

**METRO TRANSIT SYSTEM**

An Enterprise Fund of the  
City of Madison, Wisconsin

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

# 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, 2017 and 2016

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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 Metro Transit System, an enterprise fund of the City of Madison, as of and for the years ended December 31, 2017 and 2016, 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 relevant to the 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 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 Metro Transit System as of December 31, 2017 and 2016, 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 Matter***

As discussed in Note 1, the financial statements present only the 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, 2017 and 2016 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 is 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 Metro Transit System. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 City of Madison's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
June 20, 2018

# **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, 2017 and 2016.

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), Exceptional Rides Services 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, and Verona, Town of Madison, Madison Area Technical College, Madison Metropolitan School District, the University of Wisconsin-Madison 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 and the City of Madison.

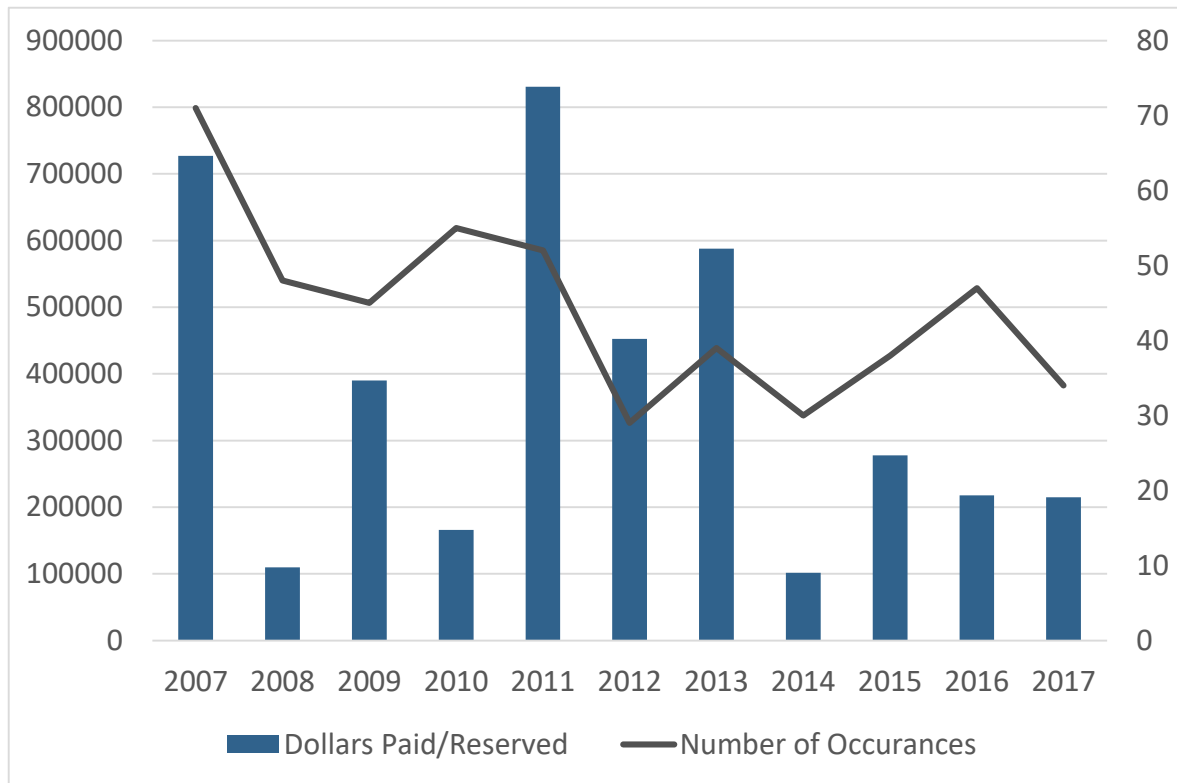
### **Annual Overview**

Metro's 2017 bus ridership was 12.8 million, down 3.7% from the previous year. Paratransit ridership had an increase of 4.2% from 279,000 to 291,000 rides in 2016. The sustained drop in gasoline prices to about \$2 per gallon appears to be the main reason for the drop over the last three year period, after a nearly 25 year steady increase. Nationally, bus systems Metro's size dropped 3.4% and demand response was up slightly, very similar to Metro's trends. Because a national trend of decreased bus ridership has taken hold since gas prices dropped and auto VMT' started increasing, several national organizations such as the National Transit Cooperative Research Program, are doing studies to better understand these trends. Since this trend started, a passenger survey in Madison in 2015 indicated overcrowding on buses was still the #1 customer concern, so it may be working alongside gas prices to cause the overall ridership drop. Finally, Metro Transit has now been turning down requests for additional peak hour services for three years or more from a growing numbers of private sector and municipal sources, most recently from the city of Sun Prairie. This inability to deal with overcrowding on buses and new peak hour services is also contributing to the ridership drop.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

2017 was another year of reduced accidents and insurance payouts from accidents as the attached chart shows. This trend reflects greater emphasis on refresher training and the use of cameras to evaluate bus accidents for future prevention and claims cost control. This long term trend is resulting in a return of excess surplus from our insurance company to Metro of approximately \$800,000 over the next 5 years.



On the facility front, in 2017 a 3<sup>rd</sup> Tiger grant application for a facility at Nakoosa Trail was submitted with major contributions from new partners like Madison Gas and Electric and Sun Prairie. The facility was designed to be an all-electric bus facility with 60-foot bus rapid transit buses to address critical expansion needs in the region. It included more than \$3 million in contributions from MGE to build in electric chargers and other infrastructure. In early 2018, the USDOT announced that we were not a winner, so this critical investment continues to be delayed. Stantec Engineering consultants continue to take the engineering and design work to make it shovel-ready. Meanwhile, Metro's existing (1101 E. Wash) bus garage upgrade was studied by Mead and Hunt, while overseen by City Engineering and Metro. The preliminary cost estimate of \$55 million is several times more than what has been budgeted. The next steps are to determine the basic health and safety needs to keep the facility running for a minimum of 20 years, and if it is to be designed as a 40-year facility, perhaps a higher investment is warranted.

# METRO TRANSIT SYSTEM

## MANAGEMENT’S DISCUSSION AND ANALYSIS REPORT

The year 2017 was a significant planning year for the phase in of Family Care, a state human services delivery model change that will eliminate \$3.9 million in federal Medicaid waiver funding to Metro. Instead, those funds will go to about a half dozen non-profit family care agencies. The goal will be to allocate resources more effectively and eliminate the waiting list of people with disabilities needing to access a variety of human services, including transportation. Key elements of Metro’s plans include a) working with the new family care agencies and the public, b) adjusting the services from human services standards to those more consistent with the transit requirements under the Americans with Disabilities Act (ADA), c) phasing out directly operated paratransit services and d) emphasizing oversight of 3<sup>rd</sup> party providers to ensure these standards are met. Ridership is projected to drop roughly a third from 300,000 to 200,000 rides annually.

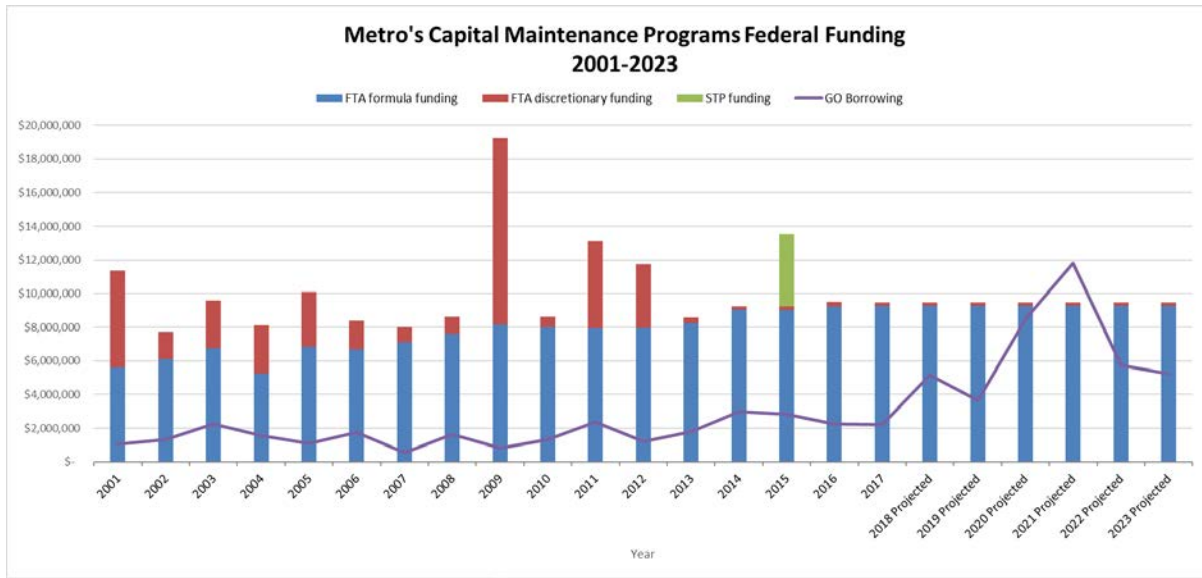
Financially, Metro again finished the year with a modest positive contribution to reserves, adding about \$300,000 to the contingency fund level. These funds have helped to move forward with engineering and design work at Metro’s proposed expansion facility (Nakoosa) and with work at our existing bus garage for safety, health, and other essential operational efficiency upgrades. Contributing factors to the contingency increase include better than expected advertising revenues and savings in personnel and fuel costs.

| Year | Beginning Balance | Reserves +/-  | Ending Balance |
|------|-------------------|---------------|----------------|
| 2012 | \$198,183         | \$585,967     | \$784,150      |
| 2013 | \$784,150         | \$1,889,142   | \$2,673,292    |
| 2014 | \$2,673,292       | \$2,342,141   | \$5,015,433    |
| 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    |

Another major financial development in 2017 was the approval of the 2018 capital budget in November, which for the first time includes 50% local funding for buses and 100% local funding to upgrade our existing bus garage, as the attached chart shows. For years an 80% federal share has been the basic assumption, and this is no longer realistic. Prior to 2018, local funding for capital hovered in the \$2-\$3 million range annually, and over the next several years, it will be increasing significantly to keep up with critically needed community transit infrastructure investments to keep pace with existing service levels. Expansion investments will take an even greater contribution, and local decisions under discussion currently for the 2019 capital budget will determine just how able we are to invest in expansion. The bicycle community uses a “platinum” goal based on a national standard, which it has achieved recently. If transit had such national standards Metro might be at “silver” and without the ability to expand probably could not achieve “gold” or “platinum.”

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT



### 2017 Detailed Financial Highlights

A breakdown of revenues and expenses by mode is shown in the following chart detailing how Metro ended the year with about a \$300,000 contribution to the reserve level.



# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

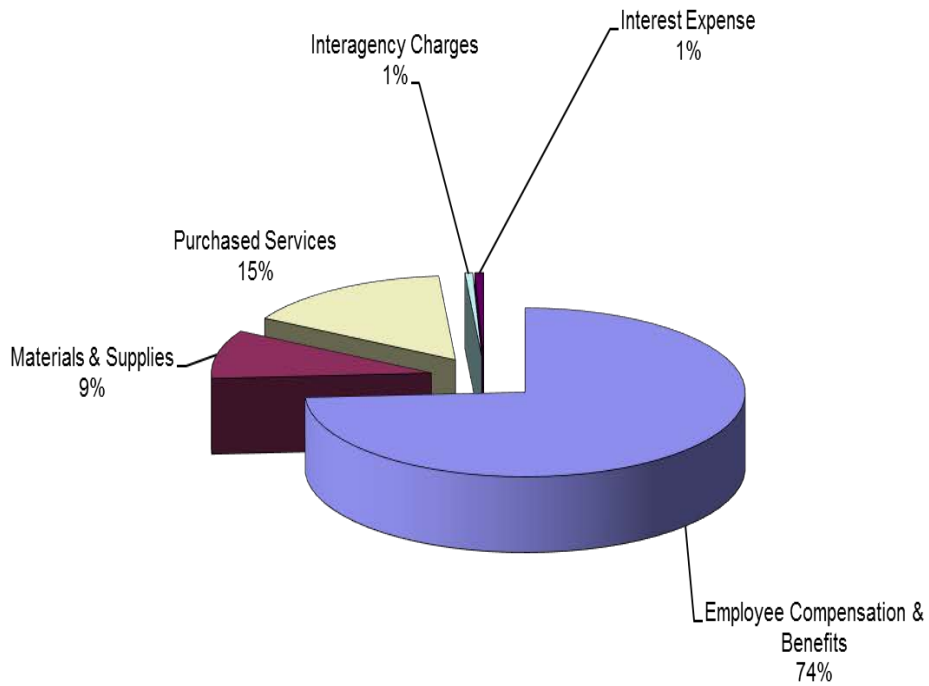
| Madison Metro Transit                |                        |                        |                        |                        |                       |                       |  |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|--|
| Income Statement                     |                        |                        |                        |                        |                       |                       |  |
| For the Year Ended December 31, 2017 |                        |                        |                        |                        |                       |                       |  |
|                                      | All Modes              |                        | Fixed Route            |                        | Paratransit           |                       |  |
|                                      | Actual                 | Budget                 | Actual                 | Budget                 | Actual                | Budget                |  |
| <b>Revenue</b>                       |                        |                        |                        |                        |                       |                       |  |
| Farebox                              | \$ 1,607,055           | \$ 1,524,000           | \$ 1,525,304           | \$ 1,452,000           | \$ 81,751             | \$ 72,000             |  |
| Passes & Tickets                     | \$ 4,895,605           | \$ 4,957,000           | \$ 4,709,501           | \$ 4,772,000           | \$ 186,104            | \$ 185,000            |  |
| Unlimited Ride Programs              | \$ 6,660,309           | \$ 6,727,300           | \$ 6,632,074           | \$ 6,697,300           | \$ 28,235             | \$ 30,000             |  |
| <b>Passenger Revenue</b>             | <b>\$ 13,162,969</b>   | <b>\$ 13,208,300</b>   | <b>\$ 12,866,879</b>   | <b>\$ 12,921,300</b>   | <b>\$ 296,090</b>     | <b>\$ 287,000</b>     |  |
| County Programs                      | \$ 4,641,203           | \$ 4,335,000           | \$ -                   | \$ -                   | \$ 4,641,203          | \$ 4,335,000          |  |
| Federal Operating Assistance         | \$ 6,295,936           | \$ 6,200,000           | \$ 5,603,383           | \$ 5,518,000           | \$ 692,553            | \$ 682,000            |  |
| State Operating Assistance           | \$ 17,414,239          | \$ 17,360,000          | \$ 15,498,673          | \$ 15,450,400          | \$ 1,915,566          | \$ 1,909,600          |  |
| Local Subsidies                      | \$ 4,046,352           | \$ 3,750,000           | \$ 3,560,790           | \$ 3,300,000           | \$ 485,562            | \$ 450,000            |  |
| Other Subsidies                      | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -                  | \$ -                  |  |
| Advertising                          | \$ 632,038             | \$ 450,000             | \$ 632,038             | \$ 450,000             | \$ -                  | \$ -                  |  |
| Miscellaneous                        | \$ 250,216             | \$ 63,100              | \$ 250,216             | \$ 63,100              | \$ -                  | \$ -                  |  |
| <b>Total Revenue</b>                 | <b>\$ 46,442,953</b>   | <b>\$ 45,366,400</b>   | <b>\$ 38,411,979</b>   | <b>\$ 37,702,800</b>   | <b>\$ 8,030,974</b>   | <b>\$ 7,663,600</b>   |  |
| <b>Expenditures</b>                  |                        |                        |                        |                        |                       |                       |  |
| Salaries                             | \$ 29,071,002          | \$ 29,455,816          | \$ 26,745,322          | \$ 27,099,351          | \$ 2,325,680          | \$ 2,356,465          |  |
| Benefits                             | \$ 14,513,467          | \$ 14,419,609          | \$ 13,344,961          | \$ 13,266,040          | \$ 1,168,506          | \$ 1,153,569          |  |
| Utilities/Telephone                  | \$ 510,323             | \$ 551,000             | \$ 469,497             | \$ 506,920             | \$ 40,826             | \$ 44,080             |  |
| Repairs & Maint B&G                  | \$ 315,402             | \$ 188,000             | \$ 290,170             | \$ 172,960             | \$ 25,232             | \$ 15,040             |  |
| Repairs & Maint Equip                | \$ 529,014             | \$ 450,000             | \$ 488,387             | \$ 414,000             | \$ 40,627             | \$ 36,000             |  |
| Rentals                              | \$ 377,505             | \$ 427,000             | \$ 347,305             | \$ 392,840             | \$ 30,200             | \$ 34,160             |  |
| Employee Services                    | \$ 80,021              | \$ 66,000              | \$ 73,619              | \$ 60,720              | \$ 6,402              | \$ 5,280              |  |
| Insurance & Financial                | \$ 1,359,445           | \$ 1,416,530           | \$ 1,250,689           | \$ 1,303,208           | \$ 108,756            | \$ 113,322            |  |
| Purchased Transportation             | \$ 5,585,596           | \$ 5,425,000           | \$ -                   | \$ -                   | \$ 5,585,596          | \$ 5,425,000          |  |
| Other Services                       | \$ 374,506             | \$ 401,600             | \$ 347,920             | \$ 369,472             | \$ 26,586             | \$ 32,128             |  |
| Office Supplies                      | \$ 179,120             | \$ 146,000             | \$ 164,790             | \$ 134,320             | \$ 14,330             | \$ 11,680             |  |
| Equipment Supplies                   | \$ 1,487,605           | \$ 1,530,000           | \$ 1,368,597           | \$ 1,407,600           | \$ 119,008            | \$ 122,400            |  |
| Bldg & Const Supplies                | \$ 185,523             | \$ 210,000             | \$ 170,681             | \$ 193,200             | \$ 14,842             | \$ 16,800             |  |
| Fuels, Oils & Lubricants             | \$ 3,282,729           | \$ 3,341,000           | \$ 3,025,846           | \$ 3,073,720           | \$ 256,883            | \$ 267,280            |  |
| Other Supplies                       | \$ 295,379             | \$ 238,100             | \$ 271,749             | \$ 219,052             | \$ 23,630             | \$ 19,048             |  |
| Interdepartmental Charges            | \$ 333,570             | \$ 370,398             | \$ 306,884             | \$ 340,766             | \$ 26,686             | \$ 29,632             |  |
| Depreciation                         | \$ 6,478,867           | \$ 6,600,000           | \$ 5,992,952           | \$ 6,105,000           | \$ 485,915            | \$ 495,000            |  |
| Interest                             | \$ 385,859             | \$ 385,859             | \$ 354,990             | \$ 354,990             | \$ 30,869             | \$ 30,869             |  |
| <b>Total Expenses</b>                | <b>\$ 65,344,933</b>   | <b>\$ 65,621,912</b>   | <b>\$ 55,014,359</b>   | <b>\$ 55,414,159</b>   | <b>\$ 10,330,574</b>  | <b>\$ 10,207,753</b>  |  |
| <b>Income(Deficit)</b>               | <b>\$ (18,901,980)</b> | <b>\$ (20,255,512)</b> | <b>\$ (16,602,380)</b> | <b>\$ (17,711,359)</b> | <b>\$ (2,299,600)</b> | <b>\$ (2,544,153)</b> |  |
| Less: Depreciation                   | \$ (6,478,867)         | \$ (6,600,000)         | \$ (5,992,952)         | \$ (6,105,000)         | \$ (485,915)          | \$ (495,000)          |  |
| Less: Unfunded OPEB                  | \$ (565,862)           | \$ (565,862)           | \$ (520,593)           | \$ (520,593)           | \$ (45,269)           | \$ (45,269)           |  |
| Less: Unfunded Pension               | \$ (1,870,596)         | \$ (1,870,596)         | \$ (1,720,948)         | \$ (1,720,948)         | \$ (149,648)          | \$ (149,648)          |  |
| Debt                                 | \$ 1,593,206           | \$ 1,593,205           | \$ 1,545,410           | \$ 1,545,409           | \$ 47,796             | \$ 47,796             |  |
| Fixed Assets                         | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -                  | \$ -                  |  |
| Federal Portion of Fixed Assets      | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -                  | \$ -                  |  |
| <b>Total Expenditures(City)</b>      | <b>\$ 58,022,814</b>   | <b>\$ 58,178,659</b>   | <b>\$ 48,325,276</b>   | <b>\$ 48,613,027</b>   | <b>\$ 9,697,538</b>   | <b>\$ 9,565,632</b>   |  |
| Added To/(Taken From)Reserves        | \$ 300,575             | \$ (931,828)           | \$ 185,074             | \$ (811,861)           | \$ 115,501            | \$ (119,967)          |  |
| <b>Income/(Deficit) (City)</b>       | <b>\$ (11,880,431)</b> | <b>\$ (11,880,431)</b> | <b>\$ (10,098,366)</b> | <b>\$ (10,098,366)</b> | <b>\$ (1,782,065)</b> | <b>\$ (1,782,065)</b> |  |

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

As can be seen from the following chart, employee compensation and benefits accounted for 74% of total expenses excluding depreciation in 2017, the same as the amount in 2016.

2017 Expenses excluding Depreciation



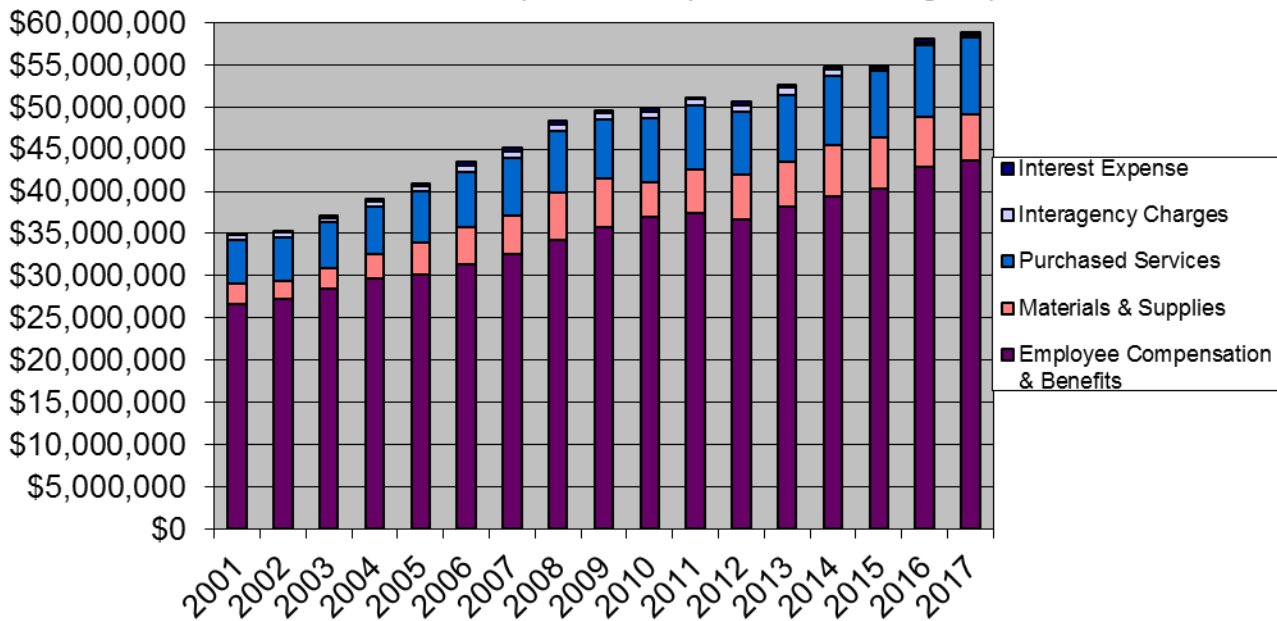
# METRO TRANSIT SYSTEM

## MANAGEMENT’S DISCUSSION AND ANALYSIS REPORT

The first of the following charts shows that total operating expenses increased by 1.5% between 2016 and 2017. Between 2012 and 2017 Metro experienced an average increase in total operating costs of 3.3% per year. The second chart compares Metro’s revenue sources for the same period of time. Passenger revenue has increased by an average of 1.4% per year during the last 5 years and state aid, which provides the largest portion of Metro’s revenue, increased 1.0% per year during the same time period. The third chart below provides a vivid display of the capital funding crisis Metro is facing with the loss of discretionary funding over the past 15 years. At the federal level, discretionary funding was associated with “a bridge to nowhere” in Alaska, rather than buses to everywhere in Wisconsin, and Metro has suffered as a result. The federal funding formula is based on population and population density, and in that 2<sup>nd</sup> criteria Wisconsin ends up short, getting 1% of federal transit funding with 2% of the nation’s population. In the early part of that chart, it is clear how Metro was using that discretionary funding to buy buses.

Finally, another important way to consider the capital funding crisis is to compare the ridership chart increases for 15 years, the operating budget increases for 15 years as we’ve expanded service, until recently, and the federal funding chart with shows we are not keeping up with our investment priorities at the federal level.

