



**SOUTH WEST TRANSIT**

**Eden Prairie, Minnesota**



# Comprehensive Annual Financial Report

*For the Fiscal Year Ended December 31, 2015*



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Comprehensive Annual Financial Report  
For the Year Ended December 31, 2015**

**Mission Statement**

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

**Prepared by:**

**Department of Finance and Administration**



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

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Eden Prairie, Minnesota**

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April 18, 2016

Honorable Chair and Members of the Commission  
SouthWest Transit

We are pleased to respectfully submit the SouthWest Transit (SWT) Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2015 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 Cities of Eden Prairie, Chanhassen and Chaska 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 auditing 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 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 government'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, 2015 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and any significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on their audit, that there was a reasonable basis for rendering an unmodified opinion that SWT's financial statements for the year ended December 31, 2015 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.

The primary mission of SWT is committed to providing a quality riding experience that fulfills the needs and exceeds the expectations of our customers.

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 seventy five (75) active vehicles. Driver services are provided by a private contractor. Beginning in July, 2015, SWT is providing new local service between its member communities. The 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. SWT does not have any component units.

The annual operating budget serves as the basis for SWT's financial planning and control. 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.

## **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 2015, SWT received \$ 6,466,043 from MVST in accordance with the statutory formula in Minnesota Statutes, Section 473.388.

The Metropolitan Council may also provide Suburban Transit Providers such as SWT with additional revenues known as Regionally Allocated MVST (RAMVST) above the amount required under Minnesota Statutes, Section 473.388. The RAMVST is distributed in accordance with the Metropolitan Council's model which is intended to preserve existing operations levels at SWT and to maintain an existing reserve in SWT's General Fund. SWT received \$ 2,691,000 under the RAMVST formula in 2015. While SWT continues to pursue a fair share of the RAMVST funding, we are also committed to a proactive approach to operations that relies on effectiveness and sound management decisions.

SWT ridership totaled 1,125,823 in 2015 and generated \$ 2,653,727 in passenger fare revenue. Passenger fare rates are established by the Metropolitan Council. In 2015, passenger fare recovery of operating costs (vehicle maintenance and operations) was 28%, a recovery rate that exceeded the regional performance target. Subsidy represents the cost per ride less the passenger fares received. The SWT subsidy in 2015 was \$ 6.32 compared to \$ 6.46 in 2014.

Several major maintenance projects were completed in 2015 and are reported in General Fund expenditures. The maintenance projects totaled approximately \$ 1.1 million and included items such as:

- Wi-Fi, camera and radio replacements on buses,
- Replacement or upgrade of vehicle operation and maintenance facilities,
- Replacement and upgrade of vehicle maintenance, and
- Improvements in SWT overall technology.

As SWT moves forward into 2016 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.

SWT completed a major expansion of its Eden Prairie garage facility in 2015. The project was financed by the issuance of \$ 2,332,000 debt to be repaid over the next ten years.

### **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 35-40% of the current year operating budget. The fund balance falls within this range at December 31, 2015. However, with the 2016 RAMVST allocation from the MC, the fund balance is projected to drop below this threshold by the end of 2016.
- A debt service fund balance of \$ 207,137 as stated in the Balance Sheet is dedicated to retirement of the Refunding Certificates of Participation for the SouthWest Village construction and the Energy Savings lease purchase financing.
- Intergovernmental revenue or local funds will be used to pay the debt service on the current outstanding balance of \$ 950,000 for the above stated COP.



- The Commission issued \$ 1,000,000 in energy savings debt in 2013 that will be repaid from future energy savings. A separate debt service fund has been set up to account for the repayment of the remaining debt outstanding which totals \$ 858,299.
- The lease purchase financing for the Eden Prairie garage is expected to be repaid with local, regional and federal funds. A separate debt service fund was set up in 2015 to account for the repayment of the remaining debt outstanding which totals \$ 2,215,009.

SWT has also adopted the following Capital and Debt Policies:

- SWT will first seek state and federal capital funding to the extent it is available. State and federal sources include the Metropolitan Council (MC), Federal Congestion Mitigation Air Quality (CMAQ) grants and/or other sources as they become available.
- SWT will look towards its Capital and Equipment Fund (C&E) fund balance to fund one-time capital expenditures.
- Should SWT need to issue debt, it shall confine long-term borrowing to capital improvements or assets for which there is no limited or delayed capital funding from the Metropolitan Council or other grant sources and that cannot be funded from current revenues. When debt is issued, it will pay back the debt within a period not more than the useful life of the improvement or asset.
- A minimum reserve in the amount of one year debt retirement will be dedicated to the debt retirement at the time the debt is issued.
- 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 a five-year Capital Improvement Plan for all projects over \$ 50,000 and update the plan with the annual budget process.

## **Major Initiatives**

Major initiatives for SWT operations included:

- Ridership on SWT remains at a very high level. New service, a new station and the agency's marketing efforts are all responsible for the increase.
- Additional transit services have been added to other destinations including Best Buy Corporate Offices, Normandale Community College and Southdale Shopping Center.
- SWT operates its buses on the shoulders of Hwy 494 between Hwy 5 in Eden Prairie and Hwy 394 in Golden Valley. Up to this point bus use of shoulders was prohibited on 494.
- Wi-Fi service is available on all of SWT's buses. SWT is the first transit agency in the state and one of the first in the country to offer Wi-Fi on all buses. In addition, free Wi-Fi is available at all four of SWT's major Park & Ride locations.
- Effective July 2015, SWT started a new service, referred to as SW Prime. SW Prime is a curb to curb service within its current service area.
- SWT improved its operational efficiency with the completion of the Eden Prairie garage expansion and modernization project in 2015.
- SWT worked through a Memo of Understanding with the Metropolitan Council which will provide guaranteed service and local control once the Light Rail (LRT) is operating in Eden Prairie.
- Four new expansion coach buses aid in providing service to our growing ridership and five new cutaways add local service options in 2015 (SW Prime).
- SWT service was extended to the City of Carver beginning in January 2015 under a grant agreement expected to continue for three more years.

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- Four new expansion coach buses aid in providing service to our growing ridership and five new cutaways add local service options in 2015 (SW Prime).
- SWT service was extended to the City of Carver beginning in January 2015 under a grant agreement expected to continue for three more years.
- A Rider Reward program, starting in 2015, will provide additional ridership incentives.

### **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, 2014. This was the ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### **Acknowledgements**

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

Respectfully submitted,



Len Simich  
Chief Executive Officer and General Manager





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

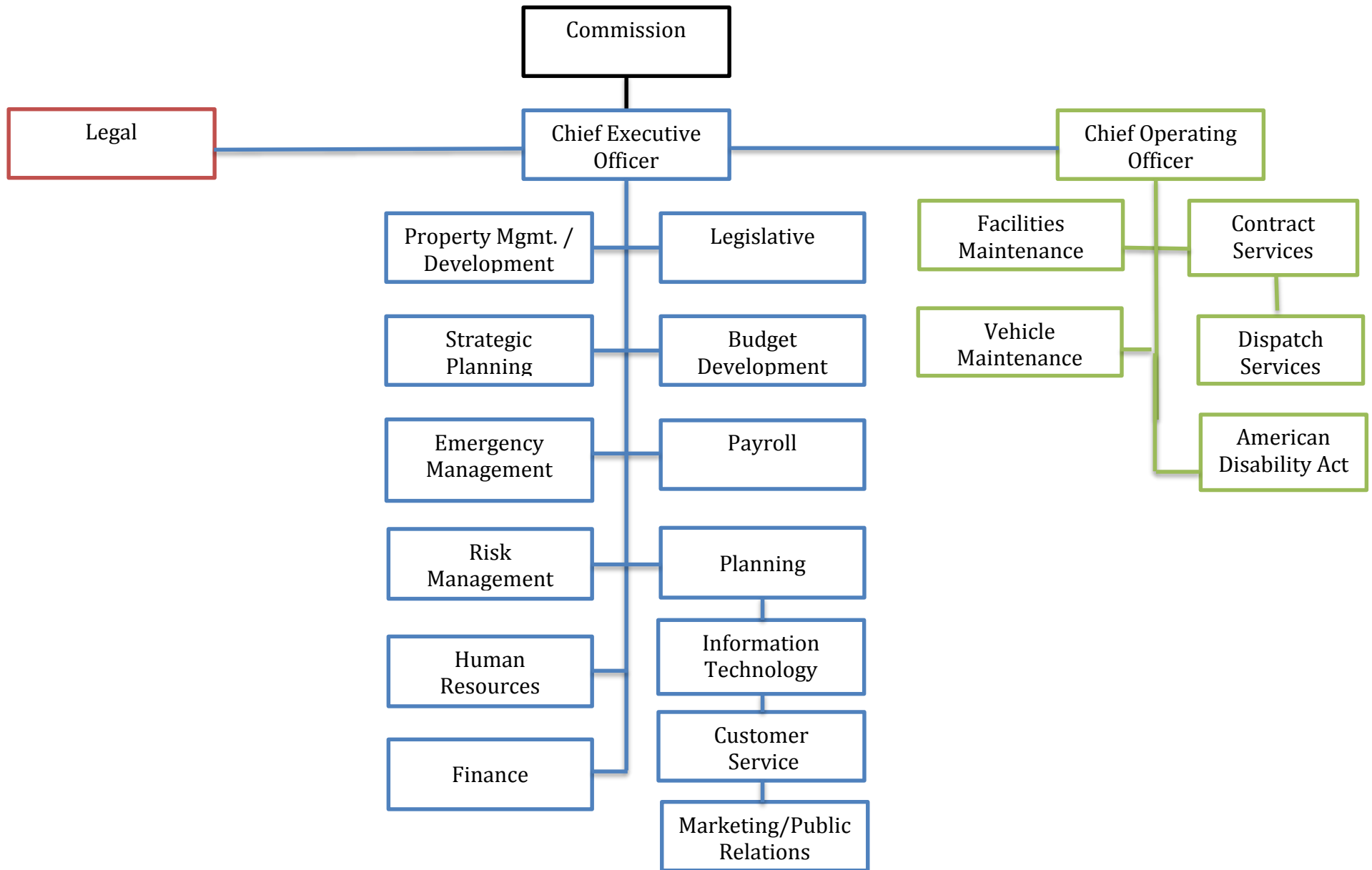
**SouthWest Transit  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO

# SouthWest Transit Organization Chart



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**BOARD OF COMMISSIONERS AND KEY PERSONNEL  
December 31, 2015**

<u>Board Member</u>	<u>Position on Board</u>	<u>Community Represented</u>	<u>Term Expires</u>
Jerry McDonald	Chairperson	Chanhassen	December 31, 2016
Jay Rohe	Vice Chairperson	Chaska	December 31, 2015
Dan Wilczek	Secretary/Treasurer	Eden Prairie	December 31, 2015
Jody Collis King	Board Member	Chanhassen	December 31, 2015
Brad Aho	Board Member	Eden Prairie	December 31, 2017
Bob Roepke	Board Member	Chaska	December 31, 2015
Nancy Tyra-Lukens	Board Member	Eden Prairie	December 31, 2015
<u>Key Personnel</u>			
Len Simich	Chief Executive Officer		
Dave Jacobson	Chief Operating Officer		
Steve LaFrance	Maintenance and Facilities Director		



## **FINANCIAL SECTION**





## INDEPENDENT AUDITOR'S REPORT

BerganKDV, Ltd.

Board of Commissioners  
SouthWest Transit  
Eden Prairie, Minnesota

**Cedar Falls**  
602 Main Street  
Suite 100  
P.O. Box 489  
Cedar Falls, IA  
50613-0026  
T 319.268.1715  
F 319.268.1720

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of SouthWest Transit (“SWT”), Eden Prairie, Minnesota, as of and for the year ended December 31, 2015, and the related Notes to the Financial Statements, which collectively comprise SWT’s basic financial statements as listed in the Table of Contents.

