



SOUTHWEST TRANSIT EDEN PRAIRIE, MINNESOTA

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023

SOUTHWEST TRANSIT
Eden Prairie, Minnesota

**Annual Comprehensive Financial Report
For the Fiscal Year Ended December 31, 2023**

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
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April 30, 2024
Honorable Chair and Members of the Commission
SouthWest Transit

We are pleased to respectfully submit to the SouthWest Transit Commission and the citizens of this area the SouthWest Transit (SWT) Annual Comprehensive Financial Report for the year ended December 31, 2023. 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 that 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, 2023, 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 that there was a reasonable basis for rendering an unmodified opinion that SWT's financial statements for the year ended December 31, 2023, 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. 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, and administration of personnel matters including hiring and termination of employees.

SWT provides three basic transit services: a fixed route bus transit service connecting the SWT service area to other parts of the Twin Cities metro area; an on-demand microtransit service that provides service within the service area as well as adjacent areas; and special events bus services to events such as the Minnesota State Fair. SWT services are provided by a fleet of ninety-four (94) active vehicles (55 motor coaches, 5 low floor buses, and 34 small vehicles less than 30 services are provided by a private contractor.

SWT's annual operating budget plays a pivotal role in the organization's financial management framework. In 2023, the SWT Commission approved budgets for the General Fund, Capital Improvement Fund, and SWS Development Capital Projects Fund. A budget is prepared in August, and in October. The Chief Executive Officer presents the proposed budget to the Commission for review. The budget is adopted in December. While actual expenditures can exceed budgeted line items under certain conditions like corresponding revenue increases or staying within the departmental budget total, the fundamental rule is that management must not overspend at the fund level without the governing body's approval. If significant changes arise after budget adoption, SWT management proposes adjustments to the Commission for approval, ensuring financial responsibility and adaptability.

SWT does not have any component units to report in the 2023 financial statements.

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). Most of Motor Vehicle Sales Tax is allocated by formula in accordance with the statutory formula in *Minnesota Statutes*, Section 473.388. In 2023, SWT received \$10,147,224 from MVST. by formula through a statutory allocation. SWT receives a supplemental allocation of MVST through the Metropolitan Council (MC) through a regional allocation formula. SWT received \$1,779,420 under this formula in 2023. In 2023 the Minnesota Legislature amended Minnesota Statutes 297B.02 and 297B.09 to change the allocation and increase the tax rate of MVST from 6.5% to 6.875%. These changes have resulted in an increase in MVST funding beginning July 1, 2023.

ECONOMIC CONDITIONS AND OUTLOOK

Several major maintenance projects were completed in 2023 and are reported in General Fund expenditures. The maintenance projects totaled \$2,034,770 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 2024 and beyond, commitment to quality, safety, customer experience 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.

- SWT is currently developing a one-acre parcel known as Lot 2 Block 1 at SouthWest site in Chanhassen. This project is being funded using SWS Development Capital Fund reserves in the amount of \$6 million.
- In 2023, SWT initiated an EV and solar project. To install solar photovoltaic systems and electric vehicles charging stations as well as additional energy efficient improvements. The total cost for the project is \$3.9 million. This project is being funded using sales tax funds for microtransit allocated by the Minnesota State Legislature in the amount of \$2.1 million and \$1.8 million will be funded by awarded Congressionally Directed Spending grant through the United States Department of Energy (DOE). The project will continue into 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.

SWT has also adopted the following Capital and Debt Policies:

- SWT will first seek state and federal capital funding to the extent it is available. State and federal sources include the Metropolitan Council (MC), Regional Solicitation grants and/or other sources as they become available.
- SWT will look towards its Capital Improvement Fund 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.

ECONOMIC CONDITIONS AND OUTLOOK (CONTINUED)

Long Term Financial Planning (Continued)

- 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 2024 Initiatives

Major initiatives for SWT forecast continued growth in 2024:

- Continuing to grow SW Prime microtransit service.
- Adding a new fixed route service along the I-494 corridor from Southwest Station to the Mall of America and MSP Airport
- Adding new special events destinations such as the Renaissance Festival and additional concerts and sporting events.
- Adding four new electric coach buses and 6 new electric cutaway buses to the fleet which is consistent with SWT's continued transition to a zero-emission fleet by 2050.

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 annual comprehensive financial report for the year ended December 31, 2022. This was the seventeenth 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 annual comprehensive 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 annual comprehensive 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

ECONOMIC CONDITIONS AND OUTLOOK

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 Annual Comprehensive Financial Report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Erik Hansen', with a stylized, flowing script.

Erik Hansen
Chief Executive Officer



SouthWest Transit
Eden Prairie, Minnesota
Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**SouthWest Transit
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

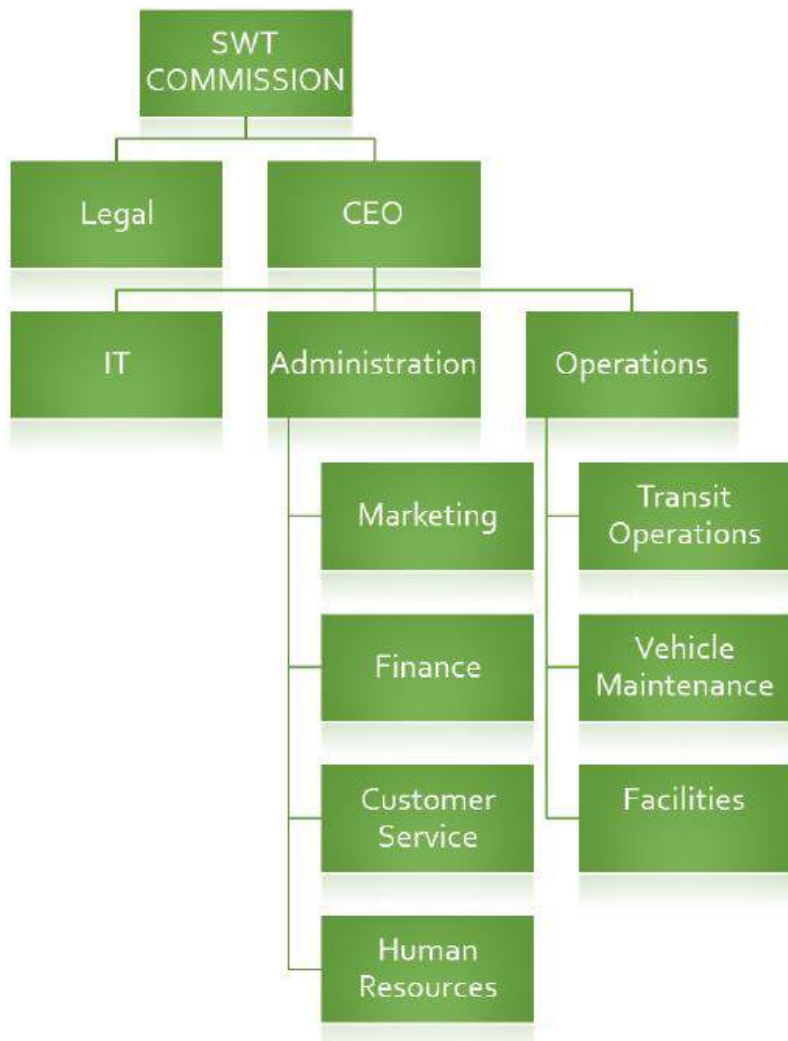
December 31, 2022

Christopher P. Morill

Executive Director/CEO

SouthWest Transit
Eden Prairie, Minnesota
Organization Chart

Organizational Chart



**SouthWest Transit
Eden Prairie, Minnesota
Board of Commissioners and Key Personnel
December 31, 2023**

| <u>Board Member</u> | <u>Position on Board</u> | <u>Community Represented</u> | <u>Term Expires</u> |
|----------------------|------------------------------|------------------------------|---------------------|
| Jerry McDonald | Chairperson | Chanhassen | December 31, 2025 |
| PG Narayanan | Vice Chairperson | Eden Prairie | December 31, 2024 |
| McKayla Hatfield | Secretary/Treasurer | Chaska | December 31, 2025 |
| Josh Kimber | Board Member | Chanhassen | December 31, 2023 |
| Mark Freiberg | Board Member | Eden Prairie | December 31, 2023 |
| Mike Huang | Board Member | Chaska | December 31, 2024 |
| Bob Roepke | At-Large Commissioner | Chaska | December 31, 2024 |
| Erik Perschmann | Ex-Officio | Carver | December 31, 2024 |
| <u>Key Personnel</u> | | | |
| Erik Hansen | Chief Executive Officer | | |
| Maria Mancilla-Diaz | Chief Administrative Officer | | |



FINANCIAL SECTION





Independent Auditor's Report

Board of Commissioners
SouthWest Transit
Eden Prairie, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of SouthWest Transit, Eden Prairie, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the basic financial statements, which collectively comprise SouthWest Transit's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of SouthWest Transit, Eden Prairie, Minnesota, as of December 31, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The SouthWest Transit's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SouthWest Transit's internal control. Accordingly, no such opinion is expressed.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SouthWest Transit's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SouthWest Transit's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Report on Summarized Comparative Information

We have previously audited the Transit's 2022 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified opinions on those basic financial statements in our report dated May 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited basic financial statements from which it has been derived.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2024, 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.



St. Cloud, Minnesota
April 30, 2024



**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, 2023. 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 2023 by \$61,440,259 (net position). Of this amount, \$18,933,937 (unrestricted net position) may be used to meet SWT's ongoing obligations to customers and creditors.
- ◆ SWT's total net position increased by \$281,432, or 0.5%, based on 2023 activity.
- ◆ As of the close of the current year, SWT's Governmental Funds reported combined ending fund balances of \$21,196,410, an increase of \$356,842 in comparison with the prior year. \$13,212,490 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 \$13,552,219. Of that amount, \$339,729 was in nonspendable form and the remaining \$13,212,490 was unassigned.
- ◆ 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, 2023.
- ◆ SWT received \$3 million in Regional Transportation Sales and Use Tax Revenue. These are sales tax revenue dollars, Minnesota Laws 2023, Chapter 68, Article 4, Section 118, requires the Metropolitan Council to provide from the 'sales tax revenue' financial assistance in the form of grants (Grant Funds) in fiscal year 2024 to replacement service providers under Minnesota Statutes, Section 473.388, for improvements related to demand response transit service. The Micro-transit service funds grant agreement from July 1, 2023 through June 30, 2025.

