



COLEMAN & WILLIAMS, LTD.
A Professional Services Firm

Milwaukee County Transit System

Independent Public Accountants' Report
On Applying Agreed-Upon Procedures
Specified by Federal Transit Administration

Year ended December 31, 2012



**Independent Public Accountants' Report
On Applying Agreed-Upon Procedures**

To the Board of Supervisors
of the County of Milwaukee
and the Federal Transit Administration:

The Federal Transit Administration has established the following standards with regard to the data reported for the Federal Funding Allocation Data (Total Operating Expense data on F-30, line 15, column e, Form S-10, lines 12, 15, 18, 20, column d, Total Actual Vehicle Revenue Mile, Total Actual Vehicle Revenue Hour, Total Unlinked Passenger Trip data and Passenger Mile Traveled data and Fixed Guideway when applicable) in the transit agency's annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
2. A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of 3 years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
5. The data collection methods are those suggested by FTA or otherwise meet FTA requirements.
6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
7. Data are consistent with prior reporting periods and other facts known about transit agency operations.

We have applied the procedures to the Total Operating Expense data on F-30, line 15, column e, Form S-10, lines 12, 15, 18, 20, column d, Total Actual Vehicle Revenue Mile, Total Actual Vehicle Revenue Hour, Total Unlinked Passenger Trip data and Passenger Mile Traveled data and Fixed Guideway, when applicable, for the fiscal year ending December 31, 2012.



Such procedures, which were agreed to and specified by FTA in the Declarations section of the 2012 Reporting Manual and were agreed to by the Milwaukee County Transit System (the agency), were applied to assist you in evaluating whether the agency complied with the standards described in the first paragraph of this part and that the information included in the NTD report Federal Funding Allocation Statistics form for the fiscal year ended December 31, 2012 is presented in conformity with the requirements of the Uniform System of Accounts and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the 2012 Reporting Manual. The Agency's management is responsible for the Agency's accounting records. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is intended solely for your information and for FTA and should not be used by those who did not participate in determining the procedures.

The procedures were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles, fixed guideway directional route miles, passenger miles, and operating expenses of Milwaukee County Transit System (the agency) for the fiscal year-ending December 31, 2012, for each of the following modes:

- Motor Bus - directly operated
- Vans, private carrier providing transit service under contract, and
- Taxis, private carrier providing transit service under contracts.

The procedures that we performed are summarized as follows:

- A. We read the Federal Transit Administration Reporting Manual (Reporting Manual) for the 2012 National Transit Database (NTD) Report Year, in particular, "Federal Funding Allocation Data Review Procedures "a" through "y" discussed in that publication (Federal Funding Allocation Test).
- B. We developed specified procedures tailored to the agency, as enumerated below, based on FTA's Federal Funding Allocation Data review requirements as set forth in the Reporting Manual.
- C. We reviewed with Mr. Paul Snifka, Accounting Manager, and Mr. Mike Benes Contract Manager for Transit Plus, the agency's procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630. According to Mr. Mike Benes, Contract Manager, the agency has its own written procedures related to the system for reporting and maintaining Transit Plus data as documented in the 2012 Reporting Manual. (Reporting Manual Federal Funding Allocation Data review procedure "a").



- D. We discussed with Mr. Snifka the procedures referenced in procedure (C), above. We inquired whether the agency followed such procedures on a continuous basis and whether the procedures resulted in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630. We were informed by Mr. Snifka that, to the best of his knowledge, the agency has followed such procedures on a continuous basis and that the agency's accumulation and reporting of data is consistent with the NTD definitions and requirements as set forth in 49 CFR Part 630. (Reporting Manual Federal Funding Allocation Data review procedure "b").
- E. We inquired of Mr. Snifka concerning the retention policy that is followed by the agency with respect to source documents supporting the NTD data, Total Modal Operating Expenses data (F-30, line 15, column e), Actual Vehicle Revenue Mile and Passenger Miles Traveled (S-10, Line 12 and 20, column d). Per Mr. Snifka, the documentation and source documents are retained by the agency for the three years following the year in which the report is due to the FTA. (Reporting Manual Federal Funding Allocation Data review procedure "c").
- F. For the purposes of motorbus testing, we identified the source documents that are to be retained by the agency for a minimum of three years. For each of the required documents listed below, we reviewed the source documents for the weeks identified. We located and observed the following source documents supporting NTD data reported on Forms F-30 and S-10 for the year ended December 31, 2012, and noted the documents had been properly retained:
- Schedule Miles Report (weeks 12, 23 and 50)
 - Deviation sheets (weeks 12, 23 and 50)
 - FTA on-off count sheets (weeks 12, 23 and 50)
 - Time sheets/cards (weeks 12, 23 and 50)
 - Payroll registers (weeks 12, 23 and 50)
- (Reporting Manual Federal Funding Allocation Data review procedure "d").



