

# **METRO TRANSIT SYSTEM**

An Enterprise Fund of the  
City of Madison, Wisconsin

## **FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2012 and 2011

## 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, 2012 and 2011

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Common Council  
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, Wisconsin, as of and for the years ended December 31, 2012 and 2011, 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 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 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, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Common Council  
Metro Transit System

***Emphasis of Matters***

As discussed in Note 1, the financial statements present only Metro Transit System enterprise fund and do not purport to, and do not present fairly the financial position of the City of Madison, Wisconsin, as of December 31, 2012 and 2011 and the changes in its financial position and its cash flows 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.

As discussed in the Note 1, Metro Transit System adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective January 1, 2012. Our opinion is not modified with respect to this matter.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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. Management has elected to include more information in the Management's Discussion and Analysis than is required by the standards. 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.

Metro Transit System has not presented the Schedule of Funding Progress for the post employment benefit program that accounting principles generally accepted in the United States require to supplement, although not be part of, the financial statements. We note that this information is included in the City of Madison's financial statements. Our opinion is not affected by the omission of this information

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

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

In accordance with Government Auditing Standards, we have issued our report dated June 18, 2013 on our consideration of Metro Transit System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Metro Transit System's internal control over financial reporting and compliance.

*Baker Tully Vorse & Krause, LLP*

Madison, Wisconsin  
June 18, 2013

# 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, 2012 and 2011.

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 237,433 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 RSVP 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, MATC, Edgewood College, St. Mary's and Meriter Hospitals and the City of Madison.

### **Annual Overview**

Bus ridership dropped about 2% in 2012, after an 11 year stretch of increases from 10 million in 2000 to 14.6 million rides in 2012. This was driven by a 10% cut in campus service, without which all remaining routes continued to show an increase of about 2%. This reflects an underlying growth in demand for transit consistent with national ridership growth trends due to high fuel prices, higher demand by those aged 19-34 who are driving a trend of vehicle miles travelled (VMT) downwards for the first time since WWII, and growing environmental and land use concerns where transit is increasingly viewed as part of the solution.

Safety and security continued to be a focus at Metro. After a steady increase in security incidents at the West Transfer Point, additional funding was secured for police coverage there in the afternoon hours after school. The accompanying chart shows that progress was made in reducing the incidents, but staff is committed to reducing the level further as there is still an unacceptable level of disruptive behavior impacting transit use in our community.

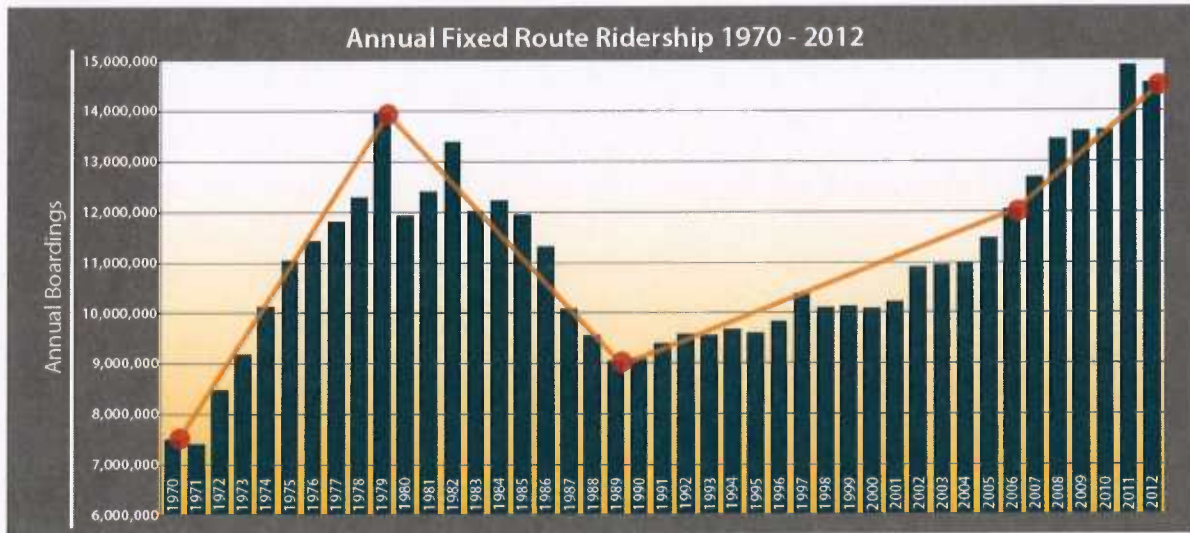
A record number of transit-related studies were underway during 2012, including an update to the 5 year Transit Development Plan, a bus rapid transit corridor study, a city facility study that includes a satellite bus garage in the mix, and more. Never have there been so many studies pointing toward such significant public infrastructure investment needs with so little money actually available. All of these plans are generating discussion about the need for a

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

new transit funding structure, most likely to be addressed through a Regional Transit Authority or District, as all of Metro Transit's peers have already done. Such a strategy requires enabling legislation at the state level, and efforts are underway to accomplish this.

Metro Transit was recognized as the "Best Mid-Size Transit System in North America" at the annual American Public Transit Association meeting in Seattle, WA in the fall. Metro was informed of the decision in early summer and had a ceremony in August for employees, riders, and community leaders. Contributing factors in APTA's decision included steady increases in ridership over the past 20 years, improved fuel economy due to hybrid buses being introduced into the fleet, and major improvements in customer service through online trip planning and smart phone bus apps with real-time arrival information. This type of award can only be achieved through a commitment by Metro employees to providing safe, reliable, and attractive service to the Madison area community.

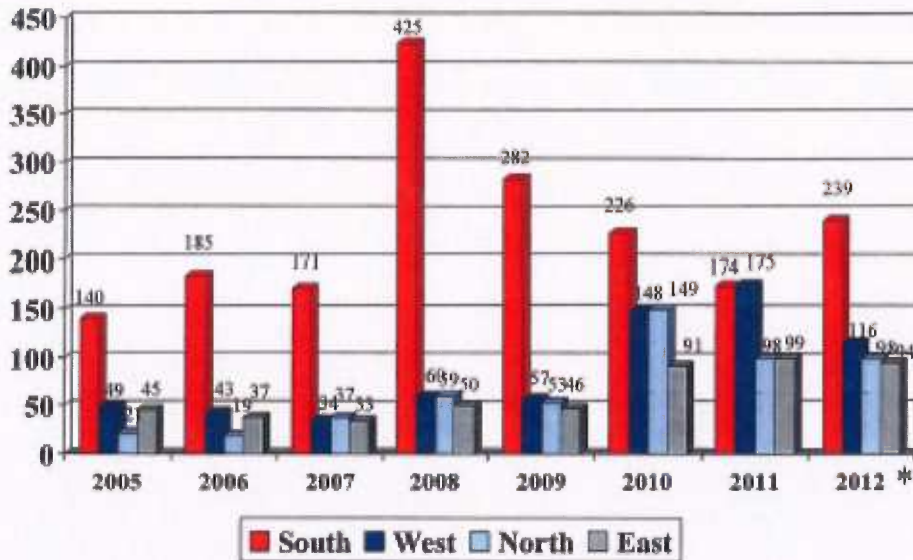


# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Madison Police Department Calls for Service Incident Analysis at Metro Transfer Points

(\* 2012 data through 12/03/12)



### 2012 Financial Highlights

A breakdown of revenues and expenses by mode is shown in the following chart.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Madison Metro Transit  
Income Statement - Budget Basis  
For the Year Ended December 31, 2012