**Cedar Rapids**  
2720 1st Avenue NE  
Suite 300  
P.O. Box 10200  
Cedar Rapids, IA  
52402-0200  
T 319.294.8000  
F 319.294.9003

### Management’s Responsibility for the Financial Statements

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

**Coralville**  
2530 Corridor Way  
Suite 301  
P.O. Box 5267  
Coralville, IA  
52241-0267  
T 319.248.0367  
F 319.248.0582

### Auditor’s Responsibility

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

**Des Moines**  
9207 Northpark Drive  
Johnston, IA  
50131-2933  
T 515.727.5700  
F 515.727.5800

**Minneapolis**  
3800 American Blvd W  
Suite 1000  
Bloomington, MN  
55431-4420  
T 952.563.6800  
F 952.563.6801

**St. Cloud**  
220 Park Avenue S  
P.O. Box 1304  
St. Cloud, MN  
56302-3713  
T 320.251.7010  
F 320.251.1784

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

**Waterloo**  
100 East Park Avenue  
Suite 300  
P.O. Box 2100  
Waterloo, IA  
50704-2100  
T 319.234.6885  
F 319.234.6287

bergankdv.com

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of SouthWest Transit, Eden Prairie, Minnesota, as of December 31, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Implementation of GASB 68 and GASB 71**

As discussed in Note 11 to the financial statements, SWT has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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



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

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

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

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SWT's basic financial statements for the year ended December 31, 2014, from which such partial information was derived.

We have previously audited SWT's 2014 financial statements and our report, dated May 6, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2016 on our consideration of SWT'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 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 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 SWT's internal control over financial reporting and compliance.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
April 18, 2016

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2015**

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, 2015. All amounts, unless otherwise indicated, are expressed in dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of SWT exceeded its liabilities at the close of 2015 by \$ 54,887,956 (net position). Of this amount, \$ 12,353,477 (unrestricted net position) may be used to meet SWT's ongoing obligations to customers and creditors.
- SWT's total net position increased by \$ 93,340, or 0.2%, based on 2015 activity.
- As of the close of the current year, SWT's governmental funds reported combined ending fund balances of \$ 9,776,717, an increase of \$ 1,610,968 in comparison with the prior year. \$ 4,153,836 of the General Fund is unassigned and available for spending at SWT's discretion.
- At the end of the current fiscal year, the General Fund had a fund balance of \$ 4,712,168. Of that amount, \$ 558,332 was in nonspendable form and the remaining \$ 4,153,836 was unassigned.
- SWT has a fund balance of \$ 207,137 available for debt retirement. Funds from the General Fund were budgeted and were transferred to cover 2015 debt payments together with other financing sources dedicated for debt retirement.
- In May 2014, SWT approved the sale of a 95,000 square foot garage in Chaska for \$ 4,750,000. SWT received 10% down and is carrying a contract for deed totaling \$ 4,275,000. Monthly payments of \$ 27,335 including interest at 4.625% started July 2014 and will continue for 20 years.
- In 2015, SWT started providing service to the City of Carver under a contract financed by a CMAQ grant. It is anticipated this service agreement will continue for the next 3 years.
- In July 2015, SWT approved lease purchase financing for an expansion and modernization of its Eden Prairie garage facility. The financing of this obligation will include SWT, Metropolitan Council and federal resources.
- On July 6, 2015, SWT started an on-demand shared ride service. The curb to curb service is referred to as SW Prime.
- SWT ridership increased by 1.6% to 1,125,823; operations decreased the overall subsidy per passenger from \$ 6.46 in 2014 to \$ 6.32 in 2015.

**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 the Financial Statements.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2015**

**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 the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SWT is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 26-27 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 2015: the General Fund, SWT Buses, SWS Development, Energy Savings, and the Capital and Equipment Capital Projects Funds. In addition, SWT maintains three Debt Service Funds for SW Village Debt, Energy Savings Debt, and Eden Prairie Garage Remodel Debt.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2015**

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 30-37 of this report.

**Notes to the Financial Statements** – The Notes to the 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 the Financial Statements can be found on pages 39-63 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, deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 54,887,956 at the close of 2015.

22.51% 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 77.49% reflects SWT's investment in capital assets (e.g. land, buildings, vehicles, equipment) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. SWT uses these capital assets to provide transit services to the citizens within our service area. Consequently, these assets are not available for future spending. Although SWT's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

GASB Statement No. 68 was implemented for the year ended December 31, 2015 and required a \$ 1,091,999 (reduction) restatement of beginning Net Position. GASB Statement No. 68 is related to the accounting treatment of defined benefit pension plans, specifically the Public Employees Retirement Association of Minnesota (PERA). This is a result of a change in an accounting principle and does not affect SWT's obligation requirements as set by Minnesota Statute. While the accounting standard changed, SWT will continue to fund the pension plan based on required contribution rates as set by MN Statute. See Note 10 of the Notes to Financial Statements for additional information.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2015**

**Net Position**

	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 15,031,261	\$ 13,803,788
Capital Assets, Net of Depreciation	<u>46,432,121</u>	<u>45,589,896</u>
Total Assets	<u>61,463,382</u>	<u>59,393,684</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pension	<u>175,031</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 61,638,413</u>	<u>\$ 59,393,684</u>
Current Liabilities	\$ 1,674,801	\$ 1,680,925
Long-Term Liabilities	<u>5,002,378</u>	<u>1,826,144</u>
Total Liabilities	<u>6,677,179</u>	<u>3,507,069</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pension	<u>73,278</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 6,750,457</u>	<u>\$ 3,507,069</u>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	\$ 42,534,479	\$ 43,664,850
Unrestricted	<u>12,353,477</u>	<u>12,221,765</u>
Total Net Position	<u>\$ 54,887,956</u>	<u>\$ 55,886,615</u>

**Governmental Activities** – Governmental activities increased SWT’s net position by \$ 93,340. The components of net position increased or decreased as follows:

- Net position invested in capital assets decreased by \$ 1,130,371 during the year. Depreciation expense in 2015 totaled \$ 1,870,168 which was offset in part by capital assets additions. Capital additions included the Eden Prairie garage expansion project.
- Unrestricted net position increased by \$ 131,712 primarily due to the sale of the Chaska garage (payments on the contract for deed) and General Fund operations operating revenues exceeding operating expenditures. The increases were offset by the GASB restatement of beginning unrestricted net position.

Please see pages 26-27 for further detailed information.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2015**

**Changes in Net Position**

	Governmental Activities	
	2015	2014
Revenues:		
Program Revenues		
Charges for Services	\$ 2,965,015	\$ 2,844,839
Operating Grants and Contributions	165,699	-
Capital Grants and Contributions	1,075,156	323,279
Total Program Revenues	4,205,870	3,168,118
General revenues:		
Unrestricted Intergovernmental Revenue	9,157,043	8,917,732
Other Local Revenue	412,002	335,206
Unrestricted Investment Earnings	52,429	37,439
Total revenues	13,827,344	12,458,495
Expenses:		
General Government	1,142,604	1,029,036
Building and Grounds	3,820,148	3,357,869
Operations and Vehicle Maintenance	8,684,285	7,809,487
Debt Service Interest and Agency Fees	86,967	55,437
Total expenses	13,734,004	12,251,829
Change in Net Position	93,340	206,666
NET POSITION:		
Beginning, as Previously Stated	55,886,615	55,679,949
Change in Accounting Principle	(1,091,999)	-
Net Position - Beginning, as Restated	54,794,616	55,679,949
Ending	\$ 54,887,956	\$ 55,886,615

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

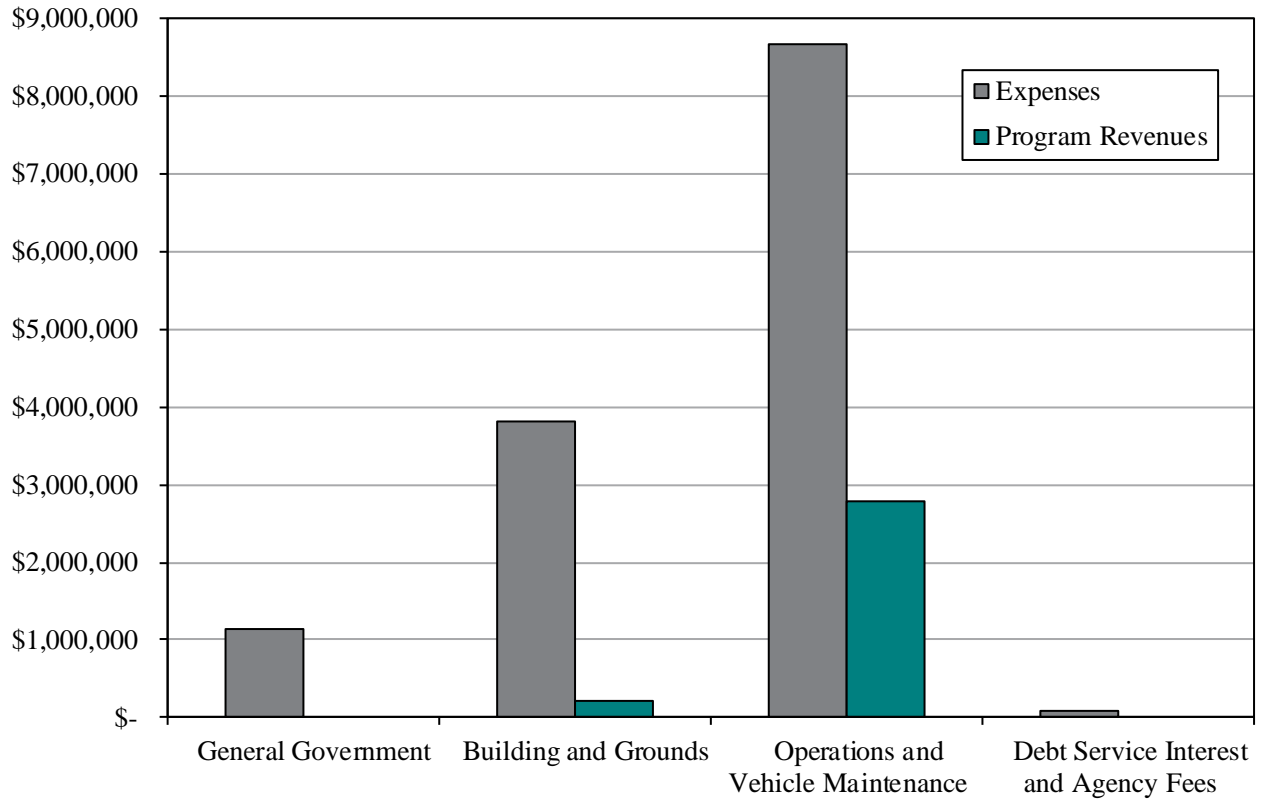
- Capital grants and contributions from federal and state sources finance facilities and equipment purchases. In 2015, state grants totaling \$ 1,075,156 financed the acquisition of SWT buses and financed a portion of the Eden Prairie garage and SW Village debt.
- Unrestricted intergovernmental revenue includes both MVST and RAMVST. MVST increased by \$ 377,417 and RAMVST decreased by \$ 77,000 in 2015. The 2015 funding levels for MVST and RAMVST provided through the Metropolitan Council will be reduced in 2016. The reduction in 2016 RAMVST will reduce the fund balance levels determined by the Metropolitan Council. The 2014 unrestricted intergovernmental revenue also includes \$ 61,106 that SWT received as an additional state appropriation.