- G. For the purposes of vans and taxis (“Transit Plus”) testing, we identified the source documents that are to be retained by the agency for a minimum of three years. For each of the required documents listed below, we reviewed the source documents for the months of March, June and November 2012. We located and observed the following source documents supporting NTD data reported on Forms F-30 and S-10 for the year ended December 31, 2012 and noted the documents had been properly retained:
- Trip Vouchers
 - Detailed Billing Reports
 - Billing Summary Reports
- H. We inquired of Mr. Snifka whether individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy and reasonableness and how often such reviews are performed. We were informed that the source documents are independently reviewed on a weekly and monthly basis for motorbus data. According to Mr. Benes, the source documents for Transit Plus are reviewed monthly. (Reporting Manual Federal Funding Allocation Data review procedure “e”).
- I. We selected a random sample of source documents for procedure “d”. We used the same documents to verify that supervisors’ signatures were present as required by the agency’s internal control structure. There were no instances of noncompliance noted (Reporting Manual Federal Funding Allocation Data review procedure “f”).
- J. We obtained the worksheets utilized by the agency to prepare the final data, which are transcribed onto the Federal Funding Allocation Statistics form. We compared the periodic data included on the worksheets to the Form F-10 and tested the arithmetical accuracy of the summarization. (Reporting Manual Federal Funding Allocation Data review procedure “g”).
- K. Per Mr. Snifka, for the purposes of motor bus passenger reporting, the agency uses an estimate of passenger miles based on statistical sampling. Per Mr. Benes, Transit Plus also uses actual passenger miles based on data received from the contractors. All methods used in 2012 are outlined and approved by the FTA as meeting the Section 15 reporting requirements in Circular UMTA C2710.1A (Reporting Manual Federal Funding Allocation Data review procedure “h”).
(Reporting Manual Federal Funding Allocation Data review procedure “d”).



- L. We discussed with Mr. Snifka the eligibility of the agency to conduct statistical sampling for passenger mile data every third year under the guidelines promulgated in 49 CFR Part 630. Mr. Snifka informed us that the agency is not eligible and statistical sampling must be done annually. (Reporting Manual Federal Funding Allocation Data review procedure “i”).
- M. Per discussion with Tom Winter, Manager of Planning, the UTMA Trips System is used to generate the random sample selections of the trip data to be tested. These random selections are generated quarterly, listed by week, and the trip selections are assigned to the automatic passenger counter system (APC) for a specific day. The APC will record the run number, bus number, time of trip, number of passengers both boarding at stops and remaining on the bus in-between stops. This information is then processed in the Traffic Department. (Reporting Manual Federal Funding Allocation Data review procedure “j”).
- N. We selected a random sample of the source documents for accumulating Motor Bus passenger mile data and determined that they were complete, (all required data were recorded) and that the computations were accurate. We reviewed the source documents for weeks 9,12,17,19,26,29,34,37,40,44,46 and 51 in 2012. We noted that the passenger mile data was complete and no mathematical errors existed. (Reporting Manual Federal Funding Allocation Data review procedure “k”).
- O. For the purposes of Transit Plus reporting, we selected a random sample of the source documents for accumulating passenger mile data and determined they were complete (all the required data was recorded) and that the computations were accurate. We reviewed the source documents for the months of March, June and November 2012. We noted the passenger and actual revenue mile data was complete and no mathematical errors existed. (Reporting Manual Federal Funding Allocation Data review procedure “k”).
- P. We discussed with Paul Snifka, procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of motorbus vehicle revenue. In order to determine if the stated procedures were followed, we selected a random sample of the source documents used to record charter and school bus mileage and proved the arithmetical accuracy of the computations. We selected three weeks (weeks #12, 23 and 50) and reviewed the scheduled miles reports and the deviation sheets used to arrive at the actual vehicle miles for those weeks. We noted that all school bus and charter mileage was properly excluded and amounts were computed correctly. These deviation sheets also included trips that were scheduled but missed and as such were properly deducted as well from the actual vehicle miles. (Reporting Manual Federal Funding Allocation Data review procedure “L”).
- Q. Per Mr. Snifka, the vehicle revenue mile data for motor bus is calculated using schedules. The missed trips and school trips are deducted via the deviation sheets. Deadhead miles are systematically excluded from the summarization. For the purposes of Transit Plus reporting, vehicle logs are used to compute the vehicle revenue mile data. We selected a random sample of documents and verified that deadhead miles were not included in the calculation. (Reporting Manual Federal Funding Allocation Data review procedure “m”).