	All Modes		Fixed Route		Paratransit	
	Actual	Budget	Actual	Budget	Actual	Budget
<b>Revenue</b>						
Farebox	\$ 1,504,750	\$ 1,385,700	\$ 1,482,583	\$ 1,357,100	\$ 22,166	\$ 28,600
Passes & Tickets	\$ 4,627,230	\$ 4,589,200	\$ 4,370,361	\$ 4,311,500	\$ 256,869	\$ 277,700
Unlimited Ride Programs	\$ 6,148,614	\$ 6,085,400	\$ 6,117,867	\$ 6,051,400	\$ 30,747	\$ 34,000
<b>Passenger Revenue</b>	<b>\$ 12,280,594</b>	<b>\$ 12,060,300</b>	<b>\$ 11,970,811</b>	<b>\$ 11,720,000</b>	<b>\$ 309,782</b>	<b>\$ 340,300</b>
County Programs	\$ 3,516,319	\$ 3,530,000	\$ 19,280	\$ 19,280	\$ 3,497,039	\$ 3,510,720
Federal Operating Assistance	\$ 5,988,679	\$ 5,985,600	\$ 5,270,038	\$ 5,267,328	\$ 718,641	\$ 718,272
State Operating Assistance	\$ 16,599,975	\$ 16,600,000	\$ 14,607,978	\$ 14,608,000	\$ 1,991,997	\$ 1,992,000
Local Subsidies	\$ 3,101,113	\$ 3,452,200	\$ 2,728,979	\$ 3,037,936	\$ 372,134	\$ 414,264
Other Subsidies	\$ 17,938	\$ 17,000	\$ 17,938	\$ 17,000	\$ -	\$ -
Advertising	\$ 454,349	\$ 425,000	\$ 454,349	\$ 425,000	\$ -	\$ -
Miscellaneous	\$ 189,494	\$ 112,100	\$ 189,494	\$ 112,100	\$ -	\$ -
<b>Total Revenue</b>	<b>\$ 42,148,460</b>	<b>\$ 42,182,200</b>	<b>\$ 35,258,867</b>	<b>\$ 35,206,644</b>	<b>\$ 6,889,594</b>	<b>\$ 6,975,556</b>
<b>Expenditures</b>						
Salaries	\$ 25,565,947	\$ 25,671,283	\$ 23,520,671	\$ 23,617,580	\$ 2,045,276	\$ 2,053,703
Benefits	\$ 11,158,330	\$ 10,807,165	\$ 10,265,664	\$ 9,942,592	\$ 892,666	\$ 864,573
Utilities/Telephone	\$ 473,703	\$ 634,200	\$ 435,807	\$ 583,464	\$ 37,896	\$ 50,736
Repairs & Maint B&G	\$ 60,857	\$ 103,700	\$ 55,989	\$ 95,404	\$ 4,869	\$ 8,296
Repairs & Maint Equip	\$ 441,684	\$ 416,800	\$ 406,349	\$ 383,456	\$ 35,335	\$ 33,344
Rentals	\$ 177,494	\$ 181,000	\$ 163,294	\$ 166,520	\$ 14,199	\$ 14,480
Employee Services	\$ 48,637	\$ 53,000	\$ 44,746	\$ 48,760	\$ 3,891	\$ 4,240
Insurance & Financial	\$ 1,005,884	\$ 975,900	\$ 925,414	\$ 897,828	\$ 80,471	\$ 78,072
Purchased Transportation	\$ 4,955,612	\$ 5,011,000	\$ -	\$ -	\$ 4,955,612	\$ 5,011,000
Other Services	\$ 213,824	\$ 342,600	\$ 196,718	\$ 323,192	\$ 17,106	\$ 19,408
Office Supplies	\$ 71,640	\$ 81,200	\$ 65,909	\$ 74,704	\$ 5,731	\$ 6,496
Equipment Supplies	\$ 1,039,016	\$ 937,800	\$ 955,895	\$ 862,776	\$ 83,121	\$ 75,024
Bldg & Const Supplies	\$ 129,116	\$ 188,400	\$ 118,786	\$ 173,328	\$ 10,329	\$ 15,072
Fuels, Oils & Lubricants	\$ 3,877,854	\$ 3,972,300	\$ 3,567,626	\$ 3,654,516	\$ 310,228	\$ 317,784
Other Supplies	\$ 184,298	\$ 208,000	\$ 169,554	\$ 191,360	\$ 14,744	\$ 16,640
Interdepartmental Charges	\$ 753,115	\$ 796,900	\$ 698,424	\$ 737,148	\$ 54,691	\$ 59,752
Depreciation	\$ 6,627,945	\$ 6,400,000	\$ 6,130,849	\$ 5,920,000	\$ 497,096	\$ 480,000
Interest Expense	\$ 320,537	\$ 351,200	\$ 294,894	\$ 323,200	\$ 25,643	\$ 28,000
<b>Total Expenses</b>	<b>\$ 57,105,493</b>	<b>\$ 57,132,448</b>	<b>\$ 48,016,589</b>	<b>\$ 47,995,828</b>	<b>\$ 9,088,904</b>	<b>\$ 9,136,620</b>
<b>Income(Deficit)</b>	<b>\$ (14,957,033)</b>	<b>\$ (14,950,248)</b>	<b>\$ (12,757,722)</b>	<b>\$ (12,789,184)</b>	<b>\$ (2,199,311)</b>	<b>\$ (2,161,064)</b>
Less: Depreciation	\$ (6,627,945)	\$ (6,400,000)	\$ (6,130,849)	\$ (5,920,000)	\$ (497,096)	\$ (480,000)
Less: Unfunded OPEB	\$ (385,300)	\$ -	\$ (354,476)	\$ -	\$ (30,824)	\$ -
Debt	\$ 1,129,136	\$ 1,158,000	\$ 1,095,262	\$ 1,123,260	\$ 33,874	\$ 34,740
Fixed Assets	\$ 1,142,791	\$ 1,246,000	\$ 228,558	\$ 249,200	\$ 914,233	\$ 996,800
Federal Portion of Fixed Assets	\$ (914,234)	\$ (1,096,800)	\$ (182,847)	\$ (219,360)	\$ (731,387)	\$ (877,440)
<b>Total Expenditures(City)</b>	<b>\$ 51,449,941</b>	<b>\$ 52,039,648</b>	<b>\$ 42,672,237</b>	<b>\$ 43,228,928</b>	<b>\$ 8,777,704</b>	<b>\$ 8,810,720</b>
Added To/(Taken From)Reserves	\$ 585,967	\$ 10,000	\$ 546,025	\$ 9,819	\$ 39,942	\$ 181
<b>Income(Deficit) (City)</b>	<b>\$ (9,867,448)</b>	<b>\$ (9,867,448)</b>	<b>\$ (7,959,396)</b>	<b>\$ (8,032,103)</b>	<b>\$ (1,928,052)</b>	<b>\$ (1,835,345)</b>

Metro added to its contingent reserve in the amount of \$585,967 in 2012 to balance revenues and expenses. The following table shows Metro's contingent reserve balances and changes in those balances over the past six years.



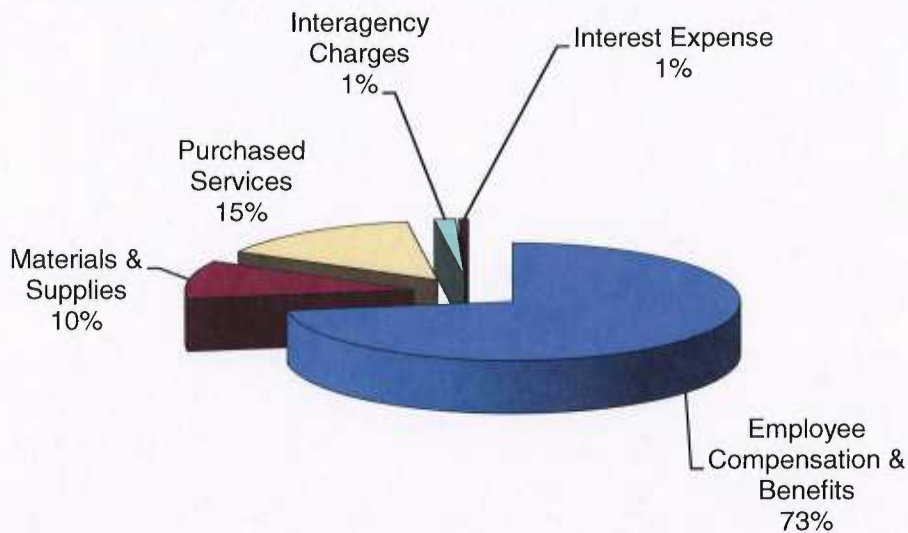
# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Year	Beginning Balance	Reserves +/-	Ending Balance
2007	\$123,384	\$609,837	\$733,221
2008	\$733,221	(\$254,975)	\$478,246
2009	\$478,246	\$388,710	\$866,956
2010	\$866,956	(\$770,603)	\$96,353
2011	\$96,353	\$101,830	\$198,183
2012	\$198,183	\$585,967	\$784,150

As can be seen from the following chart, employee compensation and benefits accounted for 73% of total expenses excluding depreciation in 2012.

### 2012 Expenses excluding Depreciation



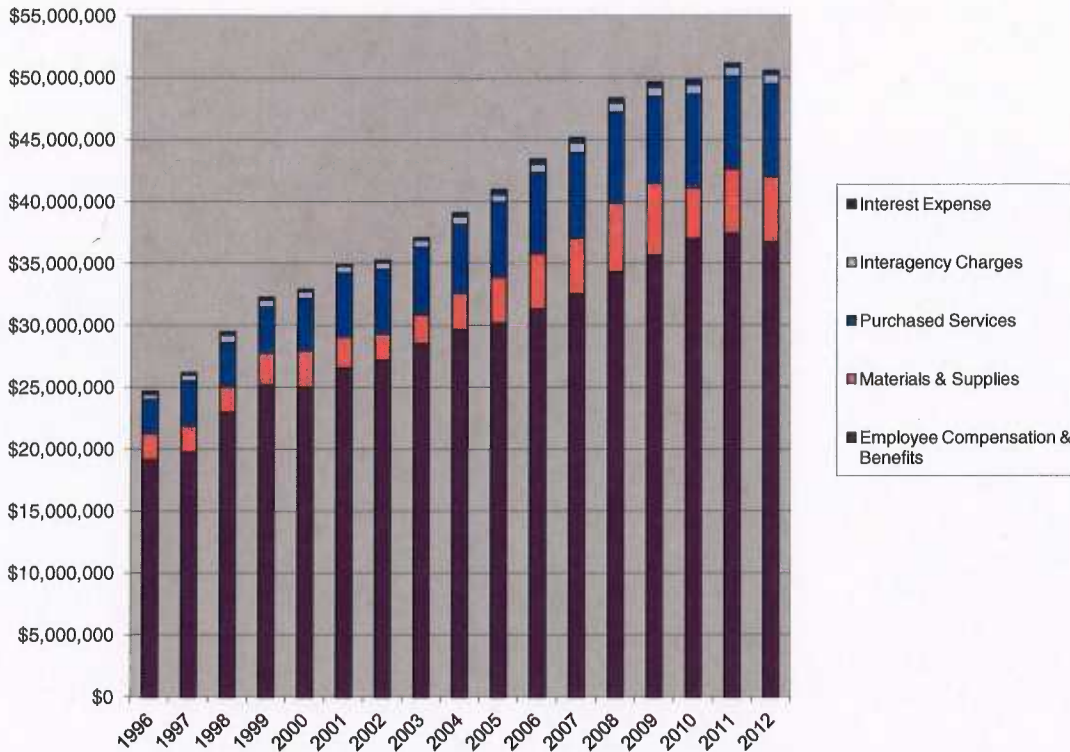
The first of the following charts shows that total operating expenses decreased by 1.1% between 2011 and 2012. Between 2007 and 2012 Metro experienced an average increase in total operating

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

costs of 2.4% per year. The second chart compares Metro's revenue sources for the same period of time. Passenger revenue has increased by an average of 7.2% per year during the last 5 years whereas state aid, which provides the largest portion of Metro's revenue, increased 1.0% per year during the same time period.

