

# SouthWest Transit Commission Packet April 2021

## SouthWest Transit Commission Meeting

April 22, 2021

6:00 pm

Meeting will be held virtually via Zoom Video/Phone  
CEO and Administrative Staff will be present at the SWT Garage/Administrative  
Facility Training Room

Eden Prairie Garage  
14405 West 62<sup>nd</sup> Street  
Eden Prairie MN 55346



# SOUTHWEST TRANSIT COMMISSION AGENDA

Thursday April 22, 2021  
Commission Meeting – 6:00pm  
Via Video or Phone

CEO will be at Eden Prairie Garage Training Room in the event any public is interested in attending in person.

## Using a Computer (allows viewing of presentation and guests)

1. Go to <https://zoom.us/j/97509719209?pwd=WkFoR1hkOVMzL3huQStZZ2RTQ2hHQQT09>
2. Meeting Number: 975 0971 9209
3. Passcode: 414360
4. You can join the meeting 15 mins prior to work session start time.

## Using a Phone (audio only)

1. Call 312 626 6799
2. Meeting Number: 928 6771 7593
3. Passcode: 794887
4. You can join the meeting 15 mins prior to start time.

**NOTICE:** Governor Walz has declared a peacetime emergency ([Emergency Executive Order 20-01](#)) in response to COVID-19 and the SouthWest Transit Chair has determined it is not practical or prudent to conduct an in-person Commission meeting for reasons stated in the Governor's Emergency Executive Order. Accordingly, Commission members will participate in this meeting via telephone and the Commission meeting will be conducted under Minnesota Statutes section 13D.021 at the location, date, and time stated above. Members of the public may attend the meeting in person or view [online](#). Once you have dialed into the conference, please identify yourself and mute yourself until you would like to comment.

### COMMISSION MEMBERS

Mike Huang – Chair, City of Chaska  
PG Narayanan – Vice Chair, City of Eden Prairie  
Jerry McDonald – Secretary/Treasurer, City of Chanhassen  
Mark Freiberg– City of Eden Prairie  
Bob Roepke – City of Chaska  
Elise Ryan – City of Chanhassen  
Jody Bonnevier - At-Large Commissioner  
Joy McKnight– Ex Officio City of Carver

### GENERAL COUNSEL

Joshua Dorothy - Attorney

### EXECUTIVE STAFF

Len Simich - Chief Executive Officer  
Dave Jacobson – Assistant to the CEO  
Matt Fyten – Chief Operating Officer  
Tony Kuykendall – Maintenance Director  
Souriyong Souriya – Finance Director  
Al Halaas, Director/GM - First Transit

# AGENDA

## **Commission Meeting – 6:00pm**

- I. PUBLIC COMMENT
- II. APPROVAL OF AGENDA
- III. PAYMENT OF CLAIMS (Rollcall Vote)
- IV. CONSENT
  - A. Approval of Minutes of 3-25-2021
  - B. Approval of Financial Statements
  - C. Ridership Report – S. Souriyong
  - D. Purchase of Sweeper Truck – M. Dartt
- V. NEW BUSINESS
  - A. Legislative Updates (to be discussed @ meeting) – L. Simich
  - B. Annual Financial Audit 2020 - S. Souriya, L. Simich
  - C. CEO Personal Leave Adjustment – L. Simich
- VI. UPDATES
- VII. ADJOURNMENT

# Payment of Claims

SouthWest Transit				
03/18/2021 Thru 04/14/2021				
Meeting Date: 04/22/2021				
Payment of Claims				
Check Number	Vendor Name	Description	Check Date	Check Amount
7103	EMAINT ENTERPRISES, LLC	E-Maint User Licenses	3/25/21	\$ 9,850.00
7104	ABC BUS COMPANIES	Fleet Parts	3/25/21	\$ 517.77
7105	ALLSTATE PETERBILT	Fleet Parts	3/25/21	\$ 451.10
7105	ALLSTATE PETERBILT	Fleet Parts	3/25/21	\$ 213.96
7106	CENTERPOINT ENERGY	Heating Payment	3/25/21	\$ 768.87
7107	CHASKA CUBS BASEBALL	Employee Engagement Sponsorship	3/25/21	\$ 500.00
7108	JON CHRISTENSON	Expense Reimb - Covid Test	3/25/21	\$ 150.00
7109	COSTCO MEMBERSHIP	Annual Membership fee	3/25/21	\$ 120.00
7110	CUMMINS ALLISON	Annual Maintenance Service	3/25/21	\$ 737.00
7111	DIESEL COMPONENTS INC.	Fleet Parts	3/25/21	\$ 87.12
7112	FACTORY MOTOR PARTS COMPANY	Credit Memo	3/25/21	\$ (260.00)
7112	FACTORY MOTOR PARTS COMPANY	Fleet Parts	3/25/21	\$ 717.96
7113	FEDEX	Shipping Service	3/25/21	\$ 43.03
7114	FEDEX OFFICE CUSTOMER ADMIN. SERVICES	Printing Supplies	3/25/21	\$ 300.00
7115	GO INTELLECTUAL CAPITAL, LLC	HR Consultant	3/25/21	\$ 5,828.75
7116	GRAINGER	Vehicle Supplies	3/25/21	\$ 186.24
7116	GRAINGER	Vehicle Supplies	3/25/21	\$ 41.15
7116	GRAINGER	Vehicle Supplies	3/25/21	\$ 111.97
7117	GREGERSON, ROSOW, JOHNSON & NILAN, LTD	Prof Fee - Legal Fees	3/25/21	\$ 6,156.56
7118	HEALTHPARTNERS	Health & Dental Insurance	3/25/21	\$ 28,950.69
7118	HEALTHPARTNERS	Dental Insurance - COBRA	3/25/21	\$ 39.58
7119	HOGLUND BUS COMPANY	Fleet Parts	3/25/21	\$ 566.20
7120	DAVID HUDDLESTON	Expense Reimbursement - Uniforms	3/25/21	\$ 207.99
7121	INDIGO SIGNWORKS	Building Supplies	3/25/21	\$ 111.00
7122	JOHNSTONE SUPPLY	Building Supplies	3/25/21	\$ 63.18
7123	LANO EQUIPMENT, INC.	Building Supplies	3/25/21	\$ 55.47
7124	MATHESON TRI-GAS INC.	Vehicle Supplies	3/25/21	\$ 84.64
7124	MATHESON TRI-GAS INC.	Credit Memo	3/25/21	\$ (58.30)
7124	MATHESON TRI-GAS INC.	Vehicle Parts	3/25/21	\$ 23.28
7125	MENARDS	Vehicle Supplies	3/25/21	\$ 10.99
7125	MENARDS	Vehicle Supplies	3/25/21	\$ 81.05
7126	METRO SALES INC.	Quarterly Maintenance Service	3/25/21	\$ 767.71
7127	MINUTEMAN PRESS	Printing Supplies	3/25/21	\$ 13.88
7128	OPG3	Laserfiche Annual Maintenance Support	3/25/21	\$ 2,732.52
7129	O'REILLY AUTOMOTIVE, INC.	Fleet Parts	3/25/21	\$ 367.40
7129	O'REILLY AUTOMOTIVE, INC.	Shop Supplies	3/25/21	\$ 397.96
7130	POPP COMMUNICATIONS	Phone Bill	3/25/21	\$ 2,242.43
7131	PPG ARCHITECTURAL FINISHES	capital	3/25/21	\$ 419.64
7131	PPG ARCHITECTURAL FINISHES	supplies	3/25/21	\$ 227.45
7132	RDO EQUIPMENT CO.	Wheel Loader	3/25/21	\$ 144,496.28
7133	ROYAL TIRE INC.	Tires	3/25/21	\$ 3,584.98
7134	SEON SYSTEMS SALES INC.	Camera System - Prime Van 123	3/25/21	\$ 3,007.00
7135	SHANE BACHMANN-CHASKA MENS SOFTBALL	Employee Engagement	3/25/21	\$ 750.00
7136	SYNCB AMAZON	Vehicle Supplies	3/25/21	\$ 54.20
7137	THE AFTERMARKET PARTS COMPANY	Fleet Parts	3/25/21	\$ 2,306.34
7138	THE SHERWIN-WILLIAMS CO	Building Supplies	3/25/21	\$ 541.79
7139	UNIFIRST CORPORATION	Drivers Uniforms	3/25/21	\$ 297.45
7139	UNIFIRST CORPORATION	Uniforms	3/25/21	\$ 66.90
7140	WALKER CONSULTANTS	Prof Fee - Capital Projects Consultant	3/25/21	\$ 6,915.00



SouthWest Transit				
03/18/2021 Thru 04/14/2021				
Meeting Date: 04/22/2021				
Payment of Claims				
Check Number	Vendor Name	Description	Check Date	Check Amount
<b>ACH Withdraws</b>				
	MANSFIELD OIL COMPANY, INC.	Bus Fuel	3/22/21	\$ 7,362.52
	MANSFIELD OIL COMPANY, INC.	Bus Fuel	3/24/21	\$ 5,937.28
	MANSFIELD OIL COMPANY, INC.	Bus Fuel	3/29/21	\$ 8,583.31
	MANSFIELD OIL COMPANY, INC.	Bus Fuel	4/14/21	\$ 6,139.14
	MET COUNCIL RETAILSALSAE CPOS SW	Go To Card Reimbursement	3/19/21	\$ 395.00
	MET COUNCIL RETAILSALSAE CPOS SW	Go To Card Reimbursement	3/26/21	\$ 340.00
	MET COUNCIL RETAILSALSAE CPOS SW	Go To Card Reimbursement	4/2/21	\$ 105.00
	MET COUNCIL RETAILSALSAE CPOS SW	Go To Card Reimbursement	4/9/21	\$ 785.00
	STATE OF MINN ST OF MN 0071032888	Wage Garnishment	3/22/21	\$ 278.54
	STATE OF MINN ST OF MN 0071320121	Wage Garnishment	4/5/21	\$ 232.11
	FLAGSHIP BANK	Monthly Banking Fees	3/31/21	\$ 90.00
	PITNEY BOWES POSTEDGE 44272615	Prepaid postage	4/9/21	\$ 500.00
	ADP, INC	Payroll Service	3/26/21	\$ 881.40
	PAYPAL TRANSFER TSHEETS	Payroll Time cards fees	4/12/21	\$ 230.00
	CARDMEMBER SERV WEB PYMT	Credit Card Payment Meetings & Misc.	3/26/21	\$ 2,982.56
		<b>TOTAL</b>		<b>\$ 34,841.86</b>
<b>Payroll</b>				
	ADP, INC.	Payroll	3/19/21	\$ 73,771.39
	ADP, INC.	Payroll	4/7/21	\$ 72,538.83
		<b>TOTAL</b>		<b>\$ 146,310.22</b>
<b>Monthly Reimbursement included in payroll totals</b>				
	Jon Christenson	Cell Phone Allowance		\$ 50.00
	Mike Dartt	Cell Phone Allowance		\$ 50.00
	Matt Fyten	Cell Phone Allowance		\$ 50.00
	Dave Jacobson	Cell Phone Allowance		\$ 50.00
	Dave Jacobson	Car Allowance		\$ 175.00
	Jason Kirsch	Cell Phone Allowance		\$ 50.00
	Tony Kuykendall	Cell Phone Allowance		\$ 50.00
	John Haggemiller	Cell Phone Allowance		\$ 50.00
	Ben Schuler	Cell Phone Allowance		\$ 50.00
	Kory Simich	Cell Phone Allowance		\$ 50.00
	Joe Towson	Cell Phone Allowance		\$ 50.00
	Justin Ambroz	Cell Phone Allowance		\$ 50.00
	Connor Froemming	Cell Phone Allowance		\$ 50.00
	Tom Glendenning	Cell Phone Allowance		\$ 50.00
	Evan Rozelle	Cell Phone Allowance		\$ 50.00
	Kyle Jackels	Cell Phone Allowance		\$ 50.00
	Len Simich	Cell Phone Allowance		\$ 85.00
	Len Simich	Car Allowance		\$ 712.00
	Kevin Berg	Tools Allowance		\$ 100.00
	Ben Green	Tools Allowance		\$ 100.00
	Dave Huddleston	Tools Allowance		\$ 100.00
	Kyle Jackels	Tools Allowance		\$ 100.00
	Edwin Nama	Tools Allowance		\$ 100.00
	Bradley Peters	Tools Allowance		\$ 100.00
	Jordan Roske	Tools Allowance		\$ 100.00
	Lonnie Van Eps	Tools Allowance		\$ 100.00

SouthWest Transit				
03/18/2021 Thru 04/14/2021				
Meeting Date: 04/22/2021				
Payment of Claims				
Check Number	Vendor Name	Description	Check Date	Check Amount
	Matt Vieth	Tools Allowance		\$ 100.00
	Steve Michael	Tools Allowance		\$ 100.00
		TOTAL		\$ 2,722.00
		GRAND TOTAL		\$ 614,659.58



# Consent

# SOUTHWEST TRANSIT COMMISSION MINUTES

Thursday, March 25, 2021  
Commission Meeting – 6:00 pm  
Work Session – Following Commission Meeting

## COMMISSION MEMBERS

Mike Huang – City of Chaska  
PG Narayanan – City of Eden Prairie  
Jerry McDonald – City of Chanhassen  
Mark Freiberg – City of Eden Prairie  
Bob Roepke – City of Chaska  
Elise Ryan – City of Chanhassen  
Jody Bonnevier - At-Large Commissioner  
Joy McKnight – Ex Officio City of Carver

## GENERAL COUNSEL

Joshua Dorothy, Attorney

## GUEST

Joe Bagnoli, SWT Lobbyist

## EXECUTIVE STAFF

Len Simich, Chief Executive Officer  
Dave Jacobson, Chief Operating Officer  
Matt Fyten, Operations and Planning Director  
Tony Kuykendall – Vehicle Maintenance Manager  
Souriyong Souriya – Finance Director  
Al Halaas, Director/GM - First Transit

### I. PUBLIC COMMENT

The meeting was called to order by Chair Huang at 6:01 pm. **Roll Call Vote:** Huang, yes; Narayanan, yes; McDonald, yes; Freiberg, yes; Roepke, yes; Ryan, yes; Bonnevier, yes. There was no public comment.

### II. APPROVAL OF AGENDA

**Motion:** Narayanan motioned, seconded by McDonald to approve the Agenda as presented. The motion carried 7-0-0. **Roll Call Vote:** Huang, yes; Narayanan, yes; McDonald, yes; Freiberg, yes; Roepke, yes; Ryan, yes; Bonnevier, yes.

### III. PAYMENT OF CLAIMS

**Motion:** Roepke motioned, seconded by Ryan to approve the Payment of Claims. The motion carried 7-0-0. **Roll Call Vote:** Huang, yes; Narayanan, yes; McDonald, yes; Freiberg, yes; Roepke, yes; Ryan, yes; Bonnevier, yes.

### IV. CONSENT

- A. Approval of 02/25/2021 Minutes
- B. Approval of Financial Statements
- C. SW Station Ramp Painting Project
- D. Garage Caulking Project
- E. Shop Toughbook Replacement

**Motion:** McDonald motioned, seconded by Narayanan to approve the Consent Agenda. The motion carried 7-0-0. **Roll Call Vote:** Huang, yes; Narayanan, yes; McDonald, yes; Freiberg, yes; Roepke, yes; Ryan, yes; Bonnevier, yes.

### V. NEW BUSINESS

- A. Legislative Update

Chief Executive Officer Simich and SWT Lobbyist Bagnoli updated the Commission on information relating to the 2021 Legislative session. Matters discussed included:

- Federal COVID relief funding and related Legislative bills
  - SWT will receive additional funding; Met Council is still waiting for FTA guidance on how funds would need to be spent
- Recent Senate information request
  - SWT has submitted information requested; all other transit agencies were also asked for this information
- Suburban Transit Oversight
  - A bill has been introduced to oversee all transit agencies
- Vehicle Procurement/Ownership
  - Met Council has agreed in principle that SWT can procure vehicles
- Safety/Transit Ambassadors
  - A bill has been proposed to add safety agents to LRT; would not have much effect on SWT
- Electric Vehicles
  - Metro Transit had been planning to add more electric vehicles, but has now decided to go with bio-diesel
- Prohibiting Local Contributions for Busway Operating Costs
  - Counties would not have to pay for BRT costs; would affect MVST that SWT receives

**Discussion only. No motion required.**

#### **B. Authorization to Release Small Vehicle Bid**

Chief Operating Officer Fyten stated that in July of 2019 SWT was awarded a federal Access and Mobility grant worth \$363,125 for the purpose of procuring small revenue vehicles. The Metropolitan Council recently agreed to allow SWT to release bids for these vehicles. The bid will be for up to 5 vehicles, with the final number being determined by the individual vehicle cost. SWT will be responsible for the 20% local match amount.

**Motion:** McDonald motioned, seconded by Roepke to release vehicle bids for the procurement of small revenue vehicles using the FTA Access and Mobility grant. **Roll Call Vote:** Huang, yes; Narayanan, yes; McDonald, yes; Freiberg, yes; Roepke, yes; Ryan, yes; Bonnevier, yes. The motion carried 7-0-0.

#### **C. Letter of Intent for SouthWest Village TOD Site**

CEO Simich stated that SWT has marketed the property adjacent to the SouthWest Village parking ramp for over ten years. The property is zoned for commercial use but can only be offered as part of a Ground Lease. The agreement requested with the Sand Companies would provide us 30 days to negotiate in good faith all aspects of the Ground Lease to be brought back for final Commission approval in April or May. The Sand Companies would also begin the review and approval process with the City of Chanhassen to change the Planned Unit Development (PUD) from commercial to housing.

**Motion:** Roepke motioned, seconded by Narayanan to authorize the CEO to enter into a Letter of Intent (LOI) with the Sand Companies, Inc. to structure a Ground Lease for the property located west of the current parking ramp at SouthWest Village. Sand Companies would provide \$5,000 in earnest money which would be returned should an agreement not be reached with SWT, the City of Chanhassen, or should finance and/or tax credits not be received from the Minnesota Housing and Finance Agency.

**Roll Call Vote:** Huang, yes; Narayanan, yes; McDonald, abstain; Freiberg, yes; Roepke, yes; Ryan, abstain; Bonnevier, yes. The motion carried 5-0-2.

#### **D. FTA Low or No Emission Vehicle Program Grant Application**

COO Fyten stated that SWT has been working with a non-profit, the Center for Transportation and Environment (CTE) on a grant submittal to the FTA Low or No Emission Vehicle Program

(LoNo). This submittal includes purchase of four 45-foot coach vehicles and associated charging infrastructure for both the Eden Prairie Garage facility and a SWT park and ride facility.

This Program allows applicants to name a preferred vendor(s) for all phases of the project. SWT has chosen to name MCI as its preferred vehicle vendor.

**Motion:** Narayanan motioned, seconded by Roepke to adopt Resolution 21-05 authorizing the CEO to submit a Low or No Emission Vehicle Program grant application to the Federal Transit Administration for the purchase of four electric buses and associated bus-related equipment.

**Roll Call Vote:** Huang, yes; Narayanan, yes; McDonald, yes; Freiberg, yes; Roepke, yes; Ryan, yes; Bonnevier, yes. The motion carried 7-0-0.

## VI. UPDATES

## VII. ADJOURNMENT

**Motion:** Freiberg motioned, seconded by Roepke to adjourn. **Roll Call Vote:** Huang, yes; Narayanan, yes; McDonald, yes; Freiberg, yes; Roepke, yes; Ryan, yes; Bonnevier, yes. The motion carried 7-0-0. The meeting adjourned at 7:38 pm.

March 25, 2021 SouthWest Transit Commission Minutes Prepared By: Linda Spevacek

Approved by: \_\_\_\_\_

Date: \_\_\_\_\_



**SOUTHWEST TRANSIT**

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**MEMORANDUM**

**TO:** SouthWest Transit Commission  
**FROM:** Souriyong Souriya – Finance Director  
**DATE:** April 15, 2021  
**SUBJECT:** SWT Financial Statements

**REQUESTED ACTION:** That the SWT Commission approve the final audit December 2020 Financial Statement, February 2021 Financial Statement, March 2021 Investments and March 2021 Pledged Securities.

**BUDGET IMPACT:** This action has no budget impact.

**BACKGROUND:**

Attached to this memo are the following financial statements:

- Preliminary financial review for the year ended December 31, 2020 and February 28, 2021 Financial Statement for General Fund Operating, capital projects and debt service funds.
- The investment of SWT funds into certificates of deposits (CDs) and rate of return from 0.60%-2.75%.
- Five institutions provided the pledged securities for collateral beyond the FDIC insured.

**RECOMMENDATION:** That the SWT Commission approve the final audit December 2020 Financial Statement, February 2021 Financial Statement, March 2021 Investments and March 2021 Pledged Securities.



