

**METRO TRANSIT SYSTEM**

An Enterprise Fund of the  
City of Madison, Wisconsin

**FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2016 and 2015

# METRO TRANSIT SYSTEM

An Enterprise Fund of the City of Madison, Wisconsin

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As of and for the Years Ended December 31, 2016 and 2015

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## INDEPENDENT AUDITORS' REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Metro Transit System, an enterprise fund of the City of Madison, as of and for the years ended December 31, 2016 and 2015, 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 the Metro Transit System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Metro Transit System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metro Transit System as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Transit and Parking Commission  
Metro Transit System

***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the Metro Transit System enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Madison, as of December 31, 2016 and 2015 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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

***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the overall City of Madison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including those systems applicable to Metro Transit System. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Madison's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
June 19, 2017

# 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, 2016 and 2015.

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

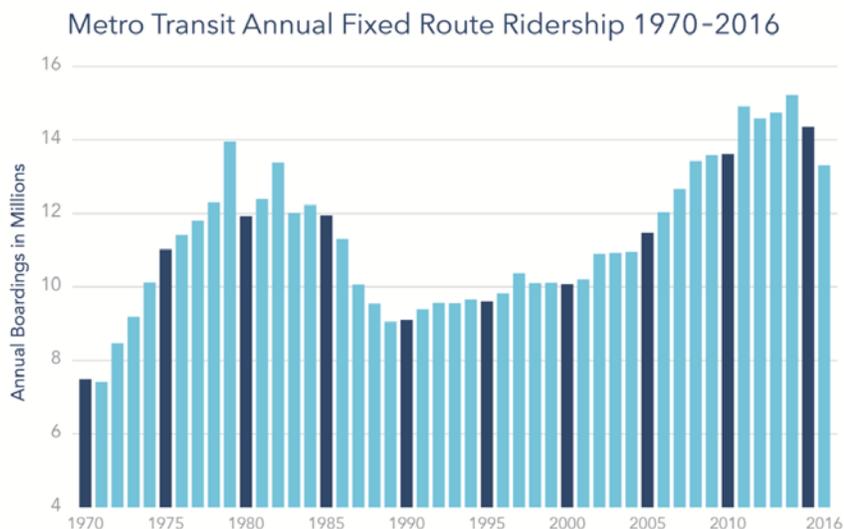
### Mission

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

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

### Annual Overview

Metro’s 2016 bus ridership was 13.4 million, down 7.3% from the previous year, as the attached chart shows.

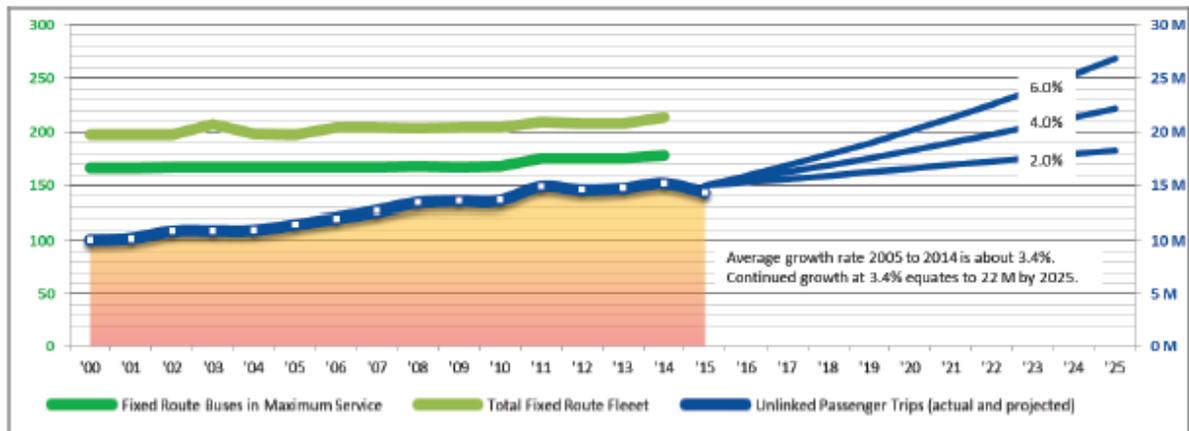


# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

The sustained drop in gasoline prices to about \$2 per gallon appears to be the main reason for the drop over the last two year period, after a 25 year steady increase. Nationally, bus systems Metro's size dropped 6%, whereas larger cities with rail systems did not drop as much, or actually gained ridership. In such large urban areas, gas prices are less of a factor than parking, congestion, highway and bridge tolls, and other factors. Even so, a passenger survey here in 2015 indicated overcrowding on buses was still the #1 customer concern, so it may be working alongside gas prices to cause the overall ridership drop in 2015 vs. 2014. Finally, Metro Transit has now been turning down requests for additional peak hour services for two years or more, and this inability to deal with overcrowding on buses and new peak hour services is also contributing to the ridership drop

Since 2000, the # of buses in Metro's fleet increased 0.5% annually while ridership has grown on average 3.4% per year.



Although a request for federal funding for a \$35 million satellite facility was rejected in 2016, a 3<sup>rd</sup> Tiger grant (or related infrastructure grant) application for a facility at Nakoosa Trail will be submitted as soon as the new federal administration decides on an infrastructure plan. The emphasis will be on building the first phase of bus rapid transit, because without the garage, no capacity increases are feasible. In November 2015, the Common Council, despite the recent federal rejection, authorized moving ahead with a \$1.5 million locally funded (100%) detailed engineering and design plan to be developed for Nakoosa Trail. In May 2017, the first phase of this work was approved by the Common Council. This speaks volumes to the priority our local leaders place on this needed infrastructure investment.

Financially, Metro again finished the year with a positive outcome, adding to the reserve funding level to bring it to \$7.5 million. This was largely due to expenses being under budget, particularly in salaries and wages, and despite the ridership drop, revenues tracked very closely with the budgeted level for the year.

# METRO TRANSIT SYSTEM

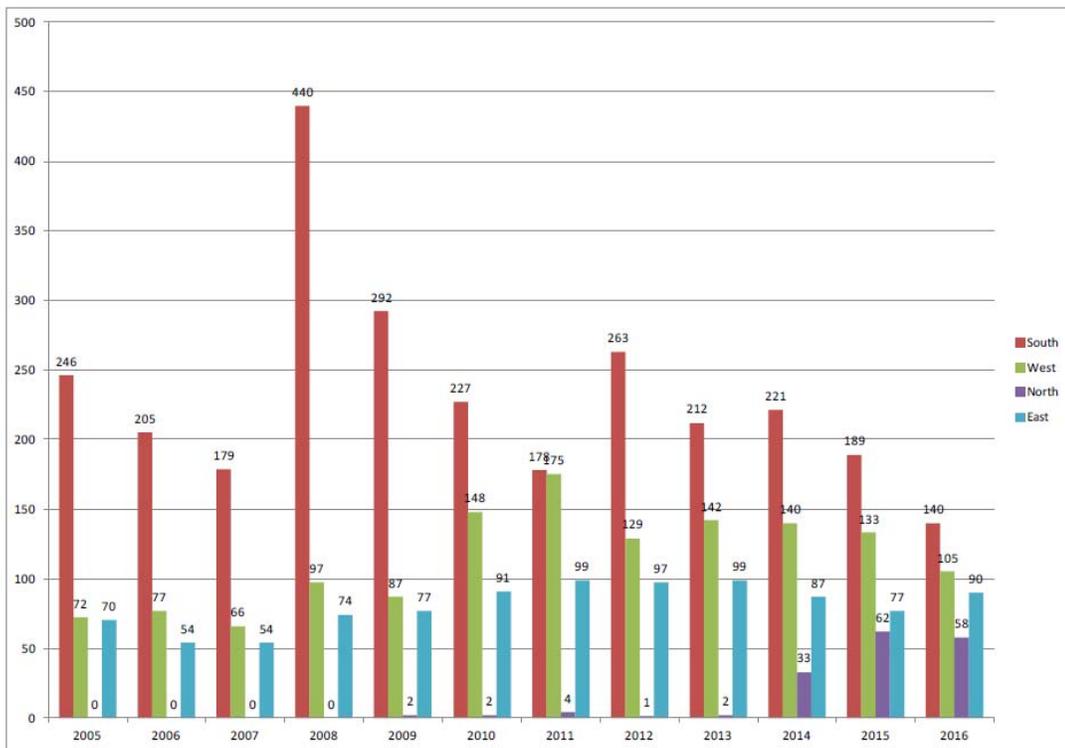
## MANAGEMENT’S DISCUSSION AND ANALYSIS REPORT

With the formal recognition by the City Council that Metro will remain in the 1101 E. Washington bus garage for many years to come, a comprehensive inventory of needed buildings and grounds investments has begun. Metro is working with city facilities/engineering staff to complete this process and a contract with a company to do a facilities evaluation was approved by the Common Council in May, 2017. One immediate need was identified in 2015 when the underground diesel fuel tanks were found to be contaminated with algae. A complete inspection revealed small cracks near the top of the 35-year-old tanks were letting water in that in turn led to the contamination. In 2016, that project was successfully completed using contingency reserves to install underground tank liners that will extend the life of the tanks by at least 10 years.

Metro’s work with the local police department, school district, and others to address security concerns continues to be a top priority. The attached chart shows that incidents at transfer points requiring police assistance continued to drop steadily, with few exceptions. A group called 4M (Mayor, Metro, MPD, MMSD) continues to meet to develop strategies to address security, and this process is an important contributing factor to the decline. All indicators are that security will be a continued top management area of focus.

