



# Annual Comprehensive Financial Report

For the Fiscal Year Ended Decemeber 31, 2021



**SOUTHWEST TRANSIT**

Eden Prairie, Minnesota



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

**Annual Comprehensive Financial Report**  
**For the Year Ended December 31, 2021**

**Mission Statement**

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

**Prepared by:**

**Department of Finance and Administration**



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

	<u>Page Number</u>
<b>Introductory Section</b>	
Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	7
Organization Chart	8
Board of Commissioners and Key Personnel	9
<b>Financial Section</b>	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position – Governmental Activities	29
Statement of Activities	31
Fund Financial Statements	
Balance Sheet – Governmental Funds	32
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	39
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	40
Notes to Basic Financial Statements	41
Required Supplementary Information	
Schedule of Changes in Total OPEB Liability and Related Ratios	66
Schedule of SWT's Proportionate Share of Net Pension Liability – General Employees Retirement Fund	67
Schedule of SWT Contributions – General Employees Retirement Fund	67
Notes to Required Supplementary Information	68
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	78
Combining and Individual Fund Statements and Schedules: (Continued)	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – SWS Development Capital Projects Fund	82
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Eden Prairie Garage Roof Replacement Capital Projects Fund	83
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Improvement Fund	84
Schedule of Capital Projects – Budget and Actual	85

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

Page  
Number

**Statistical Section**

Net Position by Component	Table 1	90
Changes in Net Position	Table 2	92
Fund Balances of Governmental Funds	Table 3	94
Changes in Fund Balances of Governmental Funds	Table 4	96
Ratios of Outstanding Debt by Type	Table 5	98
Demographic and Economic Statistics	Table 6	99
Principal Employers	Table 7	100
Full-Time Equivalent SWT Employees by Function	Table 8	101
Operating Statistics	Table 9	102
Capital Asset Statistics by Function/Program	Table 10	103
Farebox Recovery Percentage and Fare Structure	Table 11	104
Miscellaneous Statistics	Table 12	105



April 14, 2022

Honorable Chair and Members of the Commission  
SouthWest Transit

We are pleased to respectfully submit the SouthWest Transit (SWT) Annual Comprehensive Financial Report for the year ended December 31, 2021 to the SouthWest Transit Commission, the citizens of this area and all interested in its financial condition. SWT is a public agency created by a joint powers agreement between the Cities of Eden Prairie, Chanhassen and Chaska for the purposes of providing transit services to the respective Cities and contracting to provide transit and planning services, as approved by the Commission, pursuant to *Minnesota Statutes 473.384* and/or *Minnesota Statutes 473.388* and *471.59*. This report is published to fulfill the requirements of Minnesota state law that all general purpose local governments publish annually a complete set of financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP), audited in accordance with accounting standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

SWT's financial statements were audited by BerganKDV, Ltd., a firm of licensed and certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of SWT for the year ended December 31, 2021 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and any significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on their audit, that there was a reasonable basis for rendering an unmodified opinion that SWT's financial statements for the year ended December 31, 2021 are presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

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

## **PROFILE OF THE GOVERNMENT**

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

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

SWT is committed to providing exceptional services that only meets but exceeds all expectations of those we serve.

SWT provides fixed route transit services within the three communities and connects the communities to other metropolitan destinations, including downtown Minneapolis, the University of Minnesota, the Southdale area, as well as providing reverse commute services to businesses within the three communities. SWT services are provided by a fleet of ninety (90) active vehicles (64 motor coaches, 4 low floors, and 22 small vehicles less than 30 feet). Driver services are provided by a private contractor. SWT provides the demand response known as the SW Prime service is an on-demand curb to curb shared ride service that allows riders to be picked up and dropped off anywhere in SWT's service area. The ridership demand for the SW Prime service continuing to grow. SWT expect the demand for both fixed route and demand response services continuing to return to pre pandemic levels.

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

The annual operating budget serves as the basis for SWT's financial planning and control. In 2021, the SWT Commission adopted annual budgets for General Fund, Capital Improvement Fund, EPG Roof Replacement, and SWS Development Capital Projects Funds. Departments submit their line item detailed budget requests to the Finance Department in August and the Chief Executive Officer presents the proposed budget to the Commission in October. The final budget is adopted before the next year begins, often in December of each year. Actual amounts exceeding the budgeted line items are allowed if there is corresponding revenue increase or if the total expenses for the department are within the department budgeted amount. However, the level at which management cannot overspend the budget without approval of the governing body is the fund level for all budgets. If significant changes occur after the budget is adopted, budget adjustments are proposed by SWT management and adopted by the Commission.

SWT does not have any component units to report in the 2021 financial statements.

## **ECONOMIC CONDITIONS AND OUTLOOK**

### **Operating Funds**

The General Fund accounts for all the operating activities of SWT. SWT's primary funding source is the Motor Vehicle Sales Tax (MVST). In 2006, a constitutional amendment was passed by the state legislature dedicating one hundred percent of all state motor vehicle sales tax revenue to state-wide transportation improvement with forty percent dedicated to public transportation. In 2021, SWT received \$9,045,479 from MVST in accordance with the statutory formula in *Minnesota Statutes*, Section 473.388.

The Metropolitan Council (MC) has also provide Suburban Transit Providers such as SWT with additional MVST revenues above the amount required under *Minnesota Statutes*, Section 473.388. The MVST is distributed in accordance with the Metropolitan Council's transit revenue allocation model which is intended to preserve existing operations levels at SWT and to maintain an existing reserve in SWT's General Fund. SWT received \$1,656,214 under this formula in 2021. The portion of the monies collected through MVST was allocated under a new formula beginning in 2018. The additional MVST allocation is subject to review with the Metropolitan Council whereas the statutory MVST allocation is governed by state statutes.

In March 2020, a national emergency was declared in response to the Coronavirus outbreak (COVID 19) in the United States. Requiring limited capacity on buses, and implementing increased cleaning and sanitizing protocol, the pandemic had a tremendous effect on the ridership of SWT. Fixed route ridership declined by over 90% and demand response ridership declined over 50%. SWT's ridership for both fixed route and demand response are slowly returning to pre pandemic levels.

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

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

The federal government provided \$2,072,432 in federal funding through the Coronavirus Response and Relief Supplement Appropriation Act of 2021 (CRRSA) section 5307 funding. The federal funding has been used by SWT to maintain essential public transportation services during the pandemic and to begin restoring service levels that had been provided prior to the pandemic.

Several major maintenance projects were completed in 2021 and are reported in General Fund expenditures. The maintenance projects totaled \$1,694,835 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 2022 and beyond, commitment to quality, safety, customer service and to the development of our employees continues to be the primary focus.

### **Capital Funds**

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

- The Eden Prairie Bus Garage Roof Replacement project started in 2021 and will be completed in 2022.

### **Long Term Financial Planning**

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

- The SWT Commission shall set the General Fund balance to represent 25-35% of the current year operating budget. The fund balance exceeds this policy but it is expected the additional fund balance will be used to restore pre-pandemic service levels in the next two years.

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 and Equipment Fund (C&E) fund balance to fund one-time capital expenditures.

- Should SWT need to issue debt, it shall confine long-term borrowing to capital improvements or assets for which there is no limited or delayed capital funding from the Metropolitan Council or other grant sources and that cannot be funded from current revenues. When debt is issued, it will pay back the debt within a period not more than the useful life of the improvement or asset.
- A minimum reserve in the amount of one year debt retirement will be dedicated to the debt retirement at the time the debt is issued or an amount recommended by the SWT financial advisor.
- Total annual debt retirement payments funded by current revenue will not exceed 10% of the general fund budget. Debt retirement for issues with a dedicated reserve will not be included in the 10% maximum.
- SWT will maintain and update its five-year Capital Improvement Plan for all projects over \$50,000.

### **Major 2021 Initiatives**

Major initiatives for SWT operations included:

- Continuing to grow services back with an emphasis on growing the SW Prime Micro transit service.
- To better meet the changing trip patterns being made during the pandemic, SWT continued to grow SW Prime through:
  - Expansion of services into Shakopee.
  - Adding services along the I-494 corridor including service to the Mall of America and MSP Airport.
  - Expanding service to more medical clinics and facilities as part of SW Prime's non-emergency medical transportation service, SW Prime MD.
- The re-introduction of Special Event services including service to the MN State Fair, Twins, Vikings, Gopher Football, and select major concerts.
- Adding back some Express services that were suspended due to the COVID-19 pandemic to meet an increase in demand related to the University of Minnesota bringing students and staff back on campus.

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

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SWT for its comprehensive annual financial report for the year ended December 31, 2020. This was the fifteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### **Acknowledgements**

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

Respectfully submitted,



Len Simich  
Chief Executive Officer and General Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**SouthWest Transit  
Minnesota**

