



# Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2019



Eden Prairie, Minnesota



**SOUTHWEST TRANSIT**  
**Eden Prairie, Minnesota**

**Comprehensive Annual Financial Report**  
**For the Year Ended December 31, 2019**

**Mission Statement**

*SouthWest Transit is committed to providing a quality riding experience that fulfills the needs and exceeds the expectations of our customers.*

**Prepared by:**

**Department of Finance and Administration**



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Eden Prairie, Minnesota  
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April 14, 2020

Honorable Chair and Members of the Commission  
SouthWest Transit

We are pleased to respectfully submit the SouthWest Transit (SWT) Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2019 to the SouthWest Transit Commission, the citizens of this area and all interested in its financial condition. SWT is a public agency created by a joint powers agreement between the Cities of Eden Prairie, Chanhassen and Chaska for the purposes of providing transit services to the respective Cities and contracting to provide transit and planning services, as approved by the Commission, pursuant to *Minnesota Statutes 473.384* and/or *Minnesota Statutes 473.388* and *471.59*. This report is published to fulfill the requirements of Minnesota state law that all general purpose local governments publish annually a complete set of financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP), audited in accordance with accounting standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report was prepared by the SWT Finance Department and responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules and statistical tables rests with SWT. Management believes the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of SWT as measured by the financial activity of its various funds and that all disclosures necessary to enable the reader to gain an understanding of SWT's financial position have been included. Management of SWT has established a comprehensive internal control framework that is designed to protect the agency's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of SWT's financial statements in conformance with GAAP. Because the cost of internal controls should not outweigh their benefit, SWT's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

SWT's financial statements were audited by BerganKDV, Ltd., a firm of licensed and certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of SWT for the year ended December 31, 2019 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and any significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on their audit, that there was a reasonable basis for rendering an unmodified opinion that SWT's financial statements for the year ended December 31, 2019 are presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. SWT's MD&A can be found in the financial section of this report immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The SouthWest Transit Commission was formed in July of 1986 by a joint powers agreement between the Cities of Eden Prairie, Chanhassen, and Chaska to provide public transit services. The Commission consists of seven members. Each of the three Cities appoints two Commissioners; one must be a City Council member or the current Mayor of the respective Cities. The seventh member must reside or maintain a business in one of the three Cities and is appointed by the six Commissioners. This Commissioner is the rider representative. The Treasurer is a member of the Commission and is elected by the Commission.

The Chief Executive Officer (CEO) is appointed by the Commission to administer the day to day activities of SWT, including administration of the transit system, contracts for transportation services, marketing and promotion of such services, administration of personnel matters including hiring and termination of employees.

SWT is committed to provide a first-class riding experience with quality equipment and facilities, exceptional customer service, expert staff and innovation services that exceeds expectations while bringing value to our customer, business, and the communities we serve.

SWT provides fixed route transit services within the three communities and connects the communities to other metropolitan destinations, including downtown Minneapolis, the University of Minnesota, the Southdale area, as well as providing reverse commute services to businesses within the three communities. SWT services are provided by a fleet of eighty-six (86) active vehicles (59 motor coaches, 5 low floors, and 22 small vehicles less than 30 feet). Driver services are provided by a private contractor. 2019 was the fourth full year of operations for SW Prime which is local service between its member communities. The SW Prime service is an on-demand curb to curb shared ride service that allows riders to be picked up and dropped off anywhere in SWT's service area. The ridership demand response for the SW Prime service increased by 6% over 2018.

The annual operating budget serves as the basis for SWT's financial planning and control. In 2019, the SWT Commission adopted annual budgets for the General Fund, Capital and Equipment, SWS Development, and SWS Relocation Capital Projects Funds and the SouthWest Village, Eden Prairie Garage Remodel, and Energy Savings Debt Service Funds. Departments submit their line item detailed budget requests to the Finance Department in August and the Chief Executive Officer presents the proposed budget to the Commission in October. The final budget is adopted before the next year begins, often in December of each year. Actual amounts exceeding the budgeted line items are allowed if there is corresponding revenue increase or if the total expenses for the department are within the department budgeted amount. However, the level at which management cannot overspend the budget without approval of the governing body is the fund level for all budgets. If significant changes occur after the budget is adopted, budget adjustments are proposed by SWT management and adopted by the Commission.

SWT does not have any component units to report in the 2019 financial statements.



## **ECONOMIC CONDITIONS AND OUTLOOK**

### **Operating Funds**

The General Fund accounts for all the operating activities of SWT. SWT's primary funding source is the Motor Vehicle Sales Tax (MVST). In 2006, a constitutional amendment was passed by the state legislature dedicating one hundred percent of all state motor vehicle sales tax revenue to state-wide transportation improvement with forty percent dedicated to public transportation. In 2019, SWT received \$7,569,170 from MVST in accordance with the statutory formula in *Minnesota Statutes*, Section 473.388.

The Metropolitan Council (MC) may also provide Suburban Transit Providers such as SWT with additional revenues known as Regionally Allocated MVST (RAMVST) above the amount required under *Minnesota Statutes*, Section 473.388. The RAMVST is distributed in accordance with the Metropolitan Council's transit revenue allocation model which is intended to preserve existing operations levels at SWT and to maintain an existing reserve in SWT's General Fund. SWT received \$1,411,843 under the RAMVST formula in 2019. The RAMVST portion of the monies collected through MVST was allocated under a new formula beginning in 2018. The RAMVST allocation is subject to review with the Metropolitan Council whereas the MVST formula and allocation is governed by state statutes.

SWT ridership totaled 1,106,199 in 2019 and generated \$2,977,194 in passenger fare revenue. Passenger fare rates are established by the Metropolitan Council. In 2019, passenger fare recovery of operating costs (vehicle maintenance and operations) was 33.74%, a recovery rate that exceeded the regional performance target. Subsidy represents the cost per ride less the passenger fares received. The SWT subsidy in 2019 was \$7.68 compared to \$7.55 in 2018.

The Minnesota State Fair is an annual twelve-day event held in Minnesota each year. SWT provided 115,679 rides to the Minnesota State Fair in 2019, up from 104,378 rides in 2018. The state fair revenue totaled \$345,450 in 2019 compared to \$324,980 in 2018, which corresponds to the increase in ridership between the two years.

Several major maintenance projects were completed in 2019 and are reported in General Fund expenditures. The maintenance projects totaled \$723,000 and included items such as:

- IT improvements for operations, vehicle maintenance and overall technology,
- Parking ramp preventative maintenance projects,
- Scheduled maintenance of vehicle operation and maintenance facilities
- Replacement of Prime service vehicles held beyond their useful lives and a
- Backup generator for the East Creek Station.

As SWT moves forward into 2020 and beyond, commitment to quality, safety, customer service and to the development of our employees continues to be the primary focus.

### **Capital Funds**

Historically, capital expenditures for facilities such as park and ride lots, stations, and bus garage facilities as well as bus purchases have been funded by state, local and federal grants, or SWT reserve funds. Capital funds are awarded on the basis of competitive proposals submitted by regional providers. SWT has developed and maintains a long range Capital Improvement Plan (CIP) to plan for future needs and services and to support application for the capital funds.

## **ECONOMIC CONDITIONS AND OUTLOOK (CONTINUED)**

### **Capital Funds (Continued)**

The sale of the Southwest Station was completed in 2018. The facility was sold for \$8 million as part of the SouthWest Light Rail project (SWLRT). The site will become a combined bus and light rail terminal with an additional 600 car ramp constructed on the site in the future. The sale proceeds will be used to replace the administrative offices that were lost as a result of the sale. SWT moved its administrative offices into the vehicle maintenance facility in Eden Prairie and is currently remodeling and updating the garage facility to accommodate the administrative offices lost with the sale of the Southwest Station. The project started in 2019 and will be completed in 2020. The project is financed by the issuance of debt in 2020 along with resources from internal sources.

### **Long Term Financial Planning**

SWT has implemented various financial/budget policies to guide the Commission and staff when making financial decisions and to ensure the long-term stability of SWT finances and operations. These policies include the following:

- The SWT Commission shall set the General Fund balance to represent 25-35% of the current year operating budget. The fund balance is equal to 34.4% of the 2019 expenditures budget.
- A debt service fund balance of \$26,229 as stated on the Balance Sheet is dedicated to retirement of the 2015 Certificates of Participation for Eden Prairie Garage Lease Purchase debt. This debt was refinanced in 2020 along with the additional financing provided for the garage remodeling and expansion.
- In 2019, SWT paid off the remaining balance of \$695,000 of the SouthWest Village debt.
- The Commission issued \$1,000,000 in energy savings debt in 2013 that was also paid off in 2019. The remaining balance of \$676,119 in principal was paid from SWS Development Capital Projects Fund.
- The lease purchase financing for the Eden Prairie garage is expected to be repaid with local, regional, and federal funds. A separate debt service fund was set up to account for the repayment of the remaining debt outstanding which totals \$1,338,618. This debt was refinanced in 2020 as further explained in the notes to the financial statements.

SWT has also adopted the following Capital and Debt Policies:

- SWT will first seek state and federal capital funding to the extent it is available. State and federal sources include the Metropolitan Council (MC), Federal Congestion Mitigation Air Quality (CMAQ) grants and/or other sources as they become available.
- SWT will look towards its Capital and Equipment Fund (C&E) fund balance to fund one-time capital expenditures.
- Should SWT need to issue debt, it shall confine long-term borrowing to capital improvements or assets for which there is no limited or delayed capital funding from the Metropolitan Council or other grant sources and that cannot be funded from current revenues. When debt is issued, it will pay back the debt within a period not more than the useful life of the improvement or asset.
- A minimum reserve in the amount of one year debt retirement will be dedicated to the debt retirement at the time the debt is issued, or an amount recommended by the SWT financial advisor.
- Total annual debt retirement payments funded by current revenue will not exceed 10% of the general fund budget. Debt retirement for issues with a dedicated reserve will not be included in the 10% maximum.

## **ECONOMIC CONDITIONS AND OUTLOOK (CONTINUED)**

### **Long Term Financial Planning (Continued)**

- SWT will maintain a five-year Capital Improvement Plan for all projects over \$50,000 and update the plan with the annual budget process.

### **Major Initiatives**

Major initiatives for SWT operations included:

- Prime service was extended to the City of Victoria in 2019.
- 2019 was the fourth full year of operations for SW Prime which is a nationally recognized first of its kind on-demand curb to curb service within the SWT service area. The ridership increased from 53,531 in 2016 to 74,531 in 2017, in 2018 to 102,501 to 108,801 in 2019 over the first four years of service.
- SWT continues to look at new service options including partnerships with private on-demand rideshare services to supplement SW Prime, weekend services, new special event services, expanded reverse commute services, and expansion of service into new areas.
- SWT implemented the region's first microtransit system and on-demand non-emergency medical transportation system, SW Prime and SW Prime MD.
- SWT service was extended to the City of Carver beginning in January 2015 under a grant agreement that continues through 2022.
- SWT continues to increase its business outreach efforts through its marketing efforts and founding of the Carver County Transportation Management Association (TMA). The TMA will serve to help SWT greater tailor its services to meet the staffing needs of local businesses within the SWT service area.
- Wi-Fi service is available on all of SWT's buses. SWT is the first transit agency in the state and one of the first in the country to offer Wi-Fi on all buses. In addition, free Wi-Fi is available at all four of SWT's major Park & Ride locations.
- SWT worked through a Memo of Understanding with the Metropolitan Council which will provide guaranteed service and local control once the Light Rail (LRT) is operating in Eden Prairie.
- SWT moved the administrative operation from SW Station to its Eden Prairie garage under the terms of the sale of the SW Station for the SouthWest Light Rail project began in 2019. The expenditures are accounted for in SWS Relocation Capital Projects Fund.
- SW Perks is a program designed to reward riders for using SWT service, as well as encourage referrals, to increase ridership.

In March 13, 2020, a national emergency was issued in response to the COVID 19 outbreak in the United States. The emergency and stay at home directives have severely affected the ridership of the commuter transportation services provided by SWT. The short term and long term effects of this outbreak cannot be determined. It is anticipated that some federal aid will be received in the future to offset the effects of this COVID 19 outbreak.

## **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SWT for its comprehensive annual financial report for the year ended December 31, 2018. This was the thirteen consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgements**

We would like to express our appreciation to the Commission for their continued support in planning and conducting the financial operations of SWT in a responsible and progressive manner. We also want to thank the Finance Department staff for their contribution in the preparation of this report. The Finance Department staff is responsible for the operational oversight of the financial system, closing adjustments, coordination of the annual audit, and compilation of the statistical information and preparation of the CAFR.

