

**METRO TRANSIT SYSTEM**

An Enterprise Fund of the  
City of Madison, Wisconsin

**FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2020 and 2019

# METRO TRANSIT SYSTEM

An Enterprise Fund of the City of Madison, Wisconsin

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As of and for the Years Ended December 31, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

To the Transit and Parking Commission  
Metro Transit System  
Madison, Wisconsin

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Madison Metro Transit System, an enterprise fund of the City of Madison, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

### ***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.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 over financial reporting relevant to the Madison Metro Transit System'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 the Madison Metro Transit System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Metro Transit System as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the Madison Metro Transit System enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Madison, as of December 31, 2020 and 2019 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. 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 required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the overall City of Madison'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, including those systems applicable to Madison Metro Transit System. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Madison Metro Transit System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Madison Metro Transit System's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Madison, Wisconsin  
June 23, 2021

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

The following report of Metro Transit's activities and financial performance provides the reader with an introduction and overview to the financial statements for the fiscal year ended December 31, 2020.

The information contained in this report should be considered in conjunction with the information contained in the other historical summaries and activities and financial performance section of this report.

### **Mission**

It is the mission of Metro Transit (Metro), through the efforts of dedicated, well-trained employees to provide safe, reliable, convenient and efficient public transportation to the citizens and visitors of the Metro service area.

Metro provides extensive fixed route and ADA paratransit service in a 72 square mile regional service area with a population of 253,075 and also provides contributions to Dane County for the delivery of Group Access Services (providing transportation of the elder to meal-sites), and Volunteer Driver Escort programs in the Metro service area. Metro is an Enterprise Fund of the City of Madison. Local investment partners are the Cities of Fitchburg, Middleton, Sun Prairie and Verona, Town of Madison, Madison College, Madison Metropolitan School District, the University of Wisconsin-Madison, the University of Wisconsin Hospital East, and the Village of Shorewood Hills. Unlimited ride pass program participants include the UW-Madison, Madison College, Edgewood College, St. Mary's and Meriter Hospitals, Dane County and the City of Madison.

### **Annual Overview**

#### *Impact of Covid-19*

Due to the pandemic, Metro was forced to balance the health of employees while still providing critical service to the community. On March 23, 2020, Metro reduced service and began operating Saturday schedules with some additional routes and frequencies during rush hours.

This resulted in operating about 65% of normal service levels and allowed for staff to be redeployed to critical tasks in the maintenance facility such as assisting with daily deep cleanings.

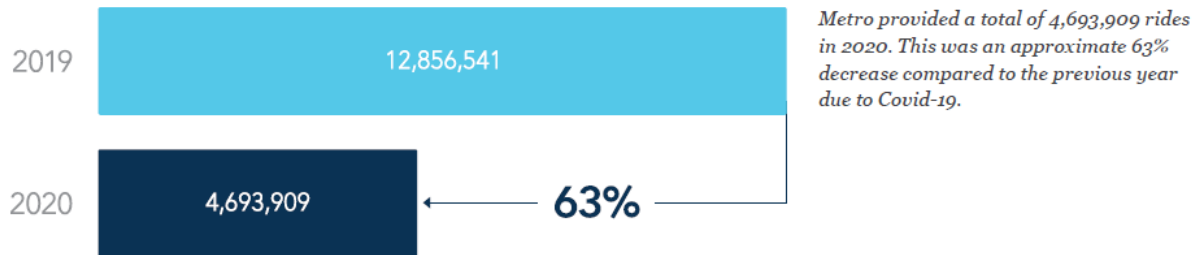
Metro worked closely with essential service organizations to make sure critical community needs were still being met despite the cut in service levels. Extra trips were added on routes serving hospitals to better coincide with employee shifts, and transportation was provided to and from emergency homeless shelters.

# METRO TRANSIT SYSTEM

## MANAGEMENT’S DISCUSSION AND ANALYSIS REPORT

When college campuses began to open, Metro increased its service levels to approximately 85% of what was in place prior to the pandemic. Metro closed out the year with this same level of service, with plans to continue at this pace until a full review of the transit network is complete in 2022.

### Ridership Infographic



### *Bus Rapid Transit*

Metro continues to work towards the implementation of a bus rapid transit (BRT) system.

Staff are currently planning an initial corridor operating east to west through Madison’s downtown and university campus areas. Additional BRT routes operating north and south in the through the city are also being developed.

With the first BRT corridor expected to cost \$120 –130 million, Madison is pursuing several funding sources for the project including local share, federal and state grants, local partnerships, and internal funding sources.

In August 2020, the City of Madison’s proposed East-West Bus Rapid Transit (BRT) System was accepted into the Federal Transit Administration (FTA) Small Starts Program.

Acceptance into the program authorized the City to proceed into project development, the more detailed planning process required for the implementation of the proposed BRT system.

The City was also awarded \$4.7 million in federal Bus and Bus Facilities grant funds to help jumpstart BRT planning. This will help reduce the amount of local share funding needed for the project. Project construction is planned to begin in 2023 with service hoped to begin in Fall of 2024.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### *Network Redesign*

Metro has also started the process of a complete redesign of its system to better meet the regional needs of residents and businesses. Metro has not undertaken this type of system overhaul since converting to a transfer point system in 1998. The goal of the redesign is to make the system run more efficiently, reduce travel times, and incorporate service into Madison's future BRT system.

A first wave of service changes are expected in August of 2022 with additional changes implemented prior to the roll out of BRT service in 2024.

### *VW Settlement Funds*

Metro Transit was selected as recipients in the second round of State of Wisconsin Transit Capital Assistance Grants made possible through the Volkswagen Mitigation Program.

The \$7.5 million grant award was used to purchase 12 new buses, allowing Metro to retire aging diesel buses in the fleet. All new vehicles feature clean idle certified engines, which reduce carbon emissions during idling and wasted fuel consumption saving both money and the environment.

Metro expects to bring on the City's first three all-electric buses in 2021 with plans to make significant investments in all-electric buses as part of our future bus rapid transit system.

### *Facilities Update*

Metro has completed the second phase of a \$44 million improvement project at its main maintenance and bus storage facility on East Washington Ave. Inadequate space to store buses, coupled with the aging infrastructure and inadequate ventilation has led to unsafe working conditions and substandard, inefficient amenities that needed to be addressed.

The first and second phase of construction included building new service lanes, remodeling of the workshop and body shop, structural work, critical HVAC upgrades and widespread electrical upgrades to support the addition of electric buses.

Phase three will begin in the summer of 2021 and includes remodels to maintenance bays/lifts, new boilers and water heaters, remodels to administration and office areas, new driver locker rooms, restrooms, and standby room, and new HVAC and lighting.

### *New Satellite Facility on Madison's Far East Side*

To provide capacity to expand service and implement BRT, Metro has been looking for a satellite maintenance and bus storage facility for a number of years. Metro's current facility was designed to hold 160 buses, but currently houses 223.



# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

The City of Madison has purchased two prior FedEx buildings located on the far-east side of the city near the UW Hospital American Center. One building is slated for a large bus storage area and bus wash, while the other will be more maintenance focused.

Staff expect to close on the property and start to immediately use the space in July 2021. Financially, Metro finished the year with a decrease to reserves, reducing the contingency fund by about \$2,402,776. These funds have helped to move forward with engineering and design work at Metro's proposed expansion facility and with work at our existing bus garage for safety, health, and other essential operational efficiency upgrades. Contributing factors to the contingency increase include better than expected paratransit ticket revenues and lower than expected paratransit trips provided.

Year	Beginning Balance	Reserves +/-	Ending Balance
2015	\$5,015,433	\$2,435,984	\$7,451,417
2016	\$7,451,417	(\$4,065,171)	\$3,386,246
2017	\$3,386,246	\$300,575	\$3,686,821
2018	\$3,686,821	\$1,024,367	\$4,711,188
2019	\$4,711,188	\$356,200	\$5,067,388
2020	\$5,067,388	(\$2,402,776)	\$2,664,612

### **2020 Detailed Financial Highlights**

A breakdown of revenues and expenses by mode is shown in the following chart detailing how Metro ended the year with a \$2,402,776 reduction to the reserve level.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

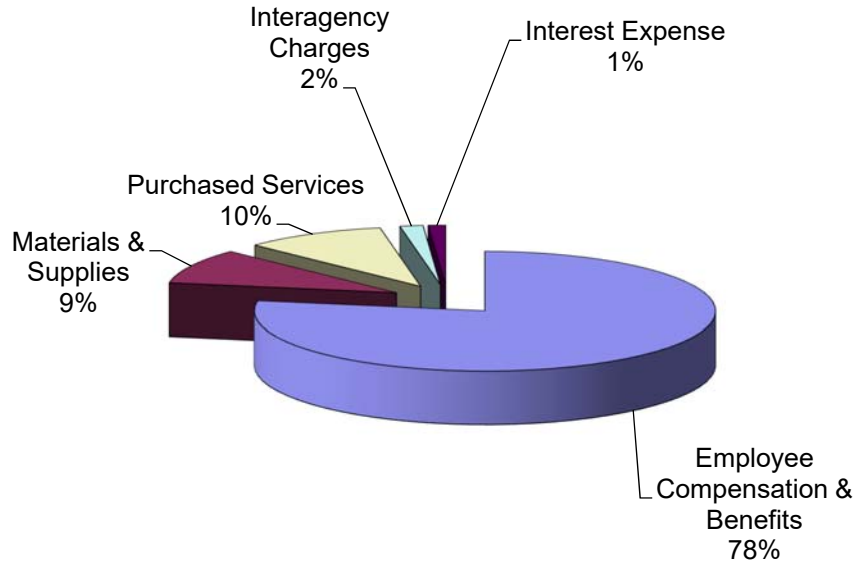
Madison Metro Transit							
Income Statement							
For the Year Ended December 31, 2020							
		All Modes		Fixed Route		Paratransit	
		Actual	Budget	Actual	Budget	Actual	Budget
<u>Revenue</u>							
Farebox		\$ 571,935	\$ 1,525,000	\$ 534,973	\$ 1,425,000	\$ 36,962	\$ 100,000
Passes & Tickets		\$ 2,196,542	\$ 5,694,000	\$ 1,592,038	\$ 4,844,000	\$ 604,504	\$ 850,000
Unlimited Ride Programs		\$ 5,609,788	\$ 6,550,000	\$ 5,598,559	\$ 6,520,000	\$ 11,229	\$ 30,000
<b>Passenger Revenue</b>		<b>\$ 8,378,265</b>	<b>\$ 13,769,000</b>	<b>\$ 7,725,570</b>	<b>\$ 12,789,000</b>	<b>\$ 652,695</b>	<b>\$ 980,000</b>
County Programs		\$ 601,670	\$ 480,000	\$ -	\$ -	\$ 601,670	\$ 480,000
Federal Operating Assistance		\$ 17,672,009	\$ 6,300,000	\$ 16,637,610	\$ 5,931,241	\$ 1,034,399	\$ 368,759
State Operating Assistance		\$ 17,758,321	\$ 17,707,200	\$ 16,763,855	\$ 16,715,597	\$ 994,466	\$ 991,603
Local Subsidies		\$ 3,435,982	\$ 4,000,000	\$ 3,332,903	\$ 3,880,000	\$ 103,079	\$ 120,000
Vehicle Registration Fee		\$ 6,023,522	\$ 7,330,000	\$ 5,993,404	\$ 6,230,500	\$ 30,118	\$ 1,099,500
Advertising		\$ 365,508	\$ 1,075,000	\$ 365,508	\$ 1,075,000	\$ -	\$ -
Miscellaneous		\$ 102,963	\$ 200,000	\$ 102,963	\$ 200,000	\$ -	\$ -
<b>Total Revenue</b>		<b>\$ 54,338,240</b>	<b>\$ 50,861,200</b>	<b>\$ 50,921,813</b>	<b>\$ 46,821,338</b>	<b>\$ 3,416,427</b>	<b>\$ 4,039,862</b>
<u>Expenditures</u>							
Salaries		\$ 29,597,747	\$ 31,596,692	\$ 29,005,792	\$ 30,964,758	\$ 591,955	\$ 631,934
Benefits		\$ 12,015,979	\$ 12,246,398	\$ 11,775,659	\$ 12,001,470	\$ 240,320	\$ 244,928
Utilities/Telephone		\$ 362,966	\$ 552,300	\$ 355,707	\$ 541,254	\$ 7,259	\$ 11,046
Repairs & Maint B&G		\$ 143,511	\$ 174,000	\$ 140,641	\$ 170,520	\$ 2,870	\$ 3,480
Repairs & Maint Equip		\$ 549,967	\$ 625,000	\$ 538,968	\$ 612,500	\$ 10,999	\$ 12,500
Rentals		\$ 464,469	\$ 550,000	\$ 455,180	\$ 539,000	\$ 9,289	\$ 11,000
Employee Services		\$ 32,693	\$ 72,000	\$ 32,039	\$ 70,560	\$ 654	\$ 1,440
Insurance & Financial		\$ 965,839	\$ 1,496,201	\$ 946,522	\$ 1,466,277	\$ 19,317	\$ 29,924
Purchased Transportation		\$ 2,461,886	\$ 3,970,000	\$ -	\$ -	\$ 2,461,886	\$ 3,970,000
Other Services		\$ 326,890	\$ 951,717	\$ 320,352	\$ 932,683	\$ 6,538	\$ 19,034
Office Supplies		\$ 92,661	\$ 295,983	\$ 90,808	\$ 290,063	\$ 1,853	\$ 5,920
Equipment Supplies		\$ 1,903,293	\$ 1,617,000	\$ 1,884,260	\$ 1,600,830	\$ 19,033	\$ 16,170
Bldg & Const Supplies		\$ 136,711	\$ 150,000	\$ 135,344	\$ 148,500	\$ 1,367	\$ 1,500
Fuels, Oils & Lubricants		\$ 2,518,024	\$ 2,979,000	\$ 2,492,844	\$ 2,949,210	\$ 25,180	\$ 29,790
Other Supplies		\$ 360,144	\$ 237,000	\$ 356,543	\$ 234,630	\$ 3,601	\$ 2,370
Interdepartmental Charges		\$ 862,545	\$ 837,928	\$ 853,920	\$ 829,549	\$ 8,625	\$ 8,379
Depreciation		\$ 7,801,792	\$ 7,800,000	\$ 7,723,774	\$ 7,722,000	\$ 78,018	\$ 78,000
Interest		\$ 646,048	\$ 288,848	\$ 639,588	\$ 285,960	\$ 6,460	\$ 2,888
<b>Total Expenses</b>		<b>\$ 61,243,165</b>	<b>\$ 66,440,067</b>	<b>\$ 57,747,941</b>	<b>\$ 61,359,764</b>	<b>\$ 3,495,224</b>	<b>\$ 5,080,303</b>
<b>Income(Deficit)</b>		<b>\$ (6,904,925)</b>	<b>\$ (15,578,867)</b>	<b>\$ (6,826,128)</b>	<b>\$ (14,538,426)</b>	<b>\$ (78,797)</b>	<b>\$ (1,040,441)</b>
Depreciation		\$ (7,801,792)	\$ (7,800,000)	\$ (7,723,774)	\$ (7,722,000)	\$ (78,018)	\$ (78,000)
Unfunded OPEB		\$ 489,563	\$ -	\$ 479,772	\$ -	\$ 9,791	\$ -
Unfunded Pension		\$ 36,362	\$ -	\$ 35,635	\$ -	\$ 727	\$ -
Debt		\$ 2,773,714	\$ 273,782	\$ 2,745,977	\$ 271,044	\$ 27,737	\$ 2,738
Fixed Assets		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Portion of Fixed Assets		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenditures (City)</b>		<b>\$ 56,741,012</b>	<b>\$ 58,913,849</b>	<b>\$ 53,285,551</b>	<b>\$ 53,908,808</b>	<b>\$ 3,455,461</b>	<b>\$ 5,005,041</b>
Added To/(Taken From)Reserves		\$ (2,402,772)	\$ 500,000	\$ (2,363,738)	\$ 438,861	\$ (39,034)	\$ 61,139
<b>Income/(Deficit) (City)</b>		<b>\$ -</b>	<b>\$ (8,552,649)</b>	<b>\$ -</b>	<b>\$ (7,526,331)</b>	<b>\$ -</b>	<b>\$ (1,026,318)</b>