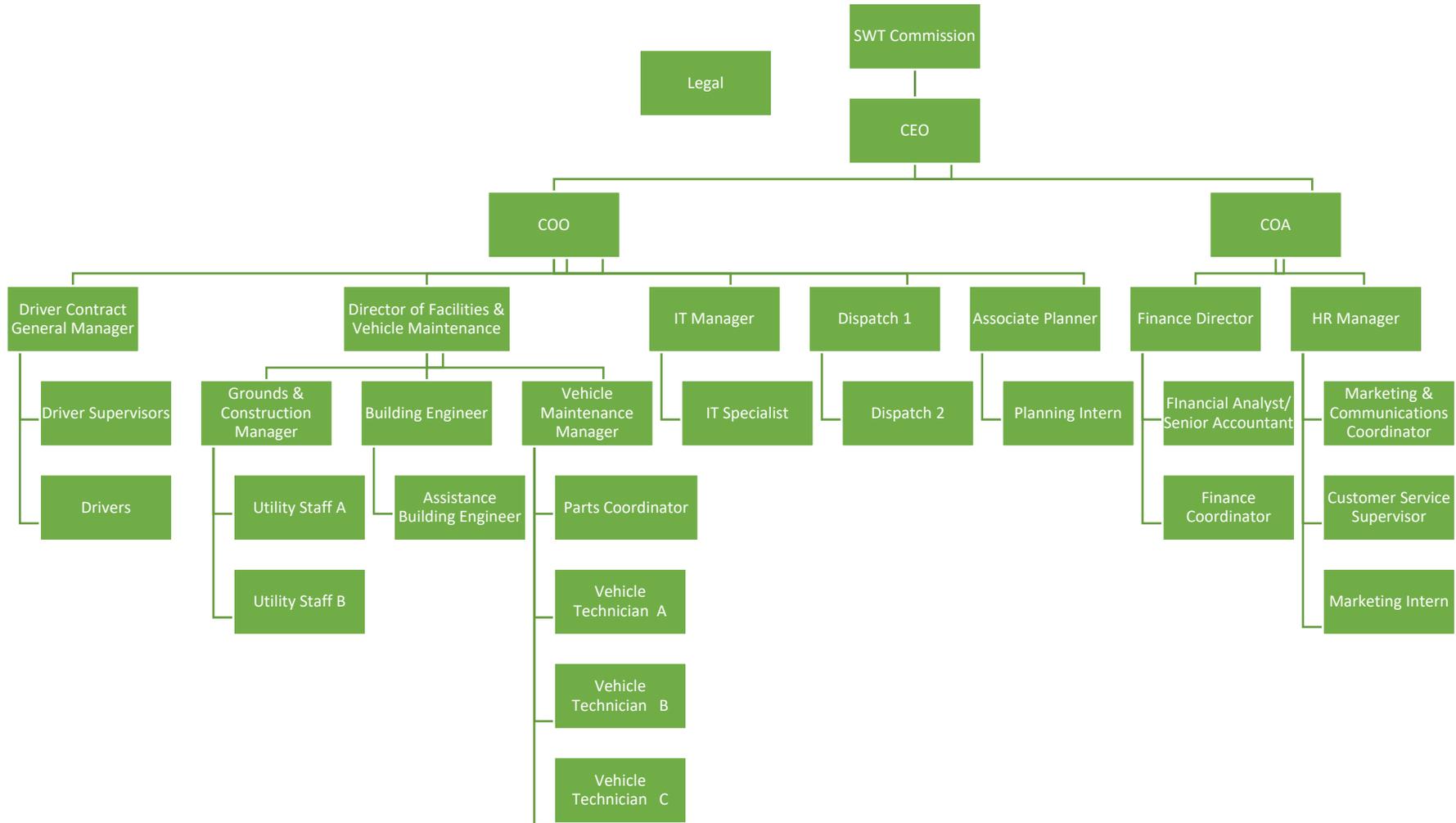
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2020

*Christopher P. Morill*

Executive Director/CEO

# South West Transit Organization Chart



**SouthWest Transit  
Eden Prairie, Minnesota  
Board of Commissioners and Key Personnel  
December 31, 2021**

<u>Board Member</u>	<u>Position on Board</u>	<u>Community Represented</u>	<u>Term Expires</u>
Mike Huang	Chairperson	Chaska	December 31, 2021
PG Narayanan	Vice Chairperson	Eden Prairie	December 31, 2021
Jerry McDonald	Secretary/Treasurer	Chanhassen	December 31, 2022
Elise Ryan	Board Member	Chanhassen	December 31, 2022
Mark Freiberg	Board Member	Eden Prairie	December 31, 2022
Bob Roepke	Board Member	Chaska	December 31, 2022
Jody Bonnevier	Rider Representative	Chanhassen	December 31, 2021
<u>Key Personnel</u>			
Len Simich	Chief Executive Officer		
Matt Fyten	Chief Operating 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, each major fund, and the aggregate remaining fund information of SouthWest Transit, Eden Prairie, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the 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, each major fund, and the aggregate remaining fund information of SouthWest Transit, Eden Prairie, Minnesota, as of December 31, 2021, and the respective changes in financial position 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 one year 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 combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **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 14, 2022, on our consideration of the 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 the SouthWest Transit's internal control over financial reporting and compliance.

**BerganKDV, Ltd.**

Minneapolis, Minnesota  
April 14, 2022



**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, 2021. 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 2021 by \$59,223,426 (net position). Of this amount, \$17,601,173 (unrestricted net position) may be used to meet SWT's ongoing obligations to customers and creditors.
- SWT's total net position increased by \$2,252,312, or 4.0%, based on 2021 activity.
- As of the close of the current year, SWT's Governmental Funds reported combined ending fund balances of \$19,628,345, an increase of \$3,173,558 in comparison with the prior year. \$8,511,349 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 \$8,894,074. Of that amount, \$382,725 was in nonspendable form and the remaining \$8,511,349 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, 2022.
- SW Prime service is a local microtransit service which operates totally on-demand, providing door to door connection throughout the SWT's service area. SWT launched SW Prime MD as a non-emergency medical transportation service that allows for scheduled rides in and around the SWT's service area. SWT expanded the SW Prime to Shakopee, Mall of America and Minneapolis airport.
- SWT received \$2.1 million in federal funds through the Coronavirus Response and Relief Supplement Appropriation Act of 2021 (CRRSA) Section 5307 funding to help offset fares revenue losses due to the COVID 19 pandemic still in effect.

**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.

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

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Government-Wide Financial Statements (Continued)**

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

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

The government-wide financial statements can be found on pages 29-31 of this report.

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

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

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

SWT maintained the following individual governmental funds during 2021: The General Fund, Capital Improvement Fund, EPG Roof Replacement Capital Projects Fund and SWS Development Capital Projects Fund.

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

The basic Governmental Fund financial statements can be found on pages 32-40 of this report.

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

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**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 \$59,223,426 at the close of 2021.

29.72%, or \$17,601,173, 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 70.28% 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 8 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 9.

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

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

**Net Position**

	Governmental Activities	
	2021	2020
Current and other assets	\$ 20,293,239	\$ 17,396,425
Capital assets, net of depreciation	41,622,253	42,749,889
Total assets	61,915,492	60,146,314
Deferred outflows of resources related to pensions and OPEB	882,978	220,614
 Total assets and deferred outflows of resources	 \$ 62,798,470	 \$ 60,366,928
Current liabilities	\$ 876,904	\$ 1,140,890
Long-term liabilities	1,371,220	2,152,839
Total liabilities	2,248,124	3,293,729
Deferred inflows of resources related to pensions and OPEB	1,326,920	102,085
 Total liabilities and deferred inflows of resources	 \$ 3,575,044	 \$ 3,395,814
Net position		
Net investment in capital assets	\$ 41,622,253	\$ 42,749,889
Unrestricted	17,601,173	14,221,225
 Total net position	 \$ 59,223,426	 \$ 56,971,114

**Governmental Activities** – Governmental activities increased SWT's net position by \$2,252,312. The components of net position increased or decreased as follows:

- Net position invested in capital assets decreased by \$1,127,636 during the year. Depreciation expense in 2021 totaled \$2,279,720. Capital asset additions included equipment, software, small prime vehicles, and major facility improvements.
- Unrestricted net position increased by \$3,379,948 primarily due to the federal fund through the Coronavirus Response and Relief Supplement Appropriation Act of 2021 (CRRSA) Section 5307 funding totaling \$2,072,432 in the General Fund.

Please see pages 29-31 for further detailed information.

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

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

**Governmental Activities (Continued)**

**Changes in Net Position**

	Governmental Activities	
	2021	2020
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 525,838	\$ 838,328
Operating grants and contributions	405,110	229,706
Capital grants and contributions	55,507	557,421
Total program revenues	986,455	1,625,455
General revenues		
Unrestricted intergovernmental revenue	12,809,469	11,468,101
Other local revenue	457,873	116,940
Unrestricted investment earnings	69,342	234,567
Total revenues	14,323,139	13,445,063
<b>Expenses</b>		
General government	\$ 1,448,347	\$ 1,264,361
Building and grounds	4,011,617	3,509,492
Operations and vehicle maintenance	6,610,863	6,705,248
Debt service interest and agency fees	-	398,046
Total expenses	12,070,827	11,877,147
Change in net position	2,252,312	1,567,916
<b>Net Position</b>		
Beginning	56,971,114	55,403,198
Ending	\$ 59,223,426	\$ 56,971,114

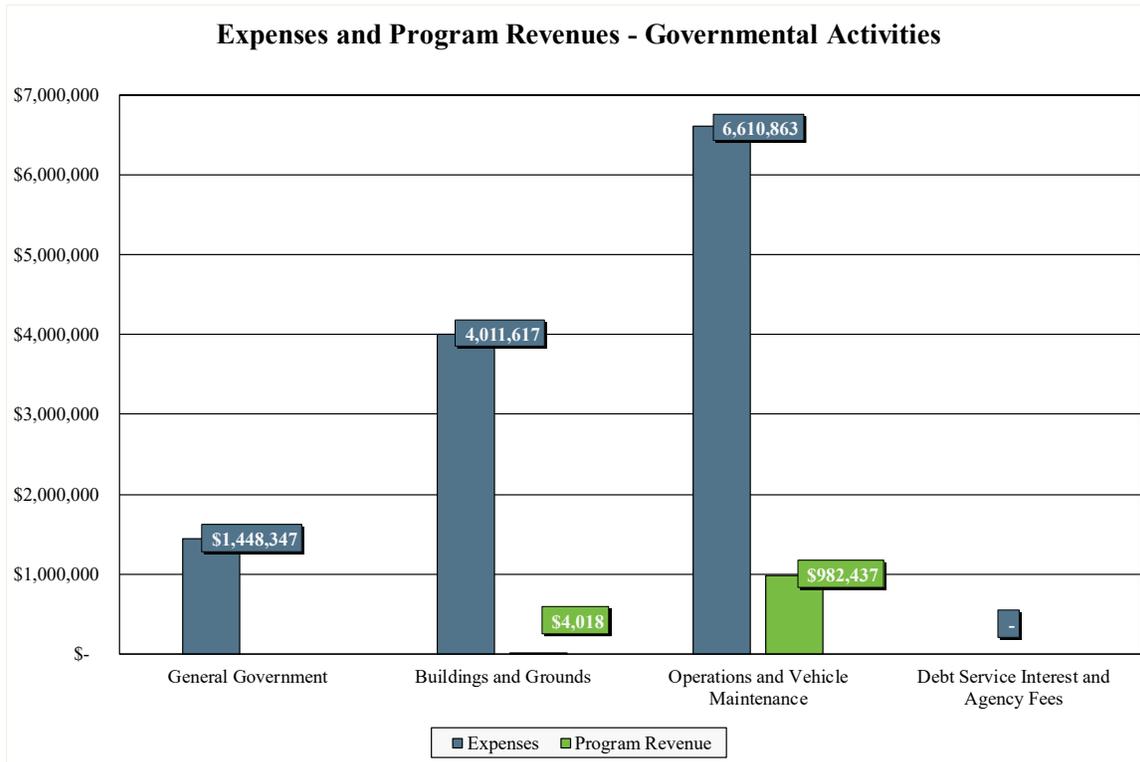
Governmental activity changes in net position – highlights of the change in net position are as follows:

- Capital grants and contributions from federal and state sources finance facilities and equipment purchases. In 2021, state grants totaled \$55,507 and financed the renovation of SWT buses.
- Unrestricted intergovernmental revenue includes both MVST, RAMVST, and the federal CRRSA Act funding. The federal fund through the Coronavirus Response and Relief Supplement Appropriation Act of 2021 (CRRSA) section 5307 funding totaling \$2,072,432 was provided to provide relief from the national pandemic and is not an ongoing funding source for future SWT operations. The level of future state funding is dependent upon the current State Legislative session.

