STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

COUNTIES TRANSIT IMPROVEMENT BOARD METROPOLITAN TRANSPORTATION AREA, MINNESOTA

NINE MONTHS ENDED SEPTEMBER 30, 2017

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 150 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 approximately 650 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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COUNTIES TRANSIT IMPROVEMENT BOARD METROPOLITAN TRANSPORTATION AREA, MINNESOTA

Nine Months Ended September 30, 2017

Audit Practice Division
Office of the State Auditor
State of Minnesota

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COUNTIES TRANSIT IMPROVEMENT BOARD
METROPOLITAN TRANSPORTATION AREA, MINNESOTA

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COUNTIES TRANSIT IMPROVEMENT BOARD
METROPOLITAN TRANSPORTATION AREA, MINNESOTA

ORGANIZATION
SEPTEMBER 30, 2017

Affiliate	Member	Alternate
Anoka County	Matt Look Scott Schulte	Mike Gamache
Dakota County	Thomas A. Egan Nancy Schouweiler	Mary Liz Holberg
Hennepin County	Peter McLaughlin[1] Mike Opat	Marion Greene
Ramsey County	Jim McDonough[2] Rafael Ortega	Victoria Reinhardt
Washington County	Lisa Weik[3] Karla Bigham	Stan Karwoski
Metropolitan Council	Alene Tchourumoff	Lona Schreiber

[1]Chair
[2]Vice Chair
[3]Secretary/Treasurer

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Financial Section

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STATE OF MINNESOTA
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INDEPENDENT AUDITOR'S REPORT

Joint Powers Board
Counties Transit Improvement Board
Metropolitan Transportation Area, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Counties Transit Improvement Board (CTIB) as of and for the nine months ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the CTIB's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Counties Transit Improvement Board as of September 30, 2017, and the respective changes in financial position thereof for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Dissolution of Entity

As discussed in Note 3.A. to the financial statements, on June 21, 2017, the Counties Transit Improvement Board passed a resolution for the voluntary dissolution of the entity's joint powers agreement, effective September 30, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

November 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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COUNTIES TRANSIT IMPROVEMENT BOARD
METROPOLITAN TRANSPORTATION AREA, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2017
(Unaudited)

This section presents management's analysis of the Counties Transit Improvement Board's (CTIB) financial condition and activities for the nine months ended September 30, 2017. The CTIB was dissolved effective September 30, 2017. See "Summary and Organization of Business" for more details. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

As reported in the Statement of Activities - Governmental Activities for the nine months ended September 30, 2017, due to the dissolution of the CTIB, the CTIB had a decrease in net position of $196,633,732 to a net position of zero.

- The General Fund's fund balance decreased by $285,599,561 from the prior year due to the dissolution.

- A Depository Agreement with Wells Fargo, N.A., was executed prior to dissolution. A cash transfer of $104,370,036 was made to satisfy all outstanding debt and obligations of the CTIB and to manage the receipt and appropriate application of revenue expected to be received after dissolution. Oversight of the Depository Account was assigned to Hennepin County by the CTIB prior to its dissolution.

- Defeasance of the CTIB's outstanding debt was accomplished by the funding of an escrow account at a cost of $88,638,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis (MD&A) serves as an introduction to the financial statements. The MD&A represents management's examination and analysis of the CTIB's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the CTIB's operating budget, and other management tools were used for this analysis.

The financial statements combine fund level financial statements and government-wide financial statements. The CTIB reports one governmental fund, which is reported using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting.

SUMMARY AND ORGANIZATION OF BUSINESS

The CTIB was established April 1, 2008, under a joint powers agreement in accordance with Minn. Stat. § 297A.992. Prior to dissolution, the CTIB was governed by an 11-member Board composed of two County Commissioner representatives appointed by each of the County Boards of Anoka, Dakota, Hennepin, Ramsey, and Washington Counties, and the Chair of the Metropolitan Council.

On May 31, 2017, the CTIB approved Resolution 32-2017 (the "First CTIB Resolution") relating to the voluntary dissolution of the joint powers agreement. One of the conditions of the First CTIB Resolution was that the CTIB must satisfy the repayment of all of its outstanding debt and obligations. On June 21, 2017, the CTIB approved Resolution 35-2017 (the "Second CTIB Resolution") which ratified that each member county had taken the actions necessary to dissolve the joint powers agreement and directed CTIB staff to notify the Department of Revenue no later than June 30, 2017, that all five member counties had taken the actions necessary to terminate the 0.25 percent transit sales tax effective September 30, 2017. In addition, under the Second CTIB Resolution, member counties agreed to assume certain CTIB agreements and responsibilities in order to satisfy all CTIB obligations upon dissolution on September 30, 2017. The First CTIB Resolution and the Second CTIB Resolution are referred to jointly as the "CTIB Resolution."