Commission Meeting date 04.22.2021

**Balance Sheet for All Funds  
December 2020 - Final Audit**

Balance Sheet Category	Fund Name						Total
	General Fund	Capital State of Good Repairs/Asset Management	SWS Relocation Capital	Grant Projects	Debt Service		
<b>Assets</b>							
Cash & Investments	\$ 6,001,103	\$ 8,088,526	\$ 669,115	\$ -	\$ 137,487	\$	14,896,231
Accounts Receivable	1,957,628	10,144	170,256	-	-		2,138,028
Other Assets	362,166	-	-	-	-		362,166
<b>Total Assets</b>	<b>8,320,897</b>	<b>8,098,670</b>	<b>839,371</b>	<b>-</b>	<b>137,487</b>		<b>17,396,425</b>
<b>Liabilities</b>							
Accounts Payable	798,239	1,824	141,575	-	-		941,638
Other Liabilities		-	-	-	-		-
<b>Total Liabilities</b>	<b>798,239</b>	<b>1,824</b>	<b>141,575</b>	<b>-</b>	<b>-</b>		<b>941,638</b>
<b>Fund Balances</b>							
Beginning Fund Balance-January 2019	4,378,019	10,099,431	1,751,756	-	26,229		16,255,435
Net Change in Fund Balance	3,144,639	(2,002,585)	(1,053,960)	-	111,258		199,352
<b>Total Fund Balances</b>	<b>7,522,658</b>	<b>8,096,846</b>	<b>697,796</b>	<b>-</b>	<b>137,487</b>		<b>16,454,787</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 8,320,897</b>	<b>\$ 8,098,670</b>	<b>\$ 839,371</b>	<b>\$ -</b>	<b>\$ 137,487</b>	<b>\$</b>	<b>17,396,425</b>

4/15/2021



SouthWest Transit  
 Revenue and Expenditures for All Funds  
 Monthly Financial Report  
 YTD December 2020 - Final Audit

Commission Meeting date 04.22.2021

Dec=100.0%

General Fund 100	Final Amended Budget	Current Month Actual	2020 YTD Actual	2020 YTD Balance	% YTD Budget
<b>Revenues</b>					
Passenger Fares	\$ 646,167	\$ 16,914	\$ 673,041	26,874	104.2%
Contract Revenue	25,000	4,678	41,374	16,374	165.5%
CMAQ TMA Grant Revenue	1,730	-	1,730	-	0.0%
CARES ACTS Grant	2,525,156	405,027	2,525,156	-	0.0%
5307 NTD Funding	642,087	188,333	188,333	(453,754)	29.3%
MVST Revenue	7,322,714	694,608	7,518,718	196,004	102.7%
RAMVST Revenue	1,367,121	129,680	1,393,437	26,316	101.9%
Investment Income	10,000	-	35,909	25,909	359.1%
Other Local Revenues	94,500	69,811	125,646	31,146	133.0%
	<u>12,634,475</u>	<u>1,509,051</u>	<u>12,503,344</u>	<u>(131,131)</u>	<u>99.0%</u>
Other Sources					
Insurance Recoveries	-	64,979	106,463	106,463	-
<b>Total Revenue</b>	<b>\$ 12,634,475</b>	<b>\$ 1,574,030</b>	<b>\$ 12,609,807</b>	<b>\$ (24,668)</b>	<b>99.8%</b>
<b>Expenditures</b>					
Administration	\$ 1,280,100	\$ 195,466	\$ 1,259,156	20,944	98.4%
Operations	4,589,000	582,272	4,629,686	(40,686)	100.9%
Vehicle Maintenance	1,802,800	204,939	1,549,658	253,142	86.0%
Facility Maintenance	1,332,150	176,265	1,249,025	83,125	93.8%
<b>Total Expenditures</b>	<b>9,004,050</b>	<b>1,158,942</b>	<b>8,687,525</b>	<b>316,525</b>	<b>96.5%</b>
5307 NTD Schedule	642,087	-	188,333	453,754	29.3%
Capital Cost Of Operating	758,800	264,250	419,310	339,490	55.3%
<b>Total Expenditures &amp; Capital Cost of Operating</b>	<b>10,404,937</b>	<b>1,423,192</b>	<b>9,295,168</b>	<b>1,109,769</b>	<b>89.3%</b>
Other Financing Sources					
Transfers In	-	-	-	-	0.0%
Transfers (Out)	170,000	-	170,000	-	100.0%
	<u>10,574,937</u>	<u>1,423,192</u>	<u>9,465,168</u>	<u>1,109,769</u>	<u>89.5%</u>
<b>Net Change in Fund Balance</b>	<b>\$ 2,059,538</b>	<b>\$ 150,838</b>	<b>\$ 3,144,639</b>		
Fund Balance, January 1			<u>\$ 4,378,019</u>		
Fund Balance, End of Current Period			<u>\$ 7,522,658</u>		
Months of Operating Expenditures			9		
Fund Balance as a % of the Expenditure Budget			<u>72.3%</u>		



SouthWest Transit  
 Revenue and Expenditures for All Funds  
 Monthly Financial Report  
 YTD December 2020 - Final Audit

Commission Meeting date 04.22.2021

Dec=100.0%

All Other Funds	Final Amended Budget	Current Month Actual	2020 YTD Actual	2020 YTD Balance	% YTD Budget
<b>Capital State of Good Repairs/Asset Management Fund</b>					
Revenue	\$ 443,020	\$ 3,377,289	\$ 3,824,662	\$ 3,381,642	863.3%
Expenditures	-	19,333	19,333	(19,333)	0.0%
Transfer In (Out)	(6,026,817)	-	(5,807,914)	(218,903)	0.0%
<b>Net Change in Fund Balance</b>	<b>\$ 6,469,837</b>	<b>\$ 3,357,956</b>	<b>\$ (2,002,585)</b>		
<b>SWS Relocation Capital Projects Fund 338</b>					
Revenue	\$ -	\$ -	\$ 4,281,933	\$ 4,281,933	0.0%
Expenditures	5,607,000	454,801	5,335,893	271,107	95.2%
Transfer In (Out)	-	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>\$ (5,607,000)</b>	<b>\$ (454,801)</b>	<b>\$ (1,053,960)</b>		
<b>Grant Projects Fund 336 &amp; 337 - NTD Grant Funds</b>					
Revenue	\$ -	\$ -	\$ 445,455	\$ 445,455	0.0%
Expenditures	-	-	445,455	(445,455)	0.0%
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Debt Service Fund 407-408</b>					
Revenue	\$ 1,329,724	\$ -	\$ 1,329,724	-	100.0%
Expenditures	7,245,283	5,281,526	7,245,283	(0)	100.0%
Transfer In (Out)	6,026,817	-	6,026,817	-	100.0%
<b>Net Change in Fund Balance</b>	<b>\$ 111,258</b>	<b>\$ (5,281,526)</b>	<b>\$ 111,258</b>		





**Balance Sheet for All Funds  
February 2021**

Commission Meeting date 04.22.2021

Balance Sheet Category	Fund Name					Total
	General Fund	Capital State of Good Repairs/Asset Management	SWS Relocation Capital	Grant Projects	Debt Service	
<b>Assets</b>						
Cash & Investments	\$ 7,259,839	\$ 8,039,503	\$ 726,724	\$ -	\$ 137,487	\$ 16,163,553
Accounts Receivable	756,831	10,144	-	-	-	766,975
Other Assets	439,504	-	-	-	-	439,504
<b>Total Assets</b>	<b>8,456,174</b>	<b>8,049,647</b>	<b>726,724</b>	<b>-</b>	<b>137,487</b>	<b>17,370,032</b>
<b>Liabilities</b>						
Accounts Payable	460,758	-	36,734	-	-	497,492
Other Liabilities	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>460,758</b>	<b>-</b>	<b>36,734</b>	<b>-</b>	<b>-</b>	<b>497,492</b>
<b>Fund Balances</b>						
Beginning Fund Balance-January 2020	7,522,658	8,096,846	697,796	-	137,487	16,454,787
Net Change in Fund Balance	472,758	(47,199)	(7,806)	-	-	417,753
<b>Total Fund Balances</b>	<b>7,995,416</b>	<b>8,049,647</b>	<b>689,990</b>	<b>-</b>	<b>137,487</b>	<b>16,872,540</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 8,456,174</b>	<b>\$ 8,049,647</b>	<b>\$ 726,724</b>	<b>\$ -</b>	<b>\$ 137,487</b>	<b>\$ 17,370,032</b>



SouthWest Transit  
Revenue and Expenditures for All Funds  
Monthly Financial Report  
YTD February 2021

Commission Meeting date 04.22.2021

Feb=16.7%

General Fund 100	Adopted Budget	Current Month Actual	2021 YTD Actual	2021 YTD Balance	% YTD Budget
<b>Revenues</b>					
Passenger Fares	\$ 748,400	\$ 10,329	\$ 27,755	(720,645)	3.7%
Contract Revenue	33,600	3,258	6,636	(26,964)	19.8%
CMAQ Grant Revenue	283,000	-	-	(283,000)	0.0%
CARES ACTS Grant	-	-	-	-	0.0%
5307 NTD Funding	784,000	-	-	(784,000)	0.0%
MVST Revenue	7,034,450	583,170	1,236,416	(5,798,034)	17.6%
RAMVST Revenue	1,313,300	108,875	230,834	(1,082,466)	17.6%
Investment Income	10,000	-	1,173	(8,827)	11.7%
Other Local Revenues	204,500	2,181	4,737	(199,763)	2.3%
	<u>10,411,250</u>	<u>707,813</u>	<u>1,507,551</u>	<u>(8,903,699)</u>	<u>14.5%</u>
Other Sources					
Insurance Recoveries	-	6,975	6,975	6,975	-
<b>Total Revenue</b>	<u>\$ 10,411,250</u>	<u>\$ 714,788</u>	<u>\$ 1,514,526</u>	<u>\$ (8,896,724)</u>	<u>14.5%</u>
<b>Expenditures</b>					
Administration	\$ 1,406,292	\$ 35,773	\$ 88,825	1,317,467	6.3%
Operations	6,469,290	230,677	542,763	5,926,527	8.4%
Vehicle Maintenance	1,927,656	37,673	117,581	1,810,075	6.1%
Facility Maintenance	1,438,100	53,581	114,996	1,323,104	8.0%
<b>Total Expenditures</b>	<u>11,241,338</u>	<u>357,704</u>	<u>864,165</u>	<u>10,377,173</u>	<u>7.7%</u>
5307 NTD Schedule	784,000	-	-	784,000	0.0%
Capital Cost Of Operating	1,546,995	67,729	177,603	1,369,392	11.5%
<b>Total Expenditures &amp; Capital Cost of Operating</b>	<u>13,572,333</u>	<u>425,433</u>	<u>1,041,768</u>	<u>12,530,565</u>	<u>7.7%</u>
<b>Net Change in Fund Balance</b>	<u>\$ (3,161,083)</u>	<u>\$ 289,355</u>	<u>\$ 472,758</u>		
Fund Balance, January 1			<u>\$ 7,522,658</u>		
Fund Balance, End of Current Period			<u>\$ 7,995,416</u>		
Months of Operating Expenditures			7		
Fund Balance as a % of the Expenditure Budget			<u>58.9%</u>		



SouthWest Transit  
 Revenue and Expenditures for All Funds  
 Monthly Financial Report  
 YTD February 2021

Commission Meeting date 04.22.2021

Feb=16.7%

All Other Funds	Adopted Budget	Current Month Actual	2021 YTD Actual	2021 YTD Balance	% YTD Budget
<b>Capital State of Good Repairs/Asset Management Fund</b>					
Revenue	\$ 378,021	\$ -	\$ -	\$ (378,021)	0.0%
Expenditures	3,230,000	-	47,199	3,182,801	0.0%
Transfer In (Out)	-	-	-	-	0.0%
<b>Net Change in Fund Balance</b>	<b>\$ (2,851,979)</b>	<b>\$ -</b>	<b>\$ (47,199)</b>		
<b>SWS Relocation Capital Projects Fund 338</b>					
Revenue	\$ -	\$ -	\$ -	\$ -	0.0%
Expenditures	-	9,332	44,539	(44,539)	#DIV/0!
Transfer In (Out)	-	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (9,332)</b>	<b>\$ (44,539)</b>		
<b>Grant Projects Fund 336 &amp; 337 - NTD Grant Funds</b>					
Revenue	\$ -	\$ 52,500	\$ 52,500	\$ 52,500	0.0%
Expenditures	-	52,500	52,500	(52,500)	0.0%
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		

SouthWest Transit					
Pledged Securities Accounts - March 2021					
Security Description	Safekeeping Agent	Maturity Date	Pledged Date	Book Value	Pledged Value
<b>Flagship Bank Minnesota</b>					
Treasury	United Bankers Bank	4/8/2021	12/10/2020	\$ 2,999,959.17	\$ 3,000,000.00
FHLMC - FED Home Loan Mortgages	United Bankers Bank	11/1/2021	8/12/2015	\$ 268,038.02	\$ 267,013.29
FNMA - FED NATL MTG ASSN	United Bankers Bank	8/1/2021	10/23/2012	\$ 252,047.18	\$ 251,410.89
MBS-FNMA/FHLMC	United Bankers Bank	9/1/2027	5/26/2020	\$ 192,011.09	\$ 192,011.09
Wells Natl West	United Bankers Bank	1/17/2023	4/2/2020	\$ 249,000.00	\$ 249,000.00
Enerbank USA	United Bankers Bank	9/13/2024	9/25/2019	\$ 247,780.65	\$ 249,000.00
Morgan Stanley	United Bankers Bank	11/14/2024	1/9/2020	\$ 247,000.00	\$ 247,000.00
3RD FED SVGS	United Bankers Bank	11/25/2024	1/9/2020	\$ 247,000.00	\$ 247,000.00
Comenity Capital Bank CD	United Bankers Bank	4/26/2021	5/16/2016	\$ 249,000.00	\$ 249,000.00
US Treasury Notes	United Bankers Bank	4/30/2021	10/6/2016	\$ 500,197.67	\$ 500,000.00
US Treasury Notes	United Bankers Bank	7/31/2022	10/6/2016	\$ 749,803.16	\$ 750,000.00
FHLB	United Bankers Bank	6/11/2021	5/25/2018	\$ 500,240.02	\$ 500,000.00
FFCB-FED Credit Bank	United Bankers Bank	9/1/2021	10/6/2016	\$ 500,481.25	\$ 500,000.00
GNMA	United Bankers Bank	8/20/2040	7/20/2018	\$ 133,435.20	\$ 133,435.20
GNMA	United Bankers Bank	1/20/2033	1/20/2021	\$ 165,069.34	\$ 165,069.34
				\$ 7,501,062.75	\$ 7,499,939.81
<b>BankVista</b>					
FDIC	FDIC - State	10/6/2021	6/6/2018	\$ 250,000	\$ 250,000
FDIC	ICS Account	10/6/2021	6/6/2018	\$ 5,431,663	\$ 5,431,663
<b>Tradition Capital Bank</b>					
Edgewood OH City Sch Dist Bond	BMO Harris Bank N.A	12/1/2029	12/19/2019	\$ 533,985	\$ 500,000
Little Blue VLY MO SWR Dist SW Bond	BMO Harris Bank N.A	9/1/2027	9/26/2019	\$ 1,097,870	\$ 1,000,000
Port Neches-Groves TX Indep SC Bonds	BMO Harris Bank N.A	2/15/2026	7/26/2016	\$ 762,971	\$ 695,000
Fed Farm Credit Bank	BMO Harris Bank N.A	4/1/2033	4/1/2013	\$ 968,318	\$ 912,724
<b>Alerus</b>					
FRB Federal Reserve Custody	Bank of North Dakota	4/1/2026	6/22/2016	\$ 371,329	\$ 349,404
<b>Americana Community Bank</b>					
GNMA Pool # MA1119	United Bankers Bank	7/1/2042	8/25/2016	\$ 595,740	\$ 595,740
			<b>Total</b>	<b>\$ 17,512,938</b>	<b>\$ 17,234,470</b>
<b>Summary Total Funds</b>		<b>3/31/2021</b>			
Flagship Bank	\$ 6,223,770				
BankVista	\$ 5,681,663				
Tradition Capital Bank	\$ 2,257,515				
Alerus	\$ 272,571				
Americana Community Bank	\$ 818,424				
<b>Total</b>	<b>\$ 15,253,943</b>				
<i>Difference Extra</i>	<i>\$ 1,980,526.28</i>				





# SOUTHWEST TRANSIT

## MEMORANDUM

**TO:** SouthWest Transit Commission

**FROM:** Matt Fyten, Chief Operations Officer  
Souriyong Souriya, Finance Director

**DATE:** April 22, 2021

**SUBJECT:** 2021 Ridership

### REQUESTED ACTION

None required. For information purposes only.

### BUDGET IMPACT

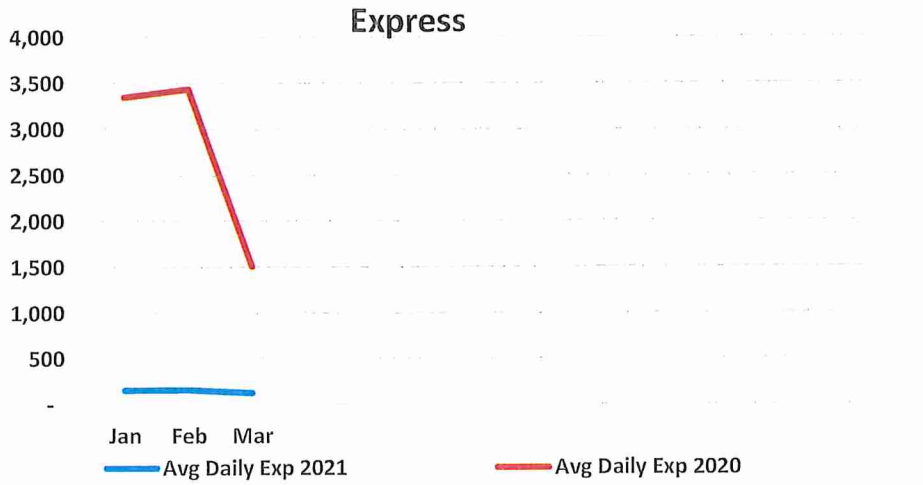
Outlined in Background of this memorandum.

### BACKGROUND

First quarter 2021 ridership was 20,479. The total difference represents a drop of 89.7% ridership from first quarter of 2020. After first quarter of 2021 SW Prime ridership is also significantly down compared to 2020, but with a lesser drop of around 53%.

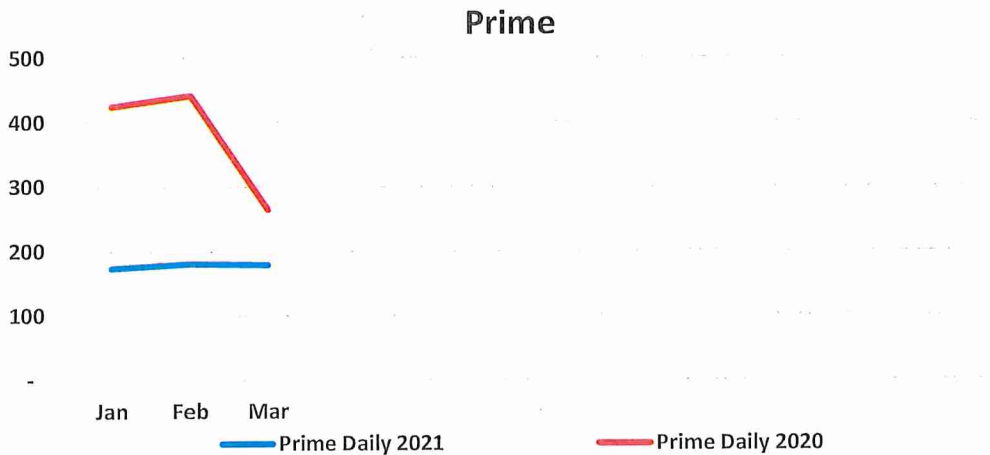
However, there are encouraging signs so far in April 2021 with the SW Prime service starting to average over 200 riders/day, which has not occurred since March of 2021.

Service Type	January	February	March	Total
Express Route	3,129	3,235	2,969	9,333
SW Prime	3,450	3,605	4,091	11,146
2021 Total	6,579	6,840	7,060	20,479
2020 Total	82,820	77,478	38,584	198,882
YTD % Increase/Decrease	-92.1%	-91.6%	-89.7%	-89.7%



Express	Jan	Feb	Mar
Avg Daily Exp 2021	156	162	129
Avg Daily Exp 2020	3,341	3,434	1,501

Prime	Jan	Feb	Mar
Prime Daily 2021	173	180	178
Prime Daily 2020	423	440	263



**RECOMMENDATION**

None required. For information purposes only.



# SOUTHWEST TRANSIT

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## MEMORANDUM

**To:** SouthWest Transit (SWT) Commission  
**From:** Mike Dartt, Facility Engineer  
**Date:** April 8, 2021  
**Subject:** Pick-up truck style vacuum truck

### REQUESTED ACTION

That the SWT Commission authorizes its Chief Executive Officer to execute an agreement with Environmental Equipment not to exceed \$ 134,145 for the purchase of a new pick-up truck style vacuum truck.

