

**METRO TRANSIT SYSTEM**

An Enterprise Fund of the  
City of Madison, Wisconsin

**FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2021 and 2020

# 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, 2021 and 2020

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## Independent Auditors' Report

To the Transit and Parking Commission of  
Metro Transit System

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Madison Metro Transit System, an enterprise fund (Madison Metro Transit System), of the City, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position for Madison Metro Transit System, of the City, as of December 31, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Madison Metro Transit System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Madison Metro Transit System of the City, are intended to present the financial position, the changes in the financial position, and where applicable, cash flows of only the Madison Metro Transit System. They do not purport to, and do not, present fairly the financial position of the City, as of December 31, 2021, and 2020, and the changes in financial position, or 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.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Madison Metro Transit System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and are 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 supplementary information are 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 also issued our report dated on our consideration of Madison 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Madison Metro Transit System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison Metro Transit System's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin  
June 27, 2022

# 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, 2021.

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 365,000 and also provides contributions to Dane County for the delivery of Group Access Services (providing transportation of the elder to meal-sites), and Volunteer Driver Escort programs in the Metro service area. Metro is an Enterprise Fund of the City of Madison. Local investment partners are the Cities of Fitchburg, Middleton, Sun Prairie and Verona, Town of Madison, Madison College, Madison Metropolitan School District, the University of Wisconsin-Madison, the University of Wisconsin Hospital East, and the Village of Shorewood Hills. Unlimited ride pass program participants include the UW-Madison, Madison College, Edgewood College, St. Mary's and Meriter Hospitals, Dane County and the City of Madison.

### **Annual Overview**

#### *Impact of Covid-19*

With the continued presence of Covid-19 and the emergence of additional variants, Metro has been operating service at approximately 85% of pre-pandemic levels. Currently, Metro plans to continue at this pace until a full review of the transit network is completed in 2022 and subsequently put in place in mid-2023.

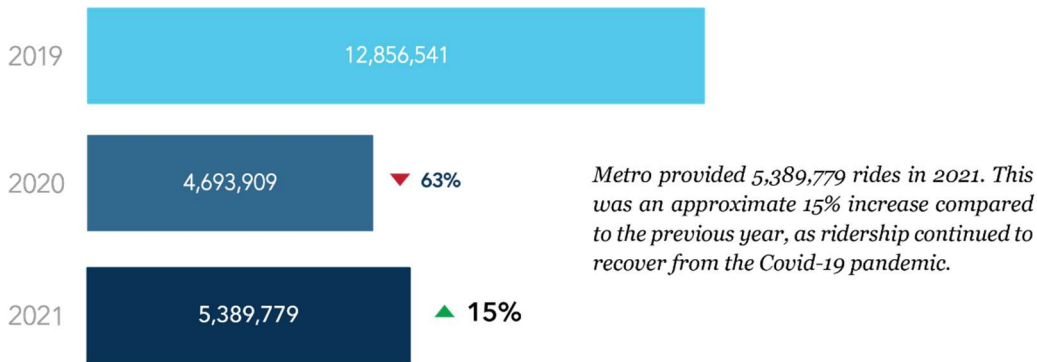
Metro serves a vital need in the community and supports residents and visitors in getting to places that meet their critical needs, such as employment, education, healthcare, and entertainment and retail sites. Metro has continued to work closely with essential service organizations to make sure these needs are still being met despite the decreased service levels. Extra trips have been added when overcrowding is occurring on specific routes. In addition, we continue to make progress in hiring transit operators, so that we will be fully staffed and able to return to full service in 2023.

Due to the federal mask requirements on public transportation, Metro is continuing to purchase and have masks available for riders and staff.

# METRO TRANSIT SYSTEM

## MANAGEMENT’S DISCUSSION AND ANALYSIS REPORT

### Ridership Infographic



### *Bus Rapid Transit*

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

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

With the first BRT corridor expected to cost \$186 million, Madison has secured \$137 million in federal funding and locally committed \$13 million of in-kind contributions, \$20 million in TIF funding, and \$16 million in local borrowing to complete the project. Project construction is planned to begin in late 2022 with service hoped to begin in the summer of 2024.

### *Network Redesign*

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

The service changes are expected to be approved in summer 2022 with implementation of the routes in summer 2023. Initially, the routes will run without the 60-foot buses or BRT infrastructure in the East-West corridor until the opening of BRT service in 2024.

### *Facilities Update*

Metro is completing a capital improvement project at its main maintenance and bus storage facility on East Washington Ave. Inadequate space to store buses, coupled with the aging infrastructure and inadequate ventilation has led to unsafe working conditions and substandard, inefficient amenities that needed to be addressed.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

The first and second phase of construction, which was completed between 2019 and 2020, included building new service lanes, remodeling of the workshop and body shop, structural work, critical HVAC upgrades and widespread electrical upgrades to support the addition of electric buses.

Phase three of remodeling began in the summer of 2021 and will continue throughout 2022. This includes upgrades to maintenance bays/lifts, new boilers and water heaters, remodels to administration and office areas, new driver locker rooms, restrooms, and standby room, and new HVAC and lighting.

Metro was awarded a \$6.4 million bus and bus facilities grant from the federal government. This award will help to cover the rising costs of construction due to the labor shortage, inflation and scarcity of materials.

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

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

In July 2021, the City of Madison purchased two prior FedEx buildings located on the far-east side of the city near the UW Hospital American Center. One building is slated for a large bus storage area and bus wash, while the other will be more maintenance focused.

The new facility is currently housing maintenance vehicles and equipment while construction is ongoing at the East Washington Avenue site. Staff is completing design work for the addition of a wash bay, service lane, utilities to accommodate electric vehicles, and lifts for maintenance of the 60-foot BRT buses. Construction is slated to begin in 2023 with the expectation of completion in early 2024 for the BRT service rollout.



# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Madison Metro Transit  
Income Statement  
For the Year Ended December 31, 2021

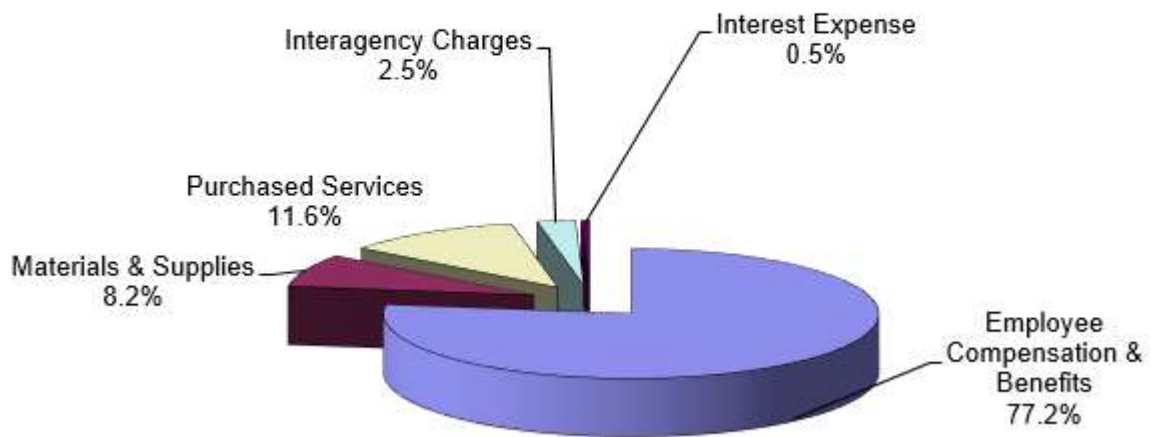
	All Modes		Fixed Route		Paratransit	
	Actual	Budget	Actual	Budget	Actual	Budget
<b>Revenue</b>						
Farebox	\$ 861,898	\$ 954,284	\$ 802,969	\$ 899,193	\$ 58,929	\$ 55,091
Passes & Tickets	\$ 2,670,561	\$ 3,569,678	\$ 2,091,197	\$ 2,744,847	\$ 579,364	\$ 824,831
Unlimited Ride Programs	\$ 5,389,449	\$ 6,824,532	\$ 5,375,906	\$ 6,824,532	\$ 13,543	\$ -
<b>Passenger Revenue</b>	<b>\$ 8,921,908</b>	<b>\$ 11,348,494</b>	<b>\$ 8,270,072</b>	<b>\$ 10,468,572</b>	<b>\$ 651,836</b>	<b>\$ 879,922</b>
County Programs	\$ 604,950	\$ 600,000	\$ -	\$ -	\$ 604,950	\$ 600,000
Federal Operating Assistance	\$ 6,676,311	\$ 9,370,000	\$ 6,285,525	\$ 8,821,544	\$ 390,786	\$ 548,456
State Operating Assistance	\$ 17,721,470	\$ 17,707,200	\$ 16,729,068	\$ 16,715,597	\$ 992,402	\$ 991,603
Local Subsidies	\$ 6,017,324	\$ 6,300,000	\$ 5,836,804	\$ 6,111,000	\$ 180,520	\$ 189,000
Vehicle Registration Fee	\$ 6,902,604	\$ 7,500,000	\$ 6,868,091	\$ 6,375,000	\$ 34,513	\$ 1,125,000
Advertising	\$ 469,581	\$ 675,000	\$ 469,581	\$ 675,000	\$ -	\$ -
Miscellaneous	\$ 129,088	\$ 200,000	\$ 129,088	\$ 200,000	\$ -	\$ -
<b>Total Revenue</b>	<b>\$ 47,443,236</b>	<b>\$ 53,700,694</b>	<b>\$ 44,588,229</b>	<b>\$ 49,366,713</b>	<b>\$ 2,855,007</b>	<b>\$ 4,333,981</b>
<b>Expenditures</b>						
Salaries	\$ 28,389,787	\$ 31,890,730	\$ 27,821,991	\$ 31,252,915	\$ 567,796	\$ 637,815
Benefits	\$ 10,783,473	\$ 13,027,941	\$ 10,567,804	\$ 12,767,382	\$ 215,669	\$ 260,559
Utilities/Telephone	\$ 394,682	\$ 549,428	\$ 386,788	\$ 538,439	\$ 7,894	\$ 10,989
Repairs & Maint B&G	\$ 73,631	\$ 249,000	\$ 72,158	\$ 244,020	\$ 1,473	\$ 4,980
Repairs & Maint Equip	\$ 596,483	\$ 690,000	\$ 584,553	\$ 676,200	\$ 11,930	\$ 13,800
Rentals	\$ 449,155	\$ 550,000	\$ 440,172	\$ 539,000	\$ 8,983	\$ 11,000
Employee Services	\$ 69,453	\$ 117,000	\$ 68,064	\$ 114,660	\$ 1,389	\$ 2,340
Insurance & Financial	\$ 967,034	\$ 1,295,105	\$ 947,693	\$ 1,269,203	\$ 19,341	\$ 25,902
Purchased Transportation	\$ 2,902,933	\$ 3,910,000	\$ -	\$ -	\$ 2,902,933	\$ 3,910,000
Other Services	\$ 422,351	\$ 898,486	\$ 413,904	\$ 880,516	\$ 8,447	\$ 17,970
Office Supplies	\$ 124,782	\$ 295,983	\$ 122,286	\$ 290,063	\$ 2,496	\$ 5,920
Equipment Supplies	\$ 1,577,534	\$ 1,617,000	\$ 1,561,759	\$ 1,600,830	\$ 15,775	\$ 16,170
Bldg & Const Supplies	\$ 43,765	\$ 200,000	\$ 43,327	\$ 198,000	\$ 438	\$ 2,000
Fuels, Oils & Lubricants	\$ 2,206,883	\$ 3,059,000	\$ 2,184,814	\$ 3,028,410	\$ 22,069	\$ 30,590
Other Supplies	\$ 181,486	\$ 440,000	\$ 179,671	\$ 435,600	\$ 1,815	\$ 4,400
Interdepartmental Charges	\$ 1,255,577	\$ 1,186,968	\$ 1,243,021	\$ 1,175,098	\$ 12,556	\$ 11,870
Depreciation	\$ 7,812,713	\$ 8,000,000	\$ 7,734,586	\$ 7,920,000	\$ 78,127	\$ 80,000
Interest	\$ 267,948	\$ -	\$ 265,269	\$ -	\$ 2,679	\$ -
<b>Total Expenses</b>	<b>\$ 58,519,670</b>	<b>\$ 67,976,641</b>	<b>\$ 54,637,860</b>	<b>\$ 62,930,336</b>	<b>\$ 3,881,810</b>	<b>\$ 5,046,305</b>
<b>Income(Deficit)</b>	<b>\$ (11,076,434)</b>	<b>\$ (14,275,947)</b>	<b>\$ (10,049,631)</b>	<b>\$ (13,563,623)</b>	<b>\$ (1,026,803)</b>	<b>\$ (712,324)</b>
Depreciation	\$ (7,812,713)	\$ (8,000,000)	\$ (7,734,586)	\$ (7,920,000)	\$ (78,127)	\$ (80,000)
Unfunded OPEB	\$ (666,721)	\$ -	\$ (653,387)	\$ -	\$ (13,334)	\$ -
Unfunded Pension	\$ 2,572,418	\$ -	\$ 2,520,970	\$ -	\$ 51,448	\$ -
Debt	\$ 3,946,436	\$ -	\$ 3,906,972	\$ -	\$ 39,464	\$ -
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Portion of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenditures(City)</b>	<b>\$ 56,559,090</b>	<b>\$ 59,976,641</b>	<b>\$ 52,677,829</b>	<b>\$ 55,010,336</b>	<b>\$ 3,881,261</b>	<b>\$ 4,966,305</b>
Added To/(Taken From)Reserves	\$ (244,629)	\$ 2,235,368	\$ 204,995	\$ 1,846,334	\$ (449,624)	\$ 389,034
<b>Income/(Deficit) (City)</b>	<b>\$ (8,871,225)</b>	<b>\$ (8,511,315)</b>	<b>\$ (8,294,595)</b>	<b>\$ (7,489,957)</b>	<b>\$ (576,630)</b>	<b>\$ (1,021,358)</b>