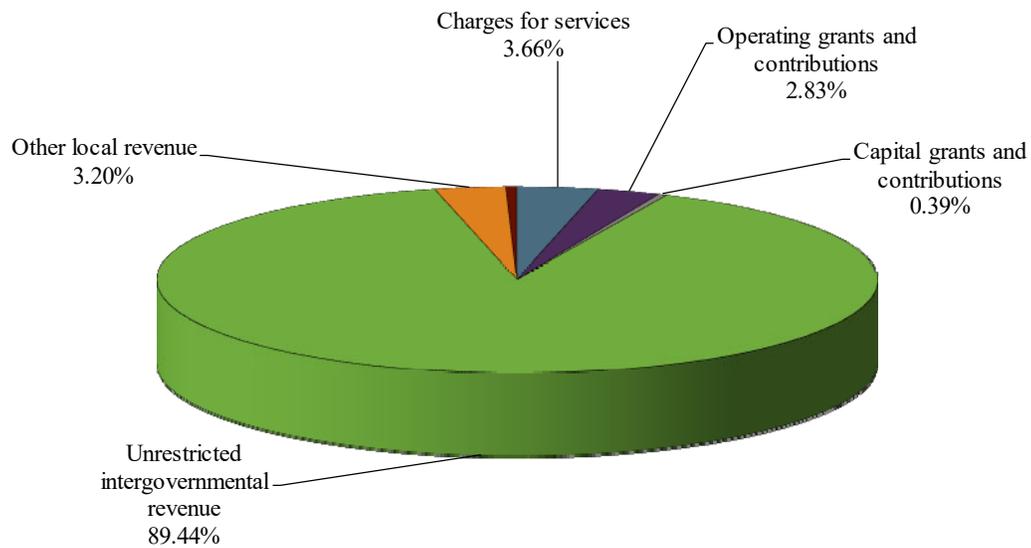
**SouthWest Transit  
Eden Prairie, Minnesota  
Management's Discussion and Analysis (Unaudited)**

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

**Governmental Activities (Continued)**



**Revenues by Sources - Governmental Activities**



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

**FINANCIAL ANALYSIS OF SWT FUNDS**

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

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

As of the end of the current year, SWT's governmental funds reported combined ending fund balances of \$19,628,345, an increase of \$3,173,558 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 5 on pages 53-54 of this report.

The increase in SWT's fund balance of \$3,173,558 during the current year is comprised of the following key factors:

- The General Fund revenues and net other financing uses exceeded expenditures by \$1,371,416, as the actual intergovernmental revenues included federal CRRSA Act funding of \$2,072,432 provided to assist SWT in continuing to provide essential public transportation services.
- SWT purchase the deed restriction on property at our SouthWest Village transit station in the amount of \$450,000.
- The transfer of \$2,000,000 from the General Fund to the EPG Roof Replacement Capital Projects Fund for the Eden Prairie Bus Garage Facility's roof replacement and the project will continued into 2022.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The amended General Fund budget estimated that the revenues would exceed the expenditures and transfers out by \$692,605. The amended revenue budget included the federal CRRSA Act funding totaling \$2,072,432.

The SWT Commission approved an amended expenditure budget in 2021 that totaled \$11,271,556 decreased by \$2,300,777 from the original budget. The original expenditure budget was prepared at a time when the effects of the COVID 19 pandemic still in effect. The \$2,000,000 was transferred for the Eden Prairie Bus Garage Facility roof replacement.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

The intergovernmental state amended revenue budget (MVST and RAMVST) was increased from \$9,140,750 to \$11,058,629 in the amended revenue budget. However, the actual 2021 intergovernmental state revenue was \$11,062,160 slightly increased of the amended revenue budget estimate. The following summarizes the actual 2021 results:

- The actual expenditures totaled \$10,834,569 which was \$436,987 less than the amended budget.
- The actual capital outlay expenditures were \$436,987 less than the amended budget.
- The expenditures for administration, buildings and grounds and operations and maintenance accounted for the balance of the favorable expenditure variances.
- The General Fund balance increased by \$1,371,416 during 2021.
- The increase in fund balance will be used to build back the service to pre-COVID levels in the future years.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – SWT's investment in capital assets as of December 31, 2021 totaled \$41,622,253 (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)**

	2021	2020
Buildings and facilities	\$ 12,558,098	\$ 13,058,396
Bus equipment	183,528	221,657
Equipment and software	1,016,603	900,726
Furniture	45,637	55,646
Land	2,454,654	2,010,649
Land improvements	495,593	577,507
Park and ride facilities	24,278,683	25,360,038
Transit hub facilities	2,890	14,613
Vehicles	483,263	550,657
Construction in progress	103,304	-
Total	\$ 41,622,253	\$ 42,749,889

SWT operates 81 buses owned by the Metropolitan Council and 9 owned by SWT. In addition, SWT has 11 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 4 on pages 52-53 of this report.

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

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

SWT has approved the General Fund operating budget for 2022 in December 2021. The 2022 budget assumes the service levels will gradually increase as the country begins to move past the effects of the COVID 19 pandemic. It is assumed that service levels will continue to increase as the ridership begins to return. It is currently anticipated that the most significant ridership increases will occur after Labor Day in September 2022 as the schools, universities and businesses begin to operate at pre-pandemic levels.

Ridership increases are expected with the continued growth of SW Prime, but express service may continue its pre-pandemic decline following national trends. The 2022 budget includes a new prime service segment to provide service area residents with service in the 494 corridor and to the Minneapolis-St. Paul airport. The Metropolitan Council (MC) increased the regional passenger fares beginning October 1, 2017, by 8% based on an adult express fare.

SWT General Fund balance policy states the SWT Commission shall set the General Fund balance to represent 25%-35% of the current year operating budget. The General Fund balance exceeds the stated policy due to SWT actions to reduce overall services in response to reduced ridership and reducing administrative and operations staffing through furloughs and cuts. With the assistance of the federal CRRSA Act, SWT will be in position to add back services in anticipation of ridership increases expected in 2022 and 2023. SWT will continue to maintain the fund balance in accordance with this policy. However, the 2022 budget anticipates the General Fund balance will drop as service levels return.

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

SWT will utilize the following strategies to balance the 2022 budget:

- Implementing additional operating efficiencies
- Restarting productive fixed-route services once workers come back as the pandemic lessens.
- Adding new productive services such as expanding the SW Prime system to suburban locations along the I-494 and US-169 corridors.
- Introducing electric vehicles into the SW Prime fleet when feasible.
- Forging new partnerships.
- Actively pursuing an equitable share of state and federal funding for transit operation.
- Use of reserves as necessary.

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

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

**REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**



**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Statement of Net Position - Governmental Activities**  
**December 31, 2021**  
**(With Comparative Totals for December 31, 2020)**

	2021	2020
<b>Assets</b>		
Current assets		
Cash and investments	\$ 18,517,470	\$ 14,663,250
Cash with fiscal agent	232,981	232,981
Accounts receivable	330,152	231,778
Interest receivable	8,545	29,224
Intergovernmental receivable	821,366	1,877,026
Inventory - vehicle parts	232,927	230,156
Prepaid items	149,798	132,010
Total current assets	20,293,239	17,396,425
Noncurrent assets		
Capital assets		
Land	2,454,654	2,010,649
Land improvements	1,686,174	1,686,174
Buildings and facilities	17,688,288	17,715,911
Transit hub facilities	94,177	94,177
Bus equipment	527,163	527,573
Park and ride facilities	37,663,811	37,688,894
Equipment and software	2,826,632	2,598,003
Vehicles	1,092,164	982,120
Furniture	87,974	90,385
Construction in progress	103,304	-
Total cost	64,224,341	63,393,886
Less accumulated depreciation	(22,602,088)	(20,643,997)
Total capital assets	41,622,253	42,749,889
Total noncurrent assets	41,622,253	42,749,889
Total assets	61,915,492	60,146,314
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pensions	871,746	211,454
Deferred outflows of resources related to OPEB	11,232	9,160
Total deferred outflows of resources	882,978	220,614
Total assets and deferred outflows of resources	\$ 62,798,470	\$ 60,366,928
<b>Liabilities</b>		
Current liabilities		
Accounts and contracts payable	\$ 572,703	\$ 862,441
Salaries and benefits payable	92,191	79,197
Compensated absences payable	212,010	199,252
Total current liabilities	876,904	1,140,890
Noncurrent liabilities		
Compensated absences payable	37,414	35,162
Net pension liability	1,195,725	1,996,487
Total OPEB liability	138,081	121,190
Total noncurrent liabilities	1,371,220	2,152,839
Total liabilities	2,248,124	3,293,729
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	1,322,507	97,041
Deferred inflows of resources related to OPEB	4,413	5,044
Total deferred inflows of resources	1,326,920	102,085
<b>Net Position</b>		
Net investment in capital assets	41,622,253	42,749,889
Unrestricted	17,601,173	14,221,225
Total net position	59,223,426	56,971,114
Total liabilities, deferred inflows of resources, and net position	\$ 62,798,470	\$ 60,366,928



