

TPC 08.10.16
ITEM F.1.
HANDOUT

METRO TRANSIT SYSTEM

An Enterprise Fund of the
City of Madison, Wisconsin

Audit Presentation

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2015 Audit Presentation

OVERALL AUDIT SUMMARY

Overall Results

- > Unmodified opinion on financial statements
 - > Present fairly, in material respects, the financial position and results of operations as of and for the years ended December 31, 2015 and 2014
 - > Financial statements are management's responsibility and are prepared by management
 - > *Management discussion and analysis on pages 4-21 provides a nice overview of the operations for the year*

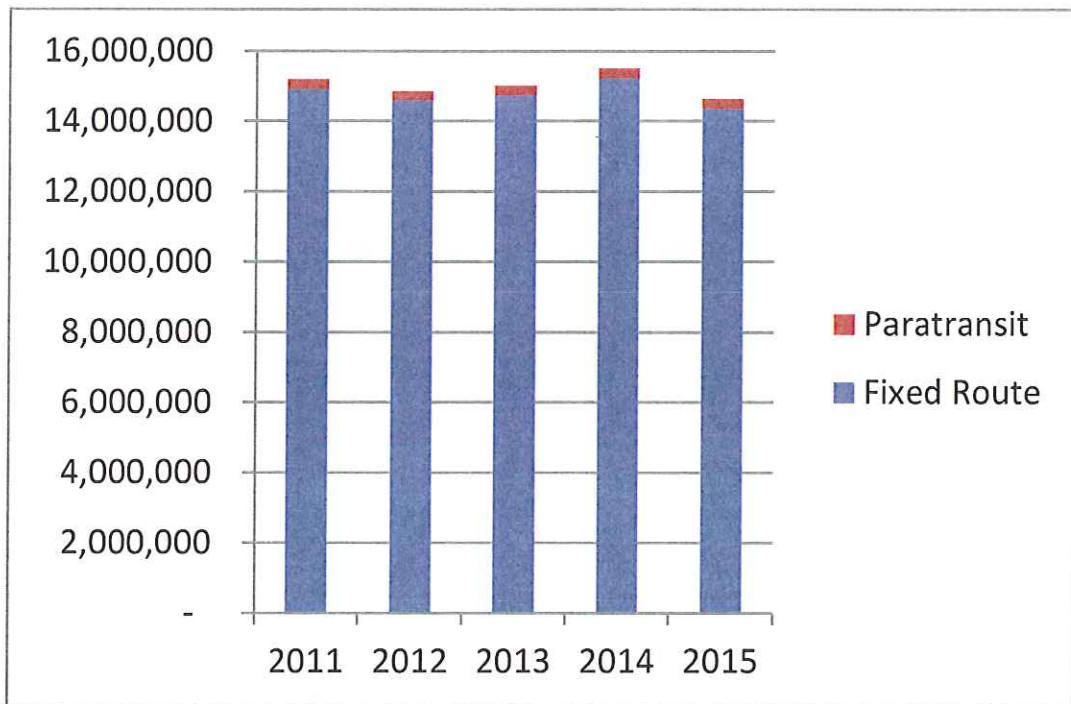
- > Federal and State grant compliance tested for reporting with city-wide single audit report
 - > Noted that bi-annual physical inventory was due in 2015 and was not completed by year end.

- > Certification of annual National Transit Database (NTD) report is in progress with no issues noted or anticipated.

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FINANCIAL HIGHLIGHTS – FINANCIAL POSITION

Ridership

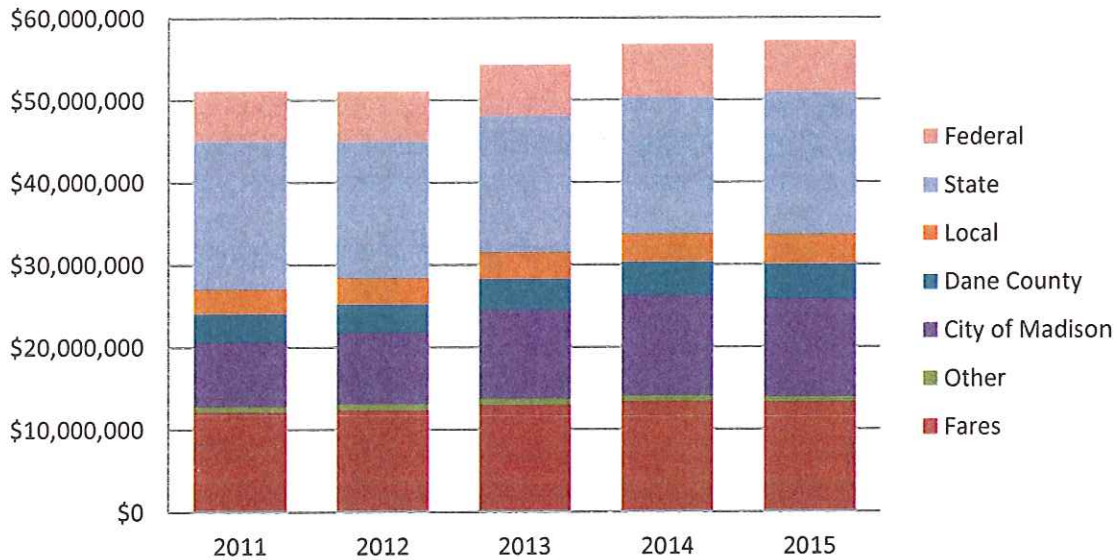


While Metro has experienced growth in ridership in recent years, Metro's 2015 ridership decreased 5.5% primarily in the fixed route service as a result of sustained lower gas prices.

