

**VALLEY TRANSIT**  
An Enterprise Fund of the  
City of Appleton, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

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

# **VALLEY TRANSIT**

An Enterprise Fund of the City of Appleton, Wisconsin

## **TABLE OF CONTENTS**

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

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Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 11
Financial Statements	
Statements of Net Position	12 – 13
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15 – 16
Notes to Financial Statements	17 – 27
Supplemental Information	
Detailed Schedule of Revenues and Expenses – Regulatory Basis	28
Statement of Revenues and Expenses – Budget and Actual	29 – 30
Reconciliation of Revenues and Expenses to WisDOT and Federal Recognized Revenues and Expenses – Regulatory Basis	31
Computation of the Deficit Distribution Among the Subsidy Grantors	32

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Common Council  
Valley Transit  
Appleton, Wisconsin

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

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

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

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

### ***Auditors' Responsibility***

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

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

To the Honorable Mayor and Common Council  
Valley Transit

### ***Opinion***

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

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Transit enterprise fund and do not purport to, and do not present fairly the financial position of the City of Appleton, Wisconsin, as of December 2014 and 2013, and the 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. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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. Management has elected to include more information in the Management's Discussion and Analysis than is required by the standards. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Detailed Schedule of Revenues and Expenses – Regulatory Basis, Statement of Revenues and Expenses – Budget and Actual, Reconciliation of Revenues and Expenses to WisDOT and Federal Recognized Revenues and Expenses, and the Computation of the Deficit Distribution Among the Subsidy Grantors are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Detailed Schedule of Revenues and Expenses – Regulatory Basis, Statement of Revenues and Expenses – Budget and Actual, Reconciliation of Revenues and Expenses to WisDOT and Federal Recognized Revenues and Expenses, and the Computation of the Deficit Distribution Among the Subsidy Grantors are fairly stated in all material respects in relation to the financial statements as a whole.

To the Honorable Mayor and Common Council  
Valley Transit

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

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the City of Appleton'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 the Transit. 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 Transit's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
June 17, 2015

# Valley Transit

## Management's Discussion and Analysis

The management of Valley Transit offers readers of our financial statements the following narrative overview and analysis of our financial activities for the years ended December 31, 2014 and 2013.

### Basic Financial Statements

Valley Transit is owned and operated by the City of Appleton, with our basic financial statements prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. These are followed by the notes to the financial statements. In addition to the basic financial statements, this report also contains required supplementary information.

The Statement of Net Position presents information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Valley Transit is improving or deteriorating.

The Statement of Revenue, Expenses and Changes in Net Position reports the operating revenues and expenses and non-operating revenues and expenses of Valley Transit for the fiscal year, with the difference – the net income or loss – being combined with any capital grants to determine the net change in position for the fiscal year. That change combined with the net position at the end of the prior year equals the net position at the end of the current fiscal year.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance equals the cash and cash equivalent balance at the end of the current fiscal year.

An analysis of Valley Transit's financial position begins with a review of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report Valley Transit's net position and changes to it. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

Net position may serve over time as a useful indicator of the government's financial position. In the case of Valley Transit, assets exceeded liabilities by \$5,388,703 as of December 31, 2014; compared to \$5,961,921 in 2013. The largest portion of Valley Transit's net position is investments in capital assets (i.e. land, building, equipment and improvements). These assets are used to provide

transportation services to customers. The Federal Transit Administration provided 80% of the funding to purchase Valley Transit's capital assets and therefore, has significant interest in their use.