**SouthWest Transit  
Eden Prairie, Minnesota  
Statement of Activities  
Year Ended December 31, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2021	2020
					Governmental Activities	Governmental Activities
Governmental activities						
General government	\$ 1,448,347	\$ -	\$ -	\$ -	\$ (1,448,347)	\$ (1,264,361)
Buildings and grounds	4,011,617	4,018	-	-	(4,007,599)	(3,136,504)
Operations and vehicle maintenance	6,610,863	521,820	405,110	55,507	(5,628,426)	(5,452,781)
Debt service interest and agency fees	-	-	-	-	-	(398,046)
Total governmental activities	<u>\$ 12,070,827</u>	<u>\$ 525,838</u>	<u>\$ 405,110</u>	<u>\$ 55,507</u>	(11,084,372)	(10,251,692)
General revenues						
Unrestricted intergovernmental revenue					12,809,469	11,468,101
Other local revenue					457,873	116,940
Unrestricted investment earnings					69,342	234,567
Total general revenues					<u>13,336,684</u>	<u>11,819,608</u>
Change in net position					2,252,312	1,567,916
Net position - beginning					<u>56,971,114</u>	<u>55,403,198</u>
Net position - ending					<u>\$ 59,223,426</u>	<u>\$ 56,971,114</u>

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Balance Sheet - Governmental Funds**  
**December 31, 2021**  
**(With Comparative Totals for December 31, 2020)**

	General Fund	Capital Projects	
		Capital Improvement	SWS Development Capital
<b>Assets</b>			
Cash and investments	\$ 8,018,397	\$ 2,459,938	\$ 6,088,469
Cash with fiscal agent	-	232,981	-
Accounts receivable	330,152	-	-
Interest receivable	6,328	-	2,217
Intergovernmental receivable	821,366	-	-
Inventory	232,927	-	-
Prepaid items	149,798	-	-
Total assets	<u>\$ 9,558,968</u>	<u>\$ 2,692,919</u>	<u>\$ 6,090,686</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 572,703	\$ -	\$ -
Salaries and benefits payable	92,191	-	-
Total liabilities	<u>664,894</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>			
Nonspendable	382,725	-	-
Committed	-	-	-
Assigned	-	2,692,919	6,090,686
Unassigned	8,511,349	-	-
Total fund balances	<u>8,894,074</u>	<u>2,692,919</u>	<u>6,090,686</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,558,968</u>	<u>\$ 2,692,919</u>	<u>\$ 6,090,686</u>

Nonmajor Governmental Funds	Total Governmental Funds	
	2021	2020
\$ 1,950,666	\$ 18,517,470	\$ 14,663,250
-	232,981	232,981
-	330,152	231,778
-	8,545	29,224
-	821,366	1,877,026
-	232,927	230,156
-	149,798	132,010
<u>\$ 1,950,666</u>	<u>\$ 20,293,239</u>	<u>\$ 17,396,425</u>
\$ -	\$ 572,703	\$ 862,441
-	92,191	79,197
-	664,894	941,638
-	382,725	362,166
-	-	15,308
1,950,666	10,734,271	8,916,821
-	8,511,349	7,160,492
<u>1,950,666</u>	<u>19,628,345</u>	<u>16,454,787</u>
<u>\$ 1,950,666</u>	<u>\$ 20,293,239</u>	<u>\$ 17,396,425</u>



**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2021**  
**(With Comparative Totals for December 31, 2020)**

	2021	2020
Total fund balances - governmental funds	\$ 19,628,345	\$ 16,454,787
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets	64,224,341	63,393,886
Less accumulated depreciation	(22,602,088)	(20,643,997)
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.		
Compensated absences payable	(249,424)	(234,414)
Net pension liability	(1,195,725)	(1,996,487)
Total OPEB liability	(138,081)	(121,190)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.		
Deferred inflows of resources related to pensions	(1,322,507)	(97,041)
Deferred outflows of resources related to pensions	871,746	211,454
Deferred inflows of resources related to OPEB	(4,413)	(5,044)
Deferred outflows of resources related to OPEB	11,232	9,160
Total net position - governmental activities	\$ 59,223,426	\$ 56,971,114

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2021**  
**(With Comparative Totals for the Year Ended December 31, 2020)**

	General Fund	Capital Projects		Nonmajor Governmental Funds
		Capital Improvement	SWS Development Capital	
<b>Revenues</b>				
Intergovernmental - federal	\$ 2,092,974	\$ -	\$ -	\$ -
Intergovernmental - state	11,062,160	-	-	55,507
Intergovernmental - other	56,504	-	-	-
Passenger fares	521,820	-	-	-
Charges for services	216,340	-	-	-
Investment income	15,480	-	53,862	-
Other interest income	-	-	-	-
Loan repayment	-	-	-	-
Other local revenue	32,788	36,735	1,704	-
Total revenues	<u>13,998,066</u>	<u>36,735</u>	<u>55,566</u>	<u>55,507</u>
<b>Expenditures</b>				
Current				
General government	1,481,578	-	-	-
Buildings and grounds	1,286,428	-	-	-
Operations and vehicle maintenance	6,371,728	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and agency fees	-	-	-	-
Capital outlay				
General government	-	-	-	-
Buildings and grounds	1,360,564	207,230	-	49,334
Operations and vehicle maintenance	334,271	-	-	55,507
Total expenditures	<u>10,834,569</u>	<u>207,230</u>	<u>-</u>	<u>104,841</u>
Excess of revenues over (under) expenditures	3,163,497	(170,495)	55,566	(49,334)
<b>Other Financing Sources (Uses)</b>				
Issuance of capital lease	-	-	-	-
Insurance recoveries	174,324	-	-	-
Transfers in	33,595	2,863,414	-	2,000,000
Transfers out	(2,000,000)	-	-	(2,897,009)
Total other financing sources (uses)	<u>(1,792,081)</u>	<u>2,863,414</u>	<u>-</u>	<u>(897,009)</u>
Net change in fund balances	1,371,416	2,692,919	55,566	(946,343)
<b>Fund Balances</b>				
Beginning of year	<u>7,522,658</u>	<u>-</u>	<u>6,035,120</u>	<u>2,897,009</u>
End of year	<u>\$ 8,894,074</u>	<u>\$ 2,692,919</u>	<u>\$ 6,090,686</u>	<u>\$ 1,950,666</u>

See notes to basic financial statements.

Total Governmental Funds	
2021	2020
\$ 2,092,974	\$ 2,526,886
11,117,667	9,681,615
56,504	41,373
521,820	673,042
216,340	114,525
69,342	234,567
-	165,286
-	3,460,718
71,227	2,415
<u>14,145,874</u>	<u>16,900,427</u>
1,481,578	1,259,156
1,286,428	1,264,831
6,371,728	6,179,344
-	6,838,618
-	406,666
-	-
1,617,128	5,718,448
389,778	640,475
<u>11,146,640</u>	<u>22,307,538</u>
2,999,234	(5,407,111)
-	5,500,000
174,324	106,463
4,897,009	6,196,817
(4,897,009)	(6,196,817)
<u>174,324</u>	<u>5,606,463</u>
3,173,558	199,352
<u>16,454,787</u>	<u>16,255,435</u>
<u>\$ 19,628,345</u>	<u>\$ 16,454,787</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, 2021**  
**(With Comparative Totals for the Year Ended December 31, 2020)**

	2021	2020
Net change in fund balances - governmental funds	\$ 3,173,558	\$ 199,352
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures	1,152,084	5,650,138
Depreciation expense	(2,279,720)	(2,088,024)
Book value of disposed assets	-	(16,228)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		
	(15,010)	(33,715)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This repayment is reflected as an expenditure in the governmental funds. In the Statement of Net Position, this is reflected as a reduction of debt principal payable.		
Principal repayment	-	6,838,618
New debt issued	-	(5,500,000)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
	-	8,620
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.		
Pension expense	235,588	(13,536)
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective.		
OPEB expense	(14,188)	(16,591)
Governmental funds recognize repayment of the contract for deed as revenue at the time payment is received whereas the Statement of Activities recognized this revenue when the contract for deed originated.		
	-	(3,460,718)
Change in net position - governmental activities	\$ 2,252,312	\$ 1,567,916

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental - federal	\$ 283,000	\$ 2,141,432	\$ 2,092,974	\$ (48,458)
Intergovernmental - state	9,140,750	11,058,629	11,062,160	3,531
Intergovernmental - other	33,600	33,600	56,504	22,904
Passenger fares	748,400	405,000	521,820	116,820
Charges for services	195,500	195,500	216,340	20,840
Investment income	10,000	10,000	15,480	5,480
Other local revenue	-	120,000	32,788	(87,212)
Total revenues	<u>10,411,250</u>	<u>13,964,161</u>	<u>13,998,066</u>	<u>33,905</u>
<b>Expenditures</b>				
Current				
General government	1,406,292	1,464,112	1,481,578	17,466
Buildings and grounds	1,438,100	1,385,680	1,286,428	(99,252)
Operations and vehicle maintenance	8,396,946	6,465,390	6,371,728	(93,662)
Capital outlay				
General government	30,000	30,000	-	(30,000)
Buildings and grounds	794,025	822,525	1,360,564	538,039
Operations and vehicle maintenance	1,506,970	1,103,849	334,271	(769,578)
Total expenditures	<u>13,572,333</u>	<u>11,271,556</u>	<u>10,834,569</u>	<u>(436,987)</u>
Excess of revenues over (under) expenditures	(3,161,083)	2,692,605	3,163,497	470,892
<b>Other Financing Sources (Uses)</b>				
Insurance recoveries	-	-	174,324	174,324
Transfers in	-	-	33,595	33,595
Transfers out	-	(2,000,000)	(2,000,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(2,000,000)</u>	<u>(1,792,081)</u>	<u>207,919</u>
Net change in fund balances	<u>\$ (3,161,083)</u>	<u>\$ 692,605</u>	1,371,416	<u>\$ 678,811</u>
<b>Fund Balances</b>				
Beginning of year			<u>7,522,658</u>	
End of year			<u>\$ 8,894,074</u>	

**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 2021 but not paid until 2022 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 \$232,927 at December 31, 2021, 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. SWT has two items that qualify for reporting in this category. SWT presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions and other postemployment benefits (OPEB) for various estimate differences that will be amortized and recognized over future years.

