

**METRO TRANSIT SYSTEM**

An Enterprise Fund of the  
City of Madison, Wisconsin

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2014 and 2013

# METRO TRANSIT SYSTEM

An Enterprise Fund of the City of Madison, Wisconsin

## TABLE OF CONTENTS

As of and for the Years Ended December 31, 2014 and 2013

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|  |         |
|--|---------|
| Independent Auditors' Report   | 1 – 2   |
| Management's Discussion and Analysis   | 3 – 21  |
| Financial Statements   |         |
| Statements of Net Position   | 22 – 23 |
| Statements of Revenues, Expenses and Changes in Net Position   | 24      |
| Statements of Cash Flows   | 25 – 26 |
| Notes to Financial Statements  | 27 – 46 |
| Supplemental Information   |         |
| Operating Revenues and Expenses  | 47      |
| Detailed Schedule of Revenues and Expenses – Regulatory Basis  | 48      |
| Reconciliation of Revenues and Expenses to WisDOT and<br>Federal Recognized Revenues and Expenses – Regulatory Basis | 49      |
| Computation of the Deficit Distribution Among<br>the Subsidy Grantors – Regulatory Basis                             | 50      |

**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Metro Transit System, an enterprise fund of the City of Madison, Wisconsin, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Metro Transit System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Metro Transit System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metro Transit System as of December 31, 2014 and 2013, and the respective 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.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Metro Transit System enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Madison, Wisconsin, as of December 31, 2014 and 2013 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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

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

*Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The operating revenues and expenses and regulatory basis schedules, 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 supplemental operating revenues and expenses and regulatory basis schedules 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 will also issue a report on our consideration of the overall City of Madison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including those systems applicable to Metro Transit System. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Madison's internal control over financial reporting and compliance.

*Baker Tilly Vinchow Krause, LLP*

# **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, 2014 and 2013.

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

### **Mission**

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

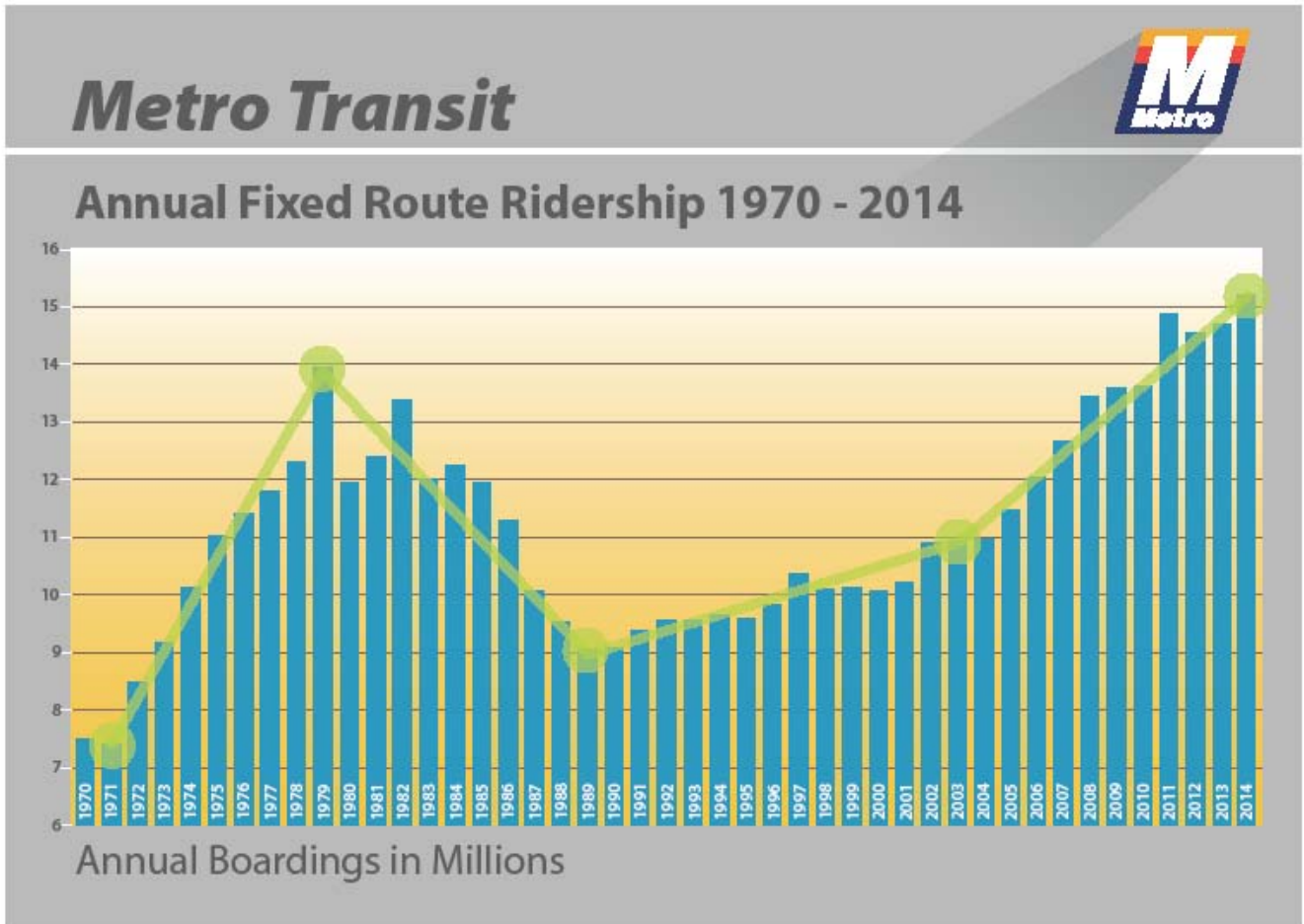
Metro provides extensive fixed route and ADA paratransit service in a 72 square mile regional service area with a population of 253,075 and also provides contributions to Dane County for the delivery of Group Access Services (providing transportation of the elder to meal-sites), Exceptional Rides Services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

### **Annual Overview**

In 2014, Metro experienced a record high ridership of 15.2 million rides. This ridership is up 3.4% over 2013 and is the first time ever the ridership has crossed over the 15 million mark.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT



This milestone is also presenting challenges related to capacity for Metro Transit in several areas. Metro's bus garage on E. Washington was designed for 160 buses and currently holds 214. A service expansion to the new UW Hospital on the far east side approved by the Common Council in November 2014 for implementation in the spring of 2015 is likely to be the last peak-hour expansion until space issues are addressed.

For several years a city-wide long range facilities planning committee has been formed to address space issues at over a dozen city departments, including Metro. A 15 acre parcel of land on Nakoosa Trail was purchased several years ago as part of this process, and several scenarios have been developed to use the land, including one where a satellite bus garage could be constructed there. The 5 year CIP approved in November 2014 included \$35 million for a satellite facility at Nakoosa, and plans now are for a federal Tiger Grant to be submitted for this purpose.

# **METRO TRANSIT SYSTEM**

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

Another capacity issue Metro continued to focus on in 2014 relates to the need for bus rapid transit, which would add 75% peak hour bus seat capacity if fully implemented. The 2013 conceptual plan was adopted by the Madison Transportation Master Plan Committee in late 2014 and the Common Council in early 2015. This allows for the continued use of \$2 million in federal, state, and local planning funding to move the BRT from concept to implementation through what is called the “locally preferred alternatives analysis.” The planning process will take the 25 mile, \$190 million concept plan and determine which streets and intersections will be the most beneficial to receive lane treatments, bus stations, and traffic signal prioritizations to complete the 4-corridor system through the areas of Madison with the highest job and residential densities, and the greatest improvement in reduced travel times.

Until these major infrastructure improvements can happen, Metro continued in 2014 to manage the day-to-day challenges of severe cutbacks in federal bus capital transportation funding. For the first time in many years, Metro worked with City Engineering and the Madison Area Transportation Board (MPO) to redirect street construction projects that are prioritized through the MPO Board to the purchase of replacement buses. The MPO Board allocates \$6-\$7 million in federal Surface Transportation Program (STP) funds every year, and for over a decade these have gone primarily to road and bridge projects. The last federal transportation reauthorization bill, MAP-21, decimated federal funding for bus purchases for mid-size transit systems like Madison's, so this coordinated re-direction of funds was necessary to keep pace with standard bus replacement cycles. Most Metro buses are retired after about 15 years of service, though federal requirements define a minimum 12 year bus life.

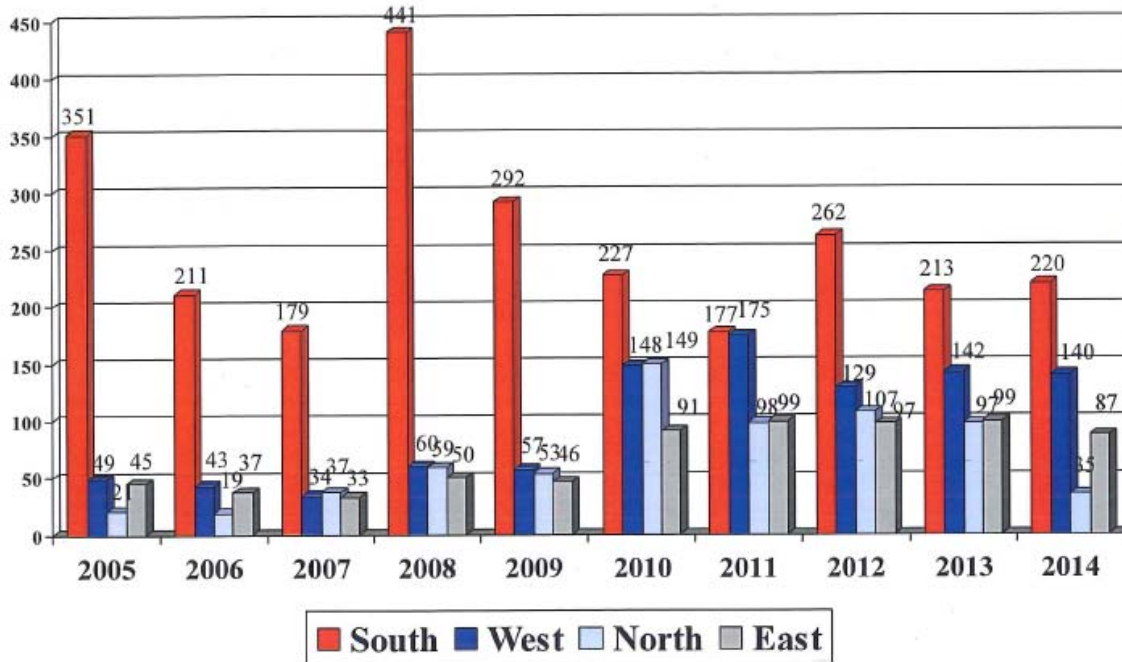
Metro continues to work with the Madison Police Department and other agencies to create a safer and more customer-friendly environment at the four major transfer points. From 2013 to 2014, overall police calls to transfer points decreased over 12%. Police calls to the South Transfer Point, which generates the highest number of incidents, has been cut in half since its peak in 2008.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT



### Madison Police Department Calls for Service Incident Analysis at Metro Transfer Points (2005 through 2014)



After several years without an independent peer analysis performed by the Wisconsin Dept. of Transportation, an analysis released in November 2014 shows that Metro Transit continues to outperform its peers in ridership and service levels, especially in ridership per hour and per capita. Metro did 30% better on rides per hour than the peer mean, and 40% better in ridership per capita compared to the mean. There were no performance categories for Metro that missed the targeted range set by WisDOT based on the peer review.



# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### 2013 PERFORMANCE STANDARDS

#### MADISON METRO EXTERNAL PEER GROUP SUMMARY

| Performance Measure     | Data | Mean    | Standard Deviation | <u>Performance Parameters</u> |          |
|-------------------------|------|---------|--------------------|-------------------------------|----------|
|                         |      |         |                    | +/- One Standard Deviation    |          |
| Expense/Revenue Hour    | 2013 | \$97.57 | \$11.44            | \$86.12                       | \$109.01 |
| Revenue/Expense Ratio   | 2013 | 21.12%  | 6.57%              | 14.55%                        | 27.70%   |
| Cost/Passenger          | 2013 | \$4.46  | \$1.29             | \$3.16                        | \$5.75   |
| Passengers/Revenue Hour | 2013 | 23.69   | 7.86               | 15.83                         | 31.55    |
| Passenger/Capita        | 2013 | 37.63   | 31.32              | 6.32                          | 68.95    |
| Revenue Hours/Capita    | 2013 | 1.43    | 0.68               | 0.75                          | 2.11     |

Shading denotes system outside of the St. Dev.

