \$175,000 the contract must be made by sealed bids.

During our audit we noted the City only obtained quotations for a contact exceeding \$175,000 for which sealed bids should have been obtained.