### *4M Update – April 25, 2017 – MPD Calls for Service*

Below are the annual incident totals by Transfer Point (2017 excluded but reflected in charts below):



# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### 2016 Financial Highlights

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

**Madison Metro Transit  
Income Statement  
For the Year Ended December 31, 2016**

	All Modes		Fixed Route		Paratransit	
	Actual	Budget	Actual	Budget	Actual	Budget
<b>Revenue</b>						
Farebox	\$ 1,592,548	\$ 1,652,000	\$ 1,521,529	\$ 1,570,000	\$ 71,019	\$ 82,000
Passes & Tickets	\$ 4,820,735	\$ 4,910,500	\$ 4,629,811	\$ 4,725,500	\$ 190,924	\$ 185,000
Unlimited Ride Programs	\$ 6,695,974	\$ 6,721,300	\$ 6,666,500	\$ 6,695,000	\$ 29,474	\$ 26,300
<b>Passenger Revenue</b>	<b>\$ 13,109,257</b>	<b>\$ 13,283,800</b>	<b>\$ 12,817,840</b>	<b>\$ 12,990,500</b>	<b>\$ 291,417</b>	<b>\$ 293,300</b>
County Programs	\$ 4,534,761	\$ 4,050,000	\$ -	\$ -	\$ 4,534,761	\$ 4,050,000
Federal Operating Assistance	\$ 6,175,948	\$ 6,299,302	\$ 5,435,292	\$ 5,543,386	\$ 740,656	\$ 755,916
State Operating Assistance	\$ 17,370,419	\$ 17,376,000	\$ 15,285,969	\$ 15,290,880	\$ 2,084,450	\$ 2,085,120
Local Subsidies	\$ 3,713,717	\$ 3,505,000	\$ 3,268,071	\$ 3,084,400	\$ 445,646	\$ 420,600
Other Subsidies	\$ 9,475	\$ -	\$ 9,475	\$ -	\$ -	\$ -
Advertising	\$ 595,626	\$ 385,000	\$ 595,626	\$ 385,000	\$ -	\$ -
Miscellaneous	\$ 79,594	\$ 59,500	\$ 79,594	\$ 59,500	\$ -	\$ -
<b>Total Revenue</b>	<b>\$ 45,588,797</b>	<b>\$ 44,958,602</b>	<b>\$ 37,491,867</b>	<b>\$ 37,353,666</b>	<b>\$ 8,096,930</b>	<b>\$ 7,604,936</b>
<b>Expenditures</b>						
Salaries	\$ 28,318,863	\$ 29,514,786	\$ 26,053,354	\$ 27,153,603	\$ 2,265,509	\$ 2,361,183
Benefits	\$ 14,559,131	\$ 14,698,040	\$ 13,385,962	\$ 13,522,197	\$ 1,173,169	\$ 1,175,843
Utilities/Telephone	\$ 470,587	\$ 603,520	\$ 432,940	\$ 555,238	\$ 37,647	\$ 48,282
Repairs & Maint B&G	\$ 149,272	\$ 114,000	\$ 137,330	\$ 104,880	\$ 11,942	\$ 9,120
Repairs & Maint Equip	\$ 748,878	\$ 480,000	\$ 688,968	\$ 441,600	\$ 59,910	\$ 38,400
Rentals	\$ 351,887	\$ 320,000	\$ 323,736	\$ 294,400	\$ 28,151	\$ 25,600
Employee Services	\$ 75,414	\$ 61,000	\$ 69,381	\$ 56,120	\$ 6,033	\$ 4,880
Insurance & Financial	\$ 1,124,433	\$ 973,552	\$ 1,036,401	\$ 895,668	\$ 88,032	\$ 77,884
Purchased Transportation	\$ 5,289,532	\$ 5,575,000	\$ -	\$ -	\$ 5,289,532	\$ 5,575,000
Other Services	\$ 348,994	\$ 507,200	\$ 323,679	\$ 466,624	\$ 25,315	\$ 40,576
Office Supplies	\$ 95,565	\$ 76,000	\$ 87,920	\$ 69,920	\$ 7,645	\$ 6,080
Equipment Supplies	\$ 1,497,070	\$ 1,350,000	\$ 1,377,304	\$ 1,242,000	\$ 119,766	\$ 108,000
Bldg & Const Supplies	\$ 252,793	\$ 210,000	\$ 232,570	\$ 193,200	\$ 20,223	\$ 16,800
Fuels, Oils & Lubricants	\$ 3,846,603	\$ 3,839,000	\$ 3,547,222	\$ 3,531,880	\$ 299,381	\$ 307,120
Other Supplies	\$ 226,969	\$ 195,000	\$ 208,811	\$ 179,400	\$ 18,158	\$ 15,600
Interdepartmental Charges	\$ 326,851	\$ 376,368	\$ 300,703	\$ 346,259	\$ 26,148	\$ 30,109
Depreciation	\$ 6,367,349	\$ 6,367,349	\$ 5,889,798	\$ 5,889,798	\$ 477,551	\$ 477,551
Interest	\$ 385,874	\$ 366,989	\$ 355,399	\$ 337,630	\$ 30,475	\$ 29,359
<b>Total Expenses</b>	<b>\$ 64,436,065</b>	<b>\$ 65,627,804</b>	<b>\$ 54,451,478</b>	<b>\$ 55,280,417</b>	<b>\$ 9,984,587</b>	<b>\$ 10,347,387</b>
<b>Income(Deficit)</b>	<b>\$ (18,847,268)</b>	<b>\$ (20,669,202)</b>	<b>\$ (16,959,611)</b>	<b>\$ (17,926,751)</b>	<b>\$ (1,887,657)</b>	<b>\$ (2,742,451)</b>
Less: Depreciation	\$ (6,367,349)	\$ (6,367,349)	\$ (5,889,798)	\$ (5,889,798)	\$ (477,551)	\$ (477,551)
Less: Unfunded OPEB	\$ (553,468)	\$ (533,468)	\$ (509,191)	\$ (490,791)	\$ (44,277)	\$ (42,677)
Less: Unfunded Pension	\$ (1,844,260)	\$ (1,844,260)	\$ (1,696,719)	\$ (1,696,719)	\$ (147,541)	\$ (147,541)
Debt	\$ 1,360,352	\$ 1,365,574	\$ 1,319,385	\$ 1,324,607	\$ 40,967	\$ 40,967
Fixed Assets	\$ 20,368	\$ 350,000	\$ 20,368	\$ 350,000	\$ -	\$ -
Federal Portion of Fixed Assets	\$ (17,356)	\$ (280,000)	\$ (17,356)	\$ (280,000)	\$ -	\$ -
<b>Total Expenditures(City)</b>	<b>\$ 57,034,352</b>	<b>\$ 58,318,301</b>	<b>\$ 47,678,167</b>	<b>\$ 48,597,716</b>	<b>\$ 9,356,185</b>	<b>\$ 9,720,585</b>
Added To/(Taken From)Reserves	\$ (4,065,171)	\$ (979,315)	\$ (3,912,974)	\$ (720,724)	\$ (152,197)	\$ (258,591)
<b>Income(Deficit) (City)</b>	<b>\$ (7,380,384)</b>	<b>\$ (12,380,384)</b>	<b>\$ (6,273,326)</b>	<b>\$ (10,523,326)</b>	<b>\$ (1,107,058)</b>	<b>\$ (1,857,058)</b>

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Metro's contingent reserve, despite the positive operating balance in 2016, was reduced by \$4,028,226 in 2016. Two major factors were the aforementioned transfer to the city fleet reserve and underground storage tank upgrade project, and a third important reason was the delayed fare increase to allow for a full equity analysis by staff to the Transit and Parking Commission with the new passenger survey data. Fare increases typically occur early in a year, but Metro implemented the targeted fare increase, without increasing cash and other fare categories for equity reasons, in late August. The following table shows Metro's contingent reserve balances and changes in those balances over the past six years.

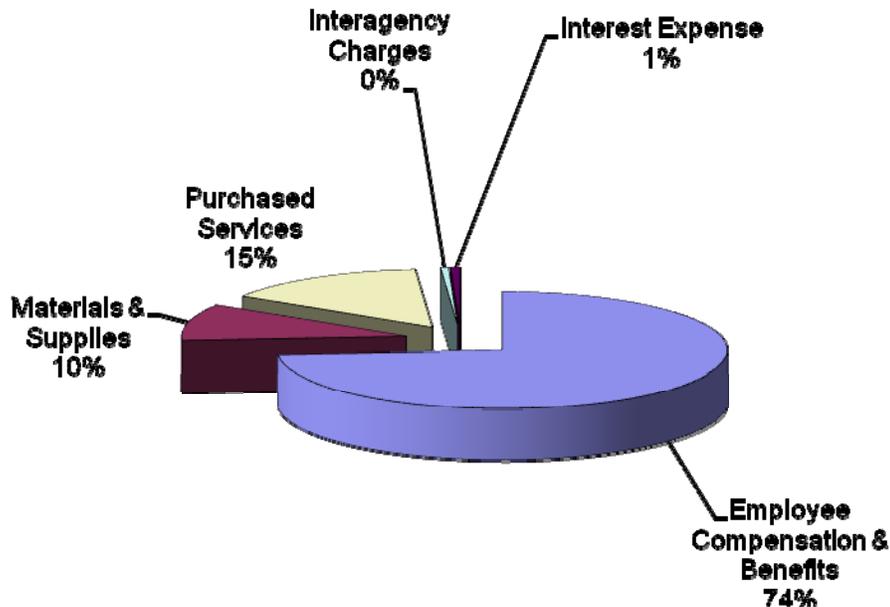
Year	Beginning Balance	Reserves +/-	Ending Balance
2011	\$96,353	\$101,830	\$198,183
2012	\$198,183	\$585,967	\$784,150
2013	\$784,150	\$1,889,142	\$2,673,292
2014	\$2,673,292	\$2,342,141	\$5,015,433
2015	\$5,015,433	\$2,435,984	\$7,451,417
2016	\$7,451,417	(\$4,065,171)	\$3,386,246

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

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### 2016 Expenses excluding Depreciation