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

As can be seen from the following chart, employee compensation and benefits accounted for just over 77% of total expenses excluding depreciation in 2021, which is down a half of a percent from 2020.

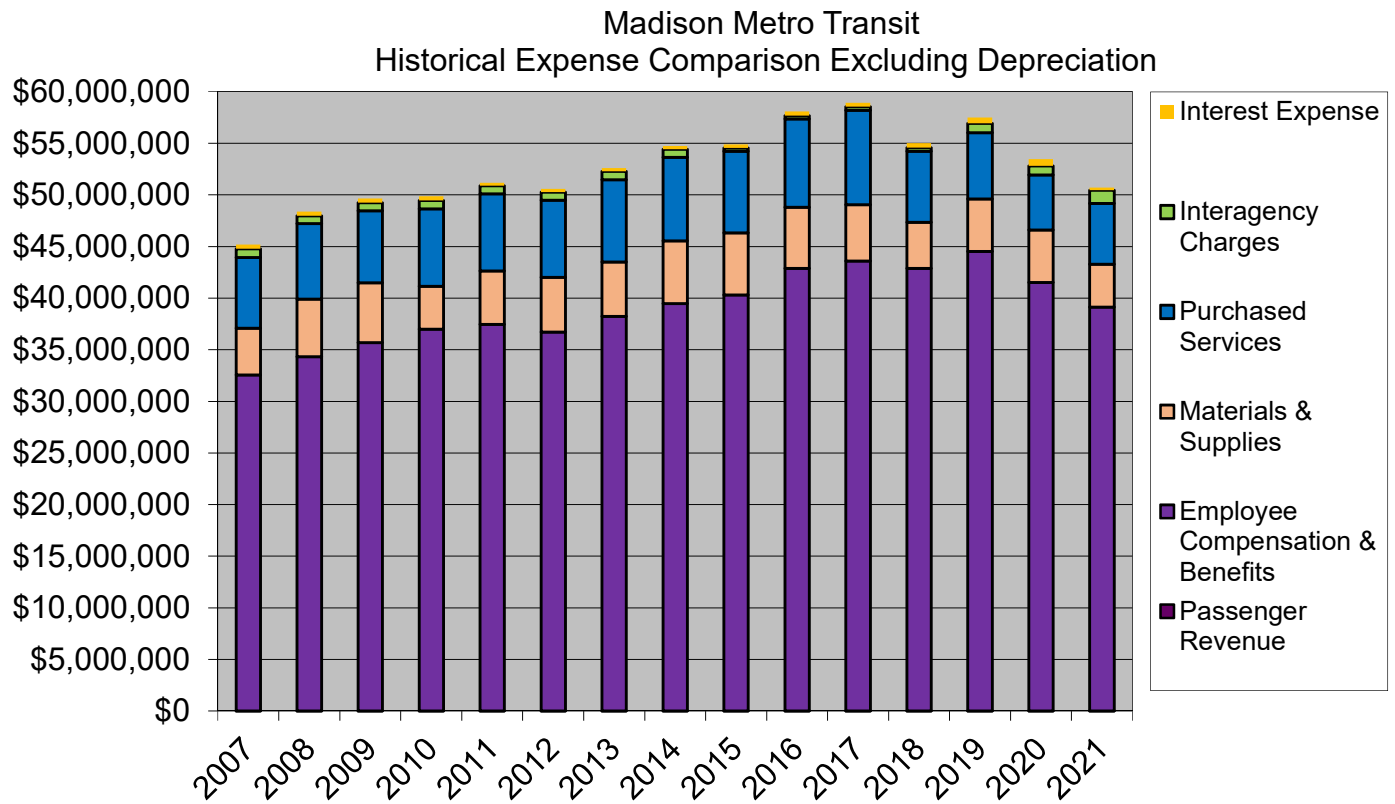
**2021 Expenses excluding Depreciation**



# METRO TRANSIT SYSTEM

## MANAGEMENT’S DISCUSSION AND ANALYSIS REPORT

The below chart illustrates that total operating expenses decreased by 5.1% between 2020 and 2021, due primarily to decreases in employee compensation and interest expense. With the exception of 2019, Metro has seen a steady decrease in operating expenses over the past 4 years.

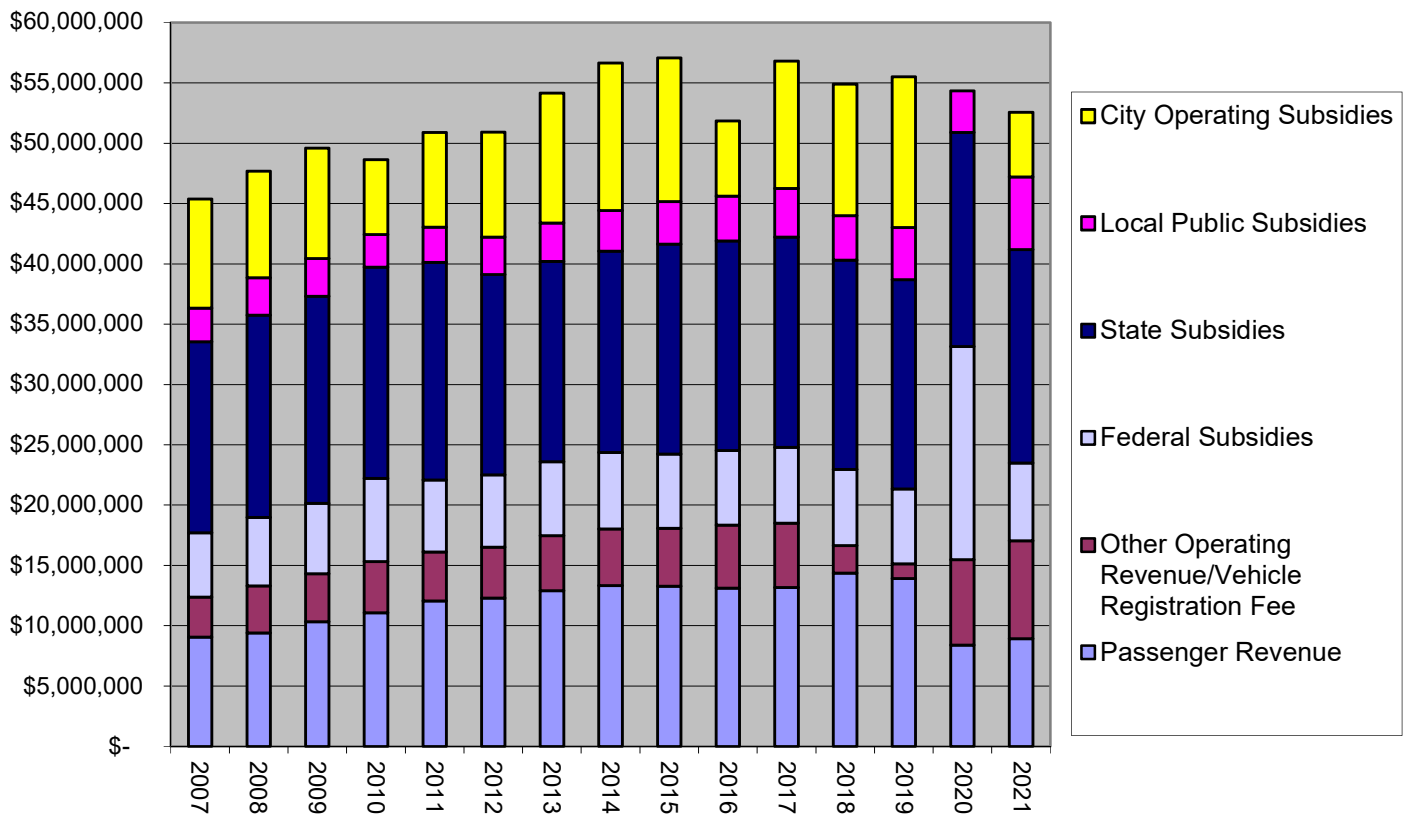


# METRO TRANSIT SYSTEM

## MANAGEMENT’S DISCUSSION AND ANALYSIS REPORT

The next chart compares Metro’s revenue sources for the same period of time. Passenger revenue has decreased 38% since hitting a peak in 2018. This large decrease is attributed to the COVID-19 pandemic and many businesses and facilities switching to virtual work and instruction since early 2020. On a positive note, passenger revenue was up 6.5% in 2021 from the previous year. State aid, which traditionally provides the largest portion of Metro’s revenue, increased 0.7% during the same time period. We are expecting a 20% reduction in state aid in 2022 due to a cut in the state budget.

