

**METRO TRANSIT SYSTEM**

An Enterprise Fund of the  
City of Madison, Wisconsin

FINANCIAL STATEMENTS

December 31, 2008 and 2007

# METRO TRANSIT SYSTEM

An Enterprise Fund of the City of Madison, Wisconsin

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of Metro Transit System, an enterprise fund of the City of Madison, Wisconsin as of December 31, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended as listed in the table of contents. These financial statements are the responsibility of Metro Transit System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Metro Transit System and are not intended to present fairly the financial position of the City of Madison, Wisconsin and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metro Transit System as of December 31, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the overall City of Madison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants, including those systems applicable to the Metro Transit System. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

To the Honorable Mayor and Common Council  
Metro Transit System

The Management's Discussion and Analysis on pages 3 through 15 is not a required part of the financial statements but is supplementary information required by accounting principals generally accepted in the United States of America. GASB reporting standards limit the disclosure of condensed financial statements in the Management's Discussion and Analysis in this instance to three years. Management has elected to include more information in the Management's Discussion and Analysis than is required by the standards. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audits were conducted for the purpose of forming opinions on the financial statements. The supplemental information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Baker Tilly Verchow Krause LLP*

Madison, Wisconsin  
June 30, 2009

# 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, 2008 and 2007.

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

### **Mission**

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

Metro provides extensive fixed route and ADA paratransit service in a 72 square mile regional service area with a population of 237,433 and also provides contributions to Dane County for the delivery of Group Access Services (providing transportation of the elder to meal-sites), Exceptional Rides Services and RSVP programs in the Metro service area. Metro is an Enterprise Fund of the City of Madison. Local investment partners are the Cities of Fitchburg, Middleton, and Verona, Town of Madison, Madison Area Technical College, Madison Metropolitan School District, the University of Wisconsin-Madison and the Village of Shorewood Hills. Unlimited ride pass program participants include the UW-Madison, MATC, Edgewood College, St. Mary's and Meriter Hospitals and the City of Madison.

### **Annual Overview**

In 2008 Metro's bus ridership was the highest in 30 years and the 2nd highest on record! The year ended with 13,433,149 rides, up 6% from 12,672,265 in 2007. The highest ridership in Metro's history was 13,953,237 in 1979. Related to this, bus passenger revenues were also up 4.1% from \$8,721,875 in 2007 to \$9,083,451 in 2008.

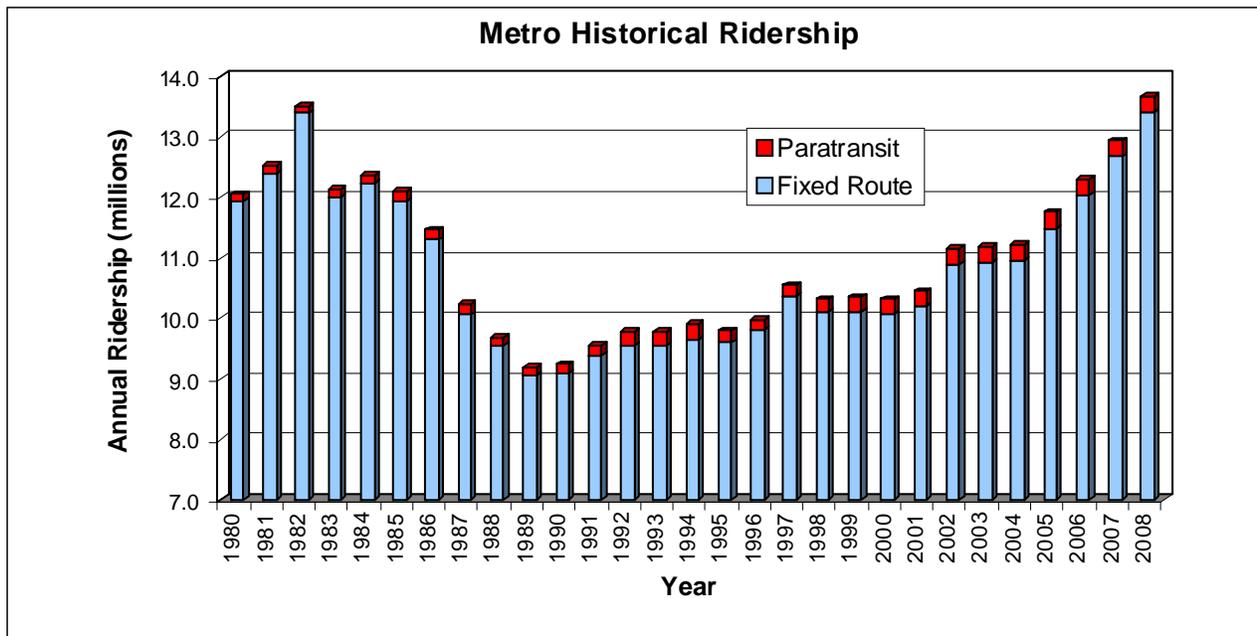
- The Metro Transit Ad Hoc Long Range Plan was completed and adopted by the Transit and Parking Commission and the Common Council in mid-2008. The plan lists 40 short, middle, and long range items for Metro and the community to focus on to improve public transit services in the Madison area. Highlighted recommendations included (a) the need to form an RTA in Dane County, the MPO area, or the current urban service area in order to improve the stability and level of local transit funding, (b) improved customer services such as longer call center hours and improved bus stop sign amenities using electronic/real-time information, (c) more bus pass programs, such as an unlimited ride pass program for smaller employers, and (d) improved express and core services on top of current services (i.e., w/o cutting other services).

See accompanying independent auditors' report.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

- Regional Transit Authority (RTA) - The Wisconsin State Legislative Study Council in 2008 identified the Regional Transit Authority issue as one of several important policy areas that required legislation to be developed to address the need for regional transit operations, funding, and governance. As a result, the Joint Legislative Council Special Committee on Regional Transportation Authorities was formed and was comprised of 22 members, including legislators from the Assembly and the Senate. Metro Transit' General Manager was one of the public members to serve on this committee, which finished its work by drafting a state-wide RTA bill in early 2009 and is now under consideration by the full legislature.
- Service adjustments were implemented in October 2008, which for the most part were designed to add time to schedules on Route 6, 13, 18, and others. The factors contributing to the need for more time being added to schedules include increased auto traffic in the Madison area, and increased bus ridership (22% over the past 4 years) with more frequent stopping for passengers.
- 2008 was Metro's first full year with the hybrid buses in a daily operating environment. The hybrids achieved 5.43 mpg compared to 4.28 mpg for our newest diesel buses, 26.9% better in fuel economy.
- A Management Performance Audit (MPA), required every 5 years by WisDOT, was performed starting in the fall of 2008 at Metro. It reviewed all major functional areas including operations, maintenance, safety, IT, paratransit, finance, personnel, planning/scheduling, and more. The audit includes a peer analysis which shows Metro achieves 280% above the population peer average for passengers per capita and 141% above this peer group in service hours per capita. A second peer group based on service level rather than population shows Metro performing #1 in passengers per hour at 32.9, or 36% above the peer average, but at a cost of \$7.47 per mile vs. a peer average of \$7.17. The report includes 65 recommendations for changes to improve Metro.



See accompanying independent auditors' report.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### 2008 Financial Highlights