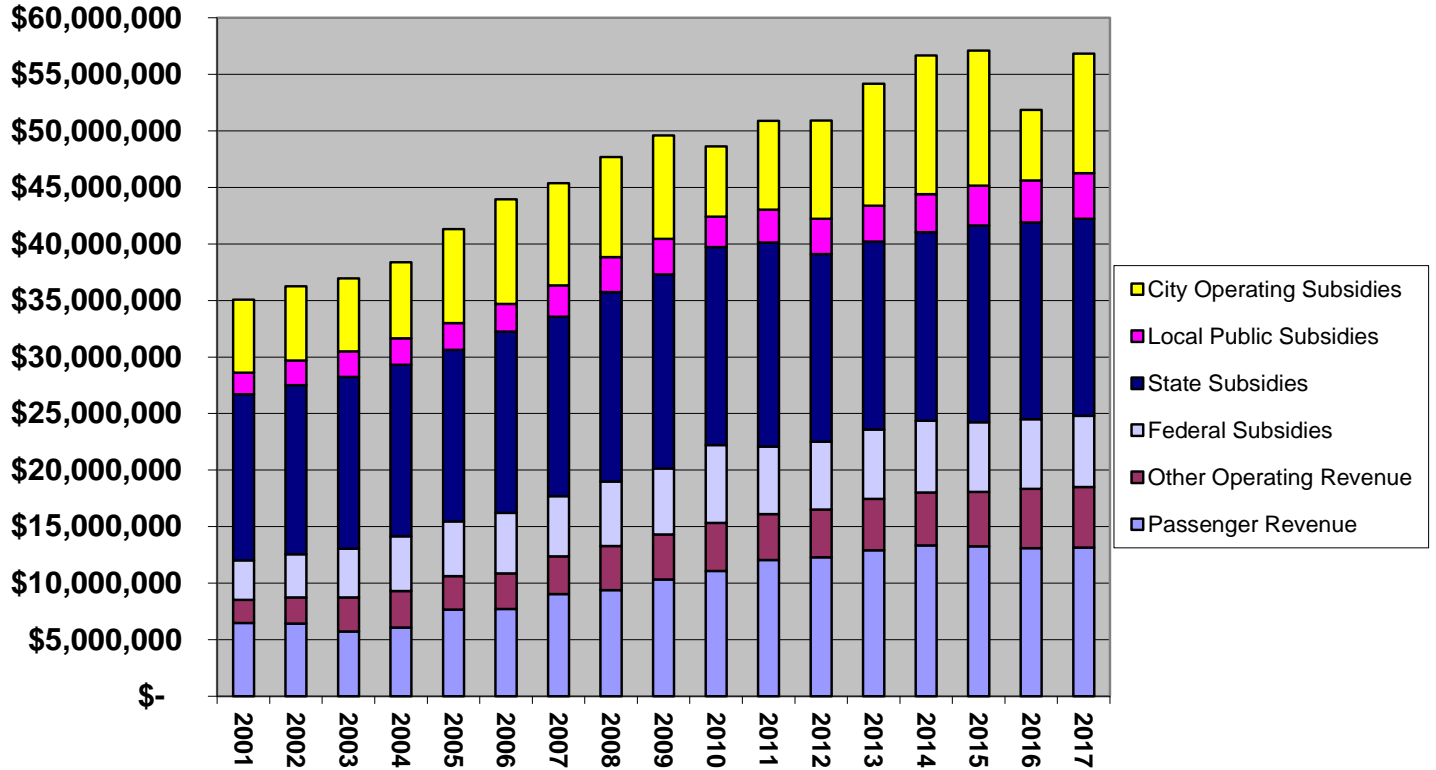
Madison Metro Transit  
Historical Expense Comparison Excluding Depreciation



# 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**

Despite the early comments on the cutbacks in federal funding, it is still worth noting that 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 12/31/17 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 12/31/17  |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| 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    | 2017 expenditures    | Balance available as of 12/31/17 | Future Budgeted projects | Balance after budgeted projects | Detail of future budgeted projects- see page 2. |
| <b>Federal Section 5307</b>   |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| WI900573  | 2010         | \$ 8,832,424              | \$ 8,661,115             | \$ 171,309           | \$ 171,309           | \$ -                             | \$ -                     | \$ -                            | Closed  |
| WI900595  | 2013         | \$ 8,903,040              | \$ 8,842,855             | \$ 60,185            | \$ 55,121            | \$ 5,064                         | \$ 5,064                 | \$ -                            | Software  |
| WI900765  | 2014         | \$ 9,637,895              | \$ 8,376,045             | \$ 1,261,850         | \$ 708,500           | \$ 553,350                       | \$ 553,350               | \$ -                            | Hardware (Radios) and Transit Enhancements      |
| WI-2016-003   | 2015         | \$ 9,366,279              | \$ 7,676,237             | \$ 1,690,042         | \$ 1,070,471         | \$ 619,571                       | \$ 619,571               | \$ -                            | Various   |
| WI950052 (Surface Transportation)   | 2015         | \$ 8,775,000              | \$ 7,030,000             | \$ 1,745,000         | \$ 1,745,000         | \$ -                             | \$ -                     | \$ -                            | Closed  |
| WI-2016-028   | 2016         | \$ 10,158,596             | \$ 7,668,752             | \$ 2,489,844         | \$ 1,451,237         | \$ 1,038,607                     | \$ 1,038,607             | \$ -                            | Various   |
| WI-2017-030   | 2017         | \$ 9,915,670              | \$ -                     | \$ 9,915,670         | \$ 7,562,330         | \$ 2,353,340                     | \$ 2,353,340             | \$ -                            | Various   |
| FFY 2018 (estimate)   | 2018         | \$ 9,649,851              | \$ -                     | \$ 9,649,851         | \$ -                 | \$ 9,649,851                     | \$ 9,649,851             | \$ -                            | Various   |
| <b>Total Section 5307</b>   |              | <b>\$ 75,238,755</b>      | <b>\$ 48,255,004</b>     | <b>\$ 26,983,751</b> | <b>\$ 12,763,968</b> | <b>\$ 14,219,783</b>             | <b>\$ 14,219,783</b>     | <b>\$ -</b>                     |   |
| <b>Federal Section 5309</b>   |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| WI040042 (Wi discretionary)   | 2010         | \$ 187,500                | \$ 82,473                | \$ 105,027           | \$ 105,027           | \$ -                             | \$ -                     | \$ -                            | Closed  |
| <b>Total Section 5309</b>   |              | <b>\$ 187,500</b>         | <b>\$ 82,473</b>         | <b>\$ 105,027</b>    | <b>\$ 105,027</b>    | <b>\$ -</b>                      | <b>\$ -</b>              | <b>\$ -</b>                     |   |
| <b>Federal Section 5310</b>   |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| WI160005  | 2015         | \$ 670,434                | \$ 653,874               | \$ 16,560            | \$ 16,560            | \$ -                             | \$ -                     | \$ -                            | Closed  |
| WI-2016-040   | 2016         | \$ 237,750                | \$ 158,351               | \$ 79,399            | \$ 79,399            | \$ -                             | \$ -                     | \$ -                            | Closed  |
| WI-2017-010   | 2017         | \$ 320,915                | \$ -                     | \$ 320,915           | \$ 301,809           | \$ 19,106                        | \$ 19,106                | \$ -                            | Mobility management                             |
| FFY 2018 (estimate)   | 2018         | \$ 482,025                | \$ -                     | \$ 482,025           | \$ -                 | \$ 482,025                       | \$ 482,025               | \$ -                            | Mobility management                             |
| <b>Total Section 5310</b>   |              | <b>\$ 1,711,124</b>       | <b>\$ 812,225</b>        | <b>\$ 898,899</b>    | <b>\$ 397,768</b>    | <b>\$ 501,131</b>                | <b>\$ 501,131</b>        | <b>\$ -</b>                     |   |
| <b>Federal Section 5337 &amp; 5339</b>  |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| WI-2016-026   | 2016         | \$ 3,888,329              | \$ 1,916,801             | \$ 1,971,528         | \$ 1,971,528         | \$ -                             | \$ -                     | \$ -                            | Closed  |
| WI-2017-030   | 2017         | \$ 1,976,149              | \$ -                     | \$ 1,976,149         | \$ -                 | \$ 1,976,149                     | \$ 1,976,149             | \$ -                            | Buses   |
| FFY 2018 (estimate)   | 2018         | \$ 2,462,374              | \$ -                     | \$ 2,462,374         | \$ -                 | \$ 2,462,374                     | \$ 2,462,374             | \$ -                            | Buses   |
| <b>Total Section 5337 &amp; 5339</b>  |              | <b>\$ 8,326,852</b>       | <b>\$ 1,916,801</b>      | <b>\$ 6,410,051</b>  | <b>\$ 1,971,528</b>  | <b>\$ 4,438,523</b>              | <b>\$ 4,438,523</b>      | <b>\$ -</b>                     |   |
| <b>Total Capital Grants</b>   |              | <b>\$ 85,464,231</b>      | <b>\$ 51,066,503</b>     | <b>\$ 34,397,728</b> | <b>\$ 15,238,291</b> | <b>\$ 19,159,437</b>             | <b>\$ 19,159,437</b>     | <b>\$ -</b>                     |   |
| <b>OTHER GRANTS</b>   |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| WI260012  | 2006         | \$ 1,980,000              | \$ 257,329               | \$ 1,722,671         | \$ -                 | \$ 1,722,671                     | \$ 1,722,671             | \$ -                            | Preferred alternative study                     |
| WI390002  | 2007         | \$ 1,500,000              | \$ 152,718               | \$ 1,347,282         | \$ -                 | \$ 1,347,282                     | \$ 1,347,282             | \$ -                            | Preferred alternative study                     |
| WI791000 (TIGER II)   | 2011         | \$ 2,250,000              | \$ 1,821,132             | \$ 428,868           | \$ 428,868           | \$ -                             | \$ -                     | \$ -                            | Closed  |
| WI791001 (TIGER VI)   | 2014         | \$ 600,000                | \$ 418,317               | \$ 181,683           | \$ 75,293            | \$ 106,390                       | \$ 106,390               | \$ -                            | Software & planning                             |
| <b>Total Other Grants</b>   |              | <b>\$ 6,330,000</b>       | <b>\$ 2,649,496</b>      | <b>\$ 3,680,504</b>  | <b>\$ 504,161</b>    | <b>\$ 3,176,343</b>              | <b>\$ 3,176,343</b>      | <b>\$ -</b>                     |   |

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

| <b>CAPITAL GRANTS</b>                  | Funding Year | Transit Enhancements | Equipment   | Facility            | Computer hardware & software | Mobility management | Consultants         | Buses -Fixed Route  | Associated capital maintenance | Total Budgeted Projects |
|--|--------------|----------------------|-------------|---------------------|------------------------------|---------------------|---------------------|---------------------|--------------------------------|-------------------------|
| <b>Federal Section 5307</b>            |              |                      |             |                     |                              |                     |                     |                     |                                |                         |
| WI900573                               | 2010         |                      |             |                     |                              |                     |                     |                     |                                | \$ -                    |
| WI900595                               | 2013         |                      |             |                     | \$ 5,064                     |                     |                     |                     |                                | \$ 5,064                |
| WI900765                               | 2014         | \$ 51,430            |             |                     | \$ 501,920                   |                     |                     |                     |                                | \$ 553,350              |
| WI-2016-003                            | 2015         | \$ 93,663            |             | \$ 115,908          | \$ 410,000                   |                     |                     |                     |                                | \$ 619,571              |
| WI950052 (Surface Transportation)      | 2015         |                      |             |                     |                              |                     |                     |                     |                                | \$ -                    |
| WI-2016-028                            | 2016         |                      |             | \$ 389,182          |                              |                     |                     | \$ 649,425          |                                | \$ 1,038,607            |
| WI-2017-030                            | 2017         |                      |             | \$ 750,000          |                              |                     |                     | \$ 1,603,340        |                                | \$ 2,353,340            |
| FFY 2018 (estimate)                    | 2018         |                      |             | \$ 650,000          |                              |                     |                     | \$ 1,249,851        | \$ 7,750,000                   | \$ 9,649,851            |
| <b>Total Section 5307</b>              |              | <b>\$ 145,093</b>    | <b>\$ -</b> | <b>\$ 1,905,090</b> | <b>\$ 916,984</b>            |                     | <b>\$ -</b>         | <b>\$ 3,502,616</b> | <b>\$ 7,750,000</b>            | <b>\$ 14,219,783</b>    |
| <b>Federal Section 5309</b>            |              |                      |             |                     |                              |                     |                     |                     |                                |                         |
| WI040042 (Wi discretionary)            | 2010         |                      |             |                     |                              |                     |                     |                     |                                | \$ -                    |
| <b>Total Section 5309</b>              |              | <b>\$ -</b>          | <b>\$ -</b> | <b>\$ -</b>         | <b>\$ -</b>                  |                     | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>                    | <b>\$ -</b>             |
| <b>Federal Section 5310</b>            |              |                      |             |                     |                              |                     |                     |                     |                                |                         |
| WI160005                               | 2015         |                      |             |                     |                              |                     |                     |                     |                                | \$ -                    |
| WI-2016-040                            | 2016         |                      |             |                     |                              |                     |                     |                     |                                | \$ -                    |
| WI-2017-010                            | 2017         |                      |             |                     |                              | \$ 19,106           |                     |                     |                                | \$ 19,106               |
| FFY 2018 (estimate)                    | 2018         |                      |             |                     |                              | \$ 482,025          |                     |                     |                                | \$ 482,025              |
| <b>Total Section 5310</b>              |              | <b>\$ -</b>          | <b>\$ -</b> | <b>\$ -</b>         | <b>\$ -</b>                  | <b>\$ 501,131</b>   | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>                    | <b>\$ 501,131</b>       |
| <b>Federal Section 5337 &amp; 5339</b> |              |                      |             |                     |                              |                     |                     |                     |                                |                         |
| WI-2016-026                            | 2016         |                      |             |                     |                              |                     |                     |                     |                                | \$ -                    |
| WI-2017-030                            | 2017         |                      |             |                     |                              |                     |                     | \$ 1,976,149        |                                | \$ 1,976,149            |
| FFY 2018 (estimate)                    | 2018         |                      |             |                     |                              |                     |                     | \$ 2,462,374        |                                | \$ 2,462,374            |
| <b>Total Section 5337 &amp; 5339</b>   |              | <b>\$ -</b>          | <b>\$ -</b> | <b>\$ -</b>         | <b>\$ -</b>                  |                     | <b>\$ -</b>         | <b>\$ 4,438,523</b> | <b>\$ -</b>                    | <b>\$ 4,438,523</b>     |
| <b>Total Capital Grants</b>            |              | <b>\$ 145,093</b>    | <b>\$ -</b> | <b>\$ 1,905,090</b> | <b>\$ 916,984</b>            | <b>\$ 501,131</b>   | <b>\$ -</b>         | <b>\$ 7,941,139</b> | <b>\$ 7,750,000</b>            | <b>\$ 19,159,437</b>    |
| <b>OTHER GRANTS</b>                    |              |                      |             |                     |                              |                     |                     |                     |                                |                         |
| WI260012                               | 2006         |                      |             |                     |                              |                     | \$ 1,722,671        |                     |                                | \$ 1,722,671            |
| WI390002                               | 2007         |                      |             |                     |                              |                     | \$ 1,347,282        |                     |                                | \$ 1,347,282            |
| WI791000 (TIGER II)                    | 2011         |                      |             |                     |                              |                     |                     |                     |                                | \$ -                    |
| WI791001 (TIGER VI)                    | 2014         |                      |             |                     |                              |                     | \$ 106,390          |                     |                                | \$ 106,390              |
| <b>Total Other Grants</b>              |              | <b>\$ -</b>          | <b>\$ -</b> | <b>\$ -</b>         | <b>\$ -</b>                  |                     | <b>\$ 3,176,343</b> | <b>\$ -</b>         | <b>\$ -</b>                    | <b>\$ 3,176,343</b>     |