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).

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

FINANCIAL HIGHLIGHTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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.

SWT maintained the following individual governmental funds during 2023: The General Fund, Capital Improvement Fund, and SWS Development Capital Projects Fund.

SWT adopts annual budgets for its General Fund, and Capital Project 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 41-64 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 \$61,440,259 at the close of 2023.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

30.82%, or \$18,933,937, 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 69.18% 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 7 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 8.

Net Position

| | Governmental Activities | |
|---|-------------------------|----------------------|
| | 2023 | 2022 |
| Current and other assets | \$ 22,339,013 | \$ 21,693,529 |
| Capital assets, net of depreciation | 42,506,322 | 42,493,191 |
| Total assets | <u>64,845,335</u> | <u>64,186,720</u> |
| Deferred outflows of resources related to pensions and OPEB | <u>632,774</u> | <u>1,058,436</u> |
| Total assets and deferred outflows of resources | <u>\$ 65,478,109</u> | <u>\$ 65,245,156</u> |
| Current liabilities | \$ 1,304,227 | \$ 1,031,006 |
| Long-term liabilities | 2,113,213 | 2,856,335 |
| Total liabilities | <u>3,417,440</u> | <u>3,887,341</u> |
| Deferred inflows of resources related to pensions and OPEB | <u>620,410</u> | <u>198,988</u> |
| Total liabilities and deferred inflows of resources | <u>\$ 4,037,850</u> | <u>\$ 4,086,329</u> |
| Net position | | |
| Net investment in capital assets | \$ 42,506,322 | \$ 42,493,191 |
| Unrestricted | <u>18,933,937</u> | <u>18,665,636</u> |
| Total net position | <u>\$ 61,440,259</u> | <u>\$ 61,158,827</u> |

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities - Governmental activities increased SWT's net position by \$281,432. The components of net position increased or decreased as follows:

- ◆ Net position invested in capital assets increased by \$13,131 during the year. Depreciation expenses in 2023 totaled \$2,485,762. Capital asset additions included equipment, software, small prime vehicles, and major facility improvements.
- ◆ Unrestricted net position increased by \$268,301 primarily due to the General Fund Operations operating revenue exceeding operating expenditures.

Please see pages 29-31 for further detailed information.

Changes in Net Position

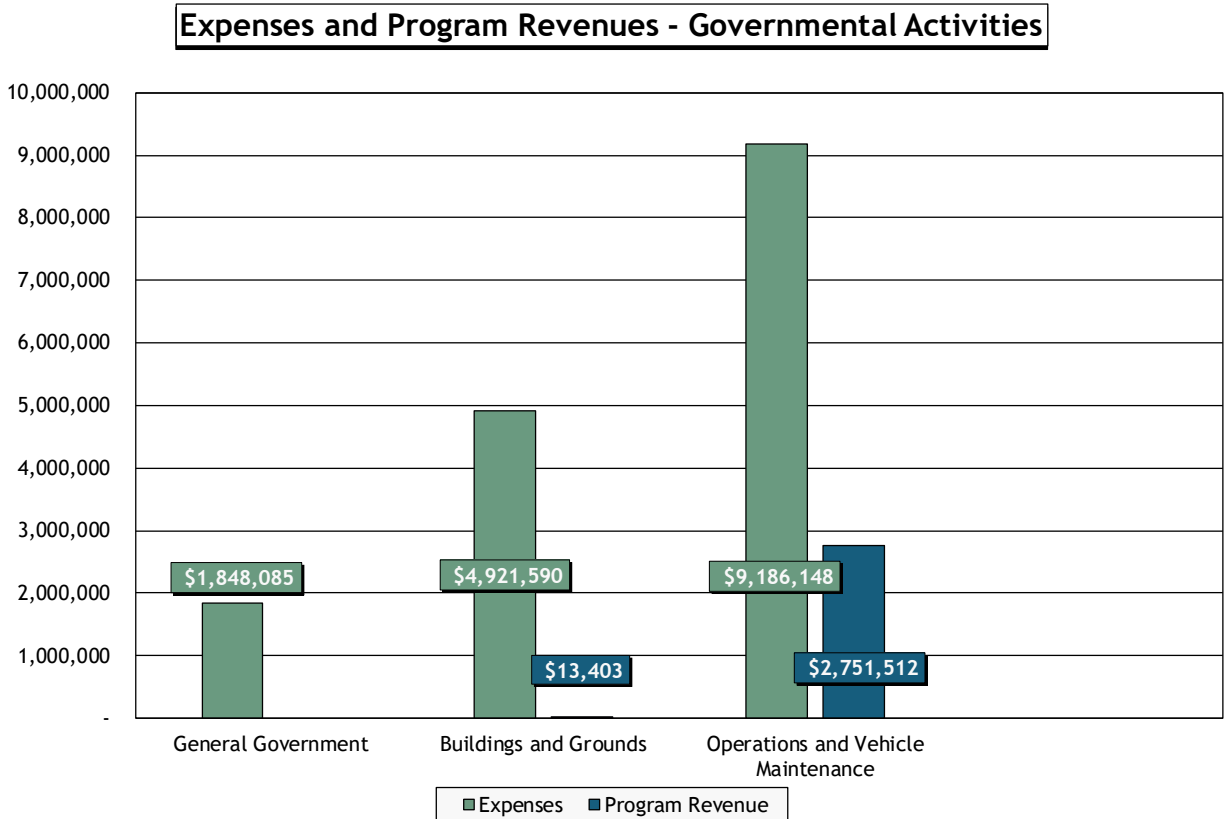
| | Governmental Activities | |
|--|-------------------------|---------------|
| | 2023 | 2022 |
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 1,405,005 | \$ 1,096,550 |
| Operating grants and contributions | 1,359,910 | 1,038,413 |
| Capital grants and contributions | - | - |
| Total program revenues | 2,764,915 | 2,134,963 |
| General revenues | | |
| Unrestricted intergovernmental revenue | 12,427,772 | 14,520,788 |
| Other local revenue | 282,135 | 1,282,908 |
| Unrestricted investment earnings | 762,433 | 139,334 |
| Total revenues | 16,237,255 | 18,077,993 |
| Expenses | | |
| General government | 1,848,085 | \$ 1,921,484 |
| Building and grounds | 4,921,590 | 4,698,216 |
| Operations and vehicle maintenance | 9,186,148 | 9,522,892 |
| Total expenses | 15,955,823 | 16,142,592 |
| Change in net position | 281,432 | 1,935,401 |
| Net Position | | |
| Beginning | 61,158,827 | 59,223,426 |
| Ending | \$ 61,440,259 | \$ 61,158,827 |

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

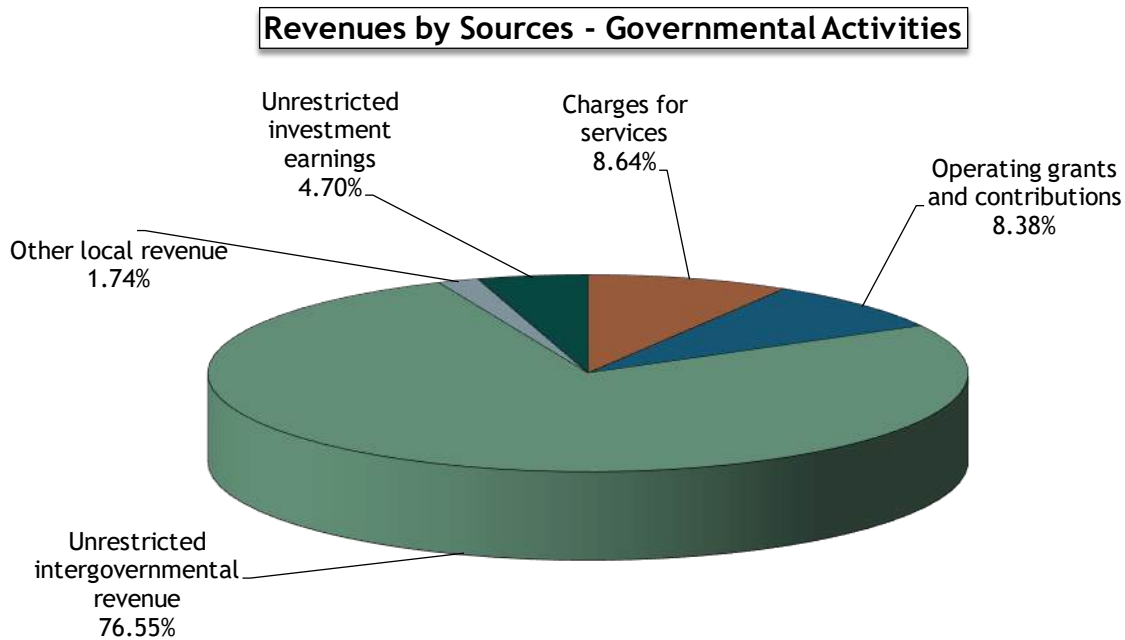
Governmental activity changes in net position - highlights of the change in net position are as follows:

- ◆ Unrestricted intergovernmental revenue includes both MVST, RAMVST, State fuel tax refund and other grants. 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)



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 \$21,196,410, an increase of \$356,842 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 4 on pages 52-53 of this report.

The increase in SWT's fund balance of \$356,842 during the current year is comprised of the following key factors:

- ◆ The General Fund revenues and net other financing uses exceeded expenditures by \$1,606,365, driven by increased intergovernmental revenues due to a combination of higher-than-expected revenues and cost controls. A new formula for MVST and RAMVST resulted in more tax revenue, and, higher interest earnings due to management's decision to engage with new investment advisors to take advantage of higher interest rates. Cost reductions primarily came from a combination of reduced spending on capital maintenance, vacancy savings from open positions, and lower costs with the Transdev driver contract.