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

As can be seen from the following chart, employee compensation and benefits accounted for 78% of total expenses excluding depreciation in 2020, compared to 77% in 2019.

**2020 Expenses excluding Depreciation**

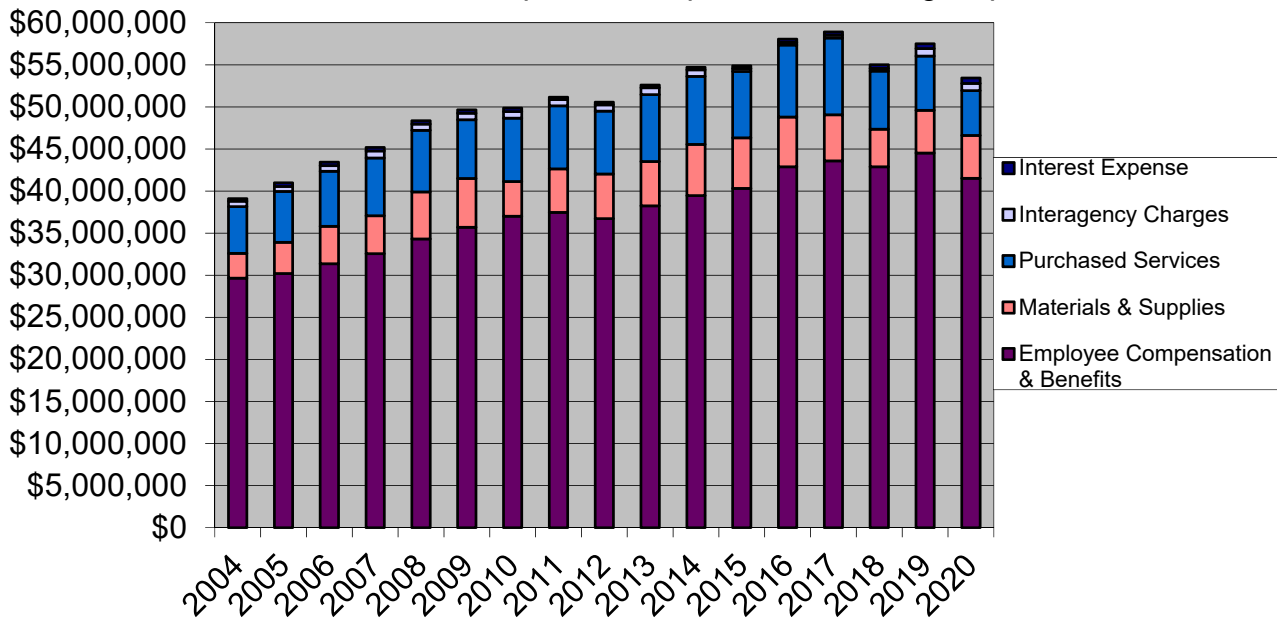


# METRO TRANSIT SYSTEM

## MANAGEMENT’S DISCUSSION AND ANALYSIS REPORT

The first of the following charts shows that total operating expenses decreased by 7.1% between 2019 and 2020, due primarily to decreases in purchased transportation and employee compensation. Between 2015 and 2020 Metro experienced an average decrease in total operating costs of 0.5% per year. The second chart compares Metro’s revenue sources for the same period of time. Passenger revenue has decreased by an average of 7.4% per year during the last 5 years and state aid, which traditionally provides the largest portion of Metro’s revenue, increased 0.4% per year during the same time period. Other operating revenue has increased 9.5% over the period with the introduction of the vehicle registration fee in 2020. Federal subsidies also increased during the five year period because of 2020 federal stimulus funding.

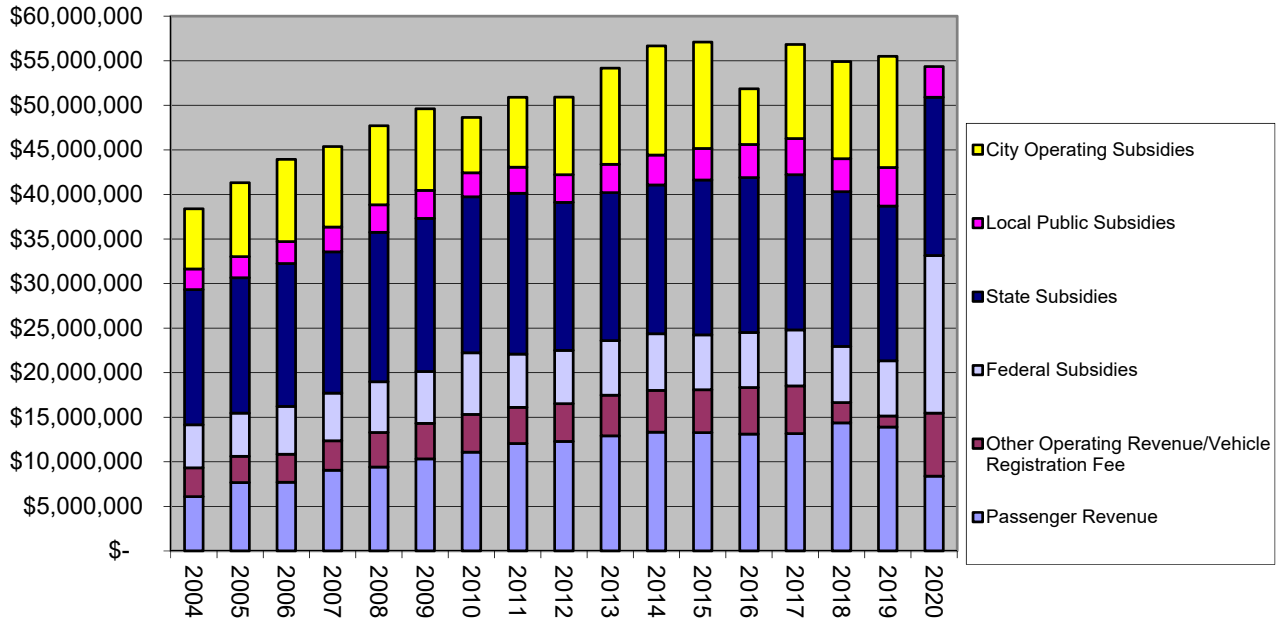
Madison Metro Transit  
Historical Expense Comparison Excluding Depreciation



# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Madison Metro Transit Historical Revenue Comparison