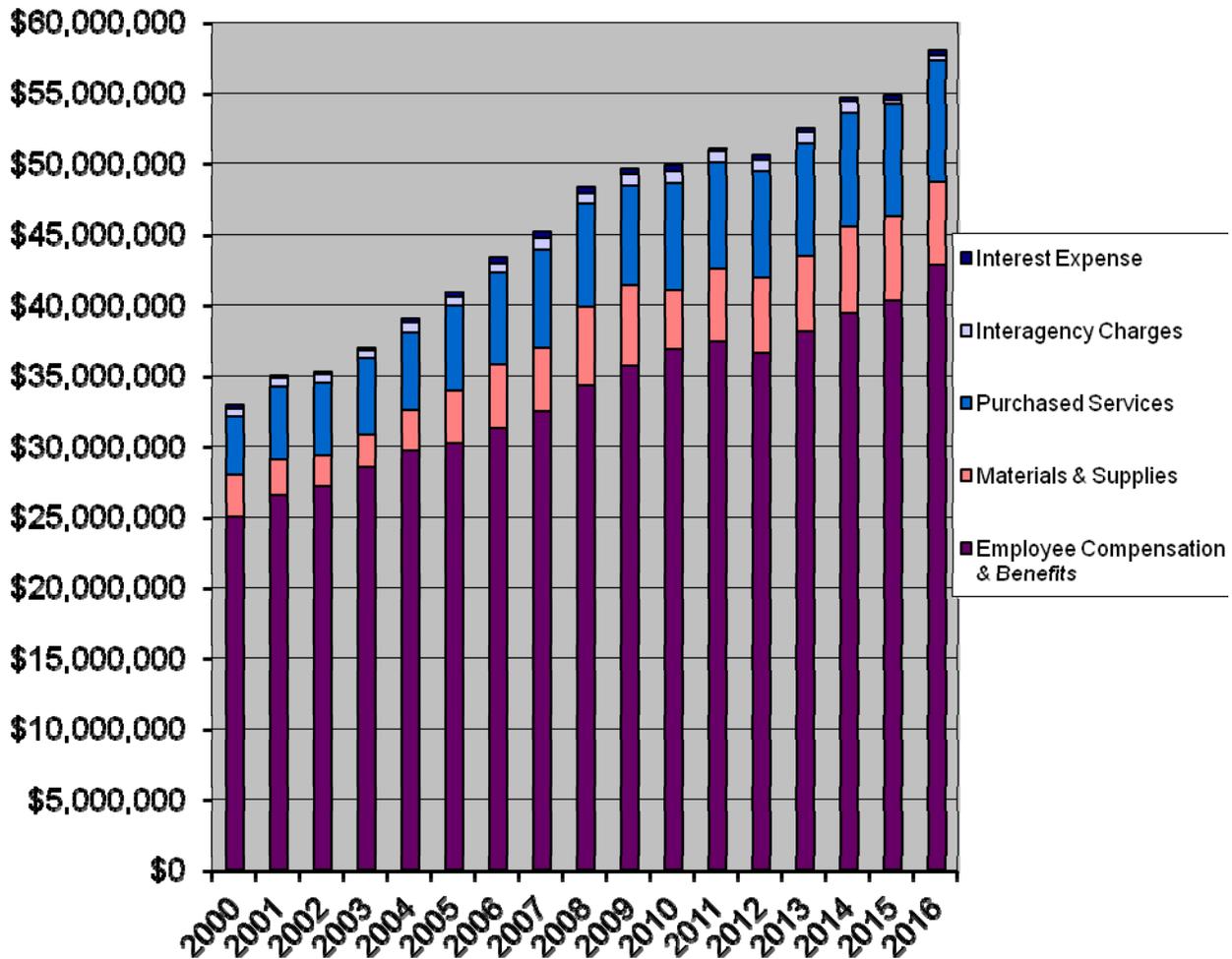
The first of the following charts shows that total operating expenses increased by 5.8% between 2015 and 2016. Between 2011 and 2016 Metro experienced an average increase in total operating costs of 2.7% per year. The second chart compares Metro's revenue sources for the same period of time. Passenger revenue has increased by an average of 1.8% per year during the last 5 years whereas state aid, which provides the largest portion of Metro's revenue, decreased 0.7% per year during the same time period. The third chart below provides a vivid display of the capital funding crisis Metro is facing with the loss of discretionary funding over the past 15 years. At the federal level, discretionary funding was associated with "a bridge to nowhere" in Alaska, rather than buses to everywhere in Wisconsin, and Metro has suffered as a result. The federal funding formula is based on population and population density, and in that 2<sup>nd</sup> criteria Wisconsin ends up short, getting 1% of federal transit funding with 2% of the nation's population. In the early part of that chart, it is clear how Metro was using that discretionary funding to buy buses.

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

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

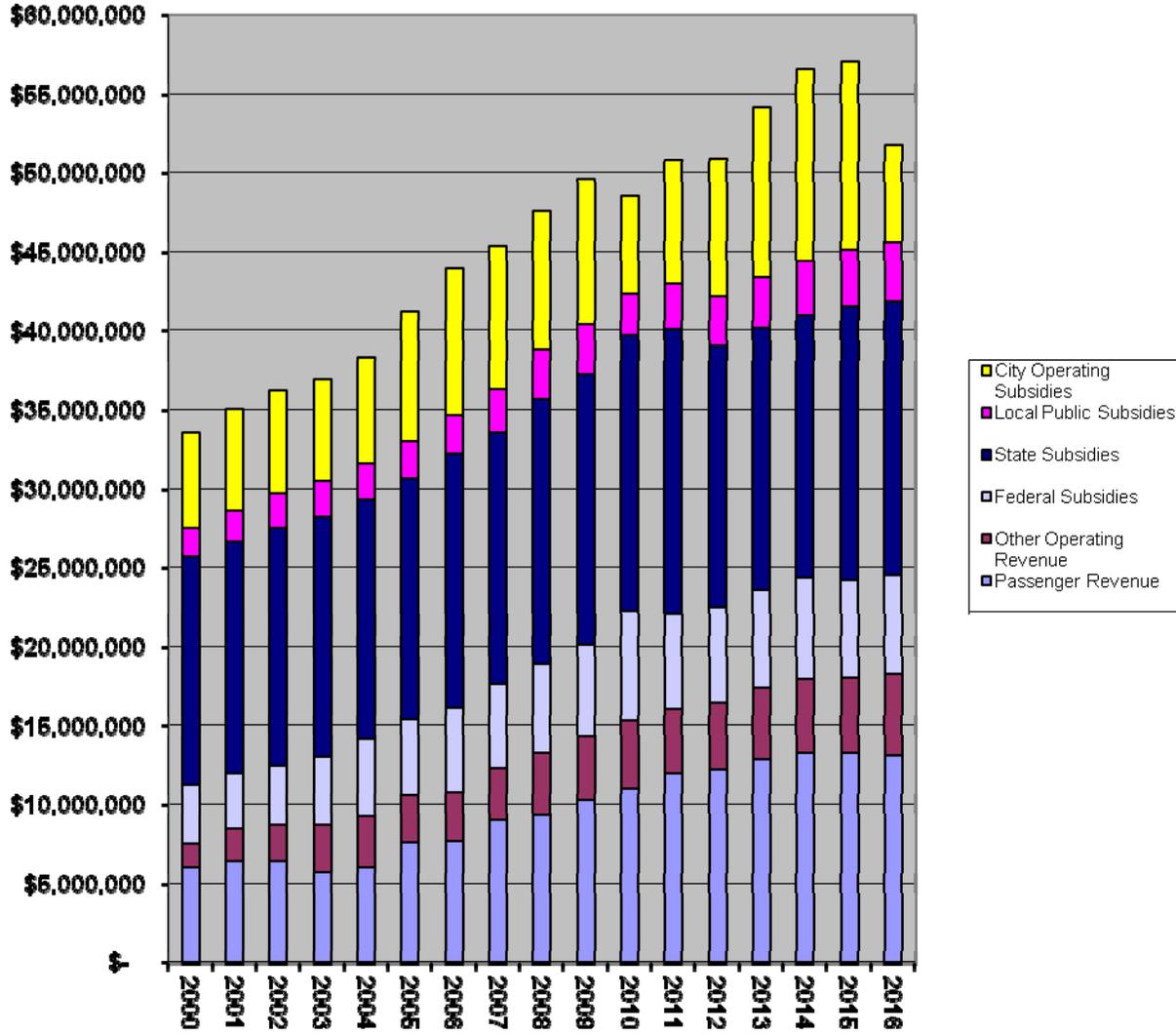
**Madison Metro Transit  
Historical Expense Comparison Excluding Depreciation**



# METRO TRANSIT SYSTEM

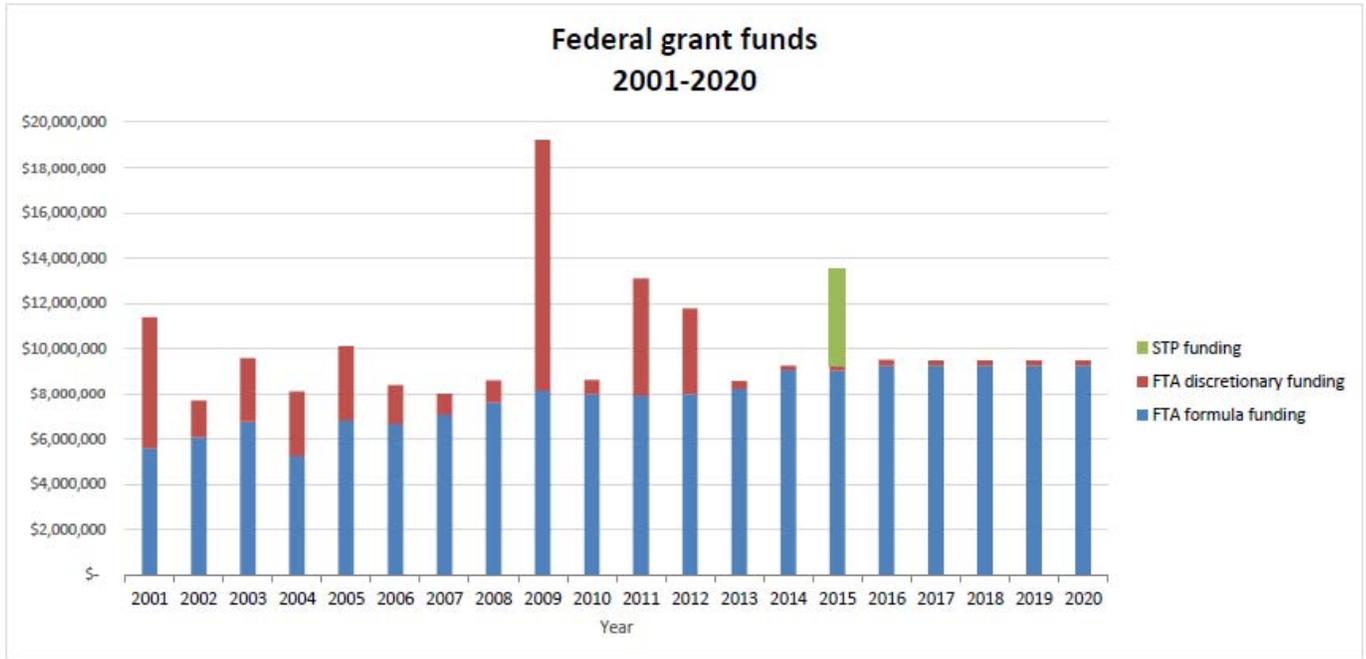
## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Madison Metro Transit Historical Revenue Comparison



# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT



### GRANT STATUS

Despite the early comments on the cutbacks in federal funding, it is still worth noting that Metro is fortunate to have federal support for capital funding for rolling stock (buses), ITS hardware/software, transit enhancements, facilities improvements and other capital projects. The following chart shows the year-end grant status of each grant against which expenditures were charged during the year. Note that where balances are available as of 12/31/16 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 12/31/16

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	2016 expenditures	Balance available as of 12/31/16	Future Budgeted projects	Balance after budgeted projects	Detail of future budgeted projects- see page 2.
<b>Federal Section 5307</b>									
WI900573	2010	\$ 8,832,424	\$ 8,661,115	\$ 171,309	\$ -	\$ 171,309	\$ 171,309	\$ -	Software
WI900735	2012	\$ 8,854,944	\$ 8,828,243	\$ 26,701	\$ 26,701	\$ -	\$ -	\$ -	Closed
WI900595	2013	\$ 8,903,040	\$ 8,511,304	\$ 391,736	\$ 331,551	\$ 60,185	\$ 60,185	\$ -	Software
WI900765	2014	\$ 9,637,895	\$ 7,930,662	\$ 1,707,233	\$ 445,383	\$ 1,261,850	\$ 1,261,850	\$ -	Various
WI-2016-003	2015	\$ 9,366,279	\$ 7,676,237	\$ 1,690,042	\$ -	\$ 1,690,042	\$ 1,690,042	\$ -	Various
WI950052 (Surface Transportation)	2015	\$ 8,775,000	\$ 4,980,000	\$ 3,795,000	\$ 2,050,000	\$ 1,745,000	\$ 1,745,000	\$ -	Buses
WI-2016-028	2016	\$ 10,158,596	\$ -	\$ 10,158,596	\$ 7,668,752	\$ 2,489,844	\$ 2,489,844	\$ -	Various
FFY 2017 (estimate)	2017	\$ 9,595,000	\$ -	\$ 9,595,000	\$ -	\$ 9,595,000	\$ 9,595,000	\$ -	Various
<b>Total Section 5307</b>		<b>\$ 74,123,178</b>	<b>\$ 46,587,561</b>	<b>\$ 27,535,617</b>	<b>\$ 10,522,387</b>	<b>\$ 17,013,230</b>	<b>\$ 17,013,230</b>	<b>\$ -</b>	
<b>Federal Section 5309</b>									
WI040042 (Wi discretionary)	2010	\$ 187,500	\$ 82,473	\$ 105,027	\$ -	\$ 105,027	\$ 105,027	\$ -	New facility
<b>Total Section 5309</b>		<b>\$ 187,500</b>	<b>\$ 82,473</b>	<b>\$ 105,027</b>	<b>\$ -</b>	<b>\$ 105,027</b>	<b>\$ 105,027</b>	<b>\$ -</b>	
<b>Federal Section 5310</b>									
WI160005	2015	\$ 670,434	\$ 525,439	\$ 144,995	\$ 120,805	\$ 24,190	\$ 16,560	\$ 7,630	Mobility management
WI-2016-040	2016	\$ 237,750	\$ -	\$ 237,750	\$ 127,034	\$ 110,716	\$ 79,399	\$ 31,317	Mobility management
FFY 2017 (estimate)	2017	\$ 355,000	\$ -	\$ 355,000	\$ -	\$ 355,000	\$ 355,000	\$ -	Mobility management
<b>Total Section 5310</b>		<b>\$ 1,263,184</b>	<b>\$ 525,439</b>	<b>\$ 737,745</b>	<b>\$ 247,839</b>	<b>\$ 489,906</b>	<b>\$ 450,959</b>	<b>\$ 38,947</b>	
<b>Federal Section 5337 &amp; 5339</b>									
WI540003	2014	\$ 937,964	\$ -	\$ 937,964	\$ 937,964	\$ -	\$ -	\$ -	Closed
WI340006	2014	\$ 983,786	\$ -	\$ 983,786	\$ 983,786	\$ -	\$ -	\$ -	Closed
WI-2016-026	2016	\$ 3,888,329	\$ -	\$ 3,888,329	\$ 1,916,801	\$ 1,971,528	\$ 1,971,528	\$ -	Buses
FFY 2017 (estimate)	2017	\$ 1,984,500	\$ -	\$ 1,984,500	\$ -	\$ 1,984,500	\$ 1,984,500	\$ -	Buses
<b>Total Section 5337 &amp; 5339</b>		<b>\$ 7,794,579</b>	<b>\$ -</b>	<b>\$ 7,794,579</b>	<b>\$ 3,838,551</b>	<b>\$ 3,956,028</b>	<b>\$ 3,956,028</b>	<b>\$ -</b>	
<b>Total Capital Grants</b>		<b>\$ 83,368,441</b>	<b>\$ 47,195,473</b>	<b>\$ 36,172,968</b>	<b>\$ 14,608,777</b>	<b>\$ 21,564,191</b>	<b>\$ 21,525,244</b>	<b>\$ 38,947</b>	
<b>OTHER GRANTS</b>									
WI260012	2006	\$ 1,980,000	\$ 108,500	\$ 1,871,500	\$ 148,829	\$ 1,722,671	\$ 1,722,671	\$ -	Preferred alternative study
WI390002	2007	\$ 1,500,000	\$ 108,500	\$ 1,391,500	\$ 44,218	\$ 1,347,282	\$ 1,347,282	\$ -	Preferred alternative study
WI791000 (TIGER II)	2011	\$ 2,250,000	\$ 820,500	\$ 1,429,500	\$ 1,000,632	\$ 428,868	\$ 428,868	\$ -	Intermodal terminal study
WI791001 (TIGER VI)	2014	\$ 600,000	\$ 127,469	\$ 472,531	\$ 290,848	\$ 181,683	\$ 181,683	\$ -	Software & planning
<b>Total Other Grants</b>		<b>\$ 6,330,000</b>	<b>\$ 1,164,969</b>	<b>\$ 5,165,031</b>	<b>\$ 1,484,527</b>	<b>\$ 3,680,504</b>	<b>\$ 3,680,504</b>	<b>\$ -</b>	

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

CAPITAL GRANTS	Funding Year	Transit Enhancements	Equipment	Facility	Computer hardware & software	Mobility management	Consultants	Buses -Fixed Route	Associated capital maintenance	Total Budgeted Projects
<b>Federal Section 5307</b>										
WI900573	2010				\$ 171,309					\$ 171,309
WI900735	2012									\$ -
WI900595	2013				\$ 60,185					\$ 60,185
WI900765	2014	\$ 51,430			\$ 528,710			\$ 681,710		\$ 1,261,850
WI-2016-003	2015	\$ 93,663		\$ 290,000	\$ 410,000			\$ 896,379		\$ 1,690,042
WI950052 (Surface Transportation)	2015							\$ 1,745,000		\$ 1,745,000
WI-2016-028	2016	\$ 40,000	\$ 750,000	\$ 1,000,000	\$ 121,838				\$ 578,006	\$ 2,489,844
FFY 2017 (estimate)	2017			\$ 650,000				\$ 1,195,000	\$ 7,750,000	\$ 9,595,000
<b>Total Section 5307</b>		<b>\$ 185,093</b>	<b>\$ 750,000</b>	<b>\$ 1,940,000</b>	<b>\$ 1,292,042</b>		<b>\$ -</b>	<b>\$ 4,518,089</b>	<b>\$ 8,328,006</b>	<b>\$ 17,013,230</b>
<b>Federal Section 5309</b>										
WI040042 (Wi discretionary)	2010			\$ 105,027						\$ 105,027
<b>Total Section 5309</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 105,027</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 105,027</b>
<b>Federal Section 5310</b>										
WI160005	2015					\$ 16,560				\$ 16,560
WI-2016-040	2016					\$ 79,399				\$ 79,399
FFY 2017 (estimate)	2017					\$ 355,000				\$ 355,000
<b>Total Section 5310</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 450,959</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 450,959</b>
<b>Federal Section 5337 &amp; 5339</b>										
WI540003	2014									\$ -
WI340006	2014									\$ -
WI-2016-026	2016							\$ 1,971,528		\$ 1,971,528
FFY 2017 (estimate)	2017							\$ 1,984,500		\$ 1,984,500
<b>Total Section 5337 &amp; 5339</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ 3,956,028</b>	<b>\$ -</b>	<b>\$ 3,956,028</b>
<b>Total Capital Grants</b>		<b>\$ 185,093</b>	<b>\$ 750,000</b>	<b>\$ 2,045,027</b>	<b>\$ 1,292,042</b>	<b>\$ 450,959</b>	<b>\$ -</b>	<b>\$ 8,474,117</b>	<b>\$ 8,328,006</b>	<b>\$ 21,525,244</b>
<b>OTHER GRANTS</b>										
WI260012	2006						\$ 1,722,671			\$ 1,722,671
WI390002	2007						\$ 1,347,282			\$ 1,347,282
WI791000 (TIGER II)	2011						\$ 428,868			\$ 428,868
WI791001 (TIGER VI)	2014						\$ 181,683			\$ 181,683
<b>Total Other Grants</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ 3,680,504</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,680,504</b>