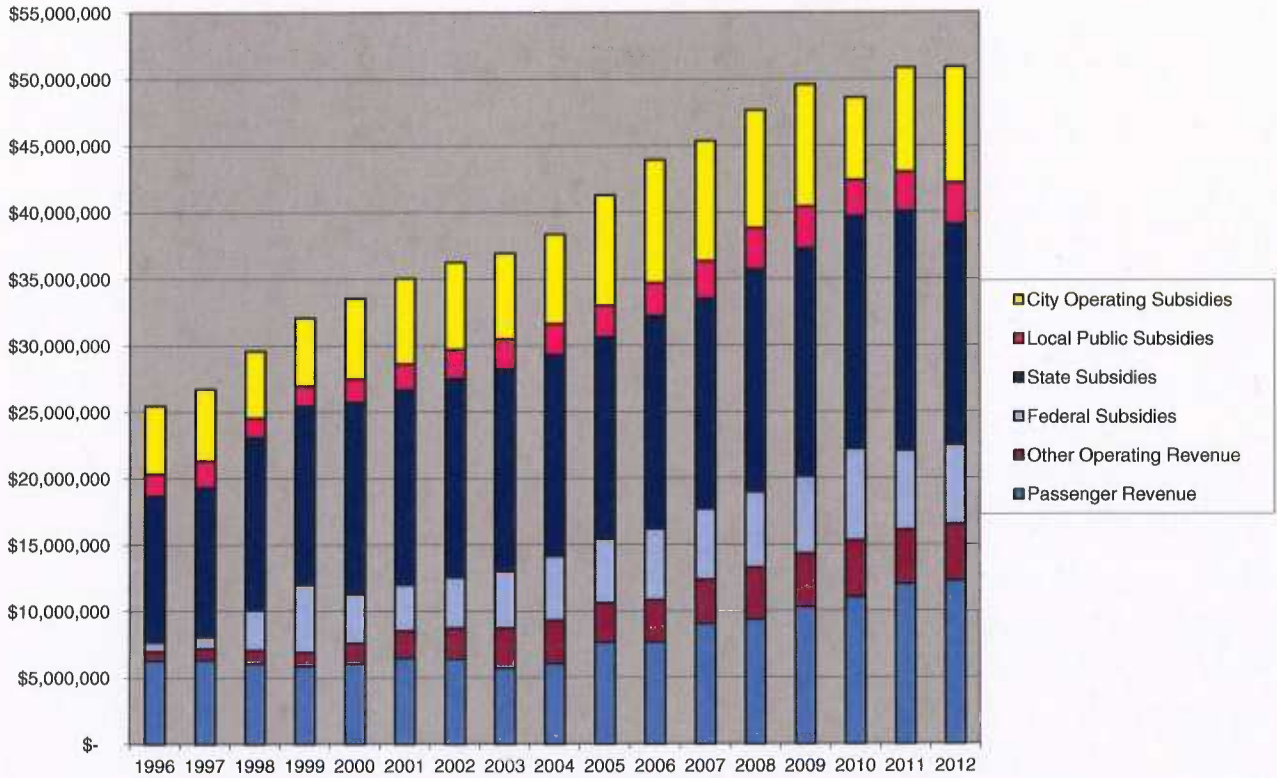
Madison Metro Transit  
Historical Expense Comparison



# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Madison Metro Transit Historical Revenue Comparison



### GRANT STATUS

Metro is fortunate to have strong federal and state 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 expenses were charged during the year. Note that where balances are available as of 12/31/12 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 12/31/12

Note: All amounts listed are "Eligible Funds - 100 % of cost" not the FTA or State amount.

GRANTS	Funding Year	Total Funds Apportionment	Prior years expenditures	Beginning Balance 1/1/12	2012 expenditures	Balance available as of 12/31/12	Future Budgeted projects	Balance after budgeted projects	Detail of future budgeted projects- see page 2 & 3.
<b>Federal Section 5307 Grants</b>									
WI90X549	2009	\$ 8,980,667	\$ 7,992,921	\$ 987,746	\$ 73,825	\$ 913,921	\$ 913,921	\$ -	Software, & Farebox System.
WI96X011-ARRA	2009	\$ 9,502,302	\$ 9,234,793	\$ 267,509	\$ 82,244	\$ 185,265	\$ 185,265	\$ -	1 Paratransit bus & Security systems
WI90X573	2010	\$ 8,832,424	\$ 7,715,171	\$ 1,117,253	\$ 254,321	\$ 862,932	\$ 862,932	\$ (0)	Transit Enhancements, software,& Farebox
WI90X595 - est apportionment	2013	\$ 8,374,120	\$ -	\$ 8,374,120	\$ 59	\$ 8,374,061	\$ 8,374,061	\$ 0	MPO,PM, leases, Maint equip, security cameras, software, hardware, support vehicles, ADA Paratran services, etc.
WI90X630	2011	\$ 8,785,588	\$ 7,355,963	\$ 1,429,625	\$ 127,043	\$ 1,302,582	\$ 1,302,582	\$ -	Transit Enhancements & Farebox System
WI90X735	2012	\$ 8,854,944	\$ -	\$ 8,854,944	\$ 8,442,374	\$ 412,570	\$ 412,570	\$ -	Maint equip, security cameras, software, hardware, support vehicles, & TE projects
<b>Total Section 5307</b>		<b>\$ 53,330,045</b>	<b>\$ 32,298,848</b>	<b>\$ 21,031,197</b>	<b>\$ 8,979,867</b>	<b>\$ 12,051,330</b>	<b>\$ 12,051,331</b>	<b>\$ (0)</b>	
<b>Federal Section 5309 Grants (Fixed Guideway)</b>									
WI050050	2011	\$ 1,138,831	\$ 768,250	\$ 370,581	\$ 370,581	\$ -	\$ -	\$ -	Grant closed on 8/24/12
WI050051	2012	\$ 1,121,781	\$ -	\$ 1,121,781	\$ -	\$ 1,121,781	\$ 1,121,781	\$ -	2014-15 buses
FFY13 Grant (Est. apportionment)	2013	\$ 961,153	\$ -	\$ 961,153	\$ -	\$ 961,153	\$ 961,153	\$ -	2014-15 buses
<b>Total Section 5309</b>		<b>\$ 3,221,765</b>	<b>\$ 768,250</b>	<b>\$ 2,453,515</b>	<b>\$ 370,581</b>	<b>\$ 2,082,934</b>	<b>\$ 2,082,934</b>	<b>\$ -</b>	
<b>State &amp; SGR Section 5309 Grants (discretionary)</b>									
WI040043	2010	\$ 414,054	\$ -	\$ 414,054	\$ 381,054	\$ 33,000	\$ 33,000	\$ -	Stoughton Van
WI040042	2010	\$ 187,500	\$ -	\$ 187,500	\$ -	\$ 187,500	\$ 187,500	\$ -	Engineering & Design for new Facility
WI040059	2011	\$ 6,451,000	\$ -	\$ 6,451,000	\$ 4,389,739	\$ 2,061,261	\$ 2,061,261	\$ (0)	2014 buses, farebox & shelters
WI040062	2012	\$ 4,733,125	\$ -	\$ 4,733,125	\$ -	\$ 4,733,125	\$ 4,733,125	\$ -	2014-15 buses
SGR FFY13 grant (est apportionment)	2013	\$ 654,233	\$ -	\$ 654,233	\$ -	\$ 654,233	\$ 654,233	\$ -	2014-15 buses
<b>Total State 5309</b>		<b>\$ 12,439,912</b>	<b>\$ -</b>	<b>\$ 12,439,912</b>	<b>\$ 4,770,793</b>	<b>\$ 7,669,119</b>	<b>\$ 7,669,119</b>	<b>\$ (0)</b>	<b>\$ -</b>
<b>Total Capital Grants</b>		<b>\$ 68,991,722</b>	<b>\$ 33,067,098</b>	<b>\$ 35,924,624</b>	<b>\$ 14,121,241</b>	<b>\$ 21,803,383</b>	<b>\$ 21,803,384</b>	<b>\$ (0)</b>	
<b>OTHER GRANTS:</b>									
WI260012 (Transport 2020)	2006	\$ 1,980,000	\$ -	\$ 1,980,000	\$ -	\$ 1,980,000	\$ 1,980,000	\$ -	HNTB transport 2020 contract
WI390001 (Transport 2020)	2006	\$ 1,485,000	\$ 1,360,001	\$ (1,235,002)	\$ -	\$ 124,999	\$ 124,999	\$ -	HNTB transport 2020 contract
WI390002 (Transport 2020)	2007	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000	\$ 1,500,000	\$ -	HNTB transport 2020 contract
WI791000 (TIGERII Grant)	2011	\$ 2,250,000	\$ 311,361	\$ 1,627,278	\$ 76,639	\$ 1,862,000	\$ 1,862,000	\$ -	Planning-downtown intermodel terminal
WI800006 (WisDOT)	2011	\$ 125,000	\$ 226	\$ 124,774	\$ 6,217	\$ 118,557	\$ 118,557	\$ -	Planning - Bus Size Study
<b>Total *Other Grants</b>		<b>\$ 7,340,000</b>	<b>\$ 1,671,588</b>	<b>\$ 3,997,050</b>	<b>\$ 82,856</b>	<b>\$ 5,585,556</b>	<b>\$ 5,585,556</b>	<b>\$ -</b>	<b>\$ -</b>

\*Other grants for Transport 2020 are funded under City fund SG67 and the TIGERII grant is funded under City fund CD21

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Madison Metro Transit Year End Grant Status as of 12/31/12

Note: All amounts listed are "Eligible Funds - 100 % of cost" not the FTA or State amount.