# **METRO TRANSIT SYSTEM**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT**

### **GRANT STATUS**

Metro is fortunate to have federal support for capital funding for rolling stock (buses), ITS hardware/software, transit enhancements, facilities improvements and other capital projects. The following chart shows the year-end grant status of each grant against which expenditures were charged during the year. Note that where balances are available as of 12/31/20 future capital project plans are budgeted to draw down those balances.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Madison Metro Transit									
Year End Grant Status as of 12/31/20									
Note: All amounts listed are "Eligible Funds" at 100 % of cost not the FTA or State amount.									
CAPITAL GRANTS	Funding Year	Total Funds Apportionment	Prior years expenditures	Beginning Balance	2020 expenditures	Balance available as of 12/31/20	Future Budgeted projects	Balance after budgeted projects	Detail of future budgeted projects- see page 2.
<b>Federal Section 5307</b>									
WI-2017-030	2017	\$ 9,915,670	\$ 9,883,032	\$ 32,638	\$ 32,638	\$ (0)	\$ -	\$ -	Closed
WI-2018-024	2018	\$ 10,319,810	\$ 9,446,227	\$ 873,583	\$ 873,583	\$ -	\$ -	\$ -	Closed
WI-2019-022	2019	\$ 10,677,962	\$ 7,625,000	\$ 3,052,962	\$ 59,887	\$ 2,993,074	\$ 2,993,074	\$ -	Buses
WI-2020-031	2020	\$ 10,377,418	\$ -	\$ 10,377,418	\$ 7,500,000	\$ 2,877,418	\$ 2,877,418	\$ -	Buses
WI-2020-049 (CARES Stimulus)	2020	\$ 24,498,820	\$ -	\$ 24,498,820	\$ 11,568,622	\$ 12,930,198	\$ 12,930,198	\$ -	Emergency Operating Facility Renovations, Buses
FFY 2021 (estimate)	2021	\$ 10,321,846	\$ -	\$ 10,321,846	\$ -	\$ 10,321,846	\$ 10,321,846	\$ -	Various
<b>Total Section 5307</b>		<b>\$ 76,111,526</b>	<b>\$ 26,954,259</b>	<b>\$ 49,157,266</b>	<b>\$ 20,034,730</b>	<b>\$ 29,122,536</b>	<b>\$ 29,122,536</b>	<b>\$ -</b>	
<b>Federal Section 5310</b>									
WI-2019-019	2019	\$ 301,835	\$ 288,149	\$ 13,686	\$ 13,686	\$ -	\$ -	\$ -	Closed
WI-2020-025	2020	\$ 448,378	\$ -	\$ 448,378	\$ 355,663	\$ 92,715	\$ 92,715	\$ -	Mobility management
FFY 2021 (estimate)	2021	\$ 398,256	\$ -	\$ 398,256	\$ -	\$ 398,256	\$ 398,256	\$ -	Mobility management
<b>Total Section 5310</b>		<b>\$ 1,148,469</b>	<b>\$ 288,149</b>	<b>\$ 860,320</b>	<b>\$ 369,349</b>	<b>\$ 490,971</b>	<b>\$ 490,971</b>	<b>\$ -</b>	
<b>Federal Section 5337 &amp; 5339a</b>									
WI-2018-024	2018	\$ 2,462,374	\$ 2,462,374	\$ -	\$ -	\$ -	\$ -	\$ -	Closed
WI-2019-022	2019	\$ 2,334,648	\$ -	\$ 2,334,648	\$ -	\$ 2,334,648	\$ 2,334,648	\$ -	Buses
WI-2020-031	2020	\$ 2,220,850	\$ -	\$ 2,220,850	\$ -	\$ 2,220,850	\$ 2,220,850	\$ -	Buses
FFY 2021 (estimate)	2021	\$ 2,140,214	\$ -	\$ 2,140,214	\$ -	\$ 2,140,214	\$ 2,140,214	\$ -	Buses
<b>Total Section 5337 &amp; 5339a</b>		<b>\$ 9,158,086</b>	<b>\$ 2,462,374</b>	<b>\$ 6,695,712</b>	<b>\$ -</b>	<b>\$ 6,695,712</b>	<b>\$ 6,695,712</b>	<b>\$ -</b>	
<b>Federal Section 5339 Discretionary</b>									
WI-2018-012 (FTA 5339c Low-No)	2017	\$ 1,491,341	\$ 139,740	\$ 1,351,601	\$ 190,782	\$ 1,160,819	\$ 1,160,819	\$ -	Electric Bus Deployment project
WI-2020-031 (FTA 5339b Bus Facility)	2019	\$ 10,240,000	\$ -	\$ 10,240,000	\$ -	\$ 10,240,000	\$ 10,240,000	\$ -	Satellite Facility
<b>Total Section 5339 Discretionary</b>		<b>\$ 11,731,341</b>	<b>\$ 139,740</b>	<b>\$ 11,591,601</b>	<b>\$ 190,782</b>	<b>\$ 11,400,819</b>	<b>\$ 11,400,819</b>	<b>\$ -</b>	
<b>Total Capital Grants</b>		<b>\$ 98,149,422</b>	<b>\$ 29,844,522</b>	<b>\$ 68,304,899</b>	<b>\$ 20,594,860</b>	<b>\$ 47,710,039</b>	<b>\$ 47,710,039</b>	<b>\$ -</b>	
<b>OTHER GRANTS</b>									
WI260012	2006	\$ 1,980,000	\$ 728,076	\$ 1,251,924	\$ 735,529	\$ 516,395	\$ 516,395	\$ -	Preferred alternative study
WI390002	2007	\$ 1,500,000	\$ 192,696	\$ 1,307,304	\$ 30,022	\$ 1,277,282	\$ 1,277,282	\$ -	Preferred alternative study
<b>Total Other Grants</b>		<b>\$ 3,480,000</b>	<b>\$ 920,772</b>	<b>\$ 2,559,228</b>	<b>\$ 765,551</b>	<b>\$ 1,793,677</b>	<b>\$ 1,793,677</b>	<b>\$ -</b>	

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

CAPITAL GRANTS	Funding Year	Transit Enhancements	Equipment	Facility	Computer hardware & software	Mobility management	Consultants	Buses -BRT/Fixed Route	Emergency Operating Assistance	Associated capital maintenance	Total Budgeted Projects
<b>Federal Section 5307</b>											
WI-2017-030	2017										\$ -
WI-2018-024	2018										\$ -
WI-2019-022	2019							\$ 2,993,074			\$ 2,993,074
WI-2020-031	2020							\$ 2,877,418			\$ 2,877,418
WI-2020-049 (CARES Stimulus)	2020			\$ 4,611,312				\$ 2,100,000	\$ 6,218,886		\$ 12,930,198
FFY 2021 (estimate)	2021							\$ 2,821,846		\$ 7,500,000	\$ 10,321,846
<b>Total Section 5307</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,611,312</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ 10,792,338</b>		<b>\$ 7,500,000</b>	<b>\$ 29,122,536</b>
<b>Federal Section 5310</b>											
WI-2019-019	2019										\$ -
WI-2020-025	2020					\$ 92,715					\$ 92,715
FFY 2021 (estimate)	2021					\$ 398,256					\$ 398,256
<b>Total Section 5310</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 490,971</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ 490,971</b>
<b>Federal Section 5337 &amp; 5339a</b>											
WI-2018-024	2018										\$ -
WI-2019-022	2019							\$ 2,334,648			\$ 2,334,648
WI-2020-031	2020							\$ 2,220,850			\$ 2,220,850
FFY 2021 (estimate)	2021							\$ 2,140,214			\$ 2,140,214
<b>Total Section 5337 &amp; 5339a</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ 6,695,712</b>		<b>\$ -</b>	<b>\$ 6,695,712</b>
<b>Federal Section 5339 Discretionary</b>											
WI-2018-012 (FTA 5339c Low-No)	2017		\$ 181,650		\$ 7,121		\$ 163,031	\$ 809,017			\$ 1,160,819
WI-2020-031 (FTA 5339b Bus Facility)	2019			\$ 10,240,000							\$ 10,240,000
<b>Total Section 5339 Discretionary</b>		<b>\$ -</b>	<b>\$ 181,650</b>	<b>\$ -</b>	<b>\$ 7,121</b>		<b>\$ 163,031</b>	<b>\$ 809,017</b>		<b>\$ -</b>	<b>\$ 1,160,819</b>
<b>Total Capital Grants</b>		<b>\$ -</b>	<b>\$ 181,650</b>	<b>\$ 4,611,312</b>	<b>\$ 7,121</b>	<b>\$ 490,971</b>	<b>\$ 163,031</b>	<b>\$ 18,297,067</b>		<b>\$ 7,500,000</b>	<b>\$ 37,470,039</b>
<b>OTHER GRANTS</b>											
WI260012	2006						\$ 516,395				\$ 516,395
WI390002	2007						\$ 1,277,282				\$ 1,277,282
<b>Total Other Grants</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ 1,793,677</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ 1,793,677</b>

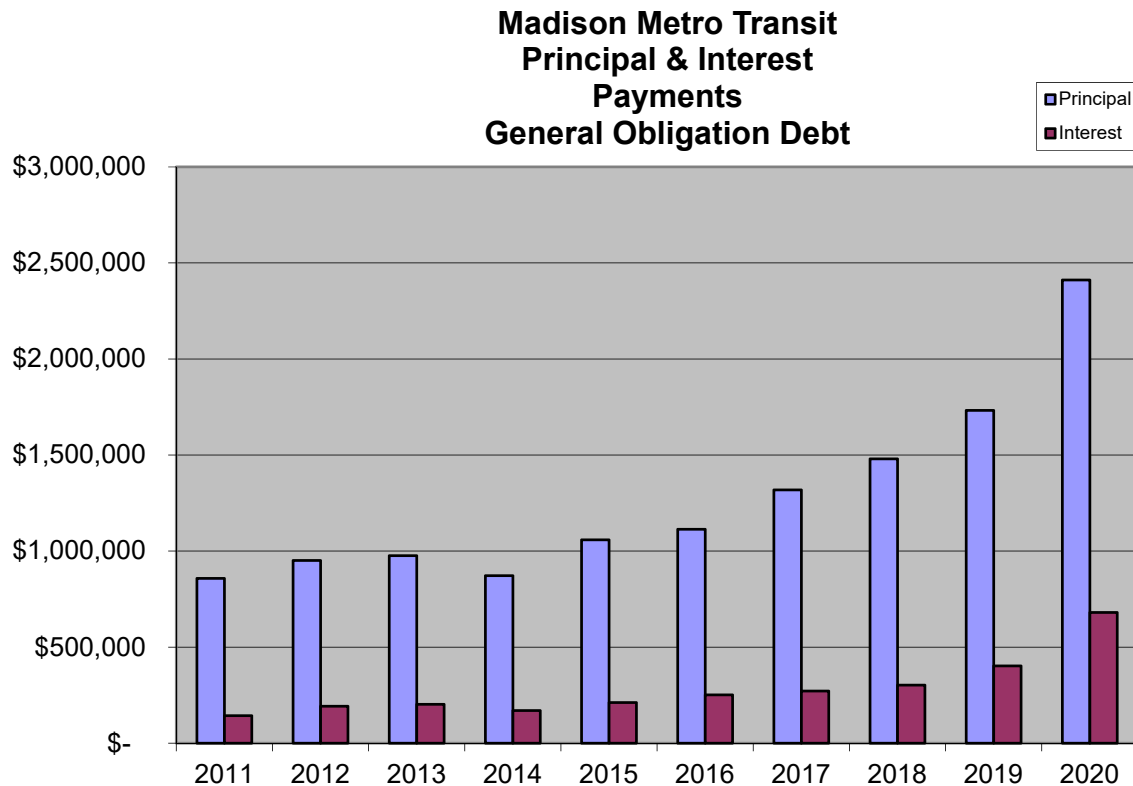


# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Borrowing

As is shown in the information provided below, Metro's debt through the City's General Obligation borrowing (G.O. debt) has been kept to manageable levels. Most borrowing is related to capital purchases where 50 to 80 per cent of funding is derived from federal grant sources and the balance from local borrowing. The City has a AAA bond rating. The City carefully manages the borrowing and debt service.



# **METRO TRANSIT SYSTEM**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT**

### **Financial Statements**

Metro's basic financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America, promulgated by the Government Accounting Standards Board (GASB). Revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets, except land, are depreciated over their useful lives. See the notes to the financial report for a summary of Metro's significant accounting policies.

### **Condensed Statements**

The following condensed Statements found in Table 1 and Table 2 below is information required to appear in the Management Discussion and Analysis (MD & A) report. The footnoted references will assist in locating more details in the MD & A and Audit Report.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Table 1

### Condensed Statements of Net Position

	2020	2019	2018
Current and Other Assets	\$ 23,013,988	\$ 16,869,181	\$ 20,785,222
Capital Assets <sup>1</sup>	<u>56,673,864</u>	<u>51,671,781</u>	<u>44,598,932</u>
<b>Total Assets</b>	<b><u>79,687,852</u></b>	<b><u>68,540,962</u></b>	<b><u>65,384,154</u></b>
Deferred Outflows related to Pensions <sup>2</sup>	<u>14,192,779</u>	<u>18,856,380</u>	<u>10,134,380</u>
Deferred Outflows related to other post-employment benefits <sup>3</sup>	<u>1,732,431</u>	<u>568,309</u>	<u>-</u>
Long-Term Debt <sup>4</sup>	29,458,509	24,220,819	14,715,733
Other Liabilities	<u>27,203,868</u>	<u>27,987,877</u>	<u>20,725,362</u>
<b>Total Liabilities</b>	<b><u>56,662,377</u></b>	<b><u>52,208,696</u></b>	<b><u>35,441,095</u></b>
Deferred Inflows relate to Pensions <sup>2</sup>	17,464,876	9,744,422	10,429,930
Deferred Inflows related to other post-employment benefits <sup>3</sup>	<u>1,213,765</u>	<u>1,003,536</u>	<u>861,412</u>
Net Investment in Capital			
Assets <sup>5</sup>	30,615,031	30,930,805	32,718,435
Restricted Net Position related to pensions	5,848,135		5,440,545
Unrestricted (Deficit)	<u>(16,191,122)</u>	<u>(5,921,808)</u>	<u>(9,372,883)</u>
<b>Total Net Position</b>	<b><u>\$ 20,272,044</u></b>	<b><u>\$ 25,008,997</u></b>	<b><u>\$ 28,786,097</u></b>