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

**7. Compensated Absences**

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

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

The unassigned General Fund balance at December 31, 2021, is approximately 91% of the 2021 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.

**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)**

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

**11. Net Position**

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

**12. Comparative Data/Reclassifications**

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

**E. Use of Estimates**

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

**F. Budgetary Information**

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

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

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

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

**F. Budgetary Information (Continued)**

In 2021, the SWT Commission adopted annual budgets for the following funds:

- General Fund
- Capital Improvement Fund
- SWS Development Capital Projects Fund
- Eden Prairie Garage Roof Replacement Capital Projects Fund

The original 2021 budget was adopted by the SWT Commission on December 10, 2020. 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 2021 was \$3,163,497, before insurance recoveries, a transfer in and a transfer out as noted in Note 3 on page 51 of this report.

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:** For deposits, this is the risk that in the event of bank failure, SWT's deposits may not be returned to them. SWT retains federal securities as collateral for all bank deposits. As of December 31, 2021, 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	\$ (57,847)
Savings	13,918,396
Certificates of deposit	4,889,902
 Total deposits	 \$ 18,750,451

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

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

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

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

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

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

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

The following is a summary of total deposits and investments:

Deposits	\$ 18,749,851
Petty cash	<u>600</u>
Total deposits and investments	<u><u>\$ 18,750,451</u></u>

Deposits and investments are presented in the December 31, 2021, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 18,517,470
Cash with Fiscal Agent	<u>232,981</u>
Total	<u><u>\$ 18,750,451</u></u>

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

**NOTE 3 – INTERFUND TRANSFERS**

The composition of interfund transfers as of December 31, 2021, follows:

	Transfer in			Total
	General Fund	Capital Improvement	Nonmajor Governmental Funds	
Transfer out				
General Fund	\$ -	\$ -	\$ 2,000,000	\$2,000,000
Nonmajor Governmental Funds	33,595	2,863,415	-	2,897,010
	<u>\$ 33,595</u>	<u>\$ 2,863,415</u>	<u>\$ 2,000,000</u>	<u>\$4,897,010</u>
Total transfers				

Transfers of \$33,595 were to close out the SWT Facilities Improvement Fund. Transfers of \$2,863,415 were to combine various funds together to properly identify the resources for future capital improvements. Transfers of \$2,000,000 were to fund the Eden Prairie Roof Replacement project.

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

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,010,649	\$ 444,005	\$ -	\$ 2,454,654
Construction in progress	-	103,304	-	103,304
Total capital assets not being depreciated	<u>2,010,649</u>	<u>547,309</u>	<u>-</u>	<u>2,557,958</u>
Capital assets being depreciated				
Land improvements	1,686,174	-	-	1,686,174
Buildings and facilities	17,715,911	96,436	(124,059)	17,688,288
Transit hub facilities	94,177	-	-	94,177
Bus equipment	527,573	-	(410)	527,163
Park and ride facilities	37,688,894	-	(25,083)	37,663,811
Equipment and software	2,598,003	398,295	(169,666)	2,826,632
Vehicles	982,120	110,044	-	1,092,164
Furniture	90,385	-	(2,411)	87,974
Total capital assets being depreciated	<u>61,383,237</u>	<u>604,775</u>	<u>(321,629)</u>	<u>61,666,383</u>
Total capital assets, cost	63,393,886	1,152,084	(321,629)	64,224,341
Less accumulated depreciation for				
Land improvements	1,108,667	81,914	-	1,190,581
Buildings and facilities	4,657,515	596,734	(124,059)	5,130,190
Transit hub facilities	79,564	11,723	-	91,287
Bus equipment	305,916	38,129	(410)	343,635
Park and ride facilities	12,328,856	1,081,355	(25,083)	13,385,128
Equipment and software	1,697,277	282,418	(169,666)	1,810,029
Vehicles	431,463	177,438	-	608,901
Furniture	34,739	10,009	(2,411)	42,337
Total accumulated depreciation	<u>20,643,997</u>	<u>2,279,720</u>	<u>(321,629)</u>	<u>22,602,088</u>
Total capital assets being depreciated, net	<u>40,739,240</u>	<u>(1,674,945)</u>	<u>-</u>	<u>39,064,295</u>
Governmental activities capital assets, net	<u>\$ 42,749,889</u>	<u>\$ (1,127,636)</u>	<u>\$ -</u>	<u>\$ 41,622,253</u>

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

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

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

Governmental activities	
Buildings and grounds	\$ 1,771,726
Operations and vehicle maintenance	497,985
General government	<u>10,009</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 2,279,720</u></u>

Capital asset activity by program/function for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, cost				
Buildings and grounds	\$ 59,853,553	\$ 643,745	\$ (149,142)	\$ 60,348,156
Operations and vehicle maintenance	3,322,759	508,339	(170,076)	3,661,022
General government	217,574	-	(2,411)	215,163
Total capital assets, cost	<u>63,393,886</u>	<u>1,152,084</u>	<u>(321,629)</u>	<u>64,224,341</u>
Less accumulated depreciation for				
Buildings and grounds	18,743,446	1,771,726	(149,142)	20,366,030
Operations and vehicle maintenance	1,762,307	497,985	(170,076)	2,090,216
General government	138,244	10,009	(2,411)	145,842
Total accumulated depreciation	<u>20,643,997</u>	<u>2,279,720</u>	<u>(321,629)</u>	<u>22,602,088</u>
Governmental activities, capital assets, net	<u>\$ 42,749,889</u>	<u>\$ (1,127,636)</u>	<u>\$ -</u>	<u>\$ 41,622,253</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 5 – 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 5 – 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	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 232,927	\$ -	\$ -	\$ -	\$ 232,927
Prepaid items	149,798	-	-	-	149,798
Total nonspendable	<u>382,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,725</u>
Assigned to					
Future vehicle storage	-	-	6,090,686	-	6,090,686
Eden Prairie Roof Replacement Project	-	-	-	1,950,666	1,950,666
Capital improvements	-	2,692,919	-	-	2,692,919
Total assigned	<u>-</u>	<u>2,692,919</u>	<u>6,090,686</u>	<u>1,950,666</u>	<u>10,734,271</u>
Unassigned	<u>8,511,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,511,349</u>
Total fund balance	<u>\$ 8,894,074</u>	<u>\$ 2,692,919</u>	<u>\$ 6,090,686</u>	<u>\$ 1,950,666</u>	<u>\$ 19,628,345</u>

**NOTE 6 – LONG-TERM DEBT**

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 234,414	\$ 195,154	\$ 180,144	\$ 249,424	\$ 212,010

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

**NOTE 7 – 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.

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

**NOTE 7 – RISK MANAGEMENT (CONTINUED)**

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

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

At December 31, 2021, 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 8 – 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.

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

**NOTE 8 – PENSION PLANS (CONTINUED)**

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

**B. Benefits Provided**

General Employees Plan Benefits

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

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

**C. Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 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, 2021, were \$175,310. SWT's contributions were equal to the required contributions as set by state statute.

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

**NOTE 8 – PENSION PLANS (CONTINUED)**

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

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2021, SWT reported a liability of \$1,195,725 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 \$36,445. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. SWT's proportionate share was 0.0280% at the end of the measurement period and 0.0333% for the beginning of the period.

SWT's proportionate share of the net pension liability	\$ 1,195,725
State of Minnesota's proportionate share of the net pension liability associated with SWT	36,445
Total	\$ 1,232,170

For the year ended December 31, 2021, SWT recognized pension expense of (\$57,337) for its proportionate share of General Employees Plan's pension expense. Included in the amount, SWT recognized \$2,941 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

**NOTE 8 – PENSION PLANS (CONTINUED)**

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

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

The General Fund typically liquidates the liability related to pensions.

At December 31, 2021, SWT reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 8,369	\$ 37,394
Changes in actuarial assumptions	730,086	31,036
Net collective difference between projected and actual investment earnings	-	1,015,757
Changes in proportion	45,636	238,320
Contributions paid to PERA subsequent to the measurement date	<u>87,655</u>	<u>-</u>
Total	<u>\$ 871,746</u>	<u>\$ 1,322,507</u>

The \$87,655 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2022	\$ (102,764)
2023	(72,128)
2024	(81,076)
2025	<u>(282,448)</u>
Total	<u>\$ (538,416)</u>

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

**NOTE 8 – PENSION PLANS (CONTINUED)**

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

**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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
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	<u>100.0 %</u>	

**F. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2021, 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 6.%. 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 6.5% 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. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

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 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, 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.

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

**NOTE 8 – PENSION PLANS (CONTINUED)**

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

**F. Actuarial Methods and Assumptions (Continued)**

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

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 previous valuation.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at the rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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 (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
SWT's proportionate share of the General Employees Fund net pension liability	\$ 2,438,670	\$ 1,195,725	\$ 175,814

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

**NOTE 8 – PENSION PLANS (CONTINUED)**

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

**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](http://www.mnpera.org).

**NOTE 9 – 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.

**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 2021, SWT contributed \$5,282 to the plan.

**D. Members**

As of January 1, 2020, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	33
	33
Total	33

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

**NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	2.90%
Salary increases	Service graded 3.25-11.25%
Inflation	2.50%
Healthcare cost trend increases	6.50% as of January 1, 2020, grading to 5.00% over 6 years
Mortality assumption	Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale

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

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

**F. Total OPEB Liability**

SWT's total OPEB liability of \$138,081 was measured as of January 1, 2021, and was determined by an actuarial valuation as of January 1, 2020.

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at January 1, 2020	<u>\$ 121,190</u>
Changes for the year	
Service cost	15,325
Interest	3,925
Benefit payments	<u>(2,359)</u>
Net changes	<u>16,891</u>
Balances at January 1, 2021	<u><u>\$ 138,081</u></u>

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

**NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability**

The General Fund typically liquidates the liability related to OPEB.