### Statement of Valley Transit's Net Position

	2014	2013	2012	2011	2010
<b>Assets</b>					
Current Assets	\$2,394,766	\$1,967,774	\$2,488,472	\$2,159,533	\$1,938,905
Capital Assets	4,115,515	4,726,762	5,215,657	5,533,803	5,477,133
Other Assets	<u>1,342,640</u>	<u>1,249,143</u>	<u>1,121,968</u>	<u>990,969</u>	<u>845,894</u>
Total Assets	7,852,921	7,943,679	8,826,097	8,684,305	8,261,932
<b>Liabilities</b>					
Current Liabilities	2,366,282	1,854,177	2,306,593	1,889,494	1,560,190
Non-current Liabilities	<u>97,936</u>	<u>127,581</u>	<u>157,456</u>	<u>226,674</u>	<u>324,060</u>
Total Liabilities	2,464,218	1,981,758	2,464,049	2,116,168	1,884,250
<b>Net Assets</b>					
Invested in capital assets	4,115,515	4,726,762	5,215,657	5,533,803	5,477,133
Restricted	1,342,640	1,249,143	1,121,968	990,969	845,894
Unrestricted	<u>(69,452)</u>	<u>(13,984)</u>	<u>24,423</u>	<u>43,365</u>	<u>54,655</u>
Total Net Assets	5,388,703	5,961,921	6,362,048	6,568,137	6,377,682
Percent restricted	24.92%	20.95%	17.64%	15.09%	13.26%

Current Assets increased in 2014 mostly due to the accrual of State and Federal grants owed to Valley Transit. Valley Transit is waiting for final payments on State grants from 2010 and forward. The Federal grant money is typically drawn when the audit is complete; within the first quarter of the new year. Current Liabilities also increased because refunds to local governments and municipalities are payable at the end of the year but are verified by auditors prior to payment.

Non-current Liabilities are an accrual for payouts of accumulated sick leave on behalf of employees upon retirement. This liability has steadily declined over the past five years as long term employees have retired.

The decline in Capital Assets and the decrease in total Net Position during 2014 and 2013 reflects a lower than average year of capital asset additions due to a lack of federal capital funding available for bus and bus facilities. Depreciation expense of approximately \$658,000 was recorded as compared to asset retirements of approximately \$65,000. Looking back to prior years, Valley Transit was awarded a capital grant of \$276,000 in 2011 but notification was received too late in the year to begin any of the projects funded by the grant. Several small projects were completed in 2012 with the remaining projects completed in 2013.

The following table provides a summary of Valley Transit's operations for the years ending December 31, 2010 - 2014.

## Statement of Revenues, Expenses and Changes in Net Position

	2014	2013	2012	2011	2010
<b>Operating Revenues</b>					
Passenger fares for transit service	\$1,495,310	\$1,472,445	\$1,410,215	\$1,435,751	\$1,322,057
Special fare assistance	0	0	545	639	2,774
Non-transportation revenue	<u>68,046</u>	<u>75,113</u>	<u>74,757</u>	<u>81,218</u>	<u>58,909</u>
Total Operating Revenues	<u>1,563,356</u>	<u>1,547,558</u>	<u>1,485,517</u>	<u>1,517,608</u>	<u>1,383,740</u>
<b>Operating Expenses</b>					
Salaries and wages	2,374,084	2,282,429	2,198,590	2,193,681	2,235,027
Fringe benefits	1,311,645	1,305,491	1,252,792	1,321,894	1,454,733
Services	384,024	271,349	220,147	188,649	222,368
Materials and Supplies	959,385	905,241	789,402	800,097	623,858
Utilities	105,020	101,937	85,422	91,133	84,673
Casualty and Liability costs	199,369	90,011	130,233	190,285	179,927
Purchased transportation services	3,296,289	3,098,708	2,869,326	2,869,324	2,820,515
Miscellaneous	58,489	63,865	45,258	53,641	53,422
Depreciation	<u>657,913</u>	<u>655,108</u>	<u>616,297</u>	<u>571,706</u>	<u>539,325</u>
Total Operating Expenses	<u>9,346,218</u>	<u>8,774,139</u>	<u>8,207,467</u>	<u>8,280,410</u>	<u>8,213,848</u>
Operating Loss	<u>(7,782,862)</u>	<u>(7,226,581)</u>	<u>(6,721,950)</u>	<u>(6,762,802)</u>	<u>(6,830,108)</u>
<b>Operating Subsidies</b>					
Local	1,422,802	1,348,844	1,164,332	1,124,915	1,180,467
Investment Income <small>(credited as local subsidies)</small>	24,464	(2,450)	26,455	123,432	36,011
State	2,246,007	2,208,486	2,169,356	2,322,036	1,936,798
Federal	<u>2,952,625</u>	<u>2,649,815</u>	<u>2,455,837</u>	<u>2,336,554</u>	<u>2,739,622</u>
Total Subsidies	<u>6,645,898</u>	<u>6,204,695</u>	<u>5,815,980</u>	<u>5,906,937</u>	<u>5,892,898</u>
Loss Before Contributions & Transfers	(1,136,964)	(1,021,886)	(905,970)	(855,865)	(937,210)
<b>Capital Contributions - Federal &amp; State</b>	39,485	126,488	268,163	605,512	633,385
<b>Capital Contributions - Local</b>	-	-	-	-	2,358
<b>Loss on Asset Disposal</b>	(10,165)	-	625	(712)	-
<b>Transfers - Appleton Operating Subsidies</b>	534,426	495,271	431,093	441,519	538,667
<b>Transfers - Appleton Capital Subsidies</b>	-	-	-	-	-
Change in Net Assets	<u>(573,218)</u>	<u>(400,127)</u>	<u>(206,089)</u>	<u>190,454</u>	<u>237,200</u>
NET Assets - Beginning of Year	<u>5,961,921</u>	<u>6,362,048</u>	<u>6,568,137</u>	<u>6,377,682</u>	<u>6,140,482</u>
NET Assets - End of Year	<u>5,388,703</u>	<u>5,961,921</u>	<u>6,362,048</u>	<u>6,568,137</u>	<u>6,377,682</u>