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FINANCIAL HIGHLIGHTS – RESULTS OF OPERATIONS

Revenues by Source



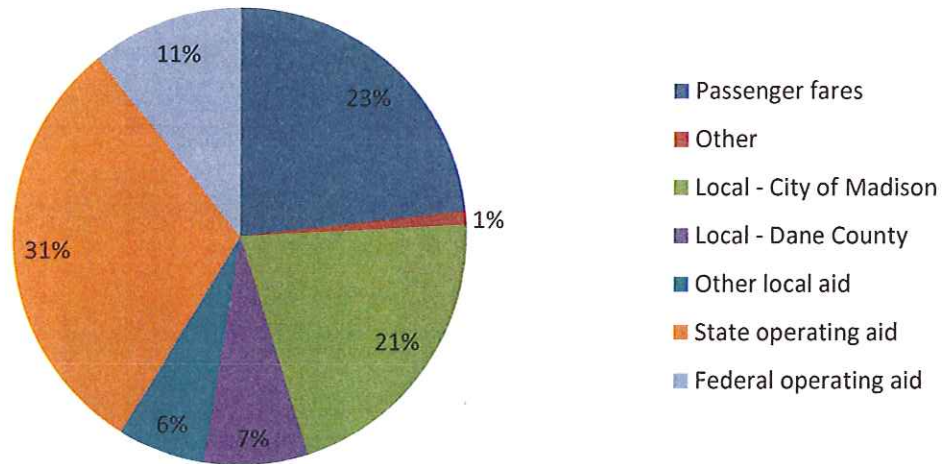
	2011	2012	2013	2014	2015
Fares	\$ 12,042,202	\$ 12,290,638	\$ 12,908,682	\$ 13,329,705	\$ 13,265,239
Other	655,125	718,146	722,409	665,622	557,870
City of Madison	7,844,538	8,709,952	10,794,879	12,241,956	11,921,295
Dane County programs	3,481,257	3,506,276	3,837,075	4,015,648	4,250,430
Other local aid	2,934,744	3,110,854	3,194,851	3,356,826	3,533,200
State operating aid	18,029,731	16,608,172	16,613,746	16,690,879	17,392,178
Federal operating aid	<u>5,985,721</u>	<u>5,988,679</u>	<u>6,118,984</u>	<u>6,352,153</u>	<u>6,162,528</u>
Total Revenues	\$ 50,973,318	\$ 50,932,717	\$ 54,190,626	\$ 56,652,789	\$ 57,082,740

Please note this does not include capital contributions which vary greatly from year to year based on the projects or purchases planned for each period.