<sup>1</sup> See Note 2 for details in this Audit report

<sup>2</sup> See Note 7 for details in this Audit report

<sup>3</sup> See Note 8 for details in this Audit report

<sup>4</sup> See Note 4 for details in this Audit report

<sup>5</sup> See Note 1 for details in this Audit report

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Table 2

### Condensed Statements of Revenues, Expenses and Changes in Net Position

	2020	2019	2018
Operating Revenues	\$ 9,429,533	\$ 15,067,977	\$ 16,654,793
Depreciation Expense	7,801,792	7,316,345	6,786,877
Other Operating Expenses	52,795,328	56,933,269	54,584,003
Non-operating Expenses <sup>1</sup>	<u>646,048</u>	<u>563,677</u>	<u>433,853</u>
Total Expenses	<u>61,243,168</u>	<u>64,813,291</u>	<u>61,804,733</u>
Operating Subsidies <sup>1</sup>	38,872,549	27,882,108	27,359,426
Insurance Recovery	12,634	70,701	65,413
Loss Before Capital			
Contributions and Transfers	(12,928,452)	(21,792,505)	(17,725,101)
Capital Contributions <sup>2</sup>	2,167,978	5,536,986	6,332,193
Transfers		12,478,419	10,899,415
Vehicle Registration Fee	<u>6,023,521</u>		
Changes in Net Position	<u>(4,736,953)</u>	<u>(3,777,100)</u>	<u>(503,493)</u>
Beginning Net Position - Restated	25,008,997	28,786,097	29,289,590
Ending Net Position	<u>\$ 20,272,044</u>	<u>\$ 25,008,997</u>	<u>\$ 28,786,097</u>

<sup>1</sup> See Statements of Revenues, Expenses and Changes in Net Position for more detail

<sup>2</sup> See Year End Grant Status in this MD&A report for more detail

<sup>3</sup> See Note 12 for details in this Audit report

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### **Request for Information**

This financial report is designed to provide a general overview of Metro's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Justin Stuehrenberg, Transit General Manager, Metro Transit 1245 East Washington Avenue, Suite 201, Madison, WI 53703 or by e-mail to:

[jstuehrenberg@cityofmadison.com](mailto:jstuehrenberg@cityofmadison.com).

Respectfully submitted

Interim Transit General Manager

**Statements of Net Position Follows**

# METRO TRANSIT SYSTEM

## STATEMENTS OF NET POSITION December 31, 2020 and 2019

### ASSETS

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 6,918,475	\$ 8,363,338
Restricted cash - retiree health insurance escrow	371,167	372,677
Restricted deposit with fiscal agent	675,469	-
Receivable from FTA - capital and maintenance	2,091,837	1,927,751
Receivable from Wisconsin - capital	1,199,700	-
Receivable from other governmental units	2,962,817	2,691,886
Accounts receivable (net)	577,035	1,237,312
Materials and supplies (net)	391,896	380,335
Prepaid expenses	584,362	590,995
Current portion of prepaid expense - land and tower lease	3,096	3,336
Total Current Assets	<u>15,775,854</u>	<u>15,567,630</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash - retiree health insurance escrow	1,376,109	1,284,565
Restricted net pension asset	5,848,135	-
Other Assets		
Prepaid expenses - land and tower lease	13,890	16,986
Capital Assets		
Transit plant in service	136,973,528	128,077,985
Accumulated depreciation	(80,630,185)	(76,545,944)
Construction work in progress	<u>330,522</u>	<u>139,740</u>
Total Non-Current Assets	<u>63,911,999</u>	<u>52,973,332</u>
Total Assets	<u>79,687,853</u>	<u>68,540,962</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	14,192,779	18,856,380
Deferred outflows related to other post-employment benefits	<u>1,732,431</u>	<u>568,309</u>
Total Deferred Outflows of Resources	<u>15,925,210</u>	<u>19,424,689</u>

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**LIABILITIES**

	<u>2020</u>	<u>2019</u>
<b>CURRENT LIABILITIES</b>		
Current portion of general obligation debt	\$ 3,522,958	\$ 2,411,154
Current portion of advance from other funds	423,478	362,560
Current portion of unearned revenue - land and tower lease	3,096	3,336
Accounts payable	2,329,649	1,894,530
Unearned revenue	-	909,939
Accrued compensation, vacation and sick leave	3,429,525	2,478,890
Accrued interest	197,483	190,979
Retiree health insurance escrow payable from restricted assets	371,167	372,677
Total Current Liabilities	<u>10,277,356</u>	<u>8,624,065</u>
<b>NON-CURRENT LIABILITIES</b>		
General obligation debt	24,102,161	19,613,715
Bond premium	4,850,505	-
Advance from other funds	1,409,912	1,833,390
Retiree health insurance escrow payable from restricted assets	1,376,109	1,284,565
Accrued sick leave	3,626,167	3,677,874
Deposits from other governments	184,167	228,038
Net pension liability	-	6,572,282
Other post-employment benefit liability	10,822,111	10,357,781
Unearned revenue - land and tower lease	13,890	16,986
Total Non-Current Liabilities	<u>46,385,022</u>	<u>43,584,631</u>
 Total Liabilities	 <u>56,662,378</u>	 <u>52,208,696</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	17,464,876	9,744,422
Deferred inflows related to other post-employment benefits	1,213,765	1,003,536
Total Deferred Inflows of Resources	<u>18,678,641</u>	<u>10,747,958</u>
 <b>NET POSITION</b>		
Net investment in capital assets	25,764,526	30,930,805
Restricted net position related to pensions	5,848,135	-
Unrestricted (Deficit)	<u>(11,340,617)</u>	<u>(5,921,808)</u>
 <b>TOTAL NET POSITION</b>	 <u>\$ 20,272,044</u>	 <u>\$ 25,008,997</u>

See accompanying notes to financial statements.



## METRO TRANSIT SYSTEM

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>	<u>\$ 9,429,533</u>	<u>\$ 15,067,977</u>
<b>OPERATING EXPENSES</b>		
Employee compensation and benefits	41,518,986	44,515,317
Materials and supplies	5,090,914	5,086,082
Purchased services	5,322,883	6,440,642
Interagency charges	<u>862,545</u>	<u>891,228</u>
Total Operation and Maintenance Expenses	52,795,328	56,933,269
Depreciation expense	<u>7,801,792</u>	<u>7,316,345</u>
Total Operating Expenses	<u>60,597,120</u>	<u>64,249,614</u>
Operating Loss	<u>(51,167,587)</u>	<u>(49,181,637)</u>
<b>OPERATING SUBSIDIES</b>		
Federal subsidies	17,865,203	6,438,107
Federal subsidies pass-through to sub recipient	(186,957)	(238,134)
State operating subsidies	17,758,321	17,352,591
Local public subsidies	<u>3,435,982</u>	<u>4,329,544</u>
Total Operating Subsidies	<u>38,872,549</u>	<u>27,882,108</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Insurance recoveries	12,634	70,701
Vehicle registration fee	6,023,521	-
Interest expense	<u>(646,048)</u>	<u>(563,677)</u>
Loss Before Contributions and Transfers	<u>(6,904,931)</u>	<u>(21,792,505)</u>
<b>CAPITAL CONTRIBUTIONS - CITY &amp; OTHER</b>	-	1,732,730
<b>CAPITAL CONTRIBUTIONS - FEDERAL &amp; STATE</b>	2,136,978	3,804,256
<b>CAPITAL CONTRIBUTION - OTHER</b>	31,000	-
<b>TRANSFERS IN - CITY OPERATING SUBSIDIES</b>	<u>-</u>	<u>12,478,419</u>
Total Contributions and Transfers	<u>2,167,978</u>	<u>18,015,405</u>
<b>CHANGE IN NET POSITION</b>	(4,736,953)	(3,777,100)
NET POSITION - Beginning of Year - Restated	<u>25,008,997</u>	<u>28,786,097</u>
<b>NET POSITION - End of Year</b>	<u><u>\$ 20,272,044</u></u>	<u><u>\$ 25,008,997</u></u>

See accompanying notes to financial statements.

**Statements of Cash Flows Follows**

## METRO TRANSIT SYSTEM

### STATEMENTS OF CASH FLOWS Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 8,541,906	\$ 14,304,519
Paid to suppliers for goods and services	(23,782,034)	(23,863,353)
Paid to employees for services	(29,240,234)	(30,463,051)
Cash Flows from Operating Activities	<u>(44,480,362)</u>	<u>(40,021,885)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating subsidies received - federal	17,701,117	9,573,093
Federal subsidies pass-through to sub recipient	(186,957)	(238,134)
Operating subsidies received - state	17,758,321	17,352,591
Operating subsidies received - local	4,935,818	4,062,404
Deposits received from other governments	(43,871)	(48,114)
Repayment of non-capital advances from other funds	(362,560)	(330,332)
Interest paid on non-capital advances from other funds	(83,757)	(94,493)
Vehicle registration fee	6,023,522	-
Operating transfer from city	-	12,478,419
Cash Flows from Noncapital Financing Activities	<u>45,741,633</u>	<u>42,755,434</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt retired	(2,632,781)	(1,732,731)
Interest paid	(680,159)	(402,438)
Proceeds from issuance of general obligation debt	8,233,030	11,568,149
Debt premium	4,974,877	-
Acquisition and construction of capital assets	(12,803,876)	(14,389,194)
Capital contributions - city and other	-	1,732,730
Capital contributions - federal and state	968,278	3,804,256
Cash Flows From Capital and Related Financing Activities	<u>(1,940,631)</u>	<u>580,772</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(679,360)</b>	<b>3,314,321</b>
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>10,020,580</u>	<u>6,706,259</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ <u>9,341,220</u></b>	<b>\$ <u>10,020,580</u></b>

See accompanying notes to financial statements.

	<u>2020</u>	<u>2019</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH</b>		
<b>FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (51,167,587)	\$ (49,181,637)
Nonoperating income	12,634	70,701
Noncash items included in operating loss		
Depreciation expense	7,801,792	7,316,345
Changes in Assets and Liabilities		
Accounts receivable	389,346	(1,243,425)
Materials and supplies	(11,561)	(68,521)
Prepaid expenses	9,970	(33,225)
Accrued payroll liabilities	898,927	(146,487)
Retiree health insurance escrow payable from restricted assets	90,034	113,462
Other post-employment benefits	(489,563)	79,154
Accounts payable	(1,064,717)	532,367
Pension related deferrals and liabilities	(36,362)	2,605,319
Unearned revenue	(909,939)	(62,343)
Unearned revenue - land and tower lease	(3,336)	(3,595)
	<u>                    </u>	<u>                    </u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ (44,480,362)</b>	<b>\$ (40,021,885)</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO</b>		
<b>STATEMENT OF NET POSITION ACCOUNTS</b>		
Cash	\$ 6,918,475	\$ 8,363,338
Restricted Cash - Retiree Health Insurance Escrow	1,747,276	1,657,242
Deposit with fiscal agent	675,469	-
	<u>                    </u>	<u>                    </u>
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 9,341,220</b>	<b>\$ 10,020,580</b>

See accompanying notes to financial statements.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

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

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The financial statements of Metro Transit System (Metro) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by Metro are described below:

#### ***REPORTING ENTITY***

Metro provides public bus transportation in the Cities of Madison, Middleton, Fitchburg, Sun Prairie and Verona, the Town of Madison and the Village of Shorewood Hills. Metro is governed by the Transportation Planning and Policy Board and Transportation Commission which consists of City Council members and citizen representatives. Service is provided in two major areas: fixed route service utilizing 218 coaches and paratransit services for the elderly and handicapped using purchased transportation services (as of August 2018 Metro no longer provides directly operated paratransit service).

#### ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION***

The term measurement focus is used to denote what is being measured and reported in Metro's operating statement. Metro is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether Metro is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on Metro's operating statement. Metro uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Metro is presented as an enterprise fund of the municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

Preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION***

##### ***Cash and Cash Equivalents***

All Metro cash is commingled with the city cash and investments, which are managed by the City Treasurer. The disclosures regarding deposit and investment risks, as required by Statement No. 40 of the Governmental Accounting Standards Board are included in the general-purpose financial statements of the city, since it is not possible to segregate them by fund.

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

##### ***Deposits and Investments***

State statutes restrict investment of transit funds. Investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on the methods and inputs outlined in the financial statements of the city in compliance with Statement No. 72 of the Governmental Accounting Standards Board. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### *ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION (cont.)*

##### ***Deposit with Fiscal Agent***

Metro's deposit with fiscal agent represents cash that is being held in an escrow account for the payment of principal and interest on debt service. The deposits were up \$675,469 in 2020 due to the crossover advance refunding of the 2014-A General Obligation Notes.