### BUDGET IMPACT

The vacuum truck was budgeted in 2021 for a cost of \$135,000. The low/recommended bid came in under the budgeted amount. Total cost of the vacuum truck will come from the 2021 capital cost of operation budget.

### BACKGROUND

The addition of this proposed vacuum truck will enable us to clean wet and dry surfaces. Our current sweeper limits us to clean dry surfaces only, is nearing its useful life and needs to be replaced. This truck style vacuum will last longer, clean our facilities faster, more thoroughly and offer us the option of year-round operation. This style of truck is used in ramp and street cleaning nationwide. The addition of this vacuum truck would allow all ramp and lot cleaning to be accomplished in-house.

The proposed vendor is part of the Department of Administration's "State Contract" and has already been competitively processed.

### RECOMMENDATION

That the SWT Commission authorizes its Chief Executive Officer to execute an agreement with Environmental Equipment not to exceed \$ 134,145 for the purchase of a new pick-up truck style vacuum truck.



# New Business



## SOUTHWEST TRANSIT

---

### MEMORANDUM

**TO:** SouthWest Transit Commission

**FROM:** Len Simich, CEO  
Gary Groen, Financial Consultant  
Souriyong Souriya, Finance Director

**DATE:** April 14, 2021

**SUBJECT:** 2020 Audited Comprehensive Annual Financial Report

**REQUESTED ACTION:**

The Commission adopt Resolution #21-06 accepting the audited Comprehensive Annual Financial Report for the fiscal year ended December 31, 2020.

**BUDGET IMPACT:**

Cost to complete the audit was included as part of the 2020 budget.

**BACKGROUND:**

The SouthWest Transit Commission “2020 Comprehensive Annual Financial Report” has been audited by an external audit firm, BerganKDV, Ltd. The report and unqualified audit opinion are included in the SWT Commission packet. Once accepted, the 2020 Annual Report will be posted to the SWT website for the general public, filed with the State of Minnesota, and the National Government Finance Officers Association.

SWT staff prepared the report under the Governmental Accounting Standards Board (GASB) guidelines. The Management’s Discussion and Analysis presents in narrative form highlights and significant items pertaining to the 2020 Annual Report.

Mr. Steve Wischmann of BerganKDV, Ltd. and members of his staff will be at the Commission meeting on April 22, 2021 to present the audit results and respond to any questions the Commission may have.

**RECOMMENDATION:**

The Commission adopt Resolution #21-06 accepting the audited Comprehensive Annual Financial Report for the fiscal year ended December 31, 2020.

Attachment: Resolution #21-06



**SOUTHWEST TRANSIT COMMISSION  
RESOLUTION #21-06  
2020 Comprehensive Annual Financial Report**

**WHEREAS**, SouthWest Transit (SWT) operates as a Joint Powers entity established by the Cities of Eden Prairie, Chaska and Chanhassen to provide transit services under the laws of the State of Minnesota including Minnesota Statute Sections 473.384, 473.388 and Statute 471.59; and

**WHEREAS**, SouthWest Transit staff has prepared the comprehensive annual financial report for the agency in accordance with the Governmental Accounting Standards Board guidelines:

**WHEREAS**, BerganKDV, Ltd., an external audit firm, has audited the Annual Report and issued an unqualified opinion;

**NOW THEREFORE, BE IT RESOLVED that the Commission hereby approves** the SouthWest Transit Comprehensive Annual Financial Report for the fiscal year ended December 31, 2020.

**ADOPTED** by the Commission of SouthWest Transit on April 22, 2021.

\_\_\_\_\_  
Mike Huang, Chairperson

**ATTEST:**

\_\_\_\_\_  
Len Simich, Chief Executive Officer





# Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2020



Eden Prairie, Minnesota



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

**Comprehensive Annual Financial Report**  
**For the Year Ended December 31, 2020**

**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**





**SouthWest Transit  
Eden Prairie, Minnesota  
Table of Contents**

	<u>Page Number</u>
<b>Introductory Section</b>	
Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	7
Organization Chart	8
Board of Commissioners and Key Personnel	9
 <b>Financial Section</b>	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position – Governmental Activities	29
Statement of Activities	31
Fund Financial Statements	
Balance Sheet – Governmental Funds	32
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	39
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	40
Notes to Financial Statements	41
Required Supplementary Information	
Schedule of Changes in Total OPEB Liability and Related Ratios	68
Schedule of SWT's Proportionate Share of Net Pension Liability – General Employees Retirement Fund	69
Schedule of SWT Contributions – General Employees Retirement Fund	69
Notes to Required Supplementary Information	70
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	76
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Eden Prairie Garage Expansion Phase 2 Debt Service Fund	78
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – SWS Relocation Capital Projects Fund	79
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital and Equipment Capital Projects Fund	80

**SouthWest Transit  
Eden Prairie, Minnesota  
Table of Contents**

Page  
Number

**Financial Section (Continued)**

Combining and Individual Fund Statements and Schedules: (Continued)

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – SWS Development Capital Projects Fund	81
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Eden Prairie Garage Remodel – Debt Service Fund	82
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Cost Deferred Capital Projects Fund	83
Schedule of Capital Projects – Budget and Actual	84

**Statistical Section**

Net Position by Component	Table 1	88
Changes in Net Position	Table 2	90
Fund Balances of Governmental Funds	Table 3	92
Changes in Fund Balances of Governmental Funds	Table 4	94
Ratios of Outstanding Debt by Type	Table 5	96
Demographic and Economic Statistics	Table 6	97
Principal Employers	Table 7	98
Full-Time Equivalent SWT Employees by Function	Table 8	99
Operating Statistics	Table 9	100
Capital Asset Statistics by Function/Program	Table 10	101
Farebox Recovery Percentage and Fare Structure	Table 11	102
Miscellaneous Statistics	Table 12	103



April 8, 2021

Honorable Chair and Members of the Commission  
SouthWest Transit

We are pleased to respectfully submit the SouthWest Transit (SWT) Comprehensive Annual Financial Report for the year ended December 31, 2020 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, 2020 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; 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, 2020 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 combined MC and SWT owned fleet of eighty-seven (87) active vehicles (59 motor coaches, 4 low floors, 1 trolley, and 23 small vehicles less than 30 feet). Driver services are provided by a private contractor. 2020 was the fifth full year of operations for SW Prime which is local on-demand 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 for the SW Prime service has increased over the five years except the impact of the pandemic which reduced both the fixed route and demand response services in 2020. SWT expects the demand for both fixed route and demand response services will begin to return close to pre-pandemic levels in the fourth quarter of 2021.

## **PROFILE OF THE GOVERNMENT (CONTINUED)**

The annual operating budget serves as the basis for SWT's financial planning and control. In 2020, the SWT Commission adopted annual budgets for General Fund, Capital and Equipment, SWS Development, SWS Relocation, and Capital Cost Deferred Capital Projects Funds and the Eden Prairie Garage Expansion Phase II and Eden Prairie Garage Remodel 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 2020 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 2020, SWT received \$7,518,718 from MVST in accordance with the statutory formula in *Minnesota Statutes*, Section 473.388.

The Metropolitan Council (MC) has also provide Suburban Transit Providers such as SWT with additional MVST revenues above the amount required under *Minnesota Statutes*, Section 473.388. The MVST 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. The additional MVST allocation is subject to review with the Metropolitan Council whereas the statutory MVST allocation is governed by state statutes.

In March 2020, a national emergency was declared in response to the Coronavirus outbreak (COVID 19) in the United States. Requiring limited capacity on buses, and implementing increased cleaning and sanitizing protocol, the pandemic had a tremendous effect on the ridership of SWT. Fixed route ridership declined by over 90% and demand response ridership declined over 50%. The ridership revenue declined by \$2,304,152 from 2019. In addition, the Minnesota State Fair was canceled in 2020. In 2019, SWT provided 115,679 rides to the Minnesota State Fair, which resulted in losing \$345,450 in fare revenue over 2019.

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

### **Operating Funds (Continued)**

The federal government provided \$2,525,156 in federal funding through the Coronavirus Aid, Relief and Economic Security (CARES) Act. The federal funding has been used by SWT to maintain essential public transportation services during the pandemic and to begin restoring service levels that had been provided prior to the pandemic.

Several major maintenance projects were completed in 2020 and are reported in General Fund expenditures. The maintenance projects totaled \$607,643 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.

As SWT moves forward into 2021 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.

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 400 car ramp constructed on the site in the future. The sale proceeds have been 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 remodeled and expanded the garage facility to accommodate the administrative offices lost with the sale of the Southwest Station. The project started in 2019 and was completed in 2020. The project was financed by the issuance of debt and SWT resources. The debt was paid during 2020 with the transfer of money to an irrevocable trust to finance all payments through the call date on April 1, 2024.

### **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 exceeds this policy but it is expected the additional fund balance will be used to restore pre-pandemic service levels in the next two years.

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

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

- All debt is paid as of the year end. The refunding of the capital lease resulted in a decrease in future debt service payments of \$11,520. The net present value cash flow savings from this transaction was \$133,807. Remaining debt service amounts will be used to pay any related debt service costs before they are closed out.

SWT has also adopted the following Capital and Debt Policies:

- SWT will work to establish the financing necessary to maintain all assets in a state of good repair.
- SWT will first seek state and federal capital funding to the extent it is available. State and federal sources include the Metropolitan Council (MC), Regional Solicitation 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.
- SWT will maintain and update its five-year Capital Improvement Plan for all projects over \$50,000.

### **Major 2020 Initiatives**

Major initiatives for SWT operations included:

- 2020 was the fifth 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.
- 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.
- 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. The expenditures were accounted for in SWS Relocation Capital Projects Fund.

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

### **Certificate of Achievement**

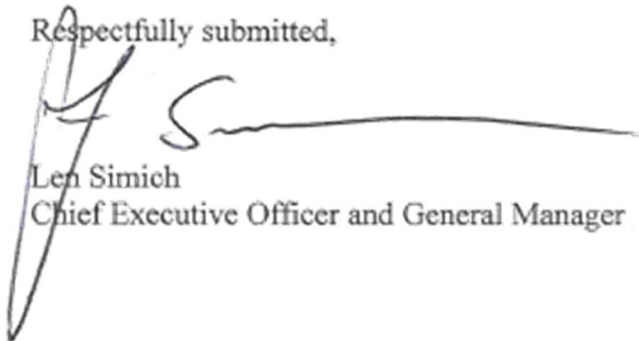
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SWT for its comprehensive annual financial report for the year ended December 31, 2019. This was the fourteenth consecutive year that the government 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 Comprehensive Annual Financial Report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Len Simich', is written over a horizontal line. The signature is stylized and extends across the width of the line.

Len Simich  
Chief Executive Officer and General Manager





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**SouthWest Transit  
Minnesota**

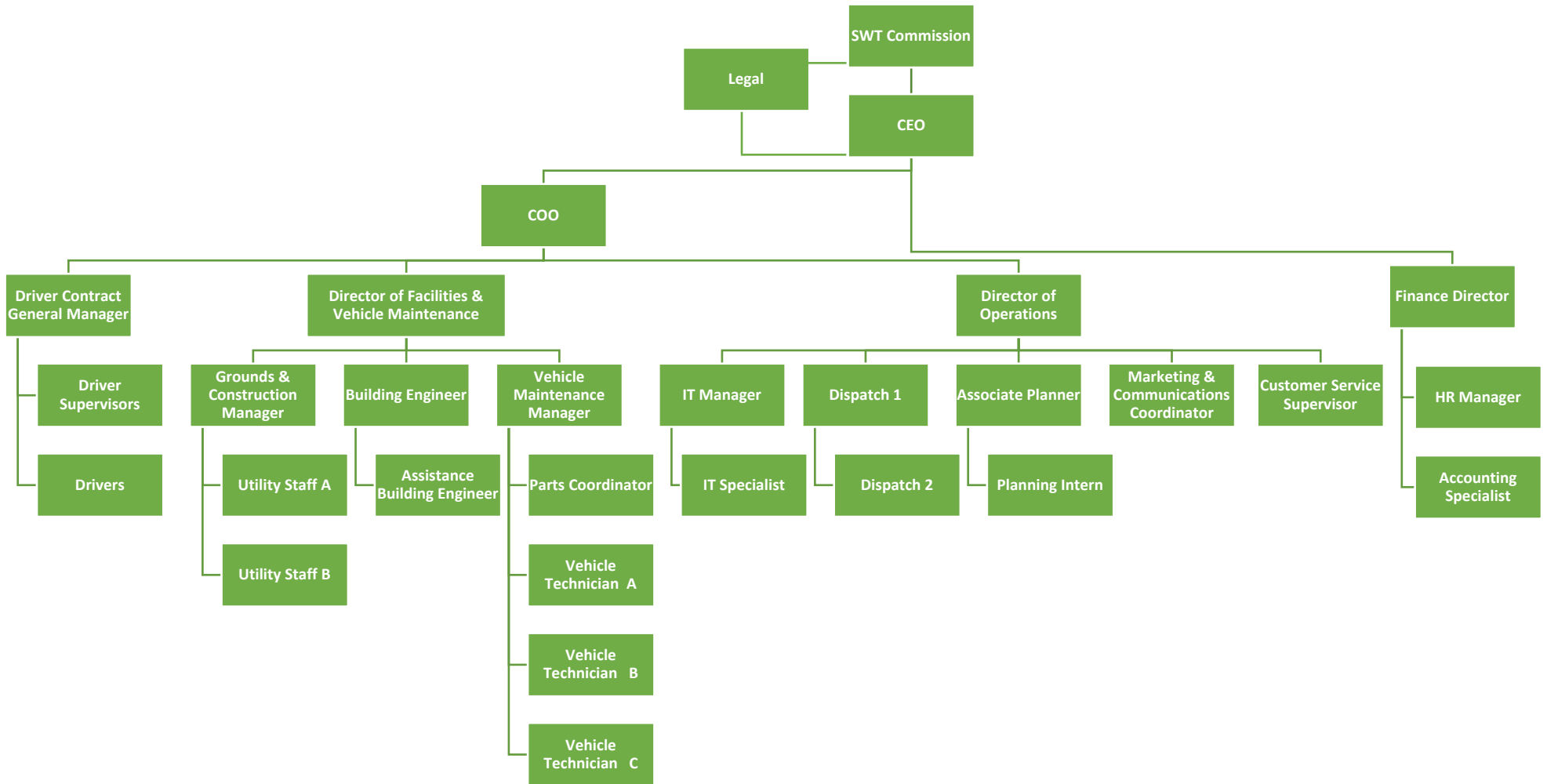
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

December 31, 2019

*Christopher P. Morrill*

Executive Director/CEO

# SouthWest Transit Organization Chart



**SouthWest Transit  
Eden Prairie, Minnesota  
Board of Commissioners and Key Personnel  
December 31, 2020**

<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
Mike Huang	Vice Chairperson	Chaska	December 31, 2021
Jerry McDonald	Secretary/Treasurer	Chanhassen	December 31, 2022
Bethany Tjornhorn	Board Member	Chanhassen	December 31, 2020
PG Narayanan	Board Member	Eden Prairie	December 31, 2021
Bob Roepke	Board Member	Chaska	December 31, 2022
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, 2020, 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

Southwest Transit's 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, 2020, 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 financial statements 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, 2019, from which such partial information was derived.



**Report on Summarized Comparative Information (Continued)**

We have previously audited SWT's 2019 financial statements and our report, dated April 14, 2020, 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, 2019, 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 8, 2021, 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.

*BerganKDV, Ltd.*

St. Cloud, Minnesota  
April 8, 2021



**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, 2020. 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 2020 by \$56,971,114 (net position). Of this amount, \$14,221,225 (unrestricted net position) may be used to meet SWT's ongoing obligations to customers and creditors.
- SWT's total net position increased by \$1,567,916, or 2.8%, based on 2020 activity.
- As of the close of the current year, SWT's Governmental Funds reported combined ending fund balances of \$16,454,787, an increase of \$199,352 in comparison with the prior year. \$7,160,492 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 \$7,522,658. Of that amount, \$362,166 was in nonspendable form and the remaining \$7,160,492 was unassigned.
- SWT has a fund balance of \$152,795 available for debt retirement. SWT placed monies in an irrevocable trust to pay the remaining principal and interest payments on the lease financing. The remaining fund balance will pay any remaining debt related expenses before it is closed.
- 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 carried a contract for deed that totaled \$4,275,000. Monthly payments of \$27,335 including interest at 4.625% started July 2014. The balance receivable at December 31, 2019 was \$3,460,718 and was paid in full in December 2020. The proceeds of the contract payoff is credited to 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 fare revenue decreased by \$2,304,152 as a result of the reduced ridership caused by the COVID 19 national emergency and pandemic. SWT received \$2.5 million in federal CARES Act funding to help offset fares revenue losses.
- 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 were used in 2019 and 2020, along with lease purchase financing proceeds, to remodel and upgrade the Eden Prairie garage to accommodate the administrative offices lost with the sale. The construction remodel and upgrade at the Eden Prairie garage was completed in December 2020.

**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 29-31 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 2020: The General Fund, SWS Relocation, SWT Facilities Improvement, SWT Buses, SWS Development, Capital Cost Deferred and the Capital and Equipment Capital Projects Funds. In addition, SWT maintains two Debt Service Funds for the Eden Prairie Garage Remodel Debt and Eden Prairie Garage Expansion Phase II.

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 32-40 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 \$56,971,114 at the close of 2020.

24.96%, or \$14,221,225, 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 75.04% 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 any resources needed to repay 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 9 of the notes to financial statements for additional information.

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 statement is explained in Note 10.

**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 10.

**Net Position**

	Governmental Activities	
	2020	2019
Current and other assets	\$ 17,396,425	\$ 21,144,898
Capital assets, net of depreciation	42,749,889	39,204,003
Total assets	60,146,314	60,348,901
Deferred outflows of resources related to pensions and OPEB	220,614	265,945
Total assets and deferred outflows of resources	\$ 60,366,928	\$ 60,614,846
Current liabilities	\$ 1,140,890	\$ 1,839,294
Long-term liabilities	2,152,839	3,004,215
Total liabilities	3,293,729	4,843,509
Deferred inflows of resources related to pensions and OPEB	102,085	368,139
Total liabilities and deferred inflows of resources	\$ 3,395,814	\$ 5,211,648
Net position		
Net investment in capital assets	\$ 42,749,889	\$ 37,865,385
Unrestricted	14,221,225	17,537,813
Total net position	\$ 56,971,114	\$ 55,403,198

**Governmental Activities** – Governmental activities increased SWT's net position by \$1,567,916. The components of net position increased or decreased as follows:

- Net position invested in capital assets increased by \$4,884,504 during the year. Depreciation expense in 2020 totaled \$2,088,024. Capital asset additions included equipment, software, small prime vehicles, and major facility improvements.
- Unrestricted net position decreased by \$3,316,588 primarily due to paying off debt related to Eden Prairie Garage Facility Lease Purchase financing, and completion of major capital facility improvements, offset by the increase in the General Fund balance.

Please see pages 29-31 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	
	2020	2019
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 838,328	\$ 3,445,257
Operating grants and contributions	229,706	64,077
Capital grants and contributions	557,421	498,315
Total program revenues	1,625,455	4,007,649
General revenues		
Unrestricted intergovernmental revenue	11,468,101	9,206,794
Other local revenue	116,940	365,359
Unrestricted investment earnings	234,567	344,415
Total revenues	13,445,063	13,924,217
 <b>Expenses</b>		
General government	\$ 1,264,361	\$ 1,502,977
Building and grounds	3,509,492	3,085,454
Operations and vehicle maintenance	6,705,248	9,148,674
Debt service interest and agency fees	398,046	90,677
Total expenses	11,877,147	13,827,782
 Change in net position	1,567,916	96,435
 <b>Net Position</b>		
Beginning	55,403,198	55,306,763
Ending	\$ 56,971,114	\$ 55,403,198

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

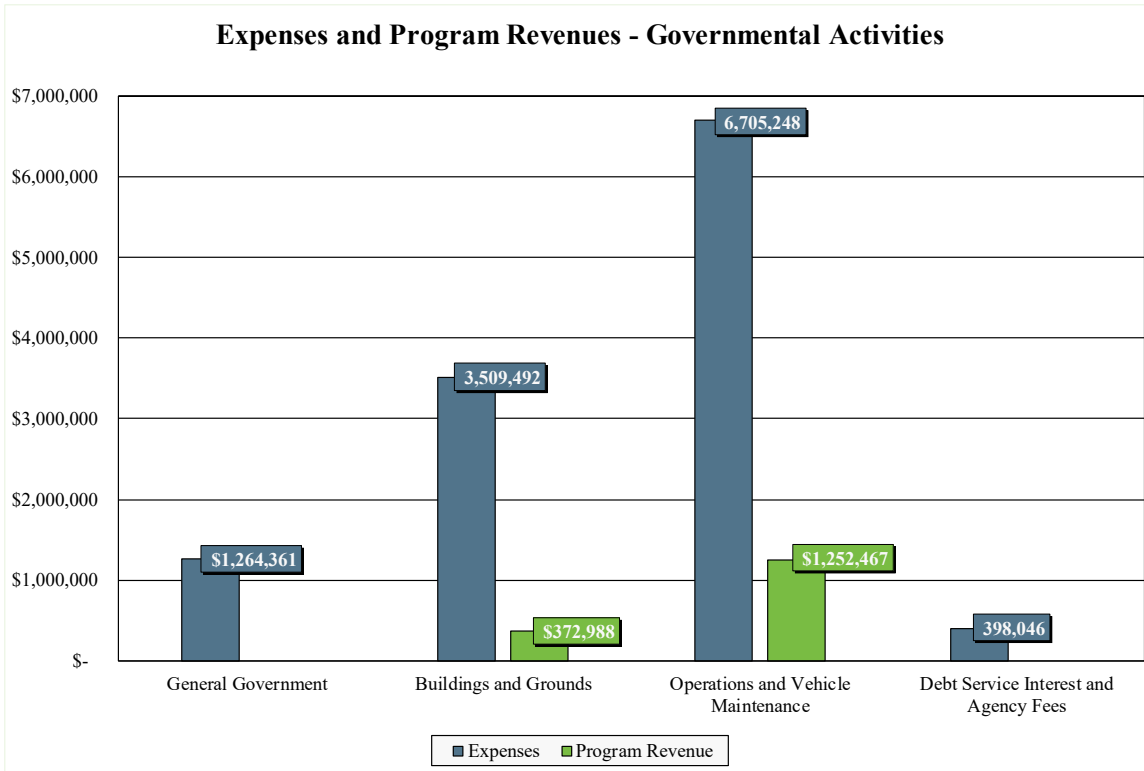
- Capital grants and contributions from federal and state sources finance facilities and equipment purchases. In 2020, state grants totaled \$557,421 and financed the renovation of SWT buses and financed a portion of the Eden Prairie garage and SW Village debt.
- Unrestricted intergovernmental revenue includes both MVST, RAMVST, and the federal CARES Act funding. The federal CARES Act funding totaling \$2,525,156 was provided to provide relief from the national pandemic and is not an ongoing funding source for future SWT operations. The level of future state funding is dependent upon the current State Legislative session.