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

Madison Metro Transit Income Statement For the Year Ended December 31, 2008						
	All Modes		Fixed Route		Paratransit	
	Actual 2008	Budget 2008	Actual 2008	Budget 2008	Actual 2008	Budget 2008
<b>Revenue</b>						
Farebox	\$ 1,368,037	\$ 1,268,951	\$ 1,339,734	\$ 1,209,933	\$ 28,303	\$ 59,018
Passes & Tickets	\$ 3,729,366	\$ 3,749,266	\$ 3,499,111	\$ 3,530,877	\$ 230,255	\$ 218,389
Unlimited Ride Programs	\$ 4,262,056	\$ 4,036,278	\$ 4,244,606	\$ 4,014,552	\$ 17,450	\$ 21,726
Other	\$ 42,935	\$ 42,545	\$ -	\$ -	\$ 42,935	\$ 42,545
<b>Passenger Revenue</b>	<b>\$ 9,402,394</b>	<b>\$ 9,097,040</b>	<b>\$ 9,083,451</b>	<b>\$ 8,755,362</b>	<b>\$ 318,943</b>	<b>\$ 341,678</b>
County Programs	\$ 3,324,929	\$ 3,263,287	\$ 19,280	\$ 19,280	\$ 3,305,649	\$ 3,244,007
Federal Operating Assistance	\$ 5,681,854	\$ 5,654,328	\$ 5,006,244	\$ 5,209,949	\$ 675,610	\$ 444,379
State Operating Assistance	\$ 16,754,000	\$ 16,754,000	\$ 14,615,288	\$ 14,456,122	\$ 2,138,712	\$ 2,297,878
Local Subsidies	\$ 3,097,250	\$ 3,278,404	\$ 2,762,115	\$ 2,824,012	\$ 335,135	\$ 454,392
Other Subsidies	\$ 84,374	\$ 11,200	\$ 84,374	\$ 11,200	\$ -	\$ -
Advertising	\$ 418,328	\$ 475,000	\$ 418,328	\$ 475,000	\$ -	\$ -
Miscellaneous	\$ 149,257	\$ 129,377	\$ 149,257	\$ 120,522	\$ -	\$ 8,855
<b>Total Revenue</b>	<b>\$ 38,912,386</b>	<b>\$ 38,662,636</b>	<b>\$ 32,138,337</b>	<b>\$ 31,871,447</b>	<b>\$ 6,774,049</b>	<b>\$ 6,791,189</b>
<b>Expenditures</b>						
Salaries	\$ 23,241,550	\$ 23,779,053	\$ 21,679,349	\$ 22,022,677	\$ 1,562,201	\$ 1,756,376
Benefits	\$ 11,067,941	\$ 10,607,820	\$ 10,299,712	\$ 9,813,513	\$ 768,229	\$ 794,307
Utilities/Telephone	\$ 732,728	\$ 746,219	\$ 684,913	\$ 680,618	\$ 47,815	\$ 65,601
Repairs & Maint B&G	\$ 138,776	\$ 83,733	\$ 136,047	\$ 76,420	\$ 2,729	\$ 7,313
Repairs & Maint Equip	\$ 214,210	\$ 189,292	\$ 174,948	\$ 156,695	\$ 39,262	\$ 32,597
Rentals	\$ 86,911	\$ 73,328	\$ 80,527	\$ 66,881	\$ 6,384	\$ 6,447
Employee Services	\$ 38,921	\$ 56,550	\$ 33,897	\$ 53,429	\$ 5,024	\$ 3,121
Insurance & Financial	\$ 985,831	\$ 926,643	\$ 914,000	\$ 834,367	\$ 71,831	\$ 92,276
Purchased Transportation	\$ 4,792,515	\$ 5,111,076	\$ -	\$ -	\$ 4,792,515	\$ 5,111,076
Other Services	\$ 325,253	\$ 346,225	\$ 318,440	\$ 329,915	\$ 6,813	\$ 16,310
Office Supplies	\$ 52,473	\$ 52,056	\$ 47,032	\$ 47,442	\$ 5,441	\$ 4,614
Equipment Supplies	\$ 951,729	\$ 910,500	\$ 920,092	\$ 845,184	\$ 31,637	\$ 65,316
Bldg & Const Supplies	\$ 31,954	\$ 26,140	\$ 29,871	\$ 24,280	\$ 2,083	\$ 1,860
Fuels, Oils & Lubricants	\$ 4,367,484	\$ 3,371,116	\$ 4,188,557	\$ 3,137,492	\$ 178,927	\$ 233,624
Other Supplies	\$ 182,224	\$ 181,859	\$ 171,977	\$ 169,088	\$ 10,247	\$ 12,771
Interdepartmental Charges	\$ 752,017	\$ 593,022	\$ 709,679	\$ 553,035	\$ 42,338	\$ 39,987
Depreciation	\$ 5,430,243	\$ 5,583,550	\$ 4,952,925	\$ 5,187,676	\$ 477,318	\$ 395,874
Interest & Bad Expenses	\$ 400,289	\$ 455,663	\$ 365,104	\$ 415,604	\$ 35,185	\$ 40,059
<b>Total Expenses</b>	<b>\$ 53,793,049</b>	<b>\$ 53,093,845</b>	<b>\$ 45,707,070</b>	<b>\$ 44,414,316</b>	<b>\$ 8,085,979</b>	<b>\$ 8,679,529</b>
<b>Income(Deficit)</b>	<b>\$ (14,880,663)</b>	<b>\$ (14,431,209)</b>	<b>\$ (13,568,733)</b>	<b>\$ (12,542,869)</b>	<b>\$ (1,311,930)</b>	<b>\$ (1,888,340)</b>
Less: Depreciation	\$ (5,430,243)	\$ (5,583,550)	\$ (4,952,925)	\$ (5,187,676)	\$ (477,318)	\$ (395,874)
Less: Unfunded OPEB	\$ (403,431)	\$ -	\$ (363,088)	\$ -	\$ (40,343)	\$ -
Debt	\$ 884,303	\$ 870,153	\$ 806,573	\$ 793,656	\$ 77,730	\$ 76,497
Plus Prpd lease local share	\$ (2,294)	\$ -	\$ (2,294)	\$ -	\$ -	\$ -
Fixed Assets	\$ 390,082	\$ 404,500	\$ 390,082	\$ 404,500	\$ -	\$ -
Federal Portion of Fixed Assets	\$ (297,393)	\$ (355,600)	\$ (297,393)	\$ (355,600)	\$ -	\$ -
<b>Total Expenditures(City)</b>	<b>\$ 48,934,073</b>	<b>\$ 48,429,348</b>	<b>\$ 41,288,025</b>	<b>\$ 40,069,196</b>	<b>\$ 7,646,048</b>	<b>\$ 8,360,152</b>
Added To/(Taken From)Reserves	\$ (254,975)	\$ -	\$ (951,939)	\$ -	\$ 696,964	\$ -
<b>Income/(Deficit) (City)</b>	<b>\$ (10,021,687)</b>	<b>\$ (9,766,712)</b>	<b>\$ (9,149,688)</b>	<b>\$ (8,197,749)</b>	<b>\$ (871,999)</b>	<b>\$ (1,568,963)</b>

See accompanying independent auditors' report.

# METRO TRANSIT SYSTEM

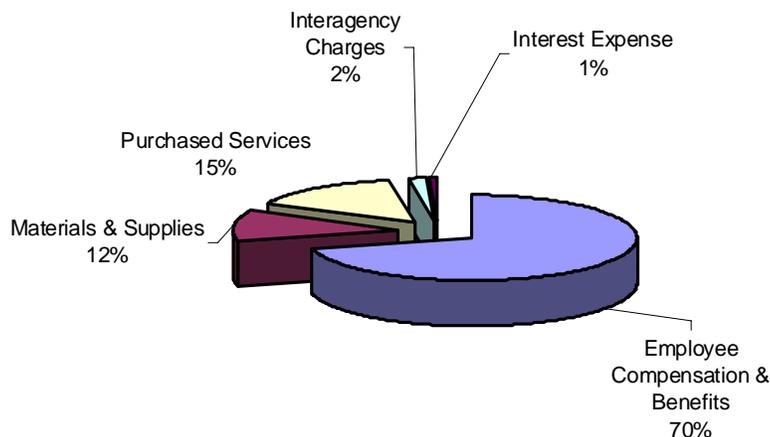
## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Metro drew upon its contingent reserve in the amount of \$254,975 in 2008 to balance revenues and expenses. The following table shows Metro's contingent reserve balances and changes in those balances over the past six years.

Year	Beginning Balance	Reserves +/-	Ending Balance
2003	\$2,288,576	(\$141,809)	\$2,146,767
2004	\$2,146,767	(\$1,187,338)	\$959,429
2005	\$959,429	(\$690,000)	\$269,429
2006	\$269,429	(\$146,045)	\$123,384
2007	\$123,384	\$609,837	\$733,221
2008	\$733,221	(\$254,975)	\$478,246

As can be seen from the following chart, employee compensation and benefits accounted for more than 70% of total expenses excluding depreciation in 2008.

**2008 Expenses excluding Depreciation**



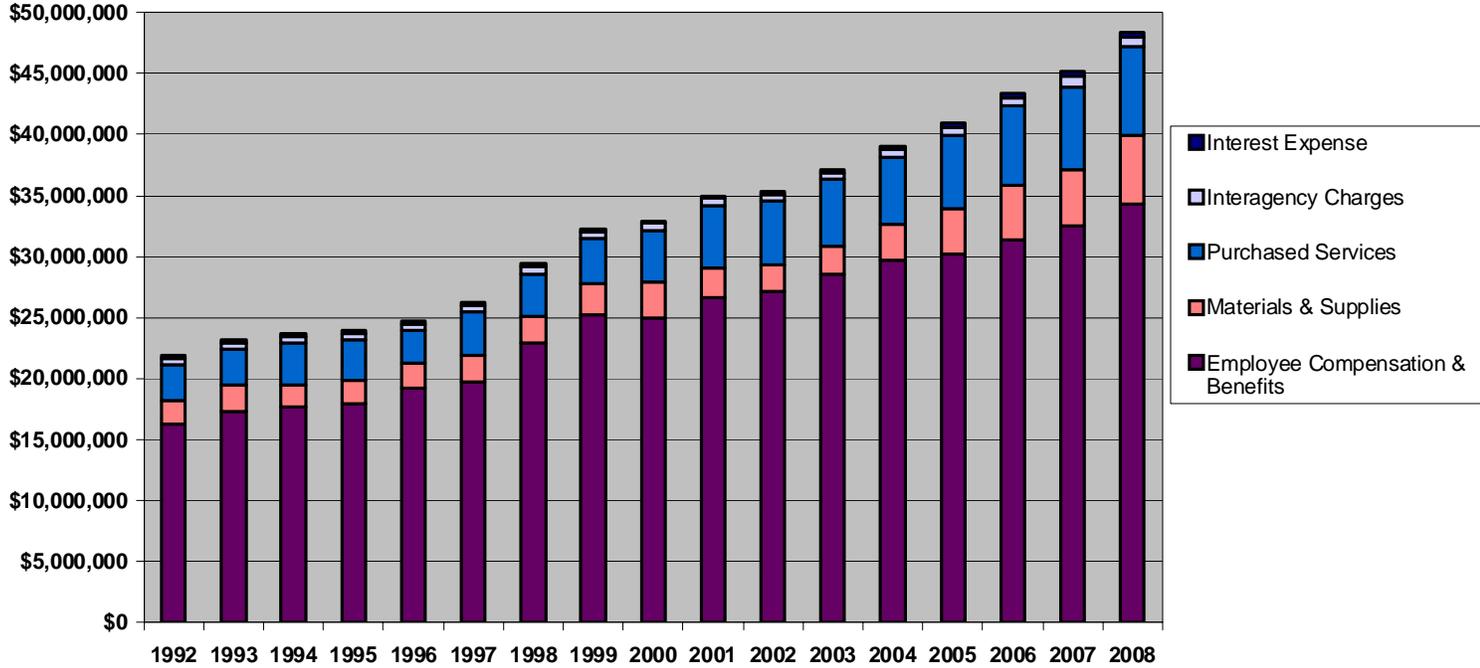
The first of the following charts illustrates the steady increase in the cost of operations that Metro has been experiencing. The last five years have seen an average increase in total expenses of 6.1% per year, driven primarily by a 27.7% average increase in materials and supplies expense which, in turn, was due to the rise in fuel costs during that period. The second chart compares Metro's revenue sources for the same period of time. Passenger revenue has increased by an average of 12.7% per year during the last 5 years whereas state aid, which provides the largest portion of Metro's revenue, increased 2.1% per year during the same time period.