R. Operating Expense Reconciliation for Motor Bus:	
Operating expense per ledger	\$133,514,438
Operating Cross-charges per DPW ledger	1,763,549
Non-Operating costs included in ledger	556,806
Tire Lease	477,177
Marketing Grant	1,272,098
Planning	187,500
Less: Contracted services	(2,260,929)
Lease	<u>(11,845)</u>
Operating Expense per Form F-30	\$135,498,794

Operating Expense Reconciliation for Transit Plus:	
Operating expense per ledger	\$ 15,808,197
Operating Cross charges per DPW ledger	65,865
Less: Contracted services	<u>-</u>
Operating expense per Form F-30	\$ 15,874,062

(Reporting Manual Federal Funding Allocation Data review procedure “t”).

- S. We inquired of Mr. Benes the agency contracts for transportation service. We were informed that the agency contracts for transportation service and that purchased transportation fare revenues are retained by the contract service providers. We obtained documentation of the retained fare revenue amount as reported by the contract service provider and agreed this amount to retained fare revenues reported on Form B-30 by the agency. The F-30 report shows Transit Plus reported about \$40,904 of filing separate report expenses, which is the amount for Waukesha Metro (5096).
- T. We were informed, by Mr. Benes, that the agency contracts for transportation service with contractors that operated fewer than 100 vehicles for the agency’s contracted service at peak. MCTS purchases transportation from four different contractors. We were provided with 3 out of the 4 independent contractor’s auditor’s reports. Copies of the reports are attached to this report. (Reporting Manual Federal Funding Allocation Data review procedure “v”).
- U. We obtained a copy of the contracts for the purchase of transportation service and read them to determine that the contracts specify the specific mass transportation services to be provided by the contractors, specify the monetary consideration obligated by the agency for the service, specify the period covered by the contracts, and that this period is the same as the period covered by the agency’s NTD Report, and is signed by the representatives of both parties to the contract. We noted no exceptions. We also inquired of Mr. Benes regarding the retention of the executed contracts, and were told that copies of the contracts are retained for a minimum of three years. (Reporting Manual Federal Funding Allocation Data review procedure “w”).



We compared the motorbus data reported on the Total Modal Operating expenses data (F-30, line 15, column e), Actual Vehicle Revenue Mile and Passenger Miles Traveled (S-10, lines 12 and 20, column d) to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. We also compared Transit Plus data reported on the Form F-30, S-10 to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. We noted motorbus vehicle revenue miles, passenger mile and operating expense data did not increase or decrease by more than 10 % from last year. We however, noted that Transit Plus vehicle revenue mile, passenger mile, and operating expense decreased by more than 10 % from last year. We obtained a written response from Paul Snifka and Bill Weisgerber for the -26%, -34% and -29% decrease in Transit Plus vehicle revenue mile, passenger miles, and operating expense, respectively. We reviewed the written response from Paul and were satisfied with the explanation.

V. Percentage change in the following for motorbus data:

	<u>2012</u>	<u>2011</u>	<u>Change %</u>
Vehicle revenue miles	15,518,190	15,291,631	1%
Passenger miles	129,472,652	132,206,061	-2%
Operating expense data	135,510,956	135,805,599	0%

Percentage change in the following for Transit Plus data:

	<u>2012</u>	<u>2011</u>	<u>Change %</u>
Vehicle revenue miles	3,073,712	4,137,119	-26%
Passenger miles	3,587,366	5,441,874	-34%
Operating expense data	15,874,063	22,252,174	-29%

(Reporting Manual Federal Funding Allocation Data review procedure “y”).

As a result of performing the procedures described above we did not identified any noncompliance with FTA mandated standards.

W. The following Reporting Manual Federal Funding Allocation Data review procedures were not applicable to the agency and therefore, were not performed:

Reporting Manual Federal Funding Allocation Data review procedure n, o, p, q, r, s, and x.