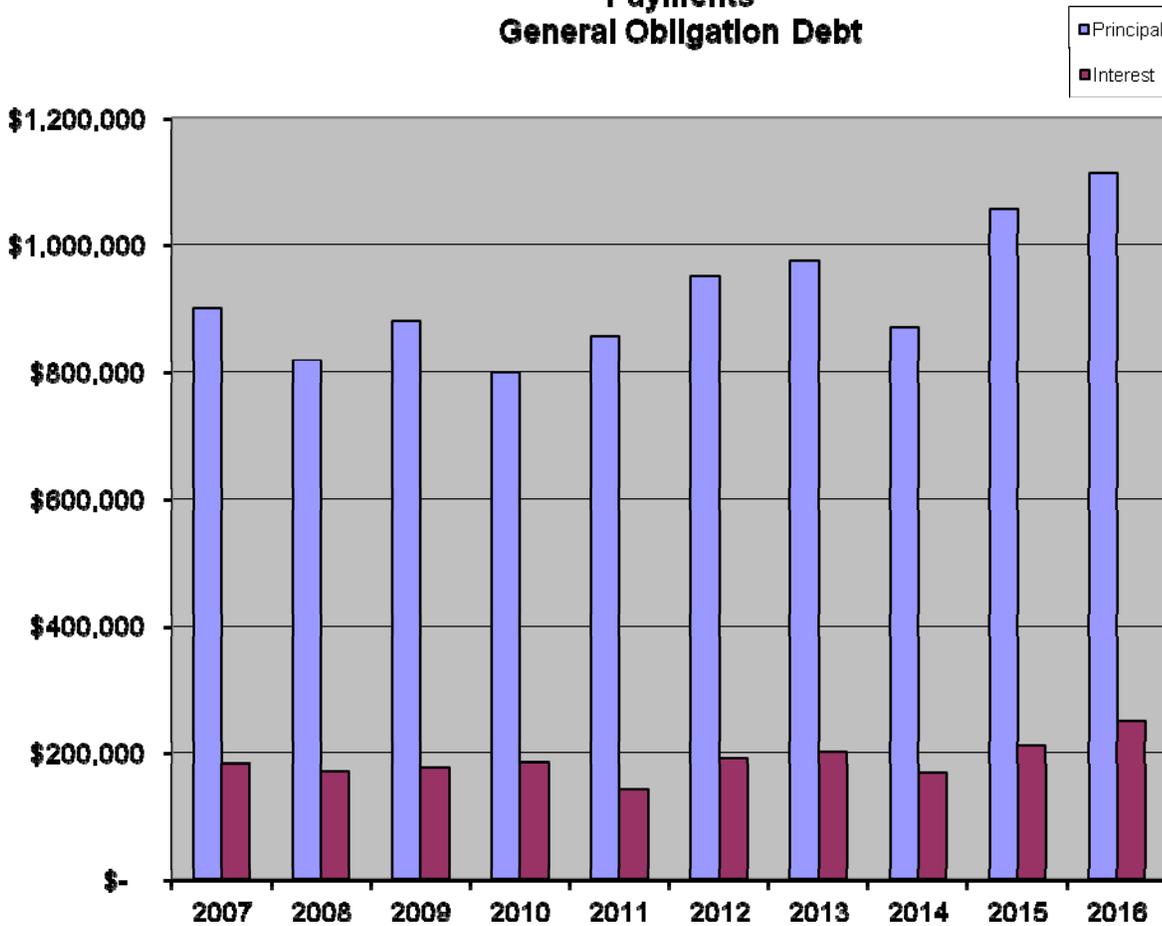
# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### Borrowing

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

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



# **METRO TRANSIT SYSTEM**

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

### **Financial Statements**

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

### **Condensed Statements**

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

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

**Table 1**

**Condensed Statements of Net Position**

	2016	2015	2014
Current and Other Assets	\$ 15,285,215	\$ 21,979,737	\$ 14,878,878
Capital Assets <sup>1</sup>	<u>41,216,850</u>	<u>40,819,706</u>	<u>40,578,929</u>
 Total Assets	 <u>56,502,065</u>	 <u>62,799,443</u>	 <u>55,457,807</u>
Deferred Outflows related to Pensions <sup>2</sup>	<u>17,033,374</u>	<u>4,729,370</u>	<u>-</u>
 Long-Term Debt <sup>3</sup>	 12,111,118	 10,712,866	 9,369,436
Other Liabilities	<u>19,150,187</u>	<u>14,363,763</u>	<u>13,507,690</u>
 Total Liabilities	 <u>31,261,305</u>	 <u>25,076,629</u>	 <u>22,877,126</u>
Deferred Inflows related to Pensions <sup>2</sup>	<u>6,489,389</u>	<u>983</u>	<u>-</u>
 Net Investment in Capital			
Assets <sup>4</sup>	33,158,040	33,591,706	35,115,651
Unrestricted (Deficit)	2,626,705	4,264,579	(2,534,970)
Restricted Net Position (Deficit) related to Pensions <sup>2</sup>	<u>-</u>	<u>4,594,579</u>	<u>-</u>
 Total Net Position	 <u>\$ 35,784,745</u>	 <u>\$ 42,451,201</u>	 <u>\$ 32,580,681</u>

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

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

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

<sup>4</sup> See Note 1 for details in this Audit report

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

**Table 2**

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

	2016	2015	2014
Operating Revenues	\$ 18,328,051	\$ 18,045,485	\$ 18,010,975
Depreciation Expense	6,367,349	6,426,535	6,506,793
Other Operating Expenses	57,682,842	54,548,231	54,409,458
Non-operating Expenses <sup>1</sup>	<u>385,874</u>	<u>331,984</u>	<u>302,746</u>
Total Expenses	<u>64,436,065</u>	<u>61,306,750</u>	<u>61,218,997</u>
Operating Subsidies <sup>1</sup>	27,269,559	27,087,906	26,399,858
Insurance Recovery	10,467	28,054	-
Loss Before Capital			
Contributions and Transfers	(18,827,988)	(16,145,305)	(16,808,164)
Capital Contributions <sup>2</sup>	5,909,365	4,897,419	10,292,437
Transfers	<u>6,252,167</u>	<u>11,921,295</u>	<u>12,241,956</u>
Changes in Net Position	<u>(6,666,456)</u>	<u>673,409</u>	<u>5,726,229</u>
Beginning Net Position	42,451,201	32,580,681	26,854,452
Cumulative Effect of Change in Accounting Principle <sup>3</sup>	-	9,197,111	-
Ending Net Position	<u>\$ 35,784,745</u>	<u>\$ 42,451,201</u>	<u>\$ 32,580,681</u>

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

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

<sup>3</sup> See Note 12 for details in this Audit report

# METRO TRANSIT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### **Request for Information**

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

Respectfully submitted

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

Charles L. Kamp  
Metro Transit General Manager

**Statements of Net Position** Follows

# METRO TRANSIT SYSTEM

## STATEMENTS OF NET POSITION December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 6,027,355	\$ 3,226,504
Restricted cash - retiree health insurance escrow	480,350	494,208
Receivable from FTA - capital and maintenance	2,263,557	6,454,709
Receivable from other governmental units	3,467,907	4,056,807
Accounts receivable (net)	953,341	935,875
Materials and supplies	375,855	378,364
Prepaid expenses	566,002	599,765
Current portion of prepaid expense - land and tower lease	23,377	24,141
Total Current Assets	<u>14,157,744</u>	<u>16,170,373</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash - retiree health insurance escrow	1,081,495	1,145,432
Restricted net pension asset	-	4,594,579
Other Assets		
Prepaid expenses - land and tower lease	45,976	69,353
Capital Assets		
Transit plant in service	110,675,839	107,817,857
Accumulated depreciation	(69,759,622)	(67,183,522)
Construction work in progress	<u>300,633</u>	<u>185,371</u>
Total Noncurrent Assets	<u>42,344,321</u>	<u>46,629,070</u>
Total Assets	<u>56,502,065</u>	<u>62,799,443</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	<u>17,033,374</u>	<u>4,729,370</u>

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**LIABILITIES**

	<u>2016</u>	<u>2015</u>
<b>CURRENT LIABILITIES</b>		
Current portion of general obligation debt	\$ 1,318,375	\$ 1,114,020
Current portion of advance from other funds	274,829	251,554
Current portion of unearned revenue - land and tower lease	23,377	20,983
Accounts payable	1,697,819	1,337,854
Unearned revenue	888,074	944,911
Accrued compensation, vacation and sick leave	2,897,198	2,205,257
Accrued interest	96,465	82,882
Retiree health insurance escrow payable from restricted assets	480,350	494,208
Total Current Liabilities	<u>7,676,487</u>	<u>6,451,669</u>
<b>NON-CURRENT LIABILITIES</b>		
General obligation debt	7,690,841	6,245,390
Advance from other funds	2,827,073	3,101,902
Retiree health insurance escrow payable from restricted assets	1,081,495	1,145,432
Accrued sick leave	3,528,739	3,292,374
Deposits from other governments	512,153	490,715
Net pension liability	3,065,279	-
Other post-employment benefits	4,839,318	4,285,850
Unearned revenue - land and tower lease	39,920	63,297
Total Non-Current Liabilities	<u>23,584,818</u>	<u>18,624,960</u>
 Total Liabilities	 <u>31,261,305</u>	 <u>25,076,629</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	<u>6,489,389</u>	<u>983</u>
 <b>NET POSITION</b>		
<b>NET POSITION</b>		
Net investment in capital assets	33,158,040	33,591,706
Restricted net position (Deficit) related to pensions	-	4,594,579
Unrestricted (Deficit)	<u>2,626,705</u>	<u>4,264,916</u>
 <b>TOTAL NET POSITION</b>	 <u>\$ 35,784,745</u>	 <u>\$ 42,451,201</u>

# METRO TRANSIT SYSTEM

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Years Ended December 31, 2016 and 2015

	2016	2015
<b>OPERATING REVENUES</b>	<b><u>\$ 18,328,051</u></b>	<b><u>\$ 18,045,485</u></b>
<b>OPERATING EXPENSES</b>		
Employee compensation and benefits	42,877,994	40,310,311
Materials and supplies	5,919,000	6,134,932
Purchased services	8,558,997	7,774,379
Interagency charges	<u>326,851</u>	<u>328,609</u>
Total Operation and Maintenance Expenses	57,682,842	54,548,231
Depreciation expense	<u>6,367,349</u>	<u>6,426,535</u>
Total Operating Expenses	<u>64,050,191</u>	<u>60,974,766</u>
Operating Loss	<u>(45,722,140)</u>	<u>(42,929,281)</u>
<b>OPERATING SUBSIDIES</b>		
Federal subsidies	6,331,736	6,513,440
Federal subsidies pass-through to sub recipient	(155,788)	(350,912)
State operating subsidies	17,370,419	17,375,936
Other state subsidies	9,475	16,242
Local public subsidies	<u>3,713,717</u>	<u>3,533,200</u>
Total Operating Subsidies	<u>27,269,559</u>	<u>27,087,906</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Insurance recoveries	10,467	28,054
Interest expense	<u>(385,874)</u>	<u>(331,984)</u>
Loss Before Contributions and Transfers	<u>(18,827,988)</u>	<u>(16,145,305)</u>
<b>CAPITAL CONTRIBUTIONS - CITY &amp; OTHER</b>	1,131,375	1,050,382
<b>CAPITAL CONTRIBUTIONS - FEDERAL &amp; STATE</b>	4,777,990	3,847,037
<b>TRANSFERS IN - CITY OPERATING SUBSIDIES</b>	<u>6,252,167</u>	<u>11,921,295</u>
Total Contributions and Transfers	<u>12,161,532</u>	<u>16,818,714</u>
<b>CHANGE IN NET POSITION</b>	(6,666,456)	673,409
NET POSITION - Beginning of Year	42,451,201	32,580,681
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>9,197,111</u>
<b>NET POSITION - End of Year</b>	<b><u>\$ 35,784,745</u></b>	<b><u>\$ 42,451,201</u></b>

See accompanying notes to financial statements.