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FINANCIAL HIGHLIGHTS – RESULTS OF OPERATIONS

2015 Revenues

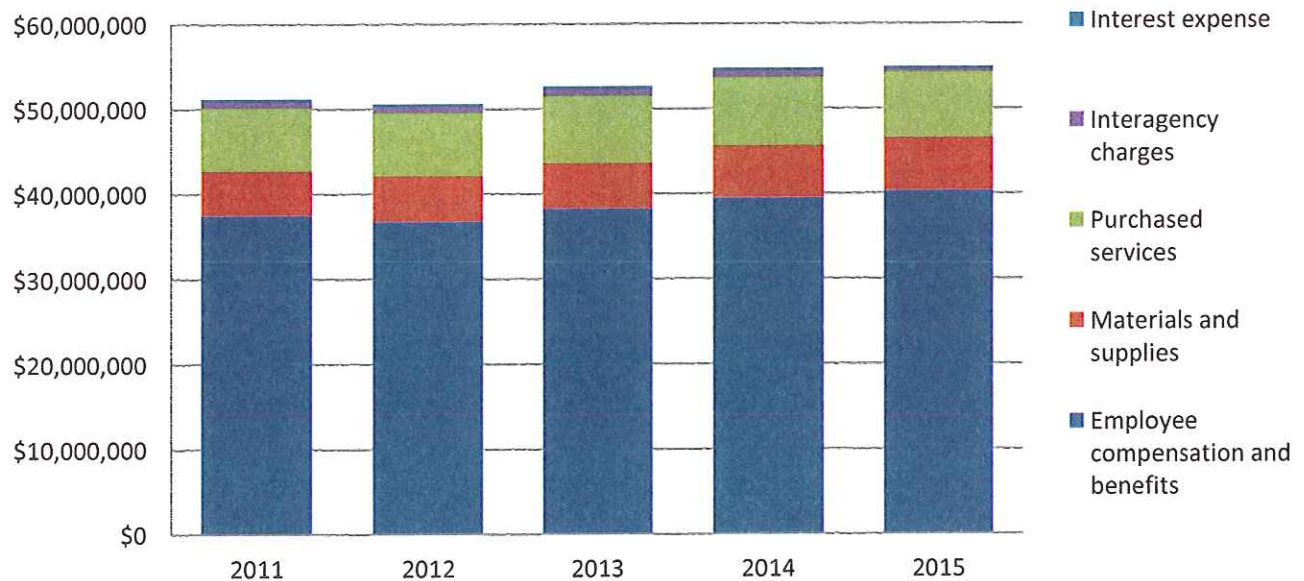


Passenger fares	\$ 13,265,239
Other	557,870
Local - City of Madison	11,921,295
Local – Dane County	4,250,430
Other local operating aid	3,533,200
State operating aid	17,392,178
Federal operating aid	6,162,528
	\$ 57,082,740

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FINANCIAL HIGHLIGHTS – RESULTS OF OPERATIONS

Expenses by Function



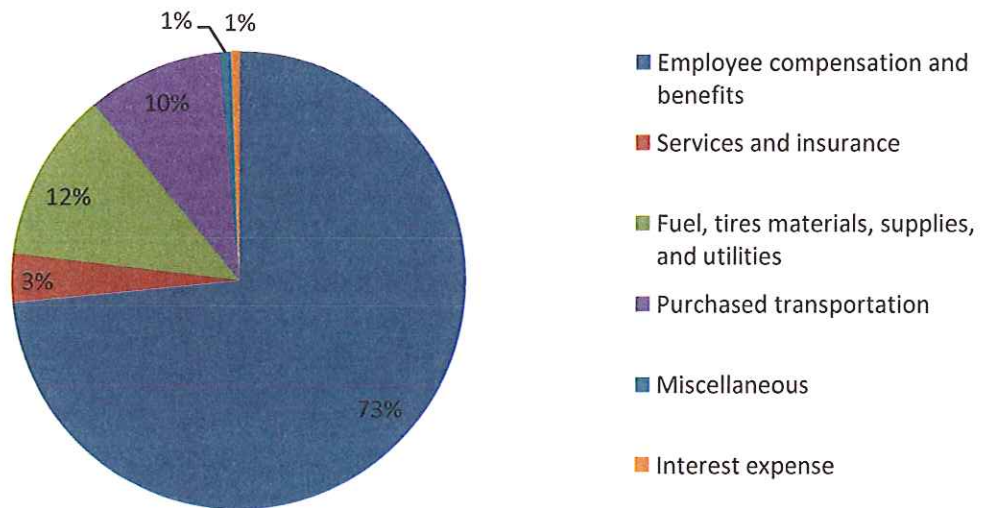
	2011	2012	2013	2014	2015
Employee compensation and benefits	\$ 37,462,095	\$ 36,724,780	\$ 38,238,265	\$ 39,468,159	\$ 40,310,311
Materials and supplies	5,164,721	5,301,924	5,265,765	6,073,559	6,134,932
Purchased services	7,491,505	7,468,495	7,957,501	8,086,712	7,774,379
Interagency charges	756,878	753,115	811,305	781,028	328,609
Interest Expense	<u>277,723</u>	<u>320,537</u>	<u>318,353</u>	<u>302,746</u>	<u>331,984</u>
Total Expenses	<u>\$ 51,152,922</u>	<u>\$ 50,568,851</u>	<u>\$ 52,591,189</u>	<u>\$ 54,712,204</u>	<u>\$ 54,880,215</u>

Please note the above analysis excludes depreciation expense.

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FINANCIAL HIGHLIGHTS – RESULTS OF OPERATIONS

2015 Expenses by Type



Employee compensation and benefits	\$ 40,310,311
Services and insurance	1,883,008
Fuel, tires, materials, supplies, and utilities	6,614,646
Purchased transportation	5,286,193
Miscellaneous	454,073
Interest Expense	331,984
	\$ 54,880,215

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RECOMMENDATIONS

Updates on prior year recommendations:

- > *Timely Preparation of Invoices for Services* – Management is working to implement processes and controls to ensure timelier billing in order to improve overall cash flows.
- > *Journal Entry Review* –With the implementation of the new accounting package all entries are reviewed by a member of the city finance team prior to posting.
- > *Documentation of Year End Accounting Procedures* – Management continues to agree that this is valuable, however with staffing changes and a focus on the system implementation this was not completed in 2015. The intent is to document these procedures in 2016.

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REQUIRED COMMUNICATIONS

- > Responsibilities
 - > Financial statements and related controls are managements' responsibility
 - > Our responsibility is to design and perform tests to obtain reasonable assurance that the statements are free from material misstatement
- > Only change in accounting policy for 2015 was the implementation of GASB No. 68 related to the accounting for pensions
- > Key estimates include the net pension asset and related deferred outflows or inflows, other post employment benefits and accrued sick leave
 - > We have evaluated the methods and key assumptions used in these estimates and feel they are reasonable
- > No difficulties or disagreements with management
- > Management representations provided