GRANTS	TE projects-1% of grant Shelters & display signs	Security cameras Systems	Utility Truck, staff truck, support cars	Farebox System	Stoughton Van	2012-2013 Paratransit buses	Workforce Scheduling software and misc software	SHOP Equip (fork lift, engine washer, shot blast cabnt, etc.)
<b>Federal Section 5307 Grants</b>								
WI90X549	\$ -		\$ -	\$ 852,864			\$ 61,057	
WI96X011-ARRA	\$ -	\$ 54,025			\$ -	\$ 131,240		
WI90X573	\$ 23,914	\$ -	\$ -	\$ 774,245			\$ 64,773	\$ -
WI90X595 - est apporntment	\$ -	\$ 5,000	\$ 17,000	\$ -	\$ -	\$ 524,960		\$ 2,000
WI90X630	\$ 87,856	\$ -	\$ -	\$ 1,214,726				\$ -
WI90X735	\$ 88,549	\$ 5,000	\$ 18,000	\$ -				\$ 35,021
<b>Total Section 5307</b>	<b>\$ 200,319</b>	<b>\$ 64,025</b>	<b>\$ 35,000</b>	<b>\$ 2,841,835</b>	<b>\$ -</b>	<b>\$ 656,200</b>	<b>\$ 125,830</b>	<b>\$ 37,021</b>
<b>Federal Section 5309 Grants (Fixed Guideway)</b>								
WI050050								
WI050051								
FFY13 Grant (Est. apporntmnt)								
<b>Total Section 5309</b>	<b>\$ -</b>					<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>State &amp; SGR Section 5309 Grants (discretionary)</b>								
WI040043					\$ 33,000			
WI040042								
WI040059	\$ 250,000			\$ 1,000,000				
WI040062								
SGR FFY13 grant (est apporntmnt)	\$ -			\$ -				
<b>Total State 5309</b>	<b>\$ 250,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,000,000</b>	<b>\$ 33,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Capital Grants</b>	<b>\$ 450,319</b>	<b>\$ 64,025</b>	<b>\$ 35,000</b>	<b>\$ 3,841,835</b>	<b>\$ 33,000</b>	<b>\$ 656,200</b>	<b>\$ 125,830</b>	<b>\$ 37,021</b>
<b>OTHER GRANTS:</b>								
WI260012 (Transport 2020)								
WI390001 (Transport 2020)								
WI390002 (Transport 2020)								
WI791000 (TIGERII Grant)								
WI800006 (WisDOT)								
<b>Total *Other Grants</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

\*Other grants for Transport 2020 are funded under City fund SG67 and the TIGERII grant is funded under City fund CD21

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Madison Metro Transit

Year End Grant Status as of 12/31/12

Note: All amounts listed are "Eligible Funds - 100 % of cost" not the FTA or State amount.

GRANTS	New Facility Pre Engineering	Computer hardware, MFD & software repl	HNTB Consultants / Bus Size Study & TIGERII consultant	2013/14 buses -Fixed Route	2011 MPO	Prev Maint, tires, office lease, Paratransit & ACM	Total Budgeted Projects
<b>Federal Section 5307 Grants</b>							
WI90X549		\$ -		\$ -			\$ 913,921
WI96X011-ARRA				\$ -			\$ 185,265
WI90X573		\$ -	\$ -		\$ -	\$ -	\$ 862,932
WI90X595 - est apportionment		\$ 143,161		\$ -	\$ 50,500	\$ 7,631,440	\$ 8,374,061
WI90X630		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,302,582
WI90X735		\$ 266,000	\$ -	\$ -	\$ -	\$ -	\$ 412,570
<b>Total Section 5307</b>	\$ -	\$ 409,161	\$ -	\$ -	\$ 50,500	\$ 7,631,440	\$ 12,051,331
<b>Federal Section 5309 Grants (Fixed Guideway)</b>							\$ -
WI050050				\$ -			\$ -
WI050051				\$ 1,121,781			\$ 1,121,781
FFY13 Grant (Est. apportionment)				\$ 961,153			\$ 961,153
<b>Total Section 5309</b>		\$ -		\$ 2,082,934	\$ -	\$ -	\$ 2,082,934
<b>State &amp; SGR Section 5309 Grants (discretionary)</b>							\$ -
WI040043				\$ -			\$ 33,000
WI040042	\$ 187,500			\$ -			\$ 187,500
WI040059				\$ 811,261			\$ 2,061,261
WI040062				\$ 4,733,125			\$ 4,733,125
SGR FFY13 grant (est apportionment)				\$ 654,233			\$ 654,233
<b>Total State 5309</b>	\$ 187,500	\$ -	\$ -	\$ 6,198,619	\$ -	\$ -	\$ 7,669,119
<b>Total Capital Grants</b>	\$ 187,500	\$ 409,161	\$ -	\$ 8,281,553	\$ 50,500	\$ 7,631,440	\$ 21,803,384
<b>OTHER GRANTS:</b>							
WI260012 (Transport 2020)			\$ 1,980,000				\$ 1,980,000
WI390001 (Transport 2020)			\$ 124,999				\$ 124,999
WI390002 (Transport 2020)			\$ 1,500,000				\$ 1,500,000
WI791000 (TIGERII Grant)			\$ 1,862,000				\$ 1,862,000
WI800006 (WisDOT)			\$ 118,557				\$ 118,557
<b>Total *Other Grants</b>	\$ -	\$ -	\$ 5,585,556	\$ -	\$ -	\$ -	\$ 5,585,556

\*Other grants for Transport 2020 are funded under City fund SG67 and the TIGERII grant is funded under City fund CD21

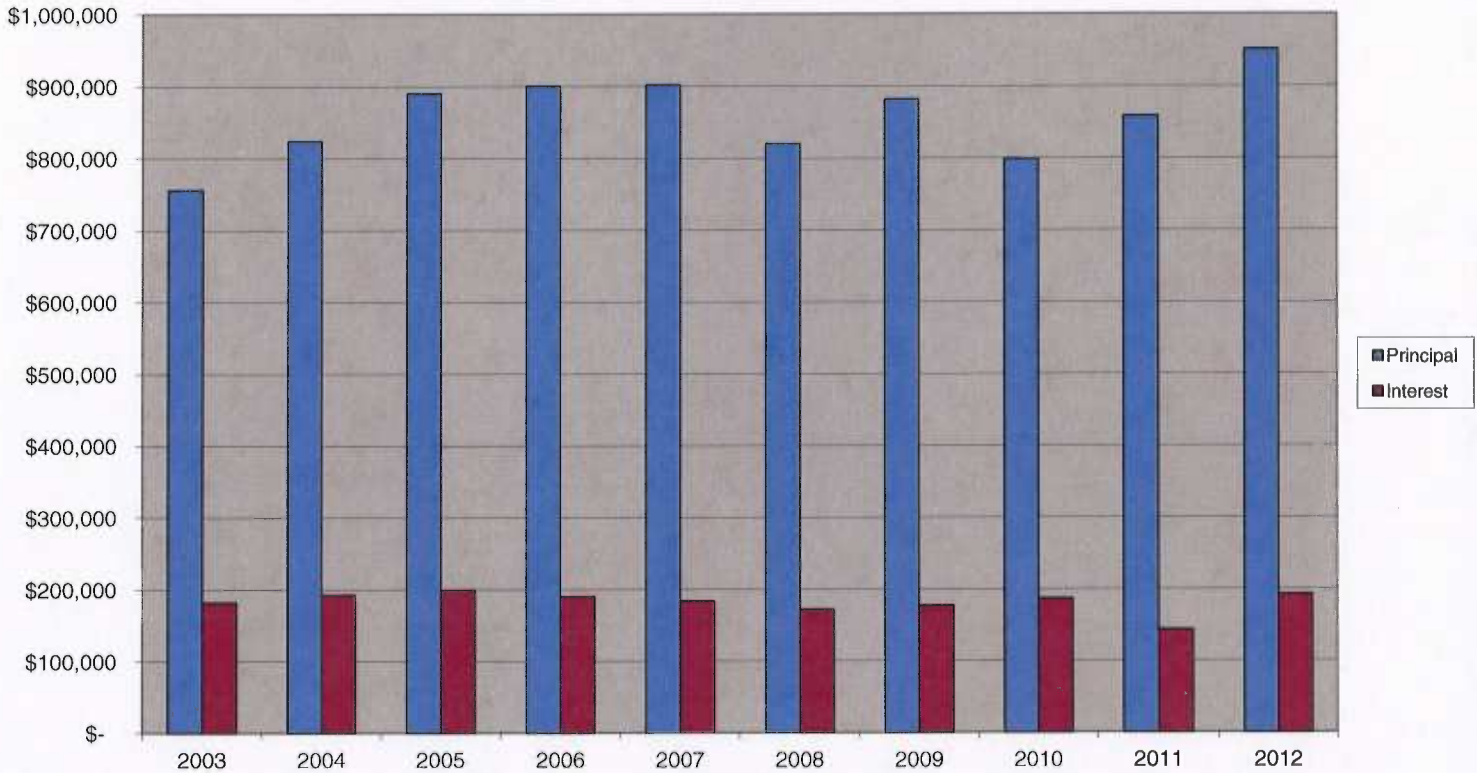
### Borrowing

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

### Madison Metro Transit Principal & Interest Payments General Obligation Debt



### 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.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### 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.