Respectfully submitted,



Len Simich  
Chief Executive Officer and General Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**South West Transit  
Minnesota**

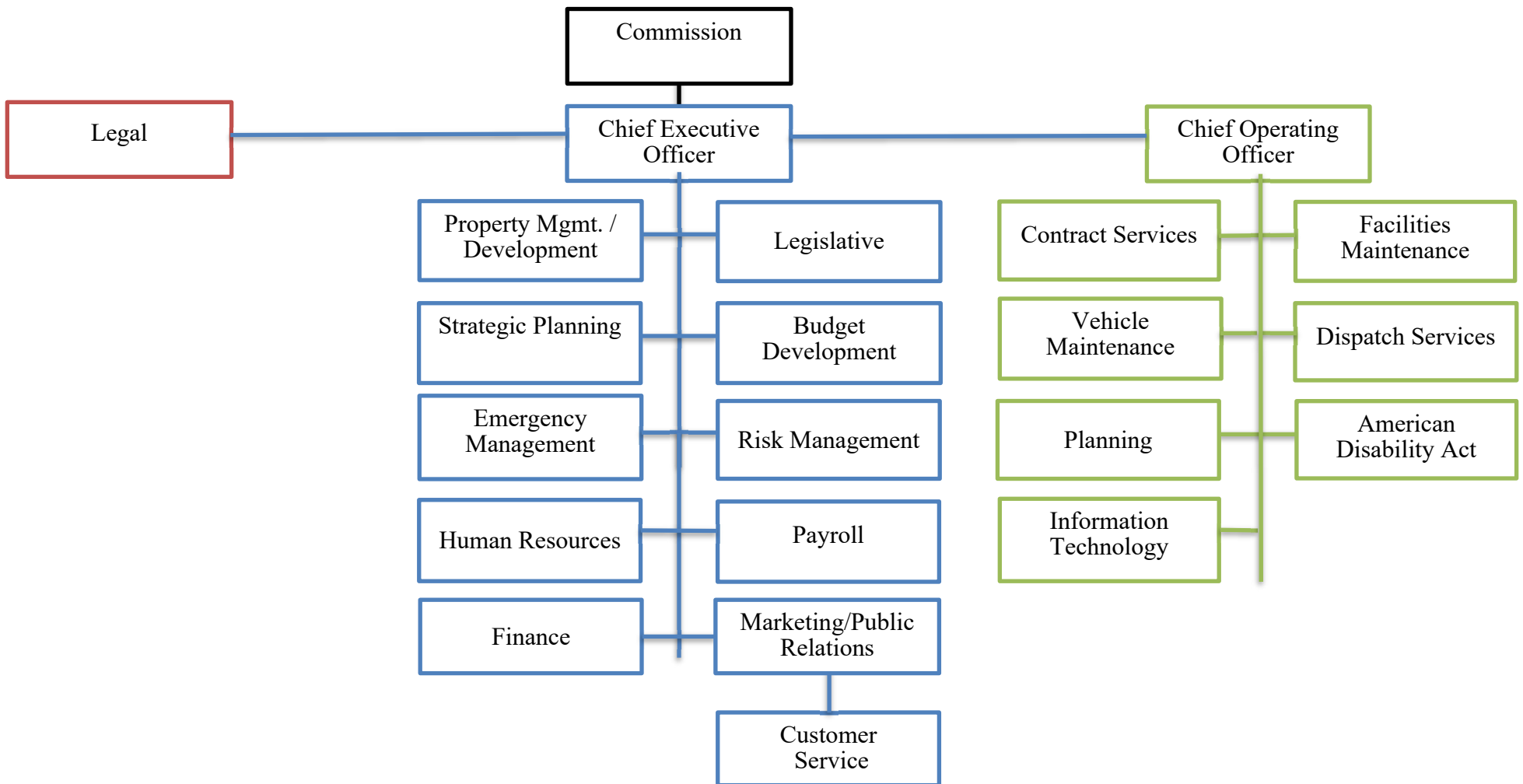
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2018**

*Christopher P. Morrill*

Executive Director/CEO

# SouthWest Transit Organization Chart





**SouthWest Transit  
Eden Prairie, Minnesota  
Board of Commissioners and Key Personnel  
December 31, 2019**

<u>Board Member</u>	<u>Position on Board</u>	<u>Community Represented</u>	<u>Term Expires</u>
Brad Aho	Chairperson	Eden Prairie	December 31, 2020
Jerry McDonald	Vice Chairperson	Chanhassen	December 31, 2019
Bob Roepke	Secretary/Treasurer	Chaska	December 31, 2019
Bethany Tjornhorn	Board Member	Chanhassen	December 31, 2020
PG Narayanan	Board Member	Eden Prairie	December 31, 2021
Mike Huang	Board Member	Chaska	December 31, 2021
Jody Bonnevier	Rider Representative	Chanhassen	December 31, 2021
<u>Key Personnel</u>			
Len Simich	Chief Executive Officer		
Dave Jacobson	Chief Operating Officer		



**FINANCIAL SECTION**



## Independent Auditor's Report

Board of Commissioners  
SouthWest Transit  
Eden Prairie, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of SouthWest Transit (SWT), Eden Prairie, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise SWT's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SWT'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 SWT's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of SouthWest Transit, Eden Prairie, Minnesota, as of December 31, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SouthWest Transit's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



### **Report on Summarized Comparative Information**

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SWT's basic financial statements for the year ended December 31, 2018, from which such partial information was derived.

We have previously audited SWT's 2018 financial statements and our report, dated May 8, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2020, on our consideration of SouthWest Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SouthWest Transit's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota  
April 14, 2020



**SouthWest Transit  
Eden Prairie, Minnesota  
Management's Discussion and Analysis (Unaudited)**

As management of SouthWest Transit (SWT), we offer readers of SWT's financial statements this narrative overview and analysis of the financial activities of SWT for the year ended December 31, 2019. All amounts, unless otherwise indicated, are expressed in dollars.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of SWT exceeded its liabilities and deferred inflows of resources at the close of 2019 by \$55,403,198 (net position). Of this amount, \$17,537,813 (unrestricted net position) may be used to meet SWT's ongoing obligations to customers and creditors.
- SWT's total net position increased by \$96,435, or 0.2%, based on 2019 activity.
- As of the close of the current year, SWT's Governmental Funds reported combined ending fund balances of \$16,255,435, a decrease of \$1,303,226 in comparison with the prior year. \$3,914,830 of the General Fund is unassigned and available for spending at SWT's discretion.
- At the end of the current fiscal year, the General Fund had a fund balance of \$4,378,019. Of that amount, \$463,189 was in nonspendable form and the remaining \$3,914,830 was unassigned.
- SWT has a fund balance of \$26,229 available for debt retirement. Funds from the General Fund were budgeted and were transferred to cover 2019 debt payments together with other financing sources dedicated for debt retirement.
- In May 2014, SWT approved the sale of a 95,000 square foot garage in Chaska for \$4,750,000. SWT received 10% down and is carrying a contract for deed that totaled \$4,275,000. Monthly payments of \$27,335 including interest at 4.625% started July 2014 and will continue for 20 years. The balance receivable at December 31, 2019 is \$3,460,718 and is reported in the SWS Development Capital Projects fund.
- In 2015, SWT started providing service to the City of Carver under a contract financed by a CMAQ grant. The service agreement will continue through December 31, 2022.
- SW Prime service is a local microtransit service which operates totally on-demand, providing door to door connection throughout the SWT's service area. During 2019, SWT launched SW Prime MD as a non-emergency medical transportation service that allows for scheduled rides in and around the SWT's service area.
- SWT ridership decreased by 1.6% to 1,106,199, operations increased the overall subsidy per passenger from \$7.55 in 2018 to \$7.68 in 2019.
- The sale of the SWT administrative offices for the SouthWest Light Rail (SWLRT) project was completed in 2018. The sale is reported in 2018 in the SWS Development Capital Projects Fund. The sale proceeds are being used in 2019 to remodel and upgrade the Eden Prairie garage to accommodate the administrative offices lost with the sale.

**SouthWest Transit  
Eden Prairie, Minnesota  
Management's Discussion and Analysis (Unaudited)**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Overview of the Financial Statements** – This discussion and analysis is intended to serve as an introduction to SWT's basic financial statements. SWT's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

**Government-Wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of SWT's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of SWT's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SWT is improving or deteriorating.

The Statement of Activities presents information showing how SWT's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future periods (e.g. uncollected motor vehicle excise taxes and earned but unused personal leave).

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

The government-wide financial statements can be found on pages 28-29 of this report.

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SWT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of SWT are governmental funds.

**Governmental Funds** – Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating SWT's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of SWT's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

**SouthWest Transit  
Eden Prairie, Minnesota  
Management's Discussion and Analysis (Unaudited)**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Governmental Funds (Continued)**

SWT maintained the following individual governmental funds during 2019: The General Fund, SWS Relocation, SWT Facilities Improvement, SWT Buses, SWS Development, and the Capital and Equipment Capital Projects Funds. In addition, SWT maintains three Debt Service Funds for SW Village Debt, Energy Savings Debt, and Eden Prairie Garage Remodel Debt.

SWT adopts annual budgets for its General Fund, Capital Project Funds, and Debt Service Funds. However, capital projects that are totally grant funded are typically controlled through the grant provisions. A budgetary comparison statement has been provided for the funds to demonstrate compliance with this budget.

The basic Governmental Fund financial statements can be found on pages 32-39 of this report.

**Notes to Financial Statements** – The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 41-66 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of an organization's financial position. In the case of SWT, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, by \$55,403,198 at the close of 2019.

31.65% of SWT's net position is unrestricted. This is the amount available to meet SWT's ongoing obligations to its riders and creditors.

The remaining 68.35% reflects SWT's investment in capital assets (e.g. land, buildings, vehicles, equipment) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. SWT uses these capital assets to provide transit services to the citizens within our service area. Consequently, these assets are not available for future spending. Although SWT's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

GASB Statement No. 68 was implemented for the year ended December 31, 2015. GASB Statement No. 68 is related to the accounting treatment of defined benefit pension plans, specifically the Public Employees Retirement Association of Minnesota (PERA). While the accounting standard changed, SWT will continue to fund the pension plan based on required contribution rates as set by *Minnesota Statute*. See Note 10 of the notes to financial statements for additional information.

**SouthWest Transit  
Eden Prairie, Minnesota  
Management's Discussion and Analysis (Unaudited)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

GASB Statement No. 75 was implemented for the year ended December 31, 2018. GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The new statement is explained in Note 11.

**Net Position**

	Governmental Activities	
	2019	2018
Current and other assets	\$ 21,144,898	\$ 21,998,812
Capital assets, net of depreciation	39,204,003	39,094,259
Total assets	<u>60,348,901</u>	<u>61,093,071</u>
Deferred outflows of resources related to pensions and OPEB	<u>265,945</u>	<u>527,508</u>
 Total assets and deferred outflows of resources	 <u><u>\$ 60,614,846</u></u>	 <u><u>\$ 61,620,579</u></u>
Current liabilities	\$ 1,839,294	\$ 1,378,897
Long-term liabilities	3,004,215	4,417,594
Total liabilities	<u>4,843,509</u>	<u>5,796,491</u>
Deferred inflows of resources related to pensions	<u>368,139</u>	<u>517,325</u>
 Total liabilities and deferred inflows of resources	 <u><u>\$ 5,211,648</u></u>	 <u><u>\$ 6,313,816</u></u>
Net position		
Net investment in capital assets	\$ 37,865,385	\$ 36,159,064
Unrestricted	<u>17,537,813</u>	<u>19,147,699</u>
 Total net position	 <u><u>\$ 55,403,198</u></u>	 <u><u>\$ 55,306,763</u></u>

**Governmental Activities** – Governmental activities increased SWT's net position by \$96,435. The components of net position increased or decreased as follows:

- Net position invested in capital assets increased by \$1,706,321 during the year. Depreciation expense in 2019 totaled \$1,878,470. Capital asset additions included equipment, software, small prime vehicles, and some facility projects.
- Unrestricted net position decreased by \$1,609,886 primarily due to the pay off debt related to SW Village and the Energy Savings projects and the capital projects activities.

Please see pages 28-29 for further detailed information.



**SouthWest Transit  
Eden Prairie, Minnesota  
Management's Discussion and Analysis (Unaudited)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities (Continued)**

**Changes in Net Position**

	Governmental Activities	
	2019	2018
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 3,445,257	\$ 3,249,712
Operating grants and contributions	64,077	61,467
Capital grants and contributions	498,315	364,970
Total program revenues	<u>4,007,649</u>	<u>3,676,149</u>
General revenues		
Unrestricted intergovernmental revenue	9,206,794	9,440,234
Other local revenue	365,359	275,171
Gain on sale of assets	-	4,092,723
Unrestricted investment earnings	344,415	103,002
Total revenues	<u>13,924,217</u>	<u>17,587,279</u>
<b>Expenses</b>		
General government	\$ 1,502,977	1,388,065
Building and grounds	3,085,454	2,788,130
Operations and vehicle maintenance	9,148,674	9,117,140
Debt service interest and agency fees	90,677	89,909
Total expenses	<u>13,827,782</u>	<u>13,383,244</u>
Change in net position	96,435	4,204,035
<b>Net Position</b>		
Beginning, as previously stated	55,306,763	51,181,037
Change in accounting principle	-	(78,309)
Beginning, as restated	<u>55,306,763</u>	<u>51,102,728</u>
Ending	<u>\$ 55,403,198</u>	<u>\$ 55,306,763</u>

**SouthWest Transit  
Eden Prairie, Minnesota  
Management's Discussion and Analysis (Unaudited)**

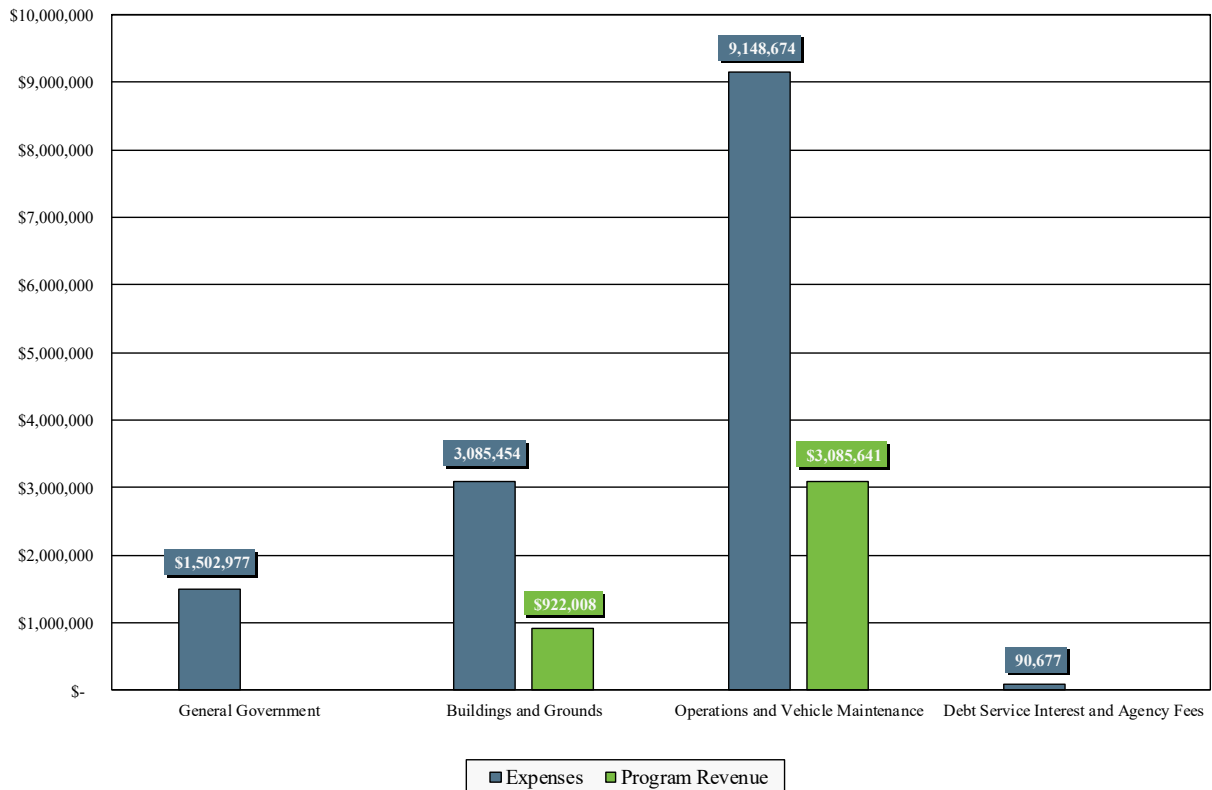
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities (Continued)**

Governmental activity changes in net position – highlights of the change in net position are as follows:

- Capital grants and contributions from federal and state sources finance facilities and equipment purchases. In 2019, state grants totaling \$498,315 financed the renovation of SWT buses and financed a portion of the Eden Prairie garage and SW Village debt.
- Unrestricted intergovernmental revenue includes both MVST, RAMVST and State General Fund Appropriation. MVST increased by \$259,602, RAMVST increased by \$62,223 and State General Fund Appropriation decreased by \$264,660 in 2019. The level of future funding is dependent upon the current State Legislative session.
- SWT completed the sale of Eden Prairie station for the SWLRT project in 2018. In 2019, SWT started a major renovation and upgrade of its garage facility to accommodate the administrative offices lost with the sale of its Eden Prairie facility.