See accompanying independent auditors' report.

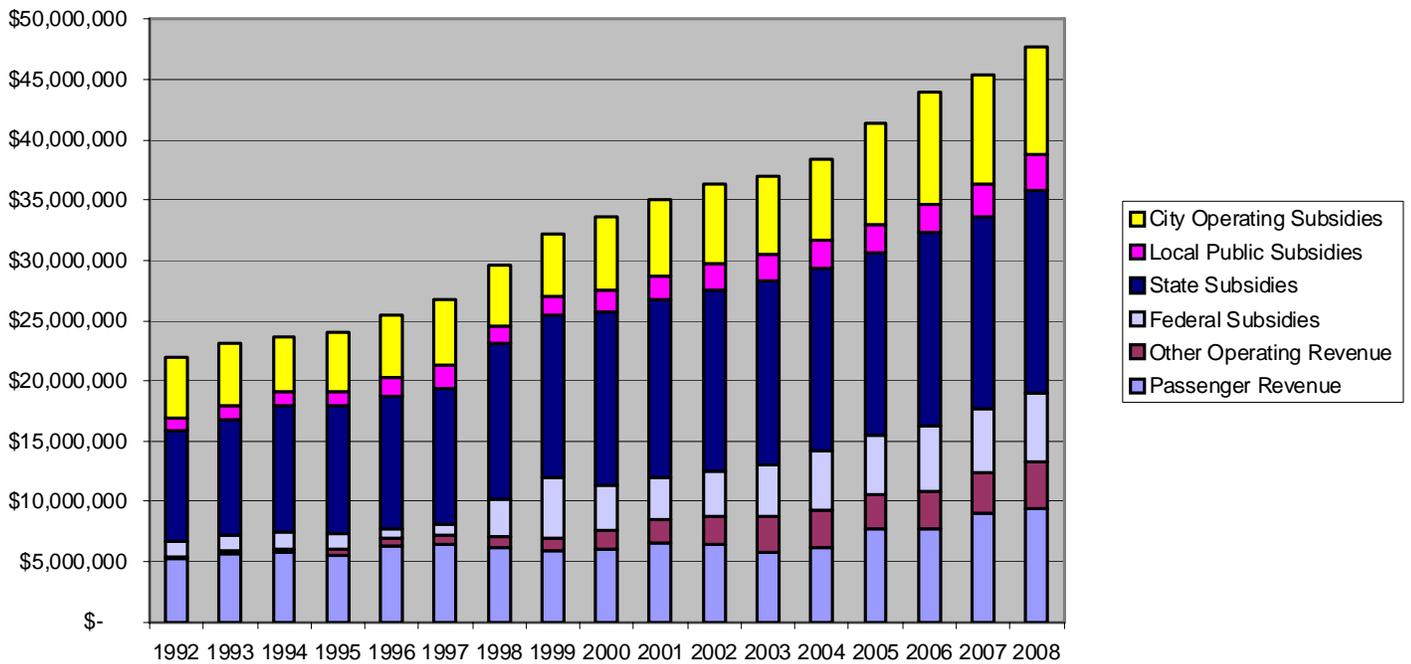
# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Historical Expense Comparison



Historical Revenue Comparison



See accompanying independent auditors' report.

# **METRO TRANSIT SYSTEM**

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

### **GRANT STATUS**

Metro is fortunate to have strong federal and state support for capital funding for rolling stock (buses), ITS hardware/software, transit enhancements, facilities improvements and other capital projects. The following chart shows the year-end grant status of each grant against which expenses were charged during the year. Note that where balances are available as of 12/31/08 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 12/31/08  
 Note: All amounts listed are "Eligible Funds - 100% value"

Capital Grants	Funding Year	Total Funds Apportionment	Prior years expenditures	Beginning Balance 1/1/08	2008 expenditures	Balance available as of 12/31/08	Future Budgeted projects	Balance after budgeted projects	Detail of future budgeted projects- see page 2, & 3
<b>Federal Section 5307 Grants</b>									
	2005	\$ 7,611,755	\$ 7,264,248	\$ 347,507	\$ 190,158	\$ 157,349	\$ 157,349	\$ (0)	Blade Rehab, software, Forklift & shelter map holdr
	2006	\$ 7,364,618	\$ 7,256,195	\$ 108,423	\$ 8,300	\$ 100,123	\$ 100,123	\$ -	Security Camera systems on buses
	2007	\$ 7,778,055	\$ 6,364,604	\$ 1,413,451	\$ 588,553	\$ 824,898	\$ 824,899	\$ (0)	09 buses, TE, phone sys, sec cameras, shop equip.
	2008	\$ 8,362,820	\$ -	\$ 8,362,820	\$ 6,949,836	\$ 1,412,984	\$ 1,412,984	\$ -	MPO, TE, buses, equip, spr prts, security, etc
	2009	\$ 8,700,000	\$ -	\$ 8,700,000	\$ -	\$ 8,700,000	\$ 8,700,000	\$ -	MPO, PM, leases, TE, buses, equip, security cam, etc
	<b>Total Section 5307</b>	<b>\$ 31,172,488</b>	<b>\$ 20,885,047</b>	<b>\$ 18,932,201</b>	<b>\$ 7,736,847</b>	<b>\$ 11,195,354</b>	<b>\$ 11,195,355</b>	<b>\$ (0)</b>	
<b>Federal Section 5309 Grants (Fixed Guideway)</b>									
	2007	\$ 1,100,323	\$ -	\$ 1,100,323	\$ 321,545	\$ 778,778	\$ 778,778	\$ (0)	Buses
	2008	\$ 1,174,091	\$ -	\$ 1,174,091	\$ -	\$ 1,174,091	\$ 1,174,091	\$ -	Buses
	2009	\$ 1,146,400	\$ -	\$ 1,146,400	\$ -	\$ 1,146,400	\$ 1,146,400	\$ -	Buses
	<b>Total Section 5309</b>	<b>\$ 3,420,814</b>	<b>\$ -</b>	<b>\$ 3,420,814</b>	<b>\$ 321,545</b>	<b>\$ 3,099,269</b>	<b>\$ 3,099,269</b>	<b>\$ (0)</b>	
<b>State Section 5309 Grants (discretionary)</b>									
	2002	\$ 2,029,539	\$ 1,939,535	\$ 90,004	\$ -	\$ 90,004	\$ 90,004	\$ -	Buses
	2004	\$ 3,564,187	\$ 3,318,710	\$ 245,477	\$ 186,664	\$ 58,813	\$ 58,813	\$ -	Buses
	2005	\$ 4,104,360	\$ 3,519,916	\$ 584,444	\$ -	\$ 584,444	\$ 584,444	\$ -	Buses
	2006	\$ 2,139,534	\$ 990,640	\$ 1,148,894	\$ -	\$ 1,148,894	\$ 1,148,894	\$ -	Buses
	2007	\$ 1,135,766	\$ -	\$ 1,135,766	\$ -	\$ 1,135,766	\$ 1,135,766	\$ -	Buses
	2008	\$ 1,231,825	\$ -	\$ 1,231,825	\$ -	\$ 1,231,825	\$ 1,231,825	\$ -	Buses
	2008	\$ 2,500,000	\$ -	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 2,500,000	\$ -	Buses
	<b>Total Section 5309</b>	<b>\$ 13,575,245</b>	<b>\$ 9,768,801</b>	<b>\$ 6,936,410</b>	<b>\$ 186,664</b>	<b>\$ 6,749,746</b>	<b>\$ 6,749,746</b>	<b>\$ -</b>	
	<b>Total Capital Grants</b>	<b>\$ 51,243,273</b>	<b>\$ 30,653,848</b>	<b>\$ 29,289,425</b>	<b>\$ 8,245,056</b>	<b>\$ 21,044,370</b>	<b>\$ 21,044,370</b>	<b>\$ 0</b>	
<b>OTHER GRANTS:</b>									
Transport 2020 Grants									
	2006	\$ 1,980,000	\$ -	\$ 1,980,000	\$ -	\$ 1,980,000	\$ 1,980,000	\$ -	HNTB transport 2020 contract
	2006	\$ 1,485,000	\$ 1,081,202	\$ 403,798	\$ 124,653	\$ 279,145	\$ 279,145	\$ -	HNTB transport 2020 contract
	2007	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000	\$ 1,500,000	\$ -	HNTB transport 2020 contract
	2008	\$ 250,000	\$ -	\$ 250,000	\$ 163,242	\$ 86,758	\$ 86,758	\$ -	HNTB transport 2020 contract
	<b>Total Transport 2020 Grants</b>	<b>\$ 5,215,000</b>	<b>\$ 1,081,202</b>	<b>\$ 4,133,798</b>	<b>\$ 287,895</b>	<b>\$ 3,845,903</b>	<b>\$ 3,845,903</b>	<b>\$ -</b>	

