

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

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### **Rainbow Rider Lowry, Minnesota**

Year Ended December 31, 2021

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** – conducts financial and legal compliance audits of local governments;

**Government Information** – collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

**Tax Increment Financing** – promotes compliance and accountability in local governments’ use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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# **Rainbow Rider Lowry, Minnesota**

Year Ended December 31, 2021



**Office of the State Auditor**

**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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## **INTRODUCTORY SECTION**

**RAINBOW RIDER  
LOWRY, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2021

The Rainbow Rider Transit Board consists of two members from each of the participating counties.

<u>Name</u>	<u>Position</u>	<u>County</u>
Board		
Paul Gerde	Chair	Pope
Ron Staples	Vice Chair	Stevens
Charlie Meyer	Member	Douglas
Keith Englund	Member	Douglas
Bill LaValley	Member	Grant
Dwight Walvatne	Member	Grant
Cody Rogahn	Member	Pope
Donny Wohlers	Member	Stevens
Randy Neumann	Member	Todd
Barb Becker	Member	Todd
Mark Gail	Member	Traverse
Todd Johnson	Member	Traverse
Brenda Brittin	Transit Director	

**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Transit Board  
Rainbow Rider  
Lowry, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Rainbow Rider as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Rainbow Rider's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Rainbow Rider as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Rainbow Rider, 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 opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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, that raise substantial doubt about Rainbow Rider'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 opinion. 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 Rainbow Rider'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; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rainbow Rider'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, PERA retirement plan schedules, and Notes to the Required Supplementary Information 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, who considers it to be

an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, on our consideration of Rainbow Rider'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 Rainbow Rider's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rainbow Rider's internal control over financial reporting and compliance.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

December 12, 2022

*/s/Dianne Syverson*

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

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

**RAINBOW RIDER  
LOWRY, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021  
(Unaudited)**

The Rainbow Rider Transit Board's (Board) Management's Discussion and Analysis (MD&A) provides an overview of Rainbow Rider's financial activities for the fiscal year ended December 31, 2021. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Rainbow Rider's financial statements.

Rainbow Rider is a joint powers enterprise operation among Douglas, Grant, Pope, Stevens, Todd, and Traverse Counties created to provide a coordinated service delivery and funding source for public transportation for the mutual benefit of each of the joint participants.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. Rainbow Rider's basic financial statements consist of two parts: the financial statements and the notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

The financial statements consist of the following:

- The statement of net position compares the assets and deferred outflows of resources to the liabilities and deferred inflows of resources to give an overall view of the financial health of Rainbow Rider.
- The statement of revenues, expenses, and changes in net position provides information on an aggregate view of Rainbow Rider's finances. All of the current year's revenues and expenses are taken into account, regardless of when the cash was received or paid.
- The statement of cash flows provides sources and uses of cash for Rainbow Rider.

## FINANCIAL ANALYSIS

	Net Position			Percentage Change (%)
	2021	2020	Increase (Decrease)	
Assets				
Current and other assets	\$ 2,843,252	\$ 3,064,542	\$ (221,290)	(7.2)
Capital assets, net	<u>1,152,307</u>	<u>1,469,615</u>	<u>(317,308)</u>	(21.6)
Total Assets	<u>\$ 3,995,559</u>	<u>\$ 4,534,157</u>	<u>\$ (538,598)</u>	(11.9)
Deferred outflows of resources	<u>\$ 797,351</u>	<u>\$ 183,445</u>	<u>\$ 613,906</u>	334.7
Liabilities				
Current liabilities	\$ 236,264	\$ 170,274	\$ 65,990	38.8
Noncurrent liabilities	<u>1,163,376</u>	<u>1,558,839</u>	<u>(395,463)</u>	(25.4)
Total Liabilities	<u>\$ 1,399,640</u>	<u>\$ 1,729,113</u>	<u>\$ (329,473)</u>	(19.1)
Deferred inflows of resources	<u>\$ 980,203</u>	<u>\$ 82,357</u>	<u>\$ 897,846</u>	1090.2
Net Position				
Investment in capital assets	\$ 1,152,307	\$ 1,469,615	\$ (317,308)	(21.6)
Unrestricted	<u>1,260,760</u>	<u>1,436,517</u>	<u>(175,757)</u>	(12.2)
Total Net Position	<u><u>\$ 2,413,067</u></u>	<u><u>\$ 2,906,132</u></u>	<u><u>\$ (493,065)</u></u>	17.0