**Expenses and Program Revenues - Governmental Activities**

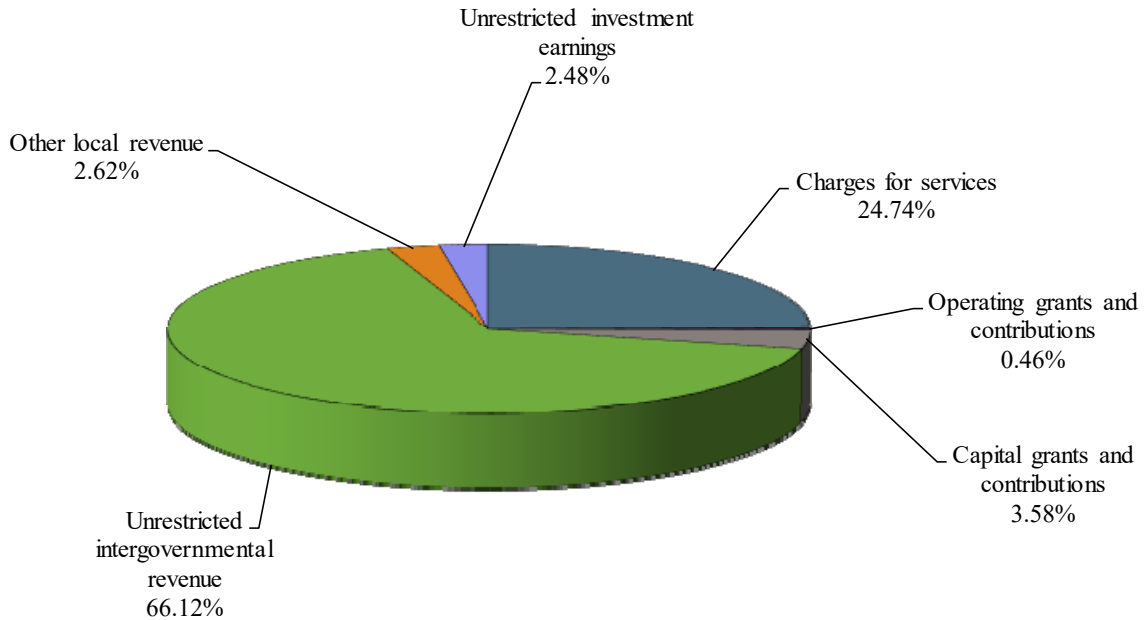


**SouthWest Transit  
Eden Prairie, Minnesota  
Management's Discussion and Analysis (Unaudited)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities (Continued)**

**Revenues by Sources - Governmental Activities**



**FINANCIAL ANALYSIS OF SWT FUNDS**

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

**Governmental Funds** – The focus of SWT’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SWT’s financing requirements. In particular, unassigned and assigned fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the year.

As of the end of the current year, SWT’s governmental funds reported combined ending fund balances of \$16,255,435, a decrease of \$1,303,226 in comparison with the prior year. Fund balances are classified to reflect the limitations and restriction of the respective funds. Additional information on fund balance classifications are in Note 7 on pages 53-54 of this report.

The decrease in SWT’s fund balance of \$1,303,226 during the current year is comprised of the following key factors:

- The General Fund revenues and net other financing sources exceeded expenditures by \$87,409, as the actual intergovernmental revenues MVST, RMVST, and others exceeded the state's estimates.

**SouthWest Transit  
Eden Prairie, Minnesota  
Management's Discussion and Analysis (Unaudited)**

**FINANCIAL ANALYSIS OF SWT FUNDS (CONTINUED)**

**Governmental Funds (Continued)**

- Revenue in the Capital and Equipment Capital Projects Fund exceeded expenditures by \$36,334.
- The SWS Development Capital Projects Fund includes the payments received totaling \$328,020 on the contract for deed of the Chaska garage. The transfers out of the SWS Development Capital Projects Fund total \$3,733,799 and was used to pay off debt related to SW Village and the Energy Savings projects (\$640,129) and SWT's construction in process for expansion and improvements of the Eden Prairie Garage Facility (\$3,093,670), decreasing the fund balance by \$2,894,112 in 2019.
- The SWS Relocation Capital Projects Fund expenditures totaled \$1,341,914 and were financed by a transfer from the SWS Development Fund.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The SWT Commission approved an amended expenditure budget in 2019 that reflected a decrease totaling \$435,305. The transfers out budget was increased by \$350,000 to finance the repair and maintenance projects incorporated into the Eden Prairie garage remodeling and upgrades required to accommodate the administrative offices lost with the sale to SWLRT.

The intergovernmental revenue amended budget (MVST and RAMVST) exceeded the original adopted budget by \$28,222. The original adopted budget anticipated that expenditures would exceed the revenue by \$398,142 and after amendments was reduced to \$353,615. The following summarizes the actual 2019 results:

- 2019 actual revenue exceeded the amended budget by \$315,627.
- Insurance recoveries of \$60,593 exceeded amended budget.
- The actual expenditures were \$64,804 less than the amended budget.
- The General Fund balance increased by \$87,409 during 2019.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – SWT's investment in capital assets as of December 31, 2019 totaled \$39,204,003 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements including parking decks, equipment, and intangible assets. See the table on the following page for more detail.

**SouthWest Transit  
Eden Prairie, Minnesota  
Management's Discussion and Analysis (Unaudited)**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Capital Assets (Continued)**

**Capital Assets (Net of Depreciation)**

	2019	2018
Buildings and facilities	\$ 6,717,099	\$ 7,082,263
Bus equipment	225,263	258,938
Equipment and software	1,001,942	1,062,773
Furniture	15,924	17,516
Land	2,010,649	2,010,649
Land improvements	484,340	484,808
Park and ride facilities	26,464,619	27,526,114
Transit hub facilities	33,123	49,281
Vehicles	497,891	185,138
Construction in progress	1,753,153	416,779
Total	\$ 39,204,003	\$ 39,094,259

SWT operates 76 buses owned by the Metropolitan Council and 10 owned by SWT. In addition, SWT has 25 retired MC buses being held for contingency or sale.

Additional information on SWT's capital assets can be found in Note 1.D.5 on pages 44-45 of this report and Note 6 on pages 52-53 of this report.

**Long-Term Debt** – SWT debt totals \$1,338,618, a net decrease of \$1,596,577 during 2019. SWT debt includes three issues including Certificates of Participation, Lease Purchase, and Capital Lease financing, and are briefly described as follows:

- In 2019, SWT paid off the SouthWest Village Parking Ramp (COP) debt totaling \$695,000.
- In 2019, SWT paid off the Energy Savings Lease Purchase debt totaling \$676,119.
- The Eden Prairie Garage Lease Purchase debt totals \$1,338,618 with the final payment due April 2025. However, this debt was refinanced in 2020 combining the refinancing of this debt with the additional financing required for the Eden Prairie garage remodeling and upgrades.

Additional information on SWT's long-term debt can be found in Note 8 on pages 54-56 of this report.

**SouthWest Transit  
Eden Prairie, Minnesota  
Management's Discussion and Analysis (Unaudited)**

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

SWT has approved the General Fund operating budget for 2020 in December 2019. The new agreement estimates include the statutory MVST of \$7,606,000 and RAMVST totaling \$1,406,000. Since the adoption of the 2020 budget, the MC and the Suburban Transit Providers (including SWT) continue to work through the final RAMVST revenue allocation formula.

SWT ridership decreased by 1.6% in 2019 and the trend is expected to continue in 2020. Ridership increases are expected with the continued growth of SW Prime, but express service decrease is anticipated following national trends. The 2020 budget increased passenger fares to \$3,035,600; or less than 2.3% over the 2019 amended budget. The MC increased the regional passenger fares beginning October 1, 2017 by 8% based on an adult express fare. The General Fund expenditure budget anticipates service levels remaining at or slightly greater than the service provided in 2019.

SWT General Fund balance policy states the SWT Commission shall set the General Fund balance to represent 25%-35% of the current year operating budget. The 2020 budget will continue to maintain the fund balance in accordance with this policy. However, the 2020 budget anticipates the General Fund balance will drop to the low end of the range. Future funding will have a significant impact on SWT's ability to maintain its fund balance.

SWT will utilize the following strategies to balance the 2020 budget:

- Implementing additional operating efficiencies
- Forging new partnerships
- Actively pursuing an equitable share of state and federal funding for transit operation
- Use of reserves as necessary

SWT's goal is to balance the budget by minimizing as much as possible any negative impacts to both our riding customers and staff.

In March 2020 a national emergency was declared for the COVID 19 outbreak in the United States. The Governor of Minnesota has issued a stay at home recommendation that remains in effect through May 4. The pandemic has had a tremendous effect reducing daily ridership from over 3,500 to less than 100. In addition to ridership revenue, SWT relies on MVST and RAMVST (sales tax on vehicles sold) to finance its operations. SWT has reduced its daily service to match the reduced ridership. It is believed there will be both state and federal assistance to offset the loss of ridership and additional expenditures related to COVID 19 mitigation. However, the amount of assistance cannot be determined.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of SWT's finances for all those with an interest in SWT's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, 14405 West 62<sup>nd</sup> Street, Eden Prairie, Minnesota 55346.

## **BASIC FINANCIAL STATEMENTS**

**SouthWest Transit  
Eden Prairie, Minnesota  
Statement of Net Position - Governmental Activities  
December 31, 2019  
(With Comparative Totals for December 31, 2018)**

	2019	2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and investments	\$ 16,100,437	\$ 16,284,471
Accounts receivable	17,887	46,607
Interest receivable	66,330	22,240
Intergovernmental receivable	1,036,337	1,049,810
Contract for deed receivable - current portion	171,569	163,829
Inventory - vehicle parts	251,508	292,453
Land held for resale	-	507,964
Prepaid items	211,681	170,719
Total current assets	17,855,749	18,538,093
<b>Noncurrent assets</b>		
Contract for deed receivable - noncurrent portion	3,289,149	3,460,719
<b>Capital assets</b>		
Land	2,010,649	2,010,649
Land improvements	1,480,641	1,401,056
Buildings and facilities	11,061,152	11,061,152
Transit hub facilities	212,835	212,835
Bus equipment	494,775	485,793
Park and ride facilities	37,831,735	37,807,757
Equipment and software	2,519,709	2,368,975
Vehicles	759,245	376,250
Furniture	48,340	48,340
Construction in progress	1,753,153	416,779
Total cost	58,172,234	56,189,586
Less accumulated depreciation	(18,968,231)	(17,095,327)
Total capital assets	39,204,003	39,094,259
Total noncurrent assets	42,493,152	42,554,978
Total assets	60,348,901	61,093,071
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pensions	263,281	526,524
Deferred outflows of resources related to OPEB	2,664	984
Total deferred outflows of resources	265,945	527,508
Total assets and deferred outflows of resources	\$ 60,614,846	\$ 61,620,579
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts and contracts payable	\$ 1,326,558	\$ 698,566
Salaries and benefits payable	102,187	56,378
Unearned revenue	-	60,659
Interest payable	8,620	20,364
Lease purchase/certificates of participation payable	231,335	379,292
Compensated absences payable	170,594	163,638
Total current liabilities	1,839,294	1,378,897
<b>Noncurrent liabilities</b>		
Lease purchase/certificates of participation payable	1,107,283	2,555,903
Compensated absences payable	30,105	28,877
Net pension liability	1,763,680	1,741,943
Total OPEB liability	103,147	90,871
Total noncurrent liabilities	3,004,215	4,417,594
Total liabilities	4,843,509	5,796,491
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	368,139	517,325
<b>Net Position</b>		
Net investment in capital assets	37,865,385	36,159,064
Unrestricted	17,537,813	19,147,699
Total net position	55,403,198	55,306,763
Total liabilities, deferred inflows of resources, and net position	\$ 60,614,846	\$ 61,620,579

See notes to financial statements.



**SouthWest Transit  
Eden Prairie, Minnesota  
Statement of Activities  
Year Ended December 31, 2019  
(With Comparative Totals for the Year Ended December 31, 2018)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2019	2018
Governmental activities						
General government	\$ 1,502,977	\$ -	\$ -	\$ -	\$ (1,502,977)	\$ (1,388,065)
Buildings and grounds	3,085,454	457,028	-	464,980	(2,163,446)	(2,250,369)
Operations and vehicle maintenance	9,148,674	2,988,229	64,077	33,335	(6,063,033)	(5,978,752)
Debt service interest and agency fees	90,677	-	-	-	(90,677)	(89,909)
Total governmental activities	<u>\$ 13,827,782</u>	<u>\$ 3,445,257</u>	<u>\$ 64,077</u>	<u>\$ 498,315</u>	(9,820,133)	(9,707,095)
General revenues						
Unrestricted intergovernmental revenue					9,206,794	9,440,234
Other local revenue					365,359	275,171
Unrestricted investment earnings					344,415	103,002
Gain on sales of assets					-	4,092,723
Total general revenues					<u>9,916,568</u>	<u>13,911,130</u>
Change in net position					96,435	4,204,035
Net position - beginning, as previously stated					55,306,763	51,181,037
Change in accounting principle					-	(78,309)
Net position - beginning, as restated					<u>55,306,763</u>	<u>51,102,728</u>
Net position - ending					<u>\$ 55,403,198</u>	<u>\$ 55,306,763</u>





**SouthWest Transit  
Eden Prairie, Minnesota  
Balance Sheet - Governmental Funds  
December 31, 2019  
(With Comparative Totals for December 31, 2018)**

	General Fund	Capital Projects	
		Capital and Equipment	SWS Development Capital
<b>Assets</b>			
Cash and investments	\$ 4,024,106	\$ 1,838,800	\$ 8,204,349
Accounts receivable	17,887	-	-
Interest receivable	10,048	4,144	52,138
Intergovernmental receivable	885,226	-	-
Contract for deed receivable	-	-	3,460,718
Due from other funds	91,547	-	-
Inventory	251,508	-	-
Land held for resale	-	-	-
Prepaid items	211,681	-	-
Total assets	<u>\$ 5,492,003</u>	<u>\$ 1,842,944</u>	<u>\$ 11,717,205</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 1,011,797	\$ -	\$ -
Salaries and benefits payable	102,187	-	-
Unearned revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>1,113,984</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - contract for deed	-	-	3,460,718
<b>Fund Balances</b>			
Nonspendable	463,189	-	-
Committed	-	-	-
Assigned	-	1,842,944	8,256,487
Unassigned	3,914,830	-	-
Total fund balances	<u>4,378,019</u>	<u>1,842,944</u>	<u>8,256,487</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,492,003</u>	<u>\$ 1,842,944</u>	<u>\$ 11,717,205</u>