**Statements of Cash Flows Follows**

## METRO TRANSIT SYSTEM

### STATEMENTS OF CASH FLOWS Years Ended December 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 18,754,495	\$ 17,814,207
Paid to suppliers for goods and services	(26,563,693)	(26,639,003)
Paid to employees for services	(27,468,352)	(27,079,550)
Cash Flows from Operating Activities	(35,277,550)	(35,904,346)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating subsidies received - federal	10,583,334	908,912
Federal subsidies pass-through to sub recipient	(155,788)	(350,912)
Operating subsidies received - state	17,379,894	17,388,929
Operating subsidies received - local	3,869,174	3,472,658
Deposits received from other governments	21,438	24,273
Repayment of noncapital advances from other funds	(251,554)	(229,174)
Interest paid on noncapital advances from other funds	(114,632)	(119,055)
Operating transfer from city	6,252,167	11,921,295
Cash Flows from Noncapital Financing Activities	37,584,033	33,016,926
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt retired	(1,398,020)	(1,058,524)
Interest paid	(257,659)	(212,929)
Proceeds from issuance of general obligation debt	3,047,826	2,631,128
Acquisition and construction of capital assets	(6,884,939)	(6,607,312)
Capital contributions - city and other	1,131,375	1,050,382
Capital contributions - federal and state	4,777,990	4,126,700
Cash Flows From Capital and Related Financing Activities	416,573	(70,555)
<b>Net Change in Cash and Cash Equivalents</b>	2,723,056	(2,957,975)
CASH AND CASH EQUIVALENTS – Beginning of Year	4,866,144	7,824,119
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 7,589,200	\$ 4,866,144
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
None		

	<u>2016</u>	<u>2015</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (45,722,140)	\$ (42,929,281)
Nonoperating income	10,467	28,054
Noncash items included in operating loss		
Depreciation expense	6,367,349	6,426,535
Changes in Assets and Liabilities		
Accounts receivable	571,434	(259,332)
Materials and supplies	2,509	85,514
Prepaid expenses	57,904	34,428
Accrued payroll liabilities	928,306	709,043
Retiree health insurance escrow payable from restricted assets	(77,795)	(22,352)
Other post-employment benefits	553,468	588,484
Accounts payable	264,508	(406,228)
Pension related deferrals and liabilities	1,844,260	(125,855)
Unearned revenue	(56,837)	(11,664)
Unearned revenue - land and tower lease	(20,983)	(21,692)
	<u>(35,277,550)</u>	<u>(35,904,346)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ (35,277,550)</b>	<b>\$ (35,904,346)</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS</b>		
Cash	\$ 6,027,355	\$ 3,226,504
Restricted Cash - Retiree Health Insurance Escrow	<u>1,561,845</u>	<u>1,639,640</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ <u>7,589,200</u></b>	<b>\$ <u>4,866,144</u></b>

See accompanying notes to financial statements.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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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.

GASB issued Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, in June 2012 and November 2013, respectively. These statements establish accounting and financial reporting standards for the accounting and reporting to Metro's cost-sharing multiple employer pension plan. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employer*. Metro adopted these statements effective January 1, 2015. The cumulative impact of implementation is shown in *Note 12*.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

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

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

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

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

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

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

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

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

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

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

Metro considers receivables from government units to be fully collectible; accordingly, no allowance for doubtful accounts from governmental units is presented. An allowance of \$23,183 is included in 2016 and 2015 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 2016 and 2015.

##### ***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 12/31/16	Balance 12/31/15	Years
Land	\$ 2,604,992	\$ 2,604,992	N/A
Building	11,702,659	11,702,659	5 – 40
Curb and land improvements	6,671,484	6,671,484	5
Revenue equipment	76,956,454	74,168,553	8 – 20
Service vehicles	813,215	786,944	4 – 5
Shop and garage equipment	1,807,945	1,784,298	3 – 10
Furniture and office equipment	794,520	854,934	3 – 10
Miscellaneous and farebox	9,324,570	9,243,993	3 – 15
 Total Capital Assets	 \$ 110,675,839	 \$ 107,817,857	

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

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

##### *Pensions*

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

##### *Deferred Outflow of Resources*

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

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

Employees are allowed to accumulate up to 150 days of sick time. For office employees and drivers one day is equivalent to eight hours; for all other employees one day is equivalent to 8-36/60 hours. Upon retirement or disability, Wisconsin Retirement System participants may receive the cash value of the accumulated sick leave subject to the above maximum or use all or a portion for the payment of continued health insurance premiums. Funding for those costs is provided out of Metro's operating revenues. The estimated liability for current employees at December 31, 2016 and 2015 is \$3,648,344 and \$3,600,822, respectively.

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

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

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

Metro makes an annual deposit into an escrow account for contributions toward the health insurance premiums for certain eligible retirees. The deposits were \$422,740 and \$410,427 in 2016 and 2015, respectively. To qualify a retiree must have retired on or after reaching age 55, must have completed ten continuous years of full-time service with Metro in a position represented by Teamsters Union Local 695, just prior to retiring and be eligible to retire under the Wisconsin Retirement System (WRS). Retirees receive this benefit for a maximum of five consecutive years or until becoming eligible for Medicare. Retirees will be eligible for premium contributions to the extent that funds are available in the escrow account and Metro will not be required to make any additional payments to the account should the cost of providing premium contributions exceed the amount deposited. Interest income remains with the escrow account less a 1% administrative fee transferred to the City. As of December 31, 2016, 81 current employees have met the eligibility requirements.

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

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

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

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

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

Metro collects deposits from various entities that provide Metro with local operating assistance subsidies. These deposits are held by Metro in reserve to help fund unanticipated cost increases in future years. The reserve balance is reviewed annually and amounts received in excess of the annual cost and the required reserve balance are reported as payables and refunded in the subsequent year. In 2016 and 2015, Metro owed \$392,080 and \$236,623 which was returned to these entities in the subsequent year.

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

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

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

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

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

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

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

The following calculation supports the net investment in capital assets:

	2016	2015
Plant in service	\$ 110,675,839	\$107,817,857
Accumulated depreciation	(69,759,622)	(67,183,522)
Construction work in progress	300,633	185,371
Sub-Totals	41,216,850	40,819,706
Less: Capital related debt		
Current portion of general obligation bonds	1,318,375	1,114,020
Long-term portion of capital related general obligation bonds	7,690,841	6,245,390
Sub-Totals	9,009,216	7,359,410
Add: Unspent proceeds of capital-related debt included above	950,406	131,410
Net Investment in Capital Assets	\$ 33,158,040	\$ 33,591,706

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

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#### **REVENUES AND EXPENSES**

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

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

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

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

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

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

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

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

GASB has approved GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*, Statement No. 81, *Irrevocable Split-Interest Agreements*, and Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. 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, 2016 and 2015

### NOTE 2 – CHANGES IN CAPITAL ASSETS

A summary of changes in Metro capital assets for 2016 and 2015 follows:

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

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

	Balance 1/1/15	Additions	Retirements	Adjustments	Balance 12/31/15
Capital assets not being depreciated					
Land	\$ 2,604,992	\$ -	\$ -	\$ -	\$ 2,604,992
Capital assets being depreciated /amortized					
Building and improvements	11,702,659	-	-	-	11,702,659
Curb and land improvements	6,671,484	-	-	-	6,671,484
Revenue vehicles	71,295,675	6,246,780	(3,373,902)	-	74,168,553
Service vehicles	802,232	62,272	(77,560)	-	786,944
Shop and garage equipment	1,558,393	225,905	-	-	1,784,298
Office equipment	854,934	-	-	-	854,934
Miscellaneous and farebox	9,111,583	132,410	-	-	9,243,993
Total Capital Assets Being Depreciated	101,996,960	6,667,367	(3,451,462)	-	105,212,865
Total Capital Assets	104,601,952	6,667,367	(3,451,462)	-	107,817,857
Less: Accumulated depreciation /amortization					
Building and improvements	(9,502,301)	(372,960)	-	-	(9,875,261)
Curb and land improvements	(6,133,432)	(128,352)	-	-	(6,261,784)
Revenue vehicles	(40,277,720)	(5,096,555)	3,373,847	-	(42,000,428)
Service vehicles	(675,086)	(58,356)	77,560	-	(655,882)
Shop and garage equipment	(1,353,412)	(84,582)	-	-	(1,437,994)
Office equipment	(716,570)	(83,864)	-	-	(800,434)
Miscellaneous and farebox	(5,549,873)	(601,866)	-	-	(6,151,739)
Total Accumulated Depreciation/Amortization	(64,208,394)	(6,426,535)	3,451,407	-	(67,183,522)
Construction in progress	185,371	-	-	-	185,371
Net Transit System Plant	\$ 40,578,929				\$ 40,819,706

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

The following is a schedule of transfer balances as of December 31, 2016 and 2015:

To	From	2016		2015	
		Amount	Principal Purpose	Amount	Principal Purpose
Metro	City of Madison	\$6,252,167	City operating subsidy	\$11,921,295	City operating subsidy

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

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

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

Title of Issue	Date of Issue	Final Maturity	Interest Rates	Original Amount	Amount Outstanding 12/31/16
Promissory Note	10-1-09	10-1-19	0.90 – 4.35%	805,000	\$ 241,388
Promissory Note	10-19-10	10-19-20	2.00 – 3.75%	97,890	65,260
Promissory Note	10-1-11	10-1-21	0.45 – 5.00%	1,709,900	854,886
Promissory Note	10-1-12	10-1-22	2.00 – 4.00%	1,108,275	664,881
Promissory Note	10-1-14	10-1-24	2.00 – 5.00%	2,246,495	1,797,022
Promissory Note	10-1-15	10-1-25	2.00 – 3.00%	2,631,128	2,337,952
Promissory Note	10-1-16	10-1-26	.50 – 4.00%	3,047,826	3,047,827
Total					<u>\$ 9,009,216</u>