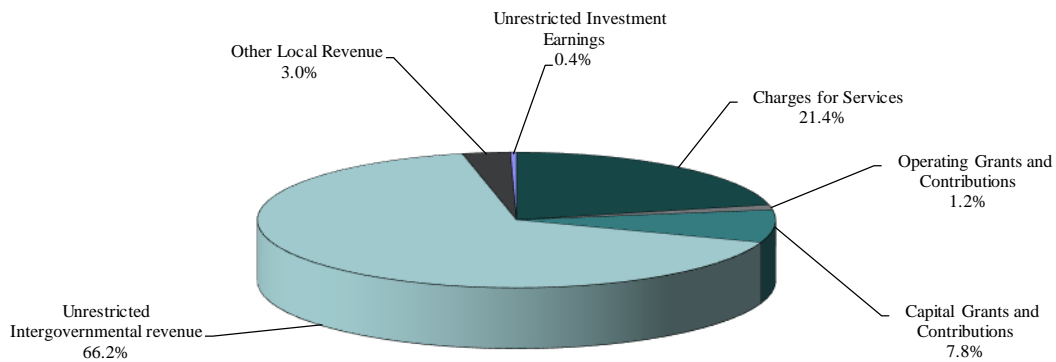
**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2015**

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Sources - Governmental Activities**



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2015**

**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 \$ 9,776,717, an increase of \$ 1,610,968 in comparison with the prior year. Fund balances are classified to reflect the limitations and restriction of the respective funds. Additional information on fund balance classifications are in Note 7 on page 53 of this report.

The increase in SWT's fund balance of \$ 1,610,968 during the current year is comprised of the following key factors:

- The General Fund revenues exceeded expenditures and transfers out by \$ 1,273,641.
- Expenditures in the Capital and Equipment Capital Projects Fund exceeded revenue by \$ 86,139.
- The SWS Development Capital Projects Fund includes the payments received on the sale of the Chaska garage totaling \$ 327,496. It also include the cost of the Eden Prairie garage project which was financed by \$ 2,332,000 lease purchase financing.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The SWT Commission approved an amended budget in 2015 that reflected the use of significantly more revenues for major maintenance projects for both facilities and equipment than originally anticipated.

The Intergovernmental revenue (MVST and RAMVST) exceeded the original adopted budget by \$ 598,143. In addition, the original adopted budget anticipated that revenues would exceed the expenditures by \$ 269,430. The amended budget included revenue increases for MVST based on actual collections and the reallocation of expenditure budgets based on operating costs and service levels. The significant drop in fuel cost and the delay of the implementation of the SW Prime service until July 2015 resulted in reducing the Operations and Vehicle Maintenance budget by \$ 926,381.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2015**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – SWT's investment in capital assets as of December 31, 2015 amounted to \$ 46,432,121 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements including parking decks, equipment and intangible assets. See the following table for more detail.

**Capital Assets (Net of Depreciation)**

	2015	2014
Buildings and Facilities	\$ 10,153,996	\$ 8,627,741
Bus Equipment	301,068	229,910
Equipment and Software	989,404	539,779
Furniture	22,293	25,303
Land	2,270,717	2,270,717
Land Improvements	740,760	826,378
Park and Ride Facilities	31,298,494	32,390,599
Transit Hub Facilities	454,396	492,050
Vehicles	200,993	129,457
Construction in Progress	-	57,962
Total	<u>\$ 46,432,121</u>	<u>\$ 45,589,896</u>

SWT operates 74 buses owned by the Metropolitan Council. SWT acquired one additional transit bus in 2015 for its local on-demand service.

Additional information on SWT's capital assets can be found in Note 1.D.5 on pages 43 of this report and Note 6 on pages 51-52 of this report.

**Long-Term Debt** – SWT debt totals \$ 4,103,452, a net increase of \$ 2,157,406 during 2015. SWT debt includes four issues including Certificates of Participation, Lease Purchase and Capital Lease financing and are briefly described as follows:

- The SouthWest Village Parking Ramp (COP) debt totals \$ 950,000 with the final payment due October 1, 2025.
- The Energy Savings Lease Purchase debt totals \$ 858,299 with the final payment due April 2028.
- The Eden Prairie Garage Lease Purchase debt totals \$ 2,215,009 with the final payment due April 2025.
- The Turtle Top Bus Capital Lease debt totals \$ 80,144 with final payment due July 2020.

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

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2015**

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

SWT had approved its 2016 budget that includes an estimated \$ 6,546,000 from MVST and \$ 1,417,000 from regional allocated MVST. The 2016 expenditure budget continues additional service for its riders with new service to Best Buy, Target Corporation Offices, Normandale Community College, the Southdale Shopping area and the SW Prime service. The General Fund expenditure and other financing use budget for 2016 is \$ 11,646,215; an increase of \$ 247,945 from the original approved budget for 2015. The increased expenditures are planned to be financed with additional MVST, passenger fares and fund balance. The Metropolitan Council (MC) uses the allocation of RAMVST to manage the SWT General Fund at the same level as other Transit Providers that participate in the RAMVST allocation.

The RAMVST revenue reduction is projected to reduce the fund balance to 27.92% of expenditures. The 2016 budget anticipates a reduction in the General Fund balance of \$ 733,859.

SWT ridership increased by 1.6% in 2015 and the trend is expected to continue in 2016. Ridership increases are expected with both the current routes. The 2016 budget increased passenger fares to \$ 2,639,240; up 2.9% over the 2015 amended budget.

SWT General Fund balance policy states the SWT Commission shall set the General Fund balance to represent 35%-40% of the current year operating budget. It is projected the fund balance will decrease as provided in the MC revenue allocation model and is using the fund balance increase in 2015 to finance the operation in 2016.

SWT will utilize the following strategies to balance the 2016 budget:

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

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

**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, 13500 Technology Drive, Eden Prairie, Minnesota 55344.



## **BASIC FINANCIAL STATEMENTS**

**SOUTHWEST TRANSIT**  
Eden Prairie, Minnesota

**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
December 31, 2015  
(With Comparative Totals for December 31, 2014)

	December 31,	
	2015	2014
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>		
Current Assets:		
Cash and Investments	\$ 9,392,514	\$ 8,129,352
Cash with Fiscal Agent	205,810	63,050
Accounts Receivable	2,692	12,240
Interest Receivable	28,050	18,207
Intergovernmental Receivable	770,853	826,346
Contract for Deed Receivable - Current Portion	142,643	136,208
Inventory - Vehicle Parts	418,699	416,772
Prepaid Items	139,633	128,603
Total Current Assets	11,100,894	9,730,778
Noncurrent Assets:		
Contract for Deed Receivable - Noncurrent Portion	3,930,367	4,073,010
Capital Assets:		
Land	2,270,717	2,270,717
Land Improvements	1,507,829	1,507,829
Buildings and Facilities	15,139,246	13,206,601
Transit Hub Facilities	1,635,636	1,599,991
Bus Equipment	430,553	332,979
Park and Ride Facilities	38,808,968	38,794,281
Equipment and Software	1,836,455	1,275,483
Vehicles	329,842	226,855
Furniture	48,340	48,340
Construction in Progress	-	57,962
Total Cost	62,007,586	59,321,038
Less Accumulated Depreciation	(15,575,465)	(13,731,142)
Total Capital Assets	46,432,121	45,589,896
Total Noncurrent Assets	50,362,488	49,662,906
Total Assets	61,463,382	59,393,684
Deferred Outflows of Resources:		
Deferred Outflows of Resources Related to Pensions	175,031	-
Total Assets and Deferred Outflows of Resources	\$ 61,638,413	\$ 59,393,684
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:</b>		
Current Liabilities:		
Accounts and Contracts Payable	\$ 962,590	\$ 1,180,125
Retainage Payable	169,049	153,870
Salaries and Benefits Payable	49,895	94,826
Interest Payable	26,822	13,241
Long-Term Liabilities Due Within One Year	466,445	238,863
Total Current Liabilities	1,674,801	1,680,925
Noncurrent Liabilities:		
Lease Purchase/Certificates of Participation Payable	4,103,452	1,946,046
Compensated Absences Payable	121,566	118,961
Net Pension Liability	1,243,805	-
Less Amounts Due Within One Year	(466,445)	(238,863)
Total Noncurrent Liabilities	5,002,378	1,826,144
Total Liabilities	6,677,179	3,507,069
Deferred Inflows of Resources:		
Deferred Inflows of Resources Related to Pensions	73,278	-
Net Position:		
Net Investment in Capital Assets	42,534,479	43,664,850
Unrestricted	12,353,477	12,221,765
Total Net Position	54,887,956	55,886,615
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 61,638,413	\$ 59,393,684

The Notes to the Financial Statements are an integral part of this statement.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2015  
(With Comparative Totals for the Year Ended December 31, 2014)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2015	2014
Governmental Activities:					Governmental Activities	Governmental Activities
General Government	\$ 1,142,604	\$ -	\$ -	\$ -	\$ (1,142,604)	\$ (1,029,036)
Buildings and Grounds	3,820,148	191,288	-	206,991	(3,421,869)	(2,903,652)
Operations and Vehicle Maintenance	8,684,285	2,773,727	165,699	868,165	(4,876,694)	(5,095,586)
Debt Service Interest and Agency Fees	86,967	-	-	-	(86,967)	(55,437)
Total Governmental Activities	<u>\$ 13,734,004</u>	<u>\$ 2,965,015</u>	<u>\$ 165,699</u>	<u>\$ 1,075,156</u>	(9,528,134)	(9,083,711)
General Revenues:						
Unrestricted Intergovernmental Revenue					9,157,043	8,917,732
Other Local Revenue					412,002	335,206
Unrestricted Investment Earnings					52,429	37,439
Total General Revenues					<u>9,621,474</u>	<u>9,290,377</u>
Change in Net Position					93,340	206,666
Net Position - Beginning, as Previously Stated					55,886,615	55,679,949
Change in Accounting Principle (See Note 12)					(1,091,999)	-
Net Position - Beginning, as Restated					<u>54,794,616</u>	<u>55,679,949</u>
Net Position - Ending					<u>\$ 54,887,956</u>	<u>\$ 55,886,615</u>







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

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2015**  
**(With Comparative Totals for December 31, 2014)**

		Capital Projects	
	General Fund	Capital and Equipment	SWS Development Capital
<b>ASSETS:</b>			
Cash and Investments	\$ 4,381,463	\$ 1,961,426	\$ 2,842,488
Cash with Fiscal Agent	-	-	205,810
Accounts Receivable	2,692	-	-
Interest Receivable	11,313	125	16,612
Intergovernmental Receivable	740,628	-	-
Contract for Deed Receivable	-	-	4,073,010
Due from Other Funds	-	-	-
Inventory	418,699	-	-
Prepaid Items	139,633	-	-
	<u>\$ 5,694,428</u>	<u>\$ 1,961,551</u>	<u>\$ 7,137,920</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
Liabilities:			
Accounts and Contracts Payable	\$ 932,365	\$ -	\$ -
Retainage Payable	-	-	169,049
Salaries and Benefits Payable	49,895	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>982,260</u>	<u>-</u>	<u>169,049</u>
Deferred Inflows of Resources:			
Unavailable Revenue - Contract for Deed	<u>-</u>	<u>-</u>	<u>4,073,010</u>
Fund Balances:			
Nonspendable	558,332	-	-
Restricted	-	-	205,810
Committed	-	-	-
Assigned	-	1,961,551	2,690,051
Unassigned	4,153,836	-	-
Total Fund Balances	<u>4,712,168</u>	<u>1,961,551</u>	<u>2,895,861</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,694,428</u>	<u>\$ 1,961,551</u>	<u>\$ 7,137,920</u>

Nonmajor Governmental Funds	Total Governmental Funds	
	2015	2014
\$ 207,137	\$ 9,392,514	\$ 8,129,352
-	205,810	63,050
-	2,692	12,240
-	28,050	18,207
30,225	770,853	826,346
-	4,073,010	4,209,218
-	-	9,305
-	418,699	416,772
-	139,633	128,603
<u>\$ 237,362</u>	<u>\$ 15,031,261</u>	<u>\$ 13,813,093</u>

\$ 30,225	\$ 962,590	\$ 1,180,125
-	169,049	153,870
-	49,895	94,826
-	-	9,305
<u>30,225</u>	<u>1,181,534</u>	<u>1,438,126</u>