Nonmajor Governmental Funds	Total Governmental Funds	
	2019	2018
\$ 2,033,182	\$ 16,100,437	\$ 16,284,471
-	17,887	46,607
-	66,330	22,240
151,111	1,036,337	1,049,810
-	3,460,718	3,624,548
-	91,547	87,302
-	251,508	292,453
-	-	507,964
-	211,681	170,719
<u>\$ 2,184,293</u>	<u>\$ 21,236,445</u>	<u>\$ 22,086,114</u>
\$ 314,761	\$ 1,326,558	\$ 698,566
-	102,187	56,378
-	-	60,659
91,547	91,547	87,302
<u>406,308</u>	<u>1,520,292</u>	<u>902,905</u>
-	3,460,718	3,624,548
-	463,189	463,172
26,229	26,229	310,842
1,751,756	11,851,187	12,957,209
-	3,914,830	3,827,438
<u>1,777,985</u>	<u>16,255,435</u>	<u>17,558,661</u>
<u>\$ 2,184,293</u>	<u>\$ 21,236,445</u>	<u>\$ 22,086,114</u>



**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2019**  
**(With Comparative Totals for December 31, 2018)**

	2019	2018
Total fund balances - governmental funds	\$ 16,255,435	\$ 17,558,661
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets	58,172,234	56,189,586
Less accumulated depreciation	(18,968,231)	(17,095,327)
Long-term liabilities, including leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Leases/certificates of participation payable	(1,338,618)	(2,935,195)
Compensated absences payable	(200,699)	(192,515)
Net pension liability	(1,763,680)	(1,741,943)
Total OPEB liability	(103,147)	(90,871)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.		
Deferred inflows of resources related to pensions	(368,139)	(517,325)
Deferred outflows of resources related to pensions	263,281	526,524
Deferred outflows of resources related to OPEB	2,664	984
Contract for deed receivable will be collected in future years, but is not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.		
	3,460,718	3,624,548
Governmental funds do not report a liability for accrued interest until due and payable.		
	(8,620)	(20,364)
Total net position - governmental activities	\$ 55,403,198	\$ 55,306,763

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2019**  
**(With Comparative Totals for the Year Ended December 31, 2018)**

	General Fund	Capital Projects	
		Capital and Equipment	SWS Development Capital
<b>Revenues</b>			
Intergovernmental - federal	\$ 46,350	\$ -	\$ -
Intergovernmental - state	9,156,338	-	-
Intergovernmental - other	75,112	-	-
Passenger fares	2,977,194	-	-
Charges for services	267,587	-	-
Investment income	71,129	36,334	236,802
Other interest income	-	-	164,190
Loan repayment	-	-	163,830
Other local revenue	98,574	-	292,036
Total revenues	<u>12,692,284</u>	<u>36,334</u>	<u>856,858</u>
<b>Expenditures</b>			
Current			
General government	1,436,835	-	-
Buildings and grounds	1,225,183	-	14,058
Operations and vehicle maintenance	8,824,760	-	-
Debt service			
Principal retirement	-	-	-
Interest and agency fees	-	-	-
Capital outlay			
General government	10,950	-	-
Buildings and grounds	201,683	-	3,113
Operations and vehicle maintenance	510,367	-	-
Total expenditures	<u>12,209,778</u>	<u>-</u>	<u>17,171</u>
Excess of revenues over (under) expenditures	482,506	36,334	839,687
<b>Other Financing Sources (Uses)</b>			
Insurance recoveries	60,593	-	-
Sale of property	-	-	-
Transfers in	-	-	-
Transfers out	(455,690)	-	(3,733,799)
Total other financing sources (uses)	<u>(395,097)</u>	<u>-</u>	<u>(3,733,799)</u>
Net change in fund balances	87,409	36,334	(2,894,112)
<b>Fund Balances</b>			
Beginning of year	<u>4,290,610</u>	<u>1,806,610</u>	<u>11,150,599</u>
End of year	<u>\$ 4,378,019</u>	<u>\$ 1,842,944</u>	<u>\$ 8,256,487</u>



Nonmajor Governmental Funds	Total Governmental Funds	
	2019	2018
\$ -	\$ 46,350	\$ 49,650
498,315	9,654,653	9,742,243
-	75,112	72,947
-	2,977,194	3,065,441
-	267,587	224,337
150	344,415	103,002
-	164,190	171,583
-	163,830	156,438
-	390,610	52,042
<u>498,465</u>	<u>14,083,941</u>	<u>13,637,683</u>
-	1,436,835	1,392,045
-	1,239,241	1,234,257
-	8,824,760	8,922,870
1,596,577	1,596,577	371,984
102,421	102,421	92,243
-	10,950	-
1,488,478	1,693,274	709,994
33,335	543,702	380,559
<u>3,220,811</u>	<u>15,447,760</u>	<u>13,103,952</u>
(2,722,346)	(1,363,819)	533,731
-	60,593	119,271
-	-	7,500,000
4,189,489	4,189,489	422,330
-	(4,189,489)	(422,330)
<u>4,189,489</u>	<u>60,593</u>	<u>7,619,271</u>
1,467,143	(1,303,226)	8,153,002
310,842	17,558,661	9,405,659
<u>\$ 1,777,985</u>	<u>\$ 16,255,435</u>	<u>\$ 17,558,661</u>

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to**  
**the Statement of Activities - Governmental Funds**  
**Year Ended December 31, 2019**  
**(With Comparative Totals for the Year Ended December 31, 2018)**

	2019	2018
Net change in fund balances - governmental funds	\$ (1,303,226)	\$ 8,153,002
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures	1,998,234	1,209,277
Depreciation expense	(1,878,470)	(1,801,863)
Book value of disposed assets	(10,020)	(3,407,277)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		
	(8,184)	(36,019)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This repayment is reflected as an expenditure in the governmental funds. In the Statement of Net Position, this is reflected as a reduction of debt principal payable.		
Principal repayment	1,596,577	371,984
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
	11,744	2,334
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.		
Pension expense	(135,794)	(119,387)
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective.		
OPEB expense	(10,596)	(11,578)
Governmental funds recognize repayment of the contract for deed as revenue at the time payment is received whereas the Statement of Activities recognized this revenue when the contract for deed originated.		
	(163,830)	(156,438)
Change in net position - governmental activities	\$ 96,435	\$ 4,204,035

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental - federal	\$ -	\$ -	\$ 46,350	\$ 46,350
Intergovernmental - state	9,058,835	9,087,057	9,156,338	69,281
Intergovernmental - other	70,000	70,000	75,112	5,112
Passenger fares	3,069,600	2,967,600	2,977,194	9,594
Charges for services	164,000	164,000	267,587	103,587
Investment income	10,000	10,000	71,129	61,129
Other local revenue	45,000	78,000	98,574	20,574
Total revenues	<u>12,417,435</u>	<u>12,376,657</u>	<u>12,692,284</u>	<u>315,627</u>
<b>Expenditures</b>				
Current				
General government	1,323,120	1,356,320	1,436,835	80,515
Buildings and grounds	1,215,100	1,256,660	1,225,183	(31,477)
Operations and vehicle maintenance	9,314,067	8,856,767	8,824,760	(32,007)
Capital outlay				
General government	-	30,000	10,950	(19,050)
Buildings and grounds	240,000	229,200	201,683	(27,517)
Operations and vehicle maintenance	617,600	545,635	510,367	(35,268)
Total expenditures	<u>12,709,887</u>	<u>12,274,582</u>	<u>12,209,778</u>	<u>(64,804)</u>
Excess of revenues over (under) expenditures	(292,452)	102,075	482,506	380,431
<b>Other Financing Sources (Uses)</b>				
Insurance recoveries	-	-	60,593	60,593
Transfers out	(105,690)	(455,690)	(455,690)	-
Total other financing sources (uses)	<u>(105,690)</u>	<u>(455,690)</u>	<u>(395,097)</u>	<u>60,593</u>
Net change in fund balances	<u>\$ (398,142)</u>	<u>\$ (353,615)</u>	87,409	<u>\$ 441,024</u>
<b>Fund Balances</b>				
Beginning of year			<u>4,290,610</u>	
End of year			<u>\$ 4,378,019</u>	



**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

SouthWest Transit (SWT) is a replacement transit agency, operated under a joint powers agreement by and for the Cities of Chanhassen, Chaska, and Eden Prairie, Minnesota. These Cities are located in the Southwestern Twin Cities metropolitan area. SWT was organized in July, 1986, for the purpose of providing public transit services to the participating Cities, which cover 81 square miles and are located in Carver and Hennepin Counties. SWT provides fixed route express, reverse commute, local fixed route, and local on-demand services.

For financial reporting purposes, SWT's financial statements include all funds over which SWT exercises financial accountability. SWT does not have any component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of SWT. SWT has only governmental activities, which normally are supported by intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenue and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Motor Vehicle Sales Tax (MVST) funds are the major source of revenue and are recognized in the year the taxes are collected by the State of Minnesota. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SWT considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

MVST, farebox revenue, interest, and grant funding associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by SWT.

**Description of Funds:**

Major Governmental Funds:

General Fund – This fund is the general operating fund of SWT. It is used to account for all financial resources and transit operations except those required to be accounted for in another fund.

Capital and Equipment Capital Projects Fund – This fund is used to account for financial resources dedicated to the capital and equipment purchases that are financed locally.

SWS Development Capital Projects Fund – This fund is used to account for the accumulation of resources to be used for capital construction and maintenance on SWT's property, or future development activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between SWT's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

SWT receives a significant percentage of its revenue from MVST, which includes both the statutory and discretionary amounts.

In 2001, the Minnesota Legislature amended the statutes providing for transit funding by eliminating property tax as the source of funding for transit systems operations and by dedicating a portion of the MVST to transit funding. These statutes dedicated 20.5% of the MVST to transit operations in the Twin Cities area effective July 1, 2002. Effective July 1, 2003, this increased to 21.5%. These funds are appropriated to the Metropolitan Council (MC). The formula for distributing the funds to each transit system is contained in the state statutes.

In 2006, the Minnesota voters passed a constitutional amendment that changed the Constitution so that 100% of the sales tax revenues on motor vehicles are dedicated to state-wide transportation improvement. The amendment called for a phased-in transfer of the revenues over five years, with up to 60% of the dedicated funds going to state highways and local roads and at least 40% to public transit. This additional MVST increment is now referred to as regional allocated MVST, often referred to as RAMVST.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The amendment provided that beginning in 2008 63.75% of MVST revenues would be dedicated to transportation, with the remainder going to the General Fund. The transportation percentage would rise 10% each year until reaching 100% in 2012. These percentages are in addition to the allocation of MVST revenues in current law. The distribution of the incremental increase (RAMVST) is controlled through discretionary criteria set by the MC.

Capital funding contracts between the federal government, Mn/DOT, the MC, and SWT are designated for specific capital projects. These monies are available until the projects for which the funds were allocated are completed, or until the end of the grant term, whichever occurs first.

When both restricted and unrestricted resources are available for use, it is SWT's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned fund balances are available for use, it is SWT's policy to use fund balances in the following order:

1) committed, 2) assigned, and 3) unassigned.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance**

**1. Cash and Investments**

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

SWT's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

*Minnesota Statutes* requires that all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

*Minnesota Statutes* authorizes SWT to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, commercial paper of the highest quality with a maturity of no longer than 270 days, and in the Minnesota Municipal Investment Pool.

**2. Receivables/Payables**

Receivables include amounts due from the State of Minnesota through the MC for MVST collected but not received, the MC for farebox revenues, and various capital grants and other local receivables. No allowance for doubtful accounts has been deemed necessary.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

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

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

**2. Receivables/Payables (Continued)**

A contract for deed was executed in May 2014, as part of the financing of the sale of SWT property. The balance is due in monthly installments of \$27,335 together with interest at 4.625% over 20 years and is recorded in the SWS Development Capital Projects Fund.

Amounts included in accounts payable include expenses incurred in 2019 but not paid until 2020 for subcontracted transit services and other operating expenses.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The treatment accorded prepaid expenditures in the governmental funds is the consumption method.

**4. Inventory and Land Held for Resale**

Vehicle parts inventory totaled \$251,508 at December 31, 2019, and is valued at cost using the first in, first out (FIFO) method, and is accounted for using the consumption method.

Land held for resale was acquired by SWT for the purpose of subsequent resale. Land held for resale is reported as an asset at the lower of cost or estimated fair value. The land was sold during 2019.

**5. Capital Assets**

Capital assets, which include property, facilities, equipment, and intangible assets, are reported in the government-wide financial statements. Capital assets are defined by SWT as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The capitalization threshold established for assets by category are as listed in the table below.

<u>Asset Category</u>	<u>Threshold</u>
Land/land improvements	\$ 10,000
Other improvements	25,000
Buildings and building improvements	25,000
Machinery and equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Construction in progress (when completed)	100,000
Intangible assets	5,000
Other assets	5,000



**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

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

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

**5. Capital Assets (Continued)**

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

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	7-40
Infrastructure	15-40
Other improvements	10-20
Equipment, machinery and vehicles	3-15

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. SWT has two items that qualify for reporting in this category. SWT presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions and other postemployment benefits (OPEB) for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. SWT has two items that qualify for reporting in this category. SWT presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenue from one source: contract for deed receivable. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. SWT presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

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

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

**7. Compensated Absences**

SWT compensates its employees for unused personal leave benefits in the event of separation. Compensated absences are recorded as expenditures in governmental funds only when obligations are expected to be liquidated with available expendable financial resources, reflected as a liability in governmental funds for employees that have retired but have yet to receive their entire compensated absence balances. Compensated absences are recorded as expenses in governmental activities when earned.

**8. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the fund financial statements, governmental funds recognize debt issuance costs in the year the debt is issued. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA 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. Investments are reported at fair value.