##### ***Accounts Receivable***

Metro considers receivables from government units to be fully collectible; accordingly, no allowance for doubtful accounts from governmental units is presented. An allowance of \$23,183 is included in 2020 and 2019 for general accounts receivable.

##### ***Materials and Supplies***

Materials and supplies are generally used for operation and maintenance work, not for resale. They are valued at lower of cost or market based on the FIFO method and charged to operation and maintenance expense when used. An allowance of \$50,000 for obsolete materials is included in 2020 and 2019.

##### ***Prepaid Expenses***

This represents amounts paid for services or coverage to be provided in future periods.

##### ***Capital Assets***

Capital assets are defined by Metro as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year.

Additions to and replacements of Metro capital assets are recorded at original cost, which includes material, labor, and overhead. The cost of renewals and betterments relating to retirement units is added to capital asset accounts. The cost of property replaced, retired or otherwise disposed of is deducted from capital asset accounts and is charged to accumulated depreciation.

Fixed assets other than land are depreciated using the straight line method over their estimated useful life.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

#### **ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION (cont.)**

A summary of capital assets and estimated useful lives follows:

	Balance 12/31/20	Balance 12/31/19	Years
Land	\$ 2,604,992	\$ 2,604,992	N/A
Building	27,657,188	20,890,626	5 – 40
Curb and land improvements	6,652,515	6,652,515	5
Revenue equipment	86,390,279	84,311,182	8 – 20
Service vehicles	832,635	832,636	4 – 5
Shop and garage equipment	1,840,236	1,817,971	3 – 10
Furniture and office equipment	643,887	643,887	3 – 10
Miscellaneous and farebox	10,351,796	10,324,176	3 – 15
Total Capital Assets	<u>\$ 136,973,528</u>	<u>\$ 128,077,985</u>	

#### **Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

#### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, benefit payments are recognized when due and payable in accordance with the benefit terms.

#### **Deferred Outflow of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

#### **Accrued Compensation, Sick Leave and Vacation**

Employees are allowed to accumulate up to 150 days of sick time. For office employees and drivers one day is equivalent to eight hours; for all other employees one day is equivalent to 8-36/60 hours. Upon retirement or disability, Wisconsin Retirement System participants may receive the cash value of the accumulated sick leave subject to the above maximum or use all or a portion for the payment of continued health insurance premiums. Funding for those costs is provided out of Metro's operating revenues. The estimated liability for current employees at December 31, 2020 and 2019 is \$3,589,755 and \$3,808,132 respectively.



# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION (cont.)***

Employees earn varying amounts of vacation depending on the number of years of service. Vacation time for all non-represented employees and represented employees hired prior to January 1, 1998 is awarded based on the prior year's service and is, therefore, accrued at the end of each year. Represented employees hired after January 1, 1998 are awarded their vacation immediately and can use it once they have completed their probationary period. Represented employees may opt to carry over one week of vacation each year. All other vacation time must be used within the year received.

#### ***Retiree Health Insurance Escrow***

Metro makes an annual deposit into an escrow account for contributions toward the health insurance premiums for certain eligible retirees. The deposits were \$459,831 in 2020 based on an estimate since the current Labor Agreement has expired and \$448,615 in 2019, respectively. To qualify a retiree must have retired on or after reaching age 55, must have completed ten continuous years of full-time service with Metro in a position represented by Teamsters Union Local 695, just prior to retiring and be eligible to retire under the Wisconsin Retirement System (WRS). Retirees receive this benefit for a maximum of five consecutive years or until becoming eligible for Medicare. Retirees will be eligible for premium contributions to the extent that funds are available in the escrow account and Metro will not be required to make any additional payments to the account should the cost of providing premium contributions exceed the amount deposited. Interest income remains with the escrow account less a 1% administrative fee transferred to the City. As of December 31, 2020, 108 current employees have met the eligibility requirements.

#### ***Unearned Revenue***

Madison Metropolitan School District (MMSD) purchases passes for the school district that are valid for the entire school year. The estimated value of those passes that is related to rides to be provided in the following calendar year has been recorded as unearned revenue at year end. Due to the COVID-19 pandemic MMSD did not provide bus passes for students because of a virtual instruction format.

#### ***Long-Term Obligations***

Long-term debt and other obligations are reported as Metro liabilities.

#### ***Deposits from Other Governments***

Metro collects deposits from various entities that provide Metro with local operating assistance subsidies. These deposits are held by Metro in reserve to help fund unanticipated cost increases in future years. The reserve balance is reviewed annually and amounts received in excess of the annual cost and the required reserve balance are reported as payables and refunded in the subsequent year. In 2020 and 2019, \$1,642,218 and \$142,382 respectively, were contracted as returns to these entities.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

#### **ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION (cont.)**

##### ***Deferred Inflows of Resources***

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

##### ***Net Position***

Equity is classified as Net Position and is displayed in three components:

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislations.
- *Unrestricted net position* – This component of net position consists of net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is Metro’s policy to use restricted resources first then unrestricted resources as they are needed.

The following calculation supports the net investment in capital assets:

	2020	2019
Plant in service	\$ 136,973,528	\$ 128,077,985
Accumulated depreciation	(80,630,185)	(76,545,944)
Construction work in progress	330,522	139,740
Sub-Totals	56,673,865	51,671,781
Less: Capital related debt		
Current portion of general obligation bonds	3,522,958	2,411,154
Premium on capital bonds	4,850,505	-
Long-term portion of capital related general obligation bonds	24,102,161	19,613,715
Sub-Totals	32,475,624	22,024,869
Add unspent proceeds of capital-related debt included above	1,566,285	1,283,893
Net Investment in Capital Assets	\$ 25,764,526	\$ 30,930,805

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **REVENUES AND EXPENSES**

##### **Revenue Recognition**

Metro distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services. The principal operating revenues of Metro are charges to customers for services. In addition, as fully described in Note 5, Metro also receives operating subsidies from state, local and federal governments. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### **Taxes**

Municipal transit utilities are exempt from federal and state income taxes and, therefore, no income tax liability is recorded by Metro.

##### **Capital Contributions**

Metro has received Federal, State and local funding for acquisition and construction of capital assets. In accordance with GASB Statement No. 33, this funding is reported as an increase in net position.

The Federal and State grants are subject to grantor agency compliance audits. Management believes losses, if any, resulting from those compliance audits are not material to these statements

#### **EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS**

The Governmental Accounting Standards Board (GASB) has approved the following statements:

- Statement No. 87, *Leases*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

When they become effective, application of these standards may restate portions of these financial statements.

#### **COMPARATIVE DATA**

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

### **NOTE 2 – CHANGES IN CAPITAL ASSETS**

A summary of changes in Metro capital assets for 2020 and 2019 follows:

	Balance 1/1/20	Additions	Retirements	Balance 12/31/20
Capital assets not being depreciated				
Land	\$ 2,604,992	\$ -	\$ -	\$ 2,604,992
Capital assets being depreciated/ amortized				
Building and improvements	20,890,627	6,766,561	-	27,657,188
Curb and land improvements	6,652,515	-	-	6,652,515
Revenue vehicles	84,311,182	5,796,649	(3,717,552)	86,390,279
Service vehicles	832,635	-	-	832,635
Shop and garage equipment	1,817,971	22,265	-	1,840,236
Office equipment	643,887	-	-	643,887
Miscellaneous and farebox	10,324,176	27,620	-	10,351,796
Total Capital Assets Being Depreciated	125,472,993	12,613,095	(3,717,552)	134,368,536
Total Capital Assets	128,077,985	12,613,095	(3,717,552)	136,973,528
Less: Accumulated depreciation/ amortization				
Building and improvements	(12,023,777)	(957,853)	-	(12,981,630)
Curb and land improvements	(6,578,135)	(49,587)	-	(6,627,722)
Revenue vehicles	(47,131,926)	(6,063,984)	3,717,552	(49,478,358)
Service vehicles	(730,975)	(35,083)	-	(766,058)
Shop and garage equipment	(1,702,889)	(43,996)	-	(1,746,885)
Office equipment	(643,887)	-	-	(643,887)
Miscellaneous and farebox	(7,734,355)	(651,290)	-	(8,385,645)
Total Accumulated Depreciation/amortization	(76,545,944)	(7,801,793)	3,717,552	(80,630,185)
Construction in progress	139,740	190,782	-	330,522
Net Transit System Plant	\$ 51,671,781			\$ 56,673,865

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

#### **NOTE 2 – CHANGES IN CAPITAL ASSETS (cont.)**

	Balance 1/1/19	Additions	Retirements	Balance 12/31/19
Capital assets not being depreciated				
Land	\$ 2,604,992	\$ -	\$ -	\$ 2,604,992
Capital assets being depreciated/amortized				
Building and improvements	14,035,923	6,871,890	(17,186)	20,890,627
Curb and land improvements	6,714,009	-	(61,494)	6,652,515
Revenue vehicles	80,623,116	6,961,113	(3,273,047)	84,311,182
Service vehicles	830,275	55,138	(52,778)	832,635
Shop and garage equipment	1,803,588	27,300	(12,917)	1,817,971
Office equipment	723,097	-	(79,210)	643,887
Miscellaneous and farebox	10,161,054	408,513	(245,391)	10,324,176
Total Capital Assets Being Depreciated	114,891,062	14,323,954	(3,742,023)	125,472,993
Total Capital Assets	117,496,054	14,323,954	(3,742,023)	128,077,985
Less: Accumulated depreciation/amortization				
Building and improvements	(11,230,359)	(810,604)	17,186	(12,023,777)
Curb and land improvements	(6,568,315)	(71,314)	61,494	(6,578,135)
Revenue vehicles	(44,756,653)	(5,648,320)	3,273,047	(47,131,926)
Service vehicles	(747,955)	(35,797)	52,777	(730,975)
Shop and garage equipment	(1,641,886)	(73,920)	12,917	(1,702,889)
Office equipment	(721,267)	(1,830)	79,210	(643,887)
Miscellaneous and farebox	(7,305,187)	(674,559)	245,391	(7,734,355)
Total Accumulated Depreciation/amortization	(72,971,622)	(7,316,344)	3,742,022	(76,545,944)
Construction in progress	74,500	65,240	-	139,740
Net Transit System Plant	\$ 44,598,932			\$ 51,671,781

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### **NOTE 3 – INTER-FUND RECEIVABLES/PAYABLES AND TRANSFERS**

The following is a schedule of transfer balances as of December 31, 2020 and 2019:

To	From	2020		2019	
		Amount	Principal Purpose	Amount	Principal Purpose
Metro	City of Madison	\$-	City operating subsidy	\$12,478,419	City operating subsidy

#### **NOTE 4 – LONG-TERM OBLIGATIONS**

##### **GENERAL OBLIGATION NOTE**

The city on behalf of Metro has borrowed funds for the purpose of capital purchases. The following is a summary of Metro's share of city general obligation note issues:

Title of Issue	Date of Issue	Final Maturity	Interest Rates	Original Amount	Amount
					Outstanding 12/31/2020
Promissory Note	10-1-11	10-1-21	0.45 – 5.00%	\$ 1,709,900	\$ 170,977
Promissory Note	10-1-14	10-1-24	2.00 – 5.00%	2,246,495	898,511
Promissory Note	10-1-15	10-1-25	2.00 – 3.00%	2,631,128	1,278,162
Promissory Note	10-1-16	10-1-26	.50 – 4.00%	3,047,826	1,655,088
Promissory Note	10-1-17	10-1-27	2.00 – 4.00%	2,025,110	1,417,577
Promissory Note	10-1-18	10-1-28	2.00 – 5.00%	3,953,533	3,162,550
Promissory Note	10-17-19	10-17-29	2.25 – 3.00%	3,583,149	3,224,678
Promissory Note	10-18-19	10-18-39	2.00 – 4.00%	7,985,000	7,584,543
Promissory Note	10-3-20	10-3-22	1.375-4.00%	211,426	211,426
Promissory Note	10-7-20	10-7-24	.180-1.40%	675,469	675,469
Promissory Note	10-1-20	10-1-30	1.375-4.00%	1,846,136	1,846,138
Promissory Note	10-2-20	10-2-40	2.00 – 3.00%	5,500,000	5,500,000
Total					<u>\$ 27,625,119</u>

The repayment schedules for the debt are shown on the following page.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### NOTE 4 – LONG-TERM OBLIGATIONS (cont.)