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

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

Year	10-1-09		10-19-10		10-1-11		10-1-12		10-1-14		10-01-15	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 80,463	\$ 6,394	\$ 16,315	\$ 1,379	\$ 170,977	\$ 39,325	\$ 110,814	\$ 24,379	\$ 224,628	\$ 65,142	\$ 292,667	\$ 70,138
2018	80,463	4,406	16,315	1,087	170,977	30,776	110,814	19,947	224,628	58,403	255,858	61,358
2019	80,462	2,249	16,335	769	170,978	22,227	110,814	15,514	224,628	51,664	255,632	53,683
2020	-	-	16,295	397	170,977	13,678	110,813	11,081	224,628	44,926	255,633	46,014
2021	-	-	-	-	170,977	6,839	110,813	6,649	224,628	35,940	255,632	38,345
2022	-	-	-	-	-	-	110,813	3,324	224,628	24,709	255,633	30,676
2023	-	-	-	-	-	-	-	-	224,627	15,724	255,632	23,007
2024	-	-	-	-	-	-	-	-	224,627	6,739	255,633	15,338
2025	-	-	-	-	-	-	-	-	-	-	255,632	7,669
2026	-	-	-	-	-	-	-	-	-	-	-	-
Totals	<u>\$ 241,388</u>	<u>\$ 13,049</u>	<u>\$ 65,260</u>	<u>\$ 3,632</u>	<u>\$ 854,886</u>	<u>\$ 112,845</u>	<u>\$ 664,881</u>	<u>\$ 80,894</u>	<u>\$ 1,797,022</u>	<u>\$ 303,247</u>	<u>\$ 2,337,952</u>	<u>\$ 346,228</u>
Year	10-01-16		Total									
	Principal	Interest	Principal	Interest								
2017	\$ 422,512	\$ 64,530	\$ 1,318,376	\$ 271,287								
2018	418,469	61,589	1,277,524	237,566								
2019	275,879	61,379	1,134,728	207,485								
2020	275,879	57,931	1,054,225	174,027								
2021	275,879	49,655	1,037,929	137,428								
2022	275,879	44,137	866,953	102,846								
2023	275,879	33,102	756,138	71,833								
2024	275,879	22,066	756,139	44,143								
2025	275,879	11,031	531,511	18,700								
2026	275,693	5,514	275,693	5,514								
Totals	<u>\$ 3,047,827</u>	<u>\$ 410,934</u>	<u>\$ 9,009,216</u>	<u>\$ 1,270,829</u>								

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

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

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

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

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

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

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Amount Outstanding 12/31/16
October 19, 2010	Pay off WRS Prior Service Liability	October 19, 2024	0.55 - 4.00%	\$4,333,711	\$3,101,902

Advance from other funds debt service requirements to maturity follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,101,902</u>	<u>\$ 580,516</u>	<u>\$ 3,682,418</u>

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

Metro's long-term obligations activity for the years ended December 31, 2016 and 2015 is as follows:

	Balance 1/1/16	Additions	Reductions	Balance 12/31/16	Due Within One Year
General obligation notes	\$ 7,359,410	\$ 3,047,826	\$ 1,398,020	\$ 9,009,216	\$ 1,318,375
Advance from other funds	3,353,456	-	251,554	3,101,902	274,829
Retiree health insurance escrow	1,639,640	422,740	500,535	1,561,845	480,350
Accrued sick leave	3,600,822	1,249,030	1,201,508	3,648,344	119,605
Deposits from other governments	490,715	21,438	-	512,153	-
Net pension liability	-	3,065,279	-	3,065,279	-
Unfunded OPEB liability	4,285,850	553,468	-	4,839,318	-
Unearned revenue-land and tower lease	84,280	-	20,983	63,297	23,377
Totals	<b>\$ 20,814,173</b>	<b>\$ 8,359,781</b>	<b>\$ 3,372,600</b>	<b>\$ 25,801,354</b>	<b>\$ 2,216,536</b>
	Balance 1/1/15	Additions	Reductions	Balance 12/31/15	Due Within One Year
General obligation notes	\$ 5,786,806	\$ 2,631,128	\$ 1,058,524	\$ 7,359,410	\$ 1,114,020
Advance from other funds	3,582,630	-	229,174	3,353,456	251,554
Retiree health insurance escrow	1,661,992	410,427	432,779	1,639,640	494,208
Accrued sick leave	3,320,938	1,243,781	963,897	3,600,822	308,448
Deposits from other governments	466,442	24,273	-	490,715	-
Unfunded OPEB liability	3,697,366	588,484	-	4,285,850	-
Unearned revenue-land and tower lease	105,972	-	21,692	84,280	20,983
Totals	<b>\$ 18,622,146</b>	<b>\$ 4,898,093</b>	<b>\$ 2,706,066</b>	<b>\$ 20,814,173</b>	<b>\$ 2,189,213</b>

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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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 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Federal	\$ 6,331,736	\$ 6,513,440
Federal operating grant pass-through to sub recipient	(155,788)	(350,912)
State	17,370,419	17,375,936
Other state subsidies	9,475	16,242
Local public subsidies	3,713,717	3,533,200
City of Madison	6,252,167	11,921,295

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, 2016 and 2015

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

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

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

	University Research Park	North Park & Ride Lot	Total
2017	\$ 8,025	\$ 15,352	\$ 23,377
2018	7,133	14,926	22,059
2019	3,595	-	3,595
2020	3,336	-	3,336
2021-2025	13,401	-	13,401
2026-2027	3,585	-	3,585
	\$ 39,075	\$ 30,278	\$ 69,353

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

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

Metro implemented GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2015. The prior year balances for deferred outflows of resources and the net pension liability were not restated due to the measurement date used for the calculation of the balances and the timing of information received by WRS. For this reason, prior year pension footnote disclosures are included under GASB No. 27.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

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

During the 2016 and 2015, the WRS recognized \$1,838,382 and 1,861,057, respectively in contributions from Metro.

Contribution rates as of December 31, 2016 are:

	2016		2015	
	Employee	Employer	Employee	Employer
General (including teachers	6.6%	6.6%	6.8%	6.8%
Executives & Elected Officials	6.6%	6.6%	7.7%	7.7%
Protective with Social Security	6.6%	9.4%	6.8%	9.5%
Protective without Social Security	6.6%	13.2%	6.8%	13.1%

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

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

At December 31, 2016, Metro reported a liability (asset) of \$3,065,279 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Metro’s proportion of the net pension liability (asset) was based on Metro’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the City’s proportion was 1.598183560%, which was an increase of .01179767% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016 and 2015, Metro recognized pension expense of \$3,688,518 and \$1,731,099, respectively.

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

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 517,885	\$ 6,450,828	\$ 666,071	\$ -
Changes in assumption	2,144,603	-	-	-
Net differences between projected and actual earnings on pension plan	12,547,883	-	2,224,917	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	38,561	-	983
Employer contributions subsequent to the measurement date	1,823,003	-	1,838,382	-
Total	<u>\$ 17,033,374</u>	<u>\$ 6,489,389</u>	<u>\$ 4,729,370</u>	<u>\$ 983</u>

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

Deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. \$1,823,003 is reported for Metro. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 3,949,206	\$ 1,570,485
2018	3,949,206	1,570,485
2019	3,949,206	1,570,485
2020	3,294,154	1,570,347
2021	68,599	207,587
Total	\$ 15,210,371	\$ 6,489,389

**Actuarial assumptions.** The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Salary increases	3.2%
Salary increases	0.2% - 5.8%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

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

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

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

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

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

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

*Single Discount rate.* A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Metro's proportionate share of the net position liability (asset)	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
December 31, 2016	\$ 21,499,926	\$ 3,065,279	\$(11,332,509)
December 31, 2015	\$ 12,962,098	\$ (4,594,579)	\$(18,460,132)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

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

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

The city's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the city's annual OPEB cost for 2016 and 2015:

	Entire City		Metro	
	2016	2015	2016	2015
Annual OPEB Cost	\$ 7,440,559	\$ 6,808,834	\$ 1,261,692	\$ 1,294,541
Contributions made	3,920,347	2,944,435	708,224	706,057
Increase in net OPEB obligation	3,520,212	3,864,399	553,468	588,484
Net OPEB Obligation - Beginning of Year	29,413,249	25,548,850	4,285,850	3,697,366
Net OPEB Obligation - End of Year	\$ 32,933,461	\$ 29,413,249	\$ 4,839,318	\$ 4,285,850

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 2016, 2015 and 2014 were as follows:

<b>City</b>	Annual OPEB	Percentage of	Net OPEB
<u>Fiscal Year Ended</u>	<u>Cost</u>	<u>Annual OPEB</u>	<u>Liability</u>
		<u>Cost</u>	
		<u>Contributed</u>	
December 31, 2016	\$ 7,440,559	53%	\$32,933,461
December 31, 2015	\$ 6,808,834	43%	\$29,413,249
December 31, 2014	\$ 6,713,573	46%	\$25,548,850

## METRO TRANSIT SYSTEM

### NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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

<i>Metro</i>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
Fiscal Year Ended	<u>Cost</u>	<u>Contributed</u>	<u>Liability</u>
December 31, 2016	\$ 1,261,692	56%	\$ 4,839,318
December 31, 2015	\$ 1,294,541	55%	\$ 4,285,850
December 31, 2014	\$ 1,411,691	56%	\$ 3,697,366

The funded status of the plan (for the entire city) as of December 31, 2016, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 64,414,957
Actuarial value of plan assets	<u>1,639,640</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 62,775,317</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>2.6%</u>
Covered payroll (active plan members)	<u>\$ 181,997,047</u>
UAAL as a percentage of covered payroll	<u>34.5%</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 2017, reduced by decrements to an ultimate rate of 4.5% for 2023 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, 2016 and 2015

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### NOTE 9 – RISK MANAGEMENT

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

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

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

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

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

In 2016, TMI issued Metro an auto liability policy with a \$250,000 per person policy limit and a \$7,000,000 per accident policy limit. Of the per accident policy limit, TMI insures \$2,000,000 and reinsures \$5,000,000 with Great American Reinsurance Group. In addition, Metro's policy provides for \$25,000 per person and \$50,000 per accident in uninsured motorist insurance.