Through dissolution of the CTIB, a Depository Agreement with Wells Fargo, N.A., was executed to satisfy all outstanding debt and obligations of the CTIB Board and to manage the receipt and appropriate application of revenue expected to be received after dissolution.

FINANCIAL ANALYSIS

Changes in Net Position

The CTIB's net position decreased $196,633,732 during the nine months ended September 30, 2017. See Exhibit 1 for the details of this change.

Exhibit 1
Change in Net Position
Governmental Activities

	2017	2016
Revenues		
Sales and excise taxes	$ 91,884,001	$ 120,136,402
Intergovernmental	3,999,533	1,701,614
Investment earnings	1,103,650	2,621,941
Total Revenues	$ 96,987,184	$ 124,459,957

	2017	2016
Expenses		
Current		
Transportation - administration	$ 1,063,076	$ 1,172,102
Intergovernmental		
Transportation - grants to member agencies	164,616,740	73,259,759
Debt service		
Interest	1,639,143	3,764,653
Total Expenses	$ 167,318,959	$ 78,196,514
Excess of Revenues Over (Under) Expenses	$ (70,331,775)	$ 46,263,443
Special Item		
Transfer of operations	(126,301,957)	-
Change in Net Position	$ (196,633,732)	$ 46,263,443
Net Position - January 1	196,633,732	150,370,289
Net Position - December 31	$ -	$ 196,633,732

Revenues

The primary source of funding for the CTIB was a one-quarter of one percent sales and use tax. This tax was imposed on July 1, 2008, by each of the member counties as a requirement for joining the CTIB. The tax was on the same goods and services as the State of Minnesota general sales tax. It did not include the sale of motor vehicles. In addition to the sales and use tax, there was a $20 per vehicle tax on the sale of motor vehicles by entities that are in the business of selling motor vehicles. It did not apply to a sale between two private individuals. These taxes were and continue to be administered and collected by the Minnesota Department of Revenue. The funds, net of collection fees, were transferred directly into the CTIB's trust account by the Minnesota Department of Revenue. The taxes did not flow to the member counties. For the nine months ending September 30, 2017, the CTIB collected $91,884,001 in net taxes. Any future payment of the taxes that would have been due to the CTIB will be transferred into the Depository Account for distribution to the CTIB member counties as specified by the Depository Agreement.

Expenses

The CTIB's primary purpose was to advance transit projects within the five-county region. The CTIB was limited to funding engineering, construction, and operations of transitways. The CTIB was also authorized to spend up to three-fourths of one percent of its tax revenues for administrative expenses. The CTIB did not operate or construct transitways, but provided grants to members, the Metropolitan Council, or other political subdivisions. Most of the $164,616,740 of grant money expended in 2017 flowed to the Metropolitan Council for either operating or capital purposes. The CTIB did not have any employees and, as such, contracted out all administrative services.

Budgetary Highlights

- Actual revenues were $18,378,451 less than budgeted. This was primarily due to the dissolution of the CTIB on September 30, 2017, and the 9 months of tax collection vs. the 12 budgeted months.

- Actual expenditures were $92,232,198 less than the budgeted amount due to an effective nine months of operations in 2017, resulting in fewer grant payments to member agencies and transfer of operations as part of the CTIB dissolution.

- As part of the dissolution, transfer of operations, and execution of the Depository Agreement, the $285,599,561 decrease in fund balance was a planned occurrence.

DEBT ADMINISTRATION

No new debt was issued by the CTIB during the nine months ended September 30, 2017. Hennepin County had previously issued $102,810,000 General Obligation Senior Sales Tax Revenue Bonds, Series 2010E (the "2010E Bonds"), on December 22, 2010, for the purpose of providing a loan to the CTIB to make grants to support transit projects in the five member counties. One of the conditions of the CTIB's dissolution that had to be satisfied was the repayment of all outstanding debt or obligations of the CTIB. The CTIB Resolution requires that the CTIB provide funds to pay off its Senior Sales Tax Revenue Note, Series 2010A (the "Note"). That Note secured Hennepin County's 2010E Bonds, of which $83,605,000 was outstanding at the time of dissolution. On July 31, 2017, the County received and deposited into an escrow account securities and cash from the CTIB in an amount sufficient to pay principal and interest due on the 2010E Bonds up to and including the first optional redemption date of December 15, 2019, on which date the escrow agent is required to pay and redeem the outstanding principal of the 2010E Bonds.