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

FINANCIAL ANALYSIS OF SWT FUNDS (CONTINUED)

- ◆ In 2023, SWT initiated an EV and solar project. To install solar photovoltaic systems and electric vehicles charging stations as well as additional energy efficient improvements. The total cost for the project is \$3.9 million. This project is being funded using sales tax funds for microtransit allocated by the Minnesota State Legislature in the amount of \$2.1 million and \$1.8 million will be funded by awarded Congressionally Directed Spending grant through the United States Department of Energy (DOE). The project will continue into 2024.

The SWT Commission approved an amended expenditure budget in 2023 that totaled \$15,414,926 increased by \$130,000 from the original budget.

The intergovernmental state amended revenue budget (MVST and RAMVST) was increased from \$11,563,107 to \$12,103,107 in the amended revenue budget. However, the actual 2023 intergovernmental state revenue was \$13,494,448, which slightly exceeded the amended revenue budget estimate. The following summarizes the actual 2023 results:

- ◆ In 2023, actual revenue exceeded the amended budget by \$2,269,687, largely due to increased intergovernmental revenue sources like MVST and RAMST, following the implementation of new formulas and a rise in motor vehicle sales tax rates.
- ◆ The actual expenditure totaled \$14,305,271 which was \$1,109,655 less than the amended budget.
- ◆ The actual capital outlay expenditure was \$159,270 more than the amended budget due to increasing capital projects from grant funding.
- ◆ The expenditures for administration, buildings, grounds, operations, and maintenance accounted for the balance of the favorable expenditure variances.
- ◆ The General Fund balance increased by \$1,606,365 during 2023.
- ◆ The increase in fund balance will be used to increase service levels and expand micro-transit in the future years.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - SWT's investment in capital assets as of December 31, 2023, totaled \$42,506,322 (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)

| | 2023 | 2022 |
|--------------------------|---------------|---------------|
| Buildings and facilities | \$ 14,323,166 | \$ 14,702,222 |
| Bus equipment | 325,883 | 145,399 |
| Equipment and software | 1,032,285 | 913,426 |
| Furniture | 34,076 | 35,628 |
| Land | 2,454,654 | 2,454,654 |
| Land improvements | 332,571 | 413,679 |
| Park and ride facilities | 22,121,673 | 23,192,818 |
| Vehicles | 678,834 | 635,365 |
| Construction in progress | 1,203,180 | - |
| | \$ 42,506,322 | \$ 42,493,191 |

SWT operates 76 buses owned by the Metropolitan Council and 14 owned by SWT. In addition, SWT has 18 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 3 on pages 51-52 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

SWT has approved a balanced General Fund operating budget for 2024 in December 2023. Our 2024 budget reflects the continuing shift toward microtransit services with modest ridership increases expected in the fixed route service. SouthWest Transit's service will continue to adapt to a changing post-pandemic world in which more people are working at home, resulting in a reduced need for commuter bus service and an increase in need for local service. 2024 also conservatively assumes continued increases in Motor Vehicle Sales Tax due to continuing tax rate increases.

Ridership is expected to grow for SW Prime, our on-demand ride sharing service. Express bus ridership is expected to increase at a slower pace. The 2024 budget includes a new fixed route service along the I-494 corridor that will replace the existing SW Prime service in that area.

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. With the assistance of the Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021 and the American Rescue (ARP) Act of 2021, the General Fund balance exceeds the stated policy. Expenditures will continue to grow as a result of added service, inflation, increases in product and energy prices, and supply chain bottlenecks.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS (CONTINUED)

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 2024 budget:

- ◆ Implementing additional operating efficiencies.
- ◆ Improving financial controls through a priorities-based budgeting process and improved budget reporting through a new financial system.
- ◆ Forecasting increased revenues due to increased Motor Vehicle Sales Taxes.
- ◆ Shifting existing SW Prime services to a fixed route in the I-494 corridor to improve efficiencies and reduce costs.
- ◆ Expanding special events service such as adding the Renaissance Festival and restoring full service to the state fair.

SWT's goal is to balance the budget while growing ridership and continuing to provide a premium experience for our customers.

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 62nd Street, Eden Prairie, Minnesota 55346.



BASIC FINANCIAL STATEMENTS



SouthWest Transit
Eden Prairie, Minnesota
Statement of Net Position - Governmental Activities
December 31, 2023
(With Comparative Totals for December 31, 2022)

| | 2023 | 2022 |
|--|---------------|---------------|
| Assets | | |
| Current assets | | |
| Cash and investments | \$ 20,836,680 | \$ 17,116,959 |
| Accounts receivable | 86,918 | 3,267,958 |
| Interest receivable | 133,185 | 55,610 |
| Intergovernmental receivable | 942,501 | 859,705 |
| Inventory - vehicle parts | 203,860 | 251,429 |
| Prepaid items | 135,869 | 141,868 |
| Total current assets | 22,339,013 | 21,693,529 |
| Noncurrent assets | | |
| Capital assets | | |
| Land | 2,454,654 | 2,454,654 |
| Land improvements | 1,458,029 | 1,458,029 |
| Buildings and facilities | 20,805,753 | 20,419,214 |
| Transit hub facilities | - | 94,177 |
| Bus equipment | 737,138 | 517,968 |
| Park and ride facilities | 37,501,826 | 37,599,559 |
| Equipment and software | 2,913,436 | 2,848,250 |
| Vehicles | 1,674,404 | 1,443,705 |
| Furniture | 98,324 | 87,974 |
| Construction in progress | 1,203,180 | - |
| Total cost | 68,846,744 | 66,923,530 |
| Less accumulated depreciation | (26,340,422) | (24,430,339) |
| Total capital assets | 42,506,322 | 42,493,191 |
| Total noncurrent assets | 42,506,322 | 42,493,191 |
| Total assets | 64,845,335 | 64,186,720 |
| Deferred Outflows of Resources | | |
| Deferred outflows of resources related to pensions | 620,862 | 1,047,641 |
| Deferred outflows of resources related to OPEB | 11,912 | 10,795 |
| Total deferred outflows of resources | 632,774 | 1,058,436 |
| Total assets and deferred outflows of resources | \$ 65,478,109 | \$ 65,245,156 |
| Liabilities | | |
| Current liabilities | | |
| Accounts and contracts payable | \$ 1,029,330 | \$ 725,991 |
| Salaries and benefits payable | 113,273 | 116,014 |
| Unearned revenue | - | 11,956 |
| Total OPEB liability | 6,426 | - |
| Compensated absences payable | 155,198 | 177,045 |
| Total current liabilities | 1,304,227 | 1,031,006 |
| Noncurrent liabilities | | |
| Compensated absences payable | 27,388 | 31,243 |
| Net pension liability | 1,918,018 | 2,669,051 |
| Total OPEB liability | 167,807 | 156,041 |
| Total noncurrent liabilities | 2,113,213 | 2,856,335 |
| Total liabilities | 3,417,440 | 3,887,341 |
| Deferred Inflows of Resources | | |
| Deferred inflows of resources related to pensions | 615,939 | 193,697 |
| Deferred inflows of resources related to OPEB | 4,471 | 5,291 |
| Total deferred inflows of resources | 620,410 | 198,988 |
| Net Position | | |
| Net investment in capital assets | 42,506,322 | 42,493,191 |
| Unrestricted | 18,933,937 | 18,665,636 |
| Total net position | 61,440,259 | 61,158,827 |
| Total liabilities, deferred inflows of resources, and net position | \$ 65,478,109 | \$ 65,245,156 |



SouthWest Transit
Eden Prairie, Minnesota
Statement of Activities
Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenues and Changes in Net Position | |
|--|----------------------|-------------------------|--|--|---|----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | 2023 | 2022 |
| | | | | | Governmental Activities | Governmental Activities |
| Governmental activities | | | | | | |
| General government | \$ 1,848,085 | \$ - | \$ - | \$ - | \$ (1,848,085) | \$ (1,921,484) |
| Buildings and grounds | 4,921,590 | 13,403 | - | - | (4,908,187) | (4,688,089) |
| Operations and vehicle maintenance | 9,186,148 | 1,391,602 | 1,359,910 | - | (6,434,636) | (7,398,056) |
| Total governmental activities | <u>\$ 15,955,823</u> | <u>\$ 1,405,005</u> | <u>\$ 1,359,910</u> | <u>\$ -</u> | (13,190,908) | (14,007,629) |
| General revenues | | | | | | |
| Unrestricted intergovernmental revenue | | | | | 12,427,772 | 14,520,788 |
| Other local revenue | | | | | 282,135 | 1,282,908 |
| Unrestricted investment earnings | | | | | 762,433 | 139,334 |
| Total general revenues | | | | | <u>13,472,340</u> | <u>15,943,030</u> |
| Change in net position | | | | | 281,432 | 1,935,401 |
| Net position - beginning | | | | | <u>61,158,827</u> | <u>59,223,426</u> |
| Net position - ending | | | | | <u>\$ 61,440,259</u> | <u>\$ 61,158,827</u> |

SouthWest Transit
Eden Prairie, Minnesota
Balance Sheet - Governmental Funds
December 31, 2023
(With Comparative Totals for December 31, 2022)

| | General Fund | Capital Projects | |
|--|----------------------|------------------------|-------------------------------|
| | | Capital Improvement | SWS Development Capital |
| Assets | | | |
| Cash and investments | \$ 12,952,975 | \$ 1,842,886 | \$ 6,040,819 |
| Accounts receivable | 86,918 | - | - |
| Interest receivable | 76,346 | 17,210 | 39,629 |
| Intergovernmental receivable | 942,501 | - | - |
| Inventory | 203,860 | - | - |
| Prepaid items | 135,869 | - | - |
| Total assets | \$ 14,398,469 | \$ 1,860,096 | \$ 6,080,448 |
| Liabilities | | | |
| Accounts and contracts payable | \$ 732,977 | \$ 283,853 | \$ 12,500 |
| Salaries and benefits payable | 113,273 | - | - |
| Unearned revenue | - | - | - |
| Total liabilities | 846,250 | 283,853 | 12,500 |
| Fund Balances | | | |
| Nonspendable | 339,729 | - | - |
| Assigned | - | 1,576,243 | 6,067,948 |
| Unassigned | 13,212,490 | - | - |
| Total fund balances | 13,552,219 | 1,576,243 | 6,067,948 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 14,398,469 | \$ 1,860,096 | \$ 6,080,448 |

| Total Governmental Funds | |
|--------------------------|----------------------|
| 2023 | 2022 |
| \$ 20,836,680 | \$ 17,116,959 |
| 86,918 | 3,267,958 |
| 133,185 | 55,610 |
| 942,501 | 859,705 |
| 203,860 | 251,429 |
| 135,869 | 141,868 |
| <u>\$ 22,339,013</u> | <u>\$ 21,693,529</u> |
| | |
| \$ 1,029,330 | \$ 725,991 |
| 113,273 | 116,014 |
| - | 11,956 |
| <u>1,142,603</u> | <u>853,961</u> |
| | |
| 339,729 | 393,297 |
| 7,644,191 | 8,893,714 |
| 13,212,490 | 11,552,557 |
| <u>21,196,410</u> | <u>20,839,568</u> |
| | |
| <u>\$ 22,339,013</u> | <u>\$ 21,693,529</u> |