**Table 1**

#### **Condensed Statements of Net Position**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 12,766,340	\$ 9,462,916	\$ 11,661,223
Capital Assets <sup>1</sup>	<u>40,184,210</u>	<u>40,193,260</u>	<u>41,028,931</u>
Total Assets	<u>52,950,550</u>	<u>49,656,176</u>	<u>52,690,154</u>
Long-Term Debt <sup>2</sup>	10,956,806	9,394,917	8,713,215
Other Liabilities	<u>12,458,946</u>	<u>10,964,641</u>	<u>13,431,682</u>
Total Liabilities	<u>23,415,752</u>	<u>20,359,558</u>	<u>22,144,897</u>
Net Investment in Capital Assets <sup>3</sup>	35,589,523	35,729,656	36,796,583
Unrestricted (Deficit)	<u>(6,054,725)</u>	<u>(6,433,038)</u>	<u>(6,251,326)</u>
Total Net Position	<u>\$ 29,534,798</u>	<u>\$ 29,296,618</u>	<u>\$ 30,545,257</u>

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

<sup>2</sup> See Note 4 for details in this Audit report

<sup>3</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**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 16,515,060	\$ 16,178,584	\$ 15,364,470
Depreciation Expense	6,627,945	6,594,868	6,089,482
Other Operating Expenses	50,248,314	50,875,199	49,523,643
Non-operating Expenses <sup>1</sup>	<u>320,537</u>	<u>277,723</u>	<u>406,204</u>
Total Expenses	<u>57,196,796</u>	<u>57,747,790</u>	<u>56,019,329</u>
Operating Subsidies <sup>1</sup>	25,697,964	26,941,035	27,101,036
Income Before Capital Contributions and Transfers	(14,983,772)	(14,628,171)	(13,553,823)
Capital Contributions <sup>2</sup>	6,502,259	5,525,833	9,452,726
Transfers	<u>8,719,693</u>	<u>7,853,699</u>	<u>6,221,665</u>
Changes in Net Position	<u>238,180</u>	<u>(1,248,639)</u>	<u>2,120,568</u>
Beginning Net Position	29,296,618	30,545,257	28,424,689
Ending Net Position	<u>\$ 29,534,798</u>	<u>\$ 29,296,618</u>	<u>\$ 30,545,257</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.

# 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

Charles L. Kamp  
Metro Transit General Manager

# METRO TRANSIT SYSTEM

## STATEMENTS OF NET POSITION

December 31, 2012 and 2011

### ASSETS

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Restricted cash - retiree health insurance escrow	\$ 360,725	\$ 248,467
Receivable from State of Wisconsin and FTA - capital and maintenance	4,131,937	2,648,272
Receivable from other governmental units	4,627,228	3,116,751
Accounts receivable (net)	829,568	871,967
Materials and supplies	456,844	462,180
Prepaid expenses	853,611	537,378
Current portion of prepaid expense - land and tower lease	26,665	25,167
Total Current Assets	<u>11,286,578</u>	<u>7,910,182</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash - retiree health insurance escrow	1,335,545	1,381,852
Other Assets		
Prepaid expenses - land and tower lease	144,217	170,882
Capital Assets		
Transit plant in service	99,375,333	98,347,012
Accumulated depreciation	(59,425,380)	(58,282,298)
Construction work in progress	234,257	128,546
Total Non-Current Assets	<u>41,663,972</u>	<u>41,745,994</u>
Total Assets	<u>52,950,550</u>	<u>49,656,176</u>

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**LIABILITIES**

	<u>2012</u>	<u>2011</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,972,812	\$ 1,184,062
Unearned revenue	1,001,053	-
Accrued compensation, vacation and sick leave	1,268,204	1,309,635
Accrued interest	81,634	79,635
Due to city	1,775,221	1,025,820
Current portion of general obligation debt	976,560	950,989
Current portion of advance from other funds	192,470	178,147
Current portion of deferred revenue - land and tower lease	23,228	23,118
Retiree health insurance escrow payable from restricted assets	360,725	248,467
Total Current Liabilities	<u>7,651,907</u>	<u>4,999,873</u>
<b>NON-CURRENT LIABILITIES</b>		
General obligation debt	4,412,021	4,280,307
Advance from other funds	3,793,004	3,985,474
Retiree health insurance escrow payable from restricted assets	1,335,545	1,381,852
Accrued sick leave	3,107,081	3,074,165
Deposits from other governments	465,167	349,435
Other post-employment benefits	2,522,613	2,136,810
Deferred revenue - land and tower lease	128,414	151,642
Total Non-Current Liabilities	<u>15,763,845</u>	<u>15,359,685</u>
 Total Liabilities	 <u>23,415,752</u>	 <u>20,359,558</u>
	<b>NET POSITION</b>	
<b>NET POSITION</b>		
Net investment in capital assets	35,589,523	35,729,656
Unrestricted (Deficit)	<u>(6,054,725)</u>	<u>(6,433,038)</u>
 TOTAL NET POSITION	 <u>\$ 29,534,798</u>	 <u>\$ 29,296,618</u>

See accompanying notes to financial statements.

## METRO TRANSIT SYSTEM

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>	<b>\$ 16,515,060</b>	<b>\$ 16,178,584</b>
<b>OPERATING EXPENSES</b>		
Employee compensation and benefits	36,724,780	37,462,095
Materials and supplies	5,301,924	5,164,721
Purchased services	7,468,495	7,491,505
Interagency charges	753,115	756,878
Total Operation and Maintenance Expenses	50,248,314	50,875,199
Depreciation expense	6,627,945	6,594,868
Total Operating Expenses	56,876,259	57,470,067
Operating Loss	(40,361,199)	(41,291,483)
<b>OPERATING SUBSIDIES</b>		
Federal subsidies	5,988,679	5,985,721
State operating subsidies	16,599,975	18,021,300
Other state subsidies	8,197	8,431
Local public subsidies	3,101,113	2,925,583
Total Operating Subsidies	25,697,964	26,941,035
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest expense	(320,537)	(277,723)
Loss Before Contributions and Transfers	(14,983,772)	(14,628,171)
<b>CAPITAL CONTRIBUTIONS - CITY &amp; OTHER</b>	1,177,496	872,342
<b>CAPITAL CONTRIBUTIONS - FEDERAL &amp; STATE</b>	5,324,763	4,653,491
<b>TRANSFERS IN - MPO</b>	9,741	9,161
<b>TRANSFERS IN - CITY OPERATING SUBSIDIES</b>	8,709,952	7,844,538
Total Contributions and Transfers	15,221,952	13,379,532
<b>CHANGE IN NET POSITION</b>	238,180	(1,248,639)
NET POSITION - Beginning of Year	29,296,618	30,545,257
<b>NET POSITION - End of Year</b>	<b>\$ 29,534,798</b>	<b>\$ 29,296,618</b>

See accompanying notes to financial statements.

## METRO TRANSIT SYSTEM

### STATEMENTS OF CASH FLOWS Years Ended December 31, 2012 and 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 16,039,365	\$ 15,676,705
Paid to suppliers for goods and services	(24,936,000)	(25,326,627)
Paid to employees for services	(25,508,511)	(24,899,521)
Cash Flows from Operating Activities	(34,405,146)	(34,549,443)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Received from (paid to) city for implicit financing	749,401	(2,822,708)
Operating subsidies received - federal	5,943,376	4,494,568
Operating subsidies received - state	16,227,487	22,403,806
Operating subsidies received - local	3,305,179	2,376,061
Deposits received from other governments	115,732	117,022
Repayment of non-capital advances from other funds	(178,147)	(170,090)
Interest paid on non-capital advances from other funds	(126,231)	(120,809)
Operating transfer from city	8,709,952	7,844,538
Cash Flows from Noncapital Financing Activities	34,746,749	34,122,388
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt retired	(950,990)	(858,108)
Interest paid	(192,307)	(143,308)
Proceeds from issuance of general obligation debt	1,108,275	1,709,900
Acquisition and construction of capital assets	(5,685,212)	(5,759,197)
Capital contributions - city and other	1,177,496	872,342
Capital contributions - federal and state	4,267,086	4,756,461
Cash Flows From Capital and Related Financing Activities	(275,652)	578,090
<b>Net Change in Cash and Cash Equivalents</b>	65,951	151,035
CASH AND CASH EQUIVALENTS – Beginning of Year	1,630,319	1,479,284
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,696,270	\$ 1,630,319
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
None		

	<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH</b>		
<b>FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (40,361,199)	\$ (41,291,483)
Noncash items included in operating loss		
Depreciation expense	6,627,945	6,594,868
Loss on retirement of assets	16,497	-
Changes in Assets and Liabilities		
Accounts receivable	(1,468,078)	(475,750)
Materials and supplies	5,336	16,372
Prepaid expenses	(291,066)	97,944
Accrued payroll liabilities	(8,515)	(172,926)
Retiree health insurance escrow payable from restricted assets	65,951	151,035
Other post-employment benefits	385,803	453,632
Accounts payable	(355,755)	100,886
Unearned revenue	1,001,053	-
Deferred revenue	(23,118)	(24,021)
	<u>\$ (34,405,146)</u>	<u>\$ (34,549,443)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO</b>		
<b>STATEMENTS OF NET POSITION ACCOUNTS</b>		
Restricted Cash - Retiree Health Insurance Escrow	<u>\$ 1,696,270</u>	<u>\$ 1,630,319</u>
	 <u>\$ 1,696,270</u>	 <u>\$ 1,630,319</u>
<b>CASH AND CASH EQUIVALENTS</b>		

See accompanying notes to financial statements.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

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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 approximately 200 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.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities. Metro made the decision to implement this standard effective January 1, 2012.