**10. Fund Balance**

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

- Nonspendable Fund Balances – Amounts that are not in a spendable form or are required to be maintained intact. Examples include prepaid items, inventory, land held for resale, and long-term receivables that are not otherwise restricted, committed, assigned, or offset by unearned revenue.
- Restricted Fund Balances – Amounts are subject to externally enforceable legal restrictions. Examples include fund balance related to unspent bond proceeds and debt service fund balances if the fund balance is the result of revenue received from a third party that restricted the use to debt service payments. SWT has no amounts reported as restricted fund balance at December 31.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

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

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

**10. Fund Balance (Continued)**

- Committed Fund Balances – Amounts that are constrained by SWT Commission resolution for a specific purpose. Fund balance commitment resolutions must be completed before December 31, to be effective for that year and remain in effect until the commitment is changed or eliminated by Commission resolution.
- Assigned Fund Balances – Amounts a government intends to use for a specific purpose; intent can be expressed by the government body or by an official or body to which the governing body delegates the authority. The SWT Commission has approved a fund balance policy that designates SWT's CEO or his/her designee as the official that has authority to assign fund balance.
- Unassigned Fund Balances – Residual amounts that are available for any purpose in the General Fund. Unassigned fund balance will occur only in the General Fund or in other funds when there is a negative fund balance that can't be eliminated by reducing restricted, committed or assigned fund balances.

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

When committed, assigned, or unassigned resources are available for use, it is SWT's policy to use resources in the following order: 1) Committed, 2) Assigned, and 3) Unassigned.

SWT has adopted a fund balance policy for the General Fund and is summarized as follows:

- SWT will maintain an unassigned General Fund balance between 25-35% of budgeted operating expenditures; however, this need could fluctuate with each year's budget objectives. (For purposes of fund balance, the Metropolitan Council's regional operating reserves policy does not distinguish between the various components of fund balance).
- Annual proposed budgets shall include this benchmark policy. The Commission shall review the amounts in fund balance in conjunction with the annual budget approval, and make adjustments as necessary to meet expected cash-flow needs.
- In the event the unassigned General Fund balance will be calculated to be less than the minimum requirement at the completion of any fiscal year, SWT shall plan to adjust budget resources in the subsequent fiscal years to bring the fund balance into compliance with this policy and define the conditions that required a lower fund balance in their Comprehensive Annual Financial Report.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

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

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

**10. Fund Balance (Continued)**

The unassigned General Fund balance at December 31, 2019, is approximately 34% of the 2019 budgeted operating expenditures. (For purposes of this computation of the General Fund balance, operating expenditures do not include the capital costs).

SWT's target General Fund balance is a minimum of 25% to 35% of the annual operating budget.

**11. Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**12. Comparative Data/Reclassifications**

Comparative total data for the prior year has been presented by fund types and in total in the fund financial statements and in the government-wide financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with this year's presentation.

**E. Use of Estimates**

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

**F. Budgetary Information**

SWT annually prepares, and the SWT Commission adopts, an operating budget for the funds listed below. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America. *Minnesota Statutes* defines the source, method, and allocation of a major portion of its funding. The level at which management cannot overspend the budget without the approval of the SWT Commission is at the fund level for all funds. All budget amendments are reviewed and approved by the SWT Commission. Budgeted amounts in the financial statements are as amended.

Capital projects budgets are prepared for existing and potential capital assets for a five year period through the Capital Improvement Program (CIP). Funding sources along with the timing of funding agreements (appropriations), revenue recognition and project expenditures are budgeted for each project.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

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

**F. Budgetary Information (Continued)**

In 2019, the SWT Commission adopted annual budgets for the following funds:

- General Fund
- Capital and Equipment Capital Projects Fund
- SWS Development Capital Projects Fund
- SouthWest Village Debt Service Fund
- Eden Prairie Garage Remodel Debt Service Fund
- Energy Savings Debt Service Fund
- SWS Relocation Capital Projects Fund

The original 2019 budget was adopted by the SWT Commission on December 6, 2018. The Commission receives monthly financial statements throughout the year for their review and approval. Formal budget amendments are presented and approved by the Commission throughout the year as needed.

The net increase to the General Fund balance in 2019 was \$482,506, before insurance recoveries and a transfer out in the amount of \$455,690 for debt service as noted in Note 3 on page 51 of this report.

Appropriation control is managed for all SWT annual adopted budgets.

The Capital and Equipment, SWS Development, and SWS Relocation Capital Projects Funds are local financing sources managed through the budgetary controls of the SWT Commission.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Cash balances of SWT's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as cash and investments. For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

**A. Deposits**

**Custodial Credit Risk – Deposits:** For deposits, this is the risk that in the event of bank failure, SWT's deposits may not be returned to them. SWT retains federal securities as collateral for all bank deposits. As of December 31, 2019, SWT's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with pledged federal securities held by the pledging financial institution's trust department or agent and in SWT's name.

Checking	\$ 23,160
Savings	3,515,984
Certificates of deposit	<u>8,246,739</u>
 Total deposits	 <u><u>\$ 11,785,883</u></u>

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

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

**B. Investments**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less than One Year</u>
U.S. Treasury Notes	\$ 4,313,954	\$ 4,313,954

SWT has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk, and custodial credit risk as follows:

**Interest Rate Risk:** Managing exposure to fair value arising from changes in interest rates. SWT's investment policy does include specific limits on investment maturities as a means of managing its exposure to fair value arising from changes in interest rates. Investments will primarily be in shorter-term investments. The investment policy also states the portfolio must be structured so that securities mature concurrent with cash needs to meet anticipated demands.

**Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SWT's investment policy addresses credit risk by limiting investments to the safest type of securities and using prequalifying brokers/financial institutions. SWT's investment policy refers to *Minnesota Statutes* 118A. State statutes limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations.

**Concentration of Credit Risk:** Limits the amount SWT may invest in any one issuer. SWT's investment policy does place a limit on the amount SWT may invest in any one issuer. With the exception of U.S. Treasury Securities and authorized pools, no more than 20% of SWT's total investment portfolio will be invested with a single financial institution unless SWT deposits in that institution are backed by U.S. guaranteed investments.

**Custodial Credit Risk – Investments:** For an investment, this is the risk that in the event of the failure of the counterparty, SWT will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

SWT has the following recurring fair value measurements as of December 31, 2019:

- U.S. Treasury Notes of \$4,313,954 are valued using a matrix pricing model (Level 2 inputs)

The following is a summary of total deposits and investments:

Deposits	\$ 11,785,883
Investments	4,313,954
Petty cash	<u>600</u>
Total deposits and investments	<u><u>\$ 16,100,437</u></u>

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

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

**B. Investments (Continued)**

Deposits and investments are presented in the December 31, 2019, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u>\$ 16,100,437</u>

**NOTE 3 – INTERFUND TRANSFERS**

The composition of interfund transfers as of December 31, 2019, follows:

	<u>Transfer in Nonmajor Governmental Funds</u>
Transfer out	
General Fund	\$ 455,690
SWS Development Capital	<u>3,733,799</u>
 Total transfers	 <u>\$ 4,189,489</u>

\$1,095,819 of the transfers was approved by the Commission to provide financing for debt service expenditures in 2019. \$3,093,670 of the transfers was to cover costs related to the SWS relocation.

**NOTE 4 – INTERFUND ASSETS/LIABILITIES**

At December 31, 2019, the General Fund had a receivable from the Eden Prairie Garage Remodel Debt Service nonmajor fund in the total amount of \$90,183 and a receivable from the SWT Facilities Improvement nonmajor fund in the total amount of \$1,364 for the purpose of covering temporary cash deficit balances in those funds.

**NOTE 5 – CONTRACT FOR DEED RECEIVABLE**

SWT sold land together with the approximate 95,000 square foot building and all fixtures or equipment used in connection with the operation of the building in May 2014, for \$4,750,000. SWT received \$475,000 as a down payment and will receive the remaining balance over a 20 year period. The monthly payment of \$27,335 began July 1, 2014, and includes interest computed at 4.625% per annum.

On the 20th anniversary of the contract the entire unpaid balance of principal and accrued interest, if any, are due and payable in full. The amount outstanding at December 31, 2019, was \$3,460,718. The amount due in 2020 totals \$171,569. The purchaser has the right to fully or partially prepay the contract without penalty at any time.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,010,649	\$ -	\$ -	\$ 2,010,649
Construction in progress	416,779	1,336,374	-	1,753,153
Total capital assets not being depreciated	<u>2,427,428</u>	<u>1,336,374</u>	<u>-</u>	<u>3,763,802</u>
Capital assets being depreciated				
Land improvements	1,401,056	79,585	-	1,480,641
Buildings and facilities	11,061,152	-	-	11,061,152
Transit hub facilities	212,835	-	-	212,835
Bus equipment	485,793	8,982	-	494,775
Park and ride facilities	37,807,757	23,978	-	37,831,735
Equipment and software	2,368,975	150,734	-	2,519,709
Vehicles	376,250	398,581	(15,586)	759,245
Furniture	48,340	-	-	48,340
Total capital assets being depreciated	<u>53,762,158</u>	<u>661,860</u>	<u>(15,586)</u>	<u>54,408,432</u>
Total capital assets, cost	56,189,586	1,998,234	(15,586)	58,172,234
Less accumulated depreciation for				
Land improvements	916,248	80,053	-	996,301
Buildings and facilities	3,978,889	365,164	-	4,344,053
Transit hub facilities	163,554	16,158	-	179,712
Bus equipment	226,855	42,657	-	269,512
Park and ride facilities	10,281,643	1,085,472	-	11,367,115
Equipment and software	1,306,202	211,566	-	1,517,768
Vehicles	191,112	75,808	(5,566)	261,354
Furniture	30,824	1,592	-	32,416
Total accumulated depreciation	<u>17,095,327</u>	<u>1,878,470</u>	<u>(5,566)</u>	<u>18,968,231</u>
Total capital assets being depreciated, net	<u>36,666,831</u>	<u>(1,216,610)</u>	<u>(10,020)</u>	<u>35,440,201</u>
Governmental activities capital assets, net	<u>\$ 39,094,259</u>	<u>\$ 119,764</u>	<u>\$ (10,020)</u>	<u>\$ 39,204,003</u>



**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of SWT as follows:

Governmental activities	
Buildings and grounds	\$ 1,608,338
Operations and vehicle maintenance	251,872
General government	<u>18,260</u>
 Total depreciation expense - governmental activities	 <u>\$ 1,878,470</u>

Capital asset activity by program/function for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, cost				
Buildings and grounds	\$ 53,537,538	\$ 1,485,961	\$ (15,586)	\$ 55,007,913
Operations and vehicle maintenance	2,476,519	512,273	-	2,988,792
General government	175,529	-	-	175,529
Total capital assets, cost	<u>56,189,586</u>	<u>1,998,234</u>	<u>(15,586)</u>	<u>58,172,234</u>
Less accumulated depreciation for				
Buildings and grounds	15,785,094	1,608,338	(5,566)	17,387,866
Operations and vehicle maintenance	1,209,120	251,872	-	1,460,992
General government	101,113	18,260	-	119,373
Total accumulated depreciation	<u>17,095,327</u>	<u>1,878,470</u>	<u>(5,566)</u>	<u>18,968,231</u>
 Governmental activities, capital assets, net	 <u>\$ 39,094,259</u>	 <u>\$ 119,764</u>	 <u>\$ (10,020)</u>	 <u>\$ 39,204,003</u>

SWT's 76 transit service buses and 25 retired buses being held for contingency are owned by the MC and thus are not reflected in SWT's assets.

**NOTE 7 – FUND BALANCE**

Certain portions of fund balance may be restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 7 – FUND BALANCE (CONTINUED)**

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

	General Fund	Capital and Equipment	SWS Development Capital	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 251,508	\$ -	\$ -	\$ -	\$ 251,508
Prepaid items	211,681	-	-	-	211,681
Total nonspendable	<u>463,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>463,189</u>
Committed for					
Debt service	-	-	-	26,229	26,229
Assigned to					
Capital and equipment purchases	-	1,842,944	-	-	1,842,944
Future debt service	-	-	5,500,000	-	5,500,000
Future vehicle storage	-	-	2,756,487	-	2,756,487
SWS relocation	-	-	-	1,751,756	1,751,756
Total assigned	<u>-</u>	<u>1,842,944</u>	<u>8,256,487</u>	<u>1,751,756</u>	<u>11,851,187</u>
Unassigned	<u>3,914,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,914,830</u>
Total fund balance	<u>\$ 4,378,019</u>	<u>\$ 1,842,944</u>	<u>\$ 8,256,487</u>	<u>\$ 1,777,985</u>	<u>\$ 16,255,435</u>

**NOTE 8 – LONG-TERM DEBT**

**A. Certificates of Participation and Lease/Purchase Debt**

In 2013, SWT refinanced the outstanding capital lease balance of \$1,819,847 related to the construction of the SouthWest Village parking ramp and passenger waiting station with \$1,120,000 Refunding Certificates of Participation (COP), Series 2013, together with \$826,824 from the SWS Development Capital Projects Fund. In 2019, SWT paid off the remaining balance of \$695,000 in principal and \$28,380 in interest.

In 2013, SWT approved lease purchase financing totaling \$1,000,000 to provide financing for an energy savings performance project. In 2019, SWT paid off the remaining balance of \$676,119 in principal and \$16,644 in interest.

In 2015, SWT approved lease purchase financing totaling \$2,332,000 to provide financing for an expansion on the Eden Prairie garage. The annual principal payments increase from \$225,458 in 2019 to \$256,149 in 2024 together with interest at 2.59%.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

**A. Certificates of Participation and Lease/Purchase Debt (Continued)**

Certificates of Participation and Lease/Purchase debt currently outstanding is as follows:

Purpose	Date Issued	Final Maturity	Interest Rate	Amount Outstanding
Eden Prairie Garage Lease Purchase	7/1/2015	4/1/2025	2.59%	\$ 1,338,618
Total				\$ 1,338,618

The future minimum lease obligations and net present value of these minimum lease payments as of December 31, 2019, were as shown below.

Year Ended December 31,	Lease/Purchase Eden Prairie Garage Expansion
2020	\$ 264,517
2021	264,517
2022	264,517
2023	264,517
2024	264,518
2025	121,600
Total minimum lease payments	1,444,186
Less interest	(105,568)
Present value of minimum lease payments	\$ 1,338,618

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

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

Long-term liability activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Certificates of participation and lease/purchase debt					
SouthWest Village parking ramp	\$ 695,000	\$ -	\$ 695,000	\$ -	\$ -
Engery savings lease purchase	676,119	-	676,119	-	-
Eden Prairie garage lease purchase	<u>1,564,076</u>	<u>-</u>	<u>225,458</u>	<u>1,338,618</u>	<u>231,335</u>
Total certificates of participation and lease/purchase debt	2,935,195	-	1,596,577	1,338,618	231,335
Compensated absences	<u>192,515</u>	<u>175,412</u>	<u>167,228</u>	<u>200,699</u>	<u>170,594</u>
Governmental activities long-term liabilities	<u>\$ 3,127,710</u>	<u>\$ 175,412</u>	<u>\$ 1,763,805</u>	<u>\$ 1,539,317</u>	<u>\$ 401,929</u>

The General Fund typically liquidates the liability related to compensated absences. The Debt Service Funds typically liquidate the liability related to the long-term debt.