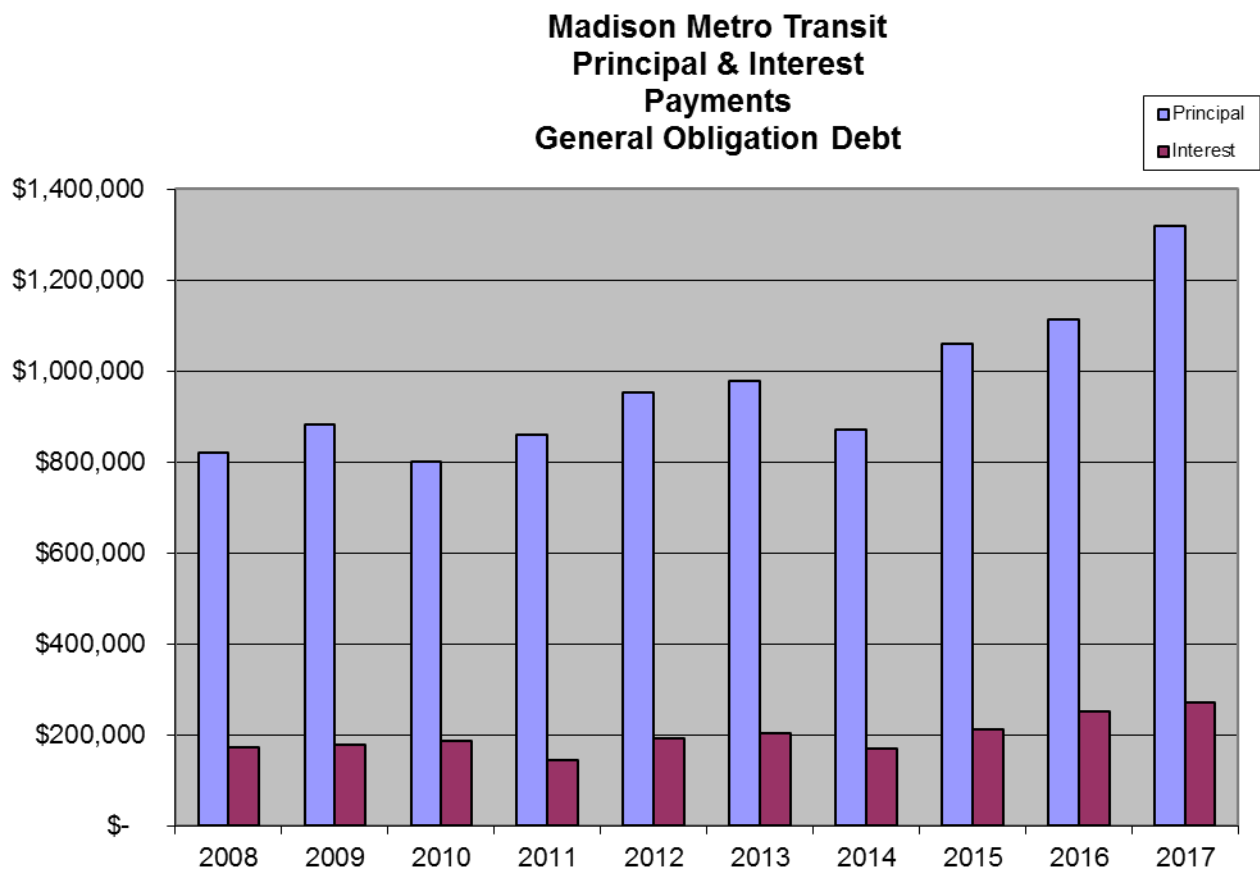
Please refer to Independent Auditors' report.

# 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 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**

|  | 2017                     | 2016                     | 2015                     |
|--|--------------------------|--------------------------|--------------------------|
| Current and Other Assets   | \$ 15,566,535            | \$ 15,285,215            | \$ 21,979,737            |
| Capital Assets <sup>1</sup>  | <u>41,999,316</u>        | <u>41,216,850</u>        | <u>40,819,706</u>        |
| <br>Total Assets   | <br><u>57,565,851</u>    | <br><u>56,502,065</u>    | <br><u>62,799,443</u>    |
| Deferred Outflows related to Pensions <sup>2</sup>                 | <u>12,288,157</u>        | <u>17,033,374</u>        | <u>4,729,370</u>         |
| <br>Long-Term Debt <sup>3</sup>                                    | <br>12,543,022           | <br>12,111,118           | <br>10,712,866           |
| Other Liabilities  | <u>18,280,600</u>        | <u>19,150,187</u>        | <u>14,363,763</u>        |
| <br>Total Liabilities  | <br><u>30,823,622</u>    | <br><u>31,261,305</u>    | <br><u>25,076,629</u>    |
| Deferred Inflows related to Pensions <sup>2</sup>                  | <u>5,144,658</u>         | <u>6,489,389</u>         | <u>983</u>               |
| <br>Net Investment in Capital                                      |                          |                          |                          |
| Assets <sup>4</sup>  | 33,131,986               | 33,158,040               | 33,591,706               |
| Unrestricted (Deficit)   | 753,742                  | 2,626,705                | 4,264,916                |
| Restricted Net Position (Deficit) related to Pensions <sup>2</sup> | <u>-</u>                 | <u>-</u>                 | <u>4,594,579</u>         |
| <br>Total Net Position   | <br><u>\$ 33,885,728</u> | <br><u>\$ 35,784,745</u> | <br><u>\$ 42,451,201</u> |

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

<sup>2</sup> See Notes 7 and 12 for details in this Audit report

<sup>3</sup> See Note 4 for details in this Audit report

<sup>4</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**

|   | 2017                 | 2016                 | 2015                 |
|---|----------------------|----------------------|----------------------|
| Operating Revenues  | \$ 18,503,174        | \$ 18,328,051        | \$ 18,045,485        |
| Depreciation Expense  | 6,478,867            | 6,367,349            | 6,426,535            |
| Other Operating Expenses  | 58,480,207           | 57,682,842           | 54,548,231           |
| Non-operating Expenses <sup>1</sup>                                 | <u>385,859</u>       | <u>385,874</u>       | <u>331,984</u>       |
| Total Expenses  | <u>65,344,933</u>    | <u>64,436,065</u>    | <u>61,306,750</u>    |
| Operating Subsidies <sup>1</sup>                                    | 27,756,527           | 27,269,559           | 27,087,906           |
| Insurance Recovery  | 183,252              | 10,467               | 28,054               |
| Loss Before Capital   |                      |                      |                      |
| Contributions and Transfers   | (18,901,980)         | (18,827,988)         | (16,145,305)         |
| Capital Contributions <sup>2</sup>                                  | 6,440,907            | 5,909,365            | 4,897,419            |
| Transfers   | <u>10,562,056</u>    | <u>6,252,167</u>     | <u>11,921,295</u>    |
| Changes in Net Position   | (1,899,017)          | (6,666,456)          | 673,409              |
| Beginning Net Position  | 35,784,745           | 42,451,201           | 32,580,681           |
| Cumulative Effect of Change<br>in Accounting Principle <sup>3</sup> | <u>-</u>             | <u>-</u>             | <u>9,197,111</u>     |
| Ending Net Position   | <u>\$ 33,885,728</u> | <u>\$ 35,784,745</u> | <u>\$ 42,451,201</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 Charles Kamp, General Manager, Metro Transit 1245 East Washington Avenue, Suite 201, Madison, WI 53703 or by e-mail to:

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

Respectfully submitted

A handwritten signature in cursive script that reads "Charles L. Kamp".

Charles L. Kamp  
Metro Transit General Manager

**Statements of Net Position** Follows

# METRO TRANSIT SYSTEM

## STATEMENTS OF NET POSITION December 31, 2017 and 2016

### ASSETS

|   | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                                     |                   |                   |
| Cash  | \$ 6,680,022      | \$ 6,027,355      |
| Restricted cash - retiree health insurance escrow         | 418,513           | 480,350           |
| Receivable from FTA - capital and maintenance             | 2,345,836         | 2,263,557         |
| Receivable from other governmental units                  | 3,386,006         | 3,467,907         |
| Accounts receivable (net)                                 | 685,335           | 953,341           |
| Materials and supplies                                    | 342,979           | 375,855           |
| Prepaid expenses  | 566,867           | 566,002           |
| Current portion of prepaid expense - land and tower lease | <u>22,059</u>     | <u>23,377</u>     |
| Total Current Assets                                      | <u>14,447,617</u> | <u>14,157,744</u> |
| <b>NON-CURRENT ASSETS</b>                                 |                   |                   |
| Restricted cash - retiree health insurance escrow         | 1,095,001         | 1,081,495         |
| Other Assets  |                   |                   |
| Prepaid expenses - land and tower lease                   | 23,917            | 45,976            |
| Capital Assets  |                   |                   |
| Transit plant in service                                  | 113,915,831       | 110,675,839       |
| Accumulated depreciation                                  | (72,101,886)      | (69,759,622)      |
| Construction work in progress                             | <u>185,371</u>    | <u>300,633</u>    |
| Total Non-Current Assets                                  | <u>43,118,234</u> | <u>42,344,321</u> |
| Total Assets  | <u>57,565,851</u> | <u>56,502,065</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                     |                   |                   |
| Deferred outflows related to pensions                     | <u>12,288,157</u> | <u>17,033,374</u> |

| <b>LIABILITIES</b>   |                      |                      |
|--|----------------------|----------------------|
|  | <u>2017</u>          | <u>2016</u>          |
| <b>CURRENT LIABILITIES</b>                                     |                      |                      |
| Current portion of general obligation debt                     | 1,480,034            | 1,318,375            |
| Current portion of advance from other funds                    | 300,791              | 274,829              |
| Current portion of unearned revenue - land and tower lease     | 16,004               | 23,377               |
| Accounts payable   | 1,685,608            | 1,697,819            |
| Unearned revenue   | 956,546              | 888,074              |
| Accrued compensation, vacation and sick leave                  | 2,992,696            | 2,897,198            |
| Accrued interest   | 96,465               | 96,465               |
| Retiree health insurance escrow payable from restricted assets | 418,513              | 480,350              |
| Total Current Liabilities                                      | <u>7,946,657</u>     | <u>7,676,487</u>     |
| <b>NON-CURRENT LIABILITIES</b>                                 |                      |                      |
| General obligation debt  | 8,235,915            | 7,690,841            |
| Advance from other funds                                       | 2,526,282            | 2,827,073            |
| Retiree health insurance escrow payable from restricted assets | 1,095,001            | 1,081,495            |
| Accrued sick leave   | 3,528,738            | 3,528,739            |
| Deposits from other governments                                | 526,543              | 512,153              |
| Net pension liability  | 1,535,389            | 3,065,279            |
| Other post-employment benefits                                 | 5,405,180            | 4,839,318            |
| Unearned revenue - land and tower lease                        | 23,917               | 39,920               |
| Total Non-Current Liabilities                                  | <u>22,876,965</u>    | <u>23,584,818</u>    |
| Total Liabilities  | <u>30,823,622</u>    | <u>31,261,305</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                           |                      |                      |
| Deferred inflows related to pensions                           | <u>5,144,658</u>     | <u>6,489,389</u>     |
| <b>NET POSITION</b>  |                      |                      |
| Net investment in capital assets                               | 33,131,986           | 33,158,040           |
| Unrestricted (Deficit)   | <u>753,742</u>       | <u>2,626,705</u>     |
| <b>TOTAL NET POSITION</b>                                      | <u>\$ 33,885,728</u> | <u>\$ 35,784,745</u> |

See accompanying notes to financial statements.