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We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Federal Funding Allocation Statistics Form. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Also, we do not express an opinion on the transit agency's system of internal control taken as a whole.

This report relates only to the information described above, and does not extend to the transit agency's financial statements taken as a whole or the forms in the transit agency's NTD report other than the Federal Funding Allocation Statistics Form, for any date or period.

This report is intended solely for the information and use of the Board of Supervisors of the County of Milwaukee, the FTA, and the agency, and is not intended to be and should not be used by anyone other than those specified parties.

Coleman & Williams, Ltd.
Milwaukee, Wisconsin
April 24, 2013

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Independent Auditor's Report

Board of Directors
Transit Express Services, Inc.
Milwaukee, Wisconsin

We have audited the accompanying balance sheets of Transit Express Services, Inc. as of December 31, 2011 and 2010, and the related statements of income and comprehensive income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of Transit Express Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transit Express Services, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

June 1, 2012
Milwaukee, Wisconsin

American United Taxicab Co., Inc.
Report on Audit of Financial Statements
For the years ended December 31, 2011 and 2010

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CPA & Accounting Services
Information Technology
Wealth Management
Human Resources
Payroll Specialists

Independent Auditor's Report

Board of Directors
American United Taxicab Co., Inc.
Milwaukee, Wisconsin

We have audited the accompanying balance sheets of American United Taxicab Co., Inc. as of December 31, 2011 and 2010 and the related statements of income and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As more fully described in Note H to the financial statements, the Company's financial statements do not include the accounts of Homer Sod Farm Partnership, LLP that the Company has determined is a variable interest entity and in which the Company holds a variable interest and is the primary beneficiary. In our opinion, the Company's financial statements should include the accounts of Homer Sod Farm Partnership, LLP to conform with accounting principles generally accepted in the United States of America. The effects of this departure from generally accepted accounting principles on the financial position, results of operations, and cash flows of American United Taxicab Co., Inc. are not reasonably determinable.

In our opinion, except for the effects of not including the accounts of Homer Sod Farm Partnership, LLP in the accompanying financial statements as explained in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of American United Taxicab Co., Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jannsen Company, S.C.

Certified Public Accountants

July 20, 2012

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American United Taxicab Co., Inc.
 Balance Sheets
 December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets:		
Cash	\$ 316,890	\$ 394,110
Accounts receivable	1,551,587	1,664,393
Employee advances	5,000	-
Amount due from related individual	90,204	-
Prepaid expenses	16,796	12,202
Prepaid income taxes	205,231	-
Total Current Assets	<u>2,185,708</u>	<u>2,070,705</u>
Property and Equipment:		
Leasehold improvements	118,100	44,266
Furniture and fixtures	290,662	31,761
Equipment and computers	577,569	503,039
Construction in progress	-	5,303
	<u>986,331</u>	<u>584,369</u>
Less accumulated depreciation	367,703	284,402
	<u>618,628</u>	<u>299,967</u>
Other Assets:		
Amounts due from related companies	1,573,201	1,499,533
Amount due from stockholder	417,000	417,000
	<u>1,990,201</u>	<u>1,916,533</u>
	<u>\$ 4,794,537</u>	<u>\$ 4,287,205</u>

	<u>2011</u>	<u>2010</u>
Liabilities and Stockholder's Equity		
Current Liabilities:		
Line of credit	\$ 96,000	\$ -
Accounts payable	92,221	137,992
Accrued payroll	48,698	36,568
Sales tax payable	2,474	2,306
Accrued income taxes	-	97,491
Deferred income taxes	<u>572,000</u>	<u>601,000</u>
Total Current Liabilities	811,393	875,357
Deferred Income Taxes	177,700	88,500
Stockholder's Equity:		
Common stock, 9,000 no par value shares authorized, 100 issued and outstanding	100	100
Retained earnings	<u>3,805,344</u>	<u>3,323,248</u>
	3,805,444	3,323,348
	<u><u>\$ 4,794,537</u></u>	<u><u>\$ 4,287,205</u></u>

See notes to financial statements.