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

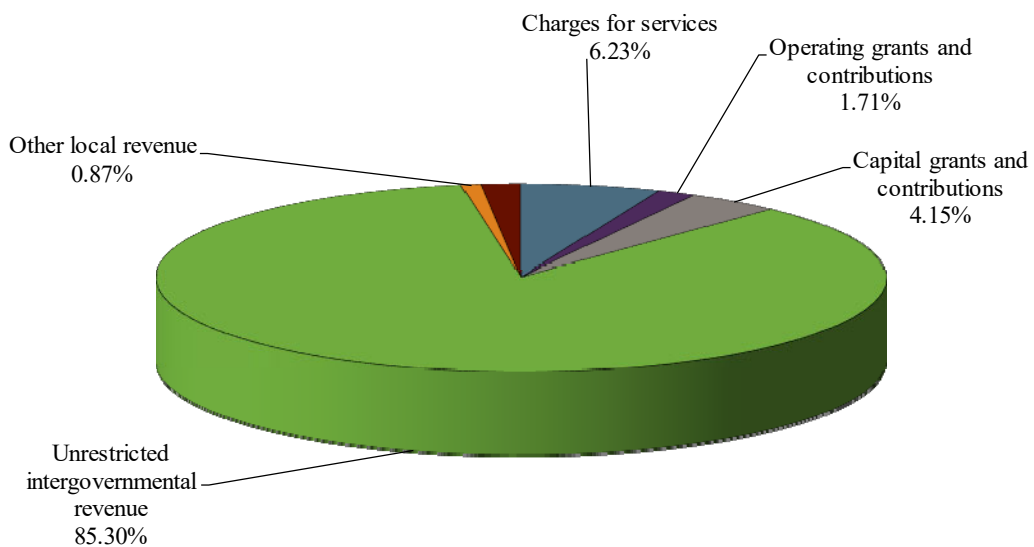
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities (Continued)**

- 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. The project was completed in 2020.



**Revenues by Sources - Governmental Activities**





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

## **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 \$16,454,787, an increase of \$199,352 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 is in Note 6 on pages 53-54 of this report.

The increase in SWT's fund balance of \$199,352 during the current year is comprised of the following key factors:

- The General Fund revenues and net other financing uses exceeded expenditures by \$3,144,639, as the actual intergovernmental revenues included federal CARES Act funding of \$2,525,156 provided to assist SWT in continuing to provide essential public transportation services.
- Passenger fare revenue in the General Fund decreased by \$2,304,152 as a result of decreased ridership caused by the COVID 19 pandemic.
- The SWS Development Capital Projects Fund includes the payments received totaling \$3,626,004 with the payoff of the contract for deed of the Chaska garage. The transfer out of the SWS Development Capital Projects Fund totaled \$6,026,817 and was used to pay off debt related to the \$5,500,000 Garage Facility. This transfer decreased the fund balance by \$2,221,367 at year end. The payoff included the money required for the establishment of an irrevocable trust to finance all payments thru the call date in 2024.
- The SWS Relocation Capital Projects Fund expenditures totaled \$5,335,893 to complete the Eden Prairie garage expansion and remodeling. The project was financed with a combination of transfers from the SWS Development Fund in 2019 and the issuance of debt in the form of lease purchase financing in 2020.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The amended General Fund budget estimated that the revenues would exceed the expenditures and transfers out by \$2,229,538. The amended revenue budget included the federal CARES Act funding totaling \$2,525,156. Passenger fare revenue was originally budgeted at \$3,035,600 but was reduced to \$646,167 in the amended revenue budget due to reduced ridership during the pandemic.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

The SWT Commission approved an amended expenditure budget in 2020 that totaled \$10,234,937. The original expenditure budget was decreased to reflect the reduced service demand caused by the COVID 19. The \$170,000 was transferred to establish a separate capital projects fund to finance planned capital or maintenance expenditures that were deferred to a future period.

The intergovernmental state amended revenue budget (MVST and RAMVST) was increased from \$9,012,000 to \$9,340,922 in the amended revenue budget. However, the actual 2020 intergovernmental state revenue was \$9,109,194 falling short of the amended revenue budget estimate. The following summarizes the actual 2020 results:

- The actual expenditures totaled \$9,295,168 which was \$939,769 less than the amended budget.
- The actual capital outlay expenditures were \$623,244 less than the amended budget.
- The expenditures for administration, buildings and grounds and operations and maintenance accounted for the balance of the favorable expenditure variances.
- The General Fund balance increased by \$3,144,639 during 2020.
- The increase in fund balance will be used to build back the service to pre-COVID levels in the future years.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – SWT's investment in capital assets as of December 31, 2020 totaled \$42,749,889 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements including parking decks, equipment, and intangible assets. See the table below for more detail.

**Capital Assets (Net of Depreciation)**

	2020	2019
Buildings and facilities	\$ 13,058,396	\$ 6,717,099
Bus equipment	221,657	225,263
Equipment and software	900,726	1,001,942
Furniture	55,646	15,924
Land	2,010,649	2,010,649
Land improvements	577,507	484,340
Park and ride facilities	25,360,038	26,464,619
Transit hub facilities	14,613	33,123
Vehicles	550,657	497,891
Construction in progress	-	1,753,153
	\$ 42,749,889	\$ 39,204,003
Total		

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

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

**Capital Assets (Continued)**

SWT operates 77 buses owned by the Metropolitan Council and 10 owned by SWT. In addition, SWT has 13 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 5 on pages 52-53 of this report.

**Long-Term Debt** – SWT debt was paid off during 2020 with the transfer of money to an irrevocable trust. The money transferred was sufficient to pay the remaining principal and interest payments on the outstanding lease through its call date on April 1, 2024. The refunding of capital lease debt resulted in a decrease in future debt service payments of \$11,520. The net present value cash flow savings from the transaction was \$133,807.

Additional information on SWT's long-term debt can be found in Note 7 on pages 54-55 of this report.

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

SWT has approved the General Fund operating budget for 2021 in December 2020. The 2021 budget assumes the service levels will gradually increase as the country begins to move past the effects of the COVID 19 pandemic. It is assumed that service levels will continue to increase as the ridership begins to return. It is currently anticipated that the most significant ridership increases will occur after Labor Day in September 2021 as the schools, universities and businesses begin to operate at pre-pandemic levels.

Ridership increases are expected with the continued growth of SW Prime, but express service may continue its pre-pandemic decline following national trends. The 2021 budget includes a new prime service segment to provide service area residents with service in the 494 corridor and to the Minneapolis-St. Paul airport. The Metropolitan Council (MC) increased the regional passenger fares beginning October 1, 2017 by 8% based on an adult express fare.

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 General Fund balance exceeds the stated policy due to SWT actions to reduce overall services in response to reduced ridership and reducing administrative and operations staffing through furloughs and cuts. With the assistance of the federal CARES Act, SWT will be in position to add back services in anticipation of ridership increases expected in 2021 and 2022. SWT will continue to maintain the fund balance in accordance with this policy. However, the 2021 budget anticipates the General Fund balance will drop as service levels return.

As always, future funding through the Motor Vehicle Sales Tax will have a significant impact on SWT's ability to maintain its fund balance.

SWT will utilize the following strategies to balance the 2021 budget:

- Implementing additional operating efficiencies
- Restarting productive fixed-route services once workers come back as the pandemic lessens.

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

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

- Adding new productive services such as expanding the SW Prime system to suburban locations along the I-494 and US-169 corridors.
- Introducing electric vehicles into the SW Prime fleet when feasible.
- 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 issued a stay at home recommendation that remained in effect through May 4, 2020. The pandemic has had a tremendous effect reducing daily ridership from over 3,500 to less than 200. In addition to ridership revenue, SWT relies on MVST and RAMVST (sales tax on vehicles sold) to finance its operations. SWT reduced its daily service to match the reduced ridership. The CARES Act funding provided federal assistance to offset the loss of ridership and additional expenditures related to COVID 19 mitigation. SWT anticipates it will use fund balance resources as it begins to meet a renewed demand for services.

**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, 2020**  
**(With Comparative Totals for December 31, 2019)**

	2020	2019
<b>Assets</b>		
Current assets		
Cash and investments	\$ 14,663,250	\$ 16,100,437
Cash with fiscal agent	232,981	-
Accounts receivable	231,778	17,887
Interest receivable	29,224	66,330
Intergovernmental receivable	1,877,026	1,036,337
Contract for deed receivable - current portion	-	171,569
Inventory - vehicle parts	230,156	251,508
Prepaid items	132,010	211,681
Total current assets	17,396,425	17,855,749
Noncurrent assets		
Contract for deed receivable - noncurrent portion	-	3,289,149
Capital assets		
Land	2,010,649	2,010,649
Land improvements	1,686,174	1,480,641
Buildings and facilities	17,715,911	11,061,152
Transit hub facilities	94,177	212,835
Bus equipment	527,573	494,775
Park and ride facilities	37,688,894	37,831,735
Equipment and software	2,598,003	2,519,709
Vehicles	982,120	759,245
Furniture	90,385	48,340
Construction in progress	-	1,753,153
Total cost	63,393,886	58,172,234
Less accumulated depreciation	(20,643,997)	(18,968,231)
Total capital assets	42,749,889	39,204,003
Total noncurrent assets	42,749,889	42,493,152
Total assets	60,146,314	60,348,901
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pensions	211,454	263,281
Deferred outflows of resources related to OPEB	9,160	2,664
Total deferred outflows of resources	220,614	265,945
Total assets and deferred outflows of resources	\$ 60,366,928	\$ 60,614,846
<b>Liabilities</b>		
Current liabilities		
Accounts and contracts payable	\$ 862,441	\$ 1,326,558
Salaries and benefits payable	79,197	102,187
Interest payable	-	8,620
Lease purchase/certificates of participation payable	-	231,335
Compensated absences payable	199,252	170,594
Total current liabilities	1,140,890	1,839,294
Noncurrent liabilities		
Lease purchase/certificates of participation payable	-	1,107,283
Compensated absences payable	35,162	30,105
Net pension liability	1,996,487	1,763,680
Total OPEB liability	121,190	103,147
Total noncurrent liabilities	2,152,839	3,004,215
Total liabilities	3,293,729	4,843,509
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	97,041	368,139
Deferred inflows of resources related to OPEB	5,044	-
Total deferred inflows of resources	102,085	368,139
<b>Net Position</b>		
Net investment in capital assets	42,749,889	37,865,385
Unrestricted	14,221,225	17,537,813
Total net position	56,971,114	55,403,198
Total liabilities, deferred inflows of resources, and net position	\$ 60,366,928	\$ 60,614,846

See notes to financial statements.





**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Statement of Activities**  
**Year Ended December 31, 2020**  
**(With Comparative Totals for the Year Ended December 31, 2019)**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2020	2019
Governmental activities						
General government	\$ 1,264,361	\$ -	\$ -	\$ -	\$ (1,264,361)	\$ (1,502,977)
Buildings and grounds	3,509,492	165,286	-	207,702	(3,136,504)	(2,163,446)
Operations and vehicle maintenance	6,705,248	673,042	229,706	349,719	(5,452,781)	(6,063,033)
Debt service interest and agency fees	398,046	-	-	-	(398,046)	(90,677)
Total governmental activities	<u>\$ 11,877,147</u>	<u>\$ 838,328</u>	<u>\$ 229,706</u>	<u>\$ 557,421</u>	(10,251,692)	(9,820,133)
General revenues						
Unrestricted intergovernmental revenue					11,468,101	9,206,794
Other local revenue					116,940	365,359
Unrestricted investment earnings					234,567	344,415
Total general revenues					<u>11,819,608</u>	<u>9,916,568</u>
Change in net position					1,567,916	96,435
Net position - beginning					<u>55,403,198</u>	<u>55,306,763</u>
Net position - ending					<u>\$ 56,971,114</u>	<u>\$ 55,403,198</u>

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Balance Sheet - Governmental Funds**  
**December 31, 2020**  
**(With Comparative Totals for December 31, 2019)**

	General Fund	Debt Service	Capital Projects	
		Eden Prairie Garage Expansion Phase 2	SWS Relocation	Capital and Equipment
<b>Assets</b>				
Cash and investments	\$ 6,001,103	\$ 137,487	\$ 436,134	\$ 1,842,944
Cash with fiscal agent	-	-	232,981	-
Accounts receivable	61,522	-	170,256	-
Interest receivable	19,080	-	-	-
Intergovernmental receivable	1,877,026	-	-	-
Contract for deed receivable	-	-	-	-
Due from other funds	-	-	-	-
Inventory	230,156	-	-	-
Prepaid items	132,010	-	-	-
Total assets	<u>\$ 8,320,897</u>	<u>\$ 137,487</u>	<u>\$ 839,371</u>	<u>\$ 1,842,944</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 719,042	\$ -	\$ 141,575	\$ -
Salaries and benefits payable	79,197	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>798,239</u>	<u>-</u>	<u>141,575</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - contract for deed	-	-	-	-
<b>Fund Balances</b>				
Nonspendable	362,166	-	-	-
Committed	-	-	-	-
Assigned	-	137,487	697,796	1,842,944
Unassigned	7,160,492	-	-	-
Total fund balances	<u>7,522,658</u>	<u>137,487</u>	<u>697,796</u>	<u>1,842,944</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,320,897</u>	<u>\$ 137,487</u>	<u>\$ 839,371</u>	<u>\$ 1,842,944</u>

Capital Projects	SWS Development Capital	Nonmajor Governmental Funds	Total Governmental Funds	
			2020	2019
	\$ 6,026,679	\$ 218,903	\$ 14,663,250	\$ 16,100,437
	-	-	232,981	-
	-	-	231,778	17,887
	10,144	-	29,224	66,330
	-	-	1,877,026	1,036,337
	-	-	-	3,460,718
	-	-	-	91,547
	-	-	230,156	251,508
	-	-	132,010	211,681
	<u>\$ 6,036,823</u>	<u>\$ 218,903</u>	<u>\$ 17,396,425</u>	<u>\$ 21,236,445</u>
	\$ 1,703	\$ 121	\$ 862,441	\$ 1,326,558
	-	-	79,197	102,187
	-	-	-	91,547
	<u>1,703</u>	<u>121</u>	<u>941,638</u>	<u>1,520,292</u>
	-	-	-	<u>3,460,718</u>
	-	-	362,166	463,189
	-	15,308	15,308	26,229
	6,035,120	203,474	8,916,821	11,851,187
	-	-	7,160,492	3,914,830
	<u>6,035,120</u>	<u>218,782</u>	<u>16,454,787</u>	<u>16,255,435</u>
	<u>\$ 6,036,823</u>	<u>\$ 218,903</u>	<u>\$ 17,396,425</u>	<u>\$ 21,236,445</u>



**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2020**  
**(With Comparative Totals for December 31, 2019)**

	2020	2019
Total fund balances - governmental funds	\$ 16,454,787	\$ 16,255,435
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	63,393,886	58,172,234
Less accumulated depreciation	(20,643,997)	(18,968,231)
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)
Compensated absences payable	(234,414)	(200,699)
Net pension liability	(1,996,487)	(1,763,680)
Total OPEB liability	(121,190)	(103,147)
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	(97,041)	(368,139)
Deferred outflows of resources related to pensions	211,454	263,281
Deferred inflows of resources related to OPEB	(5,044)	
Deferred outflows of resources related to OPEB	9,160	2,664
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
Governmental funds do not report a liability for accrued interest until due and payable.		
	-	(8,620)
Total net position - governmental activities	\$ 56,971,114	\$ 55,403,198

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2020**  
**(With Comparative Totals for the Year Ended December 31, 2019)**

	General Fund	Debt Service	Capital Projects	
		Eden Prairie Garage Expansion Phase 2	SWS Relocation	Capital and Equipment
<b>Revenues</b>				
Intergovernmental - federal	\$ 2,526,886	\$ -	\$ -	\$ -
Intergovernmental - state	9,109,194	-	15,000	-
Intergovernmental - other	41,373	-	-	-
Passenger fares	673,042	-	-	-
Charges for services	114,525	-	-	-
Investment income	35,909	-	-	-
Other interest income	-	-	-	-
Loan repayment	-	-	-	-
Other local revenue	2,415	-	-	-
Total revenues	<u>12,503,344</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
<b>Expenditures</b>				
Current				
General government	1,259,156	-	-	-
Buildings and grounds	1,249,025	-	-	-
Operations and vehicle maintenance	6,179,344	-	-	-
Debt service				
Principal retirement	-	5,500,000	-	-
Interest and agency fees	-	389,330	-	-
Capital outlay				
General government	-	-	-	-
Buildings and grounds	379,028	-	5,335,893	-
Operations and vehicle maintenance	228,615	-	-	-
Total expenditures	<u>9,295,168</u>	<u>5,889,330</u>	<u>5,335,893</u>	<u>-</u>
Excess of revenues over (under) expenditures	3,208,176	(5,889,330)	(5,320,893)	-
<b>Other Financing Sources (Uses)</b>				
Issuance of capital lease	-	-	4,266,933	-
Insurance recoveries	106,463	-	-	-
Transfers in	-	6,026,817	-	-
Transfers out	(170,000)	-	-	-
Total other financing sources (uses)	<u>(63,537)</u>	<u>6,026,817</u>	<u>4,266,933</u>	<u>-</u>
Net change in fund balances	3,144,639	137,487	(1,053,960)	-
<b>Fund Balances</b>				
Beginning of year	<u>4,378,019</u>	<u>-</u>	<u>1,751,756</u>	<u>1,842,944</u>
End of year	<u>\$ 7,522,658</u>	<u>\$ 137,487</u>	<u>\$ 697,796</u>	<u>\$ 1,842,944</u>

Capital Projects	SWS Development Capital	Nonmajor Governmental Funds	Total Governmental Funds	
			2020	2019
\$ -	\$ -	\$ 2,526,886	\$ 46,350	
-	557,421	9,681,615	9,654,653	
-	-	41,373	75,112	
-	-	673,042	2,977,194	
-	-	114,525	267,587	
198,658	-	234,567	344,415	
165,286	-	165,286	164,190	
3,460,718	-	3,460,718	163,830	
-	-	2,415	390,610	
<u>3,824,662</u>	<u>557,421</u>	<u>16,900,427</u>	<u>14,083,941</u>	
-	-	1,259,156	1,436,835	
15,806	-	1,264,831	1,239,241	
-	-	6,179,344	8,824,760	
-	1,338,618	6,838,618	1,596,577	
-	17,336	406,666	102,421	
-	-	-	10,950	
3,406	121	5,718,448	1,693,274	
-	411,860	640,475	543,702	
<u>19,212</u>	<u>1,767,935</u>	<u>22,307,538</u>	<u>15,447,760</u>	
3,805,450	(1,210,514)	(5,407,111)	(1,363,819)	
-	1,233,067	5,500,000	-	
-	-	106,463	60,593	
-	170,000	6,196,817	4,189,489	
<u>(6,026,817)</u>	<u>-</u>	<u>(6,196,817)</u>	<u>(4,189,489)</u>	
<u>(6,026,817)</u>	<u>1,403,067</u>	<u>5,606,463</u>	<u>60,593</u>	
(2,221,367)	192,553	199,352	(1,303,226)	
8,256,487	26,229	16,255,435	17,558,661	
<u>\$ 6,035,120</u>	<u>\$ 218,782</u>	<u>\$ 16,454,787</u>	<u>\$ 16,255,435</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, 2020**  
**(With Comparative Totals for the Year Ended December 31, 2019)**

	2020	2019
Net change in fund balances - governmental funds	\$ 199,352	\$ (1,303,226)
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	5,650,138	1,998,234
Depreciation expense	(2,088,024)	(1,878,470)
Book value of disposed assets	(16,228)	(10,020)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		
	(33,715)	(8,184)
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	6,838,618	1,596,577
New debt issued	(5,500,000)	-
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the 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.		
	8,620	11,744
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	(13,536)	(135,794)
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	(16,591)	(10,596)
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.		
	(3,460,718)	(163,830)
Change in net position - governmental activities	\$ 1,567,916	\$ 96,435

**SouthWest Transit  
Eden Prairie, Minnesota  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual -  
General Fund  
Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental - federal	\$ -	\$ 2,526,886	\$ 2,526,886	\$ -
Intergovernmental - state	9,012,000	9,340,922	9,109,194	(231,728)
Intergovernmental - other	70,000	25,000	41,373	16,373
Passenger fares	3,035,600	646,167	673,042	26,875
Charges for services	165,000	85,500	114,525	29,025
Investment income	10,000	10,000	35,909	25,909
Other local revenue	45,000	-	2,415	2,415
Total revenues	<u>12,337,600</u>	<u>12,634,475</u>	<u>12,503,344</u>	<u>(131,131)</u>
<b>Expenditures</b>				
Current				
General government	1,470,800	1,280,100	1,259,156	(20,944)
Buildings and grounds	1,402,150	1,332,150	1,249,025	(83,125)
Operations and vehicle maintenance	9,616,300	6,391,800	6,179,344	(212,456)
Capital outlay				
Buildings and grounds	85,500	430,000	379,028	(50,972)
Operations and vehicle maintenance	291,100	800,887	228,615	(572,272)
Total expenditures	<u>12,865,850</u>	<u>10,234,937</u>	<u>9,295,168</u>	<u>(939,769)</u>
Excess of revenues over (under) expenditures	(528,250)	2,399,538	3,208,176	808,638
<b>Other Financing Sources (Uses)</b>				
Insurance recoveries	-	-	106,463	106,463
Transfers out	(170,000)	(170,000)	(170,000)	-
Total other financing sources (uses)	<u>(170,000)</u>	<u>(170,000)</u>	<u>(63,537)</u>	<u>106,463</u>
Net change in fund balances	<u>\$ (698,250)</u>	<u>\$ 2,229,538</u>	3,144,639	<u>\$ 915,101</u>
<b>Fund Balances</b>				
Beginning of year			<u>4,378,019</u>	
End of year			<u>\$ 7,522,658</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.