**Madison Metro Transit Historical Revenue Comparison**



# **METRO TRANSIT SYSTEM**

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

### **GRANT STATUS**

Metro is fortunate to have federal support for capital funding for rolling stock (buses), ITS hardware/software, transit enhancements, facilities improvements and other capital projects. The following chart shows the year-end grant status of each grant against which expenditures were charged during the year. Note that where balances are available as of 12/31/21 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 12/31/21

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

CAPITAL GRANTS	Funding Year	Total Funds Apportionment	Prior years expenditures	Beginning Balance	2021 expenditures	Balance available as of 12/31/21	Future Budgeted projects	Balance after budgeted projects	Detail of future budgeted projects- see page 2.
<b>Federal Section 5307</b>									
WI-2019-022	2019	\$ 10,677,962	\$ 7,684,887	\$ 2,993,074	\$ 2,371,369	\$ 621,705	\$ 621,705	\$ -	Buses
WI-2020-031	2020	\$ 10,377,418	\$ 7,500,000	\$ 2,877,418	\$ 2,221,119	\$ 656,299	\$ 656,299	\$ -	Buses
WI-2020-049 (CARES Stimulus)	2020	\$ 24,498,820	\$ 11,568,622	\$ 12,930,198	\$ 335,835	\$ 12,594,363	\$ 12,594,363	\$ (0)	Emergency Operating, Facility Renovations, Buses
WI-2021-041 (CRRSA Stimulus)	2021	\$ 14,983,291	\$ -	\$ 14,983,291	\$ -	\$ 14,983,291	\$ 14,983,291	\$ -	Various
WI-2021-042 (ARPA Stimulus)	2021	\$ 30,006,405	\$ -	\$ 30,006,405	\$ 6,000,000	\$ 24,006,405	\$ 24,006,405	\$ -	Emergency Operating Assistance
FFY 2021 (estimate)	2021	\$ 9,665,549	\$ -	\$ 9,665,549	\$ -	\$ 9,665,549	\$ 9,665,549	\$ -	Facility
FFY 2022 (estimate)	2022	\$ 9,745,607	\$ -	\$ 9,745,607	\$ -	\$ 9,745,607	\$ 9,745,607	\$ -	BRT Buses
<b>Total Section 5307</b>		<b>\$ 109,955,052</b>	<b>\$ 26,753,509</b>	<b>\$ 83,201,542</b>	<b>\$ 10,928,323</b>	<b>\$ 72,273,219</b>	<b>\$ 72,273,219</b>	<b>\$ (0)</b>	
<b>Federal Section 5310</b>									
WI-2020-025	2020	\$ 448,378	\$ 355,663	\$ 92,715	\$ 92,715	\$ -	\$ -	\$ -	Closed
WI-2021-029	2021	\$ 301,779	\$ -	\$ 301,779	\$ 243,384	\$ 58,395	\$ 58,395	\$ -	Mobility management
WI-2021-036	2021	\$ 54,368	\$ -	\$ 54,368	\$ 44,932	\$ 9,436	\$ 9,436	\$ -	Emergency Assistance for Mobility management
WI-2021-037	2021	\$ 21,443	\$ -	\$ 21,443	\$ 21,443	\$ -	\$ -	\$ -	Closed
FFY 2022 (estimate)	2022	\$ 402,464	\$ -	\$ 402,464	\$ -	\$ 402,464	\$ 402,464	\$ -	Mobility management
<b>Total Section 5310</b>		<b>\$ 1,228,432</b>	<b>\$ 355,663</b>	<b>\$ 872,769</b>	<b>\$ 402,474</b>	<b>\$ 470,295</b>	<b>\$ 470,295</b>	<b>\$ -</b>	
<b>Federal Section 5337 &amp; 5339a</b>									
WI-2019-022	2019	\$ 2,334,648	\$ -	\$ 2,334,648	\$ 1,456,000	\$ 878,648	\$ 878,648	\$ -	Buses
WI-2020-031	2020	\$ 2,220,850	\$ -	\$ 2,220,850	\$ -	\$ 2,220,850	\$ 2,220,850	\$ -	Buses
FFY 2021 (estimate)	2021	\$ 2,800,004	\$ -	\$ 2,800,004	\$ -	\$ 2,800,004	\$ 2,800,004	\$ -	Facility
FFY 2022 (estimate)	2022	\$ 3,807,555	\$ -	\$ 3,807,555	\$ -	\$ 3,807,555	\$ 3,807,555	\$ -	BRT Buses
<b>Total Section 5337 &amp; 5339a</b>		<b>\$ 11,163,057</b>	<b>\$ -</b>	<b>\$ 11,163,057</b>	<b>\$ 1,456,000</b>	<b>\$ 9,707,057</b>	<b>\$ 9,707,057</b>	<b>\$ -</b>	
<b>Federal Section 5339 Discretionary</b>									
WI-2018-012 (FTA 5339c Low-No)	2017	\$ 1,491,341	\$ 330,522	\$ 1,160,819	\$ 1,108,466	\$ 52,353	\$ 52,353	\$ -	Electric Bus Deployment project
WI-2020-031 (FTA 5339b Bus Facility)	2019	\$ 10,240,000	\$ -	\$ 10,240,000	\$ 10,240,000	\$ -	\$ -	\$ -	Will be closed with Super Grant
<b>Total Section 5339 Discretionary</b>		<b>\$ 11,731,341</b>	<b>\$ 330,522</b>	<b>\$ 11,400,819</b>	<b>\$ 11,348,466</b>	<b>\$ 52,353</b>	<b>\$ 52,353</b>	<b>\$ -</b>	
<b>Total Capital Grants</b>		<b>\$ 134,077,882</b>	<b>\$ 27,439,694</b>	<b>\$ 106,638,188</b>	<b>\$ 24,135,263</b>	<b>\$ 82,502,925</b>	<b>\$ 82,502,924</b>	<b>\$ (0)</b>	
<b>OTHER GRANTS</b>									
WI260012	2006	\$ 1,980,000	\$ 1,463,605	\$ 516,395	\$ 516,395	\$ -	\$ -	\$ -	Closed
WI390002	2007	\$ 1,500,000	\$ 222,718	\$ 1,277,282	\$ 1,277,282	\$ -	\$ -	\$ -	Grant closure is requested
WI-2021-038 (TOD Planning)	2020	\$ 390,000	\$ -	\$ 390,000	\$ 7,574	\$ 382,426	\$ 382,426	\$ -	Various
WisDOT-2021-5304 (Statewide Planning)	2021	\$ 400,000	\$ -	\$ 400,000	\$ -	\$ 400,000	\$ 400,000	\$ -	On-Board Survey
<b>Total Other Grants</b>		<b>\$ 4,270,000</b>	<b>\$ 1,686,323</b>	<b>\$ 2,583,677</b>	<b>\$ 1,801,251</b>	<b>\$ 782,426</b>	<b>\$ 782,426</b>	<b>\$ -</b>	

\$ 25,936,514

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

CAPITAL GRANTS	Transit Enhancements	Equipment	Facility	Computer hardware & software	Mobility management	Consultants	Buses -BRT/Fixed Route	Emergency Operating Assistance	Associated capital maintenance	Total Budgeted Projects
<b>Federal Section 5307</b>										
WI-2019-022							\$ 621,705			\$ 621,705
WI-2020-031							\$ 656,299			\$ 656,299
WI-2020-049 (CARES Stimulus)							\$ 6,000,000	\$ 6,594,363		\$ 12,594,363
WI-2021-041 (CRRSA Stimulus)				\$ 13,983,291			\$ 1,000,000			\$ 14,983,291
WI-2021-042 (ARPA Stimulus)								\$ 24,006,405		\$ 24,006,405
FFY 2021 (estimate)			\$ 9,665,549							\$ 9,665,549
FFY 2022 (estimate)							\$ 9,745,607			\$ 9,745,607
<b>Total Section 5307</b>	\$ -	\$ -	\$ 9,665,549	\$ 13,983,291		\$ -	\$ 18,023,611	\$ 30,600,768	\$ -	\$ 72,273,219
<b>Federal Section 5310</b>										
WI-2020-025										\$ -
WI-2021-029					\$ 58,395					\$ 58,395
WI-2021-036								\$ 9,436		\$ 9,436
WI-2021-037										\$ -
FFY 2022 (estimate)					\$ 402,464					\$ 402,464
<b>Total Section 5310</b>	\$ -	\$ -	\$ -	\$ -	\$ 460,859	\$ -	\$ -	\$ 9,436	\$ -	\$ 470,295
<b>Federal Section 5337 &amp; 5339a</b>										
WI-2019-022							\$ 878,648			\$ 878,648
WI-2020-031							\$ 2,220,850			\$ 2,220,850
FFY 2021 (estimate)				\$ 2,800,004						\$ 2,800,004
FFY 2022 (estimate)							\$ 3,807,555			\$ 3,807,555
<b>Total Section 5337 &amp; 5339a</b>	\$ -	\$ -	\$ -	\$ 2,800,004		\$ -	\$ 6,907,053	\$ -	\$ -	\$ 9,707,057
<b>Federal Section 5339 Discretionary</b>										
WI-2018-012 (FTA 5339c Low-No)				\$ 518		\$ 51,835				\$ 52,353
WI-2020-031 (FTA 5339b Bus Facility)										\$ -
<b>Total Section 5339 Discretionary</b>	\$ -	\$ -	\$ -	\$ 518		\$ 51,835	\$ -	\$ -	\$ -	\$ 52,353
<b>Total Capital Grants</b>	\$ -	\$ -	\$ 9,665,549	\$ 16,783,813	\$ 460,859	\$ 51,835	\$ 24,930,664	\$ 30,610,204	\$ -	\$ 82,502,924
<b>OTHER GRANTS</b>										
WI260012										\$ -
WI390002										\$ -
WI-2021-038 (TOD Planning)						\$ 382,426				\$ 382,426
WisDOT-2021-5304 (Statewide Planning)						\$ 400,000				\$ 400,000
<b>Total Other Grants</b>	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -

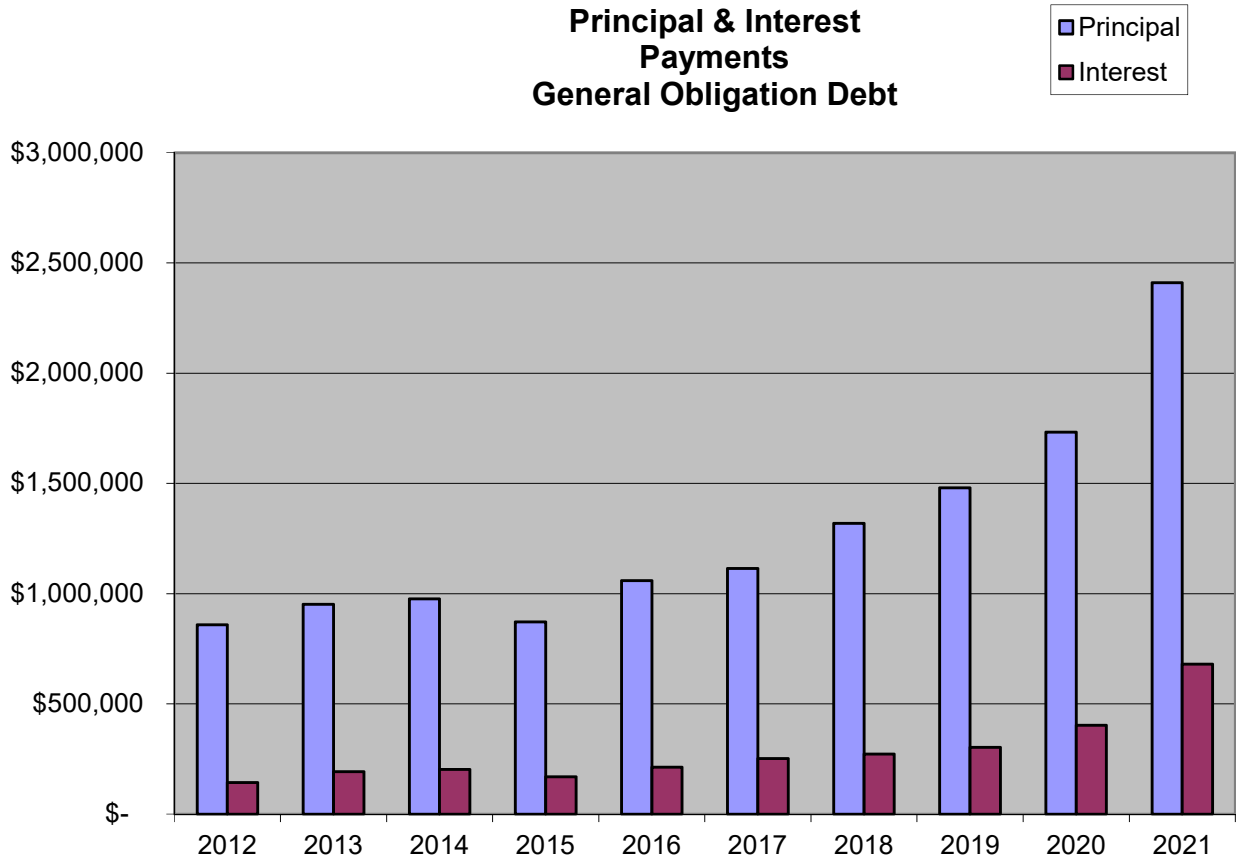
# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Borrowing

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

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





# **METRO TRANSIT SYSTEM**

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

### **Financial Statements**

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

### **Condensed Statements**

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

**METRO TRANSIT SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT**

**Condensed Statements of Net Position**

	2021	2020	2019
Current and Other Assets	\$33,961,607	\$23,013,988	\$16,869,181
Capital Assets <sup>1</sup>	<u>71,209,209</u>	<u>56,673,864</u>	<u>51,671,781</u>
<b>Total Assets</b>	<b><u>105,170,816</u></b>	<b><u>79,687,852</u></b>	<b><u>68,540,962</u></b>
Deferred Outflows related to Pensions <sup>2</sup>	<u>19,067,816</u>	<u>14,192,779</u>	<u>18,856,380</u>
Deferred Outflows related to other post-employment benefits <sup>3</sup>	<u>1,474,326</u>	<u>1,732,431</u>	568,309
Long-Term Debt <sup>4</sup>	25,632,805	29,458,509	24,220,819
Other Liabilities	<u>35,323,371</u>	<u>27,203,868</u>	<u>27,987,877</u>
<b>Total Liabilities</b>	<b><u>60,956,176</u></b>	<b><u>56,662,377</u></b>	<b><u>52,208,696</u></b>
Deferred Inflows relate to Pensions <sup>2</sup>	24,400,796	17,464,876	9,744,422
Deferred Inflows related to other post-employment benefits <sup>3</sup>	<u>1,328,461</u>	<u>1,213,765</u>	<u>1,003,536</u>
Net Investment in Capital Assets <sup>5</sup>	43,162,182	30,615,031	30,930,805
Restricted Net Position related to pensions	10,481,436	5,848,135	
Unrestricted (Deficit)	\$ (14,616,093)	\$ (16,191,122)	\$ (5,921,808)
<b>Total Net Position</b>	<b><u>\$39,027,525</u></b>	<b><u>\$20,272,044</u></b>	<b><u>\$25,008,997</u></b>

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

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

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

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

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

**METRO TRANSIT SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT**

**Table 2**

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

	2021	2020	2019
Operating Revenues	\$ 10,122,406	\$ 9,429,533	\$ 15,067,977
Depreciation Expense	\$ 7,812,713	\$ 7,801,792	\$ 7,316,345
Other Operating Expenses	\$ 50,439,007	\$ 52,795,328	\$ 56,933,269
Non-operating Expenses <sup>1</sup>	<u>\$ 267,949</u>	<u>\$ 646,048</u>	<u>\$ 563,677</u>
 Total Expenses	 <u>\$ 58,519,669</u>	 <u>\$ 61,243,168</u>	 <u>\$ 64,813,291</u>
Operating Subsidies <sup>1</sup>	\$ 30,180,070	\$ 38,872,549	\$ 27,882,108
Insurance Recovery	\$ 8,921	\$ 12,634	\$ 70,701
Loss Before Capital Contributions and Transfers	\$ (18,208,272)	\$ (12,928,452)	\$ (21,792,505)
Capital Contributions <sup>2</sup>	\$ 24,712,882	\$ 2,167,978	\$ 5,536,986
Transfers	\$ 5,348,267		\$ 12,478,419
Vehicle Registration Fee	<u>\$ 6,902,604</u>	<u>\$ 6,023,521</u>	<u></u>
 Changes in Net Position	 <u>\$ 18,755,481</u>	 <u>\$ (4,736,953)</u>	 <u>\$ (3,777,100)</u>
Beginning Net Position - Restated	\$ 20,272,044	\$ 25,008,997	\$ 28,786,097
 Ending Net Position	 <u>\$ 39,027,525</u>	 <u>\$ 20,272,044</u>	 <u>\$ 25,008,997</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 Justin Stuehrenberg, Transit General Manager, Metro Transit 1245 East Washington Avenue, Suite 201, Madison, WI 53703 or by e-mail to: [jstuehrenberg@cityofmadison.com](mailto:jstuehrenberg@cityofmadison.com).

Respectfully submitted

Transit General Manager

**Statements of Net Position** Follows

**METRO TRANSIT SYSTEM**

STATEMENTS OF NET POSITION

December 31, 2021 and 2020

<b>ASSETS</b>		
	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 11,482,623	\$ 6,918,475
Restricted cash - retiree health insurance escrow and 2022 state funding	5,528,617	371,167
Deposit with fiscal agent-restricted cash	-	675,469
Receivable from FTA - capital and maintenance	1,253,381	2,091,837
Receivable from Wisconsin - capital	68,406	1,199,700
Receivable from other governmental units	1,909,993	2,962,817
Accounts receivable (net)	678,859	577,035
Materials and supplies (net)	392,866	391,896
Prepaid expenses	576,072	584,362
Current portion of prepaid expense - land and tower lease	2,872	3,096
Total Current Assets	<u>21,893,689</u>	<u>15,775,854</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash - retiree health insurance escrow	1,569,272	1,376,109
Net pension asset	10,481,436	5,848,135
Other Assets		
Prepaid expenses - land and tower lease	17,210	13,890
Capital Assets		
Transit plant in service	151,774,908	136,973,528
Accumulated depreciation	(80,565,699)	(80,630,185)
Construction work in progress	-	330,522
Total Non-Current Assets	<u>83,277,127</u>	<u>63,911,999</u>
Total Assets	<u>105,170,816</u>	<u>79,687,853</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	19,067,816	14,192,779
Deferred outflows related to other post-employment benefits	1,474,326	1,732,431
Total Deferred Outflows of Resources	<u>20,542,142</u>	<u>15,925,210</u>

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**LIABILITIES**

	<u>2021</u>	<u>2020</u>
<b>CURRENT LIABILITIES</b>		
Current portion of general obligation debt	\$ 2,698,526	\$ 3,522,958
Current portion of advance from other funds	438,771	423,478
Current portion of unearned revenue - land and tower lease	2,872	3,096
Current portion due to other governments	359,910	-
Accounts payable	1,549,252	2,329,649
Unearned revenue - 2022 State ARPA (restricted)	5,202,206	-
Unearned revenue	808,254	-
Accrued compensation, vacation and sick leave	3,477,354	3,429,525
Accrued interest	171,402	197,483
Retiree health insurance escrow payable from restricted assets	326,411	371,167
Total Current Liabilities	<u>15,034,958</u>	<u>10,277,356</u>
<b>NON-CURRENT LIABILITIES</b>		
General obligation debt	21,524,367	24,102,161
Bond premium	4,353,017	4,850,505
Due to other governments	2,879,280	-
Advance from other funds	971,141	1,409,912
Retiree health insurance escrow payable from restricted assets	1,569,271	1,376,109
Accrued sick leave	3,225,928	3,626,167
Deposits from other governments	271,165	184,167
Other post-employment benefit liability	11,116,031	10,822,111
Unearned revenue - land and tower lease	11,018	13,890
Total Non-Current Liabilities	<u>45,921,218</u>	<u>46,385,022</u>
 Total Liabilities	 <u>60,956,176</u>	 <u>56,662,378</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	24,400,796	17,464,876
Deferred inflows related to other post-employment benefits	1,328,461	1,213,765
Total Deferred Inflows of Resources	<u>25,729,257</u>	<u>18,678,641</u>
 <b>NET POSITION</b>		
Net investment in capital assets	43,162,182	25,764,526
Restricted net position (Deficit) related to pensions	10,481,436	5,848,135
Unrestricted (Deficit)	<u>(14,616,093)</u>	<u>(11,340,617)</u>
 <b>TOTAL NET POSITION</b>	 <u>\$ 39,027,525</u>	 <u>\$ 20,272,044</u>