**G. OPEB Liability Sensitivity**

The following presents SWT's total OPEB liability calculated using the discount rate of 2.9% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability		
1% decrease in Discount Rate (1.9%)	Current Discount Rate (2.9%)	1% increase in Discount Rate (3.9%)
\$ 152,642	\$ 138,081	\$ 124,672

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

Total OPEB Liability		
1% decrease (5.5% decreasing to 4.0%)	Current (6.5% decreasing to 5.0%)	1% increase (7.5% decreasing to 6.0%)
\$ 115,085	\$ 138,081	\$ 167,673

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

For the year ended December 31, 2021, SWT recognized OPEB expense of \$19,470. At December 31, 2021, SWT reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 5,950	\$ -
Changes in actuarial assumptions	-	4,413
Contributions paid subsequent to the measurement date	5,282	-
Total	\$ 11,232	\$ 4,413

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

**NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

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

The \$5,282 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>OPEB Expense Amount</u>
2022	\$ 220
2023	220
2024	220
2025	220
2026	220
Thereafter	<u>437</u>
Total	<u>\$ 1,537</u>

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

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

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

**NOTE 11 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability				
Service cost	\$ 15,325	\$ 14,879	\$ 9,949	\$ 9,659
Interest	3,925	3,851	3,311	2,903
Changes of assumptions	-	(5,675)	-	-
Differences between expected and actual experience	-	7,652	-	-
Benefit payments	<u>(2,359)</u>	<u>(2,664)</u>	<u>(984)</u>	<u>-</u>
Net change in total OPEB liability	<u>16,891</u>	<u>18,043</u>	<u>12,276</u>	<u>12,562</u>
Beginning of year	<u>121,190</u>	<u>103,147</u>	<u>90,871</u>	<u>78,309</u>
End of year	<u>\$ 138,081</u>	<u>\$ 121,190</u>	<u>\$ 103,147</u>	<u>\$ 90,871</u>
Covered-employee payroll	\$ 2,334,020	\$ 2,266,039	\$ 1,790,511	\$ 1,738,360
Total OPEB liability as a percentage of covered-employee payroll	5.9%	5.3%	5.8%	5.2%

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

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

Fiscal Year End June 30,	SWT's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	SWT's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability	SWT's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with SWT	SWT's Covered Payroll	SWT's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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
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**

### **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.
- 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.

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

**General Employees Fund (Continued)**

**2019 Changes (Continued)**

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

**General Employees Fund (Continued)**

**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**

**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



**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**December 31, 2021**  
**(With Comparative Totals for December 31, 2020)**

	Debt Service		Capital Projects
	Eden Prairie Garage Remodel Debt Service	Total	SWT Facilities Improvement
	2021	2020	
<b>Assets</b>			
Cash and investments	\$ -	\$ -	\$ 15,308
<b>Liabilities</b>			
Accounts and contracts payable	\$ -	\$ -	\$ -
<b>Fund Balances</b>			
Committed	-	-	15,308
Assigned	-	-	-
Total fund balances	-	-	15,308
Total liabilities and fund balances	\$ -	\$ -	\$ 15,308

Capital Projects

SWT Buses	Capital Cost Deferred	SWS Relocation	Capital and Equipment	Eden Prairie Garage Expansion Phase 2	Eden Prairie Roof Replacement Capital
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,950,666
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	1,950,666
-	-	-	-	-	1,950,666
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,950,666</u>



**SouthWest Transit  
Eden Prairie, Minnesota  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2021  
(With Comparative Totals for December 31, 2020)**

	Capital Projects		Total Nonmajor Governmental Funds	
	Total			
	2021	2020	2021	2020
<b>Assets</b>				
Cash and investments	\$ 1,950,666	\$ 203,595	\$ 1,950,666	\$ 218,903
<b>Liabilities</b>				
Accounts and contracts payable	\$ -	\$ 121	\$ -	\$ 121
<b>Fund Balances</b>				
Committed	-	-	-	15,308
Assigned	1,950,666	203,474	1,950,666	203,474
Total fund balances	<u>1,950,666</u>	<u>203,474</u>	<u>1,950,666</u>	<u>218,782</u>
Total liabilities and fund balances	<u>\$ 1,950,666</u>	<u>\$ 203,595</u>	<u>\$ 1,950,666</u>	<u>\$ 218,903</u>

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2021**  
**(With Comparative Totals for the Year Ended December 31, 2020)**

	Debt Service		Capital Projects	
	Eden Prairie	Total		SWT
	Garage Remodel Debt Service	2021	2020	Facilities Improvement
<b>Revenues</b>				
Intergovernmental - state	\$ -	\$ -	\$ 111,966	\$ -
<b>Expenditures</b>				
Debt service				
Principal retirement	-	-	1,338,618	-
Interest and agency fees	-	-	17,336	-
Capital outlay				
Buildings and grounds	-	-	-	-
Operations and vehicle maintenance	-	-	-	-
Total expenditures	-	-	1,355,954	-
Excess of revenues over (under) expenditures	-	-	(1,243,988)	-
<b>Other Financing Sources (Uses)</b>				
Issuance of Capital Lease	-	-	1,233,067	-
Transfers in	-	-	-	-
Transfers out	(15,308)	(15,308)	-	(33,595)
Total other financing sources	(15,308)	(15,308)	1,233,067	(33,595)
Net change in fund balances	(15,308)	(15,308)	(10,921)	(33,595)
<b>Fund Balances</b>				
Beginning of year	15,308	15,308	26,229	33,595
End of year	\$ -	\$ -	\$ 15,308	\$ -

Capital Projects

SWT Buses	Capital Cost Deferred	SWS Relocation	Capital and Equipment	Eden Prairie Garage Expansion Phase 2	Eden Prairie Roof Replacement Capital
\$ 55,507	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	49,334
<u>55,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>55,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,334</u>
-	-	-	-	-	(49,334)
-	-	-	-	-	-
-	-	-	-	-	2,000,000
<u>-</u>	<u>(169,879)</u>	<u>(697,796)</u>	<u>(1,842,944)</u>	<u>(137,487)</u>	<u>-</u>
<u>-</u>	<u>(169,879)</u>	<u>(697,796)</u>	<u>(1,842,944)</u>	<u>(137,487)</u>	<u>2,000,000</u>
-	(169,879)	(697,796)	(1,842,944)	(137,487)	1,950,666
<u>-</u>	<u>169,879</u>	<u>697,796</u>	<u>1,842,944</u>	<u>137,487</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,950,666</u>



**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2021**  
**(With Comparative Totals for the Year Ended December 31, 2020)**

	<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>	
	<u>Total</u>		<u>2021</u>	<u>2020</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Revenues</b>				
Intergovernmental - state	\$ 55,507	\$ 445,455	\$ 55,507	\$ 557,421
<b>Expenditures</b>				
Debt service				
Principal retirement	-	-	-	1,338,618
Interest and agency fees	-	-	-	17,336
Capital outlay	-	-	-	-
Buildings and grounds	49,334	121	49,334	121
Operations and vehicle maintenance	-	-	-	-
	<u>55,507</u>	<u>411,860</u>	<u>55,507</u>	<u>411,860</u>
Total expenditures	<u>104,841</u>	<u>411,981</u>	<u>104,841</u>	<u>1,767,935</u>
Excess of revenues over (under) expenditures	(49,334)	33,474	(49,334)	(1,210,514)
<b>Other Financing Sources (Uses)</b>				
Issuance of Capital Lease	-	-	-	1,233,067
Transfers in	2,000,000	170,000	2,000,000	170,000
Transfers out	<u>(2,881,701)</u>	<u>-</u>	<u>(2,897,009)</u>	<u>-</u>
Total other financing sources	<u>(881,701)</u>	<u>170,000</u>	<u>(897,009)</u>	<u>1,403,067</u>
Net change in fund balances	(931,035)	203,474	(946,343)	192,553
<b>Fund Balances</b>				
Beginning of year	<u>2,881,701</u>	<u>-</u>	<u>2,897,009</u>	<u>26,229</u>
End of year	<u>\$ 1,950,666</u>	<u>\$ 203,474</u>	<u>\$ 1,950,666</u>	<u>\$ 218,782</u>

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**SWS Development Capital Projects Fund**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ 45,000	\$ 53,862	\$ 8,862
Other local revenue	-	-	1,704	1,704
Total revenues	-	45,000	55,566	10,566
Net change in fund balances	\$ -	\$ 45,000	55,566	\$ 10,566
<b>Fund Balances</b>				
Beginning of year			6,035,120	
End of year			\$ 6,090,686	

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**Eden Prairie Garage Roof Replacement Capital Projects Fund**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures</b>				
Current:				
Capital outlay				
Buildings and grounds	\$ -	\$ -	\$ 49,334	\$ (49,334)
Total expenditures	-	-	49,334	(49,334)
Excess of revenues under expenditures	-	-	(49,334)	(49,334)
<b>Other Financing Sources</b>				
Transfers in	-	2,000,000	2,000,000	-
Net change in fund balances	\$ -	\$ 2,000,000	1,950,666	\$ (49,334)
<b>Fund Balances</b>				
Beginning of year			-	
End of year			\$ 1,950,666	

**SouthWest Transit**  
**Eden Prairie, Minnesota**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual -**  
**Capital Improvement Fund**  
**Year Ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Other local revenue	\$ -	\$ -	\$ 36,735	\$ 36,735
<b>Expenditures</b>				
Current:				
Capital outlay				
Buildings and grounds	-	208,000	207,230	(770)
Excess of revenues under expenditures	\$ -	\$ (208,000)	\$ (170,495)	\$ 37,505
<b>Other Financing Sources</b>				
Transfers in	-	2,863,415	2,863,414	(1)
Net change in fund balances	\$ -	\$ 2,655,415	2,692,919	\$ 37,504
<b>Fund Balances</b>				
Beginning of year			-	
End of year			\$ 2,692,919	

**SouthWest Transit  
Eden Prairie, Minnesota  
Schedule of Capital Projects -  
Budget and Actual  
(Unaudited)  
Year Ended December 31, 2021**