Eden Prairie Garage Expansion Phase 2 Debt Service Fund – This fund is used to account for financial resources dedicated to the Eden Prairie Garage Expansion project's long term debt payments.

SWS Relocation Capital Projects Fund – This fund is used to account for financial resources dedicated to capital construction including additions of administrative operation office and maintenance at Eden Prairie Bus Garage.

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.

**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)**

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.

The Metropolitan Council (MC) has also provided Suburban Transit Providers such as SWT with additional MVST revenues above the amount required under Minnesota Statutes, Section 473.388. The MVST 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. The additional MVST allocation is subject to review with the Metropolitan Council whereas the statutory MVST allocation is governed by state statutes.

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.

**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**

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.

A contract for deed was executed in May 2014, as part of the financing of the sale of SWT property. The balance was 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. The contract for deed was paid in full during 2020.

Amounts included in accounts payable include expenses incurred in 2020 but not paid until 2021 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**

Vehicle parts inventory totaled \$230,156 at December 31, 2020, and is valued at cost using the first in, first out (FIFO) method, and is accounted for using the consumption method.

**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:

Assets	Years
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 also presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

**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.

**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)**

**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.
- 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.



**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)**

- 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.

The unassigned General Fund balance at December 31, 2020, is approximately 79% of the 2020 budgeted operating expenditures. (For purposes of this computation of the General Fund balance, operating expenditures do not include the capital costs). The additional fund balance will be used to restore service levels for the next two years.

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

**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)**

**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.

In 2020, the SWT Commission adopted annual budgets for the following funds:

- General Fund
- Eden Prairie Garage Expansion Phase 2 Debt Service Fund

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

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

**F. Budgetary Information (Continued)**

- SWS Relocation Capital Projects Fund
- Capital and Equipment Capital Project Fund
- SWS Development Capital Projects Fund
- Eden Prairie Garage Remodel Debt Service Fund
- Capital Cost Deferred Capital Projects Fund

The original 2020 budget was adopted by the SWT Commission on December 12, 2019. 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 2020 was \$3,208,176, before insurance recoveries and a transfer out in the amount of \$170,000 for capital projects 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.

**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, 2020, 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	\$ (215,602)
Savings	9,440,038
Certificates of deposit	5,671,195
 Total deposits	 \$ 14,895,631

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

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

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.

The following is a summary of total deposits and investments:

Deposits	\$ 14,895,631
Petty cash	<u>600</u>
Total deposits and investments	<u><u>\$ 14,896,231</u></u>

Deposits and investments are presented in the December 31, 2020, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 14,663,250
Cash with Fiscal Agent	<u>232,981</u>
Total	<u><u>\$ 14,896,231</u></u>

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

**NOTE 3 – INTERFUND TRANSFERS**

The composition of interfund transfers as of December 31, 2020, follows:

	Transfer in		Total
	Eden Prairie Garage Phase 2 Debt Service	Nonmajor Governmental Funds	
Transfer out			
General Fund	\$ -	\$ 170,000	\$ 170,000
SWS Development Capital	6,026,817	-	6,026,817
 Total transfers	 <u>\$ 6,026,817</u>	 <u>\$ 170,000</u>	 <u>\$ 6,196,817</u>

\$170,000 of the transfers was approved by the Commission to provide financing for capital operating expenditures in 2020. \$6,026,817 of the transfers was to pay off SWT's long-term capital lease obligations.

**NOTE 4 – 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.

The purchaser exercised their right to fully prepay the contract without penalty in 2020. Therefore, there is no outstanding balance at December 31, 2020.

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

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020, 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	1,753,153	5,145,322	(6,898,475)	-
Total capital assets not being depreciated	<u>3,763,802</u>	<u>5,145,322</u>	<u>(6,898,475)</u>	<u>2,010,649</u>
Capital assets being depreciated				
Land improvements	1,480,641	205,533	-	1,686,174
Buildings and facilities	11,061,152	6,729,978	(75,219)	17,715,911
Transit hub facilities	212,835	-	(118,658)	94,177
Bus equipment	494,775	32,798	-	527,573
Park and ride facilities	37,831,735	-	(142,841)	37,688,894
Equipment and software	2,519,709	170,062	(91,768)	2,598,003
Vehicles	759,245	222,875	-	982,120
Furniture	48,340	42,045	-	90,385
Total capital assets being depreciated	<u>54,408,432</u>	<u>7,403,291</u>	<u>(428,486)</u>	<u>61,383,237</u>
Total capital assets, cost	58,172,234	12,548,613	(7,326,961)	63,393,886
Less accumulated depreciation for				
Land improvements	996,301	112,366	-	1,108,667
Buildings and facilities	4,344,053	388,681	(75,219)	4,657,515
Transit hub facilities	179,712	18,510	(118,658)	79,564
Bus equipment	269,512	36,404	-	305,916
Park and ride facilities	11,367,115	1,088,354	(126,613)	12,328,856
Equipment and software	1,517,768	271,277	(91,768)	1,697,277
Vehicles	261,354	170,109	-	431,463
Furniture	32,416	2,323	-	34,739
Total accumulated depreciation	<u>18,968,231</u>	<u>2,088,024</u>	<u>(412,258)</u>	<u>20,643,997</u>
Total capital assets being depreciated, net	<u>35,440,201</u>	<u>5,315,267</u>	<u>(16,228)</u>	<u>40,739,240</u>
Governmental activities capital assets, net	<u>\$ 39,204,003</u>	<u>\$ 10,460,589</u>	<u>\$ (6,914,703)</u>	<u>\$ 42,749,889</u>

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

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

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

Governmental activities	
Buildings and grounds	\$ 1,676,070
Operations and vehicle maintenance	393,083
General government	18,871
	<u>18,871</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,088,024</u></u>

Capital asset activity by program/function for the year ended December 31, 2020, 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	\$ 55,007,913	\$ 12,080,833	\$ (7,235,193)	\$ 59,853,553
Operations and vehicle maintenance	2,988,792	425,735	(91,768)	3,322,759
General government	175,529	42,045	-	217,574
Total capital assets, cost	<u>58,172,234</u>	<u>12,548,613</u>	<u>(7,326,961)</u>	<u>63,393,886</u>
Less accumulated depreciation for				
Buildings and grounds	17,387,866	1,676,070	(320,490)	18,743,446
Operations and vehicle maintenance	1,460,992	393,083	(91,768)	1,762,307
General government	119,373	18,871	-	138,244
Total accumulated depreciation	<u>18,968,231</u>	<u>2,088,024</u>	<u>(412,258)</u>	<u>20,643,997</u>
Governmental activities, capital assets, net	<u>\$ 39,204,003</u>	<u>\$ 10,460,589</u>	<u>\$ (6,914,703)</u>	<u>\$ 42,749,889</u>

SWT's 77 transit service buses and 13 retired buses being held for contingency are owned by the MC and thus are not reflected in SWT's assets.

**NOTE 6 – 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 6 – FUND BALANCE (CONTINUED)**

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

	General Fund	Eden Prairie Garage Expansion Phase 2	SWS Relocation	Capital and Equipment	SWS Development Capital	Nonmajor Funds	Total
Nonspendable							
Inventory	\$ 230,156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,156
Prepaid items	132,010	-	-	-	-	-	132,010
Total nonspendable	<u>362,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,166</u>
Committed for							
Debt service	-	-	-	-	-	15,308	15,308
Assigned to							
Capital and equipment purchases	-	-	-	1,842,944	-	-	1,842,944
Deferred Capital Costs	-	-	-	-	-	169,879	169,879
SWT Facilities Improvements	-	-	-	-	-	33,595	33,595
Future vehicle storage	-	-	-	-	6,035,120	-	6,035,120
SWS relocation	-	-	697,796	-	-	-	697,796
Eden Prairie Garage Expansion Phase 2	-	137,487	-	-	-	-	137,487
Total assigned	<u>-</u>	<u>137,487</u>	<u>697,796</u>	<u>1,842,944</u>	<u>6,035,120</u>	<u>203,474</u>	<u>8,916,821</u>
Unassigned	7,160,492	-	-	-	-	-	7,160,492
Total fund balance	<u>\$ 7,522,658</u>	<u>\$ 137,487</u>	<u>\$ 697,796</u>	<u>\$ 1,842,944</u>	<u>\$ 6,035,120</u>	<u>\$ 218,782</u>	<u>\$ 16,454,787</u>

**NOTE 7 – LONG-TERM DEBT**

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

In 2020, SWT refinanced the outstanding capital lease balance of \$1,338,618 related to the Eden Prairie Garage Expansion with a \$5,500,000 Garage Facility Lease Purchase Agreement, Series 2020. The remaining part of this lease financed additional expansion to the Eden Prairie garage. Also in 2020, SWT placed \$5,281,526 in an irrevocable to trust using cash on hand to pay the remaining principal and interest payments on the outstanding lease through its call date on April 1, 2024.

The refunding of the capital lease resulted in a decrease in future debt service payments of \$11,520. The net present value cash flow savings from this transaction was \$133,807.



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

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

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

Long-term liability activity for the year ended December 31, 2020, 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					
Lease/purchase debt					
Garage facility lease purchase	\$ -	\$ 5,500,000	\$ 5,500,000	\$ -	\$ -
Eden Prairie garage lease purchase	1,338,618	-	1,338,618	-	-
Total lease/purchase debt	<u>1,338,618</u>	<u>5,500,000</u>	<u>6,838,618</u>	<u>-</u>	<u>-</u>
Compensated absences	<u>200,699</u>	<u>209,392</u>	<u>175,677</u>	<u>234,414</u>	<u>199,252</u>
Governmental activities long-term liabilities	<u>\$ 1,539,317</u>	<u>\$ 5,709,392</u>	<u>\$ 7,014,295</u>	<u>\$ 234,414</u>	<u>\$ 199,252</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 8 – 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.

At December 31, 2020, 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.

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

**NOTE 9 – 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 Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

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

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

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

**C. Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 and 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, 2020, were \$162,841. 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, 2020, SWT reported a liability of \$1,996,487 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. 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 \$61,516. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. SWT's proportionate share was 0.0333% at the end of the measurement period and 0.0319% for the beginning of the period.

SWT's proportionate share of the net pension liability	\$ 1,996,487
State of Minnesota's proportionate share of the net pension liability associated with SWT	61,516
Total	\$ 2,058,003

For the year ended December 31, 2020, SWT recognized pension expense of \$181,731 for its proportionate share of General Employees Plan's pension expense. Included in the amount, SWT recognized \$5,354 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.

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

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

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

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

The General Fund typically liquidates the liability related to pensions.

At December 31, 2020, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 17,427	\$ 7,554
Changes in actuarial assumptions	-	71,931
Net collective difference between projected and actual investment earnings	40,685	-
Changes in proportion	71,921	17,556
Contributions paid to PERA subsequent to the measurement date	<u>81,421</u>	<u>-</u>
Total	<u><u>\$ 211,454</u></u>	<u><u>\$ 97,041</u></u>

The \$81,421 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2021	\$ (98,976)
2022	26,548
2023	57,184
2024	<u>48,236</u>
Total	<u><u>\$ 32,992</u></u>

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

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

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

**E. Actuarial Assumptions**

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for 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, 2020, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

The following changes in actuarial assumptions occurred in 2020:

**General Employees Fund**

**Changes in Actuarial Assumptions:**

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

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

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

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

**E. Actuarial Assumptions (Continued)**

General Employees Fund (Continued)

Changes in Actuarial Assumptions: (Continued)

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

Changes in Plan Provisions:

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

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

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

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

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

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

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at 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.

**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	\$ 3,199,676	\$ 1,996,487	\$ 1,003,953

**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 10 – 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. The OPEB plan does not issue a stand-alone financial report.

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

**NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**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 2020, SWT contributed \$2,359 to the plan.

**D. Members**

As of January 1, 2020, 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	33
Total	33

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, 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	2.90%
Salary increases	Service graded 3.25-11.25%
Inflation	2.50%
Healthcare cost trend increases	6.50% as of January 1, 2020, grading to 5.00% over 6 years
Mortality assumption	Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale

The actuarial assumptions used in the January 1, 2020, valuation were based on the results of the six-year experience study for the PERA of MN General Employees Plan completed in 2015.



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

**NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

The discount rate used to measure the total OPEB liability was 2.9% based on 20-year municipal bond rates.

**F. Total OPEB Liability**

SWT's total OPEB liability of \$121,190 was measured as of January 1, 2020, and was determined by an actuarial valuation as of January 1, 2020.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at January 1, 2019	\$ 103,147
Changes for the year	
Service cost	14,879
Interest	3,851
Assumption changes	(5,675)
Differences between expected and actual experience	7,652
Benefit payments	(2,664)
Net changes	18,043
Balances at January 1, 2020	\$ 121,190

The following changes in actuarial assumptions occurred in 2020:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.30% to 2.90%.

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 2.9% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

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

**NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**G. OPEB Liability Sensitivity (Continued)**

Total OPEB Liability		
1% decrease (1.9%)	Current (2.9%)	1% increase (3.9%)
\$ 134,427	\$ 121,190	\$ 109,048

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%)
\$ 101,153	\$ 121,190	\$ 146,939

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

For the year ended December 31, 2020, SWT recognized OPEB expense of \$16,591. At December 31, 2020, SWT reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 6,801	\$ -
Changes in actuarial assumptions	-	5,044
Contributions paid subsequent to the measurement date	2,359	-
Total	\$ 9,160	\$ 5,044

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

**NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

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

The \$2,359 reported as deferred outflows of resources related to OPEB resulting from SWT contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>OPEB Expense Amount</u>
2021	\$ 220
2022	220
2023	220
2024	220
2025	220
2026	220
Thereafter	<u>437</u>
Total	<u>\$ 1,757</u>

**NOTE 11 – 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.

In 2020, SWT placed \$5,281,526 with an escrow agent using cash resources on hand to pay the remaining principal and interest payments due on an outstanding lease through its call date on April 1, 2024. This results in SWT saving \$157,401 in future interest payments. As of December 31, 2020, the remaining outstanding principal amount due on the capital lease is \$4,972,344.

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

**NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. SWT, like all organizations in the public transit industry, was greatly impacted by the COVID-19 pandemic. SWT's ridership was significantly impacted by the pandemic with express ridership declining over 90% and demand-response (SW Prime) ridership declining more than 50%. To address the impacts of COVID-19, SWT reduced its overall services by more than 60% and made similar percentage reductions in staffing through a combination of driver and SWT staff furloughs and cuts.

The second half of 2020 saw minor increases to ridership, which allowed SWT to increase its services proportionally, but overall SWT services are still down over 50% when compared to pre-pandemic levels.

SWT did receive \$2.5 million in federal CARES Act funding to help offset farebox losses. The CARES Act funding, the early action the agency took to reduce expenditures, and the fact that automobile sales remained strong through 2020 (i.e., motor vehicle sales tax), gave SWT the opportunity not only to balance its 2020 budget, but to build the operations back once the pandemic is controlled.

An estimate of the financial effect on SWT's financial statements in the future cannot be determined at this time.

**NOTE 12 – 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, 2022.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability			
Service cost	\$ 14,879	\$ 9,949	\$ 9,659
Interest	3,851	3,311	2,903
Changes of assumptions	(5,675)	-	-
Differences between expected and actual experience	7,652	-	-
Benefit payments	(2,664)	(984)	-
Net change in total OPEB liability	<u>18,043</u>	<u>12,276</u>	<u>12,562</u>
Beginning of year	<u>103,147</u>	<u>90,871</u>	<u>78,309</u>
End of year	<u>\$ 121,190</u>	<u>\$ 103,147</u>	<u>\$ 90,871</u>
Covered payroll	\$ 2,266,039	\$ 1,790,511	\$ 1,738,360
Total OPEB liability as a percentage of covered payroll	5.3%	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
2020	0.0333%	\$ 1,996,487	\$ 61,516	\$ 2,058,003	\$ 2,375,080	84.06%	79.06%
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
2020	\$ 162,841	\$ 162,841	\$ -	\$ 2,171,213	7.50%
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**

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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



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

**GENERAL EMPLOYEES FUND (CONTINUED)**

**2018 Changes (Continued)**

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

**GENERAL EMPLOYEES FUND (CONTINUED)**

**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.

**POST EMPLOYMENT HEALTH CARE PLAN**

**2020 Changes**

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.30% to 2.90%.