SouthWest Transit
Eden Prairie, Minnesota
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2023
(With Comparative Totals for December 31, 2022)

| | 2023 | 2022 |
|--|---------------|---------------|
| Total fund balances - governmental funds | \$ 21,196,410 | \$ 20,839,568 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.</p> | | |
| Cost of capital assets | 68,846,744 | 66,923,530 |
| Less accumulated depreciation | (26,340,422) | (24,430,339) |
| <p>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.</p> | | |
| Compensated absences payable | (182,586) | (208,288) |
| Net pension liability | (1,918,018) | (2,669,051) |
| Total OPEB liability | (174,233) | (156,041) |
| <p>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.</p> | | |
| Deferred inflows of resources related to pensions | (615,939) | (193,697) |
| Deferred outflows of resources related to pensions | 620,862 | 1,047,641 |
| Deferred inflows of resources related to OPEB | (4,471) | (5,291) |
| Deferred outflows of resources related to OPEB | 11,912 | 10,795 |
| Total net position - governmental activities | \$ 61,440,259 | \$ 61,158,827 |

SouthWest Transit
Eden Prairie, Minnesota
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

| | General Fund | Capital Projects | |
|---|----------------------|------------------------|-------------------------------|
| | | Capital Improvement | SWS Development Capital |
| Revenues | | | |
| Intergovernmental - federal | \$ 198,106 | \$ - | \$ - |
| Intergovernmental - state | 13,494,448 | - | - |
| Intergovernmental - other | 94,891 | - | - |
| Passenger fares | 1,391,602 | - | - |
| Charges for services | 151,118 | - | - |
| Investment income | 437,051 | 98,522 | 226,860 |
| Other local revenue | 69,978 | - | - |
| Total revenues | <u>15,837,194</u> | <u>98,522</u> | <u>226,860</u> |
| Expenditures | | | |
| Current | | | |
| General government | 1,785,729 | 1,093 | 2,521 |
| Buildings and grounds | 1,837,004 | - | 357,186 |
| Operations and vehicle maintenance | 8,647,768 | - | - |
| Capital outlay | | | |
| General government | 9,223 | - | - |
| Buildings and grounds | 1,177,025 | 1,214,105 | - |
| Operations and vehicle maintenance | 848,522 | - | - |
| Total expenditures | <u>14,305,271</u> | <u>1,215,198</u> | <u>359,707</u> |
| Excess of revenues over (under) expenditures | 1,531,923 | (1,116,676) | (132,847) |
| Other Financing Sources | | | |
| Insurance recoveries | 74,442 | - | - |
| Net change in fund balances | 1,606,365 | (1,116,676) | (132,847) |
| Fund Balances | | | |
| Beginning of year | 11,945,854 | 2,692,919 | 6,200,795 |
| End of year | <u>\$ 13,552,219</u> | <u>\$ 1,576,243</u> | <u>\$ 6,067,948</u> |

| Total Governmental Funds | |
|--------------------------|----------------------|
| 2023 | 2022 |
| \$ 198,106 | \$ 3,482,211 |
| 13,494,448 | 11,990,974 |
| 94,891 | 74,320 |
| 1,391,602 | 1,086,423 |
| 151,118 | 158,318 |
| 762,433 | 139,334 |
| 69,978 | 564,367 |
| <u>16,162,576</u> | <u>17,495,947</u> |
| 1,789,343 | 1,865,408 |
| 2,194,190 | 1,586,234 |
| 8,647,768 | 7,971,563 |
| 9,223 | 37,500 |
| 2,391,130 | 3,924,980 |
| 848,522 | 1,469,389 |
| <u>15,880,176</u> | <u>16,855,074</u> |
| 282,400 | 640,873 |
| 74,442 | 570,350 |
| 356,842 | 1,211,223 |
| <u>20,839,568</u> | <u>19,628,345</u> |
| <u>\$ 21,196,410</u> | <u>\$ 20,839,568</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, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

| | 2023 | 2022 |
|--|-------------|--------------|
| Net change in fund balances - governmental funds | \$ 356,842 | \$ 1,211,223 |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> | | |
| <p>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.</p> | | |
| Capital outlay expenditures | 2,501,209 | 3,159,222 |
| Depreciation expense | (2,485,762) | (2,276,964) |
| Loss on disposal | (2,316) | (11,320) |
| <p>Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.</p> | | |
| | 25,702 | 41,136 |
| <p>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.</p> | | |
| Pension expense | (97,988) | (168,621) |
| <p>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.</p> | | |
| OPEB expense | (16,255) | (19,275) |
| Change in net position - governmental activities | \$ 281,432 | \$ 1,935,401 |

SouthWest Transit
Eden Prairie, Minnesota
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual -
General Fund
Year Ended December 31, 2023

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Over (Under) |
|---|------------------|----------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental - federal | \$ 40,000 | \$ 40,000 | \$ 198,106 | \$ 158,106 |
| Intergovernmental - state | 11,563,107 | 12,103,107 | 13,494,448 | 1,391,341 |
| Intergovernmental - other | 64,000 | 64,000 | 94,891 | 30,891 |
| Passenger fares | 1,177,300 | 1,177,300 | 1,391,602 | 214,302 |
| Charges for services | 125,000 | 125,000 | 151,118 | 26,118 |
| Investment income | 10,000 | 10,000 | 437,051 | 427,051 |
| Other local revenue | 48,100 | 48,100 | 69,978 | 21,878 |
| Total revenues | 13,027,507 | 13,567,507 | 15,837,194 | 2,269,687 |
| Expenditures | | | | |
| Current | | | | |
| General government | 1,739,100 | 1,739,100 | 1,785,729 | 46,629 |
| Buildings and grounds | 2,010,100 | 2,010,100 | 1,837,004 | (173,096) |
| Operations and vehicle maintenance | 9,790,226 | 9,790,226 | 8,647,768 | (1,142,458) |
| Capital outlay | | | | |
| General government | - | - | 9,223 | 9,223 |
| Buildings and grounds | 1,080,000 | 1,241,500 | 1,177,025 | (64,475) |
| Operations and vehicle maintenance | 665,500 | 634,000 | 848,522 | 214,522 |
| Total expenditures | 15,284,926 | 15,414,926 | 14,305,271 | (1,109,655) |
| Excess of revenues over (under) expenditures | (2,257,419) | (1,847,419) | 1,531,923 | 3,379,342 |
| Other Financing Sources | | | | |
| Insurance recoveries | - | 26,000 | 74,442 | 48,442 |
| Total other financing sources | - | 26,000 | 74,442 | 48,442 |
| Net change in fund balances | \$ (2,257,419) | \$ (1,821,419) | 1,606,365 | \$ 3,427,784 |
| Fund Balances | | | | |
| Beginning of year | | | 11,945,854 | |
| End of year | | | \$ 13,552,219 | |

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Description of Funds:

Major Governmental Funds:

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

Capital Improvement Fund - This fund is used to account for the accumulation of resources to be used for future capital improvements.

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

2. Receivables/Payables

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables/Payables (Continued)

Amounts included in accounts payable include expenses incurred in 2023 but not paid until 2024 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 \$203,860 at December 31, 2023, 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 |

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.

**SouthWest Transit
Eden Prairie, Minnesota
Notes to Basic 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)

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 assets 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 assets 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 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 Basic 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 Basic 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 35-40% 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 Annual Comprehensive Financial Report.

The unassigned General Fund balance at December 31, 2023, is approximately 93% of the 2023 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 35% to 40% of the annual operating budget.

**SouthWest Transit
Eden Prairie, Minnesota
Notes to Basic 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information (Continued)

In 2023, the SWT Commission adopted annual budgets for the following funds:

- ◆ General Fund
- ◆ SWS Development Capital Projects Fund
- ◆ Capital Improvement Fund

The original 2023 budget was adopted by the SWT Commission on December 15, 2022. 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 2023 was \$1,531,923, before insurance recoveries.

Appropriation control is managed for all SWT annual adopted budgets.

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: 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, 2023, 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 | \$ | 631,322 |
| Savings | | 3,395,178 |
| Certificates of deposit | | 4,550,000 |
| Total deposits | \$ | <u><u>8,576,500</u></u> |

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.

SouthWest Transit
Eden Prairie, Minnesota
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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. SWT's investments in FHLB, FHLMC, and FAMC exceeded 5% of the total investments.

Custodial Credit Risk - Investments: 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.

| | Total | Investment Maturities | | Credit Rating |
|--------------------------|----------------------|-----------------------|---------------------|---------------|
| | | Less Than One Year | 3-5 Years | |
| CD | \$ 3,401,434 | \$ 2,486,942 | \$ 914,492 | N/A |
| Money Market Mutual Fund | 7965 | 7965 | - | |
| US Treasury | 278,179 | 278,179 | - | Aaa |
| US Gov. Bond | 5,931,289 | 3,932,679 | 1,998,610 | Aaa |
| Municipal Bond | 2,640,713 | 1,788,443 | 852,270 | A3 |
| Total | \$ 12,259,580 | \$ 8,494,208 | \$ 3,765,372 | |

SWT has the following recurring fair value measurements as of December 31, 2023:

- ◆ \$278,179 of investments are valued using quoted market prices (Level 1 inputs).
- ◆ \$11,981,401 of investments are valued using a matrix pricing model (Level 2 inputs).