See accompanying independent auditors' report.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Madison Metro Transit  
 Year End Grant Status as of 12/31/08  
 Note: All amounts listed are "Eligible Funds - 100% value"

Capital Grants	TE projects-1% of grant- shelter map holders & display signs	Security cameras on buses - % grant	Firebox upgrade - probe	New bus purchase - spare parts	Refurbish Bus Wash System	HVAC makeup units, temp controls, & doors	Truck, scrubbers, particulate trap cleaner	Bid Dispatch, IVR Software & wireless infrastructure
<b>Federal Section 5307 Grants</b>								
W190X438	\$ 3,217				\$ 8,876			\$ 112,460
W190X452	\$	\$ 100,123						
W190X493	\$ 36,465	\$ 7,525	\$ -	\$ 100,000				
W190X530	\$ 83,650	\$ 150,000	\$ 20,000	\$ 50,000	\$ 20,000			\$ 100,000
FFY09 Grant - estimate	\$ 87,000	\$ 135,000	\$ 300,000		\$ 15,000	\$ 90,000	\$ 172,125	\$ 231,000
<b>Total Section 5307</b>	\$ 210,332	\$ 392,648	\$ 320,000	\$ 150,000	\$ 43,876	\$ 90,000	\$ 172,125	\$ 443,460
<b>Federal Section 5309 Grants (Fixed Guideway)</b>								
W1050046								
W1050047								
FFY09 Grant estimate								
<b>Total Section 5309</b>	\$ -		\$ -					\$ -
<b>State Section 5309 Grants (discretionary)</b>								
W1030080								
W1030087								
W1030091								
W1040003								
W1040006								
W1040009								
W1040012 (direct)								
<b>Total Section 5309</b>	\$ -		\$ -					\$ -
<b>Total Capital Grants</b>	\$ 210,332	\$ 392,648	\$ 320,000	\$ 150,000	\$ 43,876	\$ 90,000	\$ 172,125	\$ 443,460
<b>OTHER GRANTS:</b>								
Transport 2020 Grants								
W1260012 - Section 5314								
W1390001 - Section 5339								
W1390002 - Section 5339								
W1390003 - Section 5339								
<b>Total Other Grants</b>								

See accompanying independent auditors' report.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Madison Metro Transit  
 Year End Grant Status as of 12/31/08  
 Note: All amounts listed are "Eligible Funds - 100% value"

Capital Grants	SHOP Equip (fork lift, diag equip., brake lathe, furniture and tools)	VOIP Phone System	Computer hardware & software replacement	Transport 2020 HNTB Consultants / On board survey	2008/09 buses	2008 MPO	Prev Maint. tires, office lease, Paramtsit & ACM	Total Budgeted Projects
<b>Federal Section 5307 Grants</b>								
W190X438	\$ 32,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,796
W190X452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
W190X493	\$ 16,395	\$ 15,544	\$ -	\$ -	\$ 648,970	\$ -	\$ -	\$ 664,869
W190X530	\$ 58,176	\$ -	\$ -	\$ -	\$ 822,388	\$ 8,770	\$ -	\$ 1,412,984
FFY09 Grant - estimate	\$ -	\$ -	\$ 50,000	\$ -	\$ 280,000	\$ 50,000	\$ 50,000	\$ 430,000
<b>Total Section 5307</b>	<b>\$ 107,367</b>	<b>\$ 15,544</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ 1,751,358</b>	<b>\$ 58,770</b>	<b>\$ 7,279,875</b>	<b>\$ 8,700,000</b>
<b>Federal Section 5309 Grants (Fixed Guideway)</b>								
W1050046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
W1050047	\$ -	\$ -	\$ -	\$ 778,778	\$ -	\$ -	\$ -	\$ 778,778
FFY09 Grant estimate	\$ -	\$ -	\$ -	\$ 1,174,091	\$ -	\$ -	\$ -	\$ 1,174,091
<b>Total Section 5309</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,952,869</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,952,869</b>
<b>State Section 5309 Grants (discretionary)</b>								
W1030080	\$ -	\$ -	\$ -	\$ -	\$ 90,004	\$ -	\$ -	\$ 90,004
W1030087	\$ -	\$ -	\$ -	\$ -	\$ 58,813	\$ -	\$ -	\$ 58,813
W1030091	\$ -	\$ -	\$ -	\$ -	\$ 584,444	\$ -	\$ -	\$ 584,444
W1040003	\$ -	\$ -	\$ -	\$ -	\$ 1,148,894	\$ -	\$ -	\$ 1,148,894
W1040006	\$ -	\$ -	\$ -	\$ -	\$ 1,135,766	\$ -	\$ -	\$ 1,135,766
W1040009	\$ -	\$ -	\$ -	\$ -	\$ 1,231,825	\$ -	\$ -	\$ 1,231,825
<b>Total Section 5309</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,749,746</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,749,746</b>
<b>Total Capital Grants</b>	<b>\$ 107,367</b>	<b>\$ 15,544</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ 11,600,373</b>	<b>\$ 58,770</b>	<b>\$ 7,329,875</b>	<b>\$ 21,044,370</b>
<b>OTHER GRANTS:</b>								
Transport 2020 Grants								
W1260012 - Section 5314	\$ -	\$ -	\$ -	\$ 1,980,000	\$ -	\$ -	\$ -	\$ 1,980,000
W1390001 - Section 5339	\$ -	\$ -	\$ -	\$ 279,145	\$ -	\$ -	\$ -	\$ 279,145
W1390002 - Section 5339	\$ -	\$ -	\$ -	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
W1390003 - Section 5339	\$ -	\$ -	\$ -	\$ 86,758	\$ -	\$ -	\$ -	\$ 86,758
<b>Total Transport 2020 (SG67)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,845,903</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,845,903</b>

See accompanying independent auditors' report.

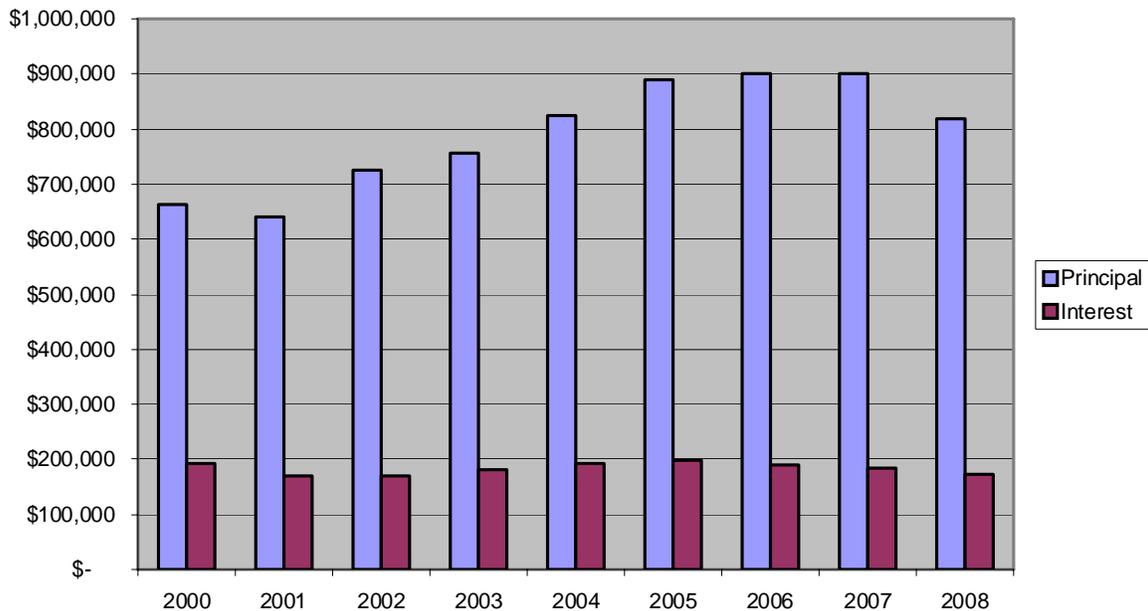
# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Borrowing

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

Madison Metro Transit  
Principal & Interest  
Payments  
General Obligation Debt



### Financial Statements

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

See accompanying independent auditors' report.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Condensed Statements

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

Table 1

### Condensed Statements of Net Assets

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 9,553,581	\$ 7,877,744	\$ 10,923,454
Capital Assets <sup>1</sup>	<u>32,526,006</u>	<u>36,762,144</u>	<u>39,043,836</u>
Total Assets	<u>42,079,587</u>	<u>44,639,888</u>	<u>49,967,290</u>
Long-Term Debt <sup>2</sup>	9,398,301	8,862,604	9,435,805
Other Liabilities	<u>9,010,318</u>	<u>7,939,411</u>	<u>11,250,926</u>
Total Liabilities	<u>18,408,619</u>	<u>16,802,015</u>	<u>20,686,731</u>
Invested in Capital Assets, Net of Related Debt <sup>3</sup>	28,839,830	32,410,205	34,102,845
Unrestricted (Deficit)	<u>(5,168,862)</u>	<u>(4,572,332)</u>	<u>(4,822,286)</u>
Total Net Assets	<u>\$ 23,670,968</u>	<u>\$ 27,837,873</u>	<u>\$ 29,280,559</u>

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

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

<sup>3</sup> See Note 1 for details in this audit report.