#### WisDOT Transit System Cost Efficiency Report, 2007-2013

|                    | Expense/Revenue Hour | Revenue/Expense Ratio | Cost/Passenger | Passengers/Revenue Hour | Passengers/Capita | Revenue Hours/Capita |
|--------------------|----------------------|-----------------------|----------------|-------------------------|-------------------|----------------------|
| Madison Metro*     | \$101.29             | 26.04%                | \$3.30         | 30.67                   | 51.82             | 1.69                 |
| Lansing            | \$97.33              | 18.22%                | \$3.50         | 27.78                   | 51.99             | 1.87                 |
| Ann Arbor - UMich  | \$96.93              | 19.85%                | \$4.47         | 21.67                   | 30.55             | 1.41                 |
| Akron              | \$93.71              | 12.92%                | \$7.13         | 13.15                   | 13.22             | 1.01                 |
| Dayton             | \$108.43             | 17.39%                | \$5.95         | 18.22                   | 18.67             | 1.02                 |
| Champaign-Urbana   | \$101.36             | 21.75%                | \$2.44         | 41.52                   | 120.72            | 2.91                 |
| Des Moines         | \$77.98              | 32.02%                | \$4.92         | 15.85                   | 14.19             | 0.89                 |
| Spokane            | \$98.21              | 18.17%                | \$4.83         | 20.34                   | 42.27             | 2.08                 |
| Syracuse           | \$121.71             | 31.20%                | \$4.58         | 26.60                   | 31.54             | 1.19                 |
| Baton Rouge        | \$89.43              | 11.94%                | \$4.29         | 20.85                   | 8.93              | 0.43                 |
| Reno               | \$86.84              | 22.85%                | \$3.63         | 23.90                   | 30.02             | 1.26                 |
| <b>GROUP MEAN:</b> | <b>\$97.57</b>       | <b>21.12%</b>         | <b>\$4.46</b>  | <b>23.69</b>            | <b>37.63</b>      | <b>1.43</b>          |

Metro installed 214 fareboxes on buses over the first weekend in August 2014. This \$3.5 million project replaced 25 year-old fareboxes and upgraded them with the potential for smart technology use. Implementation focused on replicating the current cash and magnetic card features, but the new fareboxes can accept smart cards and smart phones potentially in the future. Metro is hoping to do a pilot project with a smaller unlimited pass partner in 2016. Customer acceptance of the new fareboxes went quite well, as did driver training and operations of the new equipment.

# **METRO TRANSIT SYSTEM**

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

Finally, Metro's contingency reserve increased from \$2.7 million at the beginning of 2014 to \$5 million at the end. This was the result of both operational factors such as increased ridership and passenger revenues, and non-operational factors such as shifts of proportional amounts of the city's wage insurance reserves to Metro's. This robust reserve is allowing Metro to work on critically important tasks such as paying a consultant for preparing a Tiger Grant application for a satellite bus facility to possibly using it to lease space for buses for the next several years.

### **2014 Financial Highlights**

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

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

**Madison Metro Transit  
Income Statement  
For the Year Ended December 31, 2014**

|                                 | All Modes              |                        | Fixed Route            |                        | Paratransit           |                       |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|
|                                 | Actual                 | Budget                 | Actual                 | Budget                 | Actual                | Budget                |
| <b>Revenue</b>                  |                        |                        |                        |                        |                       |                       |
| Farebox                         | \$ 1,638,454           | \$ 1,550,000           | \$ 1,621,205           | \$ 1,515,000           | \$ 17,249             | \$ 35,000             |
| Passes & Tickets                | \$ 5,254,260           | \$ 4,799,500           | \$ 4,990,906           | \$ 4,586,500           | \$ 263,354            | \$ 213,000            |
| Unlimited Ride Programs         | \$ 6,426,277           | \$ 6,378,500           | \$ 6,400,014           | \$ 6,345,000           | \$ 26,263             | \$ 33,500             |
| <b>Passenger Revenue</b>        | <b>\$ 13,318,991</b>   | <b>\$ 12,728,000</b>   | <b>\$ 13,012,125</b>   | <b>\$ 12,446,500</b>   | <b>\$ 306,866</b>     | <b>\$ 281,500</b>     |
| County Programs                 | \$ 4,026,362           | \$ 3,645,000           | \$ 19,280              | \$ 19,280              | \$ 4,007,082          | \$ 3,625,720          |
| Federal Operating Assistance    | \$ 6,352,153           | \$ 6,264,600           | \$ 5,589,895           | \$ 5,512,848           | \$ 762,258            | \$ 751,752            |
| State Operating Assistance      | \$ 16,677,514          | \$ 16,645,500          | \$ 14,676,212          | \$ 14,648,040          | \$ 2,001,302          | \$ 1,997,460          |
| Local Subsidies                 | \$ 3,356,826           | \$ 2,865,500           | \$ 2,954,007           | \$ 2,521,640           | \$ 402,819            | \$ 343,860            |
| Other Subsidies                 | \$ 13,365              | \$ -                   | \$ 13,365              | \$ -                   | \$ -                  | \$ -                  |
| Advertising                     | \$ 393,950             | \$ 390,000             | \$ 393,950             | \$ 390,000             | \$ -                  | \$ -                  |
| Miscellaneous                   | \$ 97,278              | \$ 79,000              | \$ 97,278              | \$ 79,000              | \$ -                  | \$ -                  |
| <b>Total Revenue</b>            | <b>\$ 44,236,439</b>   | <b>\$ 42,617,600</b>   | <b>\$ 36,756,112</b>   | <b>\$ 35,617,308</b>   | <b>\$ 7,480,327</b>   | <b>\$ 7,000,292</b>   |
| <b>Expenditures</b>             |                        |                        |                        |                        |                       |                       |
| Salaries                        | \$ 27,370,075          | \$ 27,992,700          | \$ 25,180,469          | \$ 25,753,284          | \$ 2,189,606          | \$ 2,239,416          |
| Benefits                        | \$ 12,098,086          | \$ 11,675,600          | \$ 11,130,239          | \$ 10,741,552          | \$ 967,847            | \$ 934,048            |
| Utilities/Telephone             | \$ 577,382             | \$ 501,600             | \$ 531,191             | \$ 461,472             | \$ 46,191             | \$ 40,128             |
| Repairs & Maint B&G             | \$ 95,428              | \$ 92,000              | \$ 87,794              | \$ 84,640              | \$ 7,634              | \$ 7,360              |
| Repairs & Maint Equip           | \$ 470,548             | \$ 445,400             | \$ 432,904             | \$ 409,768             | \$ 37,644             | \$ 35,632             |
| Rentals                         | \$ 212,868             | \$ 212,200             | \$ 195,839             | \$ 195,224             | \$ 17,029             | \$ 16,976             |
| Employee Services               | \$ 67,410              | \$ 54,500              | \$ 62,017              | \$ 50,140              | \$ 5,393              | \$ 4,360              |
| Insurance & Financial           | \$ 950,937             | \$ 988,400             | \$ 874,862             | \$ 909,328             | \$ 76,075             | \$ 79,072             |
| Purchased Transportation        | \$ 5,216,167           | \$ 5,243,800           | \$ -                   | \$ -                   | \$ 5,216,167          | \$ 5,243,800          |
| Other Services                  | \$ 321,578             | \$ 239,300             | \$ 296,198             | \$ 220,156             | \$ 25,380             | \$ 19,144             |
| Office Supplies                 | \$ 56,614              | \$ 54,000              | \$ 52,085              | \$ 49,680              | \$ 4,529              | \$ 4,320              |
| Equipment Supplies              | \$ 1,291,550           | \$ 955,000             | \$ 1,188,226           | \$ 878,600             | \$ 103,324            | \$ 76,400             |
| Bldg & Const Supplies           | \$ 213,725             | \$ 165,000             | \$ 196,627             | \$ 151,800             | \$ 17,098             | \$ 13,200             |
| Fuels, Oils & Lubricants        | \$ 4,208,689           | \$ 3,958,200           | \$ 3,871,994           | \$ 3,641,544           | \$ 336,695            | \$ 316,656            |
| Other Supplies                  | \$ 302,982             | \$ 245,000             | \$ 278,743             | \$ 225,400             | \$ 24,239             | \$ 19,600             |
| Interdepartmental Charges       | \$ 781,028             | \$ 818,700             | \$ 726,521             | \$ 760,884             | \$ 54,507             | \$ 57,816             |
| Depreciation                    | \$ 6,506,793           | \$ 6,600,000           | \$ 6,018,784           | \$ 6,105,000           | \$ 488,009            | \$ 495,000            |
| Interest & Bad Expenses         | \$ 302,747             | \$ 298,000             | \$ 278,527             | \$ 274,160             | \$ 24,220             | \$ 23,840             |
| <b>Total Expenses</b>           | <b>\$ 61,044,606</b>   | <b>\$ 60,539,400</b>   | <b>\$ 51,403,019</b>   | <b>\$ 50,912,632</b>   | <b>\$ 9,641,587</b>   | <b>\$ 9,626,768</b>   |
| <b>Income(Deficit)</b>          | <b>\$ (16,808,167)</b> | <b>\$ (17,921,800)</b> | <b>\$ (14,646,907)</b> | <b>\$ (15,295,324)</b> | <b>\$ (2,161,260)</b> | <b>\$ (2,626,476)</b> |
| Less: Depreciation              | \$ (6,506,793)         | \$ (6,600,000)         | \$ (6,018,784)         | \$ (6,105,000)         | \$ (488,009)          | \$ (495,000)          |
| Less: Unfunded OPEB             | \$ (615,274)           | \$ -                   | \$ (566,052)           | \$ -                   | \$ (49,222)           | \$ -                  |
| Debt                            | \$ 1,082,084           | \$ 1,093,000           | \$ 1,049,622           | \$ 1,060,210           | \$ 32,462             | \$ 32,790             |
| Fixed Assets                    | \$ 119,374             | \$ 297,000             | \$ 23,875              | \$ 59,400              | \$ 95,499             | \$ 237,600            |
| Federal Portion of Fixed Assets | \$ (95,499)            | \$ (237,600)           | \$ (19,100)            | \$ (47,520)            | \$ (76,399)           | \$ (190,080)          |
| <b>Total Expenditures(City)</b> | <b>\$ 55,028,498</b>   | <b>\$ 55,091,800</b>   | <b>\$ 45,872,580</b>   | <b>\$ 45,879,722</b>   | <b>\$ 9,155,918</b>   | <b>\$ 9,212,078</b>   |
| Added To/(Taken From)Reserves   | \$ 2,342,141           | \$ 11,200              | \$ 1,456,562           | \$ 10,573              | \$ 885,578            | \$ 627                |
| <b>Income/(Deficit) (City)</b>  | <b>\$ (13,134,200)</b> | <b>\$ (12,485,400)</b> | <b>\$ (10,573,031)</b> | <b>\$ (10,272,987)</b> | <b>\$ (2,561,169)</b> | <b>\$ (2,212,413)</b> |

Metro added to its contingent reserve in the amount of \$2,342,141 in 2014 to balance revenues and expenses. The following table shows Metro's contingent reserve balances and changes in those balances over the past six years.

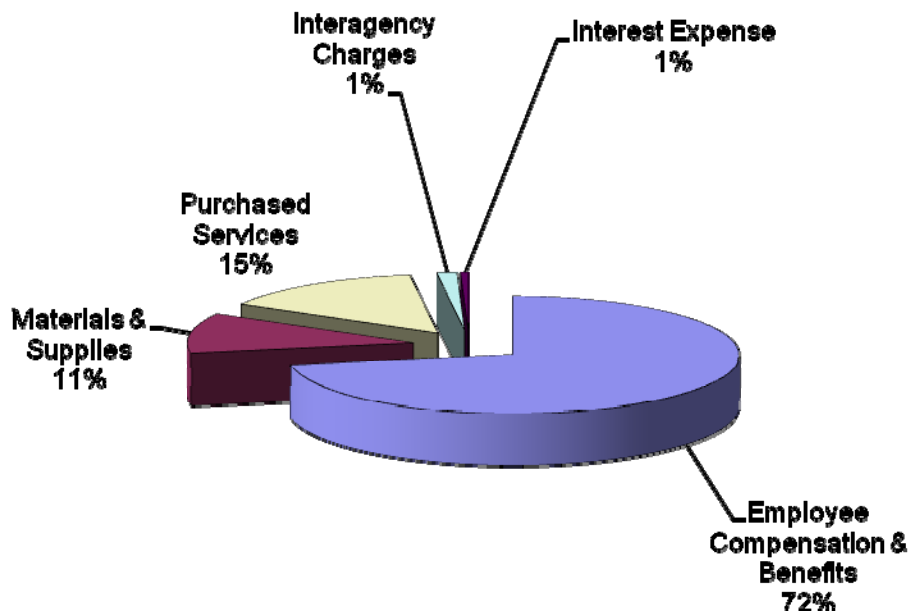
# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

| Year | Beginning Balance | Reserves +/- | Ending Balance |
|------|-------------------|--------------|----------------|
| 2009 | \$478,246         | \$388,710    | \$866,956      |
| 2010 | \$866,956         | (\$770,603)  | \$96,353       |
| 2011 | \$96,353          | \$101,830    | \$198,183      |
| 2012 | \$198,183         | \$585,967    | \$784,150      |
| 2013 | \$784,150         | \$1,889,142  | \$2,673,292    |
| 2014 | \$2,673,292       | \$2,342,141  | \$5,015,433    |

As can be seen from the following chart, employee compensation and benefits accounted for 72% of total expenses excluding depreciation in 2014.