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, 2012 and 2011

---

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

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#### *ASSETS, LIABILITIES, AND NET POSITION*

##### *Cash and Cash Equivalents*

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

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

##### *Deposits and Investments*

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

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. 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, 2012 and 2011

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

#### *ASSETS, LIABILITIES, 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. Allowances of \$27,479 and \$30,367 are included in 2012 and 2011, respectively, 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 2012 and 2011.

##### *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 \$5,000 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 12/31/12	Balance 12/31/11	Years
Land	\$ 2,604,992	\$ 2,604,992	N/A
Building	11,981,580	12,000,988	5 – 40
Curb and land improvements	6,737,994	6,731,272	5
Revenue equipment	66,174,688	65,478,343	8 – 20
Service vehicles	825,300	736,052	4 – 5
Shop and garage equipment	1,962,789	1,880,814	3 – 10
Furniture and office equipment	1,650,330	1,644,375	3 – 10
Miscellaneous and farebox	7,437,660	7,270,176	3 – 15
<b>Total Capital Assets</b>	<b>\$99,375,333</b>	<b>\$ 98,347,012</b>	

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

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

##### *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 8.6 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, 2012 and 2011 is \$ 3,299,710 and \$3,251,955, 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.

##### *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 deposit in 2012 and 2011 was \$390,660 and \$383,000, 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, 2012, 100 current employees have met the eligibility requirements.

##### *Unearned Revenue*

Beginning in 2012, Madison Metropolitan School District began purchasing passes for the school district for the school year, while in the past, they had purchased semester passes. The estimated value of those passes related to the following calendar year have been recorded as a unearned revenue at year end.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

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

##### *Long-Term Obligations*

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

##### *Deposits from Other Governments*

Metro received \$115,732 and \$117,022, respectively in deposits in 2012 and 2011 from the entities listed in Note 5 that provide Metro with local operating assistance subsidies. These deposits will be held by Metro in reserve to help fund unanticipated cost increases in future years.

##### *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.

Metro's restricted assets equal liabilities payable from those assets therefore there is no restricted net position.

- *Unrestricted net position* – This component of net position consists of net assets 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.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

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

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

##### *Net Position (cont.)*

The following calculation supports the net investment in capital assets:

	<u>2012</u>	<u>2011</u>
Plant in service	\$ 99,375,333	\$ 98,347,012
Accumulated depreciation	(59,425,380)	(58,282,298)
Construction work in progress	234,257	128,546
Sub-Totals	<u>40,184,210</u>	<u>40,193,260</u>
Less: Capital related debt		
Current portion of general obligation bonds	976,560	950,989
Long-term portion of capital related general obligation bonds	4,412,021	4,280,307
Sub-Totals	<u>5,388,581</u>	<u>5,231,296</u>
Add unspent proceeds of capital-related debt included above	<u>793,894</u>	<u>767,692</u>
Net Investment in Capital Assets	<u>\$ 35,589,523</u>	<u>\$ 35,729,656</u>

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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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 revenues from state, local and federal governments. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### ***Taxes***

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

##### ***Capital Contributions***

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

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

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections - 2012 an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

#### ***COMPARATIVE DATA***

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

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

#### NOTE 2 – CHANGES IN CAPITAL ASSETS

A summary of changes in Metro capital assets for 2012 and 2011 follows:

	Balance 1/1/12	Additions	Retirements	Adjustments	Balance 12/31/12
Capital assets not being depreciated					
Land	\$ 2,604,992	\$ -	\$ -	\$ -	\$ 2,604,992
Capital assets being depreciated					
Building and improvements	12,000,988	105,339	(124,747)	-	11,981,580
Curb and land improvements	6,731,272	10,886	(4,164)	-	6,737,994
Revenue vehicles	65,478,343	6,060,055	(5,363,710)	-	66,174,688
Service vehicles	736,052	89,248	-	-	825,300
Shop and garage equipment	1,880,814	83,839	(1,864)	-	1,962,789
Office equipment	1,644,375	12,830	(6,875)	-	1,650,330
Miscellaneous and farebox	7,270,176	167,484	-	-	7,437,660
Total Capital Assets Being Depreciated	95,742,020	6,529,681	(5,501,360)	-	96,770,341
Total Capital Assets	98,347,012	6,529,681	(5,501,360)	-	99,375,333
Less: Accumulated depreciation					
Building and improvements	(8,698,271)	(466,816)	124,747	(16,497)	(9,056,837)
Curb and land improvements	(5,938,099)	(260,072)	4,164	-	(6,194,007)
Revenue vehicles	(35,123,189)	(4,916,566)	5,363,710	-	(34,676,045)
Service vehicles	(600,612)	(67,557)	-	-	(668,169)
Shop and garage equipment	(1,612,374)	(88,848)	1,864	-	(1,699,358)
Office equipment	(1,242,225)	(148,313)	6,875	-	(1,383,663)
Miscellaneous and farebox	(5,067,528)	(679,773)	-	-	(5,747,301)
Total Accumulated Depreciation	(58,282,298)	(6,627,945)	5,501,360	(16,497)	(59,425,380)
Construction in progress	128,546	176,222	(70,511)	-	234,257
Net Transit System Plant	\$40,193,260				\$40,184,210

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

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

	Balance 1/1/11	Additions	Retirements	Adjustments	Balance 12/31/11
Capital assets, not being depreciated					
Land	\$ 2,604,992	\$ -	\$ -	\$ -	\$ 2,604,992
Capital assets being depreciated					
Building and improvements	11,764,613	231,563	-	4,812	12,000,988
Curb and land improvements	6,566,431	194,211	(29,370)	-	6,731,272
Revenue vehicles	60,401,005	5,077,338	-	-	65,478,343
Service vehicles	683,318	52,734	-	-	736,052
Shop and garage equipment	1,883,258	26,302	(28,746)	-	1,880,814
Office equipment	1,773,289	28,967	(158,545)	664	1,644,375
Miscellaneous and farebox	7,271,368	31,888	(33,080)	-	7,270,176
Total Capital Assets Being Depreciated	<u>90,343,282</u>	<u>5,643,003</u>	<u>(249,741)</u>	<u>5,476</u>	<u>95,742,020</u>
Total Capital Assets	<u>92,948,274</u>	<u>5,643,003</u>	<u>(249,741)</u>	<u>5,476</u>	<u>98,347,012</u>
Less: Accumulated depreciation					
Building and improvements	(8,299,549)	(398,722)	-	-	(8,698,271)
Curb and land improvements	(5,560,267)	(407,202)	29,370	-	(5,938,099)
Revenue vehicles	(30,342,730)	(4,780,459)	-	-	(35,123,189)
Service vehicles	(547,252)	(53,360)	-	-	(600,612)
Shop and garage equipment	(1,555,962)	(85,158)	28,746	-	(1,612,374)
Office equipment	(1,228,510)	(171,597)	158,545	(663)	(1,242,225)
Miscellaneous and farebox	(4,402,238)	(698,370)	33,080	-	(5,067,528)
Total Accumulated Depreciation	<u>(51,936,508)</u>	<u>(6,594,868)</u>	<u>249,741</u>	<u>(663)</u>	<u>(58,282,298)</u>
Construction in progress	17,165	344,612	(233,231)	-	128,546
Net Transit System Plant	<u>\$ 41,028,931</u>				<u>\$40,193,260</u>



## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

The following is a schedule of inter-fund balances as of December 31, 2012 and 2011:

Due To	Due From	2012		2011	
		Amount	Purpose	Amount	Purpose
City of Madison	Metro	\$ 1,775,221	Implicit cash financing	\$ 1,025,820	Implicit cash financing

The following is a schedule of transfer balances as of December 31, 2012 and 2011:

To	From	2012		2011	
		Amount	Principal Purpose	Amount	Principal Purpose
Metro	City of Madison	\$8,709,952	City operating subsidy	\$7,844,538	City operating subsidy
Metro	City of Madison	\$9,741	Local share of MPO grant	\$9,161	Local share of MPO grant

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

##### **GENERAL OBLIGATION NOTES**

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

Title of Issue	Date of Issue	Final Maturity	Interest Rates	Original Amount	Amount Outstanding 12/31/12
Promissory Note	10-1-07	10-1-17	4.00 – 5.00%	\$ 380,648	\$ 190,324
Promissory Note	10-15-08	10-15-18	3.82%	1,420,000	852,000
Promissory Note	10-1-09	10-1-15	2.00 – 3.00%	1,418,700	471,500
Promissory Note	10-1-09	10-1-19	0.90 – 4.35%	805,000	563,388
Promissory Note	10-19-10	10-19-20	2.00 – 3.75%	97,890	97,890
Promissory Note	10-19-10	10-19-16	3.00 – 4.00%	920,047	566,409
Promissory Note	10-1-11	10-1-21	0.45 – 5.00%	1,709,900	1,538,795
Promissory Note	10-1-12	10-1-22	2.00 – 4.00%	1,108,275	1,108,275
Total					<u>\$ 5,388,581</u>