**Changes in Net Position**

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change (%)</u>
Operating revenues				
Charges for services	\$ 396,439	\$ 373,951	\$ 22,488	6.0
Intergovernmental	2,400,859	3,955,866	(1,555,007)	(39.3)
Miscellaneous	54,778	50,038	4,740	9.5
Nonoperating revenues				
Investment earnings	12,544	10,657	1,887	17.7
Gain on sale of assets	-	10,341	(10,341)	(100.0)
<b>Total Revenues</b>	<b>\$ 2,864,620</b>	<b>\$ 4,400,853</b>	<b>\$ (1,536,233)</b>	<b>(34.9)</b>
Operating expenses				
Personnel services	\$ 2,397,540	\$ 2,443,233	\$ (45,693)	(1.9)
Administrative charges	194,484	205,163	(10,679)	(5.2)
Operating charges	519,608	364,478	155,130	42.6
Insurance	46,332	42,669	3,663	8.6
Depreciation	366,343	447,288	(80,945)	(18.1)
<b>Total Expenses</b>	<b>\$ 3,524,307</b>	<b>\$ 3,502,831</b>	<b>\$ 21,476</b>	<b>(0.6)</b>
Income (loss) before contributions	\$ (659,687)	\$ 898,022	\$ (1,557,709)	(173.5)
Capital contributions	166,622	250,940	(84,318)	(33.6)
Change in Net Position	\$ (493,065)	\$ 1,148,962	\$ (1,642,027)	(142.9)
Net Position – January 1	2,906,132	1,757,170	1,148,962	65.4
Net Position – December 31	<b>\$ 2,413,067</b>	<b>\$ 2,906,132</b>	<b>\$ (493,065)</b>	<b>(17.0)</b>

**CAPITAL ASSETS**

**Capital Assets  
(Net of Depreciation)**

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change (%)</u>
Land	\$ 137,548	\$ 137,548	\$ -	-
Land improvements	122,011	131,576	(9,565)	(7.3)
Buildings and structures	406,675	416,695	(10,020)	(2.4)
Revenue vehicles and equipment	443,145	733,016	(289,871)	(39.5)
Office furniture and equipment	42,928	50,780	(7,852)	(15.5)
<b>Total Capital Assets</b>	<b>\$ 1,152,307</b>	<b>\$ 1,469,615</b>	<b>\$ (317,308)</b>	<b>(21.6)</b>

Additional information on capital assets can be found in Note 3.C to the financial statements.

## **CONTACTING RAINBOW RIDER'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of Rainbow Rider's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Transit Director, Brenda Brittin, 249 Poplar Avenue, Lowry, Minnesota 56349.

## **BASIC FINANCIAL STATEMENTS**

**RAINBOW RIDER  
LOWRY, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

**Assets**

**Current assets**

Cash and cash equivalents	\$	2,734,750
Petty cash		50
Accounts receivable		17,434
Due from other governments		54,581
Inventories		36,437

<b>Total current assets</b>	<b>\$</b>	<b>2,843,252</b>
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**Capital assets**

Nondepreciable	\$	137,548
Depreciable – net		1,014,759

<b>Total capital assets</b>	<b>\$</b>	<b>1,152,307</b>
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<b>Total Assets</b>	<b>\$</b>	<b>3,995,559</b>
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**Deferred Outflows of Resources**

Deferred pension outflows	\$	797,351
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**Liabilities**

**Current liabilities**

Accounts payable	\$	40,888
Salaries payable		37,950
Due to other governments		7,349
Unearned revenue		136,474
Compensated absences payable		13,603