Project	Status	Budget/Grant Award	Expenditures		Amount Remaining
			2021	Cumulative	
SW Station Ramp Repairs	Complete	\$ 55,000	\$ 54,081	\$ 54,081	\$ 919
Forklift Purchase Replacement	Incomplete	33,400	-	-	33,400
Braunability Van & Non-Revenue Truck	Complete	107,333	107,333	107,333	-
Generator for CTS	Incomplete	83,400	-	-	83,400
CRRSA Funding	Complete	2,072,432	2,072,432	2,072,432	-
2021 Ramp Repairs	Complete	290,000	220,715	220,715	69,285
Automated Controls System Replacement	Incomplete	75,000	21,985	21,985	53,015
Carver County TMA Grant	Incomplete	160,000	20,542	124,859	35,141
Total		<u>\$ 2,876,565</u>	<u>\$ 2,497,088</u>	<u>\$ 2,601,405</u>	<u>\$ 275,160</u>

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**STATISTICAL SECTION**



**Southwest Transit  
Eden Prairie, Minnesota  
Statistical Section  
December 31, 2021  
(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			
	2012	2013	2014	2015
Governmental activities				
Net investment in capital assets	\$ 42,839,924	\$ 48,752,629	\$ 43,664,850	\$ 42,534,479
Unrestricted	7,206,773	6,927,320	12,221,765	12,353,477
 Total governmental activities net position	 \$ 50,046,697	 \$ 55,679,949	 \$ 55,886,615	 \$ 54,887,956

*Source: SouthWest Transit financial records*

**Table 1**

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 41,053,400	\$ 39,786,943	\$ 36,159,064	\$ 37,865,385	\$ 42,749,889	\$ 41,622,253
12,140,778	11,394,094	19,147,699	17,537,813	14,221,225	17,601,173
<u>\$ 53,194,178</u>	<u>\$ 51,181,037</u>	<u>\$ 55,306,763</u>	<u>\$ 55,403,198</u>	<u>\$ 56,971,114</u>	<u>\$ 59,223,426</u>

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

	Fiscal Year			
	2012	2013	2014	2015
<b>Expenses</b>				
Governmental activities				
General government	\$ 907,404	\$ 914,906	\$ 1,029,036	\$ 1,142,604
Buildings and grounds	3,532,084	3,030,101	3,357,869	3,820,148
Operations and vehicle maintenance	6,338,270	6,448,144	7,809,487	8,684,285
Interest on long-term debt	92,435	214,235	55,437	86,967
Total governmental activities	<u>\$ 10,870,193</u>	<u>\$ 10,607,386</u>	<u>\$ 12,251,829</u>	<u>\$ 13,734,004</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services				
Passenger fares	\$ 2,528,315	\$ 2,517,920	\$ 2,658,560	\$ 2,773,727
Other	125,625	923,434	186,279	191,288
Operating grants and contributions	-	-	-	165,699
Capital grants and contributions	4,346,355	6,482,340	323,279	1,075,156
Total governmental activities program revenues	<u>\$ 7,000,295</u>	<u>\$ 9,923,694</u>	<u>\$ 3,168,118</u>	<u>\$ 4,205,870</u>
<b>Net Expense</b>				
Governmental activities	<u>\$ (3,869,898)</u>	<u>\$ (683,692)</u>	<u>\$ (9,083,711)</u>	<u>\$ (9,528,134)</u>
<b>General Revenue and Other</b>				
<b>Changes in Net Position</b>				
Governmental activities				
Unrestricted intergovernmental revenue	\$ 5,042,264	\$ 5,979,464	\$ 8,917,732	\$ 9,157,043
Unrestricted investment earnings	31,661	31,680	37,439	52,429
Other local revenue	193,258	288,300	335,206	412,002
Gain on sale of assets	-	17,500	-	-
Special item <sup>1</sup>	-	-	-	-
Total governmental activities	<u>\$ 5,267,183</u>	<u>\$ 6,316,944</u>	<u>\$ 9,290,377</u>	<u>\$ 9,621,474</u>
<b>Changes in Net Position</b>				
Governmental activities	<u>\$ 1,397,285</u>	<u>\$ 5,633,252</u>	<u>\$ 206,666</u>	<u>\$ 93,340</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					
2016	2017	2018	2019	2020	2021
\$ 1,389,838	\$ 1,367,574	\$ 1,388,065	\$ 1,502,977	\$ 1,264,361	\$ 1,448,347
3,384,282	3,324,420	2,788,130	3,085,454	3,509,492	4,011,617
8,814,286	8,886,714	9,117,140	9,148,674	6,705,248	6,610,863
112,107	102,025	89,909	90,677	398,046	-
<u>\$ 13,700,513</u>	<u>\$ 13,680,733</u>	<u>\$ 13,383,244</u>	<u>\$ 13,827,782</u>	<u>\$ 11,877,147</u>	<u>\$ 12,070,827</u>
\$ 2,925,131	\$ 2,882,098	\$ 3,076,921	\$ 2,988,229	\$ 673,042	\$ 521,820
206,281	198,029	172,791	457,028	165,286	4,018
192,189	200,232	61,467	64,077	229,706	405,110
363,910	359,597	364,970	498,315	557,421	55,507
<u>\$ 3,687,511</u>	<u>\$ 3,639,956</u>	<u>\$ 3,676,149</u>	<u>\$ 4,007,649</u>	<u>\$ 1,625,455</u>	<u>\$ 986,455</u>
<u>\$ (10,013,002)</u>	<u>\$ (10,040,777)</u>	<u>\$ (9,707,095)</u>	<u>\$ (9,820,133)</u>	<u>\$ (10,251,692)</u>	<u>\$ (11,084,372)</u>
\$ 7,572,940	\$ 7,176,758	\$ 9,440,234	\$ 9,206,794	\$ 11,468,101	\$ 12,809,469
67,929	79,229	103,002	344,415	234,567	69,342
549,450	271,649	275,171	365,359	116,940	457,873
-	500,000	4,092,723	-	-	-
128,905	-	-	-	-	-
<u>\$ 8,319,224</u>	<u>\$ 8,027,636</u>	<u>\$ 13,911,130</u>	<u>\$ 9,916,568</u>	<u>\$ 11,819,608</u>	<u>\$ 13,336,684</u>
<u>\$ (1,693,778)</u>	<u>\$ (2,013,141)</u>	<u>\$ 4,204,035</u>	<u>\$ 96,435</u>	<u>\$ 1,567,916</u>	<u>\$ 2,252,312</u>

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

	Fiscal Year			
	2012	2013	2014	2015
<b>General Fund</b>				
Nonspendable	\$ 477,717	\$ 522,960	\$ 545,375	\$ 558,332
Unassigned	2,812,949	2,707,349	2,893,152	4,153,836
Total general fund	<u>\$ 3,290,666</u>	<u>\$ 3,230,309</u>	<u>\$ 3,438,527</u>	<u>\$ 4,712,168</u>
<b>All Other Governmental Funds</b>				
Restricted	\$ -	\$ 140,718	\$ 21,000	\$ 205,810
Committed	14,279	2,687	59,814	207,137
Assigned	3,967,396	3,804,791	4,646,408	4,651,602
Total all other governmental funds	<u>\$ 3,981,675</u>	<u>\$ 3,948,196</u>	<u>\$ 4,727,222</u>	<u>\$ 5,064,549</u>

*Source: SouthWest Transit financial records*

**Table 3**

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 618,318	\$ 659,265	\$ 463,172	\$ 463,189	\$ 362,166	\$ 382,725
<u>4,043,568</u>	<u>2,923,805</u>	<u>3,827,438</u>	<u>3,914,830</u>	<u>7,160,492</u>	<u>8,511,349</u>
<u>\$ 4,661,886</u>	<u>\$ 3,583,070</u>	<u>\$ 4,290,610</u>	<u>\$ 4,378,019</u>	<u>\$ 7,522,658</u>	<u>\$ 8,894,074</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
310,313	310,672	310,842	26,229	15,308	-
<u>4,764,998</u>	<u>5,511,917</u>	<u>12,957,209</u>	<u>11,851,187</u>	<u>8,916,821</u>	<u>10,734,271</u>
<u>\$ 5,075,311</u>	<u>\$ 5,822,589</u>	<u>\$ 13,268,051</u>	<u>\$ 11,877,416</u>	<u>\$ 8,932,129</u>	<u>\$ 10,734,271</u>

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

	Fiscal Year			
	2012	2013	2014	2015
<b>Revenues</b>				
Intergovernmental - Federal	\$ 1,624,452	\$ 4,742,482	\$ 44,644	\$ -
Intergovernmental - State	7,764,167	7,719,320	9,196,367	10,232,199
Intergovernmental - Other	-	-	-	165,699
Passenger fares	2,528,315	2,517,920	2,658,560	2,653,727
Charges for services	-	-	219,420	297,047
Investment income	31,661	31,681	37,439	52,429
Special assessments	4,460	4,460	-	-
Other interest income	-	-	121,494	191,288
Loan repayment	-	-	65,782	136,208
Other local revenue	318,883	1,088,061	180,571	234,955
Total revenues	<u>12,271,938</u>	<u>16,103,924</u>	<u>12,524,277</u>	<u>13,963,552</u>
<b>Expenditures</b>				
General government	845,869	959,894	1,062,048	1,111,870
Buildings and grounds	1,142,476	1,143,735	1,611,040	1,185,920
Operations and vehicle maintenance	5,836,559	6,238,357	7,330,382	7,769,069
Capital outlay	3,443,192	8,007,632	1,812,267	4,369,745
Debt service				
Principal	77,855	1,929,084	146,319	261,995
Interest and agency fees	93,231	229,065	49,977	73,386
Total expenditures	<u>11,439,182</u>	<u>18,507,767</u>	<u>12,012,033</u>	<u>14,771,985</u>
Excess of revenues over (under) expenditures	832,756	(2,403,843)	512,244	(808,433)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,112,454	2,299,368	146,319	228,757
Transfers out	(1,112,454)	(2,299,368)	(146,319)	(228,757)
Sale of property	-	17,500	475,000	-
Insurance recoveries	-	172,507	-	-
Issuance of capital lease	-	1,000,000	-	2,419,401
Proceeds from certificate of participation	-	1,120,000	-	-
Total other financing sources (uses)	<u>-</u>	<u>2,310,007</u>	<u>475,000</u>	<u>2,419,401</u>
<b>Special item - net revenue from special services</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 832,756</u>	<u>\$ (93,836)</u>	<u>\$ 987,244</u>	<u>\$ 1,610,968</u>
Debt service as a percent of noncapital expenditures	2.0%	19.5%	1.8%	2.8%