### 2014 Expenses excluding Depreciation



# **METRO TRANSIT SYSTEM**

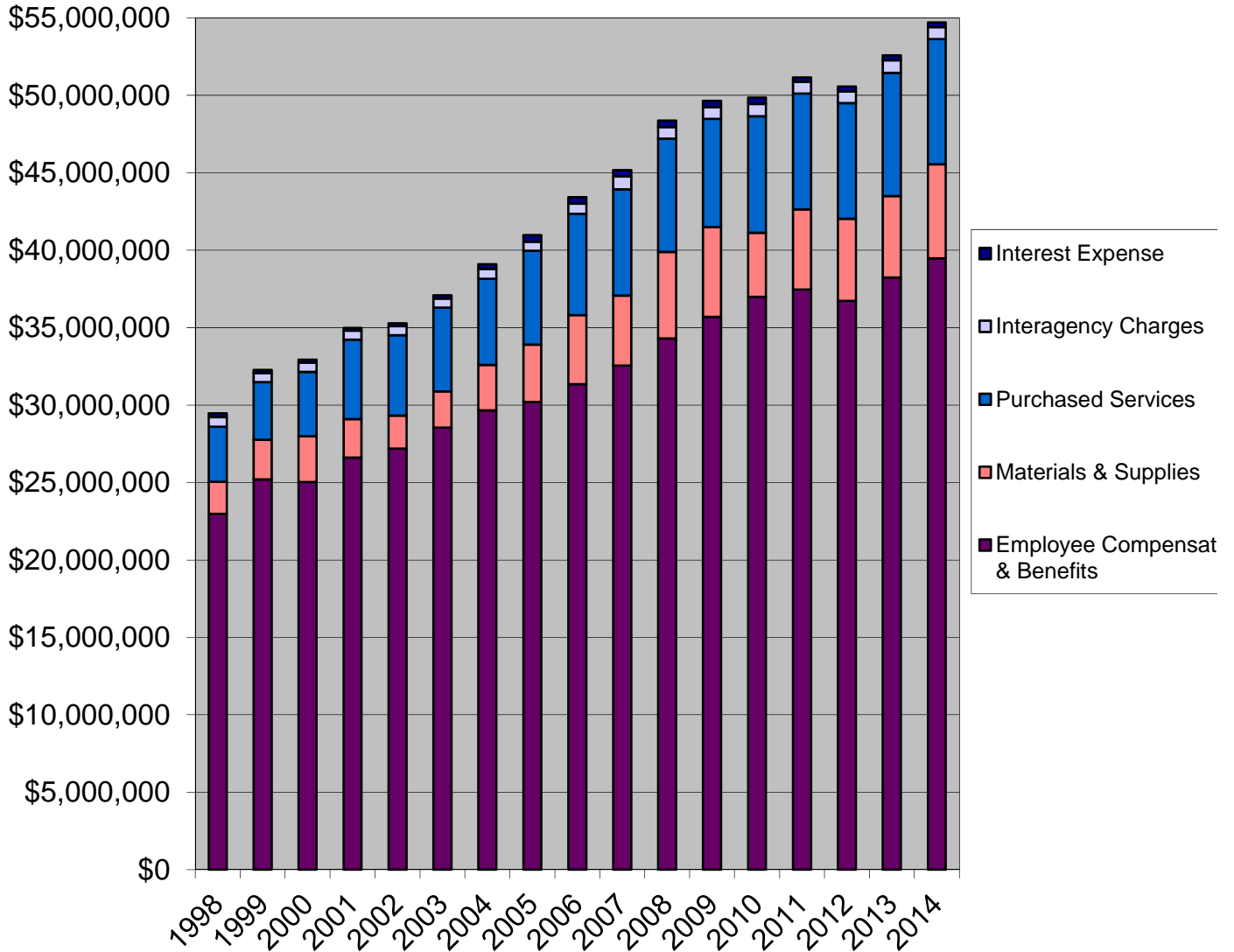
## **MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT**

The first of the following charts shows that total operating expenses increased by 4.0% between 2013 and 2014. Between 2009 and 2014 Metro experienced an average increase in total operating costs of 2.0% per year. The second chart compares Metro's revenue sources for the same period of time. Passenger revenue has increased by an average of 5.8% per year during the last 5 years whereas state aid, which provides the largest portion of Metro's revenue, decreased 0.6% per year during the same time period.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

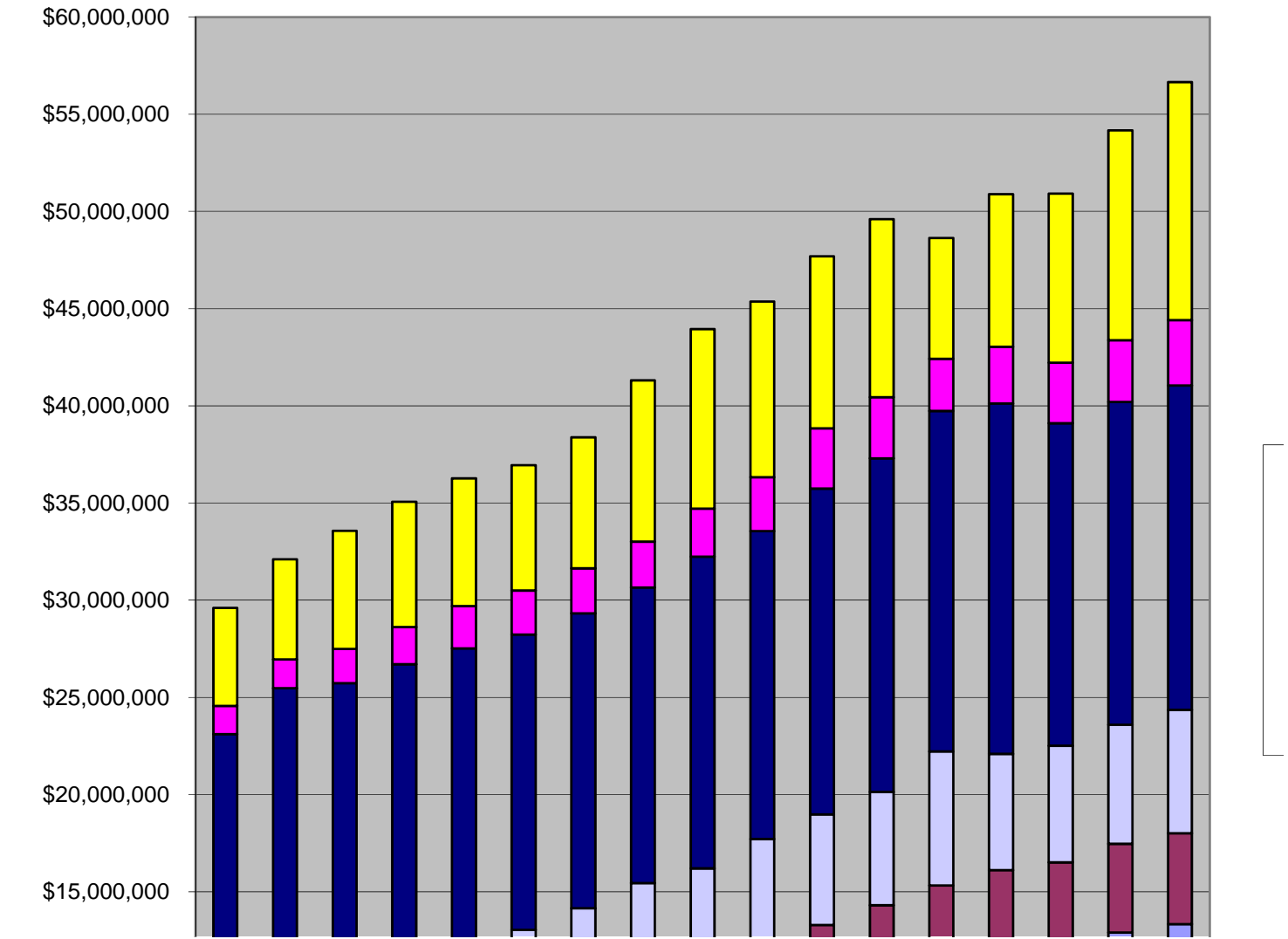
### Madison Metro Transit Historical Expense Comparison Excluding Depreciation



# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Madison Metro Transit Historical Revenue Comparison



# **METRO TRANSIT SYSTEM**

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

### **GRANT STATUS**

Metro is fortunate to have 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 expenditures were charged during the year. Note that where balances are available as of 12/31/14 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 12/31/14

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    | 2014 expenditures    | Balance available as of 12/31/14 | Future Budgeted projects | Balance after budgeted projects | Detail of future budgeted projects- see page 2. |
|------------------------------------|--------------|---------------------------|--------------------------|----------------------|----------------------|----------------------------------|--------------------------|---------------------------------|---|
| <b>Federal Section 5307 Grants</b> |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| WI900549                           | 2009         | \$ 8,980,667              | \$ 8,066,746             | \$ 913,921           | \$ 913,921           | \$ -                             | \$ -                     | \$ -                            |   |
| WI900573                           | 2010         | \$ 8,832,424              | \$ 7,996,289             | \$ 836,135           | \$ 664,825           | \$ 171,310                       | \$ 171,310               | \$ -                            | Software  |
| WI900630                           | 2011         | \$ 8,785,588              | \$ 7,483,006             | \$ 1,302,582         | \$ 1,302,582         | \$ -                             | \$ -                     | \$ -                            |   |
| WI900735                           | 2012         | \$ 8,854,944              | \$ 8,750,956             | \$ 103,988           | \$ 77,285            | \$ 26,703                        | \$ 26,703                | \$ -                            | Software  |
| WI900595                           | 2013         | \$ 8,903,040              | \$ 8,014,055             | \$ 888,985           | \$ 348,789           | \$ 540,196                       | \$ 540,196               | \$ -                            | Software  |
| WI900765                           | 2014         | \$ 9,637,895              | \$ 13,808                | \$ 9,624,087         | \$ 7,695,393         | \$ 1,928,694                     | \$ 1,928,694             | \$ -                            | ACM   |
| FFY 2015 (estimate)                | 2015         | \$ 9,353,500              | \$ -                     | \$ 9,353,500         | \$ -                 | \$ 9,353,500                     | \$ 9,353,500             | \$ -                            | Various   |
| <b>Total Section 5307</b>          |              | <b>\$ 63,348,058</b>      | <b>\$ 40,324,860</b>     | <b>\$ 23,023,198</b> | <b>\$ 11,002,795</b> | <b>\$ 12,020,403</b>             | <b>\$ 12,020,403</b>     | <b>\$ -</b>                     |   |
| <b>Federal Section 5309 Grants</b> |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| WI050051 (fixed guideway)          | 2012         | \$ 1,498,823              | \$ -                     | \$ 1,498,823         | \$ 1,498,823         | \$ -                             | \$ -                     | \$ -                            |   |
| WI030087 (WI discretionary)        | 2014         | \$ 103,009                | \$ -                     | \$ 103,009           | \$ 103,009           | \$ -                             | \$ -                     | \$ -                            |   |
| WI030091 (WI discretionary)        | 2014         | \$ 7,508                  | \$ -                     | \$ 7,508             | \$ 7,508             | \$ -                             | \$ -                     | \$ -                            |   |
| WI040009 (WI discretionary)        | 2014         | \$ 80,246                 | \$ -                     | \$ 80,246            | \$ 80,246            | \$ -                             | \$ -                     | \$ -                            |   |
| WI040042 (WI discretionary)        | 2010         | \$ 187,500                | \$ -                     | \$ 187,500           | \$ 82,473            | \$ 105,027                       | \$ 105,027               | \$ -                            | New facility                                    |
| WI040059 (state of good repair)    | 2011         | \$ 6,451,000              | \$ 4,389,739             | \$ 2,061,261         | \$ 764,130           | \$ 1,297,131                     | \$ 1,297,131             | \$ -                            | Buses & shelters                                |
| WI040062 (state of good repair)    | 2012         | \$ 4,733,125              | \$ 600,000               | \$ 4,133,125         | \$ 4,133,125         | \$ -                             | \$ -                     | \$ -                            |   |
| <b>Total Section 5309</b>          |              | <b>\$ 13,061,211</b>      | <b>\$ 4,989,739</b>      | <b>\$ 8,071,472</b>  | <b>\$ 6,669,314</b>  | <b>\$ 1,402,158</b>              | <b>\$ 1,402,158</b>      | <b>\$ -</b>                     |   |
| <b>Federal Section 5310 Grants</b> |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| WI160005                           | 2014         | \$ 310,600                | \$ -                     | \$ 310,600           | \$ 69,235            | \$ 241,365                       | \$ 241,365               | \$ -                            | Mobility management                             |
| FFY 2015 (estimate)                | 2015         | \$ 310,600                | \$ -                     | \$ 310,600           | \$ -                 | \$ 310,600                       | \$ 310,600               | \$ -                            | Mobility management                             |
| <b>Total Section 5310</b>          |              | <b>\$ 621,200</b>         | <b>\$ -</b>              | <b>\$ 621,200</b>    | <b>\$ 69,235</b>     | <b>\$ 551,965</b>                | <b>\$ 551,965</b>        | <b>\$ -</b>                     |   |
| <b>Federal Section 5337 Grants</b> |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| WI540001                           | 2013         | \$ 631,788                | \$ -                     | \$ 631,788           | \$ 631,788           | \$ -                             | \$ -                     | \$ -                            |   |
| WI540003                           | 2014         | \$ 937,964                | \$ -                     | \$ 937,964           | \$ -                 | \$ 937,964                       | \$ 937,964               | \$ -                            | Buses   |
| FFY 2015 (estimate)                | 2015         | \$ 934,900                | \$ -                     | \$ 934,900           | \$ -                 | \$ 934,900                       | \$ 934,900               | \$ -                            | Buses   |
| <b>Total Section 5337</b>          |              | <b>\$ 2,504,652</b>       | <b>\$ -</b>              | <b>\$ 2,504,652</b>  | <b>\$ 631,788</b>    | <b>\$ 1,872,864</b>              | <b>\$ 1,872,864</b>      | <b>\$ -</b>                     |   |
| <b>Federal Section 5339 Grants</b> |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| WI340001                           | 2013         | \$ 1,085,776              | \$ -                     | \$ 1,085,776         | \$ 1,085,776         | \$ -                             | \$ -                     | \$ -                            |   |
| WI340006                           | 2014         | \$ 989,686                | \$ -                     | \$ 989,686           | \$ -                 | \$ 989,686                       | \$ 989,686               | \$ -                            | Buses   |
| FFY 2015 (estimate)                | 2015         | \$ 985,100                | \$ -                     | \$ 985,100           | \$ -                 | \$ 985,100                       | \$ 985,100               | \$ -                            | Buses   |
| <b>Total Section 5339</b>          |              | <b>\$ 3,060,562</b>       | <b>\$ -</b>              | <b>\$ 3,060,562</b>  | <b>\$ 1,085,776</b>  | <b>\$ 1,974,786</b>              | <b>\$ 1,974,786</b>      | <b>\$ -</b>                     |   |
| <b>Total Capital Grants</b>        |              | <b>\$ 82,595,683</b>      | <b>\$ 45,314,599</b>     | <b>\$ 37,281,084</b> | <b>\$ 19,458,908</b> | <b>\$ 17,822,176</b>             | <b>\$ 17,822,176</b>     | <b>\$ -</b>                     |   |
| <b>OTHER GRANTS</b>                |              |                           |                          |                      |                      |                                  |                          |                                 |   |
| WI260012 (recorded in fund SG67)   | 2006         | \$ 1,980,000              | \$ -                     | \$ 1,980,000         | \$ -                 | \$ 1,980,000                     | \$ 1,980,000             | \$ -                            | Preferred alternative study                     |
| WI390001 (recorded in fund SG67)   | 2006         | \$ 1,485,000              | \$ 1,360,001             | \$ 124,999           | \$ -                 | \$ 124,999                       | \$ 124,999               | \$ -                            | Preferred alternative study                     |
| WI390002 (recorded in fund SG67)   | 2007         | \$ 1,500,000              | \$ -                     | \$ 1,500,000         | \$ -                 | \$ 1,500,000                     | \$ 1,500,000             | \$ -                            | Preferred alternative study                     |
| WI791000 (recorded in fund CD21)   | 2011         | \$ 2,250,000              | \$ 755,625               | \$ 1,494,375         | \$ 64,875            | \$ 1,429,500                     | \$ 1,429,500             | \$ -                            | Intermodal terminal study (TIGER II)            |
| WI800006                           | 2011         | \$ 125,000                | \$ 119,488               | \$ 5,512             | \$ 5,512             | \$ -                             | \$ -                     | \$ -                            |   |
| <b>Total Other Grants</b>          |              | <b>\$ 7,340,000</b>       | <b>\$ 2,235,114</b>      | <b>\$ 5,104,886</b>  | <b>\$ 70,387</b>     | <b>\$ 5,034,499</b>              | <b>\$ 5,034,499</b>      | <b>\$ -</b>                     |   |