-	4,073,010	4,209,218
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-	558,332	545,375
-	205,810	21,000
207,137	207,137	59,814
-	4,651,602	4,646,408
-	4,153,836	2,893,152
<u>207,137</u>	<u>9,776,717</u>	<u>8,165,749</u>

<u>\$ 237,362</u>	<u>\$ 15,031,261</u>	<u>\$ 13,813,093</u>
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**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS  
December 31, 2015  
(With Comparative Totals for December 31, 2014)**

	December 31,	
	2015	2014
Total Fund Balances - Governmental Funds	\$ 9,776,717	\$ 8,165,749
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Cost of Capital Assets	62,007,586	59,321,038
Less Accumulated Depreciation	(15,575,465)	(13,731,142)
<p>Long-term liabilities, including leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p>		
Leases/Certificates of Participation Payable	(4,103,452)	(1,946,046)
Compensated Absences Payable	(121,566)	(118,961)
Net Pension Liability	(1,243,805)	-
<p>Deferred outflows or resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.</p>		
Deferred Inflows of Resources Related to Pensions	(73,278)	-
Deferred Outflows of Resources Related to Pensions	175,031	-
<p>Contract for deed receivable will be collected in the future years, but not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.</p>		
	4,073,010	4,209,218
<p>Governmental funds do not report a liability for accrued interest until due and payable.</p>		
	(26,822)	(13,241)
Total Net Position - Governmental Activities	<u>\$ 54,887,956</u>	<u>\$ 55,886,615</u>

**SOUTHWEST TRANSIT**  
Eden Prairie, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2015  
(With Comparative Totals for the Year Ended December 31, 2014)

	General Fund	Capital Projects	
		Capital and Equipment	SWS Development Capital
<b>REVENUES:</b>			
Intergovernmental - Federal	\$ -	\$ -	\$ -
Intergovernmental - State	9,157,043	-	-
Intergovernmental - Other	165,699	-	-
Passenger Fares	2,653,727	-	-
Charges for Services	297,047	-	-
Investment Income	27,903	10,653	13,664
Other Interest Income	-	-	191,288
Loan Repayment	-	-	136,208
Other Local Revenue	198,841	-	-
Total Revenues	12,500,260	10,653	341,160
<b>EXPENDITURES:</b>			
Current:			
General Government	1,111,870	-	-
Buildings and Grounds	1,100,920	-	85,000
Operations and Vehicle Maintenance	7,769,069	-	-
Debt Service:			
Principal Retirement	7,257	-	-
Interest and Agency Fees	3,376	-	-
Capital Outlay:			
Buildings and Grounds	557,811	-	2,275,917
Operations and Vehicle Maintenance	571,060	96,792	-
Total Expenditures	11,121,363	96,792	2,360,917
Excess of Revenues Over (Under) Expenditures	1,378,897	(86,139)	(2,019,757)
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of Capital Lease	87,401	-	2,332,000
Sale of Property	-	-	-
Transfers In	-	-	-
Transfers Out	(192,657)	-	(15,100)
Total Other Financing Sources (Uses)	(105,256)	-	2,316,900
Net Change in Fund Balances	1,273,641	(86,139)	297,143
<b>FUND BALANCES:</b>			
Beginning of Year	3,438,527	2,047,690	2,598,718
End of Year	\$ 4,712,168	\$ 1,961,551	\$ 2,895,861

Nonmajor Governmental Funds	Total Governmental Funds	
	2015	2014
\$ -	\$ -	\$ 44,644
1,075,156	10,232,199	9,196,367
-	165,699	-
-	2,653,727	2,658,560
-	297,047	219,420
209	52,429	37,439
-	191,288	121,494
-	136,208	65,782
36,114	234,955	180,571
<u>1,111,479</u>	<u>13,963,552</u>	<u>12,524,277</u>
-	1,111,870	1,062,048
-	1,185,920	1,611,040
-	7,769,069	7,330,382
254,738	261,995	146,319
70,010	73,386	49,977
-	2,833,728	974,979
868,165	1,536,017	837,288
<u>1,192,913</u>	<u>14,771,985</u>	<u>12,012,033</u>
(81,434)	(808,433)	512,244
-	2,419,401	-
-	-	475,000
228,757	228,757	146,319
(21,000)	(228,757)	(146,319)
<u>207,757</u>	<u>2,419,401</u>	<u>475,000</u>
126,323	1,610,968	987,244
80,814	8,165,749	7,178,505
<u>\$ 207,137</u>	<u>\$ 9,776,717</u>	<u>\$ 8,165,749</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  
For the Year Ended December 31, 2015  
(With Comparative Totals for the Year Ended December 31, 2014)**

	December 31,	
	2015	2014
Net Change in Fund Balances - Governmental Funds	\$ 1,610,968	\$ 987,244
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital Outlay Expenditures	2,736,138	1,390,365
Depreciation Expense	(1,870,168)	(1,702,300)
Loss on Disposal	(23,745)	-
The net effect of transactions involving the disposal of the Chaska garage.	-	(593,227)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(2,605)	(16,275)
<p>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.</p>		
Principal Repayment	261,995	146,319
New Debt Issued	(2,419,401)	-
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 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.	(13,581)	(5,460)
Governmental Funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in differences between actual and expected contributions and earnings on plan investments as well as changes in proportion.	(50,053)	-
Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
Contract for Deed Repayment	(136,208)	-
Change in Net Position - Governmental Activities	\$ 93,340	\$ 206,666

The Notes to the Financial Statements are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL -**  
**GENERAL FUND**

**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental - State	\$ 8,558,900	\$ 8,856,000	\$ 9,157,043	\$ 301,043
Intergovernmental - Other	273,000	203,000	165,699	(37,301)
Passenger Fares	2,584,800	2,564,800	2,653,727	88,927
Charges for Services	125,000	125,000	297,047	172,047
Investment Income	124,000	4,000	27,903	23,903
Other Local Revenue	2,000	122,000	198,841	76,841
Total Revenues	11,667,700	11,874,800	12,500,260	625,460
<b>EXPENDITURES:</b>				
Current:				
General Government	1,070,300	1,145,300	1,111,870	(33,430)
Buildings and Grounds	1,128,998	1,141,698	1,100,920	(40,778)
Operations and Vehicle Maintenance	8,706,050	7,779,669	7,769,069	(10,600)
Debt Service:				
Principal Retirement	-	-	7,257	7,257
Interest and Agency Fees	-	-	3,376	3,376
Capital Outlay:				
Buildings and Grounds	272,507	575,519	557,811	(17,708)
Operations and Vehicle Maintenance	107,758	493,157	571,060	77,903
Total Expenditures	11,285,613	11,135,343	11,121,363	(13,980)
Excess of Revenues Over Expenditures	382,087	739,457	1,378,897	639,440
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of Capital Lease	-	-	87,401	87,401
Transfers Out	(112,657)	(192,657)	(192,657)	-
Total Other Financing Uses	(112,657)	(192,657)	(105,256)	87,401
Net Change in Fund Balances	\$ 269,430	\$ 546,800	1,273,641	\$ 726,841
<b>FUND BALANCES:</b>				
Beginning of Year			3,438,527	
End of Year			\$ 4,712,168	

The Notes to the Financial Statements are an integral part of this statement.



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**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 and local fixed route services. In July 2015, SWT also added local on-demand service for the area it serves

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.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

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

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

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.

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

**Description of Funds:**

Major Governmental Funds:

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

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

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.

SWT receives a significant percentage of its revenue from MVST.

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% of MVST. These funds are appropriated to the Metropolitan Council (MC). The MC is then mandated to provide the requested financial assistance to suburban transit systems. The formula for distributing the funds to each transit system is contained in the statute.

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 calls for a phased-in transfer of the revenues over five years, with up to 60% of the dedicated funds going to state highways and local roads and at least 40% to public transit. This revenue is now referred to as regional allocated MVST, often referred to as RAMVST.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

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

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

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

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

When both restricted and unrestricted resources are available for use, it is SWT's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned or unassigned fund balances are available for use, it is SWT's policy to use fund balances in the following order: 1) committed, 2) assigned and 3) unassigned.

**D. Assets, Liabilities and Net Position or Fund Balance**

**1. Cash and Investments**

SWT's cash is considered to be cash on hand, deposits and highly liquid debt instruments. Investments are stated at fair value.

*Minnesota Statutes* requires that all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market 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 and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

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

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

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

**D. Assets, Liabilities and Net Position or Fund Balance (Continued)**

**1. Cash and Investments (Continued)**

**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.

**2. Receivables/Payables**

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

A contract for deed was executed in May 2014 as part of the financing of the sale of SWT property. The balance is due in monthly installments of \$ 27,335 together with interest at 4.25% over 20 years and is recorded in the SWS Development Capital Projects Fund.

Amounts included in accounts payable include expenses incurred in 2015, but not paid until 2016 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.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

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

**D. Assets, Liabilities and Net Position or Fund Balance (Continued)**

**4. Inventory**

Vehicle parts inventory totaled \$ 418,699 at December 31, 2015 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. The capitalization threshold established for assets by category are as listed on the following page.

<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.

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

<u>Assets</u>	<u>Years</u>
Buildings and Building Improvements	7-40
Infrastructure	15-40
Other Improvements	10-20
Equipment, Machinery and Vehicles	3-15



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

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

**D. Assets, Liabilities and Net Position or Fund Balance (Continued)**

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

In addition to assets, the statement of financial position will sometimes report 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 one item that qualifies 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. Deferred outflows of resources related to pensions results from the net effect of the change in proportionate share and employer contributions paid to PERA subsequent to the measurement date.

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

**7. 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.

**8. 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 THE FINANCIAL STATEMENTS  
December 31, 2015**

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

**D. Assets, Liabilities and Net Position or Fund Balance (Continued)**

**9. 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.

**10. 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.

**11. 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.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

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

**D. Assets, Liabilities and Net Position or Fund Balance (Continued)**

**11. Fund Balance (Continued)**

- Committed Fund Balances – Amounts that are constrained by SWT Commission resolution for a specific purpose. Fund balance commitment resolutions must be completed before December 31 to be effective for that year and remain in effect until the commitment is changed or eliminated by Commission resolution.
- Assigned Fund Balances – Amounts a government intends to use for a specific purpose; intent can be expressed by the government body or by an official or body to which the governing body delegates the authority. The SWT Commission has approved a fund balance policy that designates the SWT 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 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 policy to use resources in the following order: 1) Committed, 2) Assigned and 3) Unassigned.

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

- SWT will maintain an unassigned General Fund balance between 35-40% of budgeted operating expenditures; however, this need could fluctuate with each year's budget objectives. (For purposes of fund balance, the Metropolitan Council's regional operating reserves policy does not distinguish between the various components of fund balance).
- Annual proposed budgets shall include this benchmark policy. The Commission shall review the amounts in fund balance in conjunction with the annual budget approval, and make adjustments as necessary to meet expected cash-flow needs.
- In the event the unassigned General Fund balance will be calculated to be less than the minimum requirement at the completion of any fiscal year, SWT shall plan to adjust budget resources in the subsequent fiscal years to bring the fund balance into compliance with this policy and define the conditions that required a lower fund balance in their Comprehensive Annual Financial Report.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

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

**D. Assets, Liabilities and Net Position or Fund Balance (Continued)**

**11. Fund Balance (Continued)**

The unassigned General Fund balance at December 31, 2015 is approximately 41% of the 2015 budgeted operating expenditures. (For purposes of this computation of the General Fund balance, operating expenditures do not include the capital costs). SWT's target General Fund balance is a minimum of 35% to 40% of the annual operating budget.

**12. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows 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 if there are limitations on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**13. 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 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.

The comparative data in the governmental – wide statements was not restated to reflect the implementation of GASB Statement No. 68 as all of the information required to restate prior year amounts was not readily available.