The following is a summary of total deposits and investments:

| | |
|---------------------------------------|-----------------------------|
| Deposits | \$ 8,576,500 |
| Investments | 12,259,580 |
| Petty cash | <u>600</u> |
| Total deposits and investments | <u>\$ 20,836,680</u> |

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits and investments are presented in the December 31, 2023, basic financial statements as follows:

| | |
|---------------------------|----------------------|
| Statement of Net Position | |
| Cash and investments | <u>\$ 20,836,680</u> |

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|-------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 2,454,654 | \$ - | \$ - | \$ 2,454,654 |
| Construction in progress | - | 1,203,180 | - | 1,203,180 |
| Total capital assets not being depreciated | <u>2,454,654</u> | <u>1,203,180</u> | <u>-</u> | <u>3,657,834</u> |
| Capital assets being depreciated | | | | |
| Land improvements | 1,458,029 | - | - | 1,458,029 |
| Buildings and facilities | 20,419,214 | 386,539 | - | 20,805,753 |
| Transit hub facilities | 94,177 | - | (94,177) | - |
| Bus equipment | 517,968 | 219,170 | - | 737,138 |
| Park and ride facilities | 37,599,559 | - | (97,733) | 37,501,826 |
| Equipment and software | 2,848,250 | 423,271 | (358,085) | 2,913,436 |
| Vehicles | 1,443,705 | 258,699 | (28,000) | 1,674,404 |
| Furniture | 87,974 | 10,350 | - | 98,324 |
| Total capital assets being depreciated | <u>64,468,876</u> | <u>1,298,029</u> | <u>(577,995)</u> | <u>65,188,910</u> |
| Total capital assets, cost | 66,923,530 | 2,501,209 | (577,995) | 68,846,744 |
| Less accumulated depreciation for | | | | |
| Land improvements | 1,044,350 | 81,108 | - | 1,125,458 |
| Buildings and facilities | 5,716,992 | 765,595 | - | 6,482,587 |
| Transit hub facilities | 94,177 | - | (94,177) | - |
| Bus equipment | 372,569 | 38,686 | - | 411,255 |
| Park and ride facilities | 14,406,741 | 1,071,145 | (97,733) | 15,380,153 |
| Equipment and software | 1,934,824 | 304,412 | (358,085) | 1,881,151 |
| Vehicles | 808,340 | 212,914 | (25,684) | 995,570 |
| Furniture | 52,346 | 11,902 | - | 64,248 |
| Total accumulated depreciation | <u>24,430,339</u> | <u>2,485,762</u> | <u>(575,679)</u> | <u>26,340,422</u> |
| Total capital assets being depreciated, net | <u>40,038,537</u> | <u>(1,187,733)</u> | <u>(2,316)</u> | <u>38,848,488</u> |
| Governmental activities capital assets, net | <u>\$ 42,493,191</u> | <u>\$ 15,447</u> | <u>\$ (2,316)</u> | <u>\$ 42,506,322</u> |

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

NOTE 3 - CAPITAL ASSETS (CONTINUED)

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

| | |
|--|----------------------------|
| Governmental activities | |
| Buildings and grounds | \$ 1,917,848 |
| Operations and vehicle maintenance | 556,012 |
| General government | <u>11,902</u> |
| Total depreciation expense - governmental activities | <u><u>\$ 2,485,762</u></u> |

Capital asset activity by program/function for the year ended December 31, 2023, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------------|-------------------------|--------------------------|-----------------------------|
| Governmental activities | | | | |
| Capital assets, cost | | | | |
| Buildings and grounds | \$ 62,683,381 | \$ 1,589,719 | \$ (191,910) | \$ 64,081,190 |
| Operations and vehicle maintenance | 4,024,986 | 901,140 | (386,085) | 4,540,041 |
| General government | 215,163 | 10,350 | - | 225,513 |
| Total capital assets, cost | <u>66,923,530</u> | <u>2,501,209</u> | <u>(577,995)</u> | <u>68,846,744</u> |
| Less accumulated depreciation for | | | | |
| Buildings and grounds | 21,831,105 | 1,917,848 | (191,910) | 23,557,043 |
| Operations and vehicle maintenance | 2,443,383 | 556,012 | (383,769) | 2,615,626 |
| General government | 155,851 | 11,902 | - | 167,753 |
| Total accumulated depreciation | <u>24,430,339</u> | <u>2,485,762</u> | <u>(575,679)</u> | <u>26,340,422</u> |
| Governmental activities, capital assets, net | <u><u>\$ 42,493,191</u></u> | <u><u>\$ 15,447</u></u> | <u><u>\$ (2,316)</u></u> | <u><u>\$ 42,506,322</u></u> |

SWT's 81 transit service buses and 11 retired buses being held for contingency are owned by the MC and thus are not reflected in SWT's assets.

NOTE 4 - 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 Basic Financial Statements**

NOTE 4 - FUND BALANCE (CONTINUED)

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

| | General Fund | Capital Improvement | SWS Development Capital | Total |
|----------------------|----------------------|------------------------|-------------------------------|----------------------|
| Nonspendable | | | | |
| Inventory | \$ 203,860 | \$ - | \$ - | \$ 203,860 |
| Prepaid items | 135,869 | - | - | 135,869 |
| Total nonspendable | <u>339,729</u> | <u>-</u> | <u>-</u> | <u>339,729</u> |
| Assigned to | | | | |
| Future SWT site | - | - | 6,067,948 | 6,067,948 |
| Capital improvements | - | 1,576,243 | - | 1,576,243 |
| Total assigned | <u>-</u> | <u>1,576,243</u> | <u>6,067,948</u> | <u>7,644,191</u> |
| Unassigned | <u>13,212,490</u> | <u>-</u> | <u>-</u> | <u>13,212,490</u> |
| Total fund balance | <u>\$ 13,552,219</u> | <u>\$ 1,576,243</u> | <u>\$ 6,067,948</u> | <u>\$ 21,196,410</u> |

NOTE 5 - LONG-TERM DEBT

A. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------|----------------------|------------|------------|-------------------|------------------------|
| Governmental activities | | | | | |
| Compensated absences | \$ 208,288 | \$ 164,614 | \$ 190,316 | \$ 182,586 | \$ 155,198 |

The General Fund typically liquidates the liability related to compensated absences.

NOTE 6 - 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.

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

NOTE 6 - RISK MANAGEMENT (CONTINUED)

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, 2023, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 7 - 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.

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

NOTE 7 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and 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, 2023, were \$208,449. 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, 2023, SWT reported a liability of \$1,918,018 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 \$52,805. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. SWT's proportionate share was 0.0343% at the end of the measurement period and 0.0337% for the beginning of the period.

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

NOTE 7 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs (Continued)

| | |
|---|----------------------------|
| SWT's proportionate share of the net pension liability | \$ 1,918,018 |
| State of Minnesota's proportionate share of the net pension liability associated with SWT | <u>52,805</u> |
| Total | <u><u>\$ 1,970,823</u></u> |

For the year ended December 31, 2023, SWT recognized pension expense of \$306,674 for its proportionate share of General Employees Plan's pension expense. Included in the amount, SWT recognized \$237 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

The General Fund typically liquidates the liability related to pensions.

At December 31, 2023, SWT reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 62,725 | \$ 10,786 |
| Changes in actuarial assumptions | 255,528 | 525,713 |
| Net difference between projected and actual investment earnings | 41,036 | - |
| Changes in proportion | 157,348 | 79,440 |
| Contributions paid to PERA subsequent to the measurement date | <u>104,225</u> | <u>-</u> |
| Total | <u><u>\$ 620,862</u></u> | <u><u>\$ 615,939</u></u> |

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

NOTE 7 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The \$104,225 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, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Pension Expense Amount |
|-----------------------------|------------------------------|
| 2024 | \$ 45,657 |
| 2025 | (155,716) |
| 2026 | 52,365 |
| 2027 | (41,608) |
| Total | \$ (99,302) |

E. Long-Term Expected Return on Investment

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic equity | 33.5 % | 5.10 % |
| International equity | 16.5 | 5.30 |
| Fixed income | 25.0 | 0.75 |
| Private markets | 25.0 | 5.90 |
| Total | 100.0 % | |

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

NOTE 7 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

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

Inflation is assumed to be 2.25% for the General Employees Plan increases after retirement are assumed to be 1.25% for the General Employees Plan. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

NOTE 7 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Discount Rate

The discount rate used for the General Employees Plan used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents 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 (6.0%) | Current Discount Rate (7.0%) | 1% Increase in Discount Rate (8.0%) |
|---|---|------------------------------------|---|
| SWT's proportionate share of the General Employees Fund net pension liability | \$ 3,393,127 | \$ 1,918,018 | \$ 704,684 |

I. Pension Plan Fiduciary Net Position

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

NOTE 8 - 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.

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.

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

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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 2023, SWT contributed \$3,702 to the plan.

D. Members

As of January 1, 2022, 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 | 31 |
| Total | 31 |

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, 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 | 2.00% |
| Salary increases | Service graded 3.00-10.25% |
| Inflation | 2.00% |
| Healthcare cost trend increases | 6.25% as of January 1, 2023, grading to 5.00% over 6 years and then to 4.00% over the next 48 years |
| Mortality assumption | Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale. |

The actuarial assumptions used in the January 1, 2022, valuation was based on the results of the four-year experience study for the PERA of MN General Employees Plan completed in 2019.

The discount rate used to measure the total OPEB liability was 2.00% based on 20-year municipal bond rates.

F. Total OPEB Liability

SWT's total OPEB liability of \$174,233 was measured as of January 1, 2023, and was determined by an actuarial valuation as of January 1, 2022.