## METRO TRANSIT SYSTEM

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Years Ended December 31, 2017 and 2016

|  | <u>2017</u>                 | <u>2016</u>                 |
|--|-----------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>                          | <b>\$ 18,503,174</b>        | <b>\$ 18,328,051</b>        |
| <b>OPERATING EXPENSES</b>                          |                             |                             |
| Employee compensation and benefits                 | 43,584,469                  | 42,877,994                  |
| Materials and supplies                             | 5,430,356                   | 5,919,000                   |
| Purchased services                                 | 9,131,812                   | 8,558,997                   |
| Interagency charges                                | <u>333,570</u>              | <u>326,851</u>              |
| Total Operation and Maintenance Expenses           | 58,480,207                  | 57,682,842                  |
| Depreciation expense                               | <u>6,478,867</u>            | <u>6,367,349</u>            |
| Total Operating Expenses                           | <u>64,959,074</u>           | <u>64,050,191</u>           |
| Operating Loss                                     | <u>(46,455,900)</u>         | <u>(45,722,140)</u>         |
| <b>OPERATING SUBSIDIES</b>                         |                             |                             |
| Federal subsidies                                  | 6,582,042                   | 6,331,736                   |
| Federal subsidies pass-through to sub recipient    | (286,106)                   | (155,788)                   |
| State operating subsidies                          | 17,414,239                  | 17,370,419                  |
| Other state subsidies                              | -                           | 9,475                       |
| Local public subsidies                             | <u>4,046,352</u>            | <u>3,713,717</u>            |
| Total Operating Subsidies                          | <u>27,756,527</u>           | <u>27,269,559</u>           |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>           |                             |                             |
| Insurance recoveries                               | 183,252                     | 10,467                      |
| Interest expense                                   | <u>(385,859)</u>            | <u>(385,874)</u>            |
| Loss Before Contributions and Transfers            | <u>(18,901,980)</u>         | <u>(18,827,988)</u>         |
| <b>CAPITAL CONTRIBUTIONS - CITY &amp; OTHER</b>    | 1,318,375                   | 1,131,375                   |
| <b>CAPITAL CONTRIBUTIONS - FEDERAL &amp; STATE</b> | 5,122,532                   | 4,777,990                   |
| <b>TRANSFERS IN - CITY OPERATING SUBSIDIES</b>     | <u>10,562,056</u>           | <u>6,252,167</u>            |
| Total Contributions and Transfers                  | <u>17,002,963</u>           | <u>12,161,532</u>           |
| <b>CHANGE IN NET POSITION</b>                      | (1,899,017)                 | (6,666,456)                 |
| NET POSITION - Beginning of Year                   | 35,784,745                  | 42,451,201                  |
|  | <u>-</u>                    | <u>-</u>                    |
| <b>NET POSITION - End of Year</b>                  | <b><u>\$ 33,885,728</u></b> | <b><u>\$ 35,784,745</u></b> |

See accompanying notes to financial statements.



**Statements of Cash Flows Follows**

## METRO TRANSIT SYSTEM

### STATEMENTS OF CASH FLOWS Years Ended December 31, 2017 and 2016

|   | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                     |                     |
| Received from customers   | \$ 19,235,066       | \$ 18,754,495       |
| Paid to suppliers for goods and services                        | (26,884,474)        | (26,563,693)        |
| Paid to employees for services                                  | <u>(29,023,836)</u> | <u>(27,468,352)</u> |
| Cash Flows from Operating Activities                            | <u>(36,673,244)</u> | <u>(35,277,550)</u> |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                     |                     |
| Operating subsidies received - federal                          | 6,375,976           | 10,583,334          |
| Federal subsidies pass-through to sub recipient                 | (286,106)           | (155,788)           |
| Operating subsidies received - state                            | 17,414,239          | 17,379,894          |
| Operating subsidies received - local                            | 3,847,619           | 3,869,174           |
| Deposits received from other governments                        | 14,390              | 21,438              |
| Repayment of non-capital advances from other funds              | (274,829)           | (251,554)           |
| Interest paid on non-capital advances from other funds          | (110,387)           | (114,632)           |
| Operating transfer from city                                    | <u>10,562,056</u>   | <u>6,252,167</u>    |
| Cash Flows from Noncapital Financing Activities                 | <u>37,542,958</u>   | <u>37,584,033</u>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                     |                     |
| Debt retired  | (1,318,377)         | (1,398,020)         |
| Interest paid   | (275,472)           | (257,659)           |
| Proceeds from issuance of general obligation debt               | 2,025,110           | 3,047,826           |
| Acquisition and construction of capital assets                  | (7,137,546)         | (6,884,939)         |
| Capital contributions - city and other                          | 1,318,375           | 1,131,375           |
| Capital contributions - federal and state                       | <u>5,122,532</u>    | <u>4,777,990</u>    |
| Cash Flows From Capital and Related Financing Activities        | <u>(265,378)</u>    | <u>416,573</u>      |
| <b>Net Change in Cash and Cash Equivalents</b>                  | 604,336             | 2,723,056           |
| CASH AND CASH EQUIVALENTS – Beginning of Year                   | <u>7,589,200</u>    | <u>4,866,144</u>    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                  | <u>\$ 8,193,536</u> | <u>\$ 7,589,200</u> |

See accompanying notes to financial statements.

|  | <u>2017</u>            | <u>2016</u>            |
|--|------------------------|------------------------|
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH</b>            |                        |                        |
| <b>FLWS FROM OPERATING ACTIVITIES</b>                          |                        |                        |
| Operating loss   | \$ (46,455,900)        | \$ (45,722,140)        |
| Nonoperating income  | 183,252                | 10,467                 |
| Noncash items included in operating loss                       |                        |                        |
| Depreciation expense   | 6,478,867              | 6,367,349              |
| Changes in Assets and Liabilities                              |                        |                        |
| Accounts receivable  | 349,907                | 571,434                |
| Materials and supplies   | 32,876                 | 2,509                  |
| Prepaid expenses   | 22,512                 | 57,904                 |
| Accrued payroll liabilities                                    | 95,497                 | 928,306                |
| Retiree health insurance escrow payable from restricted assets | (48,331)               | (77,795)               |
| Other post-employment benefits                                 | 565,862                | 553,468                |
| Accounts payable   | 186,522                | 264,508                |
| Pension related deferrals and liabilities                      | 1,870,596              | 1,844,260              |
| Unearned revenue   | 68,472                 | (56,837)               |
| Unearned revenue - land and tower lease                        | (23,376)               | (20,983)               |
|  | <u>(36,673,244)</u>    | <u>(35,277,550)</u>    |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                | <b>\$ (36,673,244)</b> | <b>\$ (35,277,550)</b> |
| <br>   |                        |                        |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO</b>          |                        |                        |
| <b>STATEMENT OF NET POSITION ACCOUNTS</b>                      |                        |                        |
| Cash   | \$ 6,680,022           | \$ 6,027,355           |
| Restricted Cash - Retiree Health Insurance Escrow              | <u>1,513,514</u>       | <u>1,561,845</u>       |
| <b>CASH AND CASH EQUIVALENTS</b>                               | <b>\$ 8,193,536</b>    | <b>\$ 7,589,200</b>    |

See accompanying notes to financial statements.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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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 and Verona, the Town of Madison and the Village of Shorewood Hills. Metro is governed by the City Transit and Parking Commission which consists of City Council members and citizen representatives. Service is provided in two major areas: fixed route service utilizing 220 coaches and paratransit services for the elderly and handicapped using both directly operated and purchased transportation services.

#### ***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, 2017 and 2016

---

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

---

#### *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 Nos. 40 and 72 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, 2017 and 2016

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

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

##### ***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 2017 and 2016 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 2017 and 2016.

##### ***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, overhead, and an allowance for the cost of funds used during construction when significant. 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.

A summary of capital assets and estimated useful lives follows:

|                                | Balance<br>12/31/17 | Balance<br>12/31/16 | Years  |
|--------------------------------|---------------------|---------------------|--------|
| Land                           | \$ 2,604,992        | \$ 2,604,992        | N/A    |
| Building                       | 12,267,916          | 11,702,659          | 5 – 40 |
| Curb and land improvements     | 6,714,009           | 6,671,484           | 5      |
| Revenue equipment              | 79,742,145          | 76,956,454          | 8 – 20 |
| Service vehicles               | 797,810             | 813,215             | 4 – 5  |
| Shop and garage equipment      | 1,803,588           | 1,807,945           | 3 – 10 |
| Furniture and office equipment | 754,949             | 794,520             | 3 – 10 |
| Miscellaneous and farebox      | 9,230,422           | 9,324,570           | 3 – 15 |
| Total Capital Assets           | \$113,915,831       | \$110,675,839       |        |

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

---

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

---

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

##### *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.

##### *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, 2017 and 2016 is \$3,832,304 and \$3,648,345 respectively.

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.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

---

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

---

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

##### ***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 \$431,195 and \$422,740 in 2017 and 2016, 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, 2017, 87 current employees have met the eligibility requirements.

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

Madison Metropolitan School District 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.

##### ***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 2017 and 2016, \$193,347 and \$392,080, respectively, were returned to these entities.

##### ***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.



# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

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

##### **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:

|   | 2017          | 2016           |
|---|---------------|----------------|
| Plant in service  | \$113,915,831 | \$ 110,675,839 |
| Accumulated depreciation                                      | (72,101,886)  | (69,759,622)   |
| Construction work in progress                                 | 185,371       | 300,633        |
| Sub-Totals  | 41,999,316    | 41,216,850     |
| Less: Capital related debt                                    |               |                |
| Current portion of general obligation bonds                   | 1,480,034     | 1,318,375      |
| Long-term portion of capital related general obligation bonds | 8,235,915     | 7,690,841      |
| Sub-Totals  | 9,715,949     | 9,009,216      |
| Add unspent proceeds of capital-related debt included above   | 848,619       | 950,406        |
| Net Investment in Capital Assets                              | \$ 33,131,986 | \$ 33,158,040  |

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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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**

GASB has approved GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, Statement No. 80, Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14, Statement No. 81, Irrevocable Split-Interest Agreements, Statement No. 83, Certain Asset Retirement Obligations, Statement No. 84, Fiduciary Activities, Statement No. 85, Omnibus, Statement No. 86, Certain Debt Extinguishment Issues, and Statement No. 87, Leases. 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, 2017 and 2016