**14. Other Post-Employment Benefits (OPEB) Liabilities**

The Commission continues to evaluate OPEB in accordance with GASB Statement No. 45. The annual required contribution (ARC) liability calculated was determined to be immaterial; therefore, no liability for OPEB has been recorded in the financial statements.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

In 2015, the SWT Commission adopted annual budgets for the following Funds:

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

**B. Appropriation Control**

The original 2015 budget was adopted by the SWT Commission on December 17, 2014. A final budget amendment was completed on December 8, 2015.

The Commission was updated throughout the year on the General Fund activity. Expenditures were contained below the amended budget primarily due to the internal budget monitoring procedures that have been established.

The net increase to the General Fund balance in 2015 was \$ 1,378,897, before capital lease proceeds and a transfer out in the amount of \$ 192,657 for debt service as noted on Note 4 on page 50 of this report.

Appropriation control is managed for all SWT annual adopted budgets.

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

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**C. Excess of Expenditures over Appropriations**

Expenditures exceeded appropriations in the following fund for the year ending December 31, 2015.

	<u>Appropriations</u>	<u>Expenditures</u>
SWS Development Capital Projects Fund	\$ 2,085,000	\$ 2,360,917

The amount of the debt incurred to finance the project was increased to offset the additional project costs.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

As of December 31, 2015, 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	\$ 33,353	
Savings	4,957,279	
Certificates of Deposit	4,607,292	
Total Deposits		\$ 9,597,924

Custodial Credit Risk – Deposits: As of December 31, 2015, SWT’s certificates of deposit were not exposed to custodial credit risk because they were fully insured through the FDIC and collateralized with securities held in SWT’s name.

The following is a summary of total deposits and investments:

Deposits	\$ 9,597,924	
Petty Cash	400	
Total Deposits and Investments		\$ 9,598,324

Deposits and investments are presented in the December 31, 2015 basic financial statements as follows:

Statement of Net Position:		
Cash and Investments	\$ 9,392,514	
Cash with Fiscal Agent	205,810	
Total		\$ 9,598,324

The cash with fiscal agent represents the balance of the money available for the Eden Prairie garage expansion project.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 4 – INTERFUND TRANSFERS**

The composition of interfund transfers as of December 31, 2015 follows:

	Transfer In Nonmajor Governmental Funds
Transfer Out:	
General Fund	\$ 192,657
SWS Development - Capital Projects Fund	15,100
Nonmajor Governmental Funds	21,000
Total Transfers	\$ 228,757

\$ 207,757 of the transfers was approved by the Commission to provide financing for the debt service expenditures in 2015. The remaining \$ 21,000 transfer was the remaining balance in the Energy Savings Capital Projects Fund after the project was completed and, per the energy savings lease purchase agreement, was transferred to the Energy Savings Debt Service Fund to be used for future debt service payments.

**NOTE 5 – CONTRACT FOR DEED RECEIVABLE**

SWT sold land together with the approximate 95,000 square foot building and all fixtures or equipment used in connection with the operation of the building in May 2014 for \$ 4,750,000. SWT received \$ 475,000 as a down payment and will receive the remaining balance over a 20 year period. The monthly payment of \$ 27,335 began July 1, 2014 and includes interest computed at 4.625% per annum. On the twentieth anniversary of the contract the entire unpaid balance of principal and accrued interest, if any, are due and payable in full. The amount outstanding at December 31, 2015 was \$4,073,010.

The purchaser has the right to fully or partially prepay the contract without penalty at any time.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 2,270,717	\$ -	\$ -	\$ 2,270,717
Construction in Progress	57,962	2,275,917	(2,333,879)	-
Total Capital Assets not being Depreciated	<u>2,328,679</u>	<u>2,275,917</u>	<u>(2,333,879)</u>	<u>2,270,717</u>
Capital Assets being Depreciated:				
Land Improvements	1,507,829	-	-	1,507,829
Buildings and Facilities	13,206,601	1,940,935	(8,290)	15,139,246
Transit Hub Facilities	1,599,991	35,645	-	1,635,636
Bus Equipment	332,979	97,574	-	430,553
Park and Ride Facilities	38,794,281	14,687	-	38,808,968
Equipment and Software	1,275,483	602,272	(41,300)	1,836,455
Vehicles	226,855	102,987	-	329,842
Furniture	48,340	-	-	48,340
Total Capital Assets being Depreciated	<u>56,992,359</u>	<u>2,794,100</u>	<u>(49,590)</u>	<u>59,736,869</u>
Total Capital Assets, Cost	59,321,038	5,070,017	(2,383,469)	62,007,586
Less Accumulated Depreciation for:				
Land Improvements	681,451	85,618	-	767,069
Buildings and Facilities	4,578,860	409,176	(2,786)	4,985,250
Transit Hub Facilities	1,107,941	73,299	-	1,181,240
Bus Equipment	103,069	26,416	-	129,485
Park and Ride Facilities	6,403,682	1,106,792	-	7,510,474
Equipment and Software	735,704	134,406	(23,059)	847,051
Vehicles	97,398	31,451	-	128,849
Furniture	23,037	3,010	-	26,047
Total Accumulated Depreciation	<u>13,731,142</u>	<u>1,870,168</u>	<u>(25,845)</u>	<u>15,575,465</u>
Total Capital Assets being Depreciated, Net	<u>43,261,217</u>	<u>923,932</u>	<u>(23,745)</u>	<u>44,161,404</u>
Governmental Activities Capital Assets, Net	<u>\$ 45,589,896</u>	<u>\$ 3,199,849</u>	<u>\$ (2,357,624)</u>	<u>\$ 46,432,121</u>



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 6 – CAPITAL ASSETS**

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

Governmental Activities:	
Buildings and Grounds	\$ 1,725,725
Operations and Vehicle Maintenance	129,473
General Government	<u>14,970</u>
Total Depreciation Expenses - Governmental Activities	<u><u>\$ 1,870,168</u></u>

Capital Asset Activity by program/function for the year ended December 31, 2015 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	\$ 57,943,761	\$ 4,267,401	\$ (2,342,169)	\$ 59,868,993
Operations and Vehicle Maintenance	1,214,613	802,616	(41,300)	1,975,929
General Government	162,664	-	-	162,664
Total Capital Assets, Cost	<u>59,321,038</u>	<u>5,070,017</u>	<u>(2,383,469)</u>	<u>62,007,586</u>
Less Accumulated Depreciation for:				
Buildings and Grounds	13,083,849	1,725,725	(2,786)	14,806,788
Operations and Vehicle Maintenance	594,600	129,473	(23,059)	701,014
General Government	52,693	14,970	-	67,663
Total Accumulated Depreciation	<u>13,731,142</u>	<u>1,870,168</u>	<u>(25,845)</u>	<u>15,575,465</u>
Governmental Activities, Capital Assets, Net	<u><u>\$ 45,589,896</u></u>	<u><u>\$ 3,199,849</u></u>	<u><u>\$ (2,357,624)</u></u>	<u><u>\$ 46,432,121</u></u>

SWT's 74 transit service buses, as well as 10 retired buses being held for contingency, are owned by the MC and thus are not reflected in SWT's assets. In 2015, SWT acquired one additional transit bus for its local on-demand service.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 7 – FUND BALANCES/NET POSITION**

Certain portions of fund balance are 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.

**A. Fund Balance**

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

	General Fund	Capital and Equipment	SWS Development Capital	Nonmajor Funds	Total
Nonspendable:					
Inventory	\$ 418,699	\$ -	\$ -	\$ -	\$ 418,699
Prepaid Items	139,633	-	-	-	139,633
Total Nonspendable	<u>558,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,332</u>
Restricted for:					
Eden Prairie Garage Remodel Project	<u>-</u>	<u>-</u>	<u>205,810</u>	<u>-</u>	<u>205,810</u>
Committed for:					
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,137</u>	<u>207,137</u>
Assigned to:					
Capital & Equipment Purchases	-	1,961,551	-	-	1,961,551
Development Capital Expenditures	-	-	2,690,051	-	2,690,051
Total Assigned	<u>-</u>	<u>1,961,551</u>	<u>2,690,051</u>	<u>-</u>	<u>4,651,602</u>
Unassigned	<u>4,153,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,153,836</u>
Total Fund Balance	<u>\$ 4,712,168</u>	<u>\$ 1,961,551</u>	<u>\$ 2,895,861</u>	<u>\$ 207,137</u>	<u>\$ 9,776,717</u>

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 8 – LONG-TERM DEBT**

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

In 2013, SWT refinanced the outstanding capital lease balance of \$ 1,819,847 related to the construction of the SouthWest Village parking ramp and passenger waiting station with \$ 1,120,000 Refunding Certificates of Participation (COP), Series 2013, together with \$ 826,824 from the SWS Development Capital Projects Fund. The annual principal payments increase from \$ 80,000 in 2015 to \$ 110,000 in 2025 together with interest from 1.15% to 4.00%.

In 2013, SWT approved lease purchase financing totaling \$ 1,000,000 to provide financing for an energy savings performance project. The annual principal payments increase from \$ 57,747 in 2015 to \$ 77,997 in 2028 together with interest at 2.55%.

In 2015, SWT approved lease purchase financing totaling \$ 2,332,000 to provide financing for an expansion on the Eden Prairie garage. The annual principal payments range from \$ 116,991 to \$ 256,149 beginning in 2015 through 2025 together with interest at 2.59%.

In 2015, SWT approved a capital lease totaling \$ 87,401 financing the purchase of a turtle top bus. The annual principal payments range from \$ 7,257 to \$ 19,576 beginning in 2015 through 2020.

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

Purpose	Date Issued	Final Maturity	Interest Rate	Amount
SouthWest Village Parking Ramp (COP)	12/1/2013	10/1/2025	1.15 - 4.00%	\$ 950,000
Energy Savings Lease Purchase	4/11/2013	4/11/2028	2.55%	858,299
Eden Prairie Garage Lease Purchase	7/1/2015	4/1/2025	2.59%	2,215,009
Turtle Top Bus Capital Lease	7/1/2015	7/1/2020	8.00%	80,144
Total				<u>\$ 4,103,452</u>

The future minimum lease obligations and net present value of these minimum lease payments as of December 31, 2015 were as shown on the next page.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 8 – LONG-TERM DEBT**

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

<u>Year Ended December 31,</u>	<u>(COP)</u>	<u>(Lease/Purchase)</u>		<u>(Capital Lease)</u>	<u>Total Governmental Activities</u>
	SouthWest Village	Energy Savings	Eden Prairie Garage Expansion	Turtle Top Bus	
2016	\$ 110,900	\$ 80,478	\$ 264,517	\$ 21,266	\$ 477,161
2017	114,500	80,477	264,517	21,266	480,760
2018	117,462	80,478	264,517	21,266	483,723
2019	115,213	80,477	264,517	21,266	481,473
2020	112,456	80,477	264,518	10,634	468,085
2021-2025	573,131	402,387	1,190,328	-	2,165,846
2026-2028	-	201,194	-	-	201,194
<b>Total Minimum</b>					
Lease Payments	1,143,662	1,005,968	2,512,914	95,698	4,758,242
Less Interest	<u>(193,662)</u>	<u>(147,669)</u>	<u>(297,905)</u>	<u>(15,554)</u>	<u>(654,790)</u>
<b>Present Value of Minimum</b>					
Lease Payments	<u>\$ 950,000</u>	<u>\$ 858,299</u>	<u>\$ 2,215,009</u>	<u>\$ 80,144</u>	<u>\$ 4,103,452</u>

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 8 – LONG-TERM DEBT**

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

Long-term liability activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Certificates of Participation and Lease/Purchase Debt:					
SouthWest Village Parking Ramp	\$ 1,030,000	\$ -	\$ 80,000	\$ 950,000	\$ 80,000
Energy Savings Lease Purchase	916,046	-	57,747	858,299	59,212
Eden Prairie Garage Lease Purchase	-	2,332,000	116,991	2,215,009	208,490
Turtle Top Bus Capital Lease	<u>-</u>	<u>87,401</u>	<u>7,257</u>	<u>80,144</u>	<u>15,412</u>
Total Certificates of Participation and Lease/Purchase Debt	1,946,046	2,419,401	261,995	4,103,452	363,114
Compensated Absences	<u>118,961</u>	<u>129,569</u>	<u>126,964</u>	<u>121,566</u>	<u>103,331</u>
Governmental Activities Long-Term Liabilities	<u>\$ 2,065,007</u>	<u>\$ 2,548,970</u>	<u>\$ 388,959</u>	<u>\$ 4,225,018</u>	<u>\$ 466,445</u>

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

**NOTE 9 – RISK MANAGEMENT**

SWT is exposed to various risk of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to protect against these risks of loss, SWT purchases commercial insurance through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool. The LMCIT currently operates common risk management and insurance programs for municipal entities. 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.