**NOTE 9 – RISK MANAGEMENT**

SWT is exposed to various risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to protect against these risks of loss, SWT purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program. SWT pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. SWT is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amounts of these deductibles are considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

SWT's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience, workers' compensation rates, and salaries for the year are known. The final premium adjustment is in the year the adjustment is made.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 9 – RISK MANAGEMENT (CONTINUED)**

At December 31, 2019, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 10 – PENSION PLANS**

**Public Employees' Retirement Association**

**A. Plan Description**

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

General Employees Retirement Plan

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

**B. Benefits Provided**

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 10 – PENSION PLANS (CONTINUED)**

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

**B. Benefits Provided (Continued)**

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

**C. Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2019 and SWT was required to contribute 7.5% for Coordinated Plan members. SWT's contributions to the General Employees Fund for the year ended December 31, 2019, were \$175,295. SWT's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2019, SWT reported a liability of \$1,763,680 for its proportionate share of the General Employees Fund's net pension liability. SWT's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with SWT totaled \$54,831. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. SWT's proportionate share of the net pension liability was based on SWT's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, SWT's proportionate share was 0.0319%, which was an increase of 0.0005% from its proportionate share measured as of June 30, 2018.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 10 – PENSION PLANS (CONTINUED)**

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

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

SWT's proportionate share of the net pension liability	\$ 1,763,680
State of Minnesota's proportionate share of the net pension liability associated with SWT	<u>54,831</u>
Total	<u><u>\$ 1,818,511</u></u>

For the year ended December 31, 2019, SWT recognized pension expense of \$315,195 for its proportionate share of General Employees Plan's pension expense. Included in the amount, SWT recognized \$4,106 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

The General Fund typically liquidates the liability related to pensions.

At December 31, 2019, SWT 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	\$ 49,277	\$ -
Changes in actuarial assumptions	-	139,250
Difference between projected and actual investment earnings	-	193,777
Changes in proportion	126,356	35,112
Contributions paid to PERA subsequent to the measurement date	<u>87,648</u>	<u>-</u>
Total	<u><u>\$ 263,281</u></u>	<u><u>\$ 368,139</u></u>

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 10 – PENSION PLANS (CONTINUED)**

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

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

\$87,648 reported as deferred outflows of resources related to pensions resulting from SWT contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (14,236)
2021	(153,318)
2022	(27,794)
2023	<u>2,842</u>
Total	<u>\$ (192,506)</u>

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.



**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 10 – PENSION PLANS (CONTINUED)**

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

**E. Actuarial Assumptions (Continued)**

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	0.00
Total	<u>100 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at the rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 10 – PENSION PLANS (CONTINUED)**

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

**G. Pension Liability Sensitivity**

The following presents SWT's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what SWT's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
SWT's proportionate share of the General Employees Fund net pension liability	\$ 2,899,394	\$ 1,763,680	\$ 825,921

**H. Pension Plan Fiduciary Net Position**

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

**NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

SWT's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Health Partners. It is SWT's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for SWT employees and retirees. No assets are accumulated in a trust.

**B. Benefits Provided**

SWT makes available basic health insurance coverage to regular full time employees, regular part-time employees working 32 or more hours per week, and their dependents. SWT will contribute toward the cost of the basic health insurance premiums for both employee and dependent coverage, though the contribution level may vary. Additional costs for coverage must be paid by the employee through a payroll deduction.

**C. Contributions**

Contribution requirements are established by SWT, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. For 2019, SWT contributed \$2,664 to the plan.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**D. Members**

As of January 1, 2018, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	27
Total	27

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	3.30%
Salary increases	3.00%
Inflation	2.50%
Healthcare cost trend increases	6.50% initially, grading to 5.00% over 6 years
Mortality assumption	RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale

The discount rate used to measure the total OPEB liability was 3.3% based on 20-year municipal bond rates.

**F. Total OPEB Liability**

SWT's total OPEB liability of \$103,147 was measured as of January 1, 2019, and was determined by an actuarial valuation as of January 1, 2018.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability (Continued)**

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at January 1, 2018	\$ 90,871
Changes for the year	
Service cost	9,949
Interest	3,311
Benefit payments	(984)
Net changes	12,276
Balances at January 1, 2019	\$ 103,147

The General Fund typically liquidates the liability related to OPEB.

**G. OPEB Liability Sensitivity**

The following presents SWT's total OPEB liability calculated using the discount rate of 3.3% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability		
1% decrease (2.3%)	Current (3.3%)	1% increase (4.3%)
\$ 114,361	\$ 103,147	\$ 93,000

The following presents the total OPEB liability of SWT, as well as what SWT's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability		
1% decrease (5.5% decreasing to 4.0%)	Current (6.5% decreasing to 5.0%)	1% increase (7.5% decreasing to 6.0%)
\$ 86,866	\$ 103,147	\$ 123,854

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB**

For the year ended December 31, 2019, SWT recognized OPEB expense of \$10,596. At December 31, 2019, SWT reported deferred outflows of resources of \$2,664 related to employer contributions made subsequent to the measurement date. These amounts will be recognized as OPEB expense in the year ended December 31, 2020.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

SWT participates in the Replacement Service Program and Capital Funding Agreement administered by the MC. To the extent that program expenditures may be disallowed as a result of a program compliance audit, a liability to the MC would result.

SWT entered into a transit service contract with a service provider for purposes of delivering bus services in connection with its express and local route service. Payments to the transit provider are contingent upon the actual level of services rendered, using rates established in the contract's agreement. The current contract is with First Transit, Inc. and will expire December 31, 2023. The average annual cost of the contract is \$4,500,000.

SWT has a construction project in process for the expansion and improvements of the Eden Prairie Garage Facility, which was not completed in the current fiscal year. As of December 31, 2019, outstanding commitments for this project total approximately \$3,978,309.

**NOTE 13 – SUBSEQUENT EVENT**

On January 9, 2020, SWT entered into a \$5,500,000 Facility Lease Purchase Agreement, Series 2020, with JPMorgan Chase Bank. The lease purchase agreement was executed for the purpose of financing renovations to the Eden Prairie Garage Facility and for refinancing previous garage improvements originally financed by a lease purchase agreement dated July 1, 2015 between Capital One Public Funding, LLC and SWT.

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on SWT may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on SWT's financial statements at December 31, 2019 cannot be determined at this time.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Financial Statements**

**NOTE 14 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

	December 31, 2019	December 31, 2018
Total OPEB Liability		
Service cost	\$ 9,949	\$ 9,659
Interest	3,311	2,903
Benefit payments	(984)	-
Net change in total OPEB liability	<u>12,276</u>	<u>12,562</u>
Beginning of year	<u>90,871</u>	<u>78,309</u>
End of year	<u>\$ 103,147</u>	<u>\$ 90,871</u>
Covered payroll	\$ 1,790,511	\$ 1,738,360
Total OPEB liability as a percentage of covered payroll	5.8%	5.2%

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



**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of SWT's Proportionate Share**  
**of Net Pension Liability - General Employees Retirement Fund**  
**Last Ten Years\***

Fiscal Year End June 30,	SWT's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	SWT's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability	SWT's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with SWT	SWT's Covered Payroll	SWT's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0319%	\$ 1,763,680	\$ 54,831	\$ 1,818,511	\$ 2,257,987	78.11%	80.23%
2018	0.0314%	1,741,943	57,086	1,799,029	2,111,773	82.49%	79.53%
2017	0.0325%	2,074,779	26,121	2,100,900	2,096,293	98.97%	75.90%
2016	0.0273%	2,216,625	28,995	2,245,620	1,695,107	130.77%	68.91%
2015	0.0240%	1,243,805	-	1,243,805	1,384,373	89.85%	78.19%

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

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	SWT's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 175,295	\$ 175,295	\$ -	\$ 2,337,267	7.50%
2018	160,675	160,675	-	2,142,333	7.50%
2017	150,987	150,987	-	2,013,160	7.50%
2016	143,756	143,756	-	1,916,747	7.50%
2015	114,573	114,573	-	1,527,640	7.50%

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

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Required Supplementary Information**

**GENERAL EMPLOYEES FUND**

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

**SouthWest Transit  
Eden Prairie, Minnesota  
Notes to Required Supplementary Information**

**GENERAL EMPLOYEES FUND (CONTINUED)**

**2017 Changes (Continued)**

Changes in Plan Provisions (Continued)

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

**2016 Changes**

Changes in Actuarial Assumptions

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

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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



**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**SouthWest Transit  
Eden Prairie, Minnesota  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2019  
(With Comparative Totals for December 31, 2018)**

	Debt Service		Capital Projects	
	Eden Prairie Garage Remodel Debt Service	Total		SWS Relocation
		2019	2018	
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ 242,571	\$ 2,033,182
Intergovernmental receivable	116,412	116,412	155,573	-
Total assets	<u>\$ 116,412</u>	<u>\$ 116,412</u>	<u>\$ 398,144</u>	<u>\$ 2,033,182</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ 281,426
Due to other funds	90,183	90,183	87,302	-
Total liabilities	<u>90,183</u>	<u>90,183</u>	<u>87,302</u>	<u>281,426</u>
<b>Fund Balances</b>				
Committed	26,229	26,229	310,842	-
Assigned	-	-	-	1,751,756
Total fund balances	<u>26,229</u>	<u>26,229</u>	<u>310,842</u>	<u>1,751,756</u>
Total liabilities and fund balances	<u>\$ 116,412</u>	<u>\$ 116,412</u>	<u>\$ 398,144</u>	<u>\$ 2,033,182</u>

Capital Projects

SWT Facilities Improvement		SWT Buses	Total		Total Nonmajor Governmental Funds		
			2019	2018	2019	2018	
\$	-	\$	2,033,182	\$	2,033,182	\$	251,691
1,364	-	33,335	34,699	-	151,111	-	155,573
<u>\$</u>	<u>1,364</u>	<u>\$</u>	<u>2,067,881</u>	<u>\$</u>	<u>2,184,293</u>	<u>\$</u>	<u>407,264</u>
\$	-	\$	314,761	\$	314,761	\$	9,120
1,364	33,335	-	1,364	-	91,547	-	87,302
<u>1,364</u>	<u>33,335</u>	<u>316,125</u>	<u>9,120</u>	<u>406,308</u>	<u>96,422</u>	<u>26,229</u>	<u>310,842</u>
-	-	-	-	-	1,751,756	-	-
-	-	1,751,756	-	-	1,777,985	-	310,842
<u>-</u>	<u>-</u>	<u>1,751,756</u>	<u>-</u>	<u>-</u>	<u>1,777,985</u>	<u>-</u>	<u>310,842</u>
<u>\$</u>	<u>1,364</u>	<u>\$</u>	<u>2,067,881</u>	<u>\$</u>	<u>2,184,293</u>	<u>\$</u>	<u>407,264</u>

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2019**  
**(With Comparative Totals for the Year Ended December 31, 2018)**

	Debt Service			Total	
	SW Village	Energy	Eden Prairie		
	Debt Service	Savings	Garage Remodel	2019	2018
	Debt Service	Debt Service	Debt Service		
<b>Revenues</b>					
Intergovernmental - state	\$ 90,000	\$ -	\$ 228,416	\$ 318,416	\$ 309,730
Investment income	150	-	-	150	156
Other local revenue	-	-	-	-	-
Total revenues	<u>90,150</u>	<u>-</u>	<u>228,416</u>	<u>318,566</u>	<u>309,886</u>
<b>Expenditures</b>					
Debt service					
Principal retirement	695,000	676,119	225,458	1,596,577	371,984
Interest and agency fees	28,349	35,012	39,060	102,421	90,471
Capital outlay					
Buildings and grounds	-	-	-	-	-
Operations and vehicle maintenance	-	-	-	-	-
Total expenditures	<u>723,349</u>	<u>711,131</u>	<u>264,518</u>	<u>1,698,998</u>	<u>462,455</u>
Excess of revenues under expenditures	(633,199)	(711,131)	(36,102)	(1,380,432)	(152,569)
<b>Other Financing Sources</b>					
Transfers in	404,785	651,974	39,060	1,095,819	152,739
Net change in fund balances	(228,414)	(59,157)	2,958	(284,613)	170
<b>Fund Balances</b>					
Beginning of year	228,414	59,157	23,271	310,842	310,672
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,229</u>	<u>\$ 26,229</u>	<u>\$ 310,842</u>



Capital Projects							Total Nonmajor Governmental Funds	
SWS Relocation	SWT Facilities Improvement	SWT Buses	Total		2019	2018	2019	2018
			2019	2018				
\$ -	\$ 146,564	\$ 33,335	\$ 179,899	\$ 57,917	\$ 498,315	\$ 367,647		
-	-	-	-	-	150	156		
-	-	-	-	3,804	-	3,804		
-	146,564	33,335	179,899	61,721	498,465	371,607		
-	-	-	-	-	1,596,577	371,984		
-	-	-	-	-	102,421	90,471		
1,341,914	146,564	-	1,488,478	444,738	1,488,478	444,738		
-	-	33,335	33,335	-	33,335	-		
1,341,914	146,564	33,335	1,521,813	444,738	3,220,811	907,193		
(1,341,914)	-	-	(1,341,914)	(383,017)	(2,722,346)	(535,586)		
3,093,670	-	-	3,093,670	269,591	4,189,489	422,330		
1,751,756	-	-	1,751,756	(113,426)	1,467,143	(113,256)		
-	-	-	-	113,426	310,842	424,098		
\$ 1,751,756	\$ -	\$ -	\$ 1,751,756	\$ -	\$ 1,777,985	\$ 310,842		

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**Capital and Equipment Capital Projects Fund**  
**Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment income	<u>\$ 5,000</u>	<u>\$ 15,000</u>	\$ 36,334	<u>\$ 21,334</u>
<b>Fund Balances</b>				
Beginning of year			<u>1,806,610</u>	
End of year			<u>\$ 1,842,944</u>	

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**SWS Development Capital Projects Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 10,000	\$ 130,000	\$ 236,802	\$ 106,802
Other interest income	163,560	163,560	164,190	630
Loan repayment	164,460	164,460	163,830	(630)
Other local revenue	-	292,036	292,036	-
Total revenues	<u>338,020</u>	<u>750,056</u>	<u>856,858</u>	<u>106,802</u>
<b>Expenditures</b>				
Current				
Buildings and grounds	-	-	14,058	14,058
Capital outlay				
Buildings and grounds	5,000	5,000	3,113	(1,887)
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>17,171</u>	<u>12,171</u>
Excess of revenues over expenditures	333,020	745,056	839,687	94,631
<b>Other Financing Sources (Uses)</b>				
Sale of property	-	292,036	-	(292,036)
Transfers out	(39,060)	(3,733,799)	(3,733,799)	-
Total other financing sources (uses)	<u>(39,060)</u>	<u>(3,441,763)</u>	<u>(3,733,799)</u>	<u>(292,036)</u>
Net change in fund balances	<u>\$ 293,960</u>	<u>\$ (2,696,707)</u>	(2,894,112)	<u>\$ (197,405)</u>
<b>Fund Balances</b>				
Beginning of year			<u>11,150,599</u>	
End of year			<u>\$ 8,256,487</u>	