Changes in Plan Provisions

- None

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**SouthWest Transit  
Eden Prairie, Minnesota  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2020  
(With Comparative Totals for December 31, 2019)**

	Debt Service		Capital Projects	
	Eden Prairie Garage Remodel Debt Service	Total		SWT Facilities Improvement
		2020	2019	
<b>Assets</b>				
Cash and investments	\$ 15,308	\$ 15,308	\$ -	\$ 33,595
Intergovernmental receivable	-	-	116,412	-
Total assets	<u>\$ 15,308</u>	<u>\$ 15,308</u>	<u>\$ 116,412</u>	<u>\$ 33,595</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	90,183	-
Total liabilities	<u>-</u>	<u>-</u>	<u>90,183</u>	<u>-</u>
<b>Fund Balances</b>				
Committed	15,308	15,308	26,229	-
Assigned	-	-	-	33,595
Total fund balances	<u>15,308</u>	<u>15,308</u>	<u>26,229</u>	<u>33,595</u>
Total liabilities and fund balances	<u>\$ 15,308</u>	<u>\$ 15,308</u>	<u>\$ 116,412</u>	<u>\$ 33,595</u>

Capital Projects			Total Nonmajor Governmental Funds	
Capital Cost Deferred	Total		2020	2019
	2020	2019		
\$ 170,000	\$ 203,595	\$ -	\$ 218,903	\$ -
-	-	34,699	-	151,111
<u>\$ 170,000</u>	<u>\$ 203,595</u>	<u>\$ 34,699</u>	<u>\$ 218,903</u>	<u>\$ 151,111</u>
\$ 121	\$ 121	\$ 33,335	\$ 121	\$ 33,335
-	-	1,364	-	91,547
<u>121</u>	<u>121</u>	<u>34,699</u>	<u>121</u>	<u>124,882</u>
-	-	-	15,308	26,229
<u>169,879</u>	<u>203,474</u>	<u>-</u>	<u>203,474</u>	<u>-</u>
<u>169,879</u>	<u>203,474</u>	<u>-</u>	<u>218,782</u>	<u>26,229</u>
<u>\$ 170,000</u>	<u>\$ 203,595</u>	<u>\$ 34,699</u>	<u>\$ 218,903</u>	<u>\$ 151,111</u>

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2020**  
**(With Comparative Totals for the Year Ended December 31, 2019)**

	Debt Service		Capital Projects	
	Eden Prairie Garage Remodel	Total		SWT Facilities Improvement
	Debt Service	2020	2019	
<b>Revenues</b>				
Intergovernmental - state	\$ 111,966	\$ 111,966	\$ 228,416	\$ 95,736
<b>Expenditures</b>				
Debt service				
Principal retirement	1,338,618	1,338,618	225,458	-
Interest and agency fees	17,336	17,336	39,060	-
Capital outlay				
Buildings and grounds	-	-	-	-
Operations and vehicle maintenance	-	-	-	62,141
Total expenditures	<u>1,355,954</u>	<u>1,355,954</u>	<u>264,518</u>	<u>62,141</u>
Excess of revenues over (under) expenditures	(1,243,988)	(1,243,988)	(36,102)	33,595
<b>Other Financing Sources</b>				
Issuance of Capital Lease	1,233,067	1,233,067	-	-
Transfers in	-	-	39,060	-
Total other financing sources	<u>1,233,067</u>	<u>1,233,067</u>	<u>39,060</u>	<u>-</u>
Net change in fund balances	(10,921)	(10,921)	2,958	33,595
<b>Fund Balances</b>				
Beginning of year	<u>26,229</u>	<u>26,229</u>	<u>23,271</u>	<u>-</u>
End of year	<u>\$ 15,308</u>	<u>\$ 15,308</u>	<u>\$ 26,229</u>	<u>\$ 33,595</u>

Capital Projects				Total Nonmajor Governmental Funds	
SWT Buses	Capital Cost Deferred	Total		2020	2019
		2020	2019		
\$ 349,719	\$ -	\$ 445,455	\$ 179,899	\$ 557,421	\$ 408,315
-	-	-	-	1,338,618	225,458
-	-	-	-	17,336	39,060
-	121	121	146,564	121	146,564
349,719	-	411,860	33,335	411,860	33,335
349,719	121	411,981	179,899	1,767,935	444,417
-	(121)	33,474	-	(1,210,514)	(36,102)
-	-	-	-	1,233,067	-
-	170,000	170,000	-	170,000	39,060
-	170,000	170,000	-	1,403,067	39,060
-	169,879	203,474	-	192,553	2,958
-	-	-	-	26,229	23,271
\$ -	\$ 169,879	\$ 203,474	\$ -	\$ 218,782	\$ 26,229

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**Eden Prairie Garage Expansion Phase 2 Debt Service Fund**  
**Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures</b>				
Debt service				
Principal retirement	\$ -	\$ 5,500,000	\$ 5,500,000	\$ -
Interest and agency fees	-	436,517	389,330	47,187
Total expenditures	-	5,936,517	5,889,330	47,187
<b>Other Financing Sources</b>				
Transfers in	-	6,026,817	6,026,817	-
Net change in fund balances	\$ -	\$ 90,300	137,487	\$ 47,187
<b>Fund Balances</b>				
Beginning of year			-	
End of year			\$ 137,487	



**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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Intergovernmental - state	\$ -	\$ -	\$ 15,000	\$ 15,000
<b>Expenditures</b>				
Capital outlay				
Buildings and grounds	2,232,000	5,607,000	5,335,893	(271,107)
Excess of revenues over (under) expenditures	(2,232,000)	(5,607,000)	(5,320,893)	286,107
<b>Other Financing Sources</b>				
Issuance of capital lease	-	-	4,266,933	4,266,933
Transfers in	2,210,000	-	-	-
Total other financing sources	2,210,000	-	4,266,933	4,266,933
Net change in fund balances	<u>\$ (22,000)</u>	<u>\$ (5,607,000)</u>	(1,053,960)	<u>\$ 4,553,040</u>
<b>Fund Balances</b>				
Beginning of year			1,751,756	
End of year			<u>\$ 697,796</u>	

**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, 2020**

	<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>\$ 5,000</u>	\$ -	<u>\$ (5,000)</u>
<b>Fund Balances</b>				
Beginning of year			<u>1,842,944</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 10,000	\$ 110,000	\$ 198,658	\$ 88,658
Other interest income	155,790	155,790	165,286	9,496
Loan repayment	172,230	172,230	3,460,718	3,288,488
Total revenues	<u>338,020</u>	<u>438,020</u>	<u>3,824,662</u>	<u>3,386,642</u>
<b>Expenditures</b>				
Current				
Buildings and grounds	-	-	15,806	15,806
Capital outlay				
Buildings and grounds	-	-	3,406	3,406
Total expenditures	<u>-</u>	<u>-</u>	<u>19,212</u>	<u>19,212</u>
Excess of revenues over expenditures	338,020	438,020	3,805,450	3,367,430
<b>Other Financing Sources (Uses)</b>				
Issuance of Capital Lease	-	4,266,933	-	(4,266,933)
Transfers out	(2,243,182)	(6,026,817)	(6,026,817)	-
Total other financing sources (uses)	<u>(2,243,182)</u>	<u>(1,759,884)</u>	<u>(6,026,817)</u>	<u>(4,266,933)</u>
Net change in fund balances	<u>\$ (1,905,162)</u>	<u>\$ (1,321,864)</u>	(2,221,367)	<u>\$ (899,503)</u>
<b>Fund Balances</b>				
Beginning of year			<u>8,256,487</u>	
End of year			<u>\$ 6,035,120</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, 2020**

	<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	\$ 231,335	\$ 228,378	\$ 111,966	\$ (116,412)
<b>Expenditures</b>				
Debt service				
Principal retirement	231,335	1,572,953	1,338,618	(234,335)
Interest and agency fees	33,182	33,182	17,336	(15,846)
Total expenditures	<u>264,517</u>	<u>1,606,135</u>	<u>1,355,954</u>	<u>(250,181)</u>
Excess of revenues over (under) expenditures	(33,182)	(1,377,757)	(1,243,988)	133,769
<b>Other Financing Sources</b>				
Issuance of capital lease	-	1,233,067	1,233,067	-
Transfers in	33,182	-	-	-
Total other financing sources	<u>33,182</u>	<u>1,233,067</u>	<u>1,233,067</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (144,690)</u>	(10,921)	<u>\$ 133,769</u>
<b>Fund Balances</b>				
Beginning of year			<u>26,229</u>	
End of year			<u>\$ 15,308</u>	

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**Capital Cost Deferred Capital Projects Fund**  
**Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
Capital outlay				
Buildings and grounds	\$ 170,000	\$ 170,000	\$ 121	\$ (169,879)
Excess of revenues over expenditures	(170,000)	(170,000)	(121)	169,879
<b>Other Financing Sources</b>				
Transfers In	170,000	170,000	170,000	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	169,879	<u>\$ 169,879</u>
<b>Fund Balances</b>				
Beginning of year			-	
End of year			<u>\$ 169,879</u>	

**SouthWest Transit  
Eden Prairie, Minnesota  
Schedule of Capital Projects -  
Budget and Actual  
(Unaudited)  
Year Ended December 31, 2020**

Project	Status	Budget/Grant Award	Expenditures		Amount Remaining
			2020	Cumulative	
Server Replacement	Complete	\$ 97,100	\$ 95,736	\$ 97,100	\$ -
Forklift Purchase Replacement	Incomplete	30,000	-	-	30,000
Infrared Heating Replacement/Repair EPG	Incomplete	75,000	58,020	58,020	16,980
Reverse Osmosis Machine & Equipment	Complete	6,000	5,762	5,762	238
CARES Act Funding	Complete	2,525,156	2,525,156	2,525,156	-
SWV & CTS Ramp Repairs - PM	Complete	175,000	124,551	124,551	50,449
Fire Alarm Panel Replacement @CTS	Incomplete	8,000	-	-	8,000
EP Garage Debt Service Principal only	Complete	228,378	228,378	228,378	-
Carver County TMA Grant	Incomplete	160,000	1,730	104,317	55,683
Fleet Rehabilitation for 4 SWT MCI Coaches	Complete	133,339	100,005	133,339	-
Trolley Replacement	Complete	256,125	249,715	249,715	6,410
Total		<u>\$ 3,694,098</u>	<u>\$ 3,389,053</u>	<u>\$ 3,526,338</u>	<u>\$ 167,760</u>

**STATISTICAL SECTION**





**Southwest Transit  
Eden Prairie, Minnesota  
Statistical Section  
December 31, 2020  
(Unaudited)**

This part of SWT's Annual Report 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 Annual Report for the relevant year.

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$ 42,259,409	\$ 42,839,924	\$ 48,752,629	\$ 43,664,850
Unrestricted	6,390,003	7,206,773	6,927,320	12,221,765
 Total governmental activities net position	 <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					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 42,534,479	\$ 41,053,400	\$ 39,786,943	\$ 36,159,064	\$ 37,865,385	\$ 42,749,889
<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>14,221,225</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>	<u>\$ 56,971,114</u>

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

	Fiscal Year			
	2011	2012	2013	2014
<b>Expenses</b>				
Governmental activities				
General government	\$ 915,019	\$ 907,404	\$ 914,906	\$ 1,029,036
Buildings and grounds	2,578,591	3,532,084	3,030,101	3,357,869
Operations and vehicle maintenance	5,695,536	6,338,270	6,448,144	7,809,487
Interest on long-term debt	95,793	92,435	214,235	55,437
Total governmental activities	<u>\$ 9,284,939</u>	<u>\$ 10,870,193</u>	<u>\$ 10,607,386</u>	<u>\$ 12,251,829</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services				
Passenger fares	\$ 2,456,452	\$ 2,528,315	\$ 2,517,920	\$ 2,658,560
Other	54,910	125,625	923,434	186,279
Operating grants and contributions	-	-	-	-
Capital grants and contributions	4,977,911	4,346,355	6,482,340	323,279
Total governmental activities program revenues	<u>\$ 7,489,273</u>	<u>\$ 7,000,295</u>	<u>\$ 9,923,694</u>	<u>\$ 3,168,118</u>
<b>Net Expense</b>				
Governmental activities	<u>\$ (1,795,666)</u>	<u>\$ (3,869,898)</u>	<u>\$ (683,692)</u>	<u>\$ (9,083,711)</u>
<b>General Revenue and Other</b>				
<b>Changes in Net Position</b>				
Governmental activities				
Unrestricted intergovernmental revenue	\$ 4,885,269	\$ 5,042,264	\$ 5,979,464	\$ 8,917,732
Unrestricted investment earnings	66,291	31,661	31,680	37,439
Other local revenue	142,506	193,258	288,300	335,206
Gain on sale of assets	-	-	17,500	-
Special item <sup>1</sup>	-	-	-	-
Total governmental activities	<u>\$ 5,094,066</u>	<u>\$ 5,267,183</u>	<u>\$ 6,316,944</u>	<u>\$ 9,290,377</u>
<b>Changes in Net Position</b>				
Governmental activities	<u>\$ 3,298,400</u>	<u>\$ 1,397,285</u>	<u>\$ 5,633,252</u>	<u>\$ 206,666</u>

1 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.

Source: Southwest Transit financial records

**Table 2**

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 1,142,604	\$ 1,389,838	\$ 1,367,574	\$ 1,388,065	\$ 1,502,977	\$ 1,264,361
3,820,148	3,384,282	3,324,420	2,788,130	3,085,454	3,509,492
8,684,285	8,814,286	8,886,714	9,117,140	9,148,674	6,705,248
86,967	112,107	102,025	89,909	90,677	398,046
<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>	<u>\$ 11,877,147</u>
\$ 2,773,727	\$ 2,925,131	\$ 2,882,098	\$ 3,076,921	\$ 2,988,229	\$ 673,042
191,288	206,281	198,029	172,791	457,028	165,286
165,699	192,189	200,232	61,467	64,077	229,706
1,075,156	363,910	359,597	364,970	498,315	557,421
<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>\$ 1,625,455</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>	<u>\$ (10,251,692)</u>
\$ 9,157,043	\$ 7,572,940	\$ 7,176,758	\$ 9,440,234	\$ 9,206,794	\$ 11,468,101
52,429	67,929	79,229	103,002	344,415	234,567
412,002	549,450	271,649	275,171	365,359	116,940
-	-	500,000	4,092,723	-	-
-	128,905	-	-	-	-
<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>\$ 11,819,608</u>
<u>\$ 93,340</u>	<u>\$ (1,693,778)</u>	<u>\$ (2,013,141)</u>	<u>\$ 4,204,035</u>	<u>\$ 96,435</u>	<u>\$ 1,567,916</u>

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

	Fiscal Year			
	2011	2012	2013	2014
<b>General Fund</b>				
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>\$ 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>				
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>\$ 4,028,517</u>	<u>\$ 3,981,675</u>	<u>\$ 3,948,196</u>	<u>\$ 4,727,222</u>

Source: SouthWest Transit financial records

**Table 3**

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 558,332	\$ 618,318	\$ 659,265	\$ 463,172	\$ 463,189	\$ 362,166
4,153,836	4,043,568	2,923,805	3,827,438	3,914,830	7,160,492
<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>	<u>\$ 7,522,658</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
205,810	-	-	-	-	-
207,137	310,313	310,672	310,842	26,229	15,308
4,651,602	4,764,998	5,511,917	12,957,209	11,851,187	8,916,821
<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>	<u>\$ 8,932,129</u>

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

	Fiscal Year			
	2011	2012	2013	2014
<b>Revenues</b>				
Intergovernmental - Federal	\$ 3,691,904	\$ 1,624,452	\$ 4,742,482	\$ 44,644
Intergovernmental - State	6,171,276	7,764,167	7,719,320	9,196,367
Intergovernmental - Other	-	-	-	-
Passenger fares	2,456,452	2,528,315	2,517,920	2,658,560
Charges for services	-	-	-	219,420
Investment income	66,291	31,661	31,681	37,439
Special assessments	4,460	4,460	4,460	-
Other interest income	-	-	-	121,494
Loan repayment	-	-	-	65,782
Other local revenue	197,416	318,883	1,088,061	180,571
Total revenues	<u>12,587,799</u>	<u>12,271,938</u>	<u>16,103,924</u>	<u>12,524,277</u>
<b>Expenditures</b>				
General government	909,005	845,869	959,894	1,062,048
Buildings and grounds	1,046,154	1,142,476	1,143,735	1,611,040
Operations and vehicle maintenance	5,615,668	5,836,559	6,238,357	7,330,382
Capital outlay	5,890,221	3,443,192	8,007,632	1,812,267
Debt service				
Principal	74,280	77,855	1,929,084	146,319
Interest and agency fees	96,805	93,231	229,065	49,977
Total expenditures	<u>13,632,133</u>	<u>11,439,182</u>	<u>18,507,767</u>	<u>12,012,033</u>
Excess of revenues over (under) expenditures	(1,044,334)	832,756	(2,403,843)	512,244
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,100,000	1,112,454	2,299,368	146,319
Transfers out	(3,100,000)	(1,112,454)	(2,299,368)	(146,319)
Sale of property	-	-	17,500	475,000
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>2,310,007</u>	<u>475,000</u>
<b>Special item - net revenue from special services</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,044,334)</u>	<u>\$ 832,756</u>	<u>\$ (93,836)</u>	<u>\$ 987,244</u>
Debt service as a percent of noncapital expenditures	2.1%	2.0%	19.5%	1.8%

Source: SouthWest Transit financial records



**Table 4**

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ -	\$ -	\$ 6,588	\$ 49,650	\$ 46,350	\$ 2,526,886
10,232,199	7,945,496	7,647,582	9,742,243	9,654,653	9,681,615
165,699	192,189	81,663	72,947	75,112	41,373
2,653,727	2,745,131	2,882,098	3,065,441	2,977,194	673,042
297,047	421,812	218,322	224,337	267,587	114,525
52,429	67,929	79,229	103,002	344,415	234,567
-	-	-	-	-	-
191,288	169,680	178,639	171,583	164,190	165,286
136,208	142,643	149,382	156,438	163,830	3,460,718
234,955	335,593	72,717	52,042	390,610	2,415
<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>	<u>16,900,427</u>
1,111,870	1,335,762	1,251,675	1,392,045	1,436,835	1,259,156
1,185,920	1,448,470	1,150,399	1,234,257	1,239,241	1,264,831
7,769,069	8,062,484	8,369,959	8,922,870	8,824,760	6,179,344
4,369,745	896,449	925,281	1,090,553	2,247,926	6,358,923
261,995	371,679	424,594	371,984	1,596,577	6,838,618
73,386	114,047	104,209	92,243	102,421	406,666
<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>	<u>22,307,538</u>
(808,433)	(208,418)	(909,897)	533,731	(1,363,819)	(5,407,111)
228,757	499,486	324,570	422,330	4,189,489	6,196,817
(228,757)	(499,486)	(324,570)	(422,330)	(4,189,489)	(6,196,817)
-	-	500,000	7,500,000	-	-
-	39,993	78,359	119,271	60,593	106,463
2,419,401	-	-	-	-	5,500,000
-	-	-	-	-	-
<u>2,419,401</u>	<u>39,993</u>	<u>578,359</u>	<u>7,619,271</u>	<u>60,593</u>	<u>5,606,463</u>
-	128,905	-	-	-	-
<u>\$ 1,610,968</u>	<u>\$ (39,520)</u>	<u>\$ (331,538)</u>	<u>\$ 8,153,002</u>	<u>\$ (1,303,226)</u>	<u>\$ 199,352</u>
2.8%	4.1%	4.4%	3.9%	12.6%	43.5%

**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			
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
2020	-	-	-	-	*	-

\* Data is not available

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

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

In 2020, SWT refinanced the outstanding capital lease balance of \$1,338,618 related to the Eden Prairie Garage expansion with a \$5.5 million garage facility lease purchase agreement, series 2020. SWT placed monies in an irrevocable trust to pay the remaining principal and interest payments on the outstanding lease through its call date on April 1, 2024.

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
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	117,436	*	*	14,311	2.5%
2019	118,271	*	*	14,586	2.5%
2020	121,822	*	*	14,586	(1) 8.6%

\* Data is not available

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

(1) 2020 data not available, using 2019 data (estimate)

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

**Table 7**

Employer	2020			2011		
	Employees	Rank	Percentage of Total Area Employment <sup>1</sup>	Employees	Rank	Percentage of Total Area Employment <sup>1</sup>
Optum, Inc.	3,312	1	18.3%	*	*	*
Eden Prairie Mall	2,310	2	12.7%	*	*	*
CH Robinson	2,200	3	12.1%	1,348	5	10.7%
Starkey Hearing Technologies	2,000	4	11.0%	1,500	3	11.9%
Lifetime Fitness	1,911	5	10.5%	*	*	*
Emerson Process/Rosemount Inc.	1,500	6	8.3%	1,594	2	12.7%
Eden Prairie School District No. 272	1,477	7	8.1%	2,000	1	15.9%
Element Fleet Management	1,200	8	6.6%	*	*	*
Instant Web Companies	1,123	9	6.2%	847	10	6.7%
Super Valu Stores Inc.	1,100	10	6.1%	1,500	4	11.9%
Chaska School District No. 112	*	*	*	1,100	6	8.7%
Ingenix	*	*	*	1,000	7	7.9%
Deli Express	*	*	*	855	8	6.8%
TEL-FSI, Inc.	<sup>3</sup> *	*	*	850	9	6.7%
<b>Total Principal Employees</b>	<b>18,133</b>		<b>100.0%</b>	<b>12,594</b>		<b>100.0%</b>

Note: 2020 estimated and includes the most recent information available from the three cities in the SWT service area.