## METRO TRANSIT SYSTEM

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>	<u>\$ 10,122,406</u>	<u>\$ 9,429,533</u>
<b>OPERATING EXPENSES</b>		
Employee compensation and benefits	39,140,614	41,518,986
Materials and supplies	4,151,740	5,090,914
Purchased services	5,891,076	5,322,883
Interagency charges	<u>1,255,577</u>	<u>862,545</u>
Total Operation and Maintenance Expenses	50,439,007	52,795,328
Depreciation expense	<u>7,812,713</u>	<u>7,801,792</u>
Total Operating Expenses	<u>58,251,720</u>	<u>60,597,120</u>
 Operating Loss Before Operating Subsidies	 <u>(48,129,314)</u>	 <u>(51,167,587)</u>
<b>OPERATING SUBSIDIES</b>		
Federal subsidies	6,676,311	17,865,203
Federal subsidies pass-through to sub recipient	(235,035)	(186,957)
State operating subsidies	17,721,470	17,758,321
Local public subsidies	<u>6,017,324</u>	<u>3,435,982</u>
Total Operating Subsidies	<u>30,180,070</u>	<u>38,872,549</u>
 Operating Loss	 <u>(17,949,244)</u>	 <u>(12,295,038)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Insurance recoveries	8,921	12,634
Vehicle registration fee	6,902,604	6,023,521
Interest expense	<u>(267,949)</u>	<u>(646,048)</u>
 Loss Before Contributions and Transfers	 <u>(11,305,668)</u>	 <u>(6,904,931)</u>
<b>CAPITAL CONTRIBUTIONS - CITY</b>	3,522,958	-
<b>CAPITAL CONTRIBUTIONS - FEDERAL &amp; STATE</b>	12,790,069	2,136,978
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	8,257,376	-
<b>CAPITAL CONTRIBUTIONS-OTHER</b>	142,479	31,000
<b>TRANSFERS IN - CITY OPERATING SUBSIDIES</b>	<u>5,348,267</u>	<u>-</u>
 Total Contributions and Transfers	 <u>30,061,149</u>	 <u>2,167,978</u>
 <b>CHANGE IN NET POSITION</b>	 <b>18,755,481</b>	 <b>(4,736,953)</b>
 NET POSITION - Beginning of Year	 20,272,044	 25,008,997
 <b>NET POSITION - End of Year</b>	 <b><u>\$ 39,027,525</u></b>	 <b><u>\$ 20,272,044</u></b>

See accompanying notes to financial statements.



**Statements of Cash Flows Follows**

## METRO TRANSIT SYSTEM

### STATEMENTS OF CASH FLOWS December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 12,792,263	\$ 8,541,906
Paid to suppliers for goods and services	(20,920,945)	(23,782,034)
Paid to employees for services	(29,282,538)	(29,240,234)
Cash Flows from Operating Activities	<u>(37,411,220)</u>	<u>(44,480,362)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating subsidies received - federal	7,514,767	17,701,117
Federal subsidies pass-through to sub recipient	(235,035)	(186,957)
Operating subsidies received - state	17,721,470	17,758,321
Operating subsidies received - local	5,230,337	4,935,818
Unearned revenue - 2022 State ARPA (restricted)	5,202,206	-
Deposits received from other governments	86,998	(43,871)
Repayment of non-capital advances from other funds	(423,478)	(362,560)
Interest paid on non-capital advances from other funds	(5,248)	(83,757)
Vehicle registration fee	6,902,604	6,023,522
Operating transfer from city	5,348,267	-
Cash Flows from Noncapital Financing Activities	<u>47,342,888</u>	<u>45,741,633</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt retired	(3,522,955)	(2,632,781)
Interest paid	(786,271)	(680,159)
Proceeds from issuance of general obligation debt	120,730	8,233,030
Debt premium	-	4,974,877
Acquisition and construction of capital assets	(22,348,056)	(12,803,876)
Capital contributions - city and other	11,922,813	-
Capital contributions - federal and state	13,921,363	968,278
Cash Flows From Capital and Related Financing Activities	<u>(692,376)</u>	<u>(1,940,631)</u>
<b>Net Change in Cash and Cash Equivalents</b>	9,239,292	(679,360)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>9,341,220</u>	<u>10,020,580</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 18,580,512</u>	<u>\$ 9,341,220</u>

See accompanying notes to financial statements.

	<u>2021</u>	<u>2020</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH</b>		
<b>FLOW FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (48,129,314)	\$ (51,167,587)
Nonoperating income	8,921	12,634
Noncash items included in operating loss		
Depreciation expense	7,812,713	7,801,792
Changes in Assets and Liabilities		
Accounts receivable	951,000	389,346
Materials and supplies	(970)	(11,561)
Prepaid expenses	5,194	9,970
Accrued payroll liabilities	(352,410)	898,927
Retiree health insurance escrow payable from restricted assets	148,407	90,034
Other post-employment benefits	666,720	(489,563)
Accounts payable	6,589	(1,064,717)
Due to Other Governments	3,239,190	
Pension related deferrals and liabilities	(2,572,418)	(36,362)
Unearned revenue	808,254	(909,939)
Unearned revenue - land and tower lease	(3,096)	(3,336)
	<u>                        </u>	<u>                        </u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ (37,411,220)</b>	<b>\$ (44,480,362)</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO</b>		
<b>STATEMENT OF NET POSITION ACCOUNTS</b>		
Cash	\$ 11,482,623	\$ 6,918,475
Restricted Cash - 2022 State ARPA Funds	5,202,206	-
Restricted Cash - Retiree Health Insurance Escrow	1,895,683	1,747,276
Deposit with fiscal agent	-	675,469
	<u>                        </u>	<u>                        </u>
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 18,580,512</b>	<b>\$ 9,341,220</b>

See accompanying notes to financial statements.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

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

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

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

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

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

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

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

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

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

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

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

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

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

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

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

Metro considers receivables from government units to be fully collectible; accordingly, no allowance for doubtful accounts from governmental units is presented. An allowance of \$23,183 is included in 2021 and 2020 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 \$30,000 for obsolete materials is included in 2021 and \$50,000 in 2020.

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

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

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

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

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

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

##### **Capital Assets (cont.)**

A summary of capital assets and estimated useful lives follows:

	Balance 12/31/21	Balance 12/31/20	Years
Land	\$ 8,049,742	\$ 2,604,992	N/A
Building	35,747,547	27,657,188	5 – 40
Curb and land improvements	6,353,046	6,652,515	5
Revenue equipment	89,601,378	86,390,279	8 – 20
Service vehicles	875,221	832,635	4 – 5
Shop and garage equipment	1,372,015	1,840,236	3 – 10
Furniture and office equipment	420,817	643,887	3 – 10
Miscellaneous and farebox	9,355,142	10,351,796	3 – 15
	<u>\$ 151,774,908</u>	<u>\$ 136,973,528</u>	

##### **Pensions**

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

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

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

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

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

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

Employees are allowed to accumulate up to 150 days of sick time. For office employees and drivers one day is equivalent to eight hours; for all other employees one day is equivalent to 8-36/60 hours. Upon retirement or disability, Wisconsin Retirement System participants may receive the cash value of the accumulated sick leave subject to the above maximum or use all or a portion for the payment of continued health insurance premiums. Funding for those costs is provided out of Metro's operating revenues. The estimated liability for current employees at December 31, 2021 and 2020 is \$3,398,896 and \$3,589,755 respectively.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

##### ***Accrued Compensation, Sick Leave and Vacation (cont.)***

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

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

Metro makes an annual deposit into an escrow account for contributions toward the health insurance premiums for certain eligible retirees. The deposits were \$471,326 in 2021 based on an estimate since the current Labor Agreement has expired and \$459,831 in 2020, 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, 2021, 113 current employees have met the eligibility requirements.

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

Madison Metropolitan School District (MMSD) purchases passes for the school district that are valid for the entire school year. The estimated value of those passes that is related to rides to be provided in the following calendar year has been recorded as unearned revenue at year end. In 2021, MMSD accounted for \$808,254 of unearned revenue.

In response to an expected cut in state funding for 2022 to Metro Transit, the Governor allocated \$5,202,206 in ARPA funds to Metro to help fill the anticipated gap for 2022. The grant funds were received in December of 2021 with funding restricted to use in the 2022 calendar year. Since funds were received in 2021, but restricted until 2022, they were recorded as unearned revenue at year end.

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

Long-term debt and other obligations are reported as Metro liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.



# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

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

Metro collects deposits from various entities that provide Metro with local operating assistance subsidies. These deposits are held by Metro in reserve to help fund unanticipated cost increases in future years. The reserve balance is reviewed annually and amounts received in excess of the annual cost and the required reserve balance are reported as payables and refunded in the subsequent year. In 2021 and 2020, \$271,165 and \$1,642,218 respectively, were contracted as returns to these entities.

##### ***Due to Other Governments***

Metro received \$4,798,800 related to a Volkswagen settlement with the State of Wisconsin for the purchase of low emission buses. The award requires that 75% be paid back with no interest over a ten year period. At the end of 2021, \$359,910 is the current liability, with \$2,879,280 as future due.

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

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

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

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

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

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

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

The following calculation supports the net investment in capital assets:

	2021	2020
Plant in service	\$ 151,774,908	\$ 136,973,528
Accumulated depreciation	(80,565,699)	(80,630,185)
Construction work in progress	-	330,522
Sub-Totals	71,209,209	56,673,865
Less: Capital related debt		
Current portion of general obligation bonds	2,698,526	3,522,958
Premium on capital bonds	4,353,017	4,850,505
Long-term portion of capital related general obligation bonds	21,524,367	24,102,161
Sub-Totals	28,575,910	32,475,624
Add unspent proceeds of capital-related debt included above	528,884	1,566,285
Net Investment in Capital Assets	\$ 43,162,182	\$ 25,764,526

#### **REVENUES AND EXPENSES**

##### **Revenue Recognition**

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

##### **Taxes**

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

##### ***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

##### ***Transfers***

Transfers in are for operating subsidies received from the City of Madison.