### NOTE 2 – CHANGES IN CAPITAL ASSETS

A summary of changes in Metro capital assets for 2017 and 2016 follows:

|  | Balance<br>1/1/17    | Additions          | Retirements        | Adjustments | Balance<br>12/31/17  |
|--|----------------------|--------------------|--------------------|-------------|----------------------|
| Capital assets not being depreciated         |                      |                    |                    |             |                      |
| Land   | \$ 2,604,992         | \$ -               | \$ -               | \$ -        | \$ 2,604,992         |
| Capital assets being depreciated /amortized  |                      |                    |                    |             |                      |
| Building and improvements                    | 11,702,659           | 565,257            | -                  | -           | 12,267,916           |
| Curb and land improvements                   | 6,671,484            | -                  | -                  | 42,525      | 6,714,009            |
| Revenue vehicles                             | 76,956,454           | 6,594,885          | (3,809,194)        | -           | 79,742,145           |
| Service vehicles                             | 813,215              | 30,407             | (45,812)           | -           | 797,810              |
| Shop and garage equipment                    | 1,807,945            | 15,664             | (20,021)           | -           | 1,803,588            |
| Office equipment                             | 794,520              | -                  | (39,571)           | -           | 754,949              |
| Miscellaneous and farebox                    | 9,324,570            | 170,383            | (222,006)          | (42,525)    | 9,230,422            |
| Total Capital Assets Being Depreciated       | <u>108,070,847</u>   | <u>7,376,596</u>   | <u>(4,136,604)</u> | <u>-</u>    | <u>111,310,839</u>   |
| Total Capital Assets                         | <u>110,675,839</u>   | <u>7,376,596</u>   | <u>(4,136,604)</u> | <u>-</u>    | <u>113,915,831</u>   |
| Less: Accumulated depreciation /amortization |                      |                    |                    |             |                      |
| Building and improvements                    | (10,244,026)         | (406,147)          | -                  | -           | (10,650,173)         |
| Curb and land improvements                   | (6,372,378)          | (98,799)           | -                  | 2,490       | (6,468,687)          |
| Revenue vehicles                             | (43,606,168)         | (5,405,549)        | 3,809,194          | -           | (45,202,523)         |
| Service vehicles                             | (717,819)            | (45,226)           | 45,812             | -           | (717,233)            |
| Shop and garage equipment                    | (1,492,962)          | (88,250)           | 20,020             | -           | (1,561,192)          |
| Office equipment                             | (771,303)            | (14,525)           | 39,571             | -           | (746,257)            |
| Miscellaneous and farebox                    | (6,554,966)          | (420,371)          | 222,006            | (2,490)     | (6,755,821)          |
| Total Accumulated Depreciation/amortization  | <u>(69,759,622)</u>  | <u>(6,478,867)</u> | <u>4,136,603</u>   | <u>-</u>    | <u>(72,101,886)</u>  |
| Construction in progress                     | <u>300,633</u>       | <u>-</u>           | <u>115,262</u>     | <u>-</u>    | <u>185,371</u>       |
| Net Transit System Plant                     | <u>\$ 41,216,850</u> |                    |                    |             | <u>\$ 41,999,316</u> |

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

|  | Balance<br>1/1/16    | Additions          | Retirements        | Adjustments | Balance<br>12/31/16  |
|--|----------------------|--------------------|--------------------|-------------|----------------------|
| Capital assets not being depreciated         |                      |                    |                    |             |                      |
| Land   | \$ 2,604,992         | \$ -               | \$ -               | \$ -        | \$ 2,604,992         |
| Capital assets being depreciated /amortized  |                      |                    |                    |             |                      |
| Building and improvements                    | 11,702,659           | -                  | -                  | -           | 11,702,659           |
| Curb and land improvements                   | 6,671,484            | -                  | -                  | -           | 6,671,484            |
| Revenue vehicles                             | 74,168,553           | 6,475,545          | (3,687,644)        | -           | 76,956,454           |
| Service vehicles                             | 786,944              | 26,271             | -                  | -           | 813,215              |
| Shop and garage equipment                    | 1,784,298            | 66,837             | (43,190)           | -           | 1,807,945            |
| Office equipment                             | 854,934              | -                  | (60,414)           | -           | 794,520              |
| Miscellaneous and farebox                    | 9,243,993            | 80,577             | -                  | -           | 9,324,570            |
| Total Capital Assets Being Depreciated       | <u>105,212,865</u>   | <u>6,649,230</u>   | <u>(3,791,248)</u> | -           | <u>108,070,847</u>   |
| Total Capital Assets                         | <u>107,817,857</u>   | <u>6,649,230</u>   | <u>(3,791,248)</u> | -           | <u>110,675,839</u>   |
| Less: Accumulated depreciation /amortization |                      |                    |                    |             |                      |
| Building and improvements                    | (9,875,261)          | (368,765)          | -                  | -           | (10,244,026)         |
| Curb and land improvements                   | (6,261,784)          | (110,594)          | -                  | -           | (6,372,378)          |
| Revenue vehicles                             | (42,000,428)         | (5,293,384)        | 3,687,644          | -           | (43,606,168)         |
| Service vehicles                             | (655,882)            | (61,937)           | -                  | -           | (717,819)            |
| Shop and garage equipment                    | (1,437,994)          | (98,158)           | 43,190             | -           | (1,492,962)          |
| Office equipment                             | (800,434)            | (31,283)           | 60,414             | -           | (771,303)            |
| Miscellaneous and farebox                    | (6,151,739)          | (403,227)          | -                  | -           | (6,554,966)          |
| Total Accumulated Depreciation/amortization  | <u>(67,183,522)</u>  | <u>(6,367,348)</u> | <u>3,791,248</u>   | -           | <u>(69,759,622)</u>  |
| Construction in progress                     | <u>185,371</u>       | <u>115,262</u>     | -                  | -           | <u>300,633</u>       |
| Net Transit System Plant                     | <u>\$ 40,819,706</u> |                    |                    |             | <u>\$ 41,216,850</u> |

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

The following is a schedule of transfer balances as of December 31, 2017 and 2016:

| To    | From            | 2017         |                           | 2016        |                           |
|-------|-----------------|--------------|---------------------------|-------------|---------------------------|
|       |                 | Amount       | Principal Purpose         | Amount      | Principal Purpose         |
| Metro | City of Madison | \$10,562,056 | City operating<br>subsidy | \$6,252,167 | City operating<br>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<br>Issue | Final<br>Maturity | Interest<br>Rates | Original<br>Amount | Amount<br>Outstanding<br>12/31/17 |
|-----------------|------------------|-------------------|-------------------|--------------------|-----------------------------------|
| Promissory Note | 10-1-09          | 10-1-19           | 0.90 – 4.35%      | \$ 805,000         | \$ 160,923                        |
| Promissory Note | 10-19-10         | 10-19-20          | 2.00 – 3.75%      | 97,890             | 48,945                            |
| Promissory Note | 10-1-11          | 10-1-21           | 0.45 – 5.00%      | 1,709,900          | 683,909                           |
| Promissory Note | 10-1-12          | 10-1-22           | 2.00 – 4.00%      | 1,108,275          | 554,068                           |
| Promissory Note | 10-1-14          | 10-1-24           | 2.00 – 5.00%      | 2,246,495          | 1,572,394                         |
| Promissory Note | 10-1-15          | 10-1-25           | 2.00 – 3.00%      | 2,631,128          | 2,045,285                         |
| Promissory Note | 10-1-16          | 10-1-26           | .50 – 4.00%       | 3,047,826          | 2,625,315                         |
| Promissory Note | 10-1-17          | 10-1-27           | 2.00 – 4.00%      | 2,025,110          | 2,025,110                         |
| Total           |                  |                   |                   |                    | <u>\$ 9,715,949</u>               |

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

| Year          | 10-1-09           |                 | 10-19-10         |                 | 10-1-11           |                  | 10-1-12           |                  | 10-1-14             |                   | 10-01-15            |                   |
|---------------|-------------------|-----------------|------------------|-----------------|-------------------|------------------|-------------------|------------------|---------------------|-------------------|---------------------|-------------------|
|               | Principal         | Interest        | Principal        | Interest        | Principal         | Interest         | Principal         | Interest         | Principal           | Interest          | Principal           | Interest          |
| 2018          | \$ 80,462         | \$ 4,406        | \$ 16,315        | \$ 1,087        | \$ 170,977        | \$ 30,776        | \$ 110,814        | \$ 19,947        | \$ 224,628          | \$ 58,403         | \$ 255,858          | \$ 61,358         |
| 2019          | 80,461            | 2,249           | 16,335           | 769             | 170,978           | 22,227           | 110,814           | 15,514           | 224,628             | 51,664            | 255,632             | 53,683            |
| 2020          | -                 | -               | 16,295           | 397             | 170,977           | 13,678           | 110,814           | 11,081           | 224,628             | 44,926            | 255,633             | 46,014            |
| 2021          | -                 | -               | -                | -               | 170,977           | 6,839            | 110,813           | 6,649            | 224,628             | 35,940            | 255,632             | 38,345            |
| 2022          | -                 | -               | -                | -               | -                 | -                | 110,813           | 3,324            | 224,628             | 24,709            | 255,633             | 30,676            |
| 2023          | -                 | -               | -                | -               | -                 | -                | -                 | -                | 224,627             | 15,724            | 255,632             | 23,007            |
| 2024          | -                 | -               | -                | -               | -                 | -                | -                 | -                | 224,627             | 6,739             | 255,633             | 15,338            |
| 2025          | -                 | -               | -                | -               | -                 | -                | -                 | -                | -                   | -                 | 255,632             | 7,669             |
| 2026          | -                 | -               | -                | -               | -                 | -                | -                 | -                | -                   | -                 | -                   | -                 |
| 2027          | -                 | -               | -                | -               | -                 | -                | -                 | -                | -                   | -                 | -                   | -                 |
| <b>Totals</b> | <b>\$ 160,923</b> | <b>\$ 6,655</b> | <b>\$ 48,945</b> | <b>\$ 2,253</b> | <b>\$ 683,909</b> | <b>\$ 73,520</b> | <b>\$ 554,068</b> | <b>\$ 56,515</b> | <b>\$ 1,572,394</b> | <b>\$ 238,105</b> | <b>\$ 2,045,285</b> | <b>\$ 276,090</b> |

| Year          | 10-01-16            |                   | 10-01-17           |                   | Total               |                     |
|---------------|---------------------|-------------------|--------------------|-------------------|---------------------|---------------------|
|               | Principal           | Interest          | Principal          | Interest          | Principal           | Interest            |
| 2018          | \$ 418,469          | \$ 61,589         | \$ 202,511         | \$ 62,044         | \$ 1,480,034        | \$ 299,610          |
| 2019          | 275,879             | 61,379            | 202,511            | 59,234            | 1,337,238           | 266,719             |
| 2020          | 275,879             | 57,931            | 202,511            | 53,159            | 1,256,737           | 227,186             |
| 2021          | 275,879             | 49,655            | 202,511            | 45,059            | 1,240,440           | 182,487             |
| 2022          | 275,879             | 44,137            | 202,511            | 36,958            | 1,069,464           | 139,804             |
| 2023          | 275,879             | 33,102            | 202,511            | 28,858            | 958,649             | 100,691             |
| 2024          | 275,879             | 22,066            | 202,511            | 20,757            | 958,650             | 64,900              |
| 2025          | 275,879             | 11,031            | 202,511            | 12,657            | 734,022             | 31,357              |
| 2026          | 275,693             | 5,514             | 202,511            | 8,607             | 478,204             | 14,121              |
| 2027          | -                   | -                 | 202,511            | 4,355             | 202,511             | 4,355               |
| <b>Totals</b> | <b>\$ 2,625,315</b> | <b>\$ 346,404</b> | <b>\$2,025,110</b> | <b>\$ 331,688</b> | <b>\$ 9,715,949</b> | <b>\$ 1,331,230</b> |

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

#### ***DEBT REFUNDING***

On October 1, 2016 the municipality, on behalf of Metro, issued \$289,223 in bonds with an interest rate of .50-4.00 percent to refund \$284,000 of outstanding bonds with an interest rate of 3.82 percent. The net proceeds along with the existing funds of Metro were used to prepay the outstanding debt.

The cash flow requirements on the old bonds prior to the advance refunding was \$302,247 from 2017 through 2018. The cash flow requirements on the new bonds are \$291,451 from 2017 through 2018. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new bonds) of \$10,796.