Year	10-1-11		10-1-14		10-1-15		10-1-16		10-1-17		10-01-18	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 170,977	\$ 6,839	\$ 898,511	\$ 35,940	\$ 255,633	\$ 38,345	\$ 275,879	\$ 49,655	\$ 202,511	\$ 45,059	\$ 395,492	\$ 114,644
2022	-	-	-	-	255,632	30,676	275,879	44,137	202,511	36,958	395,492	98,824
2023	-	-	-	-	255,632	23,007	275,879	33,102	202,511	28,858	395,261	83,005
2024	-	-	-	-	255,633	15,338	275,879	22,066	202,511	20,757	395,261	67,194
2025	-	-	-	-	255,632	7,669	275,879	11,031	202,511	12,657	395,261	51,384
2026	-	-	-	-	-	-	275,693	5,514	202,511	8,607	395,261	35,574
2027	-	-	-	-	-	-	-	-	202,511	4,354	395,261	23,716
2028	-	-	-	-	-	-	-	-	-	-	395,261	11,858
2029	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-	-	-	-
Totals	<u>\$ 170,977</u>	<u>\$ 6,839</u>	<u>\$ 898,511</u>	<u>\$ 35,940</u>	<u>\$ 1,278,162</u>	<u>\$ 115,035</u>	<u>\$ 1,655,088</u>	<u>\$ 165,505</u>	<u>\$ 1,417,577</u>	<u>\$ 157,250</u>	<u>\$ 3,162,550</u>	<u>\$ 486,199</u>

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

### NOTE 4 – LONG-TERM OBLIGATIONS (cont.)

Year	10-17-19		10-18-19		10-3-20		10-7-20		10-1-20		10-2-20	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 358,471	\$ 98,982	\$ 400,454	\$ 219,542	\$ 105,364	\$ 8,128	\$ -	\$ 2,101	\$ 184,666	\$ 53,900	\$ 275,000	\$ 113,651
2022	358,471	88,228	399,117	211,532	106,062	4,243	233,624	2,186	184,666	48,695	275,000	112,750
2023	358,248	73,889	399,116	203,549	-	-	225,156	1,649	184,666	41,308	275,000	107,250
2024	358,248	63,141	399,116	195,567	-	-	216,689	1,018	184,666	33,921	275,000	101,750
2025	358,248	55,976	399,116	187,584	-	-	-	-	184,666	26,535	275,000	96,250
2026	358,248	41,646	399,116	179,602	-	-	-	-	184,666	20,995	275,000	90,750
2027	358,248	27,316	399,116	171,620	-	-	-	-	184,535	15,455	275,000	82,500
2028	358,248	16,569	399,116	155,655	-	-	-	-	184,535	9,919	275,000	74,250
2029	358,248	8,508	399,116	139,691	-	-	-	-	184,535	6,228	275,000	66,000
2030	-	-	399,116	123,726	-	-	-	-	184,537	2,537	275,000	60,500
2031	-	-	399,116	107,761	-	-	-	-	-	-	275,000	55,000
2032	-	-	399,116	95,788	-	-	-	-	-	-	275,000	49,500
2033	-	-	399,116	83,814	-	-	-	-	-	-	275,000	44,000
2034	-	-	399,116	71,841	-	-	-	-	-	-	275,000	38,500
2035	-	-	399,116	59,867	-	-	-	-	-	-	275,000	33,000
2036	-	-	399,116	47,894	-	-	-	-	-	-	275,000	27,500
2037	-	-	399,116	35,920	-	-	-	-	-	-	275,000	22,000
2038	-	-	399,116	23,947	-	-	-	-	-	-	275,000	16,500
2039	-	-	399,116	11,973	-	-	-	-	-	-	275,000	11,000
2040	-	-	-	-	-	-	-	-	-	-	275,000	5,500
Totals	<u>\$ 3,224,678</u>	<u>\$ 474,255</u>	<u>\$ 7,584,543</u>	<u>\$ 2,326,873</u>	<u>\$ 211,426</u>	<u>\$ 12,371</u>	<u>\$ 675,469</u>	<u>\$ 6,954</u>	<u>\$ 1,846,138</u>	<u>\$ 259,495</u>	<u>\$ 5,500,000</u>	<u>\$ 1,208,151</u>



# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

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### NOTE 4 – LONG-TERM OBLIGATIONS (cont.)

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Year	Total	
	Principal	Interest
2021	\$ 3,522,958	\$ 786,786
2022	2,686,454	678,229
2023	2,571,469	595,617
2024	2,563,003	520,752
2025	2,346,313	449,086
2026	2,090,495	382,688
2027	1,814,671	324,961
2028	1,612,160	268,251
2029	1,216,899	220,427
2030	858,653	186,765
2031	674,116	162,761
2032	674,116	145,288
2033	674,116	127,814
2034	674,116	110,341
2035	674,116	92,867
2036	674,116	75,394
2037	674,116	57,920
2038	674,116	40,447
2039	674,116	22,973
2040	<u>275,000</u>	<u>5,500</u>
Totals	<u>\$27,625,119</u>	<u>\$ 5,254,867</u>

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### **NOTE 4 – LONG-TERM OBLIGATIONS (cont.)**

##### ***ADVANCE FROM OTHER FUNDS***

The city originally advanced \$4,333,711 to Metro from the debt service fund on October 19, 2010 to pay off WRS prior service liability. There was a refunding of the 2010-C bonds on October 4, 2020 detailed below.

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Amount Outstanding 12/31/20
October 4, 2020	Pay off WRS Prior Service Liability	October 4, 2024	0.55 - 4.00%	\$ 1,833,390	\$1,833,390

Advance from other funds debt service requirements to maturity follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 423,478	\$ 5,248	\$ 428,726
2022	438,771	4,698	443,469
2023	472,616	3,666	476,282
2024	498,525	2,343	500,868
Totals	<u>\$ 1,833,390</u>	<u>\$ 15,955</u>	<u>\$ 1,849,345</u>

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

#### **NOTE 4 – LONG-TERM OBLIGATIONS (cont.)**

Metro's long-term obligations activity for the years ended December 31, 2020 and 2019 is as follows:

	Balance 1/1/20	Additions	Reductions	Balance 12/31/20	Due Within One Year
General obligation notes	\$ 22,024,869	\$ 8,233,031	\$ 2,632,781	\$ 27,625,119	\$ 3,522,958
Advance from other funds	2,195,950	-	362,560	1,833,390	423,478
Retiree health insurance escrow	1,657,242	459,831	369,797	1,747,276	371,167
Accrued sick leave	3,808,132	1,372,858	2,317,903	4,389,247	763,080
Deposits from other governments	228,038	-	43,871	184,167	-
Bond Premium	-	4,850,505	-	4,850,505	-
Unearned revenue-land and tower lease	20,322	-	3,336	16,986	3,096
Totals	<u>\$ 29,934,553</u>	<u>\$14,916,225</u>	<u>\$ 5,730,248</u>	<u>\$ 40,646,690</u>	<u>\$ 5,083,779</u>
	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
General obligation notes	\$ 12,189,451	\$11,568,149	\$ 1,732,731	\$ 22,024,869	\$ 2,411,154
Advance from other funds	2,526,282	-	330,332	2,195,950	362,560
Retiree health insurance escrow	1,543,780	448,615	335,153	1,657,242	372,677
Accrued sick leave	4,058,552	1,091,045	1,341,465	3,808,132	283,303
Deposits from other governments	276,152	-	48,114	228,038	-
Unearned revenue-land and tower lease	23,917	-	3,595	20,322	3,336
Totals	<u>\$ 20,618,134</u>	<u>\$13,107,809</u>	<u>\$ 3,791,390</u>	<u>\$ 29,934,553</u>	<u>\$ 3,433,030</u>

In addition to the liabilities above, information on the net pension and other post-employment benefits liability (asset) are provided in Note 7 and Note 8, respectively.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

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#### NOTE 5 – OPERATING SUBSIDIES

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Metro receives operating subsidies from state and local governments. Federal subsidies are received for capital grants as well as capital grants that reimburse outlays recorded as operating expenses.

State operating assistance is received in quarterly payments from the Wisconsin Department of Transportation.

Local operating assistance is in the form of subsidies from the City of Madison, Town of Madison, Cities of Middleton, Fitchburg, Sun Prairie and Verona, the Village of Shorewood Hills, the University of Wisconsin, Madison Area Technical College and Madison Metropolitan School District. Contracts are executed with all entities defining subsidy amounts and procedures.

A \$40 vehicle registration fee is received from City of Madison residents.

The following are the operating subsidies for the years 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Federal	\$ 17,865,203	\$ 6,438,107
Federal operating grant pass-through to sub recipient	(186,957)	(238,134)
State	17,758,321	17,352,591
Local public subsidies	3,435,982	4,329,544
Vehicle Registration Fee	6,023,521	-
City of Madison	-	12,478,419

Federal and State subsidies are subject to granting agency compliance audits. Management believes losses, if any, resulting from the compliance audits are not material to these statements.

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#### NOTE 6 – UNEARNED REVENUE/PREPAID EXPENSE – LAND AND TOWER LEASE

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In 1993 the city on behalf of Metro entered into an operating lease with the University Research Park, Inc. for use of a tower. Metro's share of the lease was \$96,250. The lease is 25 years in length and was fully prepaid. The revenue received to pay for the lease was deferred and is being recognized using the straight-line method over the life of the lease.

In 1997 the city on behalf of Metro entered into a thirty year, fully prepaid operating lease with University Research Park, Inc. for a parcel of land used in conjunction with bus transfer facilities for \$214,000. The revenue received to pay for the lease was deferred and is being recognized over the life of the lease.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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#### **NOTE 6 – UNEARNED REVENUE/PREPAID EXPENSE – LAND AND TOWER LEASE (cont.)**

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In 2004, the city on behalf of Metro entered into an operating lease for \$103,488 with Kraft Foods for a parcel of land to be used as the North Park & Ride lot through 2012. At the same time extensions of both the North Transfer Point lease and the North Park & Ride lease were also negotiated through 2018 for an additional \$96,200. These leases were fully prepaid. The revenue received to pay for these leases was unearned and is being recognized over the life of the leases. These leases were fully recognized in 2018.

The following table represents the prepaid asset to be amortized over the remaining life of the leases:

	University Research Park	Total
2021	\$ 3,096	\$ 3,096
2022	2,872	2,872
2023	2,665	2,665
2024	2,473	2,473
2025	2,295	2,295
2026	2,130	2,130
2027	1,455	1,455
	<u>\$ 16,986</u>	<u>\$ 16,986</u>

The previous difference between the prepaid and the deferred revenue was equal to the 20% local match on the North Park and Ride Lot which was not deferred.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

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### NOTE 7 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

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#### **General Information About the Pension Plan**

**Plan description.** The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report, which can be found at <http://etf.wi.gov/publications/cafr.htm>.

**Vesting.** For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants, if hired on or before 12/31/2016) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### NOTE 7 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

##### **General Information About the Pension Plan** (cont.)

**Post-retirement adjustments.** The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system’s consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the “floor”) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)

**Contributions.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

The WRS recognized \$1,930,838 and \$1,930,522 in contributions from Metro during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2020 and December 31, 2019 are:

	2020		2019	
	Employee	Employer	Employee	Employer
General (including Executives and Elected Officials)	6.55%	6.55%	6.7%	6.7%
Protective with Social Security	6.55%	10.55%	6.7%	10.7%
Protective without Social Security	6.55%	14.95%	6.7%	14.9%

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### NOTE 7 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

#### ***Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2020, Metro reported a liability (asset) of \$(5,848,135) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Metro’s proportion of the net pension liability (asset) was based on Metro’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the City’s proportion was 1.80212477%, which was an increase of .03840256% from its proportion measured as of December 31, 2018.

At December 31, 2019, Metro reported a liability (asset) of \$6,572,282 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Metro’s proportion of the net pension liability (asset) was based on Metro’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the City’s proportion was 1.76372221%, which was an increase of .05859068% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2020, and 2019 Metro recognized pension expense of \$(36,362) and \$2,605,319.