In 2016, TMI also provided Metro with auto physical damage coverage for its buses with a total limit of \$78,200,000 and a \$5000 deductible for collision and comprehensive coverage. TMI insures \$750,000 and reinsures the remainder of \$77,450,000 with Great American Insurance Group.

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

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

# METRO TRANSIT SYSTEM

## NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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### NOTE 9 – RISK MANAGEMENT (cont.)

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

Metro's share of TMI is 40.79% for auto liability. A list of the other members and their share of participation is available in the TMI report which is available from: TMI, PO Box 1135, Appleton, WI 54915-1483 or by email from [tmi@transitmutual.com](mailto:tmi@transitmutual.com)

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### NOTE 10 – BASIS FOR EXISTING FARES

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

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### NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

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

In January of 2013 the Transit and Parking Commission approved a contract with Gillig Corp. for the purchase of up to 80 buses over a six-year period. As of December 31, 2016, 50 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.

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### NOTE 12 – CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

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Metro adopted GASB Statement No. 68 effective January 1, 2015. The cumulative effect of implementation is reflected as a change in net position as follows:

Net pension asset January 1, 2014	\$ 7,340,032
Deferred outflows January 1, 2014	<u>1,857,079</u>
Cumulative Effect of a Change in Accounting Principle	<u>\$ 9,197,111</u>

Additional information required for retroactive implementation was not provided by the pension plan.

**REQUIRED SUPPLEMENTAL INFORMATION**

## METRO TRANSIT SYSTEM

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2016

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Asset
12/31/16	1.59818356%	\$ 3,065,279	\$ 21,892,596	14.00%	98.20%
12/31/15	1.58638589%	(4,594,579)	21,289,768	-21.58%	102.74%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2016

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/16	\$ 1,823,003	\$ (1,823,003)	\$ -	\$ 26,808,868	6.80%
12/31/15	1,838,382	(1,838,382)	-	21,892,596	8.40%

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

**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, 2016 and 2015

<b>OPERATING REVENUES</b>	<u>2016</u>	<u>2015</u>
Passenger Fares for Transit Services		
Farebox	\$ 1,592,548	\$ 1,689,361
Adult 10 ride and 2 ride passes	806,109	795,334
Youth 10 ride and 2 ride passes	250,001	295,704
Senior & disabled passes	626,753	585,971
Adult 31 day passes	1,242,398	1,288,426
Easy rider passes	410,200	370,465
MMSD passes	1,413,537	1,545,000
Summer youth passes	71,736	45,782
UW ASM unlimited ride pass	3,684,755	3,637,960
UW Staff unlimited ride pass	1,993,660	1,958,139
Edgewood College unlimited ride pass	75,643	88,438
Madison College unlimited ride pass	456,802	526,793
City of Madison Employee unlimited ride pass	165,145	141,398
St Mary's Hospital unlimited ride pass	35,945	32,069
Meriter Hospital unlimited ride pass	22,338	22,597
Dane County unlimited ride pass	39,690	34,177
Commuter Pass unlimited ride pass	221,997	207,625
Total Passenger Fares for Transit Service	<u>13,109,257</u>	<u>13,265,239</u>
Other Operating Revenues		
Advertising revenue	595,626	468,304
Sale of buses, scrap and parts	39,101	24,844
Miscellaneous	30,026	36,668
Dane County - MA Waiver	3,975,658	3,708,202
Dane County - Elderly & Handicapped	165,012	165,012
Dane County - Group Access Service	176,891	161,216
Dane County - Group RSVP Service	130,489	122,444
Dane County - Exceptional Rides	86,711	74,276
Dane County - Highway (Marketing)	19,280	19,280
Total Other Operating Revenues	<u>5,218,794</u>	<u>4,780,246</u>
Total Operating Revenues	<u>18,328,051</u>	<u>18,045,485</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance Expenses		
Employee compensation and benefits		
Salaries and wages	28,318,863	27,766,241
Pensions and benefits	14,559,131	12,544,070
Total Employee Compensation and Benefits	<u>42,877,994</u>	<u>40,310,311</u>
Materials and supplies	5,919,000	6,134,932
Purchased services	8,558,997	7,774,379
Interagency charges	326,851	328,609
Total Operation and Maintenance Expenses	<u>57,682,842</u>	<u>54,548,231</u>
Depreciation expense	6,367,349	6,426,535
Total Operating Expenses	<u>64,050,191</u>	<u>60,974,766</u>
 NET OPERATING LOSS	 <u>\$ (45,722,140)</u>	 <u>\$ (42,929,281)</u>

## METRO TRANSIT SYSTEM

### DETAILED SCHEDULE OF REVENUES AND EXPENSES - REGULATORY BASIS December 31, 2016 and 2015

	2016	2015
<b>REVENUES</b>		
401.00 Passenger fares for transit service	\$ 13,109,257	\$ 13,265,239
402.00 Special transit fares - New Year's Eve contributions and other	15,000	20,000
402.10 Service charges, NSF charges, etc.	15,026	16,668
406.00 Auxiliary transportation revenue - advertising	595,626	468,304
407.10 Contra-expense for sale of buses, scrap and parts	39,101	24,844
409.10 Local public subsidies	3,713,717	3,533,200
409.30 City of Madison operating subsidy	6,252,167	11,921,295
409.40 Dane County specialized transportation programs	4,554,041	4,250,430
411.00 State cash grants and reimbursements	17,379,894	17,392,178
413.00 Federal cash grants and reimbursements	6,327,918	6,513,440
Federal subsidies pass-through to sub recipient	(155,788)	(350,912)
Non Federal Transit Cluster revenues	3,818	-
Total Eligible Revenues	51,849,777	57,054,686
<b>EXPENSES - BY OBJECT CLASS TOTAL</b>		
501.01 Operators' salaries and wages	17,992,540	17,697,257
501.02 Other salaries and wages	9,540,198	9,284,610
502.00 Fringe benefits	15,450,736	13,433,650
503.00 Services	1,232,220	1,309,741
504.01 Fuel and lubricants	3,742,268	4,054,619
504.02 Tires and tubes	221,910	227,047
504.99 Other materials and supplies	1,870,855	1,801,020
505.00 Utilities	470,557	531,960
506.00 Casualty and liability costs	1,056,716	573,267
508.00 Purchased transportation	5,289,532	5,286,193
509.00 Miscellaneous expense	136,569	132,412
511.00 Interest expense	385,874	331,984
512.00 Leases and rentals	351,887	238,832
513.00 Depreciation	6,367,349	6,426,535
Less: Ineligible depreciation on fixed assets	(6,367,349)	(6,426,535)
516.00 Other Reconciling Items	508,287	328,609
Total Eligible Expenses	58,250,149	55,231,201
NET INCOME (excluding capital contributions and depreciation on fixed assets)	\$ (6,400,372)	\$ 1,823,485

## METRO TRANSIT SYSTEM

### RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL RECOGNIZED REVENUES AND EXPENSES For the Year Ended December 31, 2016

		Per WisDOT Guidelines
Revenues including subsidies and operating transfer	\$	51,849,777
Less: Non-recognized revenues		
City operating transfer	\$	6,252,167
Local public subsidies		3,713,717
Dane County specialized transportation programs		4,554,041
Other federal subsidy		6,327,918
State operating subsidy		17,379,894
Nontransportation revenues		
Sale of buses, scrap and parts		39,101
Service charges, NSF charges, etc.		15,026
Total Non-Recognized Revenues		<u>38,281,864</u>
WisDOT Eligible Operating Revenues	\$	<u>13,567,913</u>
Total Expenses per statement including interest expense	\$	64,436,064
Add: Fixed assets eligible for operating assistance		-
Total Expenses		<u>\$ 64,436,064</u>
Less: Non-recognized expenses		
Depreciation		6,367,349
Interest expense		385,874
Offset of scrap sales and miscellaneous reimbursements		54,127
Capital Maintenance Grant @ 100%		7,715,163
Leases and rentals		152,603
Interagency indirect charges without approved allocation plan		508,287
Total WisDOT Non-Recognized Expenses		<u>15,183,403</u>
WisDOT Eligible Operating Expenses	\$	<u>49,252,661</u>
WisDOT Recognized Deficit	\$	(35,684,748)
Less Operating revenues ineligible for federal assistance:		
Advertising revenue		595,626
Federal Recognized Deficit	\$	<u>(35,089,122)</u>

## METRO TRANSIT SYSTEM

### COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS For the Year Ended December 31, 2016

#### STATE FUNDS

WisDOT Recognized Deficit		<u>\$ 35,684,748</u>
WisDOT Contract Amount*		<u>\$ 17,370,419</u>
City of Madison and Other Local Subsidies	<u>\$ 9,965,884</u>	
5 Times Operating Subsidy		<u>\$ 49,829,420</u>
State Share - Least of the Three		<u>\$ 17,370,419</u>

#### FEDERAL FUNDS

	<u>Eligible Costs</u>	<u>Federal Share</u>
Capital maintenance		
Grant WI 2016-028	\$ 7,619,700	\$ 6,095,760
Enhanced Mobility		
Grant WI 160005	77,334	61,867
Grant WI 160005	43,471	43,471
Grant WI 2016-040	1,075	860
Grant WI 2016-040	125,960	125,960
Total federal operating revenue		<u>\$ 6,327,918</u>

\*This portion was 100% federally funded

#### SUMMARY OF FUNDING (2016 only)

	<u>Received in 2016</u>	<u>Receivable 12/31/16</u>	<u>Totals</u>
Federal Capital Maintenance	\$ 4,068,179	\$ 2,263,557	\$ 6,331,736
State Funds	17,370,419	-	17,370,419
Local Public Subsidies	3,713,717	-	3,713,717
City of Madison	<u>6,252,167</u>	<u>-</u>	<u>6,252,167</u>
Total Funding	<u>\$ 31,404,482</u>	<u>\$ 2,263,557</u>	<u>\$ 33,668,039</u>

\*WisDOT Contract Amount includes \$16,868,000 from the 2016 Urban Mass Transit Operating Assistance Contract and \$502,419 from the 2016 Paratransit Aids Contract.