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.

During the year ended December 31, 2015, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded SWT's coverage in any of the past three years.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 10 – PENSION PLANS**

**Public Employees' Retirement Association**

**A. Plan Description**

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of SWT are covered by the GERF. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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 THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 10 – PENSION PLANS**

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

**B. Benefits Provided (Continued)**

GERF Benefits

Benefits are based on a member's highest average salary for any five 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year 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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

**C. Contributions**

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. SWT was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. SWT's contributions to the GERF for the year ended December 31, 2015, were \$ 114,573. SWT's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

GERF Pension Costs

At December 31, 2015, SWT reported a liability of \$ 1,243,805 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. SWT's proportion 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, SWT's proportion was 0.0240%.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 10 – PENSION PLANS**

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

**D. Pension Costs (Continued)**

For the year ended December 31, 2015, SWT recognized pension expense of \$ 162,273 for its proportionate share of GERF's pension expense.

At December 31, 2015, SWT reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 62,709
Difference between projected and actual investment earnings	117,745	-
Changes in proportion	-	10,569
Contributions paid to PERA subsequent to the measurement date	<u>57,286</u>	<u>-</u>
	<u><u>\$ 175,031</u></u>	<u><u>\$ 73,278</u></u>



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 10 – PENSION PLANS**

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

**D. Pension Costs (Continued)**

\$ 57,286 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Pension Expense</u> <u>Amount</u>
2016	\$ 5,010
2017	5,010
2018	5,010
2019	29,437

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.75 % Per year
Active member payroll growth	3.50 % Per year
Investment rate of return	7.90 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1<sup>st</sup> through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 10 – PENSION PLANS**

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

**E. Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50 %
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Total	<u>100%</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 10 – PENSION PLANS**

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

**G. Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
SWT's proportionate share of the GERP net pension liability	\$ 1,955,703	\$ 1,243,805	\$ 655,886

**H. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

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

SWT entered into a transit service contract with a service provider for purposes of delivering bus services in connection with its express and local route service. Payments to the transit provider are contingent upon the actual level of services rendered, using rates established in the contract's agreement. The current contract is with First Transit, Inc. and will expire December 31, 2019. The average annual cost of the contract is \$ 3,900,000.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2015, SWT implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of the implementation of GASB No. 68, the unrestricted net position as of January 1, 2015, was reduced by \$ 1,091,999 to record the proportionate share of the unfunded pension liability of the Public Employees Retirement Association of Minnesota (PERA).

**NOTE 12 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

GASB has issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.



**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**SCHEDULE OF SWT'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY - GERF RETIREMENT FUND  
Last Ten Years\***

<u>Fiscal Year Ending June 30,</u>	<u>SWT's Proportion of the Net Pension Liability (Asset)</u>	<u>SWT's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>SWT's Covered- Employee Payroll</u>	<u>SWT's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0240%	\$ 1,243,805	\$ 1,384,373	89.85%	78.19%

**SCHEDULE OF SWT CONTRIBUTIONS -  
GERF RETIREMENT FUND  
Last Ten Years\***

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>SWT's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 103,828	\$ 103,828	\$ -	\$ 1,384,373	7.50%

\* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2015  
(With Comparative Totals for December 31, 2014)**

	Debt Service			
	SW Village	Energy Savings	Total	
	Debt Service	Debt Service	2015	2014
<b>ASSETS:</b>				
Cash and Investments	\$ 147,979	\$ 59,158	\$ 207,137	\$ 57,843
Cash with Fiscal Agent	-	-	-	-
Accounts Receivable	-	-	-	11,276
Intergovernmental Receivable	-	-	-	-
	<u>147,979</u>	<u>59,158</u>	<u>207,137</u>	<u>69,119</u>
Total Assets	<u>\$ 147,979</u>	<u>\$ 59,158</u>	<u>\$ 207,137</u>	<u>\$ 69,119</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	9,305
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,305</u>
Fund Balances:				
Restricted	-	-	-	-
Committed	147,979	59,158	207,137	59,814
Total Fund Balances	<u>147,979</u>	<u>59,158</u>	<u>207,137</u>	<u>59,814</u>
	<u>\$ 147,979</u>	<u>\$ 59,158</u>	<u>\$ 207,137</u>	<u>\$ 69,119</u>
Total Liabilities and Fund Balances	<u>\$ 147,979</u>	<u>\$ 59,158</u>	<u>\$ 207,137</u>	<u>\$ 69,119</u>

Capital Projects			Total Nonmajor Governmental Funds	
SWT Buses	Total		2015	2014
	2015	2014		
\$ -	\$ -	\$ -	\$ 207,137	\$ 57,843
-	-	63,050	-	63,050
-	-	-	-	11,276
<u>30,225</u>	<u>30,225</u>	<u>-</u>	<u>30,225</u>	<u>-</u>
<u>\$ 30,225</u>	<u>\$ 30,225</u>	<u>\$ 63,050</u>	<u>\$ 237,362</u>	<u>\$ 132,169</u>
\$ 30,225	\$ 30,225	\$ 42,050	\$ 30,225	\$ 42,050
-	-	-	-	9,305
<u>30,225</u>	<u>30,225</u>	<u>42,050</u>	<u>30,225</u>	<u>51,355</u>
-	-	21,000	-	21,000
-	-	-	207,137	59,814
<u>-</u>	<u>-</u>	<u>21,000</u>	<u>207,137</u>	<u>80,814</u>
<u>\$ 30,225</u>	<u>\$ 30,225</u>	<u>\$ 63,050</u>	<u>\$ 237,362</u>	<u>\$ 132,169</u>

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2015  
(With Comparative Totals for the Year Ended December 31, 2014)**

	Debt Service				
	SW Village	Eden Prairie	Energy Savings	Total	
	Debt Service	Garage Remodel Debt Service	Debt Service	2015	2014
<b>REVENUES:</b>					
Intergovernmental - State	\$ 90,000	\$ 116,991	\$ -	\$ 206,991	\$ 81,602
Investment Income	136	-	73	209	133
Other Local Revenue	-	-	36,114	36,114	25,369
Total Revenues	<u>90,136</u>	<u>116,991</u>	<u>36,187</u>	<u>243,314</u>	<u>107,104</u>
<b>EXPENDITURES:</b>					
Debt Service:					
Principal Retirement	80,000	116,991	57,747	254,738	146,319
Interest and Agency Fees	32,180	15,100	22,730	70,010	49,977
Capital Outlay:					
Buildings and Grounds	-	-	-	-	-
Operations and Vehicle Maintenance	-	-	-	-	-
Total Expenditures	<u>112,180</u>	<u>132,091</u>	<u>80,477</u>	<u>324,748</u>	<u>196,296</u>
Excess of Revenues Under Expenditures	(22,044)	(15,100)	(44,290)	(81,434)	(89,192)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	112,180	15,100	101,477	228,757	146,319
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>112,180</u>	<u>15,100</u>	<u>101,477</u>	<u>228,757</u>	<u>146,319</u>
Net Change in Fund Balances	90,136	-	57,187	147,323	57,127
<b>FUND BALANCES:</b>					
Beginning of Year	<u>57,843</u>	<u>-</u>	<u>1,971</u>	<u>59,814</u>	<u>2,687</u>
End of Year	<u>\$ 147,979</u>	<u>\$ -</u>	<u>\$ 59,158</u>	<u>\$ 207,137</u>	<u>\$ 59,814</u>

Capital Projects				Total Nonmajor Governmental Funds	
Energy Savings	SWT Buses	Total		2015	2014
		2015	2014		
\$ -	\$ 868,165	\$ 868,165	\$ 169,638	\$ 1,075,156	\$ 251,240
-	-	-	-	209	133
-	-	-	-	36,114	25,369
-	868,165	868,165	169,638	1,111,479	276,742
-	-	-	-	254,738	146,319
-	-	-	-	70,010	49,977
-	-	-	234,015	-	234,015
-	868,165	868,165	55,341	868,165	55,341
-	868,165	868,165	289,356	1,192,913	485,652
-	-	-	(119,718)	(81,434)	(208,910)
-	-	-	-	228,757	146,319
(21,000)	-	(21,000)	-	(21,000)	-
(21,000)	-	(21,000)	-	207,757	146,319
(21,000)	-	(21,000)	(119,718)	126,323	(62,591)
21,000	-	21,000	140,718	80,814	143,405
\$ -	\$ -	\$ -	\$ 21,000	\$ 207,137	\$ 80,814

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL -**  
**CAPITAL AND EQUIPMENT CAPITAL PROJECTS FUND**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
<b>REVENUES:</b>				
Investment Income	\$ 12,000	\$ 12,000	\$ 10,653	\$ (1,347)
Total Revenues	12,000	12,000	10,653	(1,347)
<b>EXPENDITURES:</b>				
Capital Outlay:				
Operations and Vehicle Maintenance	61,000	97,000	96,792	208
Total Expenditures	61,000	97,000	96,792	208
Excess of Revenues				
Under Expenditures	\$ (49,000)	\$ (85,000)	(86,139)	\$ (1,139)
<b>FUND BALANCES:</b>				
Beginning of Year			2,047,690	
End of Year			\$ 1,961,551	

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL -**  
**SWS DEVELOPMENT CAPITAL PROJECTS FUND**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Investment Income	\$ 15,000	\$ 15,000	\$ 13,664	\$ (1,336)
Other Interest Income	191,288	191,288	191,288	-
Loan Repayment	-	136,733	136,208	(525)
Total Revenues	206,288	343,021	341,160	(1,861)
<b>EXPENDITURES:</b>				
Current:				
Buildings and Grounds	85,000	85,000	85,000	-
Capital Outlay:				
Buildings and Grounds	2,000,000	2,000,000	2,275,917	275,917
Total Expenditures	2,085,000	2,085,000	2,360,917	275,917
Excess of Revenues Under Expenditures	(1,878,712)	(1,741,979)	(2,019,757)	(277,778)
<b>OTHER FINANCING SOURCES:</b>				
Issuance of Capital Lease	-	2,000,000	2,332,000	332,000
Sale of Property	136,733	-	-	-
Transfers Out	-	(15,100)	(15,100)	-
Total Other Financing Sources (Uses)	136,733	1,984,900	2,316,900	332,000
Net Change in Fund Balances	\$ (1,741,979)	\$ 242,921	297,143	\$ 54,222
<b>FUND BALANCES:</b>				
Beginning of Year			2,598,718	
End of Year			\$ 2,895,861	