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

**Table 2**

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenues	<u>\$ 13,294,906</u>	<u>\$ 12,362,526</u>	<u>\$ 11,275,078</u>
Depreciation Expense	5,430,244	5,417,067	5,492,831
Other Operating Expenses	47,962,516	44,765,538	43,012,377
Non-operating Expenses <sup>1</sup>	<u>400,290</u>	<u>409,243</u>	<u>420,395</u>
 Total Expenses	 <u>53,793,050</u>	 <u>50,591,848</u>	 <u>48,925,603</u>
 Operating Subsidies <sup>1</sup>	 <u>25,542,393</u>	 <u>23,970,612</u>	 <u>23,182,850</u>
 Income Before Capital			
Contributions and Transfers	(14,955,751)	(14,258,710)	(14,467,675)
 Capital Contributions <sup>2</sup>	1,921,747	3,774,243	5,085,122
Transfers	<u>8,867,099</u>	<u>9,041,781</u>	<u>8,828,798</u>
 Changes in Net Assets	 (4,166,905)	 (1,442,686)	 (553,755)
 Beginning Net Assets	 <u>27,837,873</u>	 <u>29,280,559</u>	 <u>29,834,314</u>
 Ending Net Assets	 <u><u>\$ 23,670,968</u></u>	 <u><u>\$ 27,837,873</u></u>	 <u><u>\$ 29,280,559</u></u>

<sup>1</sup> See Page 18 Statements of Revenues, Expenses and Changes in Net Assets for more detail

<sup>2</sup> See Pages 8-11 (Year End Grant Status) in this MD&A report for more detail.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### **Request for Information**

This financial report is designed to provide a general overview of Metro's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Charles Kamp, General Manager, Metro Transit 1101 East Washington Avenue, Madison, WI 53703 or by e-mail to: [ckamp@cityofmadison.com](mailto:ckamp@cityofmadison.com)

Respectfully submitted

Charles L. Kamp  
Metro Transit General Manager

# METRO TRANSIT SYSTEM

## STATEMENTS OF NET ASSETS December 31, 2008 and 2007

---

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,718,274	\$ 380,000
Restricted cash - retiree health insurance escrow	229,870	203,768
Receivable from State of Wisconsin and FTA - capital and maintenance	1,714,729	1,386,056
Receivable from other governmental units	2,789,425	2,143,156
Accounts receivable (net)	654,302	1,531,507
Materials and supplies	613,303	519,833
Prepaid expenses	535,832	491,063
Current portion of prepaid expense - land and tower lease	28,098	29,165
Total Current Assets	<u>8,283,833</u>	<u>6,684,548</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash - retiree health insurance escrow	1,020,483	915,833
Other Assets		
Prepaid expenses - land and tower lease	249,265	277,363
Capital Assets		
Transit plant in service	82,869,979	81,984,692
Accumulated depreciation	(50,406,064)	(45,261,551)
Construction work in progress	62,091	39,003
Total Non-Current Assets	<u>33,795,754</u>	<u>37,955,340</u>
Total Assets	<u>42,079,587</u>	<u>44,639,888</u>

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**LIABILITIES**

	<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES</b>		
Current portion of general obligation debt	\$ 881,878	\$ 820,134
Current portion of advance from other funds	79,189	64,170
Current portion of deferred revenue - land and tower lease	25,868	26,871
Accounts payable	1,663,904	996,414
Accrued compensation, vacation and sick leave	1,366,266	1,660,194
Accrued interest	235,269	232,779
Retiree health insurance escrow payable from restricted assets	229,870	203,768
Other deferred credits	48,806	38,800
Total Current Liabilities	<u>4,531,050</u>	<u>4,043,130</u>
	-	
<b>NON CURRENT LIABILITIES</b>		
General obligation debt	4,210,190	3,672,067
Advance from other funds	4,227,044	4,306,233
Retiree health insurance escrow payable from restricted assets	1,020,483	915,833
Accrued sick leave	3,383,053	3,205,516
Other post-employment benefits	813,099	409,668
Deferred revenue - land and tower lease	223,700	249,568
Total Non-Current Liabilities	<u>13,877,569</u>	<u>12,758,885</u>
Total Liabilities	<u>18,408,619</u>	<u>16,802,015</u>
<b>NET ASSETS</b>		
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	28,839,830	32,410,205
Unrestricted (Deficit)	<u>(5,168,862)</u>	<u>(4,572,332)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 23,670,968</u>	<u>\$ 27,837,873</u>

## METRO TRANSIT SYSTEM

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS Years Ended December 31, 2008 and 2007

	2008	2007
<b>OPERATING REVENUES</b>	<u>\$ 13,294,906</u>	<u>\$ 12,362,526</u>
<b>OPERATING EXPENSES</b>		
Employee compensation and benefits	34,309,490	32,553,008
Materials and supplies	5,585,864	4,519,946
Purchased services	7,315,145	6,854,688
Interagency charges	<u>752,017</u>	<u>837,896</u>
Total Operation and Maintenance Expenses	47,962,516	44,765,538
Depreciation expense	<u>5,430,244</u>	<u>5,417,067</u>
Total Operating Expenses	<u>53,392,760</u>	<u>50,182,605</u>
Operating Loss	<u>(40,097,854)</u>	<u>(37,820,079)</u>
<b>OPERATING SUBSIDIES</b>		
Federal subsidies	5,681,854	5,348,904
State operating subsidies	16,754,000	15,779,601
Other state subsidies	9,289	63,172
Local public subsidies	<u>3,097,250</u>	<u>2,778,935</u>
Total Operating Subsidies	<u>25,542,393</u>	<u>23,970,612</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest expense	<u>(400,290)</u>	<u>(409,243)</u>
Loss Before Contributions and Transfers	<u>(14,955,751)</u>	<u>(14,258,710)</u>
<b>CAPITAL CONTRIBUTIONS - CITY &amp; OTHER</b>	1,006,874	1,269,664
<b>CAPITAL CONTRIBUTIONS - FEDERAL &amp; STATE</b>	914,873	2,504,579
<b>TRANSFERS IN - MPO</b>	9,714	9,202
<b>TRANSFERS IN - CITY OPERATING SUBSIDIES</b>	<u>8,857,385</u>	<u>9,032,579</u>
Total Contributions and Transfers	<u>10,788,846</u>	<u>12,816,024</u>
<b>CHANGE IN NET ASSETS</b>	(4,166,905)	(1,442,686)
NET ASSETS - Beginning of Year	<u>27,837,873</u>	<u>29,280,559</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 23,670,968</u>	<u>\$ 27,837,873</u>

See accompanying notes to financial statements.

# METRO TRANSIT SYSTEM

## STATEMENTS OF CASH FLOWS

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 14,153,004	\$ 11,279,436
Paid to suppliers for goods and services	(23,839,602)	(21,794,015)
Paid to employees for services	<u>(23,241,549)</u>	<u>(22,410,956)</u>
Cash Flows from Operating Activities	<u>(32,928,147)</u>	<u>(32,925,535)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Received from (paid to) city for implicit financing	-	(3,883,238)
Operating subsidies received - federal	5,849,907	9,202,900
Operating subsidies received - state	16,763,289	15,841,549
Operating subsidies received - local	2,557,833	3,164,962
Operating transfer from city	<u>8,857,385</u>	<u>9,032,579</u>
Cash Flows from Noncapital Financing Activities	<u>34,028,414</u>	<u>33,358,752</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt retired	(820,133)	(901,674)
Interest paid	(167,726)	(184,065)
Repayment of capital advances from other funds	(64,170)	(52,175)
Interest paid on capital advances from other funds	(230,075)	(232,074)
Proceeds from issuance of general obligation debt	1,420,000	380,648
Acquisition and construction of capital assets	(1,194,106)	(3,135,375)
Capital contributions - city and other	1,006,874	1,269,664
Capital contributions - federal and state	<u>418,095</u>	<u>2,985,130</u>
Cash Flows From Capital and Related Financing Activities	<u>368,759</u>	<u>130,079</u>
<b>Net Change in Cash and Cash Equivalents</b>	1,469,026	563,296
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>1,499,601</u>	<u>936,305</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,968,627</u>	<u>\$ 1,499,601</u>

	<u>2008</u>	<u>2007</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (40,097,854)	\$ (37,820,079)
Noncash items included in operating loss		
Depreciation expense	5,430,244	5,417,067
Changes in Assets and Liabilities		
Accounts receivable	877,257	(1,068,955)
Materials and supplies	(93,470)	37,167
Prepaid expenses	(15,604)	(218)
Accrued payroll liabilities	(116,391)	(102,426)
Retiree health insurance escrow payable from restricted assets	130,752	183,296
Other post-employment benefits	403,431	409,668
Accounts payable	570,353	30,721
Other deferred credits	<u>(16,865)</u>	<u>(11,776)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ (32,928,147)</u></b>	<b><u>\$ (32,925,535)</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS ACCOUNTS</b>		
Cash	\$ 1,718,274	\$ 380,000
Restricted Cash - Retiree Health Insurance Escrow	<u>1,250,353</u>	<u>1,119,601</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 2,968,627</u></b>	<b><u>\$ 1,499,601</u></b>

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

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

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

Metro provides public bus transportation in the Cities of Madison, Middleton, Fitchburg and Verona, the Town of Madison and the Village of Shorewood Hills. Metro is governed by the City Transit and Parking Commission which consists of City Council members and citizen representatives. Service is provided in two major areas: fixed route service utilizing approximately 200 coaches and paratransit services for the elderly and handicapped using both directly operated and purchased transportation services.