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**SouthWest Village Debt Service Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Intergovernmental - state	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
Investment income	-	-	150	150
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>90,150</u>	<u>150</u>
<b>Expenditures</b>				
Debt service				
Principal retirement	90,000	695,000	695,000	-
Interest and agency fees	25,213	25,213	28,349	3,136
Total expenditures	<u>115,213</u>	<u>720,213</u>	<u>723,349</u>	<u>3,136</u>
Excess of revenues under expenditures	(25,213)	(630,213)	(633,199)	(2,986)
<b>Other Financing Sources</b>				
Transfers in	<u>25,213</u>	<u>401,799</u>	<u>404,785</u>	<u>2,986</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (228,414)</u>	<u>(228,414)</u>	<u>\$ -</u>
<b>Fund Balances</b>				
Beginning of year			<u>228,414</u>	
End of year			<u>\$ -</u>	

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**Energy Savings Debt Service Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures</b>				
Debt service				
Principal retirement	\$ 63,834	\$ 733,146	\$ 676,119	\$ 57,027
Interest and agency fees	16,643	18,223	35,012	(16,789)
Total expenditures	<u>80,477</u>	<u>751,369</u>	<u>711,131</u>	<u>40,238</u>
<b>Other Financing Sources</b>				
Transfers in	<u>80,477</u>	<u>692,212</u>	<u>651,974</u>	<u>(40,238)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (59,157)</u>	<u>(59,157)</u>	<u>\$ -</u>
<b>Fund Balances</b>				
Beginning of year			<u>59,157</u>	
End of year			<u>\$ -</u>	

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**Eden Prairie Garage Remodel Debt Service Fund**  
**Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental - state	\$ 225,458	\$ 225,458	\$ 228,416	\$ 2,958
<b>Expenditures</b>				
Debt service				
Principal retirement	225,458	225,458	225,458	-
Interest and agency fees	39,060	39,060	39,060	-
Total expenditures	<u>264,518</u>	<u>264,518</u>	<u>264,518</u>	<u>-</u>
Excess of revenues over (under) expenditures	(39,060)	(39,060)	(36,102)	2,958
<b>Other Financing Sources</b>				
Transfers in	39,060	39,060	39,060	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	2,958	<u>\$ 2,958</u>
<b>Fund Balances</b>				
Beginning of year			<u>23,271</u>	
End of year			<u>\$ 26,229</u>	

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**SWS Relocation Capital Projects Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures</b>				
Capital outlay				
Buildings and grounds	\$ 75,000	\$ 2,743,670	\$ 1,341,914	\$ (1,401,756)
<b>Other Financing Sources</b>				
Transfers in	-	3,093,670	3,093,670	-
Net change in fund balances	\$ (75,000)	\$ 350,000	1,751,756	\$ 1,401,756
<b>Fund Balances</b>				
Beginning of year			-	
End of year			\$ 1,751,756	

**SouthWest Transit  
Eden Prairie, Minnesota  
Schedule of Capital Projects -  
Budget and Actual  
(Unaudited)  
Year Ended December 31, 2019**

Project	Status	Budget/Grant Award	Expenditures		Amount Remaining
			2019	Cumulative	
Server Replacement	Incomplete	\$ 97,100	\$ 1,364	\$ 1,364	\$ 95,736
SWS Ramp Repairs	Complete	170,000	145,200	145,200	24,800
SWT SW Village Debt Principal only	Complete	135,000	90,000	135,000	-
EP Garage Debt Service Principal only	Complete	222,576	112,004	222,576	-
Carver County TMA Grant	Incomplete	160,000	46,350	102,587	57,413
Fleet Rehabilitation for 4 SWT MCI Coaches	Incomplete	133,339	33,334	33,334	100,005
Trolley Replacement	Incomplete	256,125	-	-	256,125
Total		<u>\$ 1,174,140</u>	<u>\$ 428,252</u>	<u>\$ 640,061</u>	<u>\$ 534,079</u>



**STATISTICAL SECTION**



**Southwest Transit  
Eden Prairie, Minnesota  
Statistical Section  
December 31, 2019  
(Unaudited)**

This part of SWT's CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about SWT's overall financial health. The following are the categories of the various schedules that are included in this section.

**Financial Trends** – These schedules contain trend information to help the reader understand how SWT's financial performance and well being have changed over time.

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

**Revenue Capacity** – These schedules contain information to help the reader assess SWT's most significant local revenue source Motor Vehicle Sales Tax (MVST) and passenger fares. In 2002, the main source of revenue shifted from property tax to MVST. The agency does not control the amount of MVST it receives. The allocation is both controlled through state statute and a portion is controlled through the Metropolitan Council. SWT no longer receives any property tax. Passenger fares are controlled through a regional fare policy.

**Debt Capacity** – These schedules present information to help the reader assess the affordability of SWT's current level of outstanding debt and SWT's ability to issue additional debt in the future.

- Ratios of Outstanding Debt by Type

**Demographic and Economic Information** – These schedules offer demographic and economic indicators to help the reader understand the environment within which SWT's financial activities take place.

- Demographic and Economic Statistics
- Principal Employers

**Operating Information** – These schedules contain service and infrastructure data to help the reader understand how the information in SWT's financial report relates to the services the government provides and the activities it performs.

- Full-Time Equivalent SWT Employees by Function
- Operating Statistics
- Capital Assets Statistics by Function/Program
- Farebox Recovery Percentage and Fare Structure

Sources: Unless otherwise noted, the information in these schedules is derived from the CAFR for the relevant year.

**SouthWest Transit  
Eden Prairie, Minnesota  
Net Position By Component  
Last Ten Fiscal Years  
(Unaudited)**

	Fiscal Year				
	2010	2011	2012	2013	2014
Governmental activities					
Net investment in capital assets	\$ 37,899,258	\$ 42,259,409	\$ 42,839,924	\$ 48,752,629	\$ 43,664,850
Unrestricted	7,451,754	6,390,003	7,206,773	6,927,320	12,221,765
 Total governmental activities net position	 <u>\$ 45,351,012</u>	 <u>\$ 48,649,412</u>	 <u>\$ 50,046,697</u>	 <u>\$ 55,679,949</u>	 <u>\$ 55,886,615</u>

*Source: SouthWest Transit financial records*

**Table 1**

Fiscal Year				
2015	2016	2017	2018	2019
\$ 42,534,479	\$ 41,053,400	\$ 39,786,943	\$ 36,159,064	\$ 37,865,385
<u>12,353,477</u>	<u>12,140,778</u>	<u>11,394,094</u>	<u>19,147,699</u>	<u>17,537,813</u>
<u>\$ 54,887,956</u>	<u>\$ 53,194,178</u>	<u>\$ 51,181,037</u>	<u>\$ 55,306,763</u>	<u>\$ 55,403,198</u>

**SouthWest Transit  
Eden Prairie, Minnesota  
Changes in Net Position  
Last Ten Fiscal Years  
(Unaudited)**

	Fiscal Year			
	2010	2011	2012	2013
<b>Expenses</b>				
Governmental activities				
General government	\$ 942,499	\$ 915,019	\$ 907,404	\$ 914,906
Buildings and grounds	2,266,249	2,578,591	3,532,084	3,030,101
Operations and vehicle maintenance	5,663,462	5,695,536	6,338,270	6,448,144
Interest on long-term debt	147,225	95,793	92,435	214,235
	<u>\$ 9,019,435</u>	<u>\$ 9,284,939</u>	<u>\$ 10,870,193</u>	<u>\$ 10,607,386</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services				
Passenger fares	\$ 2,435,034	\$ 2,456,452	\$ 2,528,315	\$ 2,517,920
Other	-	54,910	125,625	923,434
Operating grants and contributions	-	-	-	-
Capital grants and contributions	2,918,338	4,977,911	4,346,355	6,482,340
Total governmental activities program revenues	<u>\$ 5,353,372</u>	<u>\$ 7,489,273</u>	<u>\$ 7,000,295</u>	<u>\$ 9,923,694</u>
<b>Net Expense</b>				
Governmental activities	<u>\$ (3,666,063)</u>	<u>\$ (1,795,666)</u>	<u>\$ (3,869,898)</u>	<u>\$ (683,692)</u>
<b>General Revenue and Other Changes in Net Position</b>				
Governmental activities				
Unrestricted intergovernmental revenue	\$ 5,248,837	\$ 4,885,269	\$ 5,042,264	\$ 5,979,464
Unrestricted investment earnings	123,298	66,291	31,661	31,680
Other local revenue	45,923	142,506	193,258	288,300
Gain on sale of assets	-	-	-	17,500
Special item <sup>1</sup>	(4,103,019)	-	-	-
Special item <sup>2</sup>	-	-	-	-
	<u>\$ 1,315,039</u>	<u>\$ 5,094,066</u>	<u>\$ 5,267,183</u>	<u>\$ 6,316,944</u>
<b>Changes in Net Position</b>				
Governmental activities	<u>\$ (2,351,024)</u>	<u>\$ 3,298,400</u>	<u>\$ 1,397,285</u>	<u>\$ 5,633,252</u>

<sup>1</sup> SWT purchased transit service vehicles until 2010 with federal, state and local grants. The issue of where the title was held was not addressed in all grants. However, some of the more recent grants indicated the title should remain with the regional transit planning agency, the MC. In 2010, the MC enacted a new fleet management procedure to provide clarification and consistency on regional fleet replacement capital cost and maintenance responsibilities.

Management recommended and the SWT Commission approved a transfer of title of 32 revenue service vehicles to the MC on February 25, 2010. The vehicles were then incorporated into the current master lease agreement and leased back to SWT for transit operations at no cost. The Commission believed the transfer was in the best interest of the agency to ensure future major repairs on all current transit vehicles was a regional cost and not a cost of SWT transit operations. As a result, these 32 buses and related equipment were disposed from capital asset records of SWT, causing a loss of \$ 4,103,019.

**Table 2**

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 1,029,036	\$ 1,142,604	\$ 1,389,838	\$ 1,367,574	\$ 1,388,065	\$ 1,502,977
3,357,869	3,820,148	3,384,282	3,324,420	2,788,130	3,085,454
7,809,487	8,684,285	8,814,286	8,886,714	9,117,140	9,148,674
55,437	86,967	112,107	102,025	89,909	90,677
<u>\$ 12,251,829</u>	<u>\$ 13,734,004</u>	<u>\$ 13,700,513</u>	<u>\$ 13,680,733</u>	<u>\$ 13,383,244</u>	<u>\$ 13,827,782</u>
\$ 2,658,560	\$ 2,773,727	\$ 2,925,131	\$ 2,882,098	\$ 3,076,921	\$ 2,988,229
186,279	191,288	206,281	198,029	172,791	457,028
-	165,699	192,189	200,232	61,467	64,077
323,279	1,075,156	363,910	359,597	364,970	498,315
<u>\$ 3,168,118</u>	<u>\$ 4,205,870</u>	<u>\$ 3,687,511</u>	<u>\$ 3,639,956</u>	<u>\$ 3,676,149</u>	<u>\$ 4,007,649</u>
<u>\$ (9,083,711)</u>	<u>\$ (9,528,134)</u>	<u>\$ (10,013,002)</u>	<u>\$ (10,040,777)</u>	<u>\$ (9,707,095)</u>	<u>\$ (9,820,133)</u>
\$ 8,917,732	\$ 9,157,043	\$ 7,572,940	\$ 7,176,758	\$ 9,440,234	\$ 9,206,794
37,439	52,429	67,929	79,229	103,002	344,415
335,206	412,002	549,450	271,649	275,171	365,359
-	-	-	500,000	4,092,723	-
-	-	-	-	-	-
-	-	128,905	-	-	-
<u>\$ 9,290,377</u>	<u>\$ 9,621,474</u>	<u>\$ 8,319,224</u>	<u>\$ 8,027,636</u>	<u>\$ 13,911,130</u>	<u>\$ 9,916,568</u>
<u>\$ 206,666</u>	<u>\$ 93,340</u>	<u>\$ (1,693,778)</u>	<u>\$ (2,013,141)</u>	<u>\$ 4,204,035</u>	<u>\$ 96,435</u>

<sup>2</sup> The Professional Golf Association's (PGA) Ryder Cup tournament was held in Chaska, Minnesota, during September 2016. SWT's management and Commission opted to provide transportation services to attendees of the tournament. As a result, SWT had significant one-time revenue and expenditure activity. SWT received revenue totaling \$ 277,553 related to passenger fares, as well as charges for services from the PGA and the City of Chaska, while they incurred expenditures totaling \$ 148,648 to provide the service. As a result, SWT reported a net revenue related to providing this service of \$ 128,905 in the fund financial statements and governmental activities.

**SouthWest Transit  
Eden Prairie, Minnesota  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Unaudited)**

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>General Fund</b>					
Reserved	\$ 134,017	\$ -	\$ -	\$ -	\$ -
Unreserved	3,705,601	-	-	-	-
Nonspendable	-	435,133	477,717	522,960	545,375
Unassigned	-	1,975,935	2,812,949	2,707,349	2,893,152
Total general fund	<u>\$ 3,839,618</u>	<u>\$ 2,411,068</u>	<u>\$ 3,290,666</u>	<u>\$ 3,230,309</u>	<u>\$ 3,438,527</u>
<b>All Other Governmental Funds</b>					
Unreserved, reported in					
Debt service funds	\$ 204,874	\$ -	\$ -	\$ -	\$ -
Capital projects funds	3,439,427	-	-	-	-
Nonspendable	-	2,516	-	-	-
Restricted	-	-	-	140,718	21,000
Committed	-	108,359	14,279	2,687	59,814
Assigned	-	3,917,642	3,967,396	3,804,791	4,646,408
Total all other governmental funds	<u>\$ 3,644,301</u>	<u>\$ 4,028,517</u>	<u>\$ 3,981,675</u>	<u>\$ 3,948,196</u>	<u>\$ 4,727,222</u>

Source: SouthWest Transit financial records

Note: SWT implemented GASB Statement No. 54 in 2011, resulting in a change in fund balance classifications.