Source: SouthWest Transit financial records

Table 4

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ -	\$ 6,588	\$ 49,650	\$ 46,350	\$ 2,526,886	\$ 2,092,974
7,945,496	7,647,582	9,742,243	9,654,653	9,681,615	11,117,667
192,189	81,663	72,947	75,112	41,373	56,504
2,745,131	2,882,098	3,065,441	2,977,194	673,042	521,820
421,812	218,322	224,337	267,587	114,525	216,340
67,929	79,229	103,002	344,415	234,567	69,342
-	-	-	-	-	-
169,680	178,639	171,583	164,190	165,286	-
142,643	149,382	156,438	163,830	3,460,718	-
335,593	72,717	52,042	390,610	2,415	71,227
<u>12,020,473</u>	<u>11,316,220</u>	<u>13,637,683</u>	<u>14,083,941</u>	<u>16,900,427</u>	<u>14,145,874</u>
1,335,762	1,251,675	1,392,045	1,436,835	1,259,156	1,481,578
1,448,470	1,150,399	1,234,257	1,239,241	1,264,831	1,286,428
8,062,484	8,369,959	8,922,870	8,824,760	6,179,344	6,371,728
896,449	925,281	1,090,553	2,247,926	6,358,923	2,006,906
371,679	424,594	371,984	1,596,577	6,838,618	-
114,047	104,209	92,243	102,421	406,666	-
<u>12,228,891</u>	<u>12,226,117</u>	<u>13,103,952</u>	<u>15,447,760</u>	<u>22,307,538</u>	<u>11,146,640</u>
(208,418)	(909,897)	533,731	(1,363,819)	(5,407,111)	2,999,234
499,486	324,570	422,330	4,189,489	6,196,817	4,897,009
(499,486)	(324,570)	(422,330)	(4,189,489)	(6,196,817)	(4,897,009)
-	500,000	7,500,000	-	-	-
39,993	78,359	119,271	60,593	106,463	174,324
-	-	-	-	5,500,000	-
-	-	-	-	-	-
<u>39,993</u>	<u>578,359</u>	<u>7,619,271</u>	<u>60,593</u>	<u>5,606,463</u>	<u>174,324</u>
<u>128,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (39,520)</u>	<u>\$ (331,538)</u>	<u>\$ 8,153,002</u>	<u>\$ (1,303,226)</u>	<u>\$ 199,352</u>	<u>\$ 3,173,558</u>
4.1%	4.4%	3.9%	12.6%	43.5%	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 <sup>(2)</sup>	Per Capita <sup>(1)</sup>
	General Obligation Bonds	Special Assessment Bonds	Capital Leases			
2012	\$ -	\$ -	\$ 1,901,449	\$ 1,901,449	*	\$ 17
2013	-	-	2,092,365	2,092,365	*	19
2014	-	-	1,946,046	1,946,046	*	18
2015	-	-	4,103,452	4,103,452	*	37
2016	-	-	3,731,773	3,731,773	*	33
2017	-	-	3,307,179	3,307,179	*	29
2018	-	-	2,935,195	2,935,195	*	25
2019	-	-	1,338,618	1,338,618	*	11
2020	-	-	-	-	*	-
2021	-	-	-	-	*	-

\* Data is not available

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

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

In 2020, SWT refinanced the outstanding capital lease balance of \$1,338,618 related to the Eden Prairie Garage expansion with a \$5.5 million garage facility lease purchase agreement, series 2020. SWT placed monies in an irrevocable trust to pay the remaining principal and interest payments on the outstanding lease through its call date on April 1, 2024. No debt issued in 2021

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
2012	108,637	*	*	18,585	4.2%
2013	110,769	*	*	15,354	4.5%
2014	111,928	*	*	14,814	4.5%
2015	112,518	*	*	14,711	2.9%
2016	114,577	*	*	14,150	3.1%
2017	114,857	*	*	14,610	3.2%
2018	117,436	*	*	14,311	2.5%
2019	118,271	*	*	14,586	2.5%
2020	118,588	*	*	14,528	3.8%
2021	118,588	*	*	14,528	(1) 3.8%

\* Data is not available

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

(1) 2021 data not available, using 2020 data (estimate)

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

**Table 7**

Employer	2021			2012		
	Employees	Rank	Percentage of Total Area Employment <sup>1</sup>	Employees	Rank	Percentage of Total Area Employment <sup>1</sup>
Optum, Inc.	3,312	1	18.4%	1,800	1	14.3%
Eden Prairie Mall	2,310	2	12.9%	*	*	*
CH Robinson	2,200	3	12.2%	1,462	3	11.6%
Starkey Hearing Technologies	2,000	4	11.1%	1,436	4	11.4%
Emerson Process/Rosemount Inc.	1,500	5	8.3%	1,200	6	9.6%
Eden Prairie School District No. 272	1,477	6	8.2%	1,500	2	11.9%
Lifetime Fitness	1,464	7	8.1%	899	10	7.2%
Chaska School District No. 112	1,346	8	7.5%	1,100	7	8.8%
Element Fleet Management	1,200	9	6.7%	*	*	*
Instant Web Companies	1,157	10	6.4%	*	*	*
Super Valu Stores Inc.	*	*	*	1,260	5	10.0%
Dell Compellent	*	*	*	1,000	8	8.0%
GE Capital	*	*	*	900	9	7.2%
<b>Total Principal Employees</b>	<b>17,966</b>		<b>100.0%</b>	<b>12,557</b>		<b>100.0%</b>

Note: 2021 estimated and includes the most recent information available from the three cities in the SWT service area.

Source: 2020 Annual Report of the member cities of Eden Prairie, Chanhassen and Chaska.

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

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

\* 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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
Administration	5	4	4	5	3	4	6	4	4	5
Marketing	-	-	-	-	1	1	1	3	1	1
Customer service	2	1	1	1	2	3	2	1	1	2
Operations and vehicle maintenance										
Operations	5	4	4	4	5	4	4	6	5	5
Vehicle maintenance	10	9	10	11	13	13	12	14	11	10
First transit service	56	64	77	84	87	82	82	84	43	47
Buildings and grounds facilities	2	3	3	2	2	3	5	5	9	9
Total	<u>80</u>	<u>85</u>	<u>99</u>	<u>107</u>	<u>113</u>	<u>110</u>	<u>112</u>	<u>117</u>	<u>74</u>	<u>79</u>

\* Does not include Part-Time or Seasonal

Source: SouthWest Transit budget record

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

**Table 9**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020 <sup>1</sup>	2021
<b>System Ridership</b>										
Fixed route	927,117	961,717	1,023,322	1,023,396	988,304	953,813	896,097	849,271	196,417	85,574
Special events	71,862	71,172	84,528	89,937	204,255	120,489	126,467	148,127	1,262	61,719
Demand response	-	-	-	12,490	53,531	74,531	102,511	108,801	51,999	62,667
<b>Vehicle Revenue Hours</b>										
Fixed route	35,952	38,597	48,593	49,591	47,151	43,766	37,659	33,059	12,575	11,742
Special events	1,136	1,222	1,363	1,681	2,349	2,297	2,889	2,883	36	1,795
Demand response	-	-	-	4,237	16,076	24,300	29,509	34,273	24,389	26,605
<b>Vehicle Revenue Miles</b>										
Fixed route	802,656	863,726	1,163,101	1,204,023	1,128,174	1,015,088	902,625	809,418	323,296	295,935
Special events	49,895	50,750	56,915	71,613	95,589	94,680	111,614	115,170	438	68,300
Demand response	-	-	-	68,492	256,719	376,594	493,507	579,573	388,890	577,083

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

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

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

**Table 10**

Function/Program	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Facilities										
Transit Park and Rides (Spaces)										
SWT capital assets	2,159	2,859	2,859	2,859	2,859	2,859	2,859	2,859	2,859	2,859
SWT noncapital assets	285	285	285	255	655	655	655	655	-	-
Construction in progress	700	-	-	-	-	-	-	-	-	-
Transit Passenger Stations										
SWT capital assets	3	4	4	4	4	4	4	3	3	3
Construction in progress	1	-	-	-	-	-	-	-	-	-
Transit buses										
SWT Capital Assets-DR PT**	-	-	-	1	1	1	3	10	10	9
SWT Noncapital Assets-MB PT*	60	61	65	74	74	68	64	64	64	68
SWT Noncapital Assets-DR PT**	-	-	-	-	11	13	13	14	13	13

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

National Transit Database (NTD) Bus Modes:

MB PT\*- Motor Bus Purchase Transit

DR PT\*\*- Demand Response Purchase Transit

Source: SouthWest Transit facilities records

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

**Table 11**

**Farebox Recovery Percentage  
Last Ten Fiscal Years**

Year	Percentage
2012.....	32.48%
2013.....	30.28%
2014.....	27.10%
2015.....	28.34%
2016.....	29.57%
2017.....	27.55%
2018.....	26.10%
2019.....	25.95%
2020.....	7.80%*
2021.....	5.72%*

\*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, 2021**

**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	\$4.00	\$4.00
Youth (ages 6 to 12)	4.00	4.00
*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, 2021  
(Unaudited)**

**Table 12**

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Date founded	1986
Date of incorporation	July 21, 1986
Form of government	Joint Powers by three Cities City of Eden Prairie City of Chanhassen City of Chaska
Service area	81 Square Miles
Population in service area	118,588
Type of tax support	Motor Vehicle Sales Tax
Sales tax rate	7.28%
Number of routes	5
Number of transfer stations	4
Number of Park & Ride Lots	4
Number of bus stops	249
Number of motor buses in peak service	20
Number of demand response buses in peak service	14
Average speed in miles per hour	21
Employees	
Full-time	32
Part-time and seasonal	5