At December 31, 2019 Metro reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,527,046	\$ 6,490,817
Changes in assumptions	692,336	-
Net differences between projected and actual earnings on pension plan investments	-	10,898,235
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,266	75,824
Employer contributions subsequent to the measurement date	1,965,131	-
Totals	\$ 14,192,779	\$ 17,464,876



## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### NOTE 7 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

#### *Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* (cont.)

At December 31, 2019 Metro reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,344,385	\$ 9,629,484
Changes in assumptions	1,301,090	-
Net differences between projected and actual earnings on pension plan investments	10,280,067	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	114,938
Employer contributions subsequent to the measurement date	1,930,838	-
Totals	\$ 18,856,380	\$ 9,744,422

Deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date reported in the tables above will be recognized as a reduction of the net pension liability (asset) in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31	2020
2021	\$ (1,566,773)
2022	(1,163,588)
2023	171,992
2024	(2,678,859)
2025	-
Thereafter	-
Total	\$ (5,237,228)

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### NOTE 7 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

#### ***Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** (cont.)

**Actuarial assumptions.** The total pension liability in the actuarial valuation used in the current and prior year was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Actuarial valuation date	December 31, 2018*	December 31, 2017*
Measurement date of net pension liability (asset)	December 31, 2019	December 31, 2018
Actuarial cost method	Entry age	Entry age
Asset valuation method	Fair market value	Fair market value
Long-term expected rate of return	7.0%	7.0%
Discount rate	7.0%	7.0%
Salary increases		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments**	1.9%	1.9%

\*Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 through 2017.

\*\*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. The percentages listed above are the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions used in the December 31, 2018 actuarial valuation is based upon an experience study conducted in 2018 using experience from 2016 – 2018. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

Actuarial assumptions used in the December 31, 2017 actuarial valuation is based upon an experience study conducted in 2018 using experience from 2015 – 2017. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### NOTE 7 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

#### *Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* (cont.)

**Long-term expected return on plan assets.** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2020 are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49%	8.0%	5.1%
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9.0	6.3	3.5
Private Equity/Debt	8.0	10.6	7.6
Multi-Asset	4.0	6.9	4.0
Total Core Fund	110.0	7.5	4.6
<u>Variable Fund Asset Class</u>			
U.S Equities	70.0	7.5	4.6
International Equities	30.0	8.2	4.3
Total Variable Fund	100.0	7.8	4.9

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75% (2020). Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### NOTE 7 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

#### ***Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** (cont.)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2019 are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
U.S. Equities	49%	8.1%	5.5%
Fixed Income	24.5	4.0	1.45
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.47
<u>Variable Fund Asset Class</u>			
<u>U.S Equities</u>	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.5% (2020). Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

**Single discount rate.** A single discount rate of 7.00% and 7.00% was used to measure the total pension liability as of December 31, 2020 and December 31, 2019, respectively. As of December 31, 2019, the single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 2.75%. As of December 31, 2019, the single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long-term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% (7.00% for 2019) expected rate of return implies that a dividend of approximately 1.9% (1.9% for 2019) will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### NOTE 7 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

***Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** (cont.)

***Sensitivity of the Metro’s proportionate share of the net pension liability (asset) to changes in the discount rate.*** The following presents the utilities’ proportionate share of the net pension liability (asset) calculated using the current discount rate, as well as what the utilities’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

The sensitivity analysis as of December 31, 2020 and 2019 follows:

Metro’s proportionate share of the net position liability (asset)	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
December 31, 2020	\$ 15,059,956	\$ (5,848,135)	\$ (21,479,312)
December 31, 2019	26,797,614	6,572,282	(8,169,062)

***Pension plan fiduciary net position.*** Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/Publications/cafr.htm>.

#### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

The city administers a single-employer defined benefit healthcare plan, (the Retiree Health Plan) in which Metro participates. The Plan provides healthcare coverage to city employees and their spouses, which covers both active and eligible retired members. The Plan is affiliated with the Wisconsin Public Employer’s Group Health Insurance – Dane County service area plan, a purchasing plan administered by the State of Wisconsin. Benefit provisions are established through collective bargaining agreements. The Retiree Health Plan does not issue a publicly available financial report.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the city and the union. The Plan provides eligible retirees with the opportunity to stay on the city’s health insurance plan. Eligible retirees and spouses contribute the full amount of the premiums after age 55, except for teamsters who contribute the difference between the rate paid by the city and current year rate. As the eligibility requirements for different classes of employees vary, please see the City of Madison audit report for complete details of all benefits offered.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (cont.)

**Employees covered by benefit terms.** At December 31, 2020 and 2019, the following employees were covered by the benefit terms for the City of Madison:

	City of Madison	
	2020	2019
Inactive plan members or beneficiaries currently receiving benefit payments	2,851	2,895
Active plan members	697	807
<b>Total members</b>	<b>3,548</b>	<b>3,702</b>

#### **TOTAL OPEB LIABILITY**

Metro's total OPEB liability of \$10,822,111 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date. At December 31, 2019, the Metro's total OPEB liability was \$10,357,781 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

**Actuarial assumptions.** The total OPEB liability in the January 1, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2020	2019
Actuarial valuation date	December 31, 2020	January 1, 2019
Inflation	2.50% per year	2.70% per year
Salary increases	3.00%	3.20% - 4.80%
Investment rate of return	3.26% as of January 1, 2020 and 2.12% as of December 31, 2020	4.11% as of January 1, 2019 and 3.26% as of December 31, 2019
Healthcare cost trend rates	8.0% initially reduced by decrements to an ultimate rate of 4.5% after 7 years	7.5% initially reduced by decrements to an ultimate rate of 4.5% after 8 years
Retirees' share of benefit-related costs	100%	100%
Discount rate	2.12%	3.26%

The discount rate was based on 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Mortality Rates are based on RPH-2020 Total Dataset Mortality Table fully generational using Scale MP-2020

Other assumptions are based on a City-determined analysis of past trends and future expectations.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (cont.)

#### *CHANGES IN THE TOTAL OPEB LIABILITY*

	Total OPEB Liability
Balances at December 31, 2019	\$ 10,357,781
Changes for the year:	
Service cost	444,639
Interest	119,888
Differences between expected and actual experience	(714,326)
Changes in assumptions	1,277,049
Employer contributions	(662,920)
Net changes	464,330
Balances at December 31, 2020	\$ 10,822,111
	Total OPEB Liability
Balances at December 31, 2018	\$ 9,852,442
Changes for the year:	
Service cost	550,035
Interest	332,805
Differences between expected and actual experience	(407,454)
Changes in assumptions	576,405
Employer contributions	(546,452)
Net changes	505,339
Balances at December 31, 2019	\$ 10,357,781

Changes in assumptions and other inputs from December 31, 2019 to December 31, 2020 include the following, respectively; change in the discount rate from 3.26% to 2.12%, and an update in the health care and subsidy trend rates from an initial rate of 7.50% decreasing by 0.375% annually to an ultimate rate of 4.50% to an initial rate of 8.00% decreasing by 0.50% annually to an ultimate rate of 4.50%.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (cont.)

##### **CHANGES IN THE TOTAL OPEB LIABILITY** (cont.)

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of Metro, as well as what the Metro's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

As of December 31, 2020:	1% Decrease (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
Total OPEB liability	\$ 11,760,842	\$ 10,822,111	\$ 9,974,635
As of December 31, 2019:	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total OPEB liability	\$ 11,195,219	\$ 10,357,781	\$ 9,599,178

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.** The following presents the net OPEB liability of Metro, as well as what the Metro's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

As of December 31, 2020:	1% Decrease (7.00%)	Healthcare Cost Trend Rates (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 9,726,290	\$ 10,822,111	\$ 12,131,488
As of December 31, 2019:	1% Decrease (6.50%)	Healthcare Cost Trend Rates (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 9,343,859	\$ 10,357,781	\$ 11,561,032



## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

#### **NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (cont.)**

#### ***OPEB EXPENSE AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB***

For the year ended December 31, 2020 and 2019, Metro recognized OPEB expense of \$489,563 and \$711,069, respectively. At December 31, 2020 and 2019, Metro reported deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 1,732,431	\$ 1,104,353	\$ 568,309	\$ 146,238
Differences between expected and actual experience	-	109,412	-	857,298
Total	<u>\$ 1,732,431</u>	<u>\$ 1,213,765</u>	<u>\$ 568,309</u>	<u>\$ 1,003,536</u>

Deferred outflows related to OPEB resulting from the employer's contributions subsequent to the measurement date reported in the table above will be recognized as a reduction of the total OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

#### Year Ended December 31:

2021	\$ 48,181
2022	48,181
2023	48,181
2024	48,181
2025	48,181
Thereafter	277,763
Total	<u>\$ 518,666</u>

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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### NOTE 9 – RISK MANAGEMENT

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Metro is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. The city purchases commercial insurance for liability and most property losses. Settled claims have not exceeded the commercial coverage for health claims in any of the past three years. There has been no reduction in coverage compared to the prior year.

Metro is partially self-funded and participates in a public entity risk pool to provide coverage for liability and transit system property losses.

#### ***TRANSIT MUTUAL INSURANCE CORPORATION OF WISCONSIN (TMI)***

Transit Mutual Insurance Corporation of Wisconsin (TMI) is a municipal mutual insurance corporation which provides auto liability and physical damage coverage for municipally-owned transit systems in Wisconsin. Each insured property is an owner of the mutual insurance corporation. Metro insures its transit systems' auto liability and physical damage with TMI and is an owner of the corporation.

In 2020, TMI issued Metro an auto liability policy with a \$250,000 per person policy limit and a \$7,000,000 per accident policy limit. Of the per accident policy limit, TMI insures \$2,000,000 and reinsures \$5,000,000 with Great American Reinsurance Group. In addition, Metro's policy provides for \$25,000 per person and \$50,000 per accident in uninsured motorist insurance.

In 2020, TMI also provided Metro with auto physical damage coverage for its buses with a total limit of \$78,200,000 and a \$5,000 deductible for collision and comprehensive coverage. TMI insures \$750,000 and reinsures the remainder of \$77,450,000 with Great American Insurance Group.

Management of TMI consists of a board of directors comprised of one representative for each member. Metro does not exercise any control over the activities of TMI beyond its representation on the board of directors.

Premiums are determined in advance of each premium year, which begins on January 1. TMI is an assessable mutual; accordingly, the board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the premium year. Members are required by Wisconsin statute and TMI bylaws to fund any deficit attributable to a premium year during which they were a member. TMI was incorporated in 1985 and began issuing insurance policies in 1986; there has never been a member assessment beyond the annual premiums.

#### ***Other Liability Coverage***

For its other liability coverage Metro Transit was insured under the City of Madison's liability program with Wisconsin Mutual Insurance Company (WMMIC). Details of the City's participation with WMMIC are provided in the City's financial statements. Metro Transit's workers' compensation program is also included in the City's self-insured workers' compensation program. Metro Transit's property exposures are insured under the City's property coverage through Municipal Property Insurance Company (MPIC).

## **METRO TRANSIT SYSTEM**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2020 and 2019

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#### **NOTE 9 – RISK MANAGEMENT (cont.)**

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Metro's share of TMi is 36.54% for auto liability. A list of the other members and their share of participation is available in the TMi report which is available from: TMi, PO Box 1135, Appleton, WI 54915-1483 or by email from [tmi@transitmutual.com](mailto:tmi@transitmutual.com).

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#### **NOTE 10 – BASIS FOR EXISTING FARES**

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Current fares were made effective August 28, 2016 as approved by the Transit and Parking Commission.

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#### **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

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Metro provides Wisconsin Department of Transportation Section 85.20 funds to Dane County for door-to-door volunteer driver escort services and Group Access Transportation for the elderly and disabled in the Metro Transit System service area.

Metro contracts with a number of providers for demand-responsive paratransit services. Contract terms and conditions vary for each provider.

In September of 2018 the Transit and Parking Commission approved a contract with New Flyer Corp. for the purchase of up to 72 buses over a five-year period. As of December 31, 2020, 27 buses had been purchased under this contract.

From time to time Metro is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and Metro's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on Metro's financial position or results of operations.

## **METRO TRANSIT SYSTEM**

### **NOTES TO FINANCIAL STATEMENTS** December 31, 2020 and 2019

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#### **NOTE 13 – SUBSEQUENT EVENTS**

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Metro will receive \$4,798,800 related to a Volkswagen settlement with the State of Wisconsin for the purchase of low emission buses. 75% of the award will be paid back with no interest over the next ten years, and the remaining 25% was recorded as a receivable as of December 31, 2020.