American United Taxicab Co., Inc.
Statements of Income and Retained Earnings
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net Revenues	\$ 5,541,110	\$ 5,594,851
Cost of Revenues	<u>2,524,395</u>	<u>2,143,770</u>
Gross Profit	3,016,715	3,451,081
Operating Expenses	<u>2,215,682</u>	<u>1,751,802</u>
Income from Operations	801,033	1,699,279
Other Expenses (Income):		
Miscellaneous income	(4,780)	(11,334)
Interest expense	200	695
Loss on disposal of assets	<u>33,317</u>	<u>1,775</u>
	<u>28,737</u>	<u>(8,864)</u>
Income Before Taxes	772,296	1,708,143
Income taxes	<u>290,200</u>	<u>665,500</u>
Net Income	482,096	1,042,643
Retained Earnings:		
Beginning of year	<u>3,323,248</u>	<u>2,280,605</u>
End of year	<u>\$ 3,805,344</u>	<u>\$ 3,323,248</u>

See notes to financial statements.

American United Taxicab Co., Inc.
 Statements of Cash Flows
 For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows Provided (Used) By:		
Operating activities:		
Net income	\$ 482,096	\$ 1,042,643
Non-cash items included in income:		
Depreciation	99,577	71,649
Loss on disposal of assets	33,317	1,775
Deferred income taxes	60,200	135,500
Related company write off	-	(11,224)
Changes in operating assets and liabilities:		
Accounts receivable	112,806	(388,137)
Employee advances	(5,000)	-
Prepaid expenses	(4,594)	(6,926)
Prepaid income taxes	(205,231)	-
Accounts payable	(45,771)	(26,962)
Accrued payroll	12,130	8,521
Sales tax payable	168	391
Accrued income taxes	<u>(97,491)</u>	<u>(34,986)</u>
Net cash provided by operating activities	442,207	792,244
Investing activities:		
Additions to amount due from related individual	(90,204)	-
Additions to amounts due from related companies	(261,312)	(828,455)
Proceeds on amounts due from related companies	187,644	21,248
Additions to amount due from stockholder	-	(100,000)
Additions to property and equipment	<u>(451,555)</u>	<u>(35,855)</u>
Net cash used by investing activities	(615,427)	(943,062)
Financing activities:		
Proceeds from (Payments on) line of credit	<u>96,000</u>	<u>(135,000)</u>
Net cash provided (used) by financing activities	96,000	(135,000)
Decrease in Cash	(77,220)	(285,818)
Cash:		
Beginning of year	<u>394,110</u>	<u>679,928</u>
End of year	<u>\$ 316,890</u>	<u>\$ 394,110</u>
Supplemental Information:		
Cash was paid during the year for:		
Income taxes	<u>\$ 532,722</u>	<u>\$ 564,986</u>
Interest	<u>\$ 200</u>	<u>\$ 695</u>

See notes to financial statements.

American United Taxicab Co., Inc.
Notes to Financial Statements

A. Summary of Significant Accounting Policies

Nature of Business - American United Taxicab Co., Inc. (AUT), located in Milwaukee, Wisconsin, provides radio dispatch service and fare voucher processing to taxicab drivers located in Milwaukee County.

Cash - Cash includes cash on hand and demand deposits held at bank. During the course of a normal business cycle, the Company, at times maintains cash balances exceeding federally insured limits. There were no amounts in excess of insured limits as of December 31, 2011 and 2010.

Accounts Receivable - As required by accounting principles generally accepted in the United States of America, the Company uses the allowance method to account for bad debts. Based upon prior history, management estimates potential bad debts in accounts receivable to be insignificant. Therefore, no allowance is provided. If at some future point, based upon history or specific identification, management estimates that potential bad debts in accounts receivable are significant; an estimate will be allocated to the allowance account.

Property and Equipment - Property and equipment are stated at cost. Maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Depreciation is calculated using straight-line and accelerated methods for both financial and tax purposes over the estimated useful lives of the assets.

Income Taxes - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of property, equipment and accrual to cash conversion for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Company has adopted ASC 740-10 as it relates to uncertain tax positions and has evaluated its tax positions taken for all open tax years. Currently, the 2008, 2009 and 2010 tax years are open and subject to examination by the Internal Revenue Service and Wisconsin Department of Revenue, for which 2007 is also open. However, the Company is not currently under audit nor has the Company been contacted by any of these jurisdictions.

Any interest and penalties recognized associated with a tax position are classified as current in the Company's financial statements. There were no interest or penalties recognized as of December 31, 2011 and 2010.

Based on the evaluation of the Company's tax positions, Management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year end December 31, 2011 and 2010.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising - The Company uses nondirect-response advertising and expenses the costs as incurred. Advertising costs of \$9,679 and \$14,132 were charged to operations in 2011 and 2010.