Please refer to Independent Auditors' report.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

| CAPITAL GRANTS                     | Shelters         | Support vehicles  | Shop Equip        | Facility          | Computer hardware & software | Mobility management | Consultants         | Buses -Fixed Route  | Associated capital maintenance | Total Budgeted Projects |
|------------------------------------|------------------|-------------------|-------------------|-------------------|------------------------------|---------------------|---------------------|---------------------|--------------------------------|-------------------------|
| <b>Federal Section 5307 Grants</b> |                  |                   |                   |                   |                              |                     |                     |                     |                                |                         |
| WI900549                           | \$ -             | \$ -              |                   |                   | \$ -                         |                     |                     | \$ -                |                                | \$ -                    |
| WI900573                           | \$ -             | \$ -              | \$ -              |                   | \$ 171,310                   |                     | \$ -                |                     | \$ -                           | \$ 171,310              |
| WI900630                           | \$ -             | \$ -              | \$ -              |                   | \$ -                         |                     | \$ -                | \$ -                | \$ -                           | \$ -                    |
| WI900735                           | \$ -             | \$ -              | \$ -              |                   | \$ 26,703                    |                     | \$ -                | \$ -                | \$ -                           | \$ 26,703               |
| WI900595                           | \$ -             | \$ -              | \$ -              |                   | \$ 540,196                   |                     |                     | \$ -                | \$ -                           | \$ 540,196              |
| WI900765                           | \$ -             | \$ -              | \$ -              | \$ -              | \$ -                         |                     |                     |                     | \$ 1,928,694                   | \$ 1,928,694            |
| FFY 2015 (estimate)                | \$ -             | \$ 217,000        | \$ 160,000        | \$ 570,000        | \$ 50,000                    |                     |                     | \$ 1,455,000        | \$ 6,901,500                   | \$ 9,353,500            |
| <b>Total Section 5307</b>          | <b>\$ -</b>      | <b>\$ 217,000</b> | <b>\$ 160,000</b> | <b>\$ 570,000</b> | <b>\$ 788,209</b>            |                     | <b>\$ -</b>         | <b>\$ 1,455,000</b> | <b>\$ 8,830,194</b>            | <b>\$ 12,020,403</b>    |
| <b>Federal Section 5309 Grants</b> |                  |                   |                   |                   |                              |                     |                     |                     |                                |                         |
| WI050051 (fixed guideway)          |                  |                   |                   |                   |                              |                     |                     | \$ -                |                                | \$ -                    |
| WI030087 (WI discretionary)        |                  |                   |                   |                   |                              |                     |                     | \$ -                |                                | \$ -                    |
| WI030091 (WI discretionary)        |                  |                   |                   |                   |                              |                     |                     | \$ -                |                                | \$ -                    |
| WI040009 (WI discretionary)        |                  |                   |                   |                   |                              |                     |                     | \$ -                |                                | \$ -                    |
| WI040042 (Wi discretionary)        |                  |                   |                   | \$ 105,027        |                              |                     |                     | \$ -                |                                | \$ 105,027              |
| WI040059 (state of good repair)    | \$ 60,000        |                   |                   |                   |                              |                     |                     | \$ 1,237,131        |                                | \$ 1,297,131            |
| WI040062 (state of good repair)    |                  |                   |                   |                   |                              |                     |                     | \$ -                |                                | \$ -                    |
| <b>Total Section 5309</b>          | <b>\$ 60,000</b> | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ 105,027</b> | <b>\$ -</b>                  |                     | <b>\$ -</b>         | <b>\$ 1,237,131</b> | <b>\$ -</b>                    | <b>\$ 1,402,158</b>     |
| <b>Federal Section 5310 Grants</b> |                  |                   |                   |                   |                              |                     |                     |                     |                                |                         |
| WI160005                           |                  |                   |                   |                   |                              | \$ 241,365          |                     | \$ -                |                                | \$ 241,365              |
| FFY 2015 (estimate)                |                  |                   |                   |                   |                              | \$ 310,600          |                     | \$ -                |                                | \$ 310,600              |
| <b>Total Section 5310</b>          | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>                  | <b>\$ 551,965</b>   | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>                    | <b>\$ 551,965</b>       |
| <b>Federal Section 5337 Grants</b> |                  |                   |                   |                   |                              |                     |                     |                     |                                |                         |
| WI540001                           | \$ -             |                   |                   |                   |                              |                     |                     | \$ -                |                                | \$ -                    |
| WI540003                           |                  |                   |                   |                   |                              |                     |                     | \$ 937,964          |                                | \$ 937,964              |
| FFY 2015 (estimate)                |                  |                   |                   |                   |                              |                     |                     | \$ 934,900          |                                | \$ 934,900              |
| <b>Total Section 5337</b>          | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>                  |                     | <b>\$ -</b>         | <b>\$ 1,872,864</b> | <b>\$ -</b>                    | <b>\$ 1,872,864</b>     |
| <b>Federal Section 5339 Grants</b> |                  |                   |                   |                   |                              |                     |                     |                     |                                |                         |
| WI340001                           |                  |                   |                   |                   |                              |                     |                     |                     |                                | \$ -                    |
| WI340006                           |                  |                   |                   |                   |                              |                     |                     | \$ 989,686          |                                | \$ 989,686              |
| FFY 2015 (estimate)                |                  |                   |                   |                   |                              |                     |                     | \$ 985,100          |                                | \$ 985,100              |
| <b>Total Section 5339</b>          | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>                  |                     | <b>\$ -</b>         | <b>\$ 1,974,786</b> | <b>\$ -</b>                    | <b>\$ 1,974,786</b>     |
| <b>Total Capital Grants</b>        | <b>\$ 60,000</b> | <b>\$ 217,000</b> | <b>\$ 160,000</b> | <b>\$ 675,027</b> | <b>\$ 788,209</b>            |                     | <b>\$ -</b>         | <b>\$ 6,539,781</b> | <b>\$ 8,830,194</b>            | <b>\$ 17,822,176</b>    |
| <b>OTHER GRANTS</b>                |                  |                   |                   |                   |                              |                     |                     |                     |                                |                         |
| WI260012 (recorded in fund SG67)   |                  |                   |                   |                   |                              |                     | \$ 1,980,000        |                     |                                | \$ 1,980,000            |
| WI390001 (recorded in fund SG67)   |                  |                   |                   |                   |                              |                     | \$ 124,999          |                     |                                | \$ 124,999              |
| WI390002 (recorded in fund SG67)   |                  |                   |                   |                   |                              |                     | \$ 1,500,000        |                     |                                | \$ 1,500,000            |
| WI791000 (recorded in fund CD21)   |                  |                   |                   |                   |                              |                     | \$ 1,429,500        |                     |                                | \$ 1,429,500            |
| WI800006                           |                  |                   |                   |                   |                              |                     | \$ -                |                     |                                | \$ -                    |
| <b>Total Other Grants</b>          | <b>\$ -</b>      | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>                  |                     | <b>\$ 5,034,499</b> | <b>\$ -</b>         | <b>\$ -</b>                    | <b>\$ 5,034,499</b>     |

Please refer to Independent Auditors' report.

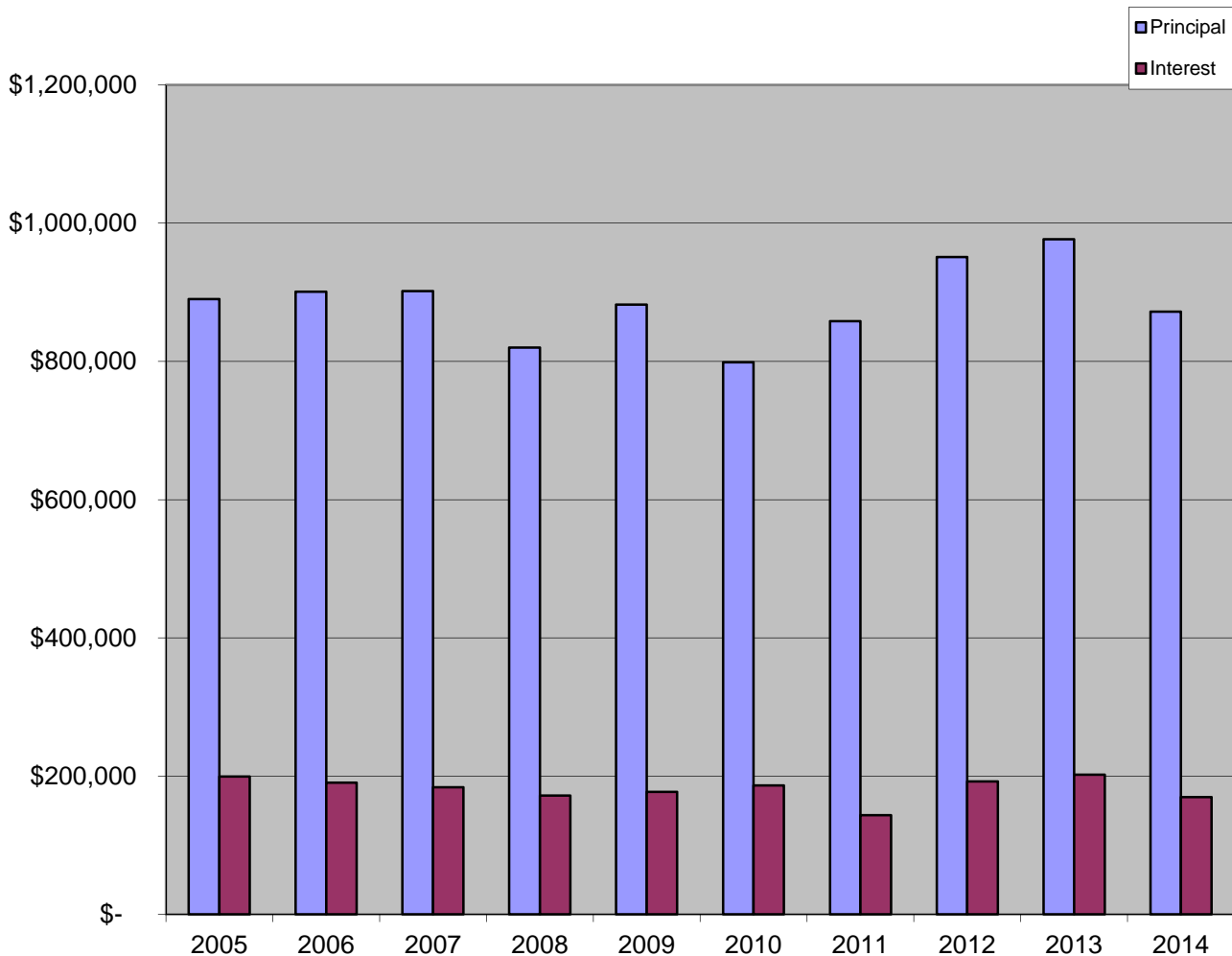
# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Borrowing