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

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

| | Total OPEB Liability |
|-----------------------------|-------------------------|
| Balances at January 1, 2022 | \$ 156,041 |
| Changes for the year | |
| Service cost | 15,931 |
| Interest | 3,428 |
| Benefit payments | (1,167) |
| Net changes | 18,192 |
| Balances at January 1, 2023 | \$ 174,233 |

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 2.00% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

| Total OPEB Liability | | |
|--|-------------------------------------|--|
| 1% Decrease in Discount Rate (1.00%) | Current Discount Rate (2.00%) | 1% Increase in Discount Rate (3.00%) |
| \$ 193,114 | \$ 174,233 | \$ 156,563 |

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

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

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 in Trend Rate (5.25% decreasing to 4.0% then 3.0%) | Current Trend Rate (6.25% decreasing to 5.0% then 4.0%) | 1% Increase in Trend Rate (7.25% decreasing to 6.0% then 5.0%) |
| \$ 143,629 | \$ 174,233 | \$ 213,567 |

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

For the year ended December 31, 2023, SWT recognized OPEB expense of \$19,957. At December 31, 2023, 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 |
|---|--------------------------------------|-------------------------------------|
| Liability losses | \$ 4,248 | \$ - |
| Liability gains | - | 1,320 |
| Changes in actuarial assumptions | 3,962 | 3,151 |
| Contributions paid subsequent to the measurement date | 3,702 | - |
| Total | \$ 11,912 | \$ 4,471 |

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

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

The \$3,702 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, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31, | OPEB Expense Amount |
|-----------------------------|------------------------|
| 2024 | \$ 598 |
| 2025 | 598 |
| 2026 | 598 |
| 2027 | 598 |
| 2028 | 595 |
| Thereafter | 752 |
| Total | \$ 3,739 |

NOTE 9 - 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, 2024. The average annual cost of the contract is \$4,500,000.



REQUIRED SUPPLEMENTARY INFORMATION

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

| | December 31, 2023 | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 15,931 | \$ 15,467 | \$ 15,325 | \$ 14,879 |
| Interest | 3,428 | 4,377 | 3,925 | 3,851 |
| Changes of assumptions | - | 5,096 | - | (5,675) |
| Differences between expected and actual experience | - | (1,698) | - | 7,652 |
| Benefit payments | (1,167) | (5,282) | (2,359) | (2,664) |
| Net change in total OPEB liability | <u>18,192</u> | <u>17,960</u> | <u>16,891</u> | <u>18,043</u> |
| Beginning of year | <u>156,041</u> | <u>138,081</u> | <u>121,190</u> | <u>103,147</u> |
| End of year | <u>\$ 174,233</u> | <u>\$ 156,041</u> | <u>\$ 138,081</u> | <u>\$ 121,190</u> |
| Covered-employee payroll | \$ 2,338,211 | \$ 2,270,108 | \$ 2,334,020 | \$ 2,266,039 |
| Total OPEB liability as a percentage of covered-employee payroll | 7.5% | 6.9% | 5.9% | 5.3% |

Note 1: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Note 2: There are no assets related to the total OPEB liability accumulated in a trust.

| December 31, 2019 | December 31, 2018 |
|----------------------|----------------------|
| \$ 9,949 | \$ 9,659 |
| 3,311 | 2,903 |
| - | - |
| - | - |
| (984) | - |
| <u>12,276</u> | <u>12,562</u> |
| <u>90,871</u> | <u>78,309</u> |
| <u>\$ 103,147</u> | <u>\$ 90,871</u> |
| \$ 1,790,511 | \$ 1,738,360 |
| 5.8% | 5.2% |

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 |
|--------------------------|---|---|---|---|-----------------------|---|--|
| 2023 | 0.0343% | \$ 1,918,018 | \$ 52,805 | \$ 1,970,823 | \$ 2,725,147 | 70.38% | 83.10% |
| 2022 | 0.0337% | 2,669,051 | 78,276 | 2,747,327 | 2,524,960 | 105.71% | 76.67% |
| 2021 | 0.0280% | 1,195,725 | 36,445 | 1,232,170 | 2,014,867 | 59.35% | 87.00% |
| 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 |
|---------------------------------|-----------------------------------|---|----------------------------------|-----------------------|--|
| 2023 | \$ 208,449 | \$ 208,449 | \$ - | \$ 2,779,320 | 7.50% |
| 2022 | 201,971 | 201,971 | - | 2,692,947 | 7.50% |
| 2021 | 175,310 | 175,310 | - | 2,337,467 | 7.50% |
| 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

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- ◆ The price inflation assumption was decreased from 2.5% to 2.25%.
- ◆ The payroll growth assumption was decreased from 3.25% to 3.0%.
- ◆ Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- ◆ Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- ◆ Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- ◆ Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- ◆ The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- ◆ The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

SouthWest Transit
Eden Prairie, Minnesota
Notes to Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- ◆ Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- ◆ Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- ◆ Contribution stabilizer provisions were repealed.
- ◆ Annual 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.

SouthWest Transit
Eden Prairie, Minnesota
Notes to Required Supplementary Information

General Employees Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- ◆ The assumed 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.

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.

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

Post Employment Health Care Plan

2023 Changes

None

2022 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 Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.
- ◆ The salary increase rates were updated to reflect the latest experience study.
- ◆ The retirement and withdrawal rates were updated to reflect the latest experience study.
- ◆ The inflation rate was changed from 2.50% to 2.00%.
- ◆ The discount rate was changed from 2.90% to 2.00%.

2021 Changes

None

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

INDIVIDUAL FUND SCHEDULES

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, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Over (Under)</u> |
|-----------------------------|-------------------------|---------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Investment income | \$ 45,000 | \$ 143,981 | \$ 226,860 | \$ 82,879 |
| Expenditures | | | | |
| Current | | | | |
| General government | - | - | 2,521 | 2,521 |
| Buildings and grounds | - | - | 357,186 | 357,186 |
| Capital outlay | | | | |
| Buildings and grounds | 6,000,000 | 442,029 | - | (442,029) |
| Total expenditures | <u>6,000,000</u> | <u>442,029</u> | <u>359,707</u> | <u>(82,322)</u> |
| Net change in fund balances | <u>\$ (5,955,000)</u> | <u>\$ (298,048)</u> | (132,847) | <u>\$ 165,201</u> |
| Fund Balances | | | | |
| Beginning of year | | | <u>6,200,795</u> | |
| End of year | | | <u>\$ 6,067,948</u> | |

SouthWest Transit
Eden Prairie, Minnesota
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual -
Capital Improvement Fund
Year Ended December 31, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Over (under)</u> |
|-----------------------------|-------------------------|-----------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Investment income | \$ - | \$ - | \$ 98,522 | \$ 98,522 |
| Expenditures | | | | |
| Current | | | | |
| General government | \$ - | \$ - | \$ 1,093 | \$ 1,093 |
| Capital outlay | | | | |
| Buildings and grounds | <u>2,000,000</u> | <u>2,000,000</u> | <u>1,214,105</u> | <u>(785,895)</u> |
| Total expenditures | <u>2,000,000</u> | <u>2,000,000</u> | <u>1,215,198</u> | <u>(784,802)</u> |
| Net change in fund balances | <u>\$ (2,000,000)</u> | <u>\$ (2,000,000)</u> | (1,116,676) | <u>\$ 883,324</u> |
| Fund Balances | | | | |
| Beginning of year | | | <u>2,692,919</u> | |
| End of year | | | <u>\$ 1,576,243</u> | |



STATISTICAL SECTION



**Southwest Transit
Eden Prairie, Minnesota
Statistical Section
December 31, 2023
(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 | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Governmental activities | | | | |
| Net investment in capital assets | \$ 43,664,850 | \$ 42,534,479 | \$ 41,053,400 | \$ 39,786,943 |
| Unrestricted | 12,221,765 | 12,353,477 | 12,140,778 | 11,394,094 |
| | | | | |
| Total governmental activities net position | <u>\$ 55,886,615</u> | <u>\$ 54,887,956</u> | <u>\$ 53,194,178</u> | <u>\$ 51,181,037</u> |

Source: SouthWest Transit financial records

Table 1

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
| \$ 36,159,064 | \$ 37,865,385 | \$ 42,749,889 | \$ 41,622,253 | \$ 42,493,191 | \$ 42,506,322 |
| <u>19,147,699</u> | <u>17,537,813</u> | <u>14,221,225</u> | <u>17,601,173</u> | <u>18,665,636</u> | <u>18,933,937</u> |
| <u>\$ 55,306,763</u> | <u>\$ 55,403,198</u> | <u>\$ 56,971,114</u> | <u>\$ 59,223,426</u> | <u>\$ 61,158,827</u> | <u>\$ 61,440,259</u> |