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

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

Year	10-1-07		10-15-08		10-01-09		10-1-09		10-19-10		10-19-10	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 38,065	\$ 7,613	\$ 142,000	\$ 34,506	\$ 224,362	\$ 12,600	\$ 80,537	\$ 12,411	\$ -	\$ 1,835	\$ 209,665	\$ 21,146
2014	38,065	6,090	142,000	29,181	123,569	5,870	80,537	11,298	-	1,835	205,748	12,760
2015	38,065	4,568	142,000	23,856	123,569	3,089	80,463	9,793	16,315	1,834	75,348	4,530
2016	38,065	3,045	142,000	18,176	-	-	80,463	8,225	16,315	1,622	75,648	2,270
2017	38,064	1,523	142,000	12,141	-	-	80,463	6,394	16,315	1,378	-	-
2018	-	-	142,000	6,106	-	-	80,463	4,406	16,315	1,087	-	-
2019	-	-	-	-	-	-	80,462	2,249	16,335	769	-	-
2020	-	-	-	-	-	-	-	-	16,295	397	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 190,324</b>	<b>\$ 22,839</b>	<b>\$ 852,000</b>	<b>\$ 123,966</b>	<b>\$ 471,500</b>	<b>\$ 21,559</b>	<b>\$ 563,388</b>	<b>\$ 54,776</b>	<b>\$ 97,890</b>	<b>\$ 10,757</b>	<b>\$ 566,409</b>	<b>\$ 40,706</b>

Year	10-01-11		10-01-12		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 170,978	\$ 71,810	\$ 110,953	\$ 39,896	\$ 976,560	\$ 201,817
2014	170,977	64,971	110,814	37,677	871,710	169,682
2015	170,977	56,422	110,814	33,244	757,551	137,336
2016	170,977	47,874	110,814	28,812	634,282	110,024
2017	170,978	39,325	110,814	24,379	558,634	85,140
2018	170,977	30,776	110,814	19,946	520,569	62,321
2019	170,977	22,227	110,813	15,514	378,587	40,759
2020	170,977	13,678	110,813	11,081	298,085	25,156
2021	170,977	6,839	110,813	6,649	281,790	13,488
2022	-	-	110,813	3,324	110,813	3,324
<b>Totals</b>	<b>\$ 1,538,795</b>	<b>\$ 353,922</b>	<b>\$ 1,108,275</b>	<b>\$ 220,522</b>	<b>\$ 5,388,581</b>	<b>\$ 849,047</b>

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

##### *ADVANCE FROM OTHER FUNDS*

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

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Amount Outstanding 12/31/12
October 19, 2010	Pay off WRS Prior Service Liability	October 19, 2024	0.55 - 4.00%	\$4,333,711	\$3,985,474

Advance from other funds debt service requirements to maturity follows:

Year	Principal	Interest	Total
2013	\$ 192,470	\$ 124,718	\$ 317,188
2014	210,374	122,793	333,167
2015	229,174	120,058	349,232
2016	251,554	116,047	367,601
2017	274,829	110,387	385,216
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	20,840	541,852
Totals	<u>\$ 3,985,474</u>	<u>\$ 1,064,131</u>	<u>\$ 5,049,605</u>

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

Metro's long-term obligations activity for the years ended December 31, 2012 and 2011 is as follows:

	Balance 1/1/12	Additions	Reductions	Balance 12/31/12	Due Within One Year
General obligation notes	\$ 5,231,296	\$ 1,108,275	\$ 950,990	\$ 5,388,581	\$ 976,560
Advance from other funds	4,163,621	-	178,147	3,985,474	192,470
Retiree health insurance escrow	1,630,319	390,660	324,709	1,696,270	360,725
Accrued sick leave	3,251,955	916,918	869,163	3,299,710	192,629
Deposits from other governments	349,435	115,732	-	465,167	-
Unfunded OPEB liability	2,136,810	385,803	-	2,522,613	-
Deferred revenue-land and tower lease	174,760	-	23,118	151,642	23,228
<b>Totals</b>	<b>\$ 16,938,196</b>	<b>\$ 2,917,388</b>	<b>\$ 2,346,127</b>	<b>\$ 17,509,457</b>	<b>\$1,745,612</b>

	Balance 1/1/11	Additions	Reductions	Balance 12/31/11	Due Within One Year
General obligation notes	\$ 4,379,504	\$ 1,709,900	\$ 858,108	\$ 5,231,296	\$ 950,989
Advance from other funds	4,333,711	-	170,090	4,163,621	178,147
Retiree health insurance escrow	1,479,284	383,000	231,965	1,630,319	248,467
Accrued sick leave	3,418,556	335,510	502,111	3,251,955	177,790
Deposits from other governments	232,413	117,022	-	349,435	-
Unfunded OPEB liability	1,683,178	453,632	-	2,136,810	-
Deferred revenue-land and tower lease	198,781	-	24,021	174,760	23,118
<b>Totals</b>	<b>\$ 15,725,427</b>	<b>\$ 2,999,064</b>	<b>\$ 1,786,295</b>	<b>\$ 16,938,196</b>	<b>\$1,578,511</b>

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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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 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Federal	\$ 5,988,679	\$ 5,985,721
State	16,599,975	18,021,300
Other state subsidies	8,197	8,431
Local public subsidies	3,101,113	2,925,583
City of Madison	8,709,952	7,844,538
Other grants MPO	9,741	9,161

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 – DEFERRED 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 two operating leases with Oscar Mayer Foods Division of Kraft Foods, Inc. and University Research Park, Inc. for two parcels of land used in conjunction with bus transfer facilities for \$93,000 and \$214,000, respectively. The operating leases are fifteen and thirty years in length, respectively, and were fully prepaid. The revenue received to pay for the two leases was deferred and is being recognized using the straight-line method over the life of the leases.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

#### **NOTE 6 – DEFERRED 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 deferred and is being recognized using the straight-line method over the life of the leases.

The following table represents the prepaid lease payments to be recognized over the remaining life of the leases:

	University Research Park	North Park & Ride Lot		Total
2013	\$ 9,482	\$ 17,183	\$	26,665
2014	9,076	16,706		25,782
2015	8,699	16,242		24,941
2016	8,350	15,791		24,141
2017-2021	25,185	30,278		55,463
2022-2026	12,435	-		12,435
2027	1,455	-		1,455
	\$ 74,682	\$ 96,200	\$	170,882

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. The Oscar Mayer lease was fully recognized in 2012.

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

All eligible Metro employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the System. All employees, initially employed by a participating System employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the System.

Prior to June 29, 2011, covered employees in the General category were required by statute to contribute 6.5% of their salary to the plan. Employers could make these contributions to the plan on behalf of the employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category 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. Prior to 2012, Metro made the employee’s required contribution. Beginning in 2012, the employee was required to make this contribution. Contribution rates for 2012 and 2011 are:

	Employees	Employer
2012 General Category	5.9%	5.9%
2011 General Category	5.8%	5.8%

Total Metro payroll is substantially the same as payroll covered by the Wisconsin Retirement System.

	Years Ended December 31		
	2012	2011	2010
Total Covered Metro Payroll	\$ 25,075,424	\$ 24,362,753	\$ 24,234,532
Total Employer Required Contributions	\$ 1,479,450	\$ 2,826,079	\$ 2,665,799
Total Employer Required Contributions (%)	5.9%	11.6%	11.0%

Details of the plan are disclosed in the general-purpose financial statements of the City of Madison for the years ended December 31, 2012 and 2011.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

#### **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.

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 2012 and 2011:

	Entire City		Metro	
	2012	2011	2012	2011
Annual required contribution	\$ 6,352,816	\$ 6,042,623	\$ 1,061,080	\$ 1,014,369
Contributions made	3,043,073	2,706,755	675,277	560,737
Increase in net OPEB obligation	3,309,743	3,335,868	385,803	453,632
Net OPEB Obligation – Beginning of Year	15,123,364	11,787,496	2,136,810	1,683,178
Net OPEB Obligation – End of Year	\$ 18,433,107	\$ 15,123,364	\$ 2,522,613	\$ 2,136,810

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 2012, 2011 and 2010 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Liability</u>
<b>City</b>			
December 31, 2012	\$ 6,352,816	48%	\$18,433,107
December 31, 2011	\$ 6,042,623	45%	\$15,123,364
December 31, 2010	\$ 5,872,509	44%	\$11,787,496
<b>Metro</b>			
December 31, 2012	\$1,061,080	64%	\$2,522,613
December 31, 2011	\$1,014,369	55%	\$2,136,810
December 31, 2010	\$ 949,120	53%	\$1,683,178



# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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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 January 1, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 51,723,377
Actuarial value of plan assets	<u>1,663,970</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 50,059,407</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>3.2%</u>
Covered payroll (active plan members)	<u>\$ 161,808,087</u>
UAAL as a percentage of covered payroll	<u>30.9%</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 2012, reduced by decrements to an ultimate rate of 4.5% for 2019 and beyond. Both rates include a 3.0% inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

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, 2012 and 2011

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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 insures auto liability 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 with TMI and is an owner of the corporation.

In 2012 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 Genesis Insurance. In addition, Metro's policy provides for \$25,000 per person and \$50,000 per accident in uninsured motorist insurance.

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's share of TMI is 42.96% 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, 2575 S. Memorial Drive, Suite 105, Appleton, WI 54915-1483 or by email from [tmi@new.rr.com](mailto:tmi@new.rr.com).