<b>Total current liabilities</b>	<b>\$</b>	<b>236,264</b>
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**Noncurrent liabilities**

Compensated absences payable	\$	100,034
Net pension liability		1,063,342

<b>Total noncurrent liabilities</b>	<b>\$</b>	<b>1,163,376</b>
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<b>Total Liabilities</b>	<b>\$</b>	<b>1,399,640</b>
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**Deferred Inflows of Resources**

Deferred pension inflows	\$	980,203
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**Net Position**

Investment in capital assets	\$	1,152,307
Unrestricted		1,260,760

<b>Total Net Position</b>	<b>\$</b>	<b>2,413,067</b>
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The notes to the financial statements are an integral part of this statement.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

*EXHIBIT 2*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>Operating Revenues</b>	
Charges for services	\$ <u>396,439</u>
<b>Intergovernmental</b>	
Federal	\$ 282,427
State	2,112,904
Reimbursement for services	<u>5,528</u>
<b>Total intergovernmental</b>	<u>\$ 2,400,859</u>
Miscellaneous	<u>\$ 54,778</u>
<b>Total Operating Revenues</b>	<u>\$ 2,852,076</u>
<b>Operating Expenses</b>	
Personnel services	\$ 2,397,540
Administrative charges	194,484
Operating charges	519,608
Insurance	46,332
Depreciation	<u>366,343</u>
<b>Total Operating Expenses</b>	<u>\$ 3,524,307</u>
<b>Operating Income (Loss)</b>	<u>\$ (672,231)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Investment earnings	<u>12,544</u>
<b>Income (loss) before contributions</b>	<u>\$ (659,687)</u>
Capital contributions	<u>166,622</u>
<b>Change in Net Position</b>	<u>\$ (493,065)</u>
<b>Net Position – January 1</b>	<u>2,906,132</u>
<b>Net Position – December 31</b>	<u><u>\$ 2,413,067</u></u>

**RAINBOW RIDER  
LOWRY, MINNESOTA**

*EXHIBIT 3*

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 572,028
Payments to suppliers	(744,817)
Payments to employees	<u>(2,521,795)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ (2,694,584)</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Intergovernmental receipts	<b><u>\$ 3,069,465</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital contributions	\$ 219,955
Purchases of capital assets	<u>(49,035)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ 170,920</u></b>
<b>Cash Flows from Investing Activities</b>	
Interest received	<b><u>\$ 12,544</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 558,345</b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>2,176,455</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 2,734,800</u></u></b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>	
Cash and cash equivalents	\$ 2,734,750
Petty cash	<u>50</u>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 2,734,800</u></u></b>

**RAINBOW RIDER  
LOWRY, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
<b>Operating income (loss)</b>	<b>\$ <u>(672,231)</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 366,343
Intergovernmental revenue	(2,400,859)
(Increase) decrease in accounts receivable	(9,808)
(Increase) decrease in due from other governments	67,747
(Increase) decrease in inventories	(243)
Increase (decrease) in accounts payable	19,734
Increase (decrease) in salaries payable	10,954
Increase (decrease) in compensated absences payable	(13,604)
Increase (decrease) in due to other governments	(3,884)
Increase (decrease) in unearned revenue	62,872
(Increase) decrease in deferred pension outflows	(613,906)
Increase (decrease) in deferred pension inflows	897,846
Increase (decrease) in net pension liability	<u>(405,545)</u>
<b>Total adjustments</b>	<b>\$ <u>(2,022,353)</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ <u><u>(2,694,584)</u></u></b>

**RAINBOW RIDER  
LOWRY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

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1. Summary of Significant Accounting Policies

Rainbow Rider's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2021. The Governmental Accounting Standard Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by Rainbow Rider are discussed below.