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

**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.

**Table 1**

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

|   | 2014                 | 2013                 | 2012                 |
|---|----------------------|----------------------|----------------------|
| Current and Other Assets                      | \$ 14,878,878        | \$ 11,085,586        | \$ 12,766,340        |
| Capital Assets <sup>1</sup>                   | <u>40,578,929</u>    | <u>35,544,949</u>    | <u>40,184,210</u>    |
| Total Assets                                  | <u>55,457,807</u>    | <u>46,630,535</u>    | <u>52,950,550</u>    |
| Long-Term Debt <sup>2</sup>                   | 9,369,436            | 8,205,025            | 10,956,806           |
| Other Liabilities                             | <u>13,507,690</u>    | <u>11,571,058</u>    | <u>12,458,946</u>    |
| Total Liabilities                             | <u>22,877,126</u>    | <u>19,776,083</u>    | <u>23,415,752</u>    |
| Net Investment in Capital Assets <sup>3</sup> | 35,115,651           | 31,313,176           | 35,589,523           |
| Unrestricted (Deficit)                        | <u>(2,534,970)</u>   | <u>(4,458,724)</u>   | <u>(6,054,725)</u>   |
| Total Net Position                            | <u>\$ 32,580,681</u> | <u>\$ 26,854,452</u> | <u>\$ 29,534,798</u> |

# **METRO TRANSIT SYSTEM**

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

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

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

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

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

**Table 2**

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

|                                      | 2014                     | 2013                     | 2012                     |
|--------------------------------------|--------------------------|--------------------------|--------------------------|
| Operating Revenues                   | \$ 18,010,975            | \$ 17,468,166            | \$ 16,515,060            |
| Depreciation Expense                 | 6,506,793                | 6,258,427                | 6,627,945                |
| Other Operating Expenses             | 54,409,458               | 52,272,836               | 50,248,314               |
| Non-operating Expenses <sup>1</sup>  | <u>302,746</u>           | <u>318,353</u>           | <u>320,537</u>           |
| <br>Total Expenses                   | <br><u>61,218,997</u>    | <br><u>58,849,616</u>    | <br><u>57,196,796</u>    |
| <br>Operating Subsidies <sup>1</sup> | <br>26,399,858           | <br>25,915,025           | <br>25,697,964           |
| <br>Loss Before Capital              |                          |                          |                          |
| Contributions and Transfers          | (16,808,164)             | (15,466,425)             | (14,983,772)             |
| Capital Contributions <sup>2</sup>   | 10,292,437               | 1,978,644                | 6,502,259                |
| Transfers                            | <u>12,241,956</u>        | <u>10,807,435</u>        | <u>8,719,693</u>         |
| <br>Changes in Net Position          | <br><u>5,726,229</u>     | <br><u>(2,680,346)</u>   | <br><u>238,180</u>       |
| <br>Beginning Net Position           | <br>26,854,452           | <br>29,534,798           | <br>29,296,618           |
| <br>Ending Net Position              | <br><u>\$ 32,580,681</u> | <br><u>\$ 26,854,452</u> | <br><u>\$ 29,534,798</u> |

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

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

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### **Request for Information**

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

Respectfully submitted

A handwritten signature in cursive script that reads "Chuck Kamp".

Charles L. Kamp  
Metro Transit General Manager

# METRO TRANSIT SYSTEM

## STATEMENTS OF NET POSITION December 31, 2014 and 2013

### ASSETS

|  | <u>2014</u>       | <u>2013</u>       |
|--|-------------------|-------------------|
| <b>CURRENT ASSETS</b>  |                   |                   |
| Cash   | \$ 6,162,127      | \$ 1,490,050      |
| Restricted cash - retiree health insurance escrow                    | 446,577           | 434,338           |
| Receivable from State of Wisconsin and FTA - capital and maintenance | 1,129,844         | 1,442,304         |
| Receivable from other governmental units                             | 4,156,973         | 4,588,827         |
| Accounts receivable (net)  | 576,377           | 654,742           |
| Materials and supplies   | 463,878           | 413,090           |
| Prepaid expenses   | 609,252           | 633,262           |
| Current portion of prepaid expense - land and tower lease            | 24,941            | 25,782            |
| Total Current Assets   | <u>13,569,969</u> | <u>9,682,395</u>  |
| <b>NON-CURRENT ASSETS</b>  |                   |                   |
| Restricted cash - retiree health insurance escrow                    | 1,215,415         | 1,284,756         |
| Other Assets   |                   |                   |
| Prepaid expenses - land and tower lease                              | 93,494            | 118,435           |
| Capital Assets   |                   |                   |
| Transit plant in service   | 104,601,952       | 99,056,879        |
| Accumulated depreciation   | (64,208,394)      | (64,297,301)      |
| Construction work in progress  | 185,371           | 785,371           |
| Total Non-Current Assets   | <u>41,887,838</u> | <u>36,948,140</u> |
| Total Assets   | <u>55,457,807</u> | <u>46,630,535</u> |



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**LIABILITIES**

|  | <u>2014</u>                     | <u>2013</u>                     |
|--|---------------------------------|---------------------------------|
| <b>CURRENT LIABILITIES</b>                                     |                                 |                                 |
| Current portion of general obligation debt                     | 982,395                         | 871,710                         |
| Current portion of advance from other funds                    | 229,174                         | 210,374                         |
| Current portion of unearned revenue - land and tower lease     | 21,692                          | 22,441                          |
| Accounts payable   | 1,747,873                       | 861,446                         |
| Unearned revenue   | 956,575                         | 910,050                         |
| Accrued compensation, vacation and sick leave                  | 1,519,423                       | 1,128,685                       |
| Accrued interest   | 82,882                          | 73,119                          |
| Retiree health insurance escrow payable from restricted assets | 446,577                         | 434,338                         |
| Total Current Liabilities                                      | <u>5,986,591</u>                | <u>4,512,163</u>                |
| <b>NON-CURRENT LIABILITIES</b>                                 |                                 |                                 |
| General obligation debt  | 4,804,411                       | 3,540,311                       |
| Advance from other funds                                       | 3,353,456                       | 3,582,630                       |
| Retiree health insurance escrow payable from restricted assets | 1,215,415                       | 1,284,756                       |
| Accrued sick leave   | 3,269,165                       | 3,219,364                       |
| Deposits from other governments                                | 466,442                         | 448,794                         |
| Other post-employment benefits                                 | 3,697,366                       | 3,082,092                       |
| Unearned revenue - land and tower lease                        | 84,280                          | 105,973                         |
| Total Non-Current Liabilities                                  | <u>16,890,535</u>               | <u>15,263,920</u>               |
| <br>Total Liabilities  | <br><u>22,877,126</u>           | <br><u>19,776,083</u>           |
|  |                                 |                                 |
|  | <b>NET POSITION</b>             |                                 |
| <b>NET POSITION</b>  |                                 |                                 |
| Net investment in capital assets                               | 35,115,651                      | 31,313,176                      |
| Unrestricted (Deficit)   | <u>(2,534,970)</u>              | <u>(4,458,724)</u>              |
| <br><b>TOTAL NET POSITION</b>                                  | <br><u><u>\$ 32,580,681</u></u> | <br><u><u>\$ 26,854,452</u></u> |

See accompanying notes to financial statements.

## METRO TRANSIT SYSTEM

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Years Ended December 31, 2014 and 2013

|  | 2014                        | 2013                        |
|--|-----------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>                          | <u>\$ 18,010,975</u>        | <u>\$ 17,468,166</u>        |
| <b>OPERATING EXPENSES</b>                          |                             |                             |
| Employee compensation and benefits                 | 39,468,159                  | 38,238,265                  |
| Materials and supplies                             | 6,073,559                   | 5,265,765                   |
| Purchased services                                 | 8,086,712                   | 7,957,501                   |
| Interagency charges                                | 781,028                     | 811,305                     |
| Total Operation and Maintenance Expenses           | <u>54,409,458</u>           | <u>52,272,836</u>           |
| Depreciation expense                               | 6,506,793                   | 6,258,427                   |
| Total Operating Expenses                           | <u>60,916,251</u>           | <u>58,531,263</u>           |
| Operating Loss                                     | <u>(42,905,276)</u>         | <u>(41,063,097)</u>         |
| <b>OPERATING SUBSIDIES</b>                         |                             |                             |
| Federal subsidies                                  | 6,352,153                   | 6,145,384                   |
| Federal subsidies pass-through to sub recipient    | -                           | (26,400)                    |
| State operating subsidies                          | 16,677,514                  | 16,600,000                  |
| Other state subsidies                              | 13,365                      | 13,746                      |
| Local public subsidies                             | 3,356,826                   | 3,182,295                   |
| Total Operating Subsidies                          | <u>26,399,858</u>           | <u>25,915,025</u>           |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>           |                             |                             |
| Interest expense                                   | <u>(302,746)</u>            | <u>(318,353)</u>            |
| Loss Before Contributions and Transfers            | <u>(16,808,164)</u>         | <u>(15,466,425)</u>         |
| <b>CAPITAL CONTRIBUTIONS - CITY &amp; OTHER</b>    | 892,244                     | 1,126,256                   |
| <b>CAPITAL CONTRIBUTIONS - FEDERAL &amp; STATE</b> | 9,400,193                   | 852,388                     |
| <b>TRANSFERS IN - MPO</b>                          | -                           | 12,556                      |
| <b>TRANSFERS IN - CITY OTHER</b>                   | -                           | 13,489                      |
| <b>TRANSFERS IN - CITY OPERATING SUBSIDIES</b>     | <u>12,241,956</u>           | <u>10,781,390</u>           |
| Total Contributions and Transfers                  | <u>22,534,393</u>           | <u>12,786,079</u>           |
| <b>CHANGE IN NET POSITION</b>                      | 5,726,229                   | (2,680,346)                 |
| NET POSITION - Beginning of Year                   | <u>26,854,452</u>           | <u>29,534,798</u>           |
| <b>NET POSITION - End of Year</b>                  | <u><b>\$ 32,580,681</b></u> | <u><b>\$ 26,854,452</b></u> |

See accompanying notes to financial statements.

