

**SOUTH CENTRAL WISCONSIN RAIL
TRANSIT COMMISSION
GENERAL FUND**

**FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT**

For the Year Ending December 31, 2012

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**SOUTH CENTRAL WISCONSIN RAIL TRANSIT COMMISSION
GENERAL FUND**

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INDEPENDENT AUDITOR'S REPORT

January 22, 2014

Board of Commissioners
South Central Wisconsin Rail Transit Commission
Platteville, Wisconsin

We have audited the accompanying financial statements of the General Fund of South Central Wisconsin Rail Transit Commission as of and for the year ended December 31, 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of South Central Wisconsin Rail Transit Commission as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the general fund and do not purport to, and do not, present fairly the financial position of South Central Wisconsin Rail Transit Commission as of December 31, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As discussed in Note 1 to the financial statements, in 2012, South Central Wisconsin Rail Transit Commission adopted new accounting guidance. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Management has omitted the management's discussion and analysis and the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin

**SOUTH CENTRAL WISCONSIN RAIL TRANSIT COMMISSION
Platteville, Wisconsin**

BALANCE SHEET -GENERAL FUND

December 31, 2012

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 33,797
Investments	<u>140,000</u>
Total Assets	<u>\$ 173,797</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Accounts Payable	\$ <u>1,758</u>
Total Liabilities	<u>1,758</u>
Fund Equity:	
Fund Balance Unassigned	<u>172,039</u>
Total Fund Equity	<u>172,039</u>
Total Liabilities and Fund Equity	<u>\$ 173,797</u>

The accompanying notes are an integral part of this statement.

**SOUTH CENTRAL WISCONSIN RAIL TRANSIT COMMISSION
Platteville, Wisconsin**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GENERAL FUND**

For the Year Ended December 31, 2012

<u>Revenues</u>	<u>General Fund</u>
Permit Issued	\$ 500
Interest	1,536
	<hr/>
Total Revenues	2,036
	<hr/>
<u>Expenditures</u>	
Legal Fees	84
Staff Services	4,772
Accounting	1,100
Miscellaneous Expense	53
	<hr/>
Total Expenditures	6,009
	<hr/>
Excess of Revenues Over (Under) Expenditures	(3,973)
Fund Balances, January 1, 2012	176,012
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Fund Balances, December 31, 2012	\$ 172,039
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

SOUTH CENTRAL WISCONSIN RAIL TRANSIT COMMISSION
Notes To Financial Statements
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Central Wisconsin Rail Transit Commission (the “Commission”) was organized in 1978 to continue rail service on the branch line running between Madison, Wisconsin and Freeport, Illinois. It was organized by Dane and Green counties under Section 66.30 of the Wisconsin Statutes. The Commission is governed by three representatives from each member county. Rail service on the line was discontinued prior to 1998. The line has been converted to recreational trails.

A. Reporting Entity

This report only includes the general fund of the Commission.

B. Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounting which constitutes its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses. This report consists only of the general fund of the Commission.

The Commission’s General fund is its only major governmental fund. The General fund accounts for the Commission’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the commission considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

D. New Accounting Pronouncements

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, effective for periods beginning after December 15, 2012, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. While the Commission does not follow GASB 34, the Commission has implemented the provisions of this statement as reflected in the 2012 financial statements.

SOUTH CENTRAL WISCONSIN RAIL TRANSIT COMMISSION
Notes To Financial Statements
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

D. Investments

Investments consist of certificates of deposit and are stated at cost which approximates market. At December 31, 2012 the Commission had \$140,000 in certificates of deposit.

F. Equity Classifications

The Commission follows the following GASB statement:

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the Commission's financial statements have changed as a result of implementing this Statement.

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has stated intended use as established by the Commission board to assign amounts for specific purposes.

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

SOUTH CENTRAL WISCONSIN RAIL TRANSIT COMMISSION
Notes To Financial Statements
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

G. Grants

Reimbursement type grants are recorded as revenues when the related expenditures are incurred.

H. County Appropriations

Appropriations from Dane and Green Counties are recorded as revenues at the earlier of when the amounts are assessed to the Counties or when the funds are received.

I. Risk Management

The Commission is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The Commission maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission.

J. Budgets

Operating budgets are adopted each year for the general fund. The original budget was adopted in January, 2012. No budget amendments were made during the year. Changes to the overall budget must be approved by a two-thirds Commission board action.

2. CASH AND INVESTMENTS

Investment of Commission funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in financial institutions maturing in three years or less.
2. Bonds or securities of local governments or special governmental districts in the State of Wisconsin.
3. Bonds or securities issued or guaranteed by the federal government.
4. The state 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.

SOUTH CENTRAL WISCONSIN RAIL TRANSIT COMMISSION
Notes To Financial Statements
December 31, 2012

2. CASH AND INVESTMENTS, (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Commission has no investment policy that would limit its investments choices beyond the statutory limits listed above.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Commission would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the Commission would not be able to recover the value of its investment of collateral securities that are in the possession of another party. The Board does not have an investment policy for custodial credit risk.

Deposits in banks are insured by the FDIC in the amount of \$250,000 for demand accounts and \$250,000 for time accounts.

As of December 31, 2012 the Commission had no bank deposits that were in excess of federal and state depository insurance/guarantees.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates.

SOUTH CENTRAL WISCONSIN RAIL TRANSIT COMMISSION
Notes To Financial Statements
December 31, 2012

3. RAILS TO TRAILS PROJECT

In 1996, the Commission voted to place the majority of the Madison to Freeport rail line in an interim rails to trails program. Freight service was no longer possible because of safety concerns. The Rails to Trails program preserves the public integrity of the line for future transportation and currently unknown uses.

The Commission gave the Wisconsin Department of Transportation (WisDOT) authority to oversee the track salvage operation. This work was completed in 2000. The Commission retains a 20% share and WisDOT an 80% share of the track value in Wisconsin. The commission has a 100% interest in the Illinois segment.

The Commission finalized an interim trail use/rail banking agreement with WisDOT and Illinois Department of Natural Resources (ILDNR) in April 1999. A similar agreement with WisDOT and Wisconsin DNR for the Wisconsin portion of the line was finalized in April 2000. The Commission will continue to oversee the future of the Illinois segment.

Two active segments of the Commission's rail corridor in Wisconsin have been acquired by other rail transit commissions. Wisconsin River Rail Transit Commission acquired access to the University Heating Plant in Madison and Pecatonica Rail Transit Commission acquired access to the Monroe Industrial Park in Monroe.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH CENTRAL WISCONSIN RAIL TRANSIT COMMISSION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended December 31, 2012

		General Fund			Variance
		Actual	Original Budget	Final Budget	Favorable (Unfavorable)
Revenues					
Interest	\$	1,536	\$ -	\$ -	\$ 1,536
Leases		500	500	500	-
Total Revenues		2,036	500	500	1,536
Expenditures					
Current:					
Legal Expenses		84	1,500	1,500	1,416
Staff Services		4,772	4,400	4,400	(372)
Miscellaneous		53	200	200	147
Accounting		1,100	1,100	1,100	-
Total Expenditures		6,009	7,200	7,200	1,191
Excess of Revenues Over (Under) Expenditures		(3,973)	(6,700)	(6,700)	345
Fund Balances - January 1		176,012	176,012	176,012	-
Fund Balances - December 31		<u>\$ 172,039</u>	<u>\$ 169,312</u>	<u>\$ 169,312</u>	<u>\$ 345</u>