## **METRO TRANSIT SYSTEM**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2012 and 2011

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

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Current fares were made effective April 4, 2009 as approved by the Transit and Parking Commission.

A fare increase for regular and senior/disabled 31 day passes, effective February 4, 2013 was approved by the Transit and Parking Commission.

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

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Metro provides FTA Section 5307 appropriation funds to the Metropolitan Planning Organization for planning, short-range studies, Transportation Improvement Program (TIP) development and ridesharing, bikeways and other corridor studies.

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 five-year period.

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.

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



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REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Honorable Mayor and Common Council  
Metro Transit System  
Madison, Wisconsin

We have audited, 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, the financial statements of Metro Transit System, an enterprise fund of the City of Madison, Wisconsin, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Metro Transit System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro Transit System's internal control. Accordingly, we do not express an opinion on the effectiveness of Metro Transit System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Metro Transit System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and Common Council  
Metro Transit System

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly Vinchow Krause, LLP*

Madison, Wisconsin  
June 18, 2013

# METRO TRANSIT SYSTEM

## OPERATING REVENUES AND EXPENSES

December 31, 2012 and 2011

<b>OPERATING REVENUES</b>	<u>2012</u>	<u>2011</u>
Passenger Fares for Transit Services		
Farebox	\$ 1,504,750	\$ 1,452,067
Adult 10 ride and 2 ride passes	799,347	849,540
Youth 10 ride and 2 ride passes	357,650	375,880
Senior & disabled passes	626,467	619,423
Monthly/daily passes	1,164,999	1,186,014
Easy rider passes	353,460	334,440
MMSD passes	1,307,750	1,241,763
Summer youth passes	27,600	24,120
UW ASM unlimited ride pass	3,147,062	2,996,373
UW Staff unlimited ride pass	1,770,944	1,688,215
Edgewood College unlimited ride pass	119,976	108,347
Madison College unlimited ride pass	754,868	726,495
City of Madison Employee unlimited ride pass	130,683	146,696
St Marys Hospital unlimited ride pass	47,356	56,677
Meriter Hospital unlimited ride pass	41,146	38,770
Dane County unlimited ride pass	23,466	10,285
Commute Pass unlimited ride pass	113,114	187,097
Total Passenger Fares for Transit Service	<u>12,290,638</u>	<u>12,042,202</u>
Other Operating Revenues		
Advertising revenue	545,149	500,000
Sale of buses, scrap and parts	100,546	22,788
Miscellaneous	72,451	132,337
Dane County - MA Waiver	2,970,775	2,869,448
Dane County - Elderly & Handicapped	143,000	143,088
Dane County - Group Access Service	177,154	176,582
Dane County - Group RSVP Service	106,985	80,116
Dane County - Exceptional Rides	89,082	108,091
Dane County - Common Carrier	-	54,301
Dane County - CARE Wisconsin	-	30,351
Dane County - Highway (Marketing)	19,280	19,280
Total Other Operating Revenues	<u>4,224,422</u>	<u>4,136,382</u>
Total Operating Revenues	<u>16,515,060</u>	<u>16,178,584</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance Expenses		
Employee compensation and benefits		
Salaries and wages	25,565,947	24,877,630
Pensions and benefits	11,158,833	12,584,465
Total Employee Compensation and Benefits	<u>36,724,780</u>	<u>37,462,095</u>
Materials and supplies	5,301,924	5,164,721
Purchased services	7,468,495	7,491,505
Interagency charges	753,115	756,878
Total Operation and Maintenance Expenses	<u>50,248,314</u>	<u>50,875,199</u>
Depreciation expense	6,627,945	6,594,868
Total Operating Expenses	<u>56,876,259</u>	<u>57,470,067</u>
 NET OPERATING LOSS	 <u>\$ (40,361,199)</u>	 <u>\$ (41,291,483)</u>

## METRO TRANSIT SYSTEM

### DETAILED SCHEDULE OF REVENUES AND EXPENSES - REGULATORY BASIS December 31, 2012 and 2011

		2012	2011
<b>REVENUES</b>			
401.00	Passenger fares for transit service	\$ 12,290,638	\$ 12,042,202
402.00	Special transit fares - New Year's Eve contributions and other	10,000	10,000
402.10	Service charges, NSF charges, etc.	62,451	122,337
406.00	Auxiliary transportation revenue - advertising	545,149	500,000
407.10	Contra-expense for sale of buses, scrap and parts	100,546	22,788
409.10	Local public subsidies	3,101,113	2,925,583
409.30	City of Madison operating subsidy	8,709,952	7,844,538
409.40	Dane County specialized transportation programs	3,506,276	3,481,257
409.99	MPO Local Subsidy	9,741	9,161
411.00	State cash grants and reimbursements	16,608,172	18,029,731
413.00	Federal cash grants and reimbursements	5,988,679	5,985,721
	Total Eligible Revenues	50,932,717	50,973,318
<b>EXPENSES - BY OBJECT CLASS TOTAL</b>			
501.01	Operators' salaries and wages	14,061,578	13,599,198
501.02	Other salaries and wages	7,440,387	7,352,736
502.00	Fringe benefits	15,223,299	16,510,161
503.00	Services	704,026	702,837
504.01	Fuel and lubricants	3,877,854	3,834,450
504.02	Tires and tubes	209,060	186,353
504.99	Other materials and supplies	1,320,364	1,332,051
505.00	Utilities	473,703	515,213
506.00	Casualty and liability costs	952,434	935,602
508.00	Purchased transportation	4,955,612	4,898,237
509.00	Miscellaneous expense	101,372	78,341
511.00	Interest expense	320,537	277,723
512.00	Leases and rentals	175,510	173,142
513.00	Depreciation	6,627,945	6,594,868
	Less: Ineligible depreciation on fixed assets	(6,627,945)	(6,594,868)
516.00	Other Reconciling Items	753,115	756,878
	Total Eligible Expenses	50,568,851	51,152,922
	<b>NET INCOME (excluding capital contributions and depreciation on fixed assets)</b>	<b>\$ 363,866</b>	<b>\$ (179,604)</b>



## METRO TRANSIT SYSTEM

### RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL RECOGNIZED REVENUES AND EXPENSES - REGULATORY BASIS For the Year Ended December 31, 2012

		Per WisDOT Guidelines
Revenues including subsidies and operating transfer		\$ 50,932,717
Less: Non-recognized revenues		
City operating transfer	\$ 8,709,952	
Local public subsidies	3,101,113	
Dane County specialized transportation programs	3,506,276	
MPO Local Subsidy	9,741	
Other federal subsidy	5,988,679	
State operating subsidy	16,608,172	
Nontransportation revenues		
Sale of buses, scrap and parts	100,546	
Service charges, NSF charges, etc.	62,451	
Total Non-Recognized Revenues		38,086,930
WisDOT Eligible Operating Revenues		\$ 12,845,787
Total Expenses per statement including interest expense	\$ 57,196,796	
Add: Fixed assets eligible for operating assistance	-	
Total Expenses		\$ 57,196,796
Less: Non-recognized expenses		
Depreciation	6,627,945	
Interest expense	320,537	
Bad debts	-	
Offset of scrap sales and miscellaneous reimbursements	162,997	
Capital Maintenance Grant @ 100%	7,485,849	
Leases and rentals	175,510	
Interagency indirect charges without approved allocation plan (excludes MPO of \$48,705)	704,410	
Total WisDOT Non-Recognized Expenses		15,477,248
WisDOT Eligible Operating Expenses		\$ 41,719,548
WisDOT Recognized Deficit		\$ (28,873,761)
Less Operating revenues ineligible for federal assistance: Advertising revenue		545,149
Federal Recognized Deficit		\$ (28,328,612)

## METRO TRANSIT SYSTEM

### COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS - REGULATORY BASIS For the Year Ended December 31, 2012

#### STATE FUNDS

WisDOT Recognized Deficit		<u>\$ 28,873,761</u>
WisDOT Contract Amount*		<u>\$ 16,599,975</u>
City of Madison and Other Local Subsidies	<u>\$ 11,820,806</u>	
5 Times Operating Subsidy		<u>\$ 59,104,030</u>
State Share - Least of the Three		<u>\$ 16,599,975</u>

#### FEDERAL FUNDS

Capital maintenance			
	<u>Eligible Costs</u>	<u>80% Federal Share</u>	
Grant WI 90-X595-00	\$ 60	48	
Grant WI 90-X573-00	3,520	2,816	
Grant WI 90-X630-00	68,999	55,199	
Grant WI 90-X735-00	7,413,270	<u>5,930,616</u>	
Federal operating revenue for current year capital maintenance			<u>\$ 5,988,679</u>

#### SUMMARY OF FUNDING (2012 only)

	<u>Received in 2012</u>	<u>Receivable 12/31/12</u>	<u>Totals</u>
Federal Operating Funds	\$ -	\$ -	\$ -
Federal Capital Maintenance	3,373,904	2,614,775	5,988,679
State Funds	16,219,175	380,800	16,599,975
Local Public Subsidies	3,312,957	(211,844)	3,101,113
MPO Local Subsidy	9,741	-	9,741
City of Madison	<u>8,709,952</u>	<u>-</u>	<u>8,709,952</u>
Total Funding	<u>\$ 31,625,729</u>	<u>\$ 2,783,731</u>	<u>\$ 34,409,460</u>

\*WisDOT Contract Amount includes \$16,219,175 from the 2012 Urban Mass Transit Operating Assistance Contract and \$380,800 from the 2012 Paratransit Aids Contract.