Source: 2019 Annual Report 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government										
Administration	5	5	4	4	5	3	4	6	4	4
Marketing	-	-	-	-	-	1	1	1	3	1
Customer service	2	2	1	1	1	2	3	2	1	1
Operations and vehicle maintenance										
Operations	5	5	4	4	4	5	4	4	6	5
Vehicle maintenance	10	10	9	10	11	13	13	12	14	11
First transit service	44	56	64	77	84	87	82	82	84	43
Buildings and grounds facilities	2	2	3	3	2	2	3	5	5	9
Total	<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>	<u>74</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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>System Ridership</b>										
Fixed route	961,862	927,117	961,717	1,023,322	1,023,396	988,304	953,813	896,097	849,271	196,417
Special events	68,156	71,862	71,172	84,528	89,937	204,255	120,489	126,467	148,127	1,262
Demand response	-	-	-	-	12,490	53,531	74,531	102,511	108,801	51,999
<b>Vehicle Revenue Hours</b>										
Fixed route	35,364	35,952	38,597	48,593	49,591	47,151	43,766	37,659	33,059	12,575
Special events	1,199	1,136	1,222	1,363	1,681	2,349	2,297	2,889	2,883	36
Demand response	-	-	-	-	4,237	16,076	24,300	29,509	34,273	24,389
<b>Vehicle Revenue Miles</b>										
Fixed route	778,742	802,656	863,726	1,163,101	1,204,023	1,128,174	1,015,088	902,625	809,418	323,296
Special events	49,740	49,895	50,750	56,915	71,613	95,589	94,680	111,614	115,170	438
Demand response	-	-	-	-	68,492	256,719	376,594	493,507	579,573	388,890

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

<sup>1</sup> Due to COVID-19 Pandemic, SWT's ridership was significantly impacted with fixed routes, no special events declines over 80% and demand response declines of more than 50%

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

**Table 10**

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Facilities										
Transit Park and Rides (Spaces)										
SWT capital assets	2,159	2,159	2,859	2,859	2,859	2,859	2,859	2,859	2,859	2,859
SWT noncapital assets	285	285	285	285	255	655	655	655	655	-
Construction in progress	-	700	-	-	-	-	-	-	-	-
Transit Passenger Stations										
SWT capital assets	3	3	4	4	4	4	4	4	3	3
Construction in progress	-	1	-	-	-	-	-	-	-	-
Transit buses										
SWT Capital Assets-DR PT**	-	-	-	-	1	1	1	3	10	10
SWT Noncapital Assets-MB PT*	60	60	61	65	74	74	68	64	64	64
SWT Noncapital Assets-DR PT**	-	-	-	-	-	11	13	13	14	13

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

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

**Table 11**

**Farebox Recovery Percentage  
Last Ten Fiscal Years**

<b>Year</b>	<b>Percentage</b>
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%
2020.....	7.80%

Definition: Service revenues divided by operating expenditures.

**Fare Structures as of December 31, 2020**

**Express Route – Motor Buses (MB)**

<b>Fares</b>	<b>**Peak Hours</b>	<b>Nonpeak Hours</b>
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)**

<b>Fares</b>	<b>**Peak Hours</b>	<b>Nonpeak Hours</b>
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, 2020  
(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	121,822
Type of tax support	Motor Vehicle Sales Tax
Sales tax rate	7.28%
Number of routes	5
Number of transfer stations	4
Number of Park & Ride Lots	4
Number of bus stops	249
Number of motor buses in peak service	14
Number of demand response buses in peak service	10
Average speed in miles per hour	21
Employees	
Full-time	31
Part-time and seasonal	3



**Southwest Transit  
Eden Prairie, Minnesota**

**Communications Letter**

**December 31, 2020**



## **Southwest Transit Table of Contents**

Report on Matters Identified as a Result of the Audit of the Financial Statements	1
Required Communication	3
Financial Analysis	7
Emerging Issue	14

## Report on Matters Identified as a Result of the Audit of the Financial Statements

Board of Commissioners and Management  
SouthWest Transit  
Eden Prairie, Minnesota

In planning and performing our audit of the 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, 2020, 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, we considered SWT's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SWT's internal control. Accordingly, we do not express an opinion on the effectiveness of SWT's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of SWT's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated April 8, 2021, on such statements.

This communication is intended solely for the information and use of management, the Board of Commissioners, others within SWT, and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*BerganKDV, Ltd.*

St. Cloud, Minnesota  
April 8, 2021

## **SouthWest Transit Required Communication**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of SWT as of and for the year ended December 31, 2020. Professional standards require that we advise you of the following matters related to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of SWT solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audited financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our responsibility with respect to the other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information was not audited and we do not express an opinion or provide any assurance on it.

## **SouthWest Transit Required Communication**

### **Our Responsibility in Relation to *Government Auditing Standards***

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of SWT's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the termination of financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Our Responsibility in Relation to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about SWT's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on SWT's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on SWT's compliance with those requirements.

In planning and performing our audit of compliance, we considered SWT's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by SWT is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.



## **SouthWest Transit Required Communication**

### **Qualitative Aspects of Significant Accounting Practices (Continued)**

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the financial statements are:

Depreciation – SWT is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions, and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of SWT for post employment benefits.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements taken as a whole and each applicable opinion unit.

Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

## **SouthWest Transit Required Communication**

### **Uncorrected and Corrected Misstatements (Continued)**

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to SWT's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with SWT, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting SWT, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as SWT's auditor.

### **Other Information in Documents Containing Audited Financial Statements**

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

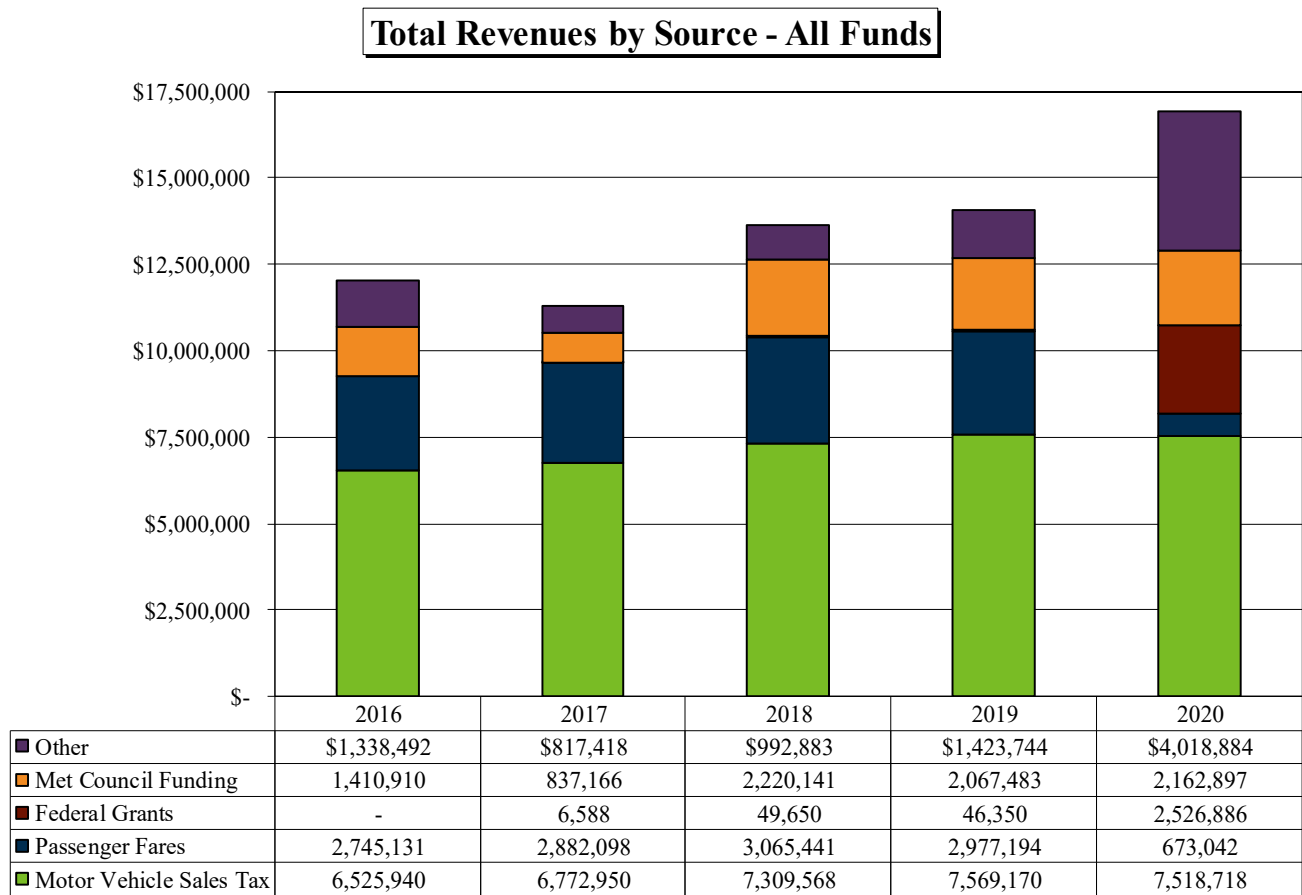
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information accompanying the financial statements but are not RSI. Such information has 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 it.

## SouthWest Transit Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of SWT for the past five years. The graphs are included to facilitate discussion of past operating results and related trends for future years' operations of SWT. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

### Total Revenues by Source – All Funds



## SouthWest Transit Financial Analysis

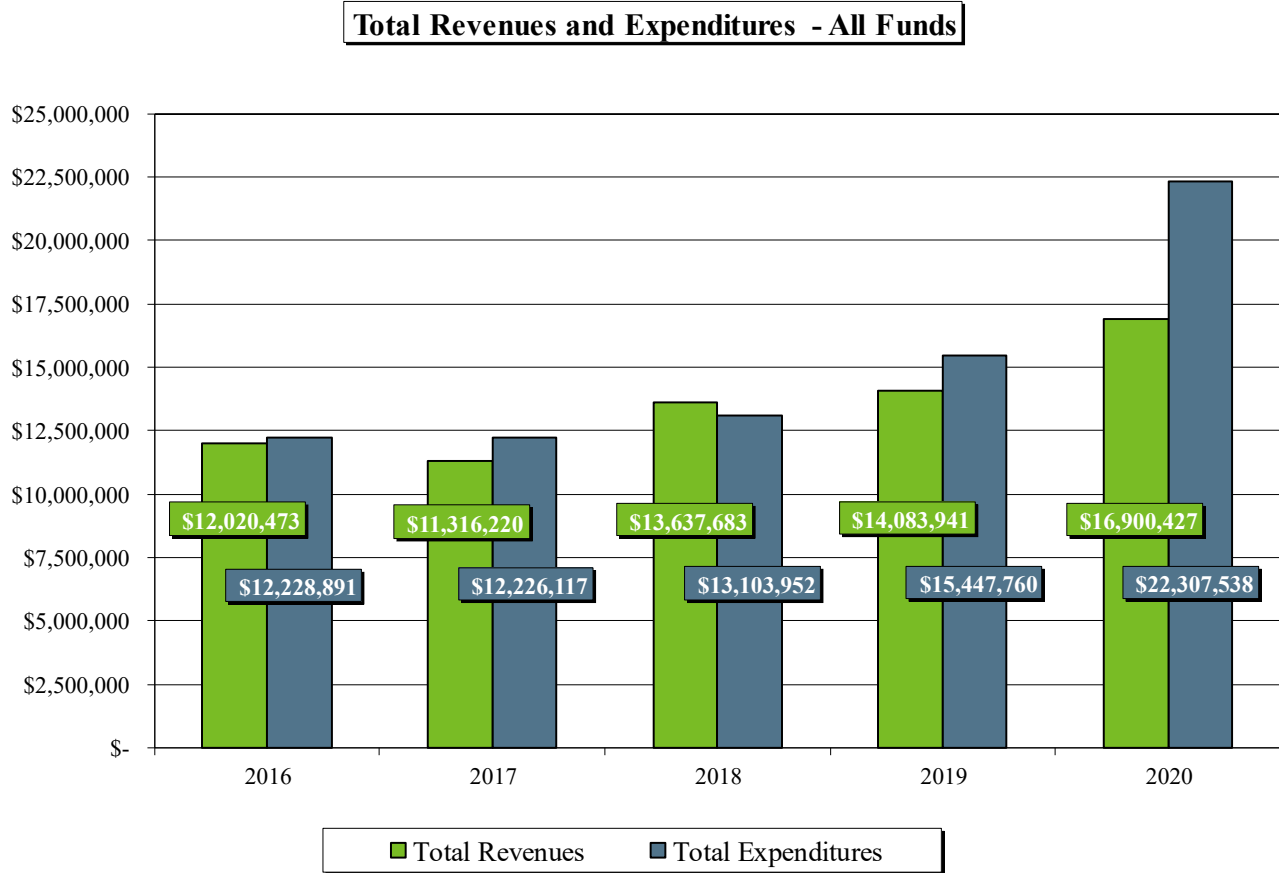
### Total Revenues by Source – All Funds (Continued)

Revenue increased \$2,816,486 in 2020 compared to 2019.

- Met Council revenue increased \$95,414.
  - SWT received approximately \$349,719 for vans, trolley replacement, and bus rehabilitation grants in 2020, of which similar funding was not received in 2019.
  - The previous increase was offset by a decrease in funding for the Eden Prairie Garage Remodel project due to the debt being paid off in 2020.
- Motor vehicle sales tax decreased \$50,452.
  - This revenue is determined by a state allocation of vehicle sales tax in Minnesota and fluctuates each year based on vehicle sales in Minnesota.
- Passenger fares decreased \$2,304,152 as a result of less riders due to the COVID-19 Pandemic.
- Federal grants revenue increased \$2,480,536.
  - This increase is due to the CARES Act grant related to the COVID-19 pandemic.
- Other revenue increased \$2,595,140.
  - This increase was primarily a result of the contract for deed being paid off in December 2020.
  - The previous increase was offset by decreases due to decreases in investment income and having sold land in 2019, nothing similar in 2020.

## SouthWest Transit Financial Analysis

### Total Revenues and Expenditures – All Funds

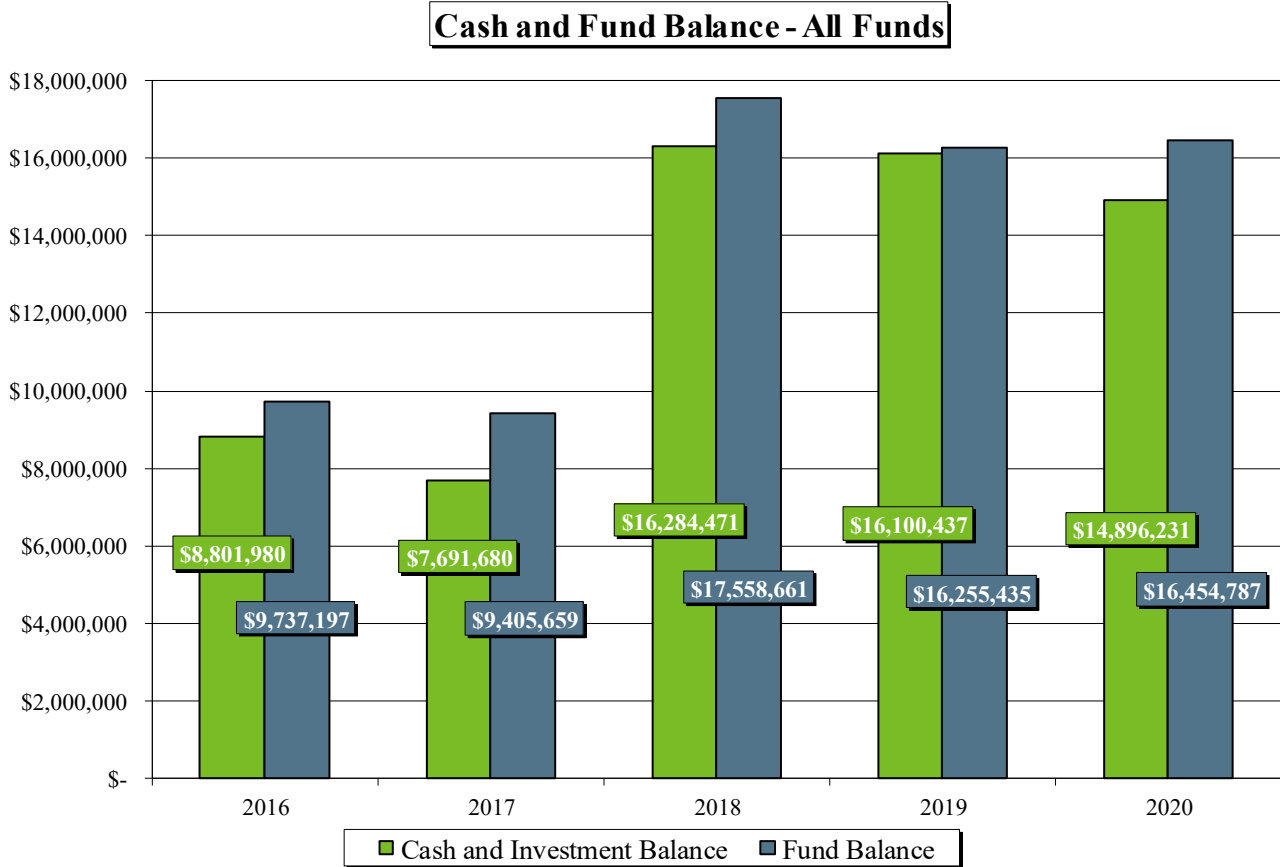


Total expenditures exceeded total revenues in four of the last five years, which was by design to bring fund balance levels in line with Met Council's policies. In 2020, expenditures exceeded revenues by \$5,407,111. Total revenues increased \$2,816,486, as mentioned on the previous page, while expenditures increased \$6,859,778. There were some changes in expenditures by program:

- Debt service principal retirement expenditures increased \$5,242,041, and interest and agency fees increased \$304,245.
  - Result of issuing new Garage Facility Lease Purchase Agreement and paying it off by moving funds to an escrow account in 2020.
- Buildings and grounds capital outlay expenditures increased \$4,025,174.
  - Primarily the result of construction at the Eden Prairie garage related to the relocation of offices.
- Operations and vehicle maintenance current expenditures decreased \$2,645,416.
  - Less contracted purchase services in 2020 as a result of a decrease in operations due to COVID-19.
  - Fewer miscellaneous vehicle parts were purchased in 2020 as a result of the decrease in vehicle usage during the pandemic.

## SouthWest Transit Financial Analysis

### CASH AND FUND BALANCE – ALL FUNDS



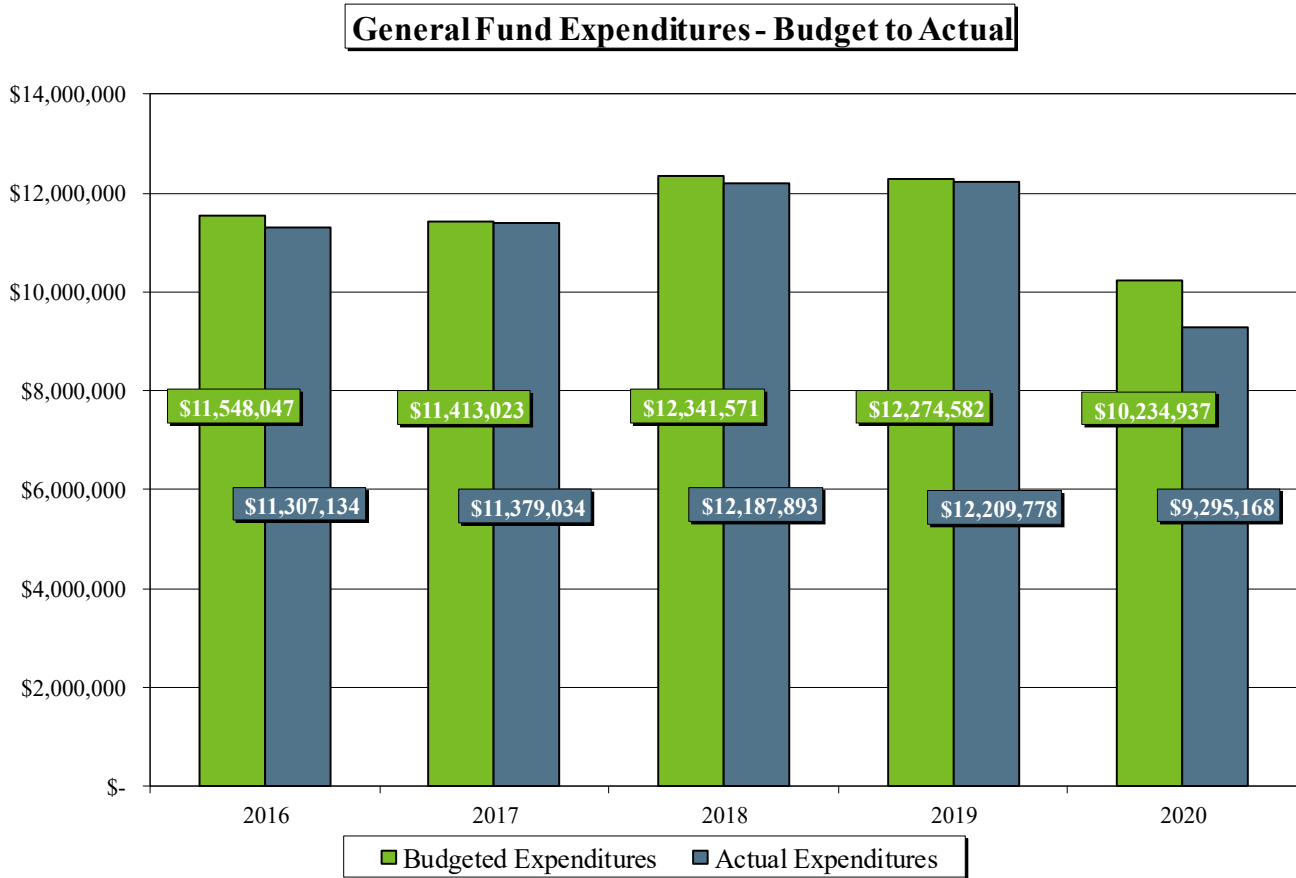
The cash and investment balance was lower than fund balance in all five years presented. Cash and investments which includes cash with fiscal agent in 2020, decreased \$1,204,206 while fund balance increased \$199,352 from 2019 to 2020.