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

The city has advanced the following to Metro from the debt service fund:

| Date                | Purpose                                | Final<br>Maturity   | Interest Rates | Original<br>Amount | Amount<br>Outstanding<br>12/31/17 |
|---------------------|--|---------------------|----------------|--------------------|-----------------------------------|
| October 19,<br>2010 | Pay off WRS Prior<br>Service Liability | October 19,<br>2024 | 0.55 - 4.00%   | \$4,333,711        | \$2,827,073                       |

Advance from other funds debt service requirements to maturity follows:

| Year   | Principal          | Interest          | Total               |
|--------|--------------------|-------------------|---------------------|
| 2018   | \$ 300,791         | \$ 103,517        | \$ 404,308          |
| 2019   | 330,332            | 94,493            | 424,825             |
| 2020   | 362,560            | 83,757            | 446,317             |
| 2021   | 398,368            | 71,068            | 469,436             |
| 2022   | 436,863            | 56,527            | 493,390             |
| 2023   | 477,147            | 39,926            | 517,073             |
| 2024   | 521,012            | 20,841            | 541,853             |
| Totals | <u>\$2,827,073</u> | <u>\$ 470,129</u> | <u>\$ 3,297,202</u> |

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

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Metro's long-term obligations activity for the years ended December 31, 2017 and 2016 is as follows:

|  | Balance<br>1/1/17 | Additions    | Reductions   | Balance<br>12/31/17 | Due Within<br>One Year |
|--|-------------------|--------------|--------------|---------------------|------------------------|
| General obligation notes                 | \$ 9,009,216      | \$ 2,025,110 | \$ 1,318,377 | \$ 9,715,949        | \$ 1,480,034           |
| Advance from other funds                 | 3,101,902         | -            | 274,829      | 2,827,073           | 300,791                |
| Retiree health insurance<br>escrow       | 1,561,845         | 431,195      | 479,526      | 1,513,514           | 418,513                |
| Accrued sick leave                       | 3,648,344         | 1,259,901    | 1,075,941    | 3,832,304           | 303,566                |
| Deposits from other<br>governments       | 512,153           | 207,737      | 193,347      | 526,543             | -                      |
| Net pension liability                    | 3,065,279         | -            | 1,529,890    | 1,535,389           | -                      |
| Unfunded OPEB liability                  | 4,839,318         | 565,862      | -            | 5,405,180           | -                      |
| Unearned revenue-land and<br>tower lease | 63,297            | -            | 23,376       | 39,921              | 16,004                 |
| Totals                                   | \$ 25,801,354     | \$ 4,296,458 | \$ 3,372,600 | \$ 25,395,873       | \$ 2,518,908           |
|  |                   |              |              |                     |                        |
|  | Balance<br>1/1/16 | Additions    | Reductions   | Balance<br>12/31/16 | Due Within<br>One Year |
| General obligation notes                 | \$ 7,359,410      | \$ 3,047,826 | \$ 1,398,020 | \$ 9,009,216        | \$ 1,318,375           |
| Advance from other funds                 | 3,353,456         | -            | 251,554      | 3,101,902           | 274,829                |
| Retiree health insurance<br>escrow       | 1,639,640         | 422,740      | 500,535      | 1,561,845           | 480,350                |
| Accrued sick leave                       | 3,600,822         | 1,249,030    | 1,201,508    | 3,648,344           | 119,605                |
| Deposits from other<br>governments       | 490,715           | 413,518      | 392,080      | 512,153             | -                      |
| Net pension liability                    | -                 | 3,065,279    | -            | 3,065,279           | -                      |
| Unfunded OPEB liability                  | 4,285,850         | 553,468      | -            | 4,839,318           | -                      |
| Unearned revenue-land and<br>tower lease | 84,280            | -            | 20,983       | 63,297              | 23,377                 |
| Totals                                   | \$ 20,814,173     | \$ 8,359,781 | \$ 3,372,600 | \$ 25,801,354       | \$ 2,216,536           |



# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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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 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.

The following are the operating subsidies for the years 2017 and 2016:

|   | 2017         | 2016         |
|---|--------------|--------------|
| Federal   | \$ 6,582,042 | \$ 6,331,736 |
| Federal operating grant pass-through to sub recipient | (286,106)    | (155,788)    |
| State   | 17,414,239   | 17,370,419   |
| Other state subsidies                                 | -            | 9,475        |
| Local public subsidies                                | 4,046,352    | 3,713,717    |
| City of Madison                                       | 10,562,056   | 6,252,167    |

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, 2017 and 2016

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

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.

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

|           | University<br>Research Park | North Park &<br>Ride Lot | Total     |
|-----------|-----------------------------|--------------------------|-----------|
| 2018      | \$ 7,133                    | \$ 14,926                | \$ 22,059 |
| 2019      | 3,595                       | -                        | 3,595     |
| 2020      | 3,336                       | -                        | 3,336     |
| 2021      | 3,096                       | -                        | 3,096     |
| 2022      | 2,872                       | -                        | 2,872     |
| 2023-2027 | 11,018                      | -                        | 11,018    |
|           | \$ 31,050                   | \$ 14,926                | \$ 45,976 |

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

#### **NOTE 7 – EMPLOYEES’ RETIREMENT SYSTEM**

##### **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 (CAFR), which can be bound 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.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

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

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) 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.

**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:

| <u>Year</u> | <u>Core Fund<br/>Adjustment</u> | <u>Variable Fund<br/>Adjustment</u> |
|-------------|---------------------------------|-------------------------------------|
| 2007        | 3.0%                            | 10%                                 |
| 2008        | 6.6                             | 0                                   |
| 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)                                 |

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

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

**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 \$1,823,003 and \$1,838,382 in contributions from Metro during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2017 and December 31, 2016 are:

|  | 2017     |          | 2016     |          |
|--|----------|----------|----------|----------|
|  | Employee | Employer | Employee | Employer |
| General (including Executives and Elected Officials) | 6.8%     | 6.8%     | 6.6%     | 6.6%     |
| Protective with Social Security                      | 6.8%     | 10.6%    | 6.6%     | 9.4%     |
| Protective without Social Security                   | 6.8%     | 14.9%    | 6.6%     | 13.2%    |

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

At December 31, 2017, Metro reported a liability (asset) of \$1,535,389 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the City’s proportion was 1.636172550%, which was an increase of .03798899% from its proportion measured as of December 31, 2015.

At December 31, 2016, Metro reported a liability (asset) of \$3,065,279 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015, the City’s proportion was 1.598183560%, which was an increase of .01179767% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2017, and 2016 Metro recognized pension expense of \$3,789,483 and \$3,688,518.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

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

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

|   | 2017                                 |                                     | 2016                                 |                                     |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience  | \$ 603,134                           | \$ 5,057,113                        | \$ 517,885                           | \$ 6,450,828                        |
| Changes in assumption   | 1,681,258                            | -                                   | 2,144,603                            | -                                   |
| Net differences between project and actual earnings on pension plan   | 8,084,878                            | -                                   | 12,547,883                           | -                                   |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | -                                    | 87,545                              | -                                    | 38,561                              |
| Employer contributions subsequent to the measurement date   | <u>1,918,887</u>                     | <u>-</u>                            | <u>1,823,003</u>                     | <u>-</u>                            |
| Total   | <u>\$ 12,288,157</u>                 | <u>\$ 5,144,658</u>                 | <u>\$ 17,033,374</u>                 | <u>\$ 6,489,389</u>                 |

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:

| <u>Year Ended December 31</u> |                     |
|-------------------------------|---------------------|
| 2018                          | \$ 2,134,443        |
| 2019                          | 2,134,443           |
| 2020                          | 1,452,327           |
| 2021                          | (498,694)           |
| 2022                          | 2,093               |
| Thereafter                    | <u>-</u>            |
| Total                         | <u>\$ 5,224,612</u> |

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

***Pension Liabilities, Pension Expense, and 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:

|   | 2017                           | 2016                           |
|---|--------------------------------|--------------------------------|
| Actuarial valuation date                          | December 31, 2015              | December 31, 2014              |
| Measurement date of net pension liability (asset) | December 31, 2016              | December 31, 2015              |
| Actuarial cost method                             | Entry age                      | Entry age                      |
| Asset valuation method                            | Fair market value              | Fair market value              |
| Long-term expected rate of return                 | 7.2%                           | 7.2%                           |
| Discount rate                                     | 7.2%                           | 7.2%                           |
| Salary increases                                  |                                |                                |
| Inflation   | 3.2%                           | 3.2%                           |
| Seniority/Merit                                   | 0.2% - 5.6%                    | 0.2% - 5.6%                    |
| Mortality   | Wisconsin 2012 Mortality Table | Wisconsin 2012 Mortality Table |
| Post-retirement adjustments                       | 2.1%                           | 2.1%                           |

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions used in the December 31, 2015 actuarial valuation are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

Actuarial assumptions used in the December 31, 2014 actuarial valuation are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

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***Pension Liabilities, Pension Expense, and 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, 2017 are summarized in the following table:

| <u>Core Fund Asset Class</u>     | <u>Current Asset Allocation %</u> | <u>Destination Target Asset Allocation %</u> | <u>Long-Term Expected Nominal Rate of Return %</u> | <u>Long-Term Expected Real Rate of Return %</u> |
|----------------------------------|-----------------------------------|--|--|---|
| Global Equities                  | 50%                               | 45%  | 8.3%   | 5.4%  |
| Fixed Income                     | 24.5                              | 37   | 4.24   | 1.4   |
| Inflation Sensitive Assets       | 15.5                              | 20   | 4.3  | 1.5   |
| Real Estate                      | 8                                 | 7  | 6.5  | 3.6   |
| Private Equity/Debt              | 7                                 | 7  | 9.4  | 6.5   |
| Multi-Asset                      | 4                                 | 4  | 6.6  | 3.7   |
| Total Core Fund                  | 110                               | 120  | 7.4  | 4.5   |
| <u>Variable Fund Asset Class</u> |                                   |  |  |   |
| U.S Equities                     | 70                                | 70   | 7.6  | 4.7   |
| International Equities           | 30                                | 30   | 8.5  | 5.6   |
| Total Variable Fund              | 100                               | 100  | 7.9  | 5.0   |

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75%.

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

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#### ***Pension Liabilities, Pension Expense, and 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, 2016 are summarized in the following table:

| <u>Core Fund Asset Class</u>     | Current Asset<br>Allocation % | Destination<br>Target Asset<br>Allocation % | Long-Term<br>Expected<br>Nominal Rate<br>of Return % | Long-Term<br>Expected<br>Real Rate of<br>Return % |
|----------------------------------|-------------------------------|---|--|---|
| U.S. Equities                    | 27%                           | 23%   | 7.6%   | 4.7%  |
| International Equities           | 24.5                          | 22  | 8.5  | 5.6   |
| Fixed Income                     | 27.5                          | 37  | 4.4  | 1.6   |
| Inflation Sensitive Assets       | 10                            | 20  | 4.2  | 1.4   |
| Real Estate                      | 7                             | 7   | 6.5  | 3.6   |
| Private Equity/Debt              | 7                             | 7   | 9.4  | 6.5   |
| Multi-Asset                      | 4                             | 4   | 6.7  | 3.8   |
| Total Core Fund                  | 107                           | 120   | 7.4  | 4.5   |
| <u>Variable Fund Asset Class</u> |                               |   |  |   |
| U.S. Equities                    | 70                            | 70  | 7.6  | 4.7   |
| International Equities           | 30                            | 30  | 8.5  | 5.6   |
| Total Variable Fund              | 100                           | 100   | 7.9  | 5.0   |

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75%.

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

**Single discount rate.** A single discount rate of 7.20% was used to measure the total pension liability as of December 31, 2017 and December 31, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.78% in 2017 and 3.56% in 2016. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% 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.



# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

***Pension Liabilities, Pension Expense, and 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 Metro’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what Metro’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

The sensitivity analysis as of December 31, 2017 follows:

| Metro’s proportionate share of the net position liability (asset) | 1% Decrease<br>to Discount<br>Rate (6.20%) | Current Discount<br>Rate (7.20%) | 1% Increase to<br>Discount Rate<br>(8.20%) |
|---|--|----------------------------------|--|
| December 31, 2017   | \$ 20,225,488                              | \$ 1,535,389                     | \$ (12,853,273)                            |
| December 31, 2016   | 21,499,926                                 | 3,065,279                        | (11,332,509)                               |

***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, 2017 and 2016

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

The city's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the city's annual OPEB cost for 2017 and 2016:

|   | Entire City   |               | Metro        |              |
|---|---------------|---------------|--------------|--------------|
|   | 2017          | 2016          | 2017         | 2016         |
| Annual OPEB Cost                        | \$ 7,293,602  | \$ 7,440,559  | \$ 1,435,590 | \$ 1,261,692 |
| Contributions made                      | 2,625,538     | 3,920,347     | 869,728      | 708,224      |
| Increase in net OPEB obligation         | 4,668,064     | 3,520,212     | 565,862      | 553,468      |
| Net OPEB Obligation - Beginning of Year | 32,933,461    | 29,413,249    | 4,839,318    | 4,285,850    |
| Net OPEB Obligation - End of Year       | \$ 37,601,525 | \$ 32,933,461 | \$ 5,405,180 | \$ 4,839,318 |

The city's and Metro's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB liability for 2017, 2016 and 2015 were as follows:

| <b>City</b>       |                  |  |                    |
|-------------------|------------------|--|--------------------|
| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Liability |
| December 31, 2017 | \$ 7,293,602     | 36%  | \$ 37,601,525      |
| December 31, 2016 | \$ 7,440,559     | 53%  | \$ 32,933,461      |
| December 31, 2015 | \$ 6,808,834     | 43%  | \$ 29,413,249      |
| <b>Metro</b>      |                  |  |                    |
| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Liability |
| December 31, 2017 | \$ 1,435,590     | 61%  | \$ 5,405,180       |
| December 31, 2016 | \$ 1,261,692     | 56%  | \$ 4,839,318       |
| December 31, 2015 | \$ 1,294,541     | 55%  | \$ 4,285,850       |

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

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The funded status of the plan (for the entire city) as of December 31, 2017, the most recent actuarial valuation date, was as follows:

|   |                       |
|---|-----------------------|
| Actuarial accrued liability (AAL)                 | \$ 62,674,237         |
| Actuarial value of plan assets                    | <u>-</u>              |
| Unfunded Actuarial Accrued Liability (UAAL)       | <u>\$ 62,674,237</u>  |
| Funded ratio (actuarial value of plan assets/AAL) | <u>0.0%</u>           |
| Covered payroll (active plan members)             | <u>\$ 190,626,255</u> |
| UAAL as a percentage of covered payroll           | <u>32.9%</u>          |

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return and an annual healthcare cost trend rate of 8.0% for 2018, reduced by decrements to an ultimate rate of 4.5% for 2025 and beyond. Both rates include a 3.0% inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level dollar over 30 years based on an open group.