A. Financial Reporting Entity

Rainbow Rider was established December 1, 1994, by a joint powers agreement among Douglas, Grant, Pope, Stevens, and Traverse Counties. Operations did not begin until 1995. The agreement was established to provide a coordinated service delivery and funding source for public transportation for the mutual benefit of each of the joint participants. The joint powers agreement remains in force until any single county notifies the other parties of its intentions to withdraw, at least 90 days before the termination takes effect. The remaining counties may agree to continue the agreement with the remaining counties as members. Grant County terminated its membership in Rainbow Rider on May 31, 1999. On January 1, 2011, Grant County rejoined Rainbow Rider as a full voting member. On January 1, 2012, Todd County joined Rainbow Rider as a full voting member.

Control is vested in the Rainbow Rider Transit Board (Board). The Board consists of two members from each county. The members of the Board are appointed by the County Commissioners of the counties they represent. Members of the Board serve an annual term and may be reappointed by their respective County Boards. Rainbow Rider is a joint venture, with no county having control over the Board. Each county has an ongoing responsibility to provide funding for the operating costs of the Board allocated in accordance with the actual expenses incurred by representatives of the respective counties on the Board.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

Rainbow Rider's operations are accounted for as an enterprise fund, with a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds are used to account for: (1) operations that provide a service to citizens financed primarily by charging users for that service; and (2) activities where the periodic measurement of net income is considered appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Rainbow Rider's net position is reported in two parts: (1) investment in capital assets and (2) unrestricted net position.

C. Measurement Focus and Basis of Accounting

Rainbow Rider's financial statements are reported using the economic resources measurement focus and the full 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

1. Assets

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash, petty cash, and investments with an original maturity of three months or less when purchased.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

1. Assets (Continued)

Receivables

Accounts receivables and due from other governments represent amounts to be collected related to fares and grants for program administration. No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

Inventories

Inventories are valued at last invoice price, which is substantially the first-in, first-out method. Inventories in the fund are recorded as expenses when consumed.

Capital Assets and Depreciation

Capital assets, which include land and land improvements, buildings, furniture, equipment, and vehicles, are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Depreciation is determined using the straight-line method for the estimated useful lives of the assets:

<u>Classification</u>	<u>Range</u>
Land improvements	15 years
Buildings	30 years
Furniture and equipment	3 to 10 years
Vehicles	5 years

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position  
(Continued)

2. Liabilities

Unearned Revenue

Unredeemed bus fare tickets are reported as unearned revenue until they are redeemed. Additionally, veterans' accounts prepaid by member counties for veterans' trips are reported as unearned revenue.

Compensated Absences

The accompanying financial statements include a liability for unused paid time off (PTO) that has vested. Rainbow Rider's personnel policy provides that employees earn PTO dependent upon their years of service. PTO may be accumulated to a maximum of 30 days. Part-time employees earn PTO on a prorated basis. Rainbow Rider determines the current portion, if any, based on historical use. The liability is accrued when incurred on the financial statements.

3. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, Rainbow Rider has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual economic experience, changes in actuarial assumptions, and also changes in proportionate share and, accordingly, are reported in the statement of net position.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

3. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. Currently, Rainbow Rider has one item, deferred pension inflows, that qualifies for reporting in this category. These inflows arise under the full accrual basis of accounting and consist of differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, and also changes in proportionate share and, accordingly, are reported only in the statement of net position.

4. Defined Benefit Pension Plan

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

5. Net Position

The portion of net position, investment in capital assets, represents the capital assets of Rainbow Rider, net of accumulated depreciation. The remaining net position is reported as unrestricted net position.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

E. Revenues, Expenses, and Capital Contributions

1. Operating and Nonoperating Revenues

Rainbow Rider distinguishes operating revenues from nonoperating revenues. Operating revenues generally result from providing services in connection with an activity's principal ongoing operations. Operating revenues include charges for services and intergovernmental operating grants since they constitute Rainbow Rider's ongoing operations. All revenues not meeting this definition are reported as nonoperating revenues.