FINANCIAL CONTACT

This financial report is designed to provide an overview for those interested in the CTIB's finances. Questions concerning any of the information provided in this report or additional financial information should be directed to Kathy Kardell, Senior Department Administrator, Hennepin County, A-2301 Government Center, 300 South Sixth Street, Minneapolis, Minnesota 55487-0231.

BASIC FINANCIAL STATEMENTS

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COUNTIES TRANSIT IMPROVEMENT BOARD
METROPOLITAN TRANSPORTATION AREA, MINNESOTA

EXHIBIT 1

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	General Fund	Adjustments	Governmental Activities
Revenues			
Sales and excise taxes	$ 91,884,001	$ -	$ 91,884,001
Intergovernmental	3,999,533	-	3,999,533
Investment earnings	1,103,650	-	1,103,650
Total Revenues	**$ 96,987,184**	**$ -**	**$ 96,987,184**
Expenditures/Expenses			
Current			
Transportation			
Administration	$ 1,063,076	$ -	$ 1,063,076
Intergovernmental			
Transportation			
Grants to member agencies	164,616,740	-	164,616,740
Debt service			
Interest	1,966,972	(327,829)	1,639,143
Total Expenditures/Expenses	**$ 167,646,788**	**$ (327,829)**	**$ 167,318,959**
Excess of Revenues Over (Under) Expenditures/Expenses	**$ (70,659,604)**	**$ 327,829**	**$ (70,331,775)**
Special Item			
Transfer of operations (Note 3)	(214,939,957)	88,638,000	(126,301,957)
Net Change in Fund Balance/Net Position	**$ (285,599,561)**	**$ 88,965,829**	**$ (196,633,732)**
Fund Balance/Net Position - January 1	**285,599,561**	**(88,965,829)**	**196,633,732**
Fund Balance/Net Position - September 30	**$ -**	**$ -**	**$ -**

The notes to the financial statements are an integral part of this statement.

EXHIBIT 1
(Continued)

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

Reconciliation of the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities		
Change in Fund Balance	**$**	**(285,599,561)**
Amounts reported for governmental activities in the statement of activities are different because:		
Defeasance of outstanding debt		88,638,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable		327,829
Change in Net Position of Governmental Activities	**$**	**(196,633,732)**

1. Summary of Significant Accounting Policies

The Counties Transit Improvement Board's (CTIB) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards 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 the CTIB prior to dissolution are discussed below.

A. Financial Reporting Entity

The CTIB was established April 1, 2008, under a joint powers agreement in accordance with Minn. Stat. § 297A.992. The CTIB is governed by an 11-member Board composed of two County Commissioner representatives appointed by each of the County Boards of Anoka, Dakota, Hennepin, Ramsey, and Washington Counties, and the Chair of the Metropolitan Council. Each county also appoints an alternate member.

The CTIB's purpose is to facilitate investment in transitways, to collaboratively plan and develop policies for transit investments, to advocate for state and federal funding and transportation policies supportive of transitways, and to provide for public education and information. The Board is organized with a chair, a vice chair, and a secretary elected each year.

The CTIB is a separate entity independent of the entities that formed it. In accordance with GAAP, the CTIB's financial statements are not included in any member's financial statements. No single member retains control over the operations or is financially accountable for the CTIB.

B. Basic Financial Statements

The financial statements combine fund level financial statements (General Fund column) and government-wide financial statements (Governmental Activities column). These statements include the overall financial activities of the CTIB.

The government-wide financial statements are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

The CTIB reports one governmental fund, the General Fund, which is the primary operating fund and accounts for all the financial resources of the organization.

C. Measurement Focus and Basis of Accounting

The governmental activities 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The CTIB considers all revenues as available if collected within 60 days after the end of the current period. Charges for services and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

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

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

The CTIB's sales and excise taxes are deposited in a trust account at Wells Fargo Bank. Under the custodial agreement, all investments are to be made in money market mutual funds that are permitted under Minn. Stat. ch. 118A.

All other cash is pooled and invested with Hennepin County, which obtains collateral to cover deposits in excess of insurance coverage. Hennepin County's cash and pooled investments are reported at their fair value based on market prices.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

2. Advance to Other Governments

In 2009, an advance was made to the fiscal agent, Hennepin County, for cash flow purposes.

3. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Premiums and discounts on long-term debt are deferred and amortized over the life of the debt using the straight-line method. Long-term debt payable is reported net of the applicable premium or discount.

In the fund financial statements, the General Fund recognizes premiums and discounts, as well as debt issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. 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.

4. Classification of Net Position

Net position in government-wide statements is classified in the following categories:

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

5. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the CTIB is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items not expected to be converted to cash.

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or by laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the CTIB. Those committed amounts cannot be used for any other purpose unless the CTIB removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. The action must be approved no later than the close of the reporting period and remains binding unless removed in the same manner.

Assigned - amounts for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned - the residual classification for the General Fund; it includes all spendable amounts not contained in the other fund balance classifications.

The CTIB applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

1. Summary of Significant Accounting Policies

   D. Assets, Liabilities, and Net Position or Equity (Continued)

      6. Use of Estimates

         The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates and assumptions prior to dissolution that affected the reported amounts of assets and liabilities 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.

2. Detailed Notes

   Liabilities

   A. Changes in Long-Term Liabilities

      Long-term liability activity for the nine months ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	$ 83,605,000	$ -	$ 83,605,000	$ -	$ -
Premium on loans	5,033,000	-	5,033,000	-	-
Total	$ 88,638,000	$ -	$ 88,638,000	$ -	$ -

   B. Defeasance of Debt

      In December 2010, the Counties Transit Improvement Board issued a $102,810,000 Senior Sales Tax Revenue Note (Hennepin County), Series 2010A, for the purpose of funding approved capital grants. Hennepin County, in turn, issued its $102,810,000 General Obligation Senior Sales Tax Revenue Bonds, Series 2010E, the proceeds of which were used to purchase the CTIB's Note.

2. Detailed Notes

Liabilities

B. Defeasance of Debt (Continued)

On July 31, 2017, the CTIB redeemed its $102,810,000 Senior Sales Tax Revenue Note. Hennepin County established the redemption price as an amount sufficient to pay any costs incurred; purchase securities which, together with an initial cash balance, will be sufficient to pay regularly scheduled principal and interest on the County's $102,810,000 General Obligation Senior Sales Tax Revenue Bonds, Series 2010E, up to and including December 15, 2019; and to effect the redemption of the remaining County Bonds on that date. The financial components of the transaction are summarized below:

Escrow securities	$ 89,882,370
Beginning cash balance	747
Transaction costs	33,650
Total Cost of Redemption	$ 89,916,767

3. Special Item

A. Dissolution of the CTIB

On June 21, 2017, the Counties Transit Improvement Board passed a resolution for the voluntary dissolution of the entity's joint powers agreement. The CTIB voted to notify the Minnesota Department of Revenue, in accordance with Minn. Stat. §§ 297A.99, subd. 12(b), and 297A.992, subd. 10(b), regarding the termination of the joint powers agreement, and that taxes imposed by the Counties of Anoka, Dakota, Hennepin, Ramsey, and Washington, pursuant to Minn. Stat. § 297A.992, subd. 2, shall terminate on September 30, 2017. The CTIB is responsible to provide funding to satisfy all outstanding debt and obligations of the Board, and other administrative actions will be taken to facilitate the transition of the CTIB's responsibilities to the five member counties. Hennepin County will act as fiscal agent for the remainder of the CTIB's funds.

3. Special Item (Continued)

B. Depository Agreement

To satisfy all outstanding debt and obligations of the Board and to manage the receipt and appropriate application of revenue expected to be received after dissolution, the CTIB has approved execution of a Depository Agreement with Wells Fargo, N.A.

The agreement establishes accounts into which the CTIB's cash will be deposited in amounts sufficient to fulfill capital grants approved in prior years that remain unpaid, remaining amounts due under the 2017 operating grants, remaining amounts due under the 2017 capital grants, and administrative costs, and to establish a reserve for unbudgeted expenses that may arise. Cash held by trustee prior to dissolution on September 30, 2017, was $104,370,036.