Subsequent Events - Management has evaluated subsequent events through July 20, 2012, the date the financial statements were available to be issued.

American United Taxicab Co., Inc.
Notes to Financial Statements

B. Note Payable - Line of Credit

The Company has available to it a line of credit with a bank to a maximum of \$250,000 at December 31, 2011 and 2010, collateralized by all business assets and an unlimited personal guarantee of the stockholder. Interest is due monthly at the LIBOR rate (.27% and .26% at December 31, 2011 and 2010) plus 1.9%. The agreement expires December 2012. There was \$96,000 and \$0 outstanding at December 31, 2011 and 2010.

C. Income Taxes

	<u>2011</u>	<u>2010</u>
The tax provision consists of:		
Current:		
State	\$ 69,000	\$ 105,000
Federal	<u>161,000</u>	<u>425,000</u>
	230,000	530,000
Deferred:		
State	(5,800)	28,000
Federal	<u>66,000</u>	<u>107,500</u>
	<u>60,200</u>	<u>135,500</u>
Total	<u>\$ 290,200</u>	<u>\$ 665,500</u>

Differences exist between book and taxable income. A reconciliation of book to taxable income is as follows:

	<u>2011</u>	<u>2010</u>
Book Income before tax	\$ 772,300	\$ 1,708,000
Permanent differences	100	10,100
Imputed interest	1,700	2,200
Difference in book and tax depreciation	(295,600)	26,200
Difference in book and tax loss on disposal	33,300	1,000
Accrual to cash conversion	74,600	(381,700)
Related company write-off	-	(11,224)
State taxes paid	<u>(115,000)</u>	<u>(110,000)</u>
Taxable income	<u>\$ 471,400</u>	<u>\$ 1,244,576</u>

American United Taxicab Co., Inc.
Notes to Financial Statements

D. Deferred Income Taxes

	<u>2011</u>	<u>2010</u>
Deferred Income Taxes Arising From:		
Cumulative difference between book and tax depreciation on property and equipment	\$ 504,600	\$ 242,300
Accrual to cash conversion	<u>1,458,600</u>	<u>1,533,200</u>
Total amounts deferred	<u>\$ 1,963,200</u>	<u>\$ 1,775,500</u>
Gross deferred income taxes	<u>\$ 749,700</u>	<u>\$ 689,500</u>

The above deferred income taxes are shown on the balance sheet as follows:

Liability - current	\$ 572,000	\$ 601,000
Liability - non current	<u>177,700</u>	<u>88,500</u>
	<u>\$ 749,700</u>	<u>\$ 689,500</u>

E. Leases

The Company conducts its operations in facilities leased on a month-to-month basis from Homer Sod Farm Partnership, LLP. The lease generally requires that the Company pay applicable property taxes, insurance and maintenance costs. The monthly lease payment increased in June 2011 from \$38,000 to \$41,000. Total rents charged to operations totaled \$477,000 and \$432,000 in 2011 and 2010.

The Company also rents, on a month to month basis, satellites on radio towers for dispatch communications and the license to keep the FCC frequency for dispatch services. The total payments on a monthly basis for these satellites and licenses are \$757. Total rents charged to operations totaled \$9,086 and \$9,236 in 2011 and 2010.

In addition, the company leases various office equipment. These leases require monthly aggregate payments of \$446 and expire through December 2013. Total lease expense charged to operations for this equipment totaled \$5,354 in 2011 and 2010.

The minimum rental commitment for subsequent years is:

2012	\$ 5,354
2013	<u>3,751</u>
	<u>\$ 9,105</u>

American United Taxicab Co., Inc.
Notes to Financial Statements

F. Major Customers

The Company has major customers, when combined, that account for significant activity and balances as follow:

	<u>2011</u>	<u>2010</u>
Sales:		
Customer A	\$ 851,409	\$ 751,802
Customer B	869,630	1,102,555
Customer C	686,791	803,538
Customer D	<u>1,506,345</u>	<u>1,307,176</u>
	<u>\$ 3,914,175</u>	<u>\$ 3,965,071</u>
	<u>71%</u>	<u>71%</u>
	<u>2011</u>	<u>2010</u>
Accounts Receivable:		
Customer A	\$ -	\$ -
Customer B	398,973	357,352
Customer C	221,811	270,782
Customer D	<u>236,084</u>	<u>443,491</u>
	<u>\$ 856,868</u>	<u>\$ 1,071,625</u>
	<u>55%</u>	<u>64%</u>

The revenues for Customer A are from the utilization of AUT's dispatch services. Customer B, C, and D's revenues are due to fare voucher processing. The fare voucher processing is a set percentage of the total fare.