2. Operating and Nonoperating Expenses

Rainbow Rider recognizes expenses, including compensated absences, when incurred. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

3. Capital Contributions

Capital contributions received are reported as a separate item and an increase in net position on the statement of revenues, expenses, and changes in net position.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

2. Violation of Finance Legal Provision

On June 30, 2021, Rainbow Rider's deposits were in excess of Federal Deposit Insurance Corporation (FDIC) Coverage and pledged collateral by \$180,735, which is not in compliance with Minn. Stat. § 118A.03. Bank collateral will be obtained for future deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

3. Detailed Notes

A. Budget to Actual

Following is a summary statement of budgeted and actual revenues and expenses for the year ended December 31, 2021.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues			
Charges for services	\$ 577,434	\$ 396,439	\$ (180,995)
Intergovernmental	3,115,980	2,400,859	(715,121)
Miscellaneous	-	54,778	54,778
<b>Total Operating Revenues</b>	<b>\$ 3,693,414</b>	<b>\$ 2,852,076</b>	<b>\$ (841,338)</b>
Operating Expenses			
Personnel services	\$ 2,942,591	\$ 2,397,540	\$ 545,051
Administrative charges	216,232	194,484	21,748
Operating charges	486,591	519,608	(33,017)
Insurance	48,000	46,332	1,668
Depreciation	-	366,343	(366,343)
<b>Total Operating Expenses</b>	<b>\$ 3,693,414</b>	<b>\$ 3,524,307</b>	<b>\$ 169,107</b>
<b>Operating Income (Loss)</b>	<b>\$ -</b>	<b>\$ (672,231)</b>	<b>\$ (672,231)</b>
Nonoperating Revenues (Expenses)			
Investment earnings	\$ -	\$ 12,544	\$ 12,544
<b>Income (loss) before contributions</b>	<b>\$ -</b>	<b>\$ (659,687)</b>	<b>\$ (659,687)</b>
Capital contributions	-	166,622	166,622
<b>Change in Net Position</b>	<b>\$ -</b>	<b>\$ (493,065)</b>	<b>\$ (493,065)</b>
Net Position – January 1	2,906,132	2,906,132	-
<b>Net Position – December 31</b>	<b>\$ 2,906,132</b>	<b>\$ 2,413,067</b>	<b>\$ (493,065)</b>

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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3. Detailed Notes (Continued)

B. Deposits and Investments

Rainbow Rider’s total deposits and investments follow:

Cash and cash equivalents	\$ 2,734,750
Petty cash	<u>50</u>
Total Deposits	<u>\$ 2,734,800</u>

1. Deposits

Rainbow Rider is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. Rainbow Rider is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution’s banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better and revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, Rainbow Rider’s deposits may not be returned to it. Rainbow Rider does not have a deposit policy for custodial credit risk. As of December 31, 2021, Rainbow Rider’s deposits were not exposed to custodial credit risk.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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3. Detailed Notes

B. Deposits and Investments (Continued)

2. Investments

Rainbow Rider may invest in the following investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the year ended December 31, 2021, Rainbow Rider had no investments.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

3. Detailed Notes (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 137,548	\$ -	\$ -	\$ 137,548
Capital assets depreciated				
Land improvements	\$ 155,957	\$ -	\$ -	\$ 155,957
Buildings and structures	1,643,231	20,247	-	1,663,478
Revenue vehicles and equipment	3,260,894	22,004	(183,707)	3,099,191
Office furniture and equipment	191,243	6,784	-	198,027
Total capital assets depreciated	<u>\$ 5,251,325</u>	<u>\$ 49,035</u>	<u>\$ (183,707)</u>	<u>\$ 5,116,653</u>
Less: accumulated depreciation for				
Land improvements	\$ 24,381	\$ 9,565	\$ -	\$ 33,946
Buildings and structures	1,226,536	30,267	-	1,256,803
Revenue vehicles and equipment	2,527,878	311,875	(183,707)	2,656,046
Office furniture and equipment	140,463	14,636	-	155,099
Total accumulated depreciation	<u>\$ 3,919,258</u>	<u>\$ 366,343</u>	<u>\$ (183,707)</u>	<u>\$ 4,101,894</u>
Total capital assets depreciated, net	<u>\$ 1,332,067</u>	<u>\$ (317,308)</u>	<u>\$ -</u>	<u>\$ 1,014,759</u>
Capital Assets, Net	<u>\$ 1,469,615</u>	<u>\$ (317,308)</u>	<u>\$ -</u>	<u>\$ 1,152,307</u>

Depreciation expense for the year ended December 31, 2021, was \$366,343.

D. Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 127,241	\$ 153,623	\$ (167,227)	\$ 113,637	\$ 13,603

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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3. Detailed Notes (Continued)

E. Unearned Revenue

Unearned revenue consists of \$130,269 of unredeemed sold tickets and \$6,205 of prepaid tickets by member counties for veterans' accounts.

F. Defined Benefit Pension Plan

1. Plan Description

All full-time and certain part-time employees of Rainbow Rider are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Rainbow Rider employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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3. Detailed Notes

F. Defined Benefit Pension Plan

2. Benefits Provided (Continued)

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits, but are not yet receiving them, are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based on years of service and average high-five salary.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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3. Detailed Notes

F. Defined Benefit Pension Plan (Continued)

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2021.

In 2021, Rainbow Rider was required to contribute 7.50 percent of annual covered salary. The employee and employer rates did not change from the previous year.

Rainbow Rider's contributions for the General Employees Plan for the year ended December 31 2021, were \$140,290. The contributions are equal to the statutorily required contributions as set by state statute.

4. Pension Costs

At December 31, 2021, Rainbow Rider reported a liability of \$1,063,342 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Rainbow Rider's proportion of the net pension liability was based on Rainbow Rider's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, Rainbow Rider's proportion was 0.0249 percent. It was 0.0245 percent measured as of June 30, 2020. Rainbow Rider recognized pension expense of \$21,295 for its proportionate share of the General Employees Plan's pension expense.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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3. Detailed Notes

F. Defined Benefit Pension Plan

4. Pension Costs (Continued)

Rainbow Rider also recognized \$2,614 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

Rainbow Rider's proportionate share of the net pension liability	\$	1,063,342
State of Minnesota's proportionate share of the net pension liability associated with Rainbow Rider		32,396
Total	\$	1,095,738

Rainbow Rider 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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,982	\$ 32,482
Changes in actuarial assumptions	649,254	22,633
Difference between projected and actual investment earnings	-	920,927
Changes in proportion	64,980	4,161
Contributions paid to PERA subsequent to the measurement date	77,135	-
Total	\$ 797,351	\$ 980,203

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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3. Detailed Notes

F. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The \$77,135 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2022	\$ (18,859)
2023	12,916
2024	(2,867)
2025	(251,177)

5. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.25 percent per year
Active member payroll growth	3.00 percent per year
Investment rate of return	6.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent.

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. A review of inflation and investment assumptions dated June 24, 2021, was utilized.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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3. Detailed Notes

F. Defined Benefit Pension Plan

5. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	33.50%	5.10%
International equities	16.50	5.30
Fixed income	25.00	0.75
Private markets	25.00	5.90

6. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent in 2021, which is a decrease of one percent from 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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3. Detailed Notes

F. Defined Benefit Pension Plan (Continued)

7. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2021:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

8. Pension Liability Sensitivity

The following presents Rainbow Rider's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what Rainbow Rider's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>Proportionate Share of the General Employees Plan</u>	
	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease	5.50%	\$ 2,168,674
Current	6.50	1,063,342
1% Increase	7.50	156,349

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org).

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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4. Risk Management

Rainbow Rider is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, Rainbow Rider has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. Rainbow Rider is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. Risk of loss associated with injuries to employees is covered by its membership in the MCIT Workers' Compensation Division. The risk associated with Rainbow Rider operations has not been separately identified. For other risk, Rainbow Rider has commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2021 and in 2022. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess Rainbow Rider in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and Rainbow Rider pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess Rainbow Rider in a method and amount to be determined by MCIT.