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

| | Fiscal Year | | | |
|--|-----------------------|-----------------------|------------------------|------------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | |
| Governmental activities | | | | |
| General government | \$ 1,029,036 | \$ 1,142,604 | \$ 1,389,838 | \$ 1,367,574 |
| Buildings and grounds | 3,357,869 | 3,820,148 | 3,384,282 | 3,324,420 |
| Operations and vehicle maintenance | 7,809,487 | 8,684,285 | 8,814,286 | 8,886,714 |
| Interest on long-term debt | 55,437 | 86,967 | 112,107 | 102,025 |
| Total governmental activities | <u>\$ 12,251,829</u> | <u>\$ 13,734,004</u> | <u>\$ 13,700,513</u> | <u>\$ 13,680,733</u> |
| Program Revenues | | | | |
| Governmental activities | | | | |
| Charges for services | | | | |
| Passenger fares | \$ 2,658,560 | \$ 2,773,727 | \$ 2,925,131 | \$ 2,882,098 |
| Other | 186,279 | 191,288 | 206,281 | 198,029 |
| Operating grants and contributions | - | 165,699 | 192,189 | 200,232 |
| Capital grants and contributions | 323,279 | 1,075,156 | 363,910 | 359,597 |
| Total governmental activities program revenues | <u>\$ 3,168,118</u> | <u>\$ 4,205,870</u> | <u>\$ 3,687,511</u> | <u>\$ 3,639,956</u> |
| Net Expense | | | | |
| Governmental activities | <u>\$ (9,083,711)</u> | <u>\$ (9,528,134)</u> | <u>\$ (10,013,002)</u> | <u>\$ (10,040,777)</u> |
| General Revenue and Other | | | | |
| Changes in Net Position | | | | |
| Governmental activities | | | | |
| Unrestricted intergovernmental revenue | \$ 8,917,732 | \$ 9,157,043 | \$ 7,572,940 | \$ 7,176,758 |
| Unrestricted investment earnings | 37,439 | 52,429 | 67,929 | 79,229 |
| Other local revenue | 335,206 | 412,002 | 549,450 | 271,649 |
| Gain on sale of assets | - | - | - | 500,000 |
| Special item ⁽¹⁾ | - | - | 128,905 | - |
| Total governmental activities | <u>\$ 9,290,377</u> | <u>\$ 9,621,474</u> | <u>\$ 8,319,224</u> | <u>\$ 8,027,636</u> |
| Changes in Net Position | | | | |
| Governmental activities | <u>\$ 206,666</u> | <u>\$ 93,340</u> | <u>\$ (1,693,778)</u> | <u>\$ (2,013,141)</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 | | | | | |
|-----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$ 1,388,065 | \$ 1,502,977 | \$ 1,264,361 | \$ 1,448,347 | \$ 1,921,484 | \$ 1,848,085 |
| 2,788,130 | 3,085,454 | 3,509,492 | 4,011,617 | 4,698,216 | 4,921,590 |
| 9,117,140 | 9,148,674 | 6,705,248 | 6,610,863 | 9,522,892 | 9,186,148 |
| 89,909 | 90,677 | 398,046 | - | - | - |
| <u>\$ 13,383,244</u> | <u>\$ 13,827,782</u> | <u>\$ 11,877,147</u> | <u>\$ 12,070,827</u> | <u>\$ 16,142,592</u> | <u>\$ 15,955,823</u> |
| | | | | | |
| \$ 3,076,921 | \$ 2,988,229 | \$ 673,042 | \$ 521,820 | \$ 1,086,423 | \$ 1,391,602 |
| 172,791 | 457,028 | 165,286 | 4,018 | 10,127 | 13,403 |
| 61,467 | 64,077 | 229,706 | 405,110 | 1,038,413 | 1,359,910 |
| 364,970 | 498,315 | 557,421 | 55,507 | - | - |
| <u>\$ 3,676,149</u> | <u>\$ 4,007,649</u> | <u>\$ 1,625,455</u> | <u>\$ 986,455</u> | <u>\$ 2,134,963</u> | <u>\$ 2,764,915</u> |
| | | | | | |
| <u>\$ (9,707,095)</u> | <u>\$ (9,820,133)</u> | <u>\$ (10,251,692)</u> | <u>\$ (11,084,372)</u> | <u>\$ (14,007,629)</u> | <u>\$ (13,190,908)</u> |
| | | | | | |
| \$ 9,440,234 | \$ 9,206,794 | \$ 11,468,101 | \$ 12,809,469 | \$ 14,520,788 | \$ 12,427,772 |
| 103,002 | 344,415 | 234,567 | 69,342 | 139,334 | 762,433 |
| 275,171 | 365,359 | 116,940 | 457,873 | 1,282,908 | 282,135 |
| 4,092,723 | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 13,911,130</u> | <u>\$ 9,916,568</u> | <u>\$ 11,819,608</u> | <u>\$ 13,336,684</u> | <u>\$ 15,943,030</u> | <u>\$ 13,472,340</u> |
| | | | | | |
| <u>\$ 4,204,035</u> | <u>\$ 96,435</u> | <u>\$ 1,567,916</u> | <u>\$ 2,252,312</u> | <u>\$ 1,935,401</u> | <u>\$ 281,432</u> |

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

| | Fiscal Year | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 |
| General Fund | | | | |
| Nonspendable | \$ 545,375 | \$ 558,332 | \$ 618,318 | \$ 659,265 |
| Unassigned | 2,893,152 | 4,153,836 | 4,043,568 | 2,923,805 |
| Total general fund | <u>\$ 3,438,527</u> | <u>\$ 4,712,168</u> | <u>\$ 4,661,886</u> | <u>\$ 3,583,070</u> |
| All Other Governmental Funds | | | | |
| Restricted | \$ 21,000 | \$ 205,810 | \$ - | \$ - |
| Committed | 59,814 | 207,137 | 310,313 | 310,672 |
| Assigned | 4,646,408 | 4,651,602 | 4,764,998 | 5,511,917 |
| Total all other governmental funds | <u>\$ 4,727,222</u> | <u>\$ 5,064,549</u> | <u>\$ 5,075,311</u> | <u>\$ 5,822,589</u> |

Source: SouthWest Transit financial records

Table 3

| Fiscal Year | | | | | |
|----------------------|----------------------|---------------------|----------------------|----------------------|----------------------|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$ 463,172 | \$ 463,189 | \$ 362,166 | \$ 382,725 | \$ 393,297 | \$ 339,729 |
| 3,827,438 | 3,914,830 | 7,160,492 | 8,511,349 | 11,552,557 | 13,212,490 |
| <u>\$ 4,290,610</u> | <u>\$ 4,378,019</u> | <u>\$ 7,522,658</u> | <u>\$ 8,894,074</u> | <u>\$ 11,945,854</u> | <u>\$ 13,552,219</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 310,842 | 26,229 | 15,308 | - | - | - |
| 12,957,209 | 11,851,187 | 8,916,821 | 10,734,271 | 8,893,714 | 7,644,191 |
| <u>\$ 13,268,051</u> | <u>\$ 11,877,416</u> | <u>\$ 8,932,129</u> | <u>\$ 10,734,271</u> | <u>\$ 8,893,714</u> | <u>\$ 7,644,191</u> |

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

| | Fiscal Year | | | |
|---|-------------------|---------------------|--------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Revenues | | | | |
| Intergovernmental - Federal | \$ 44,644 | \$ - | \$ - | \$ 6,588 |
| Intergovernmental - State | 9,196,367 | 10,232,199 | 7,945,496 | 7,647,582 |
| Intergovernmental - Other | - | 165,699 | 192,189 | 81,663 |
| Passenger fares | 2,658,560 | 2,653,727 | 2,745,131 | 2,882,098 |
| Charges for services | 219,420 | 297,047 | 421,812 | 218,322 |
| Investment income | 37,439 | 52,429 | 67,929 | 79,229 |
| Special assessments | - | - | - | - |
| Other interest income | 121,494 | 191,288 | 169,680 | 178,639 |
| Loan repayment | 65,782 | 136,208 | 142,643 | 149,382 |
| Other local revenue | 180,571 | 234,955 | 335,593 | 72,717 |
| Total revenues | <u>12,524,277</u> | <u>13,963,552</u> | <u>12,020,473</u> | <u>11,316,220</u> |
| Expenditures | | | | |
| General government | 1,062,048 | 1,111,870 | 1,335,762 | 1,251,675 |
| Buildings and grounds | 1,611,040 | 1,185,920 | 1,448,470 | 1,150,399 |
| Operations and vehicle maintenance | 7,330,382 | 7,769,069 | 8,062,484 | 8,369,959 |
| Capital outlay | 1,812,267 | 4,369,745 | 896,449 | 925,281 |
| Debt service | | | | |
| Principal | 146,319 | 261,995 | 371,679 | 424,594 |
| Interest and agency fees | 49,977 | 73,386 | 114,047 | 104,209 |
| Total expenditures | <u>12,012,033</u> | <u>14,771,985</u> | <u>12,228,891</u> | <u>12,226,117</u> |
| Excess of revenues over (under) expenditures | 512,244 | (808,433) | (208,418) | (909,897) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 146,319 | 228,757 | 499,486 | 324,570 |
| Transfers out | (146,319) | (228,757) | (499,486) | (324,570) |
| Sale of property | 475,000 | - | - | 500,000 |
| Insurance recoveries | - | - | 39,993 | 78,359 |
| Issuance of lease | - | 2,419,401 | - | - |
| Proceeds from certificate of participation | - | - | - | - |
| Total other financing sources (uses) | <u>475,000</u> | <u>2,419,401</u> | <u>39,993</u> | <u>578,359</u> |
| Special item - net revenue from special services | - | - | 128,905 | - |
| Net change in fund balances | <u>\$ 987,244</u> | <u>\$ 1,610,968</u> | <u>\$ (39,520)</u> | <u>\$ (331,538)</u> |
| Debt service as a percent of noncapital expenditures | 1.8% | 2.8% | 4.1% | 4.4% |

Note 1 - Source: SouthWest Transit financial records

Note 2 - Debt service as a percent of noncapital expenditures increased significantly in 2020 due to early payoff of long-term debt.

Table 4

| | | Fiscal Year | | | | | |
|----|-------------------|-----------------------|-------------------|---------------------|---------------------|-------------------|------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$ | 49,650 | \$ 46,350 | \$ 2,526,886 | \$ 2,092,974 | \$ 3,482,211 | \$ 198,106 | |
| | 9,742,243 | 9,654,653 | 9,681,615 | 11,117,667 | 11,990,974 | 13,494,448 | |
| | 72,947 | 75,112 | 41,373 | 56,504 | 74,320 | 94,891 | |
| | 3,065,441 | 2,977,194 | 673,042 | 521,820 | 1,086,423 | 1,391,602 | |
| | 224,337 | 267,587 | 114,525 | 216,340 | 158,318 | 151,118 | |
| | 103,002 | 344,415 | 234,567 | 69,342 | 139,334 | 762,433 | |
| | - | - | - | - | - | - | |
| | 171,583 | 164,190 | 165,286 | - | - | - | |
| | 156,438 | 163,830 | 3,460,718 | - | - | - | |
| | 52,042 | 390,610 | 2,415 | 71,227 | 564,367 | 69,978 | |
| | <u>13,637,683</u> | <u>14,083,941</u> | <u>16,900,427</u> | <u>14,145,874</u> | <u>17,495,947</u> | <u>16,162,576</u> | |
| | 1,392,045 | 1,436,835 | 1,259,156 | 1,481,578 | 1,865,408 | 1,789,343 | |
| | 1,234,257 | 1,239,241 | 1,264,831 | 1,286,428 | 1,586,234 | 2,194,190 | |
| | 8,922,870 | 8,824,760 | 6,179,344 | 6,371,728 | 7,971,563 | 8,647,768 | |
| | 1,090,553 | 2,247,926 | 6,358,923 | 2,006,906 | 5,431,869 | 3,248,875 | |
| | 371,984 | 1,596,577 | 6,838,618 | - | - | - | |
| | 92,243 | 102,421 | 406,666 | - | - | - | |
| | <u>13,103,952</u> | <u>15,447,760</u> | <u>22,307,538</u> | <u>11,146,640</u> | <u>16,855,074</u> | <u>15,880,176</u> | |
| | 533,731 | (1,363,819) | (5,407,111) | 2,999,234 | 640,873 | 282,400 | |
| | 422,330 | 4,189,489 | 6,196,817 | 4,897,009 | - | - | |
| | (422,330) | (4,189,489) | (6,196,817) | (4,897,009) | - | - | |
| | 7,500,000 | - | - | - | - | - | |
| | 119,271 | 60,593 | 106,463 | 174,324 | 570,350 | 74,442 | |
| | - | - | 5,500,000 | - | - | - | |
| | - | - | - | - | - | - | |
| | <u>7,619,271</u> | <u>60,593</u> | <u>5,606,463</u> | <u>174,324</u> | <u>570,350</u> | <u>74,442</u> | |
| | - | - | - | - | - | - | |
| \$ | <u>8,153,002</u> | <u>\$ (1,303,226)</u> | <u>\$ 199,352</u> | <u>\$ 3,173,558</u> | <u>\$ 1,211,223</u> | <u>\$ 356,842</u> | |
| | 3.9% | 12.6% | 43.5% | 0.0% | 0.0% | 0.0% | |