The fund balance increased slightly due to receiving the CARES funding and the entire contract for deed receivable being paid in 2020, offset by SWT paying off all outstanding capital lease debt and the significant expenditures associated with the construction at the Eden Prairie garage related to the relocation of offices.

The General Fund balance increased \$3,144,639 to \$7,522,658 in 2020 due to revenues from operations and grants coming in over expenditures and transfers to other funds. The unassigned fund balance in the General Fund as of December 31, 2020, is \$7,160,492, which represents approximately 79%, or nine months of expenditures, based on 2020 budgeted operating expenditure levels.

## SouthWest Transit Financial Analysis

### General Fund Expenditures – Budget to Actual



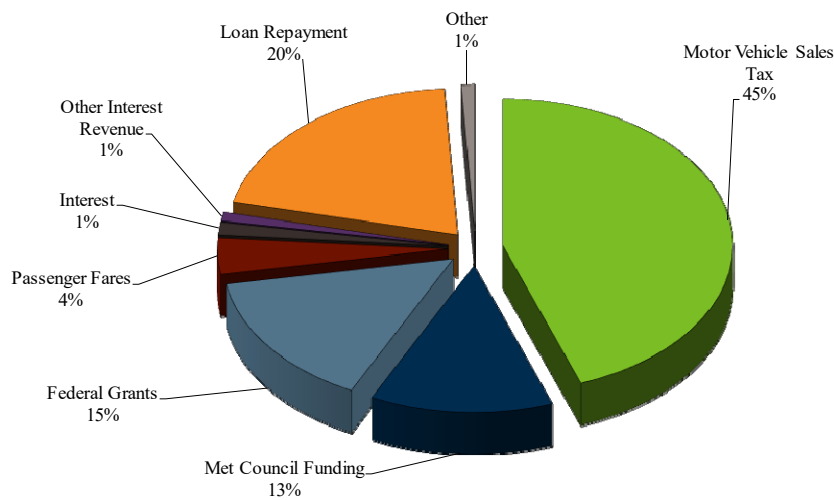
General Fund budgeted expenditures exceeded actual expenditures in all five years presented. Expenditures were under budget by \$939,769 in 2020. The largest variance was in operations and vehicle maintenance capital expenditures, which were \$572,272 under budget due to not purchasing the new prime vehicles like anticipated. Operations and vehicle maintenance current expenditures were under budget \$212,456 as a result of buying less miscellaneous vehicle parts than anticipating. All other categories were under budget and were relatively close to budgeted amounts.

## SouthWest Transit Financial Analysis

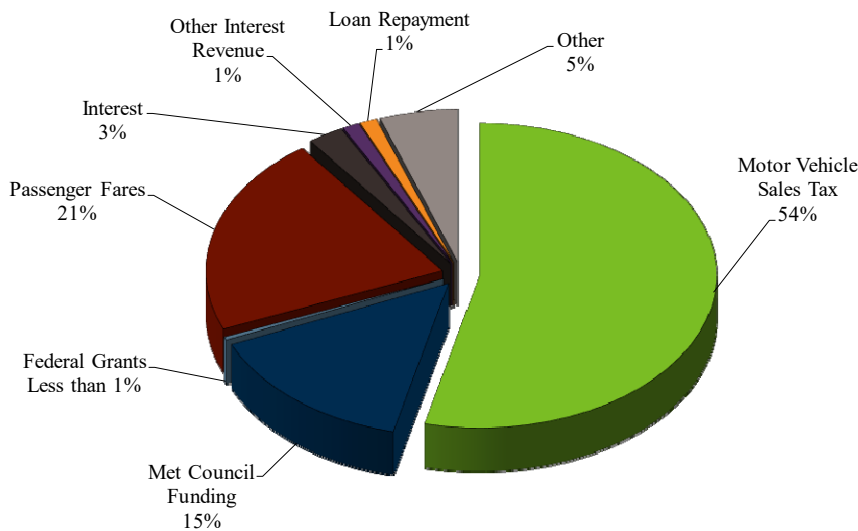
### Operating Revenues – All Funds

The following pie charts show the allocation of revenue by source for all funds in 2020 and 2019. As illustrated below, passenger fares decreased from 21% in 2019 to 4% in 2020. This was a result of COVID-19 and the buses having to shut down for a long period of time. Loan repayment had a significant increase from 1% in 2019 to 20% in 2020 due to the contract for deed being paid off in 2020. Federal grant revenue increased from less than 1% in 2019 to 15% in 2020 due to the CARES Act funding. All other revenue sources decreased proportionately as a result of the increases discussed above.

**Operating Revenues by Source for 2020 - All Funds**



**Operating Revenues by Source for 2019 - All Funds**



In the General Fund, the regional target for passenger farebox recovery revenue percentage in relation to operating expenditures is 28%. During 2020, SWT's passenger fare revenue as a percentage of operating expenditures was 7.72%, while it was 25.92% in 2019.

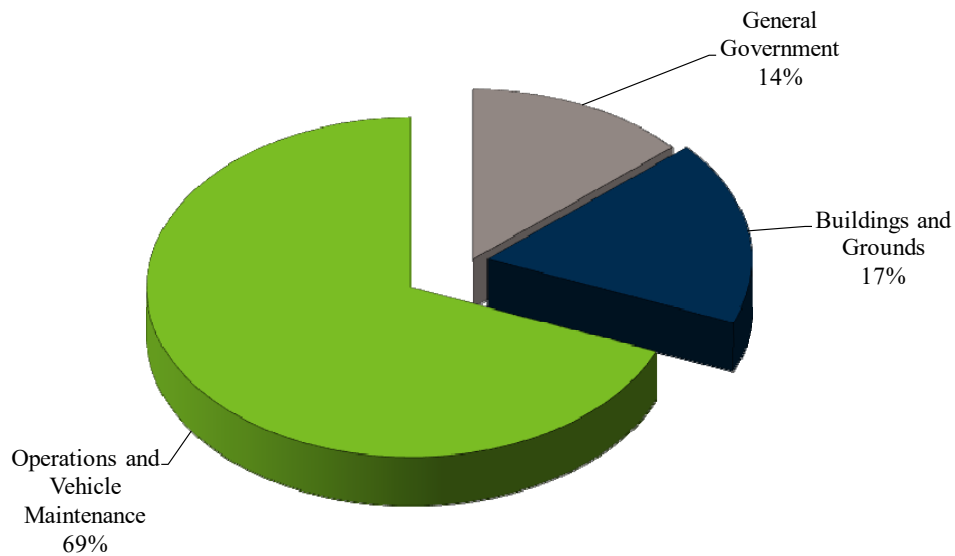


## SouthWest Transit Financial Analysis

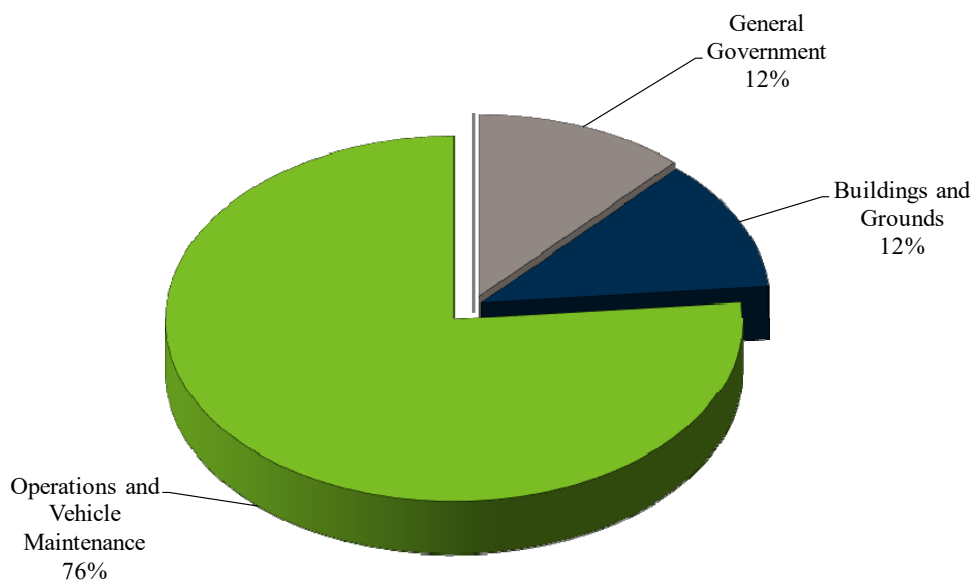
### Operating Expenditures – General Fund

The following pie charts show the allocation of expenditures by program for the General Fund in 2020 and 2019. The allocations increased in general government and buildings and grounds in 2020 as a result of a significant decrease in operations and vehicle maintenance expenditures as a result of the pandemic.

**Operating Expenditures by Department for 2020 - General Fund**



**Operating Expenditures by Department for 2019 - General Fund**



## **SouthWest Transit Emerging Issue**

### **Executive Summary**

The following is an executive summary of financial and business related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following is an extensive summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your organization.

### **Accounting Standard Update – GASB Statement No. 87 – *Leases***

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It 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.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

## **SouthWest Transit Emerging Issue**

### **Accounting Standard Update – GASB Statement No. 87 – *Leases* (Continued)**

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after June 15, 2021.

Information provided above was obtained from [www.gasb.org](http://www.gasb.org).

**SouthWest Transit  
Eden Prairie, Minnesota**

**Reports on Compliance with  
*Government Auditing Standards*, the Uniform Guidance,  
and Minnesota Legal Compliance**

**December 31, 2020**



**SouthWest Transit  
Table of Contents**

Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance in Accordance With the Uniform Guidance	5
Schedule of Findings and Questioned Costs	8
Minnesota Legal Compliance	10

**SouthWest Transit**  
**Schedule of Expenditures of Federal Awards**  
**December 31, 2020**

Federal Assistance Number and Funding Source	Administering Department	Grant Name/Program	2020 Expenditures
20.507 U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction Grant No. MN-2016-004-05	\$ 1,730
20.507 U.S. Department of Transportation	Minnesota Department of Transportation	CARES Act Section 5307 Grant No. MN-2020-021-00	<u>2,525,156</u>
Total			<u><u>\$ 2,526,886</u></u>

**Southwest Transit**  
**Notes to Schedule of Expenditures of Federal Awards**

**NOTE 1 – BASIS OF PRESENTATION**

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

**NOTE 2 – PASS-THROUGH GRANT NUMBERS**

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

**NOTE 3 – INDIRECT COST RATE**

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

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

**Independent Auditor's Report**

Board of Commissioners  
SouthWest Transit  
Eden Prairie, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2020, and the related notes to financial statements, which collectively comprise SWT's basic financial statements, and have issued our report thereon dated April 8, 2021.

**Internal Control over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SWT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of SWT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SWT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bergan KDV, Ltd.*

St. Cloud, Minnesota  
April 8, 2021

**Report on Compliance for each Major Federal Program  
and Report on Internal Control over Compliance In Accordance  
With the Uniform Guidance**

**Independent Auditor's Report**

Board of Commissioners  
SouthWest Transit  
Eden Prairie, Minnesota

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

We have audited the SWT's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on SWT's major federal program for the year ended December 31, 2020. SWT's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for SWT's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SWT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SWT's compliance.

**Opinion on Each Major Federal Program**

In our opinion, SWT complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

## **Report on Internal Control over Compliance**

Management of SWT is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SWT's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SWT's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of SWT, as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise SWT's basic financial statements. We issued our report thereon dated April 8, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 statement or to the basic financials statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

*BerganKDV, Ltd.*

St. Cloud, Minnesota  
April 8, 2021

**Southwest Transit  
Schedule of Findings and Questioned Costs**

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

**Financial Statements**

Type of auditor’s report issued:

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

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

**Federal Awards**

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

Unmodified

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

No

**Identification of Major Programs**

CFDA No.:

20.507

Name of Federal Program

Highway Planning and Construction, and Coronavirus Relief Fund – CARES Act Section 5307

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

No

**Southwest Transit  
Schedule of Findings and Questioned Costs**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None Noted.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None Noted.

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

None.

**Minnesota Legal Compliance**

**Independent Auditor's Report**

Board of Commissioners  
SouthWest Transit  
Eden Prairie, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of SouthWest Transit, Eden Prairie, Minnesota, as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise SWT's basic financial statements, and have issued our report thereon dated April 8, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that SWT failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for other Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding SWT's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

*BerganKDV, Ltd.*

St. Cloud, Minnesota  
April 8, 2021



# SOUTHWEST TRANSIT

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**To:** SouthWest Transit Commission

**From:** Mike Huang, Chair

**Date:** April 14, 2021

**Subject:** CEO Personal Leave Adjustment

**REQUESTED ACTION:** That the Commission authorize the Chair to execute the proposed amendment to the employment agreement with the Commission's CEO.

**BUDGET IMPACT:** None.

**BACKGROUND:**

The current employment agreement between SouthWest and its CEO, Len Simich, extends through December 31, 2022.

Since at least 2008, the employment agreement between SouthWest and Simich has provided that he is entitled to six weeks (or 240 hours) of personal leave per year and that he is entitled to carry over from year to year no more than 480 hours of personal leave. However, under SouthWest's Employee Manual, an employee with similar years of service to SouthWest would have, since 2012, accrued 248 hours of personal leave each year and been entitled to carry over from year to year no more than 496 hours of personal leave. It appears that, for the past nine years, due to a mutual mistake, SouthWest has been providing Simich with eight hours less personal leave than he would have ordinarily been entitled, or 72 hours total.

In order to correct this situation, an amendment to the employment agreement is proposed. The attached amendment addresses the forward-looking aspect of the correction by providing that (1) Simich will accrue 248 hours of personal leave per year in 2021 and 2022; and (2) Simich may carry over from year to year no more than 496 hours of personal leave. The proposed amendment addresses the backward-looking aspect of the correction by providing that (3) Simich is awarded an additional 72 hours of personal leave. Of these additional 72 hours:

- At least 18 hours must be used as leave no later than December 31, 2021. None of these 18 hours may be cashed out as ordinary compensation or as an employee-deferred contribution to the employee's health savings account (HSA) or voluntary employees beneficiary association (VEBA) plan account, whether during employment or upon termination or resignation.
- At least 18 additional hours must be used as leave no later than December 31, 2022. None of these 18 hours may be cashed out as ordinary compensation or as an employee-deferred contribution to the employee's health savings account (HSA) or voluntary employees beneficiary association (VEBA) plan account, whether during employment or upon termination or resignation.



- No more than 36 hours may be cashed out as ordinary compensation or as an employee-deferred contribution to the employee's health savings account (HSA) or voluntary employees beneficiary association (VEBA) plan account, whether during employment or upon termination or resignation. Any such cash-out is subject to all applicable provisions of SouthWest's Employee Manual.

**RECOMMENDATION:** That the Commission authorize the Chair to execute the proposed amendment to the employment agreement with the Commission's CEO.

**AMENDMENT TO EMPLOYMENT CONTRACT  
OF  
LEN SIMICH**

THIS AMENDMENT TO EMPLOYMENT CONTRACT (“**Amendment**”) is made by and between SouthWest Transit (“**SouthWest**”) and Len Simich (“**Simich**”) as of the date of the last party’s signature below.

SouthWest and Simich are parties to that certain Employment Contract dated as of January 1, 2019 (“**Agreement**”). SouthWest and Simich desire to amend the Agreement on the terms and conditions set forth in this Amendment.

The parties therefore agree as follows:

1. Personal Leave. Notwithstanding Section 5.c of the Agreement, Simich is granted 248 hours of personal leave for each of calendar year 2021 and calendar year 2022. Further, in accordance with SouthWest’s personnel policy, from calendar year 2021 to calendar year 2022, Simich shall be allowed to accrue and carry over 496 hours of personal leave.

2. Additional Personal Leave. In addition to the personal leave set forth in Section 1 of this Amendment, Simich is granted, as of the effective date of this Amendment, 72 hours of personal leave (“**Additional Personal Leave**”). Simich may not cash out more than 36 hours of the Additional Personal Leave as ordinary compensation or as an employee-deferred contribution to the employee’s health savings account (HSA) or voluntary employees beneficiary association (VEBA) plan account, whether during employment or upon termination or resignation. Any such cash-out is subject to all applicable provisions of SouthWest’s personnel policy. Further, Simich may not carry over more than 54 hours of the Additional Personal Leave from calendar year 2021 to calendar year 2022.

3. Affirmation. Except as expressly amended, revised, or modified by this Amendment, all provisions of the Agreement shall remain of full force and effect

4. Effective Date. This Amendment will become effective when all parties have signed it. The date of this Amendment will be the date this Amendment is signed by the last party to sign it, as indicated by the date associated with that party’s signature.

Each party is signing this Amendment on the date stated below that party’s signature.

**SOUTHWEST TRANSIT**

By: \_\_\_\_\_  
Mike Huang, Its Chair

\_\_\_\_\_  
**LEN SIMICH**

Date: \_\_\_\_\_

Date: \_\_\_\_\_

# Updates

## Operations, Planning, IT, Vehicle Maintenance and Facility Maintenance Updates April 2021

### *Operations & Planning Updates*

**494/Airport Service** – Service continues to grow as more within the community become aware of the service. In order to ensure proper social distancing, we have started transferring 494 riders to large buses at SouthWest Station in Eden Prairie and batching riders whenever possible. This helps ensure efficient service along the corridor while also keeping our smaller SW Prime vehicles within the standard SW Prime service zone where they can stay productive.

**MnDOT Electric/Autonomous Vehicle Grant** – Staff has been informed by MnDOT that we will begin the process of starting the project by the end of April that will bring two electric vehicles onto the SW Prime service by the end of this year. Staff anticipates asking the Commission to move forward with an Invitation for Bid for the electric vehicles and associated charging equipment at the Commission's May meeting.

**FTA Access and Mobility Grant Vehicles** – In March, the Commission authorized staff to go out with an Invitation for Bid to procure vehicles for the SW Prime MD service as part of the agency's awarded FTA Access and Mobility Grant. Staff is complete with its draft of the bid documents and has forwarded them to the Met Council for their review. Once approved by the Met Council, the bid documents will be released publicly. Staff anticipates bringing a recommendation to the Commission at its June meeting.

**Saturday SW Prime Service** – Staff is currently started planning for bringing back Saturday SW Prime services. These services will include services along I-494 to the Mall of America and MSP Airport. The services will likely start up by the end of May.

**Park and Fly Service** – Staff is in the early stages of planning for rolling out park and fly services at SouthWest Station in Eden Prairie. This service would allow people utilizing our MSP Airport services to park their cars overnight for an extended period of time at SouthWest Station for a daily fee. Service specifics are still being ironed out, but it is anticipated the service will roll out along with the Saturday SW Prime service in late May/early June.

**LoNo Grant Submittal** – SWT has submitted its FTA Low or No Emission Vehicle Program grant application for three 45-foot electric coach vehicles and associated equipment. Award announcements are expected in late Q2 or early Q3.

**Special Events Ticketing System** – As the world slowly opens back up this Summer, staff is preparing for some form of limited special events services to Twins games, State Fair, and other events. Understanding that it is likely that both events and services will be limited, staff is working to ready an e-ticketing system that will allow the agency to sell e-tickets for our special event services in order to control the amount of people on our vehicles and limit the amount of people using the services to a safe number. We anticipate implementing such a system whenever we start providing Twins Express services again – currently planned for June.

### ***IT Updates***

**GO-TO Card Vending Machines** have been installed at SouthWest Village and East Creek Station. These machines will provide riders the opportunity to purchase a \$10 or \$20 when the customer service window is closed.

**Managed IT Services** have been successfully migrated to RSM. RSM will function on Tier 2 and Tier 3 technical support for SWT IT staff. They are also responsible for software patches and anti-virus. We have worked on big projects with RSM in the past and are very excited to be working with them in this aspect as well.

Configuration of the new **Shop Toughbook Replacements** are underway. These new laptops will provide a much needed refresh to the existing Toughbooks that technicians currently use. They'll be in the hands of the technicians once May rolls around.

### ***Facilities Maintenance Updates***

Facilities has been focusing on inside and outside spring cleaning at all SWT locations.

Winter equipment is being prepped for storage until needed again.

Spring tools and equipment have all been serviced and are ready for future projects.

The buildings and grounds crew has been gearing up for spring projects. Fresh mulch, flowers, planting of new plants and removal of old vegetation.

The East Creek Station pre-cast concrete repair project has been completed.

All preventative maintenance repairs at Chanhassen Transit Station have been completed.

The South West Village preventive maintenance check is almost complete, contractors are awaiting warmer weather to chip seal the ramp.

### ***Vehicle Maintenance Updates***

The shop is working hard to complete the in-service of the new MCI CRT LE bus delivered last month. We are also working with MCI to complete the remaining three new MCI CRT LE buses so they can be delivered to SWT.

The shop has started warm weather services on all buses to ensure proper operation and dependability of SWT buses during the warmer months.

The maintenance department is busy installing the remaining driver barriers in all MCI coaches.