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in Metro's financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Metro has elected not to follow subsequent private-sector guidance.

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, 2008 and 2007

---

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

---

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

##### *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 basic financial statements of the city, since it is not possible to segregate them by fund.

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

##### *Deposits and Investments*

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

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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

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

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

Metro considers receivables from government units to be fully collectible; accordingly, no allowance for doubtful accounts from governmental units is presented. Allowances of \$19,670 and \$15,683 are included in 2008 and 2007, respectively, for general accounts receivable.

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

Materials and supplies are generally used for operation and maintenance work, not for resale. They are valued at lower of cost or market based on average prices and charged to operation and maintenance expense when used. An allowance of \$50,000 for obsolete materials is included in 2008 and 2007.

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

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

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

Capital assets are defined by Metro as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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

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

A summary of capital assets and estimated useful lives follows:

	Balance 12/31/08	Balance 12/31/07	Years
Land	\$ 2,628,235	\$ 2,753,812	N/A
Building	11,612,675	11,502,063	5 – 40
Curb and land improvements	6,619,482	6,383,440	5
Revenue equipment	51,618,214	51,296,668	8 – 20
Service vehicles	660,065	523,765	4 – 5
Shop and garage equipment	1,596,009	1,480,762	3 – 10
Furniture and office equipment	1,388,014	1,381,382	3 – 10
Miscellaneous and farebox	6,747,285	6,662,800	3 – 15
Total Capital Assets	\$ 82,869,979	\$ 81,984,692	

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

---

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

---

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

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

Employees are allowed to accumulate up to 150 days of sick time. For office employees and drivers one day is equivalent to eight hours; for all other employees one day is equivalent to 8-36/60 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 the operating revenues of Metro. The estimated liability for current employees at December 31, 2008 and 2007 is \$ 3,497,317 and \$3,322,244, respectively.

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

##### *Retiree Health Insurance Escrow*

Metro makes an annual deposit into an escrow account for contributions toward the health insurance premiums for certain eligible retirees. The deposit in both 2008 and 2007 was \$303,000. 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. One hundred current employees have met the eligibility requirements.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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

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

##### *Long-Term Obligations*

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

##### *Net Assets*

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

- *Invested in capital assets, net of related debt* – This component of net assets 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislations.

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

- *Unrestricted net assets* – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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 assets invested in capital assets, net of related debt:

	2008	2007
Plant in service	\$ 82,869,979	\$ 81,984,692
Accumulated depreciation	(50,406,064)	(45,261,551)
Construction work in progress	62,091	39,003
Sub-Totals	32,526,006	36,762,144
Less: Capital related debt		
Current portion of general obligation debt	881,878	820,134
Long-term portion of capital related general obligation debt	4,210,190	3,672,067
Sub-Totals	5,092,068	4,492,201
Add: Unspent proceeds of capital-related debt included above	1,405,892	140,262
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 28,839,830	\$ 32,410,205

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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

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#### **REVENUES AND EXPENSES**

##### **Revenue Recognition**

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

##### **Taxes**

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

##### **Capital Contributions**

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

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.

##### **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, 2008 and 2007

### NOTE 2 – CHANGES IN CAPITAL ASSETS

A summary of changes in Metro capital assets for 2008 and 2007 follows:

	<u>Balance</u> <u>1/1/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance</u> <u>12/31/08</u>
Capital assets not being depreciated					
Land	\$ 2,753,812	\$ -	\$ -	\$ (125,577)	\$ 2,628,235
Capital assets being depreciated					
Building and improvements	11,502,062	199,434	(88,821)	-	11,612,675
Curb and land improvements	6,383,441	116,879	(6,413)	125,577	6,619,484
Revenue vehicles	51,296,668	321,545	-	-	51,618,213
Service vehicles	523,765	161,175	(24,876)	-	660,064
Shop and garage equipment	1,480,762	162,022	(46,775)	-	1,596,009
Office equipment	1,381,383	125,069	(118,437)	-	1,388,015
Miscellaneous and farebox	6,662,799	84,894	(409)	-	6,747,284
Total Capital Assets Being Depreciated	<u>79,230,880</u>	<u>1,171,018</u>	<u>(285,731)</u>	<u>125,577</u>	<u>80,241,744</u>
Total Capital Assets	<u>81,984,692</u>	<u>1,171,018</u>	<u>(285,731)</u>	<u>-</u>	<u>82,869,979</u>
Less: Accumulated depreciation					
Building and improvements	(7,168,134)	(407,603)	88,821	-	(7,486,916)
Curb and land improvements	(4,263,131)	(559,461)	6,413	-	(4,816,179)
Revenue vehicles	(28,808,603)	(3,443,712)	-	-	(32,252,315)
Service vehicles	(521,240)	(18,643)	24,876	-	(515,007)
Shop and garage equipment	(1,422,107)	(45,888)	46,775	-	(1,421,220)
Office equipment	(854,901)	(206,791)	118,437	-	(943,255)
Miscellaneous and farebox	(2,223,435)	(748,146)	409	-	(2,971,172)
Total Accumulated Depreciation	<u>(45,261,551)</u>	<u>(5,430,244)</u>	<u>285,731</u>	<u>-</u>	<u>(50,406,064)</u>
Construction in progress	<u>39,003</u>	<u>319,492</u>	<u>(296,404)</u>	<u>-</u>	<u>62,091</u>
Net Transit System Plant	<u>\$ 36,762,144</u>				<u>\$ 32,526,006</u>

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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

	Balance 1/1/07	Additions	Retirements	Adjustments	Balance 12/31/07
Capital assets, not being depreciated					
Land	\$ 2,753,812	\$ -	\$ -	\$ -	\$ 2,753,812
Capital assets being depreciated					
Building and improvements	11,472,331	33,576	(3,845)	-	11,502,062
Curb and land improvements	6,384,000	-	(559)	-	6,383,441
Revenue vehicles	50,285,696	2,874,515	(1,863,543)	-	51,296,668
Service vehicles	523,765	-	-	-	523,765
Shop and garage equipment	1,503,702	14,040	(36,980)	-	1,480,762
Office equipment	1,289,699	119,388	(27,704)	-	1,381,383
Miscellaneous and farebox	6,565,541	97,258	-	-	6,662,799
Total Capital Assets Being Depreciated	<u>78,024,734</u>	<u>3,138,777</u>	<u>(1,932,631)</u>	<u>-</u>	<u>79,230,880</u>
Total Capital Assets	<u>80,778,546</u>	<u>3,138,777</u>	<u>(1,932,631)</u>	<u>-</u>	<u>81,984,692</u>
Less: Accumulated depreciation					
Building and improvements	(6,788,932)	(383,047)	3,845	-	(7,168,134)
Curb and land improvements	(3,848,362)	(415,328)	559	-	(4,263,131)
Revenue vehicles	(26,999,308)	(3,672,838)	1,863,543	-	(28,808,603)
Service vehicles	(499,812)	(21,428)	-	-	(521,240)
Shop and garage equipment	(1,410,539)	(48,548)	36,980	-	(1,422,107)
Office equipment	(736,730)	(145,668)	27,704	(207)	(854,901)
Miscellaneous and farebox	(1,493,432)	(730,003)	-	-	(2,223,435)
Total Accumulated Depreciation	<u>(41,777,115)</u>	<u>(5,416,860)</u>	<u>1,932,631</u>	<u>(207)</u>	<u>(45,261,551)</u>
Construction in progress	<u>42,405</u>	<u>88,378</u>	<u>(91,780)</u>	<u>-</u>	<u>39,003</u>
Net Transit System Plant	<u>\$ 39,043,836</u>				<u>\$ 36,762,144</u>

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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

There were no inter-fund balances between Metro and the City of Madison as of December 31, 2008 and 2007.

The following is a schedule of transfer balances as of December 31, 2008 and 2007.

To	From	2008		2007	
		Amount	Principal Purpose	Amount	Principal Purpose
Metro	City of Madison	\$ 8,857,385	City operating subsidy	\$ 9,032,579	City operating subsidy
Metro	City of Madison	9,714	Local share of MPO grant	9,202	Local share of MPO grant

### **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 12/31/08
Promissory note	5-1-98	5-1-08	4.05 - 4.35%	\$ 802,560	\$ -
Promissory note	7-1-99	7-1-09	4.00 - 4.45%	682,900	68,290
Promissory note	7-1-00	7-1-10	5.25 - 5.50%	238,000	47,600
Promissory note	8-1-01	8-1-11	4.00 - 4.38%	844,400	253,320
Promissory note	8-1-02	8-1-12	3.00 - 4.00%	1,314,400	525,760
Promissory note	9-15-03	9-1-13	2.00 - 4.00%	1,385,000	692,500
Promissory note	10-1-04	10-1-14	3.00 - 3.65%	1,200,000	720,000
Promissory note	10-1-05	10-1-15	3.50 - 5.00%	603,000	422,100
Promissory note	10-1-06	10-1-16	4.00%	750,000	599,915
Promissory Note	10-1-07	10-1-17	4.00 – 5.00%	380,648	342,583
Promissory Note	10-15-08	10-15-18	3.82%	1,420,000	1,420,000
Total					<u>\$ 5,092,068</u>

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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