## METRO TRANSIT SYSTEM

### STATEMENTS OF CASH FLOWS Years Ended December 31, 2014 and 2013

|   | 2014          | 2013          |
|---|---------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |               |               |
| Received from customers   | \$ 17,599,877 | \$ 18,242,163 |
| Paid to suppliers for goods and services                        | (25,801,883)  | (24,958,680)  |
| Paid to employees for services                                  | (26,986,637)  | (26,408,567)  |
| Cash Flows from Operating Activities                            | (35,188,643)  | (33,125,084)  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |               |               |
| Received from (paid to) city for implicit financing             | -             | (1,775,221)   |
| Operating subsidies received - federal                          | 7,036,573     | 7,380,658     |
| Federal subsidies pass-through to sub recipient                 | -             | (26,400)      |
| Operating subsidies received - state                            | 16,690,879    | 16,994,546    |
| Operating subsidies received - local                            | 4,565,430     | 2,298,912     |
| Deposits received from other governments                        | 17,648        | (16,373)      |
| Repayment of non-capital advances from other funds              | (210,374)     | (192,470)     |
| Interest paid on non-capital advances from other funds          | (122,793)     | (124,717)     |
| Operating transfer from city                                    | 12,241,956    | 10,781,390    |
| Other transfer in from city                                     | -             | 13,489        |
| Cash Flows from Noncapital Financing Activities                 | 40,219,319    | 35,333,814    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |               |               |
| Debt retired  | (871,710)     | (976,560)     |
| Interest paid   | (170,190)     | (202,151)     |
| Proceeds from issuance of general obligation debt               | 2,246,495     | -             |
| Acquisition and construction of capital assets                  | (11,540,773)  | (2,569,347)   |
| Capital contributions - city and other                          | 892,244       | 1,126,256     |
| Capital contributions - federal and state                       | 9,028,233     | 1,925,946     |
| Cash Flows From Capital and Related Financing Activities        | (415,701)     | (695,856)     |
| <b>Net Change in Cash and Cash Equivalents</b>                  | 4,614,975     | 1,512,874     |
| CASH AND CASH EQUIVALENTS – Beginning of Year                   | 3,209,144     | 1,696,270     |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                  | \$ 7,824,119  | \$ 3,209,144  |
| <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>         |               |               |
| None  |               |               |

|  | 2014                       | 2013                       |
|--|----------------------------|----------------------------|
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH</b>            |                            |                            |
| <b>FLOWS FROM OPERATING ACTIVITIES</b>                         |                            |                            |
| Operating loss   | \$ (42,905,276)            | \$ (41,063,097)            |
| Noncash items included in operating loss                       |                            |                            |
| Depreciation expense   | 6,506,793                  | 6,258,427                  |
| Loss on retirement of assets                                   | -                          | -                          |
| Changes in Assets and Liabilities                              |                            |                            |
| Accounts receivable  | (435,181)                  | 888,227                    |
| Materials and supplies   | (50,788)                   | 43,754                     |
| Prepaid expenses   | 49,792                     | 247,014                    |
| Accrued payroll liabilities                                    | 440,539                    | (27,236)                   |
| Retiree health insurance escrow payable from restricted assets | (57,102)                   | 22,824                     |
| Other post-employment benefits                                 | 615,274                    | 559,479                    |
| Accounts payable   | 623,223                    | 59,755                     |
| Unearned revenue   | 46,525                     | (91,003)                   |
| Unearned revenue - land and tower lease                        | (22,442)                   | (23,228)                   |
|  | <u>(35,188,643)</u>        | <u>(33,125,084)</u>        |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                | <b>\$ (35,188,643)</b>     | <b>\$ (33,125,084)</b>     |
| <br><b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO</b>      |                            |                            |
| <b>STATEMENT OF NET POSITION ACCOUNTS</b>                      |                            |                            |
| Cash   | \$ 6,162,127               | \$ 1,490,050               |
| Restricted Cash - Retiree Health Insurance Escrow              | <u>1,661,992</u>           | <u>1,719,094</u>           |
| <b>CASH AND CASH EQUIVALENTS</b>                               | <b>\$ <u>7,824,119</u></b> | <b>\$ <u>3,209,144</u></b> |

See accompanying notes to financial statements.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

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

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

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

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

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

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

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

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

---

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

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

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

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

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

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

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

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

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

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

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

Metro considers receivables from government units to be fully collectible; accordingly, no allowance for doubtful accounts from governmental units is presented. Allowances of \$23,183 and \$21,482 are included in 2014 and 2013, respectively, for general accounts receivable.

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

Materials and supplies are generally used for operation and maintenance work, not for resale. They are valued at lower of cost or market based on the FIFO method and charged to operation and maintenance expense when used. An allowance of \$50,000 for obsolete materials is included in 2014 and 2013.

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

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

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

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

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

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

A summary of capital assets and estimated useful lives follows:

|                                | Balance<br>12/31/14 | Balance<br>12/31/13 | Years  |
|--------------------------------|---------------------|---------------------|--------|
| Land                           | \$ 2,604,992        | \$ 2,604,992        | N/A    |
| Building                       | 11,702,659          | 11,981,580          | 5 – 40 |
| Curb and land improvements     | 6,671,484           | 6,732,726           | 5      |
| Revenue equipment              | 71,295,675          | 66,135,416          | 8 – 20 |
| Service vehicles               | 802,232             | 753,147             | 4 – 5  |
| Shop and garage equipment      | 1,558,393           | 1,888,587           | 3 – 10 |
| Furniture and office equipment | 854,934             | 1,447,187           | 3 – 10 |
| Miscellaneous and farebox      | 9,111,583           | 7,513,244           | 3 – 15 |
| <br>Total Capital Assets       | <br>\$104,601,952   | <br>\$99,056,879    |        |

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

---

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

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

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

Employees are allowed to accumulate up to 150 days of sick time. For office employees and drivers one day is equivalent to eight hours; for all other employees one day is equivalent to 8-36/60 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, 2014 and 2013 is \$ 3,320,938 and \$3,357,272, 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 2014 and 2013 was \$402,380. 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, 2014, 110 current employees have met the eligibility requirements.

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

Madison Metropolitan School District purchases passes for the school district that are valid for the entire school year. The estimated value of those passes that is related to rides to be provided in the following calendar year have been recorded as unearned revenue at year end.



# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

---

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

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

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

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

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

From 2009-2012, Metro collected deposits from the entities listed in Note 5 that provide Metro with local operating assistance subsidies. These deposits will be held by Metro in reserve to help fund unanticipated cost increases in future years. In 2014 and 2013, \$33,961 and \$16,373, respectively, were returned to these entities.

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

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

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

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

- *Unrestricted net position* – This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

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

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

The following calculation supports the net investment in capital assets:

|   | <u>2014</u>          | <u>2013</u>          |
|---|----------------------|----------------------|
| Plant in service  | \$104,601,952        | \$ 99,056,879        |
| Accumulated depreciation                                      | (64,208,394)         | (64,297,301)         |
| Construction work in progress                                 | 185,371              | 785,371              |
| Sub-Totals  | <u>40,578,929</u>    | <u>35,544,949</u>    |
| Less: Capital related debt                                    |                      |                      |
| Current portion of general obligation bonds                   | 982,395              | 871,710              |
| Long-term portion of capital related general obligation bonds | 4,804,411            | 3,540,311            |
| Sub-Totals  | <u>5,786,806</u>     | <u>4,412,021</u>     |
| Add unspent proceeds of capital-related debt included above   | <u>323,528</u>       | <u>180,248</u>       |
| Net Investment in Capital Assets                              | <u>\$ 35,115,651</u> | <u>\$ 31,313,176</u> |

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

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#### **REVENUES AND EXPENSES**

##### ***Revenue Recognition***

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

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

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

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

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

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

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; Statement No. 68, *Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 70, *Accounting and Financial reporting for Nonexchange Financial Guarantees*. 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, 2014 and 2013

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

A summary of changes in Metro capital assets for 2014 and 2013 follows:

|  | Balance<br>1/1/14 | Additions   | Retirements | Adjustments | Balance<br>12/31/14 |
|--|-------------------|-------------|-------------|-------------|---------------------|
| Capital assets not being depreciated   |                   |             |             |             |                     |
| Land                                   | \$ 2,604,992      | \$ -        | \$ -        | \$ -        | \$ 2,604,992        |
| Capital assets being depreciated       |                   |             |             |             |                     |
| Building and improvements              | 11,981,580        | 82,473      | (361,394)   | -           | 11,702,659          |
| Curb and land improvements             | 6,732,726         | 202,918     | (264,160)   | -           | 6,671,484           |
| Revenue vehicles                       | 66,135,416        | 8,379,302   | (3,219,043) | -           | 71,295,675          |
| Service vehicles                       | 753,147           | 49,085      | -           | -           | 802,232             |
| Shop and garage equipment              | 1,888,587         | 67,423      | (397,617)   | -           | 1,558,393           |
| Office equipment                       | 1,447,187         | 45,090      | (637,343)   | -           | 854,934             |
| Miscellaneous and farebox              | 7,513,244         | 3,314,482   | (1,716,143) | -           | 9,111,583           |
| Total Capital Assets Being Depreciated | 96,451,887        | 12,140,773  | (6,595,700) | -           | 101,996,960         |
| Total Capital Assets                   | 99,056,879        | 12,140,773  | (6,595,700) | -           | 104,601,952         |
| Less: Accumulated depreciation         |                   |             |             |             |                     |
| Building and improvements              | (9,457,314)       | (406,381)   | 361,394     | -           | (9,502,301)         |
| Curb and land improvements             | (6,286,003)       | (111,589)   | 264,160     | -           | (6,133,432)         |
| Revenue vehicles                       | (38,643,829)      | (4,852,934) | 3,219,043   | -           | (40,277,720)        |
| Service vehicles                       | (623,213)         | (51,873)    | -           | -           | (675,086)           |
| Shop and garage equipment              | (1,686,732)       | (64,297)    | 397,617     | -           | (1,353,412)         |
| Office equipment                       | (1,229,505)       | (124,408)   | 637,343     | -           | (716,570)           |
| Miscellaneous and farebox              | (6,370,705)       | (895,311)   | 1,716,143   | -           | (5,549,873)         |
| Total Accumulated Depreciation         | (64,297,301)      | (6,506,793) | 6,595,700   | -           | (64,208,394)        |
| Construction in progress               | 785,371           | -           | (600,000)   | -           | 185,371             |
| Net Transit System Plant               | \$35,544,949      |             |             |             | \$ 40,578,929       |

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

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

|  | Balance<br>1/1/13   | Additions          | Retirements        | Adjustments | Balance<br>12/31/13  |
|--|---------------------|--------------------|--------------------|-------------|----------------------|
| Capital assets, not being              |                     |                    |                    |             |                      |
| Depreciated                            |                     |                    |                    |             |                      |
| Land                                   | \$ 2,604,992        | \$ -               | \$ -               | \$ -        | \$ 2,604,992         |
| Capital assets being depreciated       |                     |                    |                    |             |                      |
| Building and improvements              | 11,981,580          | -                  | -                  | -           | 11,981,580           |
| Curb and land improvements             | 6,737,994           | -                  | (5,268)            | -           | 6,732,726            |
| Revenue vehicles                       | 66,174,688          | 787,440            | (826,712)          | -           | 66,135,416           |
| Service vehicles                       | 825,300             | 36,854             | (109,007)          | -           | 753,147              |
| Shop and garage equipment              | 1,962,789           | 16,647             | (90,849)           | -           | 1,888,587            |
| Office equipment                       | 1,650,330           | 83,057             | (286,200)          | -           | 1,447,187            |
| Miscellaneous and farebox              | 7,437,660           | 144,054            | (68,470)           | -           | 7,513,244            |
| Total Capital Assets Being Depreciated | <u>96,770,341</u>   | <u>1,068,052</u>   | <u>(1,386,506)</u> | -           | <u>96,451,887</u>    |
| Total Capital Assets                   | <u>99,375,333</u>   | <u>1,068,052</u>   | <u>(1,386,506)</u> | -           | <u>99,056,879</u>    |
| Less: Accumulated depreciation         |                     |                    |                    |             |                      |
| Building and improvements              | (9,056,837)         | (400,477)          | -                  | -           | (9,457,314)          |
| Curb and land improvements             | (6,194,007)         | (97,264)           | 5,268              | -           | (6,286,003)          |
| Revenue vehicles                       | (34,676,045)        | (4,794,496)        | 826,712            | -           | (38,643,829)         |
| Service vehicles                       | (668,169)           | (64,051)           | 109,007            | -           | (623,213)            |
| Shop and garage equipment              | (1,699,358)         | (78,223)           | 90,849             | -           | (1,686,732)          |
| Office equipment                       | (1,383,663)         | (132,042)          | 286,200            | -           | (1,229,505)          |
| Miscellaneous and farebox              | (5,747,301)         | (691,874)          | 68,470             | -           | (6,370,705)          |
| Total Accumulated Depreciation         | <u>(59,425,380)</u> | <u>(6,258,427)</u> | <u>1,386,506</u>   | -           | <u>(64,297,301)</u>  |
| Construction in progress               | <u>234,257</u>      | <u>706,452</u>     | <u>(155,338)</u>   | -           | <u>785,371</u>       |
| Net Transit System Plant               | <u>\$40,184,210</u> |                    |                    |             | <u>\$ 35,544,949</u> |

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

The following is a schedule of transfer balances as of December 31, 2014 and 2013:

| To    | From            | 2014         |                        | 2013         |                                  |
|-------|-----------------|--------------|------------------------|--------------|----------------------------------|
|       |                 | Amount       | Principal Purpose      | Amount       | Principal Purpose                |
| Metro | City of Madison | \$12,241,956 | City operating subsidy | \$10,781,390 | City operating subsidy           |
| Metro | City of Madison | -            |                        | 12,556       | Local share of MPO grant         |
| Metro | City of Madison | -            |                        | 13,489       | Insurance reimbursement transfer |

#### **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 12/31/14 |
|-----------------|---------------|----------------|----------------|-----------------|-----------------------------|
| Promissory Note | 10-1-07       | 10-1-17        | 4.00 – 5.00%   | \$ 380,648      | \$ 114,194                  |
| Promissory Note | 10-15-08      | 10-15-18       | 3.82%          | 1,420,000       | 568,000                     |
| Promissory Note | 10-1-09       | 10-1-15        | 2.00 – 3.00%   | 1,418,700       | 123,569                     |
| Promissory Note | 10-1-09       | 10-1-19        | 0.90 – 4.35%   | 805,000         | 402,314                     |
| Promissory Note | 10-19-10      | 10-19-20       | 2.00 – 3.75%   | 97,890          | 97,890                      |
| Promissory Note | 10-19-10      | 10-19-16       | 3.00 – 4.00%   | 920,047         | 150,995                     |
| Promissory Note | 10-1-11       | 10-1-21        | 0.45 – 5.00%   | 1,709,900       | 1,196,841                   |
| Promissory Note | 10-1-12       | 10-1-22        | 2.00 – 4.00%   | 1,108,275       | 886,508                     |
| Promissory Note | 10-1-14       | 10-1-24        | 2.00 – 5.00%   | 2,246,495       | 2,246,495                   |
| Total           |               |                |                |                 | <u>\$ 5,786,806</u>         |