**REQUIRED SUPPLEMENTARY INFORMATION**

**RAINBOW RIDER  
LOWRY, MINNESOTA**

**EXHIBIT A-1**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2021**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Rainbow Rider (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2021	0.0249 %	\$ 1,063,342	\$ 32,396	\$ 1,095,738	\$ 1,791,834	59.34 %	87.00 %
2020	0.0245	1,468,887	45,196	1,514,083	1,742,638	84.29	79.06
2019	0.0228	1,260,561	39,165	1,299,726	1,613,280	78.14	80.23
2018	0.0231	1,281,493	41,934	1,323,427	1,549,318	82.71	79.53
2017	0.0241	1,538,528	19,350	1,557,878	1,551,941	99.14	75.90
2016	0.0214	1,737,574	22,715	1,760,289	1,335,486	130.11	68.91
2015	0.0187	969,131	N/A	969,131	1,099,268	88.16	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
The measurement date for each year is June 30.  
N/A – Not Applicable

**RAINBOW RIDER  
LOWRY, MINNESOTA**

*EXHIBIT A-2*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2021**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2021	\$ 140,290	\$ 140,290	\$ -	\$ 1,870,524	7.50 %
2020	140,173	140,173	-	1,868,960	7.50
2019	122,101	122,101	-	1,628,001	7.50
2018	118,257	118,257	-	1,576,757	7.50
2017	117,633	117,708	75	1,568,437	7.50
2016	112,418	112,418	-	1,498,895	7.50
2015	87,633	87,633	-	1,168,434	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. Rainbow Rider's year-end is December 31.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2021

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Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2020 (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee 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 Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2018 (Continued)

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, 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 the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

**RAINBOW RIDER  
LOWRY, MINNESOTA**

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Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**MANAGEMENT AND COMPLIANCE SECTION**



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

Independent Auditor's Report

Transit Board  
Rainbow Rider  
Lowry, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Rainbow Rider as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Rainbow Rider's basic financial statements, and have issued our report thereon dated December 12, 2022.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rainbow Rider’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*.

### **Minnesota Legal Compliance**

In connection with our audit, we noted that Rainbow Rider failed to comply with the provisions of the depositories of public funds and public investments section of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as it relates to accounting matters, as described in the Schedule of Findings and Recommendations as item 2021-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that Rainbow Rider failed to comply with the provisions of the contracting – bid laws, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, insofar as they relate 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 Rainbow Rider’s noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **Rainbow Rider’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Rainbow Rider’s response to the legal compliance finding identified in our audit and described in the accompanying Corrective Action Plan. Rainbow Rider’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of Rainbow Rider’s internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rainbow Rider’s internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Dianne Syverson*

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

December 12, 2022

**RAINBOW RIDER  
LOWRY, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

None

**II. OTHER FINDINGS AND RECOMMENDATIONS**

**2021-001     Insufficient Collateral**

**Prior Year Finding Number:** N/A

**Repeat Finding Since:** N/A

**Type of Finding:** Minnesota Legal Compliance

**Criteria:** Government entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

**Condition:** The fair market value of collateral pledged to secure uninsured deposits was not sufficient for June of 2021.

**Context:** In June of 2021, deposits were in excess of Federal Deposit Insurance Corporation (FDIC) Coverage and pledged collateral by \$180,735.

**Effect:** When Rainbow Rider has insufficient collateral with a bank, it may not receive all deposits in the event of bank default.

**Cause:** The bank balance at month end was larger than anticipated.

**Recommendation:** We recommend Rainbow Rider establish procedures to monitor all deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

**View of Responsible Official:** Concur



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**REPRESENTATION OF RAINBOW RIDER  
LOWRY, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Finding Number: 2021-001**

**Finding Title: Insufficient Collateral**

Name of Contact Person Responsible for Corrective Action:

Brenda Brittin, Transit Director

Corrective Action Planned:

Brenda Brittin will work with a representative at Lowry State Bank and have them begin sending a monthly pledge sheet for review by Rainbow Rider in order to maintain proper collateral.

Anticipated Completion Date:

Immediately or prior to December 31, 2022