Year	7-1-99		7-1-00		8-1-01		8-1-02		9-15-03		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 68,290	\$ 1,537	\$ 23,800	\$ 1,934	\$ 84,440	\$ 10,872	\$ 131,440	\$ 19,880	\$ 138,500	\$ 25,103	
2010	-	-	23,800	565	84,440	7,283	131,440	15,280	138,500	20,948	
2011	-	-	-	-	84,440	3,693	131,440	10,351	138,500	16,274	
2012	-	-	-	-	-	-	131,440	5,258	138,500	11,080	
2013	-	-	-	-	-	-	-	-	138,500	5,540	
Totals	\$ 68,290	\$ 1,537	\$ 47,600	\$ 2,499	\$ 253,320	\$ 21,848	\$ 525,760	\$ 50,769	\$ 692,500	\$ 78,945	

Year	10-1-04		10-1-05		10-1-06		10-1-07		10-15-08		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 120,000	\$ 22,980	\$ 60,300	\$ 17,788	\$ 75,043	\$ 23,997	\$ 14,084	\$ 38,065	\$ 142,000	\$ 53,636	\$ 881,878
2010	120,000	19,380	60,300	14,774	75,043	20,995	12,181	38,065	142,000	50,126	813,588
2011	120,000	15,780	60,300	11,758	75,043	17,993	10,658	38,065	142,000	44,446	789,788
2012	120,000	12,180	60,300	9,648	75,043	14,991	9,136	38,065	142,000	39,476	705,348
2013	120,000	8,340	60,300	7,236	75,043	11,990	7,613	38,065	142,000	34,506	573,908
2014	120,000	4,380	60,300	4,824	74,900	8,988	6,090	38,065	142,000	29,181	435,265
2015	-	-	60,300	2,412	74,900	5,992	4,568	38,065	142,000	23,856	53,463
2016	-	-	-	-	74,900	2,996	3,045	38,064	142,000	18,176	315,265
2017	-	-	-	-	-	-	1,523	38,064	142,000	12,141	254,964
2018	-	-	-	-	-	-	-	-	142,000	6,106	180,064
Totals	\$ 720,000	\$ 83,040	\$ 422,100	\$ 68,440	\$ 599,915	\$ 107,942	\$ 68,898	\$ 342,583	\$ 1,420,000	\$ 311,650	\$ 5,092,068

The 1998 bonds were paid off in 2008.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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

#### *ADVANCE FROM OTHER FUNDS*

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

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Amount Outstanding 12/31/08
May 1, 1997	Capital expenses	May 1, 2007	5.0 – 6.0%	\$ 21,138	\$ -
July 1, 2004	Pay off WRS Prior Service Liability	March 15, 2024	5.25%	4,551,081	4,306,233

Advance from other funds debt service requirements to maturity follows:

Year	Principal	Interest	Total
2009	\$ 79,189	\$ 226,077	\$ 305,266
2010	96,028	221,920	317,948
2011	113,322	216,878	330,200
2012	132,436	211,507	343,943
2013	153,371	203,976	357,347
2014	176,582	195,924	372,506
2015	201,613	186,654	388,267
2016	228,464	176,551	405,015
2017	258,501	164,074	422,575
2018	289,904	150,503	440,407
2019	324,947	135,283	460,230
2020	362,721	118,547	481,268
2021	403,226	99,181	502,407
2022	446,916	78,011	524,927
2023	493,337	54,548	547,885
2024	545,676	28,726	574,402
Totals	<u>\$ 4,306,233</u>	<u>\$ 2,468,360</u>	<u>\$ 6,774,593</u>

The 1997 advance was paid off in 2007.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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

Metro's long-term obligations activity for the years ended December 31, 2008 and 2007 is as follows:

	Balance 1/1/08	Additions	Reductions	Balance 12/31/08	Due Within One Year
General obligation debt	\$ 4,492,201	\$ 1,420,000	\$ 820,133	\$ 5,092,068	\$ 881,878
Advance from other funds	4,370,403	-	64,170	4,306,233	79,189
Retiree health insurance escrow	1,119,601	335,131	204,379	1,250,353	229,870
Accrued sick leave	3,322,244	425,725	250,652	3,497,317	114,264
Other post-employment benefits	409,668	403,431	-	813,099	-
Deferred revenue-land and tower lease	276,439	-	26,871	249,568	25,868
<b>Totals</b>	<b>\$ 13,990,556</b>	<b>\$ 2,584,287</b>	<b>\$ 1,366,205</b>	<b>\$ 15,208,638</b>	<b>\$ 1,331,069</b>

	Balance 1/1/07	Additions	Reductions	Balance 12/31/07	Due Within One Year
General obligation debt	\$ 5,013,227	\$ 380,648	\$ 901,674	\$ 4,492,201	\$ 820,134
Advance from other funds	4,422,578	-	52,175	4,370,403	64,170
Retiree health insurance escrow	936,305	342,718	159,422	1,119,601	203,768
Accrued sick leave	3,463,040	260,731	401,527	3,322,244	116,728
Other post-employment benefits	-	851,741	442,073	409,668	-
Deferred revenue-land and tower lease	304,367	-	27,928	276,439	26,871
<b>Totals</b>	<b>\$ 14,139,517</b>	<b>\$ 1,835,838</b>	<b>\$ 1,984,799</b>	<b>\$ 13,990,556</b>	<b>\$ 1,231,671</b>

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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### NOTE 5 – OPERATING SUBSIDIES

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

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

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

The following are the operating subsidies for the years 2008 and 2007:

	2008	2007
Federal	\$ 5,681,854	\$ 5,348,904
State	16,754,000	15,779,601
Other state subsidies	9,289	63,172
Local public subsidies	3,097,250	2,778,935
City of Madison	8,857,385	9,032,579

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

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

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

In 1997 the city on behalf of Metro entered into two operating leases with Oscar Mayer Foods Division of Kraft Foods, Inc. and University Research Park, Inc. for two parcels of land used in conjunction with bus transfer facilities for \$93,000 and \$214,000, respectively. The operating leases are fifteen and thirty years in length, respectively, and were fully prepaid. The revenue received to pay for the two leases was deferred and is being recognized over the life of the leases.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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#### NOTE 6 – DEFERRED 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 deferred and is being recognized over the life of the leases.

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#### NOTE 7 – EMPLOYEES' RETIREMENT SYSTEM

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All eligible Metro employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees were required by statute to contribute 6.0% and 5.9% of their salary to the plan in 2008 and 2007, respectively. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

	Years Ended December 31		
	2008	2007	2006
Total Covered Metro Payroll	<u>\$ 22,960,505</u>	<u>\$ 22,051,677</u>	<u>\$ 20,823,995</u>
Total Required Contributions	<u>\$ 2,433,814</u>	<u>\$ 2,337,478</u>	<u>\$ 1,978,279</u>
Total Required Contributions (%)	<u>10.6%</u>	<u>10.6%</u>	<u>9.5%</u>

Total Metro payroll is substantially the same as payroll covered by the Wisconsin Retirement System. Details of the plan are disclosed in the basic financial statements of the City of Madison for the years ended December 31, 2008 and 2007.

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

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The city administers a single-employer defined benefit healthcare plan, (the Retiree Health Plan) in which Metro participates. The Plan provides healthcare coverage to eligible retired city employees and their spouses, which covers both active and 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.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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

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

The city's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the city's annual OPEB cost for 2008:

	<u>Entire City</u>	<u>Metro</u>
Annual required contribution	\$ 5,460,866	\$ 885,094
Contributions made	2,366,912	481,663
Increase in net OPEB obligation	3,093,954	403,431
 Net OPEB Obligation - Beginning of Year	 3,141,784	 409,668
Net OPEB Obligation - End of Year	\$ 6,235,738	\$ 813,099

The city's and Metro's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the increase in net OPEB obligation for 2008 and 2007 were as follows:

<b>City</b>		Percentage of	Increase in
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Liability</u>
December 31, 2008	\$ 5,460,866	43%	\$3,093,954
December 31, 2007	\$ 5,255,087	40%	\$3,141,784
<b>Metro</b>		Percentage of	Increase in
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Liability</u>
December 31, 2008	\$ 885,094	54%	\$ 403,431
December 31, 2007	\$ 851,741	52%	\$ 409,668

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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

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The funded status of the plan (for the entire city) as of December 31, 2007, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 46,367,443
Actuarial value of plan assets	<u>3,032,738</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 43,334,705</u>
Funded ratio (actuarial value of plan assets/AAL)	6.5%
Covered payroll (active plan members)	\$ 135,001,349
UAAL as a percentage of covered payroll	32.1%

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

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

In the actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.5% investment rate of return and an annual healthcare cost trend rate of 11.03% initially, reduced by decrements to an ultimate rate of 4.5% after nine years. Both rates include a 3.0% inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2008, was 28 years.

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

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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#### NOTE 9 – RISK MANAGEMENT

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

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

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

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

The Transit Mutual Insurance Corporation of Wisconsin is a joint effort of Wisconsin municipalities which have joined together for the managing and funding of the first party property losses and third party liability claims of its member municipalities' mass transit funds.

In 2008 Metro Transit was insured by Transit Mutual Insurance Corporation of Wisconsin ("TMI") for its automobile exposure. Metro Transit's policy with TMI had a policy period of January 1, 2008 to December 31, 2008 and contained a combined single limit of \$7,000,000 per accident. TMI retains \$2,000,000 per occurrence of the liability limits and cedes \$5,000,000 to General Reinsurance Corporation. TMI retains \$500,000 per occurrence of the physical damage limits and cedes the balance up to \$9,500,000 to General Reinsurance Corporation.

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

Initial contributions are determined in advance of each membership year. 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 membership year. Members have a contractual obligation to fund any deficit attributable to a membership year during which they were members. The city's share of this organization is 34.79%. A list of the other members is in the TMI Report, which is available from: Transit Mutual Insurance Corporation of Wisconsin, P.O. Box 1772, Appleton, WI 54912-1772.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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

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Current fares were made effective September 4, 2007 as approved by the Transit and Parking Commission. A fare increase was approved and will take effect on April 4, 2009.