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

| Year          | 10-1-07           |              | 10-15-08          |                  | 10-01-09          |                 | 10-1-09           |                  | 10-19-10         |                 | 10-19-10          |                 |
|---------------|-------------------|--------------|-------------------|------------------|-------------------|-----------------|-------------------|------------------|------------------|-----------------|-------------------|-----------------|
|               | Principal         | Interest     | Principal         | Interest         | Principal         | Interest        | Principal         | Interest         | Principal        | Interest        | Principal         | Interest        |
| 2015          | 38,065            | 4,568        | 142,000           | 23,856           | 123,569           | 3,089           | 80,463            | 9,793            | 16,315           | 1,834           | 75,348            | 4,530           |
| 2016          | 38,065            | 3,045        | 142,000           | 18,176           | -                 | -               | 80,463            | 8,225            | 16,315           | 1,622           | 75,647            | 2,269           |
| 2017          | 38,064            | 1,523        | 142,000           | 12,141           | -                 | -               | 80,463            | 6,394            | 16,315           | 1,379           | -                 | -               |
| 2018          | -                 | -            | 142,000           | 6,106            | -                 | -               | 80,463            | 4,406            | 16,315           | 1,087           | -                 | -               |
| 2019          | -                 | -            | -                 | -                | -                 | -               | 80,462            | 2,249            | 16,335           | 769             | -                 | -               |
| 2020          | -                 | -            | -                 | -                | -                 | -               | -                 | -                | 16,295           | 397             | -                 | -               |
| 2021          | -                 | -            | -                 | -                | -                 | -               | -                 | -                | -                | -               | -                 | -               |
| 2022          | -                 | -            | -                 | -                | -                 | -               | -                 | -                | -                | -               | -                 | -               |
| 2023          | -                 | -            | -                 | -                | -                 | -               | -                 | -                | -                | -               | -                 | -               |
| 2024          | -                 | -            | -                 | -                | -                 | -               | -                 | -                | -                | -               | -                 | -               |
| <b>Totals</b> | <b>\$ 114,194</b> | <b>9,136</b> | <b>\$ 568,000</b> | <b>\$ 60,279</b> | <b>\$ 123,569</b> | <b>\$ 3,089</b> | <b>\$ 402,314</b> | <b>\$ 31,067</b> | <b>\$ 97,890</b> | <b>\$ 7,088</b> | <b>\$ 150,995</b> | <b>\$ 6,799</b> |

| Year          | 10-01-11            |                   | 10-01-12          |                   | 10-01-14            |                   | Total               |                   |
|---------------|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
|               | Principal           | Interest          | Principal         | Interest          | Principal           | Interest          | Principal           | Interest          |
| 2015          | 170,977             | 56,422            | 110,813           | 33,244            | 224,845             | 74,132            | 982,395             | 211,468           |
| 2016          | 170,977             | 47,874            | 110,814           | 28,812            | 224,628             | 69,635            | 858,909             | 179,658           |
| 2017          | 170,978             | 39,325            | 110,814           | 24,379            | 224,628             | 65,142            | 783,262             | 150,283           |
| 2018          | 170,977             | 30,776            | 110,814           | 19,946            | 224,628             | 58,403            | 745,197             | 120,724           |
| 2019          | 170,977             | 22,227            | 110,814           | 15,514            | 224,628             | 51,664            | 603,216             | 92,423            |
| 2020          | 170,978             | 13,678            | 110,813           | 11,081            | 224,628             | 44,926            | 522,714             | 70,082            |
| 2021          | 170,977             | 6,839             | 110,813           | 6,649             | 224,628             | 35,940            | 506,418             | 49,428            |
| 2022          | -                   | -                 | 110,813           | 3,324             | 224,628             | 24,709            | 335,441             | 28,033            |
| 2023          | -                   | -                 | -                 | -                 | 224,627             | 15,724            | 224,627             | 15,724            |
| 2024          | -                   | -                 | -                 | -                 | 224,627             | 6,739             | 224,627             | 6,739             |
| <b>Totals</b> | <b>\$ 1,196,841</b> | <b>\$ 217,141</b> | <b>\$ 886,508</b> | <b>\$ 142,949</b> | <b>\$ 2,246,495</b> | <b>\$ 447,014</b> | <b>\$ 5,786,806</b> | <b>\$ 924,562</b> |

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

#### **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<br>Maturity   | Interest Rates | Original<br>Amount | Amount<br>Outstanding<br>12/31/14 |
|---------------------|--|---------------------|----------------|--------------------|-----------------------------------|
| October 19,<br>2010 | Pay off WRS Prior<br>Service Liability | October 19,<br>2024 | 0.55 - 4.00%   | \$4,333,711        | \$3,582,630                       |

Advance from other funds debt service requirements to maturity follows:

| <u>Year</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|-------------|---------------------|-------------------|---------------------|
| 2015        | \$ 229,174          | \$ 120,058        | \$ 349,232          |
| 2016        | 251,554             | 116,047           | 367,601             |
| 2017        | 274,829             | 110,387           | 385,216             |
| 2018        | 300,791             | 103,517           | 404,308             |
| 2019        | 330,332             | 94,493            | 424,825             |
| 2020        | 362,560             | 83,757            | 446,317             |
| 2021        | 398,368             | 71,068            | 469,436             |
| 2022        | 436,863             | 56,527            | 493,390             |
| 2023        | 477,147             | 39,926            | 517,073             |
| 2024        | 521,012             | 20,841            | 541,853             |
| Totals      | <u>\$ 3,582,630</u> | <u>\$ 816,621</u> | <u>\$ 4,399,251</u> |



## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

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

Metro's long-term obligations activity for the years ended December 31, 2014 and 2013 is as follows:

|  | Balance<br>1/1/14    | Additions           | Reductions          | Balance<br>12/31/14  | Due Within<br>One Year |
|--|----------------------|---------------------|---------------------|----------------------|------------------------|
| General obligation notes                 | \$ 4,412,021         | \$ 2,246,495        | \$ 871,710          | \$ 5,786,806         | \$ 982,395             |
| Advance from other funds                 | 3,793,004            | -                   | 210,374             | 3,582,630            | 229,174                |
| Retiree health insurance<br>escrow       | 1,719,094            | 402,380             | 459,482             | 1,661,992            | 446,577                |
| Accrued sick leave                       | 3,357,272            | 942,660             | 978,994             | 3,320,938            | 51,773                 |
| Deposits from other<br>governments       | 448,794              | 17,648              | -                   | 466,442              | -                      |
| Unfunded OPEB liability                  | 3,082,092            | 615,274             | -                   | 3,697,366            | -                      |
| Unearned revenue-land and<br>tower lease | 128,414              | -                   | 22,442              | 105,972              | 21,692                 |
| Totals                                   | <b>\$ 16,940,691</b> | <b>\$ 4,224,457</b> | <b>\$ 2,543,002</b> | <b>\$ 18,622,146</b> | <b>\$ 1,731,611</b>    |
|  |                      |                     |                     |                      |                        |
|  | Balance<br>1/1/13    | Additions           | Reductions          | Balance<br>12/31/13  | Due Within<br>One Year |
| General obligation notes                 | \$ 5,388,581         | \$ -                | \$ 976,560          | \$ 4,412,021         | \$ 871,710             |
| Advance from other funds                 | 3,985,474            | -                   | 192,470             | 3,793,004            | 210,374                |
| Retiree health insurance<br>escrow       | 1,696,270            | 402,380             | 379,556             | 1,719,094            | 434,338                |
| Accrued sick leave                       | 3,299,710            | 950,841             | 893,279             | 3,357,272            | 137,908                |
| Deposits from other<br>governments       | 465,167              | -                   | 16,373              | 448,794              | -                      |
| Unfunded OPEB liability                  | 2,522,613            | 559,479             | -                   | 3,082,092            | -                      |
| Unearned revenue-land and<br>tower lease | 151,642              | -                   | 23,228              | 128,414              | 22,441                 |
| Totals                                   | <b>\$ 17,509,457</b> | <b>\$ 1,912,700</b> | <b>\$ 2,481,466</b> | <b>\$ 16,940,691</b> | <b>\$ 1,676,771</b>    |

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

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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 2014 and 2013:

|   | <u>2014</u>  | <u>2013</u>  |
|---|--------------|--------------|
| Federal   | \$ 6,352,153 | \$ 6,145,384 |
| Federal operating grant pass-through to sub recipient | -            | (26,400)     |
| State   | 16,677,514   | 16,600,000   |
| Other state subsidies                                 | 13,365       | 13,746       |
| Local public subsidies                                | 3,356,826    | 3,182,295    |
| City of Madison                                       | 12,241,956   | 10,781,390   |
| Other grants MPO                                      | -            | 12,556       |
| Internal service transfer                             | -            | 13,489       |

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, 2014 and 2013

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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.

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

|           | University<br>Research Park | North Park &<br>Ride Lot | Total             |
|-----------|-----------------------------|--------------------------|-------------------|
| 2015      | \$ 4,849                    | \$ 20,092                | \$ 24,941         |
| 2016      | 4,500                       | 19,641                   | 24,141            |
| 2017      | 4,175                       | 19,202                   | 23,377            |
| 2018      | 3,874                       | 18,185                   | 22,059            |
| 2019      | 3,595                       | -                        | 3,595             |
| 2020-2024 | 14,442                      | -                        | 14,442            |
| 2025-2027 | 5,880                       | -                        | 5,880             |
|           | <u>\$ 41,315</u>            | <u>\$ 77,120</u>         | <u>\$ 118,435</u> |

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

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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 employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the System. All employees, initially employed by a participating System employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the System.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2014 and 2013 are:

|                       | Employees | Employer |
|-----------------------|-----------|----------|
| 2014 General Category | 7.00%     | 7.00%    |
| 2013 General Category | 6.65%     | 6.65%    |

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

|                                  | Years Ended December 31 |               |               |
|----------------------------------|-------------------------|---------------|---------------|
|                                  | 2014                    | 2013          | 2012          |
| Total Covered Metro Payroll      | \$ 27,937,643           | \$ 25,755,383 | \$ 25,075,424 |
| Total Required Contributions     | \$ 1,955,635            | \$ 1,712,733  | \$ 1,479,450  |
| Total Required Contributions (%) | 7.00%                   | 6.65%         | 5.90%         |

Details of the plan are disclosed in the general-purpose financial statements of the City of Madison for the years ended December 31, 2014 and 2013.

#### **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.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

#### **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 2014 and 2013:

|   | Entire City          |                      | Metro               |                     |
|---|----------------------|----------------------|---------------------|---------------------|
|   | 2014                 | 2013                 | 2014                | 2013                |
| Annual OPEB Cost                        | \$ 6,713,573         | \$ 6,728,009         | \$ 1,411,691        | \$ 1,357,753        |
| Contributions made                      | 3,087,080            | 3,090,541            | 796,417             | 798,274             |
| Increase in net OPEB obligation         | 3,626,493            | 3,637,468            | 615,274             | 559,479             |
| Net OPEB Obligation - Beginning of Year | 21,922,357           | 18,284,889           | 3,082,092           | 2,522,613           |
| Net OPEB Obligation - End of Year       | <u>\$ 25,548,850</u> | <u>\$ 21,922,357</u> | <u>\$ 3,697,366</u> | <u>\$ 3,082,092</u> |

The city's and Metro's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB liability for 2014, 2013 and 2012 were as follows:

| <b>City</b>              |                         |   |                           |
|--------------------------|-------------------------|---|---------------------------|
| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Liability</u> |
| December 31, 2014        | \$ 6,713,573            | 46%   | \$25,548,850              |
| December 31, 2013        | \$ 6,728,009            | 46%   | \$21,922,357              |
| December 31, 2012        | \$ 6,091,079            | 46%   | \$18,284,889              |
| <b>Metro</b>             |                         |   |                           |
| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Liability</u> |
| December 31, 2014        | \$ 1,411,691            | 56%   | \$ 3,697,366              |
| December 31, 2013        | \$ 1,357,753            | 59%   | \$ 3,082,092              |
| December 31, 2012        | \$ 1,061,080            | 64%   | \$ 2,255,613              |

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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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, 2014, the most recent actuarial valuation date, was as follows:

|   |                       |
|---|-----------------------|
| Actuarial accrued liability (AAL)                 | \$ 58,378,139         |
| Actuarial value of plan assets                    | <u>1,661,992</u>      |
| Unfunded Actuarial Accrued Liability (UAAL)       | <u>\$ 56,716,147</u>  |
| Funded ratio (actuarial value of plan assets/AAL) | <u>2.8%</u>           |
| Covered payroll (active plan members)             | <u>\$ 165,796,254</u> |
| UAAL as a percentage of covered payroll           | <u>34.2%</u>          |

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

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

In the actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return and an annual healthcare cost trend rate of 7.5% for 2015, reduced by decrements to an ultimate rate of 4.5% for 2021 and beyond. Both rates include a 3.0% inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level dollar over 30 years based on an open group.