**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 ⁽²⁾ | Per Capita ⁽¹⁾ |
|------|--------------------------------|--------------------------------|--------------|--------------------------------|--|------------------------------|
| | General Obligation Bonds | Special Assessment Bonds | Leases | | | |
| 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 | - | - | - | - | * | - |
| 2021 | - | - | - | - | * | - |
| 2022 | - | - | - | - | * | - |
| 2023 | - | - | - | - | * | - |

* Data is not available

⁽¹⁾ See Demographic and Economic Statistics Population

⁽²⁾ 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. No debt issued in 2023

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 |
|------|------------|--------------------|----------------------------------|--------------------|----------------------|
| 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 | 118,588 | * | * | 14,528 | 3.8% |
| 2021 | 118,400 | * | * | 14,234 | 2.5% |
| 2022 | 118,310 | * | * | 14,435 | 2.5% |
| 2023 | 118,310 | * | * | 14,435 | (1) 1.9% |

* Data is not available

⁽¹⁾ 2023 data not available, using 2022 data (estimate)

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

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

Table 7

| Employer | 2023 | | | 2014 | | |
|--------------------------------------|---------------|----------|-------------------------------------|--------------------------|------|--|
| | Employees | (2) Rank | Percentage of Total Area Employment | ⁽¹⁾ Employees | Rank | Percentage of Total Area Employment ⁽¹⁾ |
| Optum, Inc. | 3,312 | 1 | 17.0% | 4,000 | 1 | 26.7% |
| Eden Prairie Mall | 2,329 | 2 | 12.0% | * | * | * |
| Eden Prairie School District No. 272 | 2,329 | 3 | 12.0% | 1,500 | 4 | 10.0% |
| CH Robinson | 2,200 | 4 | 11.3% | 1,517 | 3 | 10.1% |
| United Natural Foods, Inc. | 2,000 | 5 | 10.3% | * | * | * |
| Chaska School District No. 112 | 1,567 | 6 | 8.1% | 1,100 | 6 | 7.3% |
| Starkey Hearing Technologies | 1,500 | 7 | 7.7% | 1,440 | 5 | 9.6% |
| Emerson Process/Rosemount Inc. | 1,500 | 8 | 7.7% | 1,667 | 2 | 11.1% |
| Tennant Company | 1,500 | 9 | 7.7% | * | * | * |
| Element Fleet Management | 1,200 | 10 | 6.2% | * | * | * |
| Lifetime Fitness | * | | * | 899 | 9 | 6.0% |
| Instand Web Companies | * | | * | 1,043 | 7 | 7.0% |
| Cigna | * | | * | 950 | 8 | 6.3% |
| FSI International | * | | * | 850 | 10 | 5.7% |
| Total Principal Employees | 19,437 | | 100.0% | 14,966 | | 100.0% |

Note: 2023 estimated and includes the most recent information available from the three cities in the SWT service area.

Source: 2022 Annual Report of the member cities of Eden Prairie, Chanhassen and Chaska.

⁽¹⁾ Total for cities employment is not available, therefore the percentage represents the percentage of the top ten listed

⁽²⁾ Combined all three cities.

* 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 | | | | | | | | | |
|------------------------------------|-------------|------------|------------|------------|------------|------------|-----------|-----------|------------|-----------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| General government | | | | | | | | | | |
| Administration | 4 | 5 | 3 | 4 | 6 | 4 | 4 | 5 | 5 | 5 |
| Marketing | - | - | 1 | 1 | 1 | 3 | 1 | 1 | 2 | 2 |
| Customer service | 1 | 1 | 2 | 3 | 2 | 1 | 1 | 2 | 1 | 3 |
| Operations and vehicle maintenance | | | | | | | | | | |
| Operations | 4 | 4 | 5 | 4 | 4 | 6 | 5 | 5 | 5 | 4 |
| Vehicle maintenance | 10 | 11 | 13 | 13 | 12 | 14 | 11 | 10 | 11 | 10 |
| First transit service | 77 | 84 | 87 | 82 | 82 | 84 | 43 | 47 | 69 | 58 |
| Buildings and grounds facilities | 3 | 2 | 2 | 3 | 5 | 5 | 9 | 9 | 13 | 10 |
| Total | 99 | 107 | 113 | 110 | 112 | 117 | 74 | 79 | 106 | 92 |

* 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 | | | | | | | | | |
|------------------------------|-------------|-----------|-----------|-----------|---------|---------|---------|---------------------|-----------|-----------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 ⁽¹⁾ | 2022 | 2023 |
| System Ridership | | | | | | | | | | |
| Fixed route | 1,023,322 | 1,023,396 | 988,304 | 953,813 | 896,097 | 849,271 | 196,417 | 85,574 | 170,742 | 197,057 |
| Special events | 84,528 | 89,937 | 204,255 | 120,489 | 126,467 | 148,127 | 1,262 | 61,719 | 90,781 | 106,720 |
| Demand response | - | 12,490 | 53,531 | 74,531 | 102,511 | 108,801 | 51,999 | 62,667 | 111,539 | 142,614 |
| Vehicle Revenue Hours | | | | | | | | | | |
| Fixed route | 48,593 | 49,591 | 47,151 | 43,766 | 37,659 | 33,059 | 12,575 | 11,742 | 16,918 | 13,868 |
| Special events | 1,363 | 1,681 | 2,349 | 2,297 | 2,889 | 2,883 | 36 | 1,795 | 2,130 | 2,236 |
| Demand response | - | 4,237 | 16,076 | 24,300 | 29,509 | 34,273 | 24,389 | 26,605 | 45,589 | 56,841 |
| Vehicle Revenue Miles | | | | | | | | | | |
| Fixed route | 1,163,101 | 1,204,023 | 1,128,174 | 1,015,088 | 902,625 | 809,418 | 323,296 | 295,935 | 388,701 | 323,028 |
| Special events | 56,915 | 71,613 | 95,589 | 94,680 | 111,614 | 115,170 | 438 | 68,300 | 89,722 | 95,114 |
| Demand response | - | 68,492 | 256,719 | 376,594 | 493,507 | 579,573 | 388,890 | 577,083 | 1,098,047 | 1,392,395 |

⁽¹⁾ 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%

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

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

Table 10

| Function/Program | Fiscal Year | | | | | | | | | |
|---------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Facilities | | | | | | | | | | |
| Transit Park and Rides (Spaces) | | | | | | | | | | |
| SWT capital assets | 2,859 | 2,859 | 2,859 | 2,859 | 2,859 | 2,859 | 2,859 | 2,859 | 2,859 | 2,859 |
| SWT noncapital assets | 285 | 255 | 655 | 655 | 655 | 655 | - | - | - | - |
| Transit Passenger Stations | | | | | | | | | | |
| SWT capital assets | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 |
| Transit buses | | | | | | | | | | |
| SWT Capital Assets-DR PT** | - | 1 | 1 | 1 | 3 | 10 | 10 | 9 | 15 | 14 |
| SWT Noncapital Assets-MB PT* | 65 | 74 | 74 | 68 | 64 | 64 | 64 | 68 | 67 | 60 |
| SWT Noncapital Assets-DR PT** | - | - | 11 | 13 | 13 | 14 | 13 | 13 | 14 | 14 |

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

National Transit Database (NTD) Bus Modes:

MB PT*- Motor Bus Purchase Transit

DR PT**- Demand Response Purchase Transit

Source: SouthWest Transit facilities records

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

Table 11

**Farebox Recovery Percentage
Last Ten Fiscal Years**

| Year | Percentage |
|------------|------------|
| 2014 | 27.10% |
| 2015 | 28.34% |
| 2016 | 29.57% |
| 2017 | 27.55% |
| 2018 | 26.10% |
| 2019 | 25.95% |
| 2020 | 7.80%* |
| 2021 | 5.72% |
| 2022 | 7.30% |
| 2023 | 9.70% |

*Due to COVID-19 Pandemic, SWT’s farebox recovery is still significantly impacted.

Definition: Service revenues divided by operating expenditures.

Fare Structures as of December 31, 2023

Express Route - Motor Buses (MB)

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

SW Prime - Demand Response (DR)

| Fares | **Peak Hours | Nonpeak Hours |
|------------------------------|--------------|---------------|
| Adults | \$5.00 | \$5.00 |
| Youth (ages 6 to 12) | 5.00 | 5.00 |
| *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, 2023
(Unaudited)

Table 12

| | |
|---|--|
| 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 | 118,310 |
| Type of tax support | Motor Vehicle Sales Tax |
| Sales tax rate | 7.53% |
| Number of routes | 3 |
| Number of transfer stations | 4 |
| Number of Park & Ride Lots | 4 |
| Number of motor buses in peak service | 15 |
| Number of demand response buses in peak service | 22 |
| Average speed in miles per hour | 21 |
| Employees | |
| Full-time | 34 |
| Part-time and seasonal | 12 |