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL -**  
**SOUTHWEST VILLAGE DEBT SERVICE FUND**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
<b>REVENUES:</b>				
Intergovernmental - State	\$ 80,000	\$ -	\$ 90,000	\$ 90,000
Investment Income	-	-	136	136
Total Revenues	80,000	-	90,136	90,136
<b>EXPENDITURES:</b>				
Debt Service:				
Principal Retirement	80,000	80,000	80,000	-
Interest and Agency Fees	32,180	32,180	32,180	-
Total Expenditures	112,180	112,180	112,180	-
Excess of Revenues Over (Under) Expenditures	(32,180)	(112,180)	(22,044)	90,136
<b>OTHER FINANCING SOURCES:</b>				
Transfers In	32,180	112,180	112,180	-
Net Change in Fund Balances	\$ -	\$ -	90,136	\$ 90,136
<b>FUND BALANCES:</b>				
Beginning of Year			57,843	
End of Year			\$ 147,979	

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL -  
EDEN PRAIRIE GARAGE REMODEL DEBT SERVICE FUND  
For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
<b>REVENUES:</b>				
Intergovernmental - State	\$ -	\$ 140,000	\$ 116,991	\$ (23,009)
<b>EXPENDITURES:</b>				
Debt Service:				
Principal Retirement	-	116,991	116,991	-
Interest and Agency Fees	-	15,100	15,100	-
Total Expenditures	-	132,091	132,091	-
Excess of Revenues Over (Under) Expenditures	-	7,909	(15,100)	(23,009)
<b>OTHER FINANCING SOURCES:</b>				
Transfers In	-	15,100	15,100	-
Net Change in Fund Balances	\$ -	\$ 23,009	-	\$ (23,009)
<b>FUND BALANCES:</b>				
Beginning of Year			-	
End of Year			\$ -	



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL -  
ENERGY SAVINGS DEBT SERVICE FUND  
For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Investment Income	\$ -	\$ -	\$ 73	\$ 73
Other Local Revenue	-	36,100	36,114	14
Total Revenues	-	36,100	36,187	87
<b>EXPENDITURES:</b>				
Debt Service:				
Principal Retirement	57,747	57,747	57,747	-
Interest and Agency Fees	22,730	22,730	22,730	-
Total Expenditures	80,477	80,477	80,477	-
Excess of Revenues Over (Under) Expenditures	(80,477)	(44,377)	(44,290)	87
<b>OTHER FINANCING SOURCES:</b>				
Transfers In	80,477	80,477	101,477	21,000
Net Change in Fund Balances	\$ -	\$ 36,100	57,187	\$ 21,087
<b>FUND BALANCES:</b>				
Beginning of Year			1,971	
End of Year			\$ 59,158	

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**SCHEDULE OF CAPITAL PROJECTS -  
BUDGET AND ACTUAL  
(Unaudited)  
Year Ended December 31, 2015**

Project	Status	Budget/Grant Award	Expenditures		Amount Remaining
			2015	Cumulative	
SWT EPG Remodel Lease Financing	Incomplete	\$ 280,000	\$ 116,991	\$ 116,991	\$ 163,009
SWT Two Gillig Trolley Buses	Complete	782,400	782,400	782,400	-
SWT Midlife Bus Rehabilitations	Incomplete	151,806	30,225	30,225	121,581
SWT Ancillary Equipment for Buses	Complete	55,540	55,540	55,540	-
SWT SW Village Debt Principal only	Complete	90,000	90,000	90,000	-
Total		<u>\$ 1,359,746</u>	<u>\$1,075,156</u>	<u>\$1,075,156</u>	<u>\$ 284,590</u>



**STATISTICAL SECTION**



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**STATISTICAL SECTION  
December 31, 2015  
(Unaudited)**

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

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

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

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

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

- Ratios of Outstanding Debt by Type

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

- Demographic and Economic Statistics
- Principal Employers

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

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

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



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Table 1**

**NET POSITION BY COMPONENT  
Last 10 Fiscal Years  
(Unaudited)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>GOVERNMENTAL ACTIVITIES:</b>										
Net Investment in Capital Assets	\$ 29,707,719	\$ 35,260,145	\$ 34,508,142	\$ 38,725,890	\$ 37,899,258	\$ 42,259,409	\$ 42,839,924	\$ 48,752,629	\$ 43,664,850	\$ 42,534,479
Restricted	1,951,754	411,802	272,373	-	-	-	-	-	-	-
Unrestricted	<u>10,113,869</u>	<u>12,484,598</u>	<u>13,678,490</u>	<u>8,976,146</u>	<u>7,451,754</u>	<u>6,390,003</u>	<u>7,206,773</u>	<u>6,927,320</u>	<u>12,221,765</u>	<u>12,353,477</u>
 Total Governmental Activities Net Position	 <u>\$ 41,773,342</u>	 <u>\$ 48,156,545</u>	 <u>\$ 48,459,005</u>	 <u>\$ 47,702,036</u>	 <u>\$ 45,351,012</u>	 <u>\$ 48,649,412</u>	 <u>\$ 50,046,697</u>	 <u>\$ 55,679,949</u>	 <u>\$ 55,886,615</u>	 <u>\$ 54,887,956</u>

Source: SouthWest Transit financial records



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Table 2**

**CHANGES IN NET POSITION  
Last 10 Fiscal Years  
(Unaudited)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>EXPENSES:</b>										
Governmental Activities:										
General Government	\$ 931,656	\$ 1,051,001	\$ 923,387	\$ 965,247	\$ 942,499	\$ 915,019	\$ 907,404	\$ 914,906	\$ 1,029,036	\$ 1,142,604
Buildings and Grounds	1,627,764	1,578,148	1,896,460	1,813,461	2,266,249	2,578,591	3,532,084	3,030,101	3,357,869	3,820,148
Operations and Vehicle Maintenance	9,920,687	10,524,049	7,914,744	7,214,505	5,663,462	5,695,536	6,338,270	6,448,144	7,809,487	8,684,285
Interest on Long-Term Debt	139,156	93,607	146,473	182,213	147,225	95,793	92,435	214,235	55,437	86,967
Total Governmental Activities	<u>\$ 12,619,263</u>	<u>\$ 13,246,805</u>	<u>\$ 10,881,064</u>	<u>\$ 10,175,426</u>	<u>\$ 9,019,435</u>	<u>\$ 9,284,939</u>	<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	\$ 1,943,300	\$ 2,225,885	\$ 2,608,964	\$ 2,478,158	\$ 2,435,034	\$ 2,456,452	\$ 2,528,315	\$ 2,517,920	\$ 2,658,560	\$ 2,773,727
Other	-	-	-	-	-	54,910	125,625	923,434	186,279	191,288
Operating Grants and Contributions	-	431,883	-	-	-	-	-	-	-	165,699
Capital Grants and Contributions	5,973,200	10,175,073	1,473,028	1,583,048	2,918,338	4,977,911	4,346,355	6,482,340	323,279	1,075,156
Total Governmental Activities Program Revenues	<u>\$ 7,916,500</u>	<u>\$ 12,832,841</u>	<u>\$ 4,081,992</u>	<u>\$ 4,061,206</u>	<u>\$ 5,353,372</u>	<u>\$ 7,489,273</u>	<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>\$ (4,702,763)</u>	<u>\$ (413,964)</u>	<u>\$ (6,799,072)</u>	<u>\$ (6,114,220)</u>	<u>\$ (3,666,063)</u>	<u>\$ (1,795,666)</u>	<u>\$ (3,869,898)</u>	<u>\$ (683,692)</u>	<u>\$ (9,083,711)</u>	<u>\$ (9,528,134)</u>
<b>GENERAL REVENUE AND OTHER CHANGES IN NET POSITION:</b>										
Governmental Activities:										
Property Taxes	\$ 468	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted Intergovernmental Revenue	5,325,774	6,163,065	6,243,951	5,164,815	5,248,837	4,885,269	5,042,264	5,979,464	8,917,732	9,157,043
Unrestricted Investment Earnings	508,434	577,021	419,026	180,141	123,298	66,291	31,661	31,680	37,439	52,429
Other Local Revenue	3,175	57,081	438,555	12,295	45,923	142,506	193,258	288,300	335,206	412,002
Gain on Sale of Assets	-	-	-	-	-	-	-	17,500	-	-
Special Item <sup>1</sup>	-	-	-	-	(4,103,019)	-	-	-	-	-
Total Governmental Activities	<u>\$ 5,837,851</u>	<u>\$ 6,797,167</u>	<u>\$ 7,101,532</u>	<u>\$ 5,357,251</u>	<u>\$ 1,315,039</u>	<u>\$ 5,094,066</u>	<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>\$ 1,135,088</u>	<u>\$ 6,383,203</u>	<u>\$ 302,460</u>	<u>\$ (756,969)</u>	<u>\$ (2,351,024)</u>	<u>\$ 3,298,400</u>	<u>\$ 1,397,285</u>	<u>\$ 5,633,252</u>	<u>\$ 206,666</u>	<u>\$ 93,340</u>

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

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

Source: SouthWest Transit financial records

**SOUTHWEST TRANSIT**  
Eden Prairie, Minnesota

**Table 3**

**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last 10 Fiscal Years**  
**(Unaudited)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>GENERAL FUND:</b>										
Reserved	\$ -	\$ -	\$ -	\$ 130,828	\$ 134,017	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,947,250	7,722,335	8,226,388	4,714,182	3,705,601	-	-	-	-	-
Nonspendable	-	-	-	-	-	435,133	477,717	522,960	545,375	558,332
Unassigned	-	-	-	-	-	1,975,935	2,812,949	2,707,349	2,893,152	4,153,836
<b>Total General Fund</b>	<u>\$ 6,947,250</u>	<u>\$ 7,722,335</u>	<u>\$ 8,226,388</u>	<u>\$ 4,845,010</u>	<u>\$ 3,839,618</u>	<u>\$ 2,411,068</u>	<u>\$ 3,290,666</u>	<u>\$ 3,230,309</u>	<u>\$ 3,438,527</u>	<u>\$ 4,712,168</u>
<b>ALL OTHER GOVERNMENTAL FUNDS:</b>										
Reserved	\$ 1,951,754	\$ -	\$ -	\$ 5,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in:										
Special Revenue Funds	168,283	-	-	-	-	-	-	-	-	-
Debt Service Funds	-	396,710	326,573	503,371	204,874	-	-	-	-	-
Capital Projects Funds	3,023,230	4,795,274	5,493,384	3,678,010	3,439,427	-	-	-	-	-
Nonspendable	-	-	-	-	-	2,516	-	-	-	-
Restricted	-	-	-	-	-	-	-	140,718	21,000	205,810
Committed	-	-	-	-	-	108,359	14,279	2,687	59,814	207,137
Assigned	-	-	-	-	-	3,917,642	3,967,396	3,804,791	4,646,408	4,651,602
<b>Total All Other Governmental Funds</b>	<u>\$ 5,143,267</u>	<u>\$ 5,191,984</u>	<u>\$ 5,819,957</u>	<u>\$ 4,186,456</u>	<u>\$ 3,644,301</u>	<u>\$ 4,028,517</u>	<u>\$ 3,981,675</u>	<u>\$ 3,948,196</u>	<u>\$ 4,727,222</u>	<u>\$ 5,064,549</u>

Source: SouthWest Transit financial records

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

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Table 4**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
Last 10 Fiscal Years  
(Unaudited)**

	Fiscal Year		
	2006	2007	2008
<b>REVENUES:</b>			
Intergovernmental - Federal	\$ 511,154	\$ 4,298,741	\$ 782,649
Intergovernmental - State	10,787,820	12,471,280	6,934,330
Intergovernmental - Other	-	-	-
Property Tax	468	-	-
Passenger Fares	1,943,300	2,225,885	2,608,964
Charges for Services	-	-	-
Investment Income	508,434	577,021	419,026
Special Assessments	4,460	4,460	4,460
Other Interest Income	-	-	-
Loan Repayment	-	-	-
Other Local Revenue	3,175	8,248	438,555
Total Revenues	<u>13,758,811</u>	<u>19,585,635</u>	<u>11,187,984</u>
<b>EXPENDITURES:</b>			
General Government	918,562	1,039,377	917,899
Buildings and Grounds	789,319	1,247,072	1,096,339
Operations and Vehicle Maintenance	5,384,905	6,062,575	6,713,839
Capital Outlay	5,403,227	9,812,821	4,060,393
Debt Service:			
Principal	801,163	540,122	690,307
Interest and Agency Fees	201,881	59,866	77,181
Total Expenditures	<u>13,499,057</u>	<u>18,761,833</u>	<u>13,555,958</u>
Excess of Revenues Over (Under) Expenditures	259,754	823,802	(2,367,974)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	1,600,000	246,206
Transfers Out	-	(1,600,000)	(246,206)
Sale of Property	-	-	-
Insurance Recoveries	-	-	-
Issuance of Capital Lease	-	-	3,500,000
Proceeds from Certificate of Participation	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>3,500,000</u>
Net Change in Fund Balances	<u>\$ 259,754</u>	<u>\$ 823,802</u>	<u>\$ 1,132,026</u>
Debt Service as a Percent of Noncapital Expenditures	12.4%	5.0%	7.8%