**REQUIRED SUPPLEMENTAL INFORMATION**

## METRO TRANSIT SYSTEM

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2020

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/20	1.80212477%	\$ (5,848,135)	\$ 31,476,580	26.70%	102.96%
12/31/19	1.76372221%	6,572,282	28,390,029	30.17%	96.45%
12/31/18	1.70513153%	(5,440,545)	28,218,926	23.29%	102.93%
12/31/17	1.63617225%	1,535,389	26,808,868	5.73%	99.12%
12/31/16	1.59818356%	3,065,279	21,892,596	14.00%	98.20%
12/31/15	1.58638589%	(4,594,579)	21,289,768	-21.58%	102.74%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2020

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/20	\$ 2,153,371	\$ (2,153,371)	- \$	31,901,793	6.75%
12/31/19	2,061,716	(2,061,716)	-	31,476,580	6.55%
12/31/18	1,930,522	(1,930,522)	-	28,390,029	6.80%
12/31/17	1,918,887	(1,918,887)	-	28,218,926	6.80%
12/31/16	1,823,003	(1,823,003)	-	26,808,868	6.80%
12/31/15	1,838,382	(1,838,382)	-	21,892,596	8.40%

See independent auditors' report and accompanying notes to the required supplementary information.

## METRO TRANSIT SYSTEM

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2020

*Changes of benefit terms* . There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions* .

	2015 - 2018	2019 - 2020
Long-term expected rate of	7.2%	7.0%
Discount rate	7.2%	7.0%
Salary increases		
Inflation	3.2%	3.0%
Seniority/Merit	0.2% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments	2.10%	1.90%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**METRO TRANSIT SYSTEM**

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
(LAST TEN FISCAL YEARS) \*

	2018	2019	2020
<b>Total OPEB Liability</b>			
Service Cost	\$ 705,351	\$ 550,035	\$ 444,639
Interest on Total OPEB Liability	380,003	332,805	119,888
Changes in benefits terms	-	-	-
Difference between expected and actual experience	(781,976)	(407,454)	(714,326)
Changes in assumptions	(202,495)	576,405	1,277,049
Employee Contributions	-	-	-
Benefit payments, including employee refunds	(430,900)	(546,452)	(662,920)
Administrative expense	-	-	-
<b>Net Change in total OPEB Liability</b>	<b>(330,017)</b>	<b>505,339</b>	<b>464,330</b>
<b>Total OPEB Liability - beginning</b>	<b>10,182,459</b>	<b>9,852,442</b>	<b>10,357,781</b>
<b>Total OPEB Liability - ending</b>	<b>\$ 9,852,442</b>	<b>\$ 10,357,781</b>	<b>\$ 10,822,111</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0.00%	0.00%	0.00%
<b>Covered-employee payroll</b>	\$ 29,558,616	\$ 29,960,152	\$ 27,291,374
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	33.33%	34.57%	39.65%

**Notes to OPEB Schedule:**

Changes in Assumptions

*Discount Rate* - The discount rate has been updated from 3.26% to 2.12% in the December 31, 2020 valuation.

*Health Care and Subsidy Trend Rates* - An update in the health care and subsidy trend rates from an initial rate of 7.50% decreasing by 0.05% annually to an ultimate rate of 4.50% to an initial rate of 8.00% decreasing by 0.05% annually to an ultimate rate of 4.50% for the December 31, 2020 valuation.

*Inflation* - The inflation rate has been updated from 2.70% to 2.50% in the December 31, 2020 valuation.

\* Measurement fiscal year 2019 was the first year of GASB 75 implementation, therefore only three years are presented.

**Notes to OPEB Schedule:**

Methods and Assumptions used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Amortization method	Level percentage of payroll, closed
Amortization period	15 years
Asset valuation method	5 - year smoothed market
Inflation	2.7% as of December 31, 2018 and 2019, 2.5% as of December 31, 2020
Healthcare cost trend rates	7.50% decreasing to an ultimate rate of 4.50% as of December 31, 2019 and 8.00% decreasing to an ultimate rate of 4.50% as of December 31, 2020.
Salary increases	0.4% - 4.8% as of December 31, 2018 and 2019,
Investment rate of return	4.11% as of January 1, 2018, 3.26% as of December 31, 2019, and 2.12% as of December 31, 2020.
Retirement age	Expected retirement ages of general employees are based on a March 2018 experience study.
Mortality	In the 2018 and 2019 actuarial valuation Mortality Rates are based on RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018. In the 2020 actuarial valuation Mortality Rates are based on the RPH-2020 Total Dataset Mortality Table fully generational using Scal MP-2020.

Other information:

None



**S U P P L E M E N T A L   I N F O R M A T I O N**

# METRO TRANSIT SYSTEM

## OPERATING REVENUES AND EXPENSES December 31, 2020 and 2019

<b>OPERATING REVENUES</b>	<u>2020</u>	<u>2019</u>
Passenger Fares for Transit Services		
Farebox	\$ 571,934	\$ 1,590,474
Adult 10 ride and 2 ride passes	295,840	776,114
Youth 10 ride and 2 ride passes	57,712	236,768
Senior & disabled passes	791,538	1,829,149
Adult 31 day passes	514,007	1,291,738
Easy rider passes	161,491	405,160
MMSD passes	374,519	1,376,194
Summer youth passes	1,435	52,430
UW ASM unlimited ride pass	3,292,801	3,319,884
UW Staff unlimited ride pass	1,994,779	1,989,373
Edgewood College unlimited ride pass	20,382	55,051
Madison College unlimited ride pass	115,776	385,531
City of Madison Employee unlimited ride pass	50,785	186,933
St Marys Hospital unlimited ride pass	15,910	49,855
Meriter Hospital unlimited ride pass	9,665	24,608
Dane County unlimited ride pass	13,807	42,411
Commuter Pass unlimited ride pass	95,881	294,272
Total Passenger Fares for Transit Service	<u>8,378,262</u>	<u>13,905,945</u>
Other Operating Revenues		
Advertising revenue	365,508	570,223
Sale of buses, scrap and parts	7,471	7,752
Miscellaneous	57,321	35,353
Dane County - Elderly & Handicapped	267,907	267,907
Dane County - Group Access Service	226,838	154,396
Dane County - Group RSVP Service	106,926	107,121
Dane County - Highway (Marketing)	19,300	19,280
Total Other Operating Revenues	<u>1,051,271</u>	<u>1,162,032</u>
Total Operating Revenues	<u>9,429,533</u>	<u>15,067,977</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance Expenses		
Employee compensation and benefits		
Salaries and wages	30,229,195	30,430,027
Pensions and benefits	11,289,791	14,085,290
Total Employee Compensation and Benefits	41,518,986	44,515,317
Materials and supplies	5,090,914	5,086,082
Purchased services	5,322,883	6,440,642
Interagency charges	862,545	891,228
Total Operation and Maintenance Expenses	<u>52,795,328</u>	<u>56,933,269</u>
Depreciation expense	7,801,792	7,316,345
Total Operating Expenses	<u>60,597,120</u>	<u>64,249,614</u>
 NET OPERATING LOSS	 <u>\$ (51,167,587)</u>	 <u>\$ (49,181,637)</u>

## METRO TRANSIT SYSTEM

### DETAILED SCHEDULE OF REVENUES AND EXPENSES - REGULATORY BASIS December 31, 2020 and 2019

		<u>2020</u>	<u>2019</u>
<b>REVENUES</b>			
401.00	Passenger fares for transit service	\$ 8,378,262	\$ 13,905,945
402.10	Service charges, NSF charges, etc.	57,321	35,353
406.00	Auxiliary transportation revenue - advertising	365,508	570,223
407.10	Contra-expense for sale of buses, scrap and parts	7,471	7,752
409.10	Local public subsidies	3,435,982	4,329,544
409.30	City of Madison operating subsidy	-	12,478,419
409.40	Dane County specialized transportation programs	620,971	548,704
411.00	State cash grants and reimbursements	17,758,321	17,352,591
413.00	Federal cash grants and reimbursements	17,865,203	6,438,107
	Federal subsidies pass-through to sub recipient	<u>(186,957)</u>	<u>(238,134)</u>
	Total Eligible Revenues	<u>48,302,082</u>	<u>55,428,504</u>
<b>EXPENSES - BY OBJECT CLASS TOTAL</b>			
501.01	Operators' salaries and wages	18,203,588	18,760,416
501.02	Other salaries and wages	10,553,582	10,436,285
502.00	Fringe benefits	12,856,556	15,430,515
503.00	Services	972,199	1,095,983
504.01	Fuel and lubricants	2,518,024	2,941,280
504.02	Tires and tubes	388,274	259,047
504.99	Other materials and supplies	2,104,537	1,789,671
505.00	Utilities	362,966	400,025
506.00	Casualty and liability costs	931,450	891,111
508.00	Purchased transportation	2,461,887	3,401,145
509.00	Miscellaneous expense	115,251	156,563
511.00	Interest expense	646,048	563,677
512.00	Leases and rentals	464,469	480,000
513.00	Depreciation	7,801,792	7,316,345
	Less: Ineligible depreciation on fixed assets	<u>(7,801,792)</u>	<u>(7,316,345)</u>
516.00	Other Reconciling Items	<u>862,545</u>	<u>891,228</u>
	Total Eligible Expenses	<u>53,441,376</u>	<u>57,496,946</u>
	NET INCOME (excluding capital contributions and depreciation on fixed assets)	<u>\$ (5,139,294)</u>	<u>\$ (2,068,442)</u>

## METRO TRANSIT SYSTEM

### RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL RECOGNIZED REVENUES AND EXPENSES

For the Year Ended December 31, 2020

		Per WisDOT Guidelines
Revenues including subsidies and operating transfer	\$	48,302,082
Less: Non-recognized revenues		
City operating transfer	\$	-
Local public subsidies		3,435,982
Dane County specialized transportation programs		620,971
Other federal subsidy		17,865,203
State operating subsidy		17,758,321
Nontransportation revenues		
Sale of buses, scrap and parts		7,471
Service charges, NSF charges, etc.		57,321
Total Non-Recognized Revenues		<u>39,745,269</u>
WisDOT Eligible Operating Revenues	\$	<u>8,556,813</u>
Total Expenses per statement including interest expense	\$	61,243,168
Add: Fixed assets eligible for operating assistance		-
Total Expenses		<u>\$ 61,243,168</u>
Less: Non-recognized expenses		
Depreciation		7,801,792
Interest expense		646,048
Offset of scrap sales and miscellaneous reimbursements		64,792
Capital Maintenance Grant @ 100%		7,500,000
Leases and rentals		156,659
Interagency indirect charges without approved allocation plan		862,545
Total WisDOT Non-Recognized Expenses		<u>17,031,836</u>
WisDOT Eligible Operating Expenses	\$	<u>44,211,332</u>
WisDOT Recognized Deficit	\$	(35,654,519)
Less Operating revenues ineligible for federal assistance:		
Advertising revenue		365,508
Federal Recognized Deficit	\$	<u>(35,289,011)</u>

## METRO TRANSIT SYSTEM

### COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS For the Year Ended December 31, 2020

#### STATE FUNDS

WisDOT Recognized Deficit		<u>\$ 35,654,519</u>
WisDOT Contract Amount*		<u>\$ 17,758,321</u>
City of Madison and Other Local Subsidies	<u>\$ 15,004,604</u>	
5 Times Operating Subsidy		<u>\$ 75,023,020</u>
State Share - Least of the Three		<u>\$ 17,758,321</u>

#### FEDERAL FUNDS

	<u>Eligible Costs</u>	<u>Federal Share</u>
Capital maintenance		
Grant WI 2020-031	\$ 7,500,000	\$ 6,000,000
Emergency Assistance		
Grant WI 2020-049	\$ 11,568,622	\$ 11,568,622
Enhanced Mobility		
Grant WI 2019-019	\$ 2,736	\$ 2,189
Grant WI 2019-019*	\$ 10,950	\$ 10,950
Grant WI 2020-025	\$ 90,945	\$ 72,756
Grant WI 2020-025*	\$ 204,022	\$ 204,022
Costs accrued - grant to be identified		\$ 6,664
Total federal operating revenue		<u>\$ 17,865,203</u>

\*This portion was 100% federally funded

#### SUMMARY OF FUNDING (2019 only)

	<u>Received in 2020</u>	<u>Receivable 12/31/20</u>	<u>Totals</u>
Federal Capital Maintenance	\$ 15,773,366	\$ 2,091,837	\$ 17,865,203
State Funds*	17,758,321	-	17,758,321
Local Public Subsidies	3,435,982	-	3,435,982
City of Madison	-	-	-
Total Funding	<u>\$ 36,967,669</u>	<u>\$ 2,091,837</u>	<u>\$ 39,059,506</u>

\*WisDOT Contract Amount includes \$17,205,400 from the 2020 Urban Mass Transit Operating Assistance Contract and \$552,921 from the 2020 Paratransit Aids Contract.