Please see the City of Madison basic financial statements for the required supplemental schedule of funding progress.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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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 health care 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 self-insured for workers' compensation claims. Metro is partially self-funded and participates in a public entity risk pool to provide coverage for liability and transit system property losses.

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 the Local Government Property Insurance Fund.

#### ***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 2017, 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 2017, 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.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

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

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Metro's share of TMi is 41.00% 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 January of 2013 the Transit and Parking Commission approved a contract with Gillig Corp. for the purchase of up to 80 buses over a six-year period. As of December 31, 2017, 65 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.

**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, 2017

| 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) |
|--------------------|---|--|-----------------|---|--|
| 12/31/17           | 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, 2017

| 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 |
|--------------------|--------------------------------------|---|----------------------------------|-----------------|--|
| 12/31/17           | \$ 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%  |

**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, 2017 and 2016

| <b>OPERATING REVENUES</b>                    | <u>2017</u>                | <u>2016</u>                |
|--|----------------------------|----------------------------|
| Passenger Fares for Transit Services         |                            |                            |
| Farebox                                      | \$ 1,607,055               | \$ 1,592,548               |
| Adult 10 ride and 2 ride passes              | 783,824                    | 806,109                    |
| Youth 10 ride and 2 ride passes              | 262,305                    | 250,001                    |
| Senior & disabled passes                     | 650,021                    | 626,753                    |
| Adult 31 day passes                          | 1,328,197                  | 1,242,398                  |
| Easy rider passes                            | 386,515                    | 410,200                    |
| MMSD passes                                  | 1,430,127                  | 1,413,537                  |
| Summer youth passes                          | 54,615                     | 71,736                     |
| UW ASM unlimited ride pass                   | 3,627,750                  | 3,684,755                  |
| UW Staff unlimited ride pass                 | 2,002,062                  | 1,993,660                  |
| Edgewood College unlimited ride pass         | 64,744                     | 75,643                     |
| Madison College unlimited ride pass          | 428,791                    | 456,802                    |
| City of Madison Employee unlimited ride pass | 181,328                    | 165,145                    |
| St Marys Hospital unlimited ride pass        | 39,060                     | 35,945                     |
| Meriter Hospital unlimited ride pass         | 25,709                     | 22,338                     |
| Dane County unlimited ride pass              | 47,436                     | 39,690                     |
| Commuter Pass unlimited ride pass            | 243,430                    | 221,997                    |
| Total Passenger Fares for Transit Service    | <u>13,162,969</u>          | <u>13,109,257</u>          |
| Other Operating Revenues                     |                            |                            |
| Advertising revenue                          | 632,037                    | 595,626                    |
| Sale of buses, scrap and parts               | 38,610                     | 39,101                     |
| Miscellaneous                                | 28,355                     | 30,026                     |
| Dane County - MA Waiver                      | 4,066,535                  | 3,975,658                  |
| Dane County - Elderly & Handicapped          | 165,012                    | 165,012                    |
| Dane County - Group Access Service           | 182,970                    | 176,891                    |
| Dane County - Group RSVP Service             | 116,765                    | 130,489                    |
| Dane County - Exceptional Rides              | 90,641                     | 86,711                     |
| Dane County - Highway (Marketing)            | 19,280                     | 19,280                     |
| Total Other Operating Revenues               | <u>5,340,205</u>           | <u>5,218,794</u>           |
| Total Operating Revenues                     | <u>18,503,174</u>          | <u>18,328,051</u>          |
| <b>OPERATING EXPENSES</b>                    |                            |                            |
| Operation and Maintenance Expenses           |                            |                            |
| Employee compensation and benefits           |                            |                            |
| Salaries and wages                           | 29,071,002                 | 28,318,863                 |
| Pensions and benefits                        | 14,513,467                 | 14,559,131                 |
| Total Employee Compensation and Benefits     | <u>43,584,469</u>          | <u>42,877,994</u>          |
| Materials and supplies                       | 5,430,356                  | 5,919,000                  |
| Purchased services                           | 9,131,812                  | 8,558,997                  |
| Interagency charges                          | 333,570                    | 326,851                    |
| Total Operation and Maintenance Expenses     | <u>58,480,207</u>          | <u>57,682,842</u>          |
| Depreciation expense                         | 6,478,867                  | 6,367,349                  |
| Total Operating Expenses                     | <u>64,959,074</u>          | <u>64,050,191</u>          |
| <br>NET OPERATING LOSS                       | <br><u>\$ (46,455,900)</u> | <br><u>\$ (45,722,140)</u> |

## METRO TRANSIT SYSTEM

### DETAILED SCHEDULE OF REVENUES AND EXPENSES - REGULATORY BASIS December 31, 2017 and 2016

|   |  | <u>2017</u>           |    | <u>2016</u>        |
|---|--|-----------------------|----|--------------------|
| <b>REVENUES</b>                         |  |                       |    |                    |
| 401.00                                  | Passenger fares for transit service  | \$ 13,162,969         | \$ | 13,109,257         |
| 402.00                                  | Special transit fares - New Year's Eve contributions and other                   | -                     |    | 15,000             |
| 402.10                                  | Service charges, NSF charges, etc.   | 28,355                |    | 15,026             |
| 406.00                                  | Auxiliary transportation revenue - advertising                                   | 632,037               |    | 595,626            |
| 407.10                                  | Contra-expense for sale of buses, scrap and parts                                | 38,610                |    | 39,101             |
| 409.10                                  | Local public subsidies   | 4,046,352             |    | 3,713,717          |
| 409.30                                  | City of Madison operating subsidy  | 10,562,056            |    | 6,252,167          |
| 409.40                                  | Dane County specialized transportation programs                                  | 4,641,203             |    | 4,554,041          |
| 411.00                                  | State cash grants and reimbursements   | 17,414,239            |    | 17,379,894         |
| 413.00                                  | Federal cash grants and reimbursements   | 6,582,042             |    | 6,327,918          |
|   | Federal subsidies pass-through to sub recipient                                  | (286,106)             |    | (155,788)          |
|   | Non Federal Transit Cluster revenues   | -                     |    | 3,818              |
|   | Total Eligible Revenues  | <u>56,821,757</u>     |    | <u>51,849,777</u>  |
| <b>EXPENSES - BY OBJECT CLASS TOTAL</b> |  |                       |    |                    |
| 501.01                                  | Operators' salaries and wages  | 18,425,175            |    | 17,992,540         |
| 501.02                                  | Other salaries and wages   | 9,943,236             |    | 9,540,198          |
| 502.00                                  | Fringe benefits  | 15,308,920            |    | 15,450,736         |
| 503.00                                  | Services   | 1,181,801             |    | 1,232,220          |
| 504.01                                  | Fuel and lubricants  | 3,211,043             |    | 3,742,268          |
| 504.02                                  | Tires and tubes  | 235,980               |    | 221,910            |
| 504.99                                  | Other materials and supplies   | 1,911,648             |    | 1,870,855          |
| 505.00                                  | Utilities  | 510,324               |    | 470,557            |
| 506.00                                  | Casualty and liability costs   | 1,311,872             |    | 1,056,716          |
| 508.00                                  | Purchased transportation   | 5,585,594             |    | 5,289,532          |
| 509.00                                  | Miscellaneous expense  | 143,540               |    | 136,569            |
| 511.00                                  | Interest expense   | 385,859               |    | 385,874            |
| 512.00                                  | Leases and rentals   | 377,505               |    | 351,887            |
| 513.00                                  | Depreciation   | 6,478,867             |    | 6,367,349          |
|   | Less: Ineligible depreciation on fixed assets                                    | (6,478,867)           |    | (6,367,349)        |
| 516.00                                  | Other Reconciling Items  | 333,570               |    | 508,287            |
|   | Total Eligible Expenses  | <u>58,866,067</u>     |    | <u>58,250,149</u>  |
|   | NET INCOME (excluding capital contributions and depreciation<br>on fixed assets) | <u>\$ (2,044,310)</u> | \$ | <u>(6,400,372)</u> |

## METRO TRANSIT SYSTEM

### RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL RECOGNIZED REVENUES AND EXPENSES For the Year Ended December 31, 2017

|   |    | Per WisDOT Guidelines |
|---|----|-----------------------|
| Revenues including subsidies and operating transfer           | \$ | 56,821,757            |
| Less: Non-recognized revenues                                 |    |                       |
| City operating transfer                                       | \$ | 10,562,056            |
| Local public subsidies  |    | 4,046,352             |
| Dane County specialized transportation programs               |    | 4,641,203             |
| Other federal subsidy   |    | 6,582,042             |
| State operating subsidy                                       |    | 17,414,239            |
| Nontransportation revenues                                    |    |                       |
| Sale of buses, scrap and parts                                |    | 38,610                |
| Service charges, NSF charges, etc.                            |    | 28,355                |
| Total Non-Recognized Revenues                                 |    | <u>43,312,857</u>     |
| WisDOT Eligible Operating Revenues                            | \$ | <u>13,508,900</u>     |
| Total Expenses per statement including interest expense       | \$ | 65,344,933            |
| Add: Fixed assets eligible for operating assistance           |    | -                     |
| Total Expenses  | \$ | <u>65,344,933</u>     |
| Less: Non-recognized expenses                                 |    |                       |
| Depreciation  |    | 6,478,867             |
| Interest expense  |    | 385,859               |
| Offset of scrap sales and miscellaneous reimbursements        |    | 66,965                |
| Capital Maintenance Grant @ 100%                              |    | 7,733,640             |
| Leases and rentals  |    | 204,431               |
| Interagency indirect charges without approved allocation plan |    | 511,751               |
| Total WisDOT Non-Recognized Expenses                          |    | <u>15,381,513</u>     |
| WisDOT Eligible Operating Expenses                            | \$ | <u>49,963,420</u>     |
| WisDOT Recognized Deficit                                     | \$ | (36,454,520)          |
| Less Operating revenues ineligible for federal assistance:    |    |                       |
| Advertising revenue   |    | 632,037               |
| Federal Recognized Deficit                                    | \$ | <u>(35,822,483)</u>   |

## METRO TRANSIT SYSTEM

### COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS For the Year Ended December 31, 2017

#### STATE FUNDS

|   |                      |                      |
|---|----------------------|----------------------|
| WisDOT Recognized Deficit                 |                      | <u>\$ 36,454,520</u> |
| WisDOT Contract Amount*                   |                      | <u>\$ 17,414,239</u> |
| City of Madison and Other Local Subsidies | <u>\$ 14,608,408</u> |                      |
| 5 Times Operating Subsidy                 |                      | <u>\$ 73,042,040</u> |
| State Share - Least of the Three          |                      | <u>\$ 17,414,239</u> |

#### FEDERAL FUNDS

|  | <u>Eligible Costs</u> | <u>Federal Share</u> |
|--|-----------------------|----------------------|
| Capital maintenance                    |                       |                      |
| Grant WI 900573                        | \$ 171,310            | \$ 137,048           |
| Grant WI 2017-028                      | \$ 7,562,330          | \$ 6,049,864         |
| Enhanced Mobility                      |                       |                      |
| STP                                    | \$ 59,037             | 59,037               |
| Grant WI 160005                        | \$ 10,217             | 10,217               |
| Grant WI 2016-040                      | \$ 16,091             | 12,873               |
| Grant WI 2016-040                      | \$ 53,432             | 53,432               |
| Grant WI 2017-010                      | \$ 69,740             | 55,792               |
| Grant WI 2017-010                      | \$ 186,787            | 186,787              |
| Costs accrued - grant to be identified |                       | 16,992               |
| Total federal operating revenue        |                       | <u>\$ 6,582,042</u>  |

\*This portion was 100% federally funded

#### SUMMARY OF FUNDING (2017 only)

|                             | <u>Received<br/>in 2017</u> | <u>Receivable<br/>12/31/17</u> | <u>Totals</u>        |
|-----------------------------|-----------------------------|--------------------------------|----------------------|
| Federal Capital Maintenance | \$ 4,236,206                | \$ 2,345,836                   | \$ 6,582,042         |
| State Funds                 | 17,414,239                  | -                              | 17,414,239           |
| Local Public Subsidies      | 4,046,352                   | -                              | 4,046,352            |
| City of Madison             | <u>10,562,056</u>           | -                              | <u>10,562,056</u>    |
| Total Funding               | <u>\$ 36,258,853</u>        | <u>\$ 2,345,836</u>            | <u>\$ 38,604,689</u> |

\*WisDOT Contract Amount includes \$16,868,000 from the 2017 Urban Mass Transit Operating Assistance Contract and \$546,239 from the 2017 Paratransit Aids Contract.