Source: SouthWest Transit financial records

**Table 4**  
**(Continued)**

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
\$ 277,413	\$ 2,010,236	\$ 3,691,904	\$ 1,624,452	\$ 4,742,482	\$ 44,644	\$ -
6,470,450	6,156,939	6,171,276	7,764,167	7,719,320	9,196,367	10,232,199
-	-	-	-	-	-	165,699
-	-	-	-	-	-	-
2,478,158	2,435,034	2,456,452	2,528,315	2,517,920	2,658,560	2,653,727
-	-	-	-	-	219,420	297,047
180,141	123,298	66,291	31,661	31,681	37,439	52,429
4,460	4,460	4,460	4,460	4,460	-	-
-	-	-	-	-	121,494	191,288
-	-	-	-	-	65,782	136,208
12,295	45,923	197,416	318,883	1,088,061	180,571	234,955
<u>9,422,917</u>	<u>10,775,890</u>	<u>12,587,799</u>	<u>12,271,938</u>	<u>16,103,924</u>	<u>12,524,277</u>	<u>13,963,552</u>
932,506	899,429	909,005	845,869	959,894	1,062,048	1,111,870
913,956	935,521	1,046,154	1,142,476	1,143,735	1,611,040	1,185,920
5,888,367	5,674,292	5,615,668	5,836,559	6,238,357	7,330,382	7,769,069
5,673,400	3,129,796	5,890,221	3,443,192	8,007,632	1,812,267	4,369,745
786,672	1,519,243	74,280	77,855	1,929,084	146,319	261,995
242,895	165,156	96,805	93,231	229,065	49,977	73,386
<u>14,437,796</u>	<u>12,323,437</u>	<u>13,632,133</u>	<u>11,439,182</u>	<u>18,507,767</u>	<u>12,012,033</u>	<u>14,771,985</u>
(5,014,879)	(1,547,547)	(1,044,334)	832,756	(2,403,843)	512,244	(808,433)
4,976,218	2,212,464	3,100,000	1,112,454	2,299,368	146,319	228,757
(4,976,218)	(2,212,464)	(3,100,000)	(1,112,454)	(2,299,368)	(146,319)	(228,757)
-	-	-	-	17,500	475,000	-
-	-	-	-	172,507	-	-
-	-	-	-	1,000,000	-	2,419,401
-	-	-	-	1,120,000	-	-
-	-	-	-	2,310,007	475,000	2,419,401
<u>\$ (5,014,879)</u>	<u>\$ (1,547,547)</u>	<u>\$ (1,044,334)</u>	<u>\$ 832,756</u>	<u>\$ (93,836)</u>	<u>\$ 987,244</u>	<u>\$ 1,610,968</u>
11.2%	18.0%	2.1%	2.0%	19.5%	1.8%	2.8%

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Table 5**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
Last 10 Fiscal Years  
(Unaudited)**

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			
2006	\$ -	\$ -	\$ 2,089,928	\$ 2,089,928	0.42%	\$ 19
2007	-	-	1,549,806	1,549,806	*	14
2008	-	-	4,359,498	4,359,498	*	39
2009	-	-	3,572,826	3,572,826	*	33
2010	-	-	2,053,583	2,053,583	*	18
2011	-	-	1,979,303	1,979,303	*	18
2012	-	-	1,901,449	1,901,449	*	17
2013	-	-	2,092,365	2,092,365	*	19
2014	-	-	1,946,046	1,946,046	*	18
2015	-	-	4,103,452	4,103,452	*	37

\* Data is not available

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

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

Source: SouthWest Transit financial records

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Table 6**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last 10 Fiscal Years  
(Unaudited)**

Year	Population	Personal Income	Per Capita Personal Income	K-12 Enrollment	Unemploymen Rate
2006	111,202	*	*	18,323	3.2%
2007	112,794	*	*	17,301	4.1%
2008	110,466	*	*	17,185	5.3%
2009	109,248	*	*	16,566	7.5%
2010	112,061	*	*	17,580	6.1%
2011	107,832	*	*	17,626	6.8%
2012	108,637	*	*	18,585	4.2%
2013	110,769	*	*	15,354	4.5%
2014	111,928	*	*	14,814	4.5%
2015	111,928 <sup>(1)</sup>	*	*	14,814	<sup>(1)</sup> 3.6%

\* Data is not available

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

(1) 2015 data not available, using 2014 data (estimate)

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Table 7**

**PRINCIPAL EMPLOYERS  
Current Year and Nine Years Ago  
(Unaudited)**

Employer	2015			2006		
	Employees	Rank	Percentage of Total Area Employment	Employees	Rank	Percentage of Total Area Employment
Optum	4,400	1	7.0%			
Starkey Lab	2,000	2	3.2%			
Eden Prairie School District No. 272	1,583	3	2.5%	1,400	1	15.4%
CH Robinson	1,536	4	2.4%			
Rosemount-Emerson	1,500	5	2.4%	1,200	2	13.2%
Lifetime Fitness	1,166	6	1.8%			
Instant Web Companies	1,120	7	1.8%			
Super Valu Stores Inc.	1,100	8	1.7%	900	5	9.9%
Chaska School District No. 112	1,100	9	1.7%	925	4	10.2%
Cigna	950	10	1.5%			
Entegris, Inc.				960	3	10.6%
Deli Express				842	6	9.3%
MTS Systems Corp.				791	7	8.7%
Lake Region Mfg. Co. Inc.				750	8	8.2%
Beckman Goulter				700	9	7.7%
Carver County				631	10	6.9%
<b>Total Principal Employees</b>	<b>16,455</b>		<b>26.0%</b>	<b>9,099</b>		<b>100.0%</b>
<b>Total Employees</b>	<b>63,258</b>		<b>100.0%</b>	<b>N/A</b>		<b>N/A</b>

Note: 2015 estimated and includes the most recent information available from the three cities in the SWT service area.

Source: State of Minnesota, Department of Employment and Economic Development

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Table 8**

**FULL-TIME EQUIVALENT SWT EMPLOYEES BY FUNCTION  
Last 10 Fiscal Years  
(Unaudited)**

FUNCTION:	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government:										
Administration	4	6	5	5	5	5	5	4	4	5
Marketing	1	-	-	-	-	-	-	-	-	-
Customer Service	3	2	2	2	2	2	2	1	1	1
Operations and Vehicle Maintenance:										
Operations	4	3	6	6	5	5	5	4	4	4
Vehicle Maintenance	10	11	11	11	10	10	10	9	10	11
First Transit Service	60	69	66	59	44	44	56	64	77	84
Buildings and Grounds:										
Facilities	3	3	4	2	2	2	2	3	3	2
Total	<u>84</u>	<u>94</u>	<u>94</u>	<u>85</u>	<u>68</u>	<u>68</u>	<u>80</u>	<u>85</u>	<u>99</u>	<u>107</u>

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



**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Table 9**

**OPERATING STATISTICS  
Last 10 Fiscal Years  
(Unaudited)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>SYSTEM RIDERSHIP:</b>										
Fixed Route	844,141	944,295	1,070,327	950,615	931,162	961,862	927,117	961,717	1,023,322	1,023,396
Special Events	56,086	68,243	76,502	61,359	71,220	68,156	71,862	71,172	84,528	89,937
Demand Response	-	-	-	-	-	-	-	-	-	12,490
<b>VEHICLE REVENUE HOURS:</b>										
Fixed Route	46,606	46,311	46,545	33,028	29,995	35,364	35,952	38,597	48,593	49,591
Special Events	1,421	1,636	1,294	1,298	2,016	1,199	1,136	1,222	1,363	1,681
Demand Response	-	-	-	-	-	-	-	-	-	4,237
<b>VEHICLE REVENUE MILES:</b>										
Fixed Route	985,251	1,013,149	1,104,246	808,779	753,235	778,742	802,656	863,726	1,163,101	1,204,023
Special Events	50,522	47,316	30,470	34,085	48,065	49,740	49,895	50,750	56,915	71,613
Demand Response	-	-	-	-	-	-	-	-	-	68,492

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

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Table 10**

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
Last 10 Fiscal Years  
(Unaudited)**

FUNCTION/PROGRAM:	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Facilities:										
Transit Park and Rides (Spaces):										
SWT Capital Assets	976	976	1,226	1,739	1,739	2,159	2,159	2,859	2,859	2,859
SWT Noncapital Assets	285	285	285	285	285	285	285	285	285	255
Construction in Progress	-	763	513	420	420	-	700	-	-	-
Transit Passenger Stations:										
SWT Capital Assets	1	1	1	2	2	3	3	4	4	4
Construction in Progress	-	1	1	1	1	-	1	-	-	-
Transit Buses:										
SWT Capital Assets	33	33	33	33	-	-	-	-	-	1
SWT Noncapital Assets	31	40	41	41	60	60	60	61	65	74

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

Source: SouthWest Transit facilities records

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Table 11**

**FAREBOX RECOVERY PERCENTAGE AND FARE STRUCTURE  
Last 10 Fiscal Years  
(Unaudited)**

**As of December 31, 2015**

**FAREBOX RECOVERY PERCENTAGE**

Year	Percentage
2006.....	27.46%
2007.....	28.02%
2008.....	30.66%
2009.....	32.61%
2010.....	32.54%
2011.....	32.79%
2012.....	32.48%
2013.....	30.28%
2014.....	27.10%
2015.....	28.34%

Definition: Service revenues divided by operating expenditures.

**FARE STRUCTURES**

**FARES:**

	Adults Ages 13-64	Youth Ages 6-12 Seniors Ages 65+	Youth Ages 5 & Under	Persons with Disabilities
<b>Express</b>				
Peak*	\$ 3.00	\$ 3.00	Free*	\$ 0.75
Non-Peak	\$ 2.25	\$ 0.75	Free*	\$ 0.75
<b>Local</b>				
Peak*	\$ 2.25	\$ 2.25	Free*	\$ 0.75
Non-Peak	\$ 1.75	\$ 0.75	Free*	\$ 0.75
<b>SW Prime – Demand Response</b>				
Peak*	\$ 3.00	\$ 1.00	Free*	\$ 3.00
Non-Peak	\$ 3.00	\$ 1.00	Free*	\$ 3.00

\* When accompanied by paying adult (limit 3)

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

**Transfers** let you use an unlimited number of buses in any direction for 2 ½ hours for express and local service. \$ 1.00 transfers to and from SW transit express service for the SW Prime Demand Response service.

**SOUTHWEST TRANSIT  
Eden Prairie, Minnesota**

**Table 12**

**MISCELLANEOUS STATISTICS  
December 31, 2015  
(Unaudited)**

---

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	111,928
Type of Tax Support	Motor Vehicle Sales Tax
Sales Tax Rate	7.28%
Number of Routes	28
Number of Transfer Stations	4
Number of Park & Ride Lots	4
Number of Bus Stops	230
Number of Buses in Peak Service	65
Average Speed in Miles Per Hour	21
Employees:	
Full-Time	23
Part-Time and Seasonal	35