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

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

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

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

In January of 2008 the Transit and Parking Commission approved a contract with Gillig Corp. for the purchase of up to 75 buses over a five-year period.

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

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### **NOTE 12 – SUBSEQUENT EVENTS**

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A fare increase was approved and will take effect on April 4, 2009.

Metro took delivery of 22 new buses in the first quarter of 2009.

**SUPPLEMENTAL INFORMATION**

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Metro Transit System (Metro) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements of Metro as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Metro's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Metro's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Metro's financial statements that is more than inconsequential will not be prevented or detected by Metro's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Metro's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in Metro's internal control over financial reporting that might be significant deficiencies or material weaknesses. As outlined in the report on internal controls to management, we identified no material weakness.

To the Honorable Mayor and Common Council  
Metro Transit System

**Compliance**

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

This report is intended solely for the information and use of the Honorable Mayor and Common Council, management, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Baker Tilly Virchow Krause LLP*

Madison, Wisconsin  
June 30, 2009

# METRO TRANSIT SYSTEM

## OPERATING REVENUES AND EXPENSES

December 31, 2008 and 2007

OPERATING REVENUES	2008	2007
Passenger Fares for Transit Services		
Farebox revenues	\$ 1,368,037	\$ 1,322,310
Adult ticket revenue	872,424	832,265
Student ticket revenue	307,173	377,687
Elderly and handicapped revenue	378,994	300,873
Monthly/Daily Pass revenue	1,012,569	1,039,933
Summer youth passes	22,710	21,390
Easy rider pass - all days	314,134	292,235
UW Student Unlimited Ride Pass agreement revenue	2,325,438	2,216,680
UW Routes 80-82 and 53	-	197,195
UW/UW Hospital Employee Unlimited Ride Pass agreement	1,306,753	1,179,762
Edgewood College Unlimited Ride Pass agreement	55,934	45,773
MMSD passes	788,550	663,045
MATC Unlimited Ride Pass agreement	428,338	343,533
St Marys Unlimited Ride Pass agreement	33,618	32,801
Meriter Unlimited Ride Pass agreement	2,053	-
City of Madison Employee Unlimited Ride Pass agreement	109,920	99,327
Supplemental taxi revenue	64,341	71,255
Group Access Service	11,405	11,878
Total Passenger Fares for Transit Service	9,402,391	9,047,942
Other Operating Revenues		
Advertising revenue	418,328	306,848
Sale of buses, scrap and parts	23,636	63,635
Miscellaneous	125,621	68,373
Dane County - MA Waiver	2,815,961	2,430,318
Dane County - Elderly & Handicapped	134,324	131,690
Dane County - Group Access Service	149,516	149,494
Dane County - Group RSVP Service	61,529	51,512
Dane County - Exceptional Rides	82,525	93,434
Dane County - Common Carrier	61,795	-
Dane County - Highway (Marketing)	19,280	19,280
Total Other Operating Revenues	3,892,515	3,314,584
Total Operating Revenues	13,294,906	12,362,526
<b>OPERATING EXPENSES</b>		
Operation and Maintenance Expenses		
Employee compensation and benefits		
Salaries and wages	23,241,549	22,410,956
Pensions and benefits	11,067,941	10,142,052
Total Employee Compensation and Benefits	34,309,490	32,553,008
Materials and supplies	5,585,864	4,519,946
Purchased services	7,315,145	6,854,688
Interagency charges	752,017	837,896
Total Operation and Maintenance Expenses	47,962,516	44,765,538
Depreciation expense	5,430,244	5,417,067
Total Operating Expenses	53,392,760	50,182,605
 NET OPERATING LOSS	 \$ (40,097,854)	 \$ (37,820,079)

# METRO TRANSIT SYSTEM

## DETAILED SCHEDULE OF REVENUES AND EXPENSES - REGULATORY BASIS

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>		
401.00 Passenger fares for transit service	\$ 9,402,391	\$ 9,047,942
402.00 Special transit fares - New Year's Eve contributions and other	10,000	11,019
402.10 Service charges, NSF charges, etc.	115,621	57,354
406.00 Auxiliary transportation revenue - advertising	418,328	306,848
407.10 Contra-expense for sale of buses, scrap and parts	23,636	63,635
409.10 Local public subsidies	3,097,250	2,778,935
409.30 City of Madison operating subsidy	8,857,385	9,032,579
409.40 Dane County specialized transportation programs	3,324,930	2,875,728
409.99 MPO Local Subsidy	9,714	9,202
411.00 State cash grants and reimbursements	16,763,289	15,842,773
413.00 Federal cash grants and reimbursements	5,681,854	5,348,904
Total Eligible Revenues	<u>47,704,398</u>	<u>45,374,919</u>
<b>EXPENSES - BY OBJECT CLASS TOTAL</b>		
501.01 Operators' salaries and wages	12,903,402	12,303,788
501.02 Other salaries and wages	6,731,855	6,429,786
502.00 Fringe benefits	14,676,934	13,819,784
503.00 Services	579,130	546,052
504.01 Fuel and lubricants	4,362,412	3,321,304
504.02 Tires and tubes	155,337	156,923
504.99 Other materials and supplies	1,243,521	1,213,741
505.00 Utilities	732,277	611,449
506.00 Casualty and liability costs	853,952	617,939
507.00 Taxes	5,072	48,109
508.00 Purchased transportation	4,792,515	4,697,679
509.00 Miscellaneous expense	88,750	93,351
511.00 Interest expense	400,290	409,243
512.00 Leases and rentals	85,342	67,736
513.00 Depreciation	(5,430,244)	(5,417,067)
Less: Ineligible depreciation on fixed assets	5,430,244	5,417,067
516.00 Other Reconciling Items	752,017	837,897
Total Eligible Expenses	<u>48,362,806</u>	<u>45,174,781</u>
NET INCOME (excluding capital contributions and depreciation on fixed assets)	<u>\$ (658,408)</u>	<u>\$ 200,138</u>

## METRO TRANSIT SYSTEM

### RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL RECOGNIZED REVENUES AND EXPENSES For the Year Ended December 31, 2008

		Per WisDOT Guidelines
Revenues including subsidies and operating transfer		\$ 47,704,398
Less: Non-recognized revenues		
City operating transfer	\$ 8,857,385	
Local public subsidies	3,097,250	
Dane County specialized transportation programs	3,324,930	
MPO Local Subsidy	9,714	
Other federal subsidy	5,681,854	
State operating subsidy	16,763,289	
Nontransportation revenues		
Sale of buses, scrap and parts	23,636	
Service charges, NSF charges, etc.	115,621	
Total Non-Recognized Revenues		<u>37,873,679</u>
WisDOT Eligible Operating Revenues		<u>\$ 9,830,719</u>
Total Expenses per statement including interest expense	\$ 53,793,050	
Add: Fixed assets eligible for operating assistance	-	
Total Expenses		<u>\$ 53,793,050</u>
Less: Non-recognized expenses		
Depreciation	5,430,244	
Interest expense	400,290	
Bad debts	-	
Offset of scrap sales and miscellaneous reimbursements	139,257	
Capital Maintenance Grant @ 100%	7,102,318	
Leases and rentals	85,342	
Interagency indirect charges without approved allocation plan (excludes MPO of \$50,485)	701,532	
Total WisDOT Non-Recognized Expenses		<u>13,858,983</u>
WisDOT Eligible Operating Expenses		<u>\$ 39,934,068</u>
WisDOT Recognized Deficit		\$ (30,103,349)
Less Operating revenues ineligible for federal assistance:		
Advertising revenue		418,328
Federal Recognized Deficit		<u>\$ (29,685,021)</u>

## METRO TRANSIT SYSTEM

### COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS For the Year Ended December 31, 2008

#### STATE FUNDS

WisDOT Recognized Deficit	<u>\$ 30,103,349</u>	
WisDOT Contract Amount	<u>\$ 16,754,000</u>	
City of Madison and Other Local Subsidies	<u>\$ 11,964,349</u>	
5 Times Operating Subsidy	<u>\$ 59,821,745</u>	
State Share - Least of the Three		<u>\$ 16,754,000</u>

#### FEDERAL FUNDS

Federally Recognized Deficit	<u>\$ 29,685,021</u>	
50% of Federal Deficit		<u>\$ 14,842,510</u>
Federal Recognized Deficit	<u>\$ 29,685,021</u>	
Less: State share	<u>(16,754,000)</u>	
Non-State Share		<u>\$ 12,931,021</u>
Maximum Federal Share Per Grant Award	<u>\$ 5,681,854</u>	
Federal Share - Least of the Three		<u>\$ 5,681,854</u>

#### SUMMARY OF FUNDING (2008 only)

	<u>Received in 2008</u>	<u>Receivable 12/31/08</u>	<u>Totals</u>
Federal Operating Funds	\$ -	\$ -	\$ -
Federal Capital Maintenance	4,574,779	1,107,075	5,681,854
State Funds	16,754,000	-	16,754,000
Local Public Subsidies	2,885,748	211,502 *	3,097,250
MPO Local Subsidy	9,714	-	9,714
City of Madison	<u>8,857,385</u>	<u>-</u>	<u>8,857,385</u>
Total Funding	<u>\$ 33,081,626</u>	<u>\$ 1,318,577</u>	<u>\$ 34,400,203</u>

\* Shown net of amount due to other communities of \$180,233.