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

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

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

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

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

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 2 – CHANGES IN CAPITAL ASSETS

A summary of changes in Metro capital assets for 2021 and 2020 follows:

	Balance 1/1/21	Additions	Retirements	Balance 12/31/21
Capital assets not being depreciated				
Land	\$ 2,604,992	\$ 5,444,750	\$ -	\$ 8,049,742
Capital assets being depreciated/ amortized				
Building and improvements	27,657,188	13,901,997	(5,811,638)	35,747,547
Curb and land improvements	6,652,515	-	(299,469)	6,353,046
Revenue vehicles	86,390,279	3,211,099	-	89,601,378
Service vehicles	832,635	74,552	(31,967)	875,220
Shop and garage equipment	1,840,236	-	(468,220)	1,372,016
Office equipment	643,887	-	(223,070)	420,817
Miscellaneous and farebox	10,351,796	46,180	(1,042,834)	9,355,142
Total Capital Assets Being Depreciated	134,368,536	17,233,828	(7,877,198)	143,725,166
Total Capital Assets	136,973,528	22,678,578	(7,877,198)	151,774,908
Less: Accumulated depreciation/ amortization				
Building and improvements	(12,981,630)	(1,154,405)	5,811,638	(8,324,397)
Curb and land improvements	(6,627,722)	(24,793)	299,469	(6,353,046)
Revenue vehicles	(49,478,358)	(6,001,313)	-	(55,479,671)
Service vehicles	(766,058)	(33,684)	31,967	(767,775)
Shop and garage equipment	(1,746,885)	(17,865)	468,220	(1,296,530)
Office equipment	(643,887)	-	223,070	(420,817)
Miscellaneous and farebox	(8,385,645)	(580,653)	1,042,835	(7,923,463)
Total Accumulated Depreciation/Amortization	(80,630,185)	(7,812,713)	7,877,199	(80,565,699)
Construction in progress	330,522	-	(330,522)	-
Net Transit System Plant	\$ 56,673,865			\$ 71,209,209

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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

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

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

The following is a schedule of transfer balances as of December 31, 2021 and 2020:

To	From	2021		2020	
		Amount	Principal Purpose	Amount	Principal Purpose
Metro	City of Madison	\$ 5,348,267	City operating subsidy	\$ -	City operating subsidy

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

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

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

Title of Issue	Date of Issue	Final Maturity	Interest Rates	Original Amount	Amount Outstanding 12/31/2021
Promissory Note	10-1-15	10-1-25	2.00 – 3.00%	\$ 2,631,128	\$ 1,022,530
Promissory Note	10-1-16	10-1-26	.50 – 4.00	3,047,826	1,379,209
Promissory Note	10-1-17	10-1-27	2.00 – 4.00	2,025,110	1,215,066
Promissory Note	10-1-18	10-1-28	2.00 – 5.00	3,953,533	2,767,059
Promissory Note	10-17-19	10-17-29	2.25 – 3.00	3,583,149	2,866,207
Promissory Note	10-18-19	10-18-39	2.00 – 4.00	7,985,000	7,184,088
Promissory Note	10-3-20	10-3-22	1.375-4.00	211,426	106,062
Promissory Note	10-7-20	10-7-24	.180-1.40	675,469	675,468
Promissory Note	10-1-20	10-1-30	1.375-4.00	1,846,136	1,661,472
Promissory Note	10-2-20	10-2-40	2.00 – 3.00	5,500,000	5,225,000
Promissory Note	10-1-21	10-1-31	.94	120,732	120,732
Total					<u>\$ 24,222,893</u>

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

Year	10-1-15		10-1-16		10-1-17		10-1-18		10-17-19		10-18-19	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 255,632	\$ 30,676	\$ 275,879	\$ 44,137	\$ 202,511	\$ 36,958	\$ 395,492	\$ 98,824	\$ 358,471	\$ 88,228	\$ 399,116	\$ 211,532
2023	255,632	23,007	275,879	33,102	202,511	28,858	395,261	83,005	358,248	73,889	399,116	203,549
2024	255,633	15,338	275,879	22,066	202,511	20,757	395,261	67,194	358,248	63,141	399,116	195,567
2025	255,633	7,669	275,879	11,031	202,511	12,657	395,261	51,384	358,248	55,976	399,116	187,584
2026	-	-	275,693	5,514	202,511	8,607	395,261	35,574	358,248	41,646	399,116	179,602
2027	-	-	-	-	202,511	4,354	395,261	23,716	358,248	27,316	399,116	171,620
2028	-	-	-	-	-	-	395,262	11,858	358,248	16,569	399,116	155,655
2029	-	-	-	-	-	-	-	-	358,248	8,508	399,116	139,691
2030	-	-	-	-	-	-	-	-	-	-	399,116	123,726
2031	-	-	-	-	-	-	-	-	-	-	399,116	107,761
2032	-	-	-	-	-	-	-	-	-	-	399,116	95,788
2033	-	-	-	-	-	-	-	-	-	-	399,116	83,814
2034	-	-	-	-	-	-	-	-	-	-	399,116	71,841
2035	-	-	-	-	-	-	-	-	-	-	399,116	59,867
2036	-	-	-	-	-	-	-	-	-	-	399,116	47,894
2037	-	-	-	-	-	-	-	-	-	-	399,116	35,920
2038	-	-	-	-	-	-	-	-	-	-	399,116	23,947
2039	-	-	-	-	-	-	-	-	-	-	399,116	11,973
2040	-	-	-	-	-	-	-	-	-	-	-	-
Totals	<u>\$ 1,022,530</u>	<u>\$ 76,690</u>	<u>\$ 1,379,209</u>	<u>\$ 115,850</u>	<u>\$ 1,215,066</u>	<u>\$ 112,191</u>	<u>\$ 2,767,059</u>	<u>\$ 371,555</u>	<u>\$ 2,866,207</u>	<u>\$ 375,273</u>	<u>\$ 7,184,088</u>	<u>\$ 2,107,331</u>

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

Year	10-3-20		10-7-20		10-1-20		10-20-20		10-1-21	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 106,062	\$ 4,243	\$ 233,624	\$ 2,186	\$ 184,666	\$ 48,695	\$ 275,000	\$ 112,750	\$ 12,073	\$ 2,851
2023	-	-	225,156	1,649	184,666	41,308	275,000	107,250	12,073	2,777
2024	-	-	216,688	1,018	184,666	33,921	275,000	101,750	12,073	2,535
2025	-	-	-	-	184,666	26,535	275,000	96,250	12,073	2,203
2026	-	-	-	-	184,666	20,995	275,000	90,750	12,073	1,720
2027	-	-	-	-	184,535	15,455	275,000	82,500	12,073	1,238
2028	-	-	-	-	184,535	9,919	275,000	74,250	12,073	755
2029	-	-	-	-	184,535	6,228	275,000	66,000	12,073	513
2030	-	-	-	-	184,537	2,537	275,000	60,500	12,073	151
2031	-	-	-	-	-	-	275,000	55,000	12,075	-
2032	-	-	-	-	-	-	275,000	49,500	-	-
2033	-	-	-	-	-	-	275,000	44,000	-	-
2034	-	-	-	-	-	-	275,000	38,500	-	-
2035	-	-	-	-	-	-	275,000	33,000	-	-
2036	-	-	-	-	-	-	275,000	27,500	-	-
2037	-	-	-	-	-	-	275,000	22,000	-	-
2038	-	-	-	-	-	-	275,000	16,500	-	-
2039	-	-	-	-	-	-	275,000	11,000	-	-
2040	-	-	-	-	-	-	275,000	5,500	-	-
Totals	<u>\$ 106,062</u>	<u>\$ 4,243</u>	<u>\$ 675,468</u>	<u>\$ 4,853</u>	<u>\$ 1,661,472</u>	<u>\$ 205,595</u>	<u>\$ 5,225,000</u>	<u>\$ 1,094,500</u>	<u>\$ 120,732</u>	<u>\$ 17,248</u>



## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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Year	Total	
	Principal	Interest
2022	\$ 2,698,526	\$ 681,080
2023	2,583,542	598,394
2024	2,575,075	523,287
2025	2,358,387	451,289
2026	2,102,568	384,408
2027	1,826,744	326,199
2028	1,624,234	269,006
2029	1,228,972	220,940
2030	870,726	186,914
2031	686,191	162,761
2032	674,116	145,288
2033	674,116	127,814
2034	674,116	110,341
2035	674,116	92,867
2036	674,116	75,394
2037	674,116	57,920
2038	674,116	40,447
2039	674,116	22,973
2040	<u>275,000</u>	<u>5,500</u>
Totals	<u>\$ 24,222,893</u>	<u>\$ 4,482,822</u>

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

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

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Amount Outstanding 12/31/21
October 4, 2020	Pay off WRS Prior Service Liability	October 4, 2024	0.55 - 4.00%	\$ 1,833,390	\$ 1,409,912

Advance from other funds debt service requirements to maturity follows:

Year	Principal	Interest	Total
2022	\$ 438,771	\$ 4,698	\$ 443,469
2023	472,616	3,666	476,282
2024	498,525	2,343	500,868
Totals	<u>\$ 1,409,912</u>	<u>\$ 10,707</u>	<u>\$ 1,420,619</u>

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

Metro's long-term obligations activity for the years ended December 31, 2021 and 2020 is as follows:

	Balance 1/1/21	Additions	Reductions	Balance 12/31/21	Due Within One Year
General obligation notes	\$ 27,625,119	\$ 120,732	\$ 3,522,958	\$ 24,222,893	\$ 2,698,526
Advance from other funds	1,833,390	-	423,478	1,409,912	438,771
Retiree health insurance escrow	1,747,276	471,326	322,920	1,895,682	326,411
Accrued sick leave	4,389,247	453,686	1,444,037	3,398,896	287,000
Deposits from other governments	184,167	86,998	-	271,165	-
Bond Premium	4,850,505	-	497,488	4,353,017	-
Due to other governments	-	3,239,190	-	3,239,190	359,910
Unearned revenue-land and tower lease	16,986	-	3,096	13,890	2,872
<b>Totals</b>	<b>\$ 40,646,690</b>	<b>\$ 4,371,932</b>	<b>\$ 6,213,977</b>	<b>\$ 38,804,645</b>	<b>\$ 3,753,580</b>
	Balance 1/1/20	Additions	Reductions	Balance 12/31/20	Due Within One Year
General obligation notes	\$ 22,024,869	\$ 8,233,031	\$ 2,632,781	\$ 27,625,119	\$ 3,522,958
Advance from other funds	2,195,950	-	362,560	1,833,390	423,478
Retiree health insurance escrow	1,657,242	459,831	369,797	1,747,276	371,167
Accrued sick leave	3,808,132	1,372,858	2,317,903	4,389,247	763,080
Deposits from other governments	228,038	-	43,871	184,167	-
Bond Premium	-	4,850,505	-	4,850,505	-
Unearned revenue-land and tower lease	20,322	-	3,336	16,986	3,096
<b>Totals</b>	<b>\$ 29,934,553</b>	<b>\$14,916,225</b>	<b>\$ 5,730,248</b>	<b>\$ 40,646,690</b>	<b>\$ 5,083,779</b>

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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### NOTE 5 – OPERATING SUBSIDIES

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

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

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

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

The following are the operating subsidies for the years 2021 and 2020:

	2021	2020
Federal	\$ 6,676,311	\$ 17,865,203
Federal operating grant pass-through to sub recipient	(235,035)	(186,957)
State	17,721,470	17,758,321
Local public subsidies	6,017,324	3,435,982
Vehicle Registration Fee	6,902,604	6,023,521

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

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

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

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

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

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

	University Research Park	Total
2022	\$ 2,872	\$ 2,872
2023	2,665	2,665
2024	2,473	2,473
2025	2,295	2,295
2026	2,130	2,130
2027	1,455	1,455
	<u>\$ 13,890</u>	<u>\$ 13,890</u>

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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### NOTE 7 – EMPLOYEES RETIREMENT SYSTEM

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

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0

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

The WRS recognized \$1,965,131 and \$1,930,838 in contributions from Metro during the current and prior reporting periods, respectively.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

Contribution rates as of December 31, 2021 and December 31, 2020 are:

	2021		2020	
	Employee	Employer	Employee	Employer
General (including Executives and Elected Officials)	6.75%	6.75%	6.55%	6.55%
Protective with Social Security	6.75%	11.65%	6.55%	10.55%
Protective without Social Security	6.75%	16.25%	6.55%	14.95%

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

At December 31, 2021, Metro reported a liability (asset) of \$(10,481,436) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Metro's proportion of the net pension liability (asset) was based on Metro's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the City's proportion was 1.82797492%, which was an increase of .02585015% from its proportion measured as of December 31, 2019.