The establishment of the above described accounts is detailed in the following table:

Cash held by trustee prior to dissolution on September 30, 2017	$ 104,370,036
Receipts subsequent to September 30, 2017	7,050,952
Available Balance to Deposit	$ 111,420,988
Light Rail Transit (LRT) Operating Account - Hennepin County	$ 4,634,051
LRT Operating Account - Anoka County	1,428,474
LRT Operating Account - Dakota County	518,952
Capital Grant - Mall of America Station	2,250,000
Capital Grant - Blue Line Light Rail Vehicles	8,123,585
Capital Grant - Gold Line	6,000,000
Capital Grant - Blue Line	17,586,475
Capital Grant - Green Line	66,620,948
Capital Grant - Orange Line	224,256
Administration	709,747
Reserve	3,324,500
Total Deposits	$ 111,420,988

3. Special Item (Continued)

C. Assets, Liabilities, and Fund Balance of the CTIB Prior to Dissolution

The CTIB's assets, liabilities, and fund balance prior to dissolution on September 30, 2017, is detailed in the following table:

Assets	
Cash held by Hennepin County	$ 98,187
Cash held by trustee	104,370,036
Cash with escrow	89,882,370
Reimbursable grants receivable	5,513,491
Due from other governments	15,326,714
Advance to other governments	100,000
Total Assets	$ 215,290,798
Liabilities and Fund Balance	
Liabilities	
Accounts payable	$ 350,841
Fund Balance	
Restricted for grants to member agencies	$ 211,112,053
Unassigned	3,827,904
Total Fund Balance	$ 214,939,957
Total Liabilities and Fund Balance	$ 215,290,798

4. Risk Management

The CTIB is exposed to limited risks of loss related to theft of assets, or errors or omissions. The CTIB reduces the risks of loss by requiring contractual commitment agreements with third parties to name the CTIB as an additional insured on policies of commercial liability insurance maintained by the contracting parties.

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTIES TRANSIT IMPROVEMENT BOARD
METROPOLITAN TRANSPORTATION AREA, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Sales and excise taxes	$ 121,380,000	$ 109,782,600	$ 91,884,001	$ (17,898,599)
Intergovernmental				
Local				
Member contributions	91,656	82,656	82,656	-
Other miscellaneous grants	-	5,103,000	3,916,877	(1,186,123)
Investment earnings	19,000	397,379	1,103,650	706,271
Total Revenues	**$ 121,490,656**	**$ 115,365,635**	**$ 96,987,184**	**$ (18,378,451)**
Expenditures				
Current				
Transportation				
Administration				
General	$ 696,346	$ 837,596	$ 700,030	$ 137,566
Lobbying	110,000	82,500	82,500	-
Communications	40,800	30,800	406	30,394
Financial services	171,500	457,500	147,170	310,330
Legal	-	-	119,718	(119,718)
Insurance	3,000	3,000	2,837	163
Contingencies	3,454	-	-	-
Rail~Volution conference	17,925	20,586	10,415	10,171
Total transportation	**$ 1,043,025**	**$ 1,431,982**	**$ 1,063,076**	**$ 368,906**
Intergovernmental				
Transportation				
Grants to member agencies	306,101,859	256,480,032	164,616,740	91,863,292
Debt service				
Principal	4,355,000	-	-	-
Interest	3,933,944	1,966,972	1,966,972	-
Total Expenditures	**$ 315,433,828**	**$ 259,878,986**	**$ 167,646,788**	**$ 92,232,198**
Excess of Revenues Over (Under) Expenditures	**$ (193,943,172)**	**$ (144,513,351)**	**$ (70,659,604)**	**$ 73,853,747**
Special Item				
Transfer of operations (Note 3)	-	-	(214,939,957)	(214,939,957)
Net Change in Fund Balance	**$ (193,943,172)**	**$ (144,513,351)**	**$ (285,599,561)**	**$ (141,086,210)**
Fund Balance - January 1	**285,599,561**	**285,599,561**	**285,599,561**	**-**
Fund Balance - September 30	**$ 91,656,389**	**$ 141,086,210**	**$ -**	**$ (141,086,210)**

The notes to the required supplementary information are an integral part of this schedule.

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Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year-end, unless specifically carried over to the next budget year by Board action.

On or before July 1 of each year, the Board adopts a preliminary annual budget for administrative and lobbying expenditures. The administrative expenditures are based on three-quarters of one percent of sales tax revenue. A final budget must be prepared and adopted no later than August 30.

The appropriated budget is prepared by fund. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

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Management and Compliance Section

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Joint Powers Board
Counties Transit Improvement Board
Metropolitan Transportation Area, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities and the General Fund of the Counties Transit Improvement Board (CTIB) as of and for the nine months ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the CTIB's basic financial statements and have issued our report thereon dated November 29, 2018.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for contracting and bidding because the CTIB did not enter into any applicable contracts; public indebtedness because the CTIB had no applicable debt; or tax increment financing because the CTIB administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the Counties Transit Improvement Board failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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 CTIB's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of the Joint Powers Board and management of the Counties Transit Improvement Board and the State Auditor, and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

November 29, 2018