G. Related Party Transactions

The majority partner of Horner Sod Farm Partnership, LLP (HSP) is the sole stockholder of American United Taxicab Co., Inc. In addition, the sole stockholder of American United Taxicab Co., Inc. is also the sole stockholder of Joe Sanfelippo Cabs, Inc. (JSC), Sanfelippo Auto Repair (SAR) and Mike Sanfelippo, Inc. (MSI). The transactions and balances as of December 31, 2011 and 2010:

	<u>HSP</u>	<u>JSC</u>	<u>SAR</u>	<u>MSI</u>
Activity included in operations during 2011:				
Revenues	\$ -	\$ 851,409	\$ -	\$ -
Rent expense	477,000	-	-	-
Consulting fees	-	-	-	1,020,000
Balances as of December 31, 2011:				
Amount due from related parties	\$ 1,229,134	\$ 341,551	\$ 2,516	\$ 417,000
Amount due to related parties	-	-	-	-

American United Taxicab Co., Inc.
Notes to Financial Statements

G. Related Party Transactions (Continued)

	<u>HSP</u>	<u>JSC</u>	<u>SAR</u>	<u>MSI</u>
Activity included in operations during 2010:				
Revenues	\$ -	\$ 751,802	\$ -	\$ -
Rent expense	432,000	-	-	-
Consulting fees	-	-	-	820,000
Balances as of December 31, 2010:				
Amount due from related parties	\$ 1,174,214	\$ 298,859	\$ 26,460	\$ -
Amount due to related parties	-	-	-	-

In addition, the Company paid a personal expense for a related individual. The amount due from the related individual as of December 31, 2011 and 2010 was \$90,204 and \$0.

H. Variable Interest Entity

The Company has excluded the financial statements of Horner Sod Farm Partnership, LLP from consolidation with these financial statements. FASB Accounting Standards Codification 810 (ASC 810) requires consolidation of this entity. The entity was formed for the purpose of owning commercial real estate and its activities primarily relate to leasing real estate to both unrelated and related parties, including AUT. Management believes that if this entity were consolidated total assets (primarily land and building) and total long-term debt would increase by \$6,052,992 and \$5,065,884 and non-controlling interest would increase by \$987,108 as of December 31, 2011; net income and stockholder's equity would not be affected due to non-controlling interests. Management believes that if this entity were consolidated total assets (primarily land and building) and total long-term debt would increase by \$6,128,216 and \$5,347,365 and non-controlling interest would increase by \$780,851 as of December 31, 2010; net income and stockholder's equity would not be affected due to non-controlling interests.



JANNSEN COMPANY

CPA & Accounting Services
Information Technology
Wealth Management
Human Resources
Payroll Specialists

Independent Auditor's Report on Supplementary Information

Board of Directors
American United Taxicab Co., Inc.
Milwaukee, Wisconsin

We have audited the financial statements of American United Taxicab Co., Inc. as of and for the years ended December 31, 2011 and 2010 and our report thereon dated July 20, 2012, which expressed a qualified opinion on those financial statements, appears on page 3. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Jannsen Company, S.C.

Certified Public Accountants

July 20, 2012

American United Taxicab Co., Inc.
Schedules of Operating Expenses (Unaudited)
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Expenses:		
Management consultant	\$ 1,020,000	\$ 820,000
Insurance	38,329	35,219
Utilities	22,573	18,162
Telephone	123,626	74,563
Credit card service	40,445	35,507
Bank service charges	14,366	14,258
Computer expense	96,092	77,807
Legal and accounting	117,818	38,862
Depreciation	99,577	71,649
Repairs and maintenance	72,383	38,550
Office expenses	52,058	39,523
Printing	10,019	5,613
Postage	3,580	5,968
Advertising	9,679	14,132
Rent	479,415	435,509
Property taxes	-	330
Bad debt	161	901
Dues and subscriptions	213	5
Contributions	700	980
Miscellaneous expenses	6,396	364
Sales and use tax expense	8,051	3,662
Meals and entertainment	201	20,238
	<u>\$ 2,215,682</u>	<u>\$ 1,751,802</u>