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

For the year ended December 31, 2021, and 2020 Metro recognized pension expense of \$(2,572,418) and \$(36,362).

At December 31, 2021, Metro reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,566,248	\$ 4,688,661
Changes in assumption	514,189	-
Net differences between project and actual earnings on pension plan	-	19,665,759
Changes in proportion and differences between employer contributions and proportionate share of contributions	47,224	46,376
Employer contributions subsequent to the measurement date	1,940,155	-
Total	\$ 19,067,816	\$ 24,400,796



## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

At December 31, 2020, Metro reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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

Year Ended December 31	2021
2022	\$ (1,878,584)
2023	(506,663)
2024	(3,435,427)
2025	(1,452,461)
2026	-
Thereafter	-
Total	\$ (7,273,136)

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

	2021	2020
Actuarial valuation date	December 31, 2019	December 31, 2018
Measurement date of net pension liability (asset)	December 31, 2020	December 31, 2019
Actuarial cost method	Entry age	Entry age
Asset valuation method	Fair market value	Fair market value
Long-term expected rate of return	7.0%	7.0%
Discount rate	7.0%	7.0%
Salary increases		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments	1.9%	1.9%

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

Actuarial assumptions used in the December 31, 2019 actuarial valuation are based upon an experience study conducted in 2019 using experience from 2018 – 2020. The total pension liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

Actuarial assumptions used in the December 31, 2018 actuarial valuation are based upon an experience study conducted in 2018 using experience from 2015 – 2017. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

**Long-term expected return on plan assets.** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2021 are summarized in the following table:

<u>Core Fund Asset Class</u>	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	51 %	7.2 %	4.7 %
Fixed Income	25	3.2	0.8
Inflation Sensitive Assets	16	2.0	(0.4)
Real Estate	8	5.6	3.1
Private Equity/Debt	11	10.2	7.6
Multi-Asset	4	5.8	3.3
Total Core Fund	115	6.6	4.1
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	6.6	4.1
International Equities	30	7.4	4.9
Total Variable Fund	100	7.1	4.6

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.4% Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2020 are summarized in the following table:

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

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

**Single discount rate.** A single discount rate of 7.00% was used to measure the total pension liability as of December 31, 2021 and December 31, 2020. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 2.0% and 2.75%, in 2021 and 2020 respectively. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020 and 2019, respectively. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

**Sensitivity of Metro's proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents Metro's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what Metro's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate.

The sensitivity analysis as of December 31, 2021 follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Metro's proportionate share of the net position liability (asset)	\$ 9,976,874	\$ (10,481,436)	\$ (25,507,913)

The sensitivity analysis as of December 31, 2020 follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Metro's proportionate share of the net position liability (asset)	\$15,059,956	\$ (5,848,135)	\$ (21,479,312)

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

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

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

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

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

**Employees covered by benefit terms.** At December 31, 2021 and 2020, the following employees were covered by the benefit terms for the City of Madison:

	City of Madison	
	2021	2020
Inactive plan members or beneficiaries currently receiving benefit payments	2,800	2,851
Active plan members	687	697
<b>Total members</b>	<b>3,487</b>	<b>3,548</b>

#### **TOTAL OPEB LIABILITY**

Metro's total OPEB liability of \$11,116,031 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date. At December 31, 2020, the Metro's total OPEB liability was \$10,822,111 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

**Actuarial assumptions.** The total OPEB liability in the January 1, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2021	2020
Actuarial valuation date	December 31, 2021	December 31, 2020
Inflation	2.50% per year	2.50% per year
Salary increases	3.00%	3.00%
Investment rate of return	2.12% as of January 1, 2021 and 2.25% as of December 31, 2021	3.26% as of January 1, 2020 and 2.12% as of December 31, 2020
Healthcare cost trend rates	7.5% initially reduced by decrements to an ultimate rate of 4.5% after 7 years	8.0% initially reduced by decrements to an ultimate rate of 4.5% after 7 years
Retirees' share of benefit-related costs	100%	100%
Discount rate	2.25%	2.12%

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

Mortality Rates are based on RPH-2020 Total Dataset Mortality Table fully generational using Scale MP-2021

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

	<u>Total OPEB Liability</u>
Balances at December 31, 2020	\$ 10,822,111
Changes for the year:	
Service cost	847,278
Interest	242,902
Differences between expected and actual experience	(252,806)
Changes in assumptions	(117,716)
Employer contributions	<u>(425,738)</u>
Net changes	<u>293,920</u>
Balances at December 31, 2021	\$ 11,116,031
	<u>Total OPEB Liability</u>
Balances at December 31, 2019	\$ 10,357,781
Changes for the year:	
Service cost	444,639
Interest	119,888
Differences between expected and actual experience	(714,326)
Changes in assumptions	1,277,049
Employer contributions	<u>(662,920)</u>
Net changes	<u>464,330</u>
Balances at December 31, 2020	<u>\$ 10,822,111</u>

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

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

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
As of December 31, 2021:			
Total OPEB liability	\$ 12,063,387	\$ 11,116,031	\$ 10,260,529
	1% Decrease (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
As of December 31, 2020:			
Total OPEB liability	\$ 11,760,842	\$ 10,822,111	\$ 9,974,635

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

	1% Decrease (6.50%)	Healthcare Cost Trend Rates (7.50%)	1% Increase (8.50%)
As of December 31, 2021:			
Total OPEB liability	\$ 9,932,540	\$ 11,116,031	\$ 12,534,605
	1% Decrease (7.00%)	Healthcare Cost Trend Rates (8.00%)	1% Increase (9.00%)
As of December 31, 2020:			
Total OPEB liability	\$ 9,726,290	\$ 10,822,111	\$ 12,131,488



## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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

For the year ended December 31, 2021 and 2020, Metro recognized OPEB expense of \$666,721 and \$489,563, respectively. At December 31, 2021 and 2020, Metro reported deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 1,474,326	\$ 1,128,255	\$ 1,732,431	\$ 1,104,353
Differences between expected and actual experience	-	200,206	-	109,412
Total	<u>\$ 1,474,326</u>	<u>\$ 1,328,461</u>	<u>\$ 1,732,431</u>	<u>\$ 1,213,765</u>

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

#### Year Ended December 31:

2022	\$	2,218
2023		2,218
2024		2,218
2025		2,218
2026		108,573
Thereafter		27,266
Total	\$	144,711

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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### NOTE 9 – RISK MANAGEMENT

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

Metro is partially self-funded and purchases insurance from three municipal carriers for liability and transit system property losses.

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

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

In 2021, TMI issued Metro an auto liability policy with a \$250,000 per person policy limit and a \$7,000,000 per accident policy limit. Of the per accident policy limit, TMI insures \$2,000,000 and reinsures \$5,000,000 with Great American Reinsurance Group. In addition, Metro's policy provides for \$25,000 per person and \$50,000 per accident in uninsured motorist insurance.

In 2021, TMI also provided Metro with auto physical damage coverage for its buses with a total limit of \$78,200,000 and a \$5,000 deductible for collision and comprehensive coverage. TMI insures \$750,000 and reinsures the remainder of \$77,450,000 with Great American Insurance Group.

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

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

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

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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Metro's share of TMi is 37.13% for auto liability. A list of the other members and their share of participation is available in the TMi report which is available from: TMi, PO Box 1135, Appleton, WI 54915-1483 or by email from [tmi@transitmutual.com](mailto:tmi@transitmutual.com).

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

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

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

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

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

In September of 2018 the Transit and Parking Commission approved a contract with New Flyer Corp. for the purchase of up to 72 buses over a five-year period. As of December 31, 2021, 27 buses had been purchased under this contract.

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

**REQUIRED SUPPLEMENTAL INFORMATION**

## METRO TRANSIT SYSTEM

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2021

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/21	1.82797492%	\$ (10,481,436)	\$ 31,901,793	45.89%	105.26%
12/31/20	1.80212477%	(5,848,135)	31,476,580	26.70%	102.96%
12/31/19	1.76372221%	6,572,282	28,390,029	30.17%	96.45%
12/31/18	1.70513153%	(5,440,545)	28,218,926	23.29%	102.93%
12/31/17	1.63617225%	1,535,389	26,808,868	5.73%	99.12%
12/31/16	1.59818356%	3,065,279	21,892,596	14.00%	98.20%
12/31/15	1.58638589%	(4,594,579)	21,289,768	-21.58%	102.74%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2021

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/21	\$ 1,981,592	\$ (1,981,592)	- \$	29,356,919	6.75%
12/31/20	2,153,371	(2,153,371)	-	31,901,793	6.75%
12/31/19	2,061,716	(2,061,716)	-	31,476,580	6.55%
12/31/18	1,930,522	(1,930,522)	-	28,390,029	6.80%
12/31/17	1,918,887	(1,918,887)	-	28,218,926	6.80%
12/31/16	1,823,003	(1,823,003)	-	26,808,868	6.80%
12/31/15	1,838,382	(1,838,382)	-	21,892,596	8.40%

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

## METRO TRANSIT SYSTEM

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2021

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

*Changes of assumptions* .