**Table 3**

Fiscal Year				
2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
558,332	618,318	659,265	463,172	463,189
<u>4,153,836</u>	<u>4,043,568</u>	<u>2,923,805</u>	<u>3,827,438</u>	<u>3,914,830</u>
<u>\$ 4,712,168</u>	<u>\$ 4,661,886</u>	<u>\$ 3,583,070</u>	<u>\$ 4,290,610</u>	<u>\$ 4,378,019</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
205,810	-	-	-	-
207,137	310,313	310,672	310,842	26,229
<u>4,651,602</u>	<u>4,764,998</u>	<u>5,511,917</u>	<u>12,957,209</u>	<u>11,851,187</u>
<u>\$ 5,064,549</u>	<u>\$ 5,075,311</u>	<u>\$ 5,822,589</u>	<u>\$ 13,268,051</u>	<u>\$ 11,877,416</u>

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	Fiscal Year			
	2010	2011	2012	2013
<b>Revenues</b>				
Intergovernmental - Federal	\$ 2,010,236	\$ 3,691,904	\$ 1,624,452	\$ 4,742,482
Intergovernmental - State	6,156,939	6,171,276	7,764,167	7,719,320
Intergovernmental - Other	-	-	-	-
Passenger fares	2,435,034	2,456,452	2,528,315	2,517,920
Charges for services	-	-	-	-
Investment income	123,298	66,291	31,661	31,681
Special assessments	4,460	4,460	4,460	4,460
Other interest income	-	-	-	-
Loan repayment	-	-	-	-
Other local revenue	45,923	197,416	318,883	1,088,061
Total revenues	<u>10,775,890</u>	<u>12,587,799</u>	<u>12,271,938</u>	<u>16,103,924</u>
<b>Expenditures</b>				
General government	899,429	909,005	845,869	959,894
Buildings and grounds	935,521	1,046,154	1,142,476	1,143,735
Operations and vehicle maintenance	5,674,292	5,615,668	5,836,559	6,238,357
Capital outlay	3,129,796	5,890,221	3,443,192	8,007,632
Debt service				
Principal	1,519,243	74,280	77,855	1,929,084
Interest and agency fees	165,156	96,805	93,231	229,065
Total expenditures	<u>12,323,437</u>	<u>13,632,133</u>	<u>11,439,182</u>	<u>18,507,767</u>
Excess of revenues over (under) expenditures	(1,547,547)	(1,044,334)	832,756	(2,403,843)
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,212,464	3,100,000	1,112,454	2,299,368
Transfers out	(2,212,464)	(3,100,000)	(1,112,454)	(2,299,368)
Sale of property	-	-	-	17,500
Insurance recoveries	-	-	-	172,507
Issuance of capital lease	-	-	-	1,000,000
Proceeds from certificate of participation	-	-	-	1,120,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,310,007</u>
<b>Special item - net revenue from special services</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,547,547)</u>	<u>\$ (1,044,334)</u>	<u>\$ 832,756</u>	<u>\$ (93,836)</u>
Debt service as a percent of noncapital expenditures	18.0%	2.1%	2.0%	19.5%

Source: SouthWest Transit financial records

Table 4

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 44,644	\$ -	\$ -	\$ 6,588	\$ 49,650	\$ 46,350
9,196,367	10,232,199	7,945,496	7,647,582	9,742,243	9,654,653
-	165,699	192,189	81,663	72,947	75,112
2,658,560	2,653,727	2,745,131	2,882,098	3,065,441	2,977,194
219,420	297,047	421,812	218,322	224,337	267,587
37,439	52,429	67,929	79,229	103,002	344,415
-	-	-	-	-	-
121,494	191,288	169,680	178,639	171,583	164,190
65,782	136,208	142,643	149,382	156,438	163,830
180,571	234,955	335,593	72,717	52,042	390,610
<u>12,524,277</u>	<u>13,963,552</u>	<u>12,020,473</u>	<u>11,316,220</u>	<u>13,637,683</u>	<u>14,083,941</u>
1,062,048	1,111,870	1,335,762	1,251,675	1,392,045	1,436,835
1,611,040	1,185,920	1,448,470	1,150,399	1,234,257	1,239,241
7,330,382	7,769,069	8,062,484	8,369,959	8,922,870	8,824,760
1,812,267	4,369,745	896,449	925,281	1,090,553	2,247,926
146,319	261,995	371,679	424,594	371,984	1,596,577
49,977	73,386	114,047	104,209	92,243	102,421
<u>12,012,033</u>	<u>14,771,985</u>	<u>12,228,891</u>	<u>12,226,117</u>	<u>13,103,952</u>	<u>15,447,760</u>
512,244	(808,433)	(208,418)	(909,897)	533,731	(1,363,819)
146,319	228,757	499,486	324,570	422,330	4,189,489
(146,319)	(228,757)	(499,486)	(324,570)	(422,330)	(4,189,489)
475,000	-	-	500,000	7,500,000	-
-	-	39,993	78,359	119,271	60,593
-	2,419,401	-	-	-	-
-	-	-	-	-	-
<u>475,000</u>	<u>2,419,401</u>	<u>39,993</u>	<u>578,359</u>	<u>7,619,271</u>	<u>60,593</u>
-	-	128,905	-	-	-
<u>\$ 987,244</u>	<u>\$ 1,610,968</u>	<u>\$ (39,520)</u>	<u>\$ (331,538)</u>	<u>\$ 8,153,002</u>	<u>\$ (1,303,226)</u>
1.8%	2.8%	4.1%	4.4%	3.9%	12.6%

**SouthWest Transit  
Eden Prairie, Minnesota  
Ratios of Outstanding Debt By Type  
Last Ten Fiscal Years  
(Unaudited)**

**Table 5**

Year	Governmental Activities			Total Primary Government	Percentage of Personal Income <sup>(2)</sup>	Per Capita <sup>(1)</sup>
	General Obligation Bonds	Special Assessment Bonds	Capital Leases			
2010	\$ -	\$ -	\$ 2,053,583	\$ 2,053,583	*	\$ 18
2011	-	-	1,979,303	1,979,303	*	18
2012	-	-	1,901,449	1,901,449	*	17
2013	-	-	2,092,365	2,092,365	*	19
2014	-	-	1,946,046	1,946,046	*	18
2015	-	-	4,103,452	4,103,452	*	37
2016	-	-	3,731,773	3,731,773	*	33
2017	-	-	3,307,179	3,307,179	*	29
2018	-	-	2,935,195	2,935,195	*	25
2019	-	-	1,338,618	1,338,618	*	11

\* Data is not available

<sup>(1)</sup> See Demographic and Economic Statistics Population

<sup>(2)</sup> See Demographic and Economic Statistics Personal Income

Source: SouthWest Transit financial records

**SouthWest Transit  
Eden Prairie, Minnesota  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

**Table 6**

Year	Population	Personal Income	Per Capita Personal Income	K-12 Enrollment	Unemployment Rate
2010	112,061	*	*	17,580	6.1%
2011	107,832	*	*	17,626	6.8%
2012	108,637	*	*	18,585	4.2%
2013	110,769	*	*	15,354	4.5%
2014	111,928	*	*	14,814	4.5%
2015	112,518	*	*	14,711	2.9%
2016	114,577	*	*	14,150	3.1%
2017	114,857	*	*	14,610	3.2%
2018	117,166	*	*	14,520	2.9%
2019	117,166	*	*	14,520	2.9%

\* Data is not available

Data Sources: Website from the Cities of Eden Prairie, Chanhassen and Chaska, Minnesota.  
Combined all three cities.

(1) 2019 data not available, using 2018 data (estimate)

**SouthWest Transit  
Eden Prairie, Minnesota  
Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)**

**Table 7**

Employer	2019			2010		
	Employees	Rank	Percentage of Total Area Employment <sup>1</sup>	Employees	Rank	Percentage of Total Area Employment <sup>1</sup>
Optum	2,984	1	21.9%	*	*	*
Starkey Hearing Technologies	1,700	2	12.5%	*	*	*
Eden Prairie School District No. 272	1,637	3	12.0%	1,700	1	14.7%
Emerson Process/Rosemount Inc.	1,600	4	11.7%	1,600	2	13.8%
Lifetime Fitness	1,061	5	7.8%	1,061	6	9.2%
Super Valu Stores Inc.	1,000	6	7.3%	1,500	3	12.9%
Entegris	1,000	7	7.3%	*	*	*
Beckman Coulter	925	8	6.8%	*	*	*
Chaska School District No. 112	880	9	6.5%	1,100	4	9.5%
TEL-FSI, Inc.	<sup>3</sup> 850	10	6.2%	850	9	7.3%
Instant Web Companies	*	*	*	847	10	7.3%
CH Robinson	*	*	*	1,092	5	9.4%
Deli Express	*	*	*	940	7	8.1%
GE Capital Fleet Services	*	*	*	900	8	7.8%
<b>Total Principal Employees</b>	<b>13,637</b>		<b>100.0%</b>	<b>11,590</b>		<b>100.0%</b>

Note: 2019 estimated and includes the most recent information available from the three cities in the SWT service area.

Source: 2018 CAFR of the member cities of Eden Prairie, Chanhassen and Chaska.

<sup>1</sup> Total for cities employment is not available, therefore the percentage represents the percentage of the top ten listed

<sup>2</sup> Combined all three cities.

<sup>3</sup> Formally known as FSI International

\* Denotes employer was not a principal employer for the year reported.

**SouthWest Transit  
Eden Prairie, Minnesota  
Full-Time Equivalent SWT Employees By Function  
Last Ten Fiscal Years  
(Unaudited)**

**Table 8**

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Administration	5	5	5	4	4	5	3	4	6	4
Marketing	-	-	-	-	-	-	1	1	1	3
Customer service	2	2	2	1	1	1	2	3	2	1
Operations and vehicle maintenance										
Operations	5	5	5	4	4	4	5	4	4	6
Vehicle maintenance	10	10	10	9	10	11	13	13	12	14
First transit service	44	44	56	64	77	84	87	82	82	84
Buildings and grounds facilities	2	2	2	3	3	2	2	3	5	5
Total	<u>68</u>	<u>68</u>	<u>80</u>	<u>85</u>	<u>99</u>	<u>107</u>	<u>113</u>	<u>110</u>	<u>112</u>	<u>117</u>

\* Does not include Part-Time or Seasonal  
Source: SouthWest Transit budget record

**SouthWest Transit  
Eden Prairie, Minnesota  
Operating Statistics  
Last Ten Fiscal Years  
(Unaudited)**

**Table 9**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>System Ridership</b>										
Fixed route	931,162	961,862	927,117	961,717	1,023,322	1,023,396	988,304	953,813	896,097	849,271
Special events	71,220	68,156	71,862	71,172	84,528	89,937	204,255	120,489	126,467	148,127
Demand response	-	-	-	-	-	12,490	53,531	74,531	102,511	108,801
<b>Vehicle Revenue Hours</b>										
Fixed route	29,995	35,364	35,952	38,597	48,593	49,591	47,151	43,766	37,659	33,059
Special events	2,016	1,199	1,136	1,222	1,363	1,681	2,349	2,297	2,889	2,883
Demand response	-	-	-	-	-	4,237	16,076	24,300	29,509	34,273
<b>Vehicle Revenue Miles</b>										
Fixed route	753,235	778,742	802,656	863,726	1,163,101	1,204,023	1,128,174	1,015,088	902,625	809,418
Special events	48,065	49,740	49,895	50,750	56,915	71,613	95,589	94,680	111,614	115,170
Demand response	-	-	-	-	-	68,492	256,719	376,594	493,507	579,573

*Source: SouthWest Transit ridership data  
Demand Response service started July 2015.*



**SouthWest Transit  
Eden Prairie, Minnesota  
Capital Asset Statistics By Function/Program  
Last Ten Fiscal Years  
(Unaudited)**

**Table 10**

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Facilities										
Transit Park and Rides (Spaces)										
SWT capital assets	1,739	2,159	2,159	2,859	2,859	2,859	2,859	2,859	2,859	2,859
SWT noncapital assets	285	285	285	285	285	255	655	655	655	655
Construction in progress	420	-	700	-	-	-	-	-	-	-
Transit Passenger Stations										
SWT capital assets	2	3	3	4	4	4	4	4	4	3
Construction in progress	1	-	1	-	-	-	-	-	-	-
Transit buses										
SWT Capital Assets-DR PT**	-	-	-	-	-	1	1	1	3	10
SWT Noncapital Assets-MB PT*	60	60	60	61	65	74	74	68	64	64
SWT Noncapital Assets-DR PT**	-	-	-	-	-	-	11	13	13	14

Note: No capital asset indicators are available for general government function. Total capital assets are shown regardless of ownership to identify the entire operations.

National Transit Database (NTD) Bus Modes:

    MB PT\*- Motor Bus Purchase Transit

    DR PT\*\*- Demand Response Purchase Transit

Source: SouthWest Transit facilities records

**SouthWest Transit  
Eden Prairie, Minnesota  
Farebox Recovery Percentage and Fare Structure  
(Unaudited)**

**Table 11**

**Farebox Recovery Percentage  
Last Ten Fiscal Years**

Year	Percentage
2010.....	32.54%
2011.....	32.79%
2012.....	32.48%
2013.....	30.28%
2014.....	27.10%
2015.....	28.34%
2016.....	29.57%
2017.....	27.55%
2018.....	26.10%
2019.....	25.95%

Definition: Service revenues divided by operating expenditures.

**Fare Structures as of December 31, 2019**

**Express Route – Motor Buses (MB)**

Fares	**Peak Hours	Nonpeak Hours
Adults (ages 13 to 64)	\$3.25	\$2.50
Seniors (ages 65+), Youth (ages 6 to 12)	\$3.25	\$1.00
Persons with Disabilities	\$1.00	\$1.00
*Children (ages 5 and under)	Free	Free
***Disabled Veteran	Free	Free

**SW Prime – Demand Response (DR)**

Fares	**Peak Hours	Nonpeak Hours
Adults	\$5.25	\$5.25
Youth (ages 6 to 12)	\$4.25	\$4.25
*Children (ages 5 and under)	Free	Free
***Disable Veteran	Free	Free

\*When accompanied by paying adult (limit 3)

\*\*Peak Hours: Monday through Friday 6:00 a.m.-9:00 a.m. and 3:00-6:30 p.m.

\*\*\*Disabled Veterans ride free by showing Veteran’s Identification Card issued by the Department of Veterans Affairs with the word “Service Connected” or “SC” below the photo.

Note: Fares for Express and Local Routes service are set for the region by Metropolitan Council. Effective October 2017 fare rates have increased.

**SouthWest Transit  
Eden Prairie, Minnesota  
Miscellaneous Statistics  
December 31, 2019  
(Unaudited)**

**Table 12**

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Date founded	1986
Date of incorporation	July 21, 1986
Form of government	Joint Powers by three Cities City of Eden Prairie City of Chanhassen City of Chaska
Service area	81 Square Miles
Population in service area	117,166
Type of tax support	Motor Vehicle Sales Tax
Sales tax rate	7.28%
Number of routes	20
Number of transfer stations	4
Number of Park & Ride Lots	4
Number of bus stops	249
Number of motor buses in peak service	51
Number of demand response buses in peak service	17
Average speed in miles per hour	21
Employees	
Full-time	33
Part-time and seasonal	21