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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### NOTE 9 – RISK MANAGEMENT

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

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

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

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

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

In 2014, TMI issued Metro an auto liability policy with a \$250,000 per person policy limit and a \$7,000,000 per accident policy limit. Of the per accident policy limit, TMI insures \$2,000,000 and reinsures \$5,000,000 with Genesis Insurance. In addition, Metro's policy provides for \$25,000 per person and \$50,000 per accident in uninsured motorist insurance.

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

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

Metro's share of TMI is 41.65% 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).

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

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Current fares (except for regular and senior/disabled 31 day passes) were made effective April 4, 2009 as approved by the Transit and Parking Commission.

A fare increase for regular and senior/disabled 31 day passes took effect on February 4, 2013.

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

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

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

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

In January of 2013 the Transit and Parking Commission approved a contract with Gillig Corp. for the purchase of up to 80 buses over a six-year period. As of December 31, 2014, 20 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.



**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, 2014 and 2013

| <b>OPERATING REVENUES</b>                    | <u>2014</u>                | <u>2013</u>                |
|--|----------------------------|----------------------------|
| Passenger Fares for Transit Services         |                            |                            |
| Farebox                                      | \$ 1,638,454               | \$ 1,627,558               |
| Adult 10 ride and 2 ride passes              | 833,765                    | 870,246                    |
| Youth 10 ride and 2 ride passes              | 292,800                    | 296,710                    |
| Senior & disabled passes                     | 684,333                    | 657,064                    |
| Monthly/daily passes                         | 1,430,578                  | 1,324,348                  |
| Easy rider passes                            | 378,142                    | 338,090                    |
| MMSD passes                                  | 1,619,375                  | 1,493,000                  |
| Summer youth passes                          | 25,980                     | 30,840                     |
| UW ASM unlimited ride pass                   | 3,430,882                  | 3,320,944                  |
| UW Staff unlimited ride pass                 | 1,902,054                  | 1,841,716                  |
| Edgewood College unlimited ride pass         | 102,649                    | 113,453                    |
| Madison College unlimited ride pass          | 601,814                    | 621,773                    |
| City of Madison Employee unlimited ride pass | 129,557                    | 128,523                    |
| St Marys Hospital unlimited ride pass        | 31,463                     | 38,289                     |
| Meriter Hospital unlimited ride pass         | 23,035                     | 25,445                     |
| Dane County unlimited ride pass              | 24,354                     | 26,421                     |
| Commuter Pass unlimited ride pass            | 180,470                    | 154,262                    |
| Total Passenger Fares for Transit Service    | <u>13,329,705</u>          | <u>12,908,682</u>          |
| Other Operating Revenues                     |                            |                            |
| Advertising revenue                          | 568,344                    | 589,467                    |
| Sale of buses, scrap and parts               | 67,739                     | 54,385                     |
| Miscellaneous                                | 29,539                     | 78,557                     |
| Dane County - MA Waiver                      | 3,476,696                  | 3,277,324                  |
| Dane County - Elderly & Handicapped          | 164,519                    | 161,689                    |
| Dane County - Group Access Service           | 161,362                    | 186,543                    |
| Dane County - Group RSVP Service             | 112,768                    | 111,375                    |
| Dane County - Exceptional Rides              | 81,023                     | 80,864                     |
| Dane County - Highway (Marketing)            | 19,280                     | 19,280                     |
| Total Other Operating Revenues               | <u>4,681,270</u>           | <u>4,559,484</u>           |
| Total Operating Revenues                     | <u>18,010,975</u>          | <u>17,468,166</u>          |
| <b>OPERATING EXPENSES</b>                    |                            |                            |
| Operation and Maintenance Expenses           |                            |                            |
| Employee compensation and benefits           |                            |                            |
| Salaries and wages                           | 27,370,074                 | 26,404,155                 |
| Pensions and benefits                        | 12,098,085                 | 11,834,110                 |
| Total Employee Compensation and Benefits     | 39,468,159                 | 38,238,265                 |
| Materials and supplies                       | 6,073,559                  | 5,265,765                  |
| Purchased services                           | 8,086,712                  | 7,957,501                  |
| Interagency charges                          | 781,028                    | 811,305                    |
| Total Operation and Maintenance Expenses     | 54,409,458                 | 52,272,836                 |
| Depreciation expense                         | 6,506,793                  | 6,258,427                  |
| Total Operating Expenses                     | <u>60,916,251</u>          | <u>58,531,263</u>          |
| <br>NET OPERATING LOSS                       | <br><u>\$ (42,905,276)</u> | <br><u>\$ (41,063,097)</u> |

## METRO TRANSIT SYSTEM

### DETAILED SCHEDULE OF REVENUES AND EXPENSES - REGULATORY BASIS December 31, 2014 and 2013

|   |   | 2014          |    | 2013        |
|---|---|---------------|----|-------------|
| <b>REVENUES</b>                         |   |               |    |             |
| 401.00                                  | Passenger fares for transit service   | \$ 13,329,705 | \$ | 12,908,682  |
| 402.00                                  | Special transit fares - New Year's Eve contributions and other                | 12,500        |    | 20,000      |
| 402.10                                  | Service charges, NSF charges, etc.  | 17,039        |    | 58,557      |
| 406.00                                  | Auxiliary transportation revenue - advertising                                | 568,344       |    | 589,467     |
| 407.10                                  | Contra-expense for sale of buses, scrap and parts                             | 67,739        |    | 54,385      |
| 409.10                                  | Local public subsidies  | 3,356,826     |    | 3,182,295   |
| 409.30                                  | City of Madison operating subsidy   | 12,241,956    |    | 10,781,390  |
| 409.40                                  | Dane County specialized transportation programs                               | 4,015,648     |    | 3,837,075   |
| 409.99                                  | MPO Local Subsidy   | -             |    | 12,556      |
| 411.00                                  | State cash grants and reimbursements  | 16,690,879    |    | 16,613,746  |
| 413.00                                  | Federal cash grants and reimbursements  | 6,352,153     |    | 6,145,384   |
|   | Federal subsidies pass-through to sub recipient                               | -             |    | (26,400)    |
|   | Transfer in from Internal Service   | -             |    | 13,489      |
|   | Total Eligible Revenues   | 56,652,789    |    | 54,190,626  |
| <b>EXPENSES - BY OBJECT CLASS TOTAL</b> |   |               |    |             |
| 501.01                                  | Operators' salaries and wages   | 15,158,492    |    | 14,566,401  |
| 501.02                                  | Other salaries and wages  | 7,823,208     |    | 7,729,638   |
| 502.00                                  | Fringe benefits   | 16,486,459    |    | 15,942,726  |
| 503.00                                  | Services  | 940,084       |    | 942,803     |
| 504.01                                  | Fuel and lubricants   | 4,208,688     |    | 3,702,964   |
| 504.02                                  | Tires and tubes   | 253,241       |    | 227,685     |
| 504.99                                  | Other materials and supplies  | 1,759,814     |    | 1,480,152   |
| 505.00                                  | Utilities   | 577,382       |    | 549,236     |
| 506.00                                  | Casualty and liability costs  | 868,584       |    | 863,122     |
| 508.00                                  | Purchased transportation  | 5,216,166     |    | 5,119,096   |
| 509.00                                  | Miscellaneous expense   | 125,506       |    | 136,936     |
| 511.00                                  | Interest expense  | 302,746       |    | 318,353     |
| 512.00                                  | Leases and rentals  | 210,805       |    | 200,772     |
| 513.00                                  | Depreciation  | 6,506,793     |    | 6,258,427   |
|   | Less: Ineligible depreciation on fixed assets                                 | (6,506,793)   |    | (6,258,427) |
| 516.00                                  | Other Reconciling Items   | 781,029       |    | 811,305     |
|   | Total Eligible Expenses   | 54,712,204    |    | 52,591,189  |
|   | NET INCOME (excluding capital contributions and depreciation on fixed assets) | \$ 1,940,585  | \$ | 1,599,437   |

## METRO TRANSIT SYSTEM

### RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL RECOGNIZED REVENUES AND EXPENSES For the Year Ended December 31, 2014

|   |            | Per WisDOT Guidelines |
|---|------------|-----------------------|
| Revenues including subsidies and operating transfer           | \$         | 56,652,789            |
| Less: Non-recognized revenues                                 |            |                       |
| City operating transfer                                       | \$         | 12,241,956            |
| Local public subsidies  |            | 3,356,826             |
| Dane County specialized transportation programs               |            | 4,015,648             |
| MPO Local Subsidy   |            |                       |
| Other federal subsidy   | 6,352,153  |                       |
| State operating subsidy                                       | 16,690,879 |                       |
| Nontransportation revenues                                    |            |                       |
| Sale of buses, scrap and parts                                | 67,739     |                       |
| Service charges, NSF charges, etc.                            | 17,039     |                       |
| Total Non-Recognized Revenues                                 |            | 42,742,240            |
| WisDOT Eligible Operating Revenues                            | \$         | 13,910,549            |
| Total Expenses per statement including interest expense       | \$         | 61,218,997            |
| Add: Fixed assets eligible for operating assistance           |            | -                     |
| Total Expenses  | \$         | 61,218,997            |
| Less: Non-recognized expenses                                 |            |                       |
| Depreciation  | 6,506,793  |                       |
| Interest expense  | 302,746    |                       |
| Offset of scrap sales and miscellaneous reimbursements        | 84,778     |                       |
| Capital Maintenance Grant @ 100%                              | 7,940,191  |                       |
| Leases and rentals  | 16,706     |                       |
| Interagency indirect charges without approved allocation plan | 781,029    |                       |
| Total WisDOT Non-Recognized Expenses                          |            | 15,632,243            |
| WisDOT Eligible Operating Expenses                            | \$         | 45,586,754            |
| WisDOT Recognized Deficit                                     | \$         | (31,676,205)          |
| Less Operating revenues ineligible for federal assistance:    |            |                       |
| Advertising revenue   |            | 568,344               |
| Federal Recognized Deficit                                    | \$         | (31,107,861)          |

## METRO TRANSIT SYSTEM

### COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS For the Year Ended December 31, 2014

#### STATE FUNDS

|   |                      |                      |
|---|----------------------|----------------------|
| WisDOT Recognized Deficit                 |                      | <u>\$ 31,676,205</u> |
| WisDOT Contract Amount*                   |                      | <u>\$ 16,677,514</u> |
| City of Madison and Other Local Subsidies | <u>\$ 15,598,782</u> |                      |
| 5 Times Operating Subsidy                 |                      | <u>\$ 77,993,910</u> |
| State Share - Least of the Three          |                      | <u>\$ 16,677,514</u> |

#### FEDERAL FUNDS

|                                     | <u>Eligible Costs</u> |     | <u>80% Federal Share</u> |
|-------------------------------------|-----------------------|-----|--------------------------|
| Capital maintenance                 |                       |     |                          |
| Grant WI 90-X595-00                 | \$ 279,038            |     | \$ 223,230               |
| Grant WI 90-X765-00                 | \$ 7,583,353          |     | 6,066,682                |
| Enhanced Mobility                   |                       |     |                          |
| Grant WI 16-0005-00                 | \$ 53,828             |     | 43,062                   |
| Grant WI 16-0005-00                 | \$ 1,329              | *   | 665                      |
| Grant WI 16-0005-00                 | \$ 14,078             | **  | 14,078                   |
| Planning                            |                       |     |                          |
| Grant WI 80-0006-00                 | \$ 6,842              | *** | 4,436                    |
| <br>Total federal operating revenue |                       |     | <br><u>\$ 6,352,153</u>  |

\*This portion of Grant WI 16-0005-00 was 50% federally funded

\*\*This portion of Grant WI 16-0005-00 was 100% federally funded

\*\*\*In total, Grant WI 80-0006-00 was 80% federally funded, however the federal share was split between 2013 & 2014

#### SUMMARY OF FUNDING (2014 only)

|                             | <u>Received<br/>in 2014</u> | <u>Receivable<br/>12/31/14</u> | <u>Totals</u>            |
|-----------------------------|-----------------------------|--------------------------------|--------------------------|
| Federal Capital Maintenance | \$ 5,657,179                | \$ 694,974                     | \$ 6,352,153             |
| State Funds                 | 16,677,514                  | -                              | 16,677,514               |
| Local Public Subsidies      | 2,508,826                   | 848,000                        | 3,356,826                |
| City of Madison             | <u>12,241,956</u>           | <u>-</u>                       | <u>12,241,956</u>        |
| <br>Total Funding           | <br><u>\$ 37,085,475</u>    | <br><u>\$ 1,542,974</u>        | <br><u>\$ 38,628,449</u> |

\*WisDOT Contract Amount includes \$16,219,200 from the 2014 Urban Mass Transit Operating Assistance Contract and \$458,314 from the 2014 Paratransit Aids Contract.