	2015 - 2018	2019 - 2021
Long-term expected rate of	7.2%	7.0%
Discount rate	7.2%	7.0%
Salary increases		
Inflation	3.2%	3.0%
Seniority/Merit	0.2% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments	2.10%	1.90%

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

**METRO TRANSIT SYSTEM**

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

	2018	2019	2020	2021
<b>Total OPEB Liability</b>				
Service Cost	\$ 705,351	\$ 550,035	\$ 444,639	\$ 847,278
Interest on Total OPEB Liability	380,003	332,805	119,888	242,902
Changes in benefits terms	-	-	-	-
Difference between expected and actual experience	(781,976)	(407,454)	(714,326)	(252,806)
Changes in assumptions	(202,495)	576,405	1,277,049	(117,716)
Employee Contributions	-	-	-	-
Benefit payments, including employee refunds	(430,900)	(546,452)	(662,920)	(425,738)
Administrative expense	-	-	-	-
<b>Net Change in total OPEB Liability</b>	<b>(330,017)</b>	<b>505,339</b>	<b>464,330</b>	<b>293,920</b>
<b>Total OPEB Liability - beginning</b>	<b>10,182,459</b>	<b>9,852,442</b>	<b>10,357,781</b>	<b>10,822,111</b>
<b>Total OPEB Liability - ending</b>	<b>\$ 9,852,442</b>	<b>\$ 10,357,781</b>	<b>\$ 10,822,111</b>	<b>\$ 11,116,031</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%
<b>Covered-employee payroll</b>	\$ 29,558,616	\$ 29,960,152	\$ 27,291,374	\$ 29,496,682
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	33.33%	34.57%	39.65%	37.69%

**Notes to OPEB Schedule:**

Changes in Assumptions

*Discount Rate* - The discount rate has been updated from 2.12% to 2.50% in the December 31, 2021 valuation.

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

*Inflation* - The inflation rate remains at 2.50% at the December 31, 2021 valuation.

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

**Notes to OPEB Schedule:**

Methods and Assumptions used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Amortization method	Level percentage of payroll, closed
Amortization period	15 years
Asset valuation method	5 - year smoothed market
Inflation	2.7% as of December 31, 2018 and 2019, 2.5% as of December 31, 2020 and 2021
Healthcare cost trend rates	7.50% decreasing to an ultimate rate of 4.50% as of December 31, 2019 and 2021 and 8.00% decreasing to an ultimate rate of 4.50% as of December 31, 2020.
Salary increases	0.4% - 4.8% as of December 31, 2018 and
Investment rate of return	4.11% as of January 1, 2018, 3.26% as of December 31, 2019, 2.12% as of December 31, 2020 and 2.25% as of December 21, 2021
Retirement age	Expected retirement ages of general employees are based on a March 2018 experience study.
Mortality	In the 2018 and 2019 actuarial valuation Mortality Rates are based on RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018. In the 2020 actuarial valuation Mortality Rates are based on the RPH-2020 Total Dataset Mortality Table fully generational using Scal MP-2020.

Other information:

None

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



# METRO TRANSIT SYSTEM

## OPERATING REVENUES AND EXPENSES December 31, 2021 and 2020

<b>OPERATING REVENUES</b>	<u>2021</u>	<u>2020</u>
Passenger Fares for Transit Services		
Farebox	\$ 861,898	\$ 571,934
Adult 10 ride and 2 ride passes	322,377	295,840
Youth 10 ride and 2 ride passes	84,889	57,712
Senior & disabled passes	841,812	791,538
Adult 31 day passes	576,577	514,007
Easy rider passes	100,161	161,491
MMSD passes	715,260	374,519
Summer youth passes	29,485	1,435
UW ASM unlimited ride pass	3,155,594	3,292,801
UW Staff unlimited ride pass	1,886,620	1,994,779
Edgewood College unlimited ride pass	18,715	20,382
Madison College unlimited ride pass	77,593	115,776
City of Madison Employee unlimited ride pass	76,699	50,785
St Marys Hospital unlimited ride pass	25,581	15,910
Meriter Hospital unlimited ride pass	14,141	9,665
Dane County unlimited ride pass	11,600	13,807
Commute Pass unlimited ride pass	122,906	95,881
Total Passenger Fares for Transit Service	<u>8,921,908</u>	<u>8,378,262</u>
Other Operating Revenues		
Advertising revenue	469,581	365,508
Sale of buses, scrap and parts	17,179	7,471
Miscellaneous	89,488	57,321
Dane County - Elderly & Handicapped	267,907	267,907
Dane County - Group Access Service	189,770	226,838
Dane County - Group RSVP Service	147,273	106,926
Dane County - Highway (Marketing)	19,300	19,300
Total Other Operating Revenues	<u>1,200,498</u>	<u>1,051,271</u>
Total Operating Revenues	<u>10,122,406</u>	<u>9,429,533</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance Expenses		
Employee compensation and benefits		
Salaries and wages	29,078,534	30,229,195
Pensions and benefits	10,062,080	11,289,791
Total Employee Compensation and Benefits	<u>39,140,614</u>	<u>41,518,986</u>
Materials and supplies	4,151,740	5,090,914
Purchased services	5,891,076	5,322,883
Interagency charges	1,255,577	862,545
Total Operation and Maintenance Expenses	<u>50,439,007</u>	<u>52,795,328</u>
Depreciation expense	7,812,713	7,801,792
Total Operating Expenses	<u>58,251,720</u>	<u>60,597,120</u>
 NET OPERATING LOSS	 <u>\$ (48,129,314)</u>	 <u>\$ (51,167,587)</u>

## METRO TRANSIT SYSTEM

### DETAILED SCHEDULE OF REVENUES AND EXPENSES - REGULATORY BASIS December 31, 2021 and 2020

		<u>2021</u>		<u>2020</u>
<b>REVENUES</b>				
401.00	Passenger fares for transit service	\$ 8,921,908	\$	8,378,262
402.10	Service charges, NSF charges, etc.	89,488		57,321
406.00	Auxiliary transportation revenue - advertising	469,581		365,508
407.10	Contra-expense for sale of buses, scrap and parts	17,179		7,471
409.10	Local public subsidies	6,017,324		3,435,982
409.30	City of Madison operating subsidy	5,348,267		-
409.40	Dane County specialized transportation programs	624,250		620,971
411.00	State cash grants and reimbursements	17,721,470		17,758,321
413.00	Federal cash grants and reimbursements	6,676,311		17,865,203
	Federal subsidies pass-through to sub recipient	<u>(235,035)</u>		<u>(186,957)</u>
	Total Eligible Revenues	<u>45,650,743</u>		<u>48,302,082</u>
<b>EXPENSES - BY OBJECT CLASS TOTAL</b>				
501.01	Operators' salaries and wages	17,737,547		18,203,588
501.02	Other salaries and wages	10,557,043		10,553,582
502.00	Fringe benefits	10,878,670		12,856,556
503.00	Services	1,072,467		972,199
504.01	Fuel and lubricants	2,206,883		2,518,024
504.02	Tires and tubes	58,989		388,274
504.99	Other materials and supplies	1,868,577		2,104,537
505.00	Utilities	394,681		362,966
506.00	Casualty and liability costs	922,054		931,450
508.00	Purchased transportation	2,902,933		2,461,887
509.00	Miscellaneous expense	134,431		115,251
511.00	Interest expense	267,949		646,048
512.00	Leases and rentals	449,155		464,469
513.00	Depreciation	7,812,713		7,801,792
	Less: Ineligible depreciation on fixed assets	<u>(7,812,713)</u>		<u>(7,801,792)</u>
516.00	Other Reconciling Items	<u>1,255,577</u>		<u>862,545</u>
	Total Eligible Expenses	<u>50,706,956</u>		<u>53,441,376</u>
	NET INCOME (excluding capital contributions and depreciation on fixed assets)	<u>\$ (5,056,213)</u>	\$	<u>(5,139,294)</u>

## METRO TRANSIT SYSTEM

### RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL RECOGNIZED REVENUES AND EXPENSES For the Year Ended December 31, 2021

	Per WisDOT Guidelines
Revenues including subsidies and operating transfer	\$ 45,650,743
Less: Non-recognized revenues	
City operating transfer	\$ 5,348,267
Local public subsidies	6,017,324
Dane County specialized transportation programs	624,250
Other federal subsidy	6,676,311
State operating subsidy	17,721,470
Nontransportation revenues	
Sale of buses, scrap and parts	17,179
Service charges, NSF charges, etc.	89,488
Total Non-Recognized Revenues	36,494,289
WisDOT Eligible Operating Revenues	\$ 9,156,454
Total Expenses per statement including interest expense	\$ 58,519,669
Add: Fixed assets eligible for operating assistance	-
Total Expenses	\$ 58,519,669
Less: Non-recognized expenses	
Depreciation	7,812,713
Interest expense	267,949
Offset of scrap sales and miscellaneous reimbursements	106,667
Capital Maintenance Grant @ 100%	6,000,000
Leases and rentals	449,155
Interagency indirect charges without approved allocation plan	1,255,577
Total WisDOT Non-Recognized Expenses	15,892,061
WisDOT Eligible Operating Expenses	\$ 42,627,608
WisDOT Recognized Deficit	\$ (33,471,154)
Less Operating revenues ineligible for federal assistance:	
Advertising revenue	469,581
Less Operating expenses ineligible for federal assistance:	
Leases and rentals	
Interagency indirect charges without approved allocation plan (excludes MPO of \$47,954)	
Federal Recognized Deficit	\$ (33,001,573)

## METRO TRANSIT SYSTEM

### COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS For the Year Ended December 31, 2021

#### STATE FUNDS

WisDOT Recognized Deficit	<u>\$ 33,471,154</u>	
WisDOT Contract Amount*	<u>\$ 17,721,470</u>	
City of Madison and Other Local Subsidies	<u>\$ 11,365,591</u>	
5 Times Operating Subsidy	<u>\$ 56,827,956</u>	
State Share - Least of the Three		<u>\$ 17,721,470</u>

#### FEDERAL FUNDS

	<u>Eligible Costs</u>	<u>Federal Share</u>	
Capital maintenance			
Grant WI 900595	\$ -	\$ -	
Grant WI 2021-042*	\$ 6,000,000	\$ 6,000,000	
Emergency Assistance			
Grant WI 2020-049*	\$ 335,835	\$ 335,835	
Enhanced Mobility			
Grant WI 2020-025	\$ 2,619	\$ 2,095	
Grant WI 2020-025*	\$ 73,091	\$ 73,091	
Grant WI 2020-029	\$ 87,796	\$ 70,237	
Grant WI 2020-029*	\$ 128,678	\$ 128,678	
Grant WI 2020-036*	\$ 44,932	\$ 44,932	
Grant WI 2020-037*	\$ 21,443	\$ 21,443	
Costs accrued - grant to be identified		\$ -	
Total federal operating revenue			<u>\$ 6,676,311</u>

\*This portion was 100% federally funded

#### SUMMARY OF FUNDING (2021 only)

	<u>Received in 2021</u>	<u>Receivable 12/31/21</u>	<u>Totals</u>
Federal Capital Maintenance Plus Rescue/CARES	\$ 5,422,930	\$ 1,253,381	\$ 6,676,311
State Funds	17,721,470	-	17,721,470
Local Public Subsidies	6,017,324	-	6,017,324
City of Madison	<u>5,348,267</u>	<u>-</u>	<u>5,348,267</u>
Total Funding	<u>\$ 34,509,991</u>	<u>\$ 1,253,381</u>	<u>\$ 35,763,372</u>

\*WisDOT Contract Amount includes \$17,205,000 from the 2021 Urban Mass Transit Operating Assistance Contract and \$516.017 from the 2021 Paratransit Aids Contract.