Operating revenues increased \$15,798 in 2014, mainly due to an overall increase in fare revenues, partially offset by a reduction in advertising revenue. Valley Transit saw a slight decrease in fixed route ridership during 2014 (-1.0%) and an overall increase in use of paratransit services (7.1%). Passenger fares for transit services increased \$22,865 despite a decline in cash fares which were offset by an increase in 30 day pass sales and increased use of paratransit services. The decline in fixed route ridership was due to a general reduction in ridership during the first five months of the year; largely due to very cold and snowy weather.

During 2014 Valley Transit saw an increase in operating expense primarily due to higher cost of insurance, purchased services, purchased transportation, bus parts and personnel cost. The increase in the Casualty and Liability expense in 2014 is reflective of a return to the customary amount after a reduction in both 2012 and 2013 due to a return of prior years' surplus. In both 2012 and 2013 the surplus return was partially offset by a charge assessed from the City's Risk Management Internal Services Fund to all units that it provides workers compensation coverage to, in order to assist the fund in complying with established balance reserve policies.

Increases in the Services line item is a result of an increase in software support related to the automated vehicle locator system along with expenses related to a strategic plan project, which was largely reimbursed by a planning grant through the State of Wisconsin (80%). The increased cost of Purchased Transportation Services are due to a higher use of paratransit service as previously discussed and contracted cost of living increases for the providers.

As Valley Transit's vehicles age, the cost of maintenance and parts will continue to increase, as reflected in the materials and supplies line item. Valley Transit needed to replace several bus transmissions and other high cost bus parts during 2014. As Capital funding for buses and maintenance parts for buses becomes increasingly scarce, Valley Transit will need to fund these costs out of its operating expenses.

The increase in personnel expense in 2014 is mostly due to increased contributions to the Wisconsin Retirement System, filling a supervisor position that had remained vacant throughout much of 2013 and small contractual increases under the labor agreement with union employees.

## **Capital Assets**

Valley Transit's capital assets are 80% funded by Federal Transit Administration grants. The remaining 20% is funded either through Valley Transit's depreciation reserve for replacement equipment or from current year support from the various local governments that participate in Valley Transit.

During 2014, Valley Transit purchased a new staff vehicle, participated in a City-wide upgrade of security cameras and camera software and replaced the broken DVR systems in all of its fleet. Replacement of the cameras was necessary because they had ceased functioning effectively, but were not fully depreciated, which resulted in a loss on asset disposal. Capital grant money was not available for all of the projects, which made it necessary to use depreciation reserve money to fund items not covered by grants.

Looking back at prior years, in 2013 Valley Transit completed unfinished projects from the 2011 capital grant. Valley Transit remodeled the Administration offices to comply with ADA requirements and purchased a staff vehicle. Both projects cost a total of \$142,750 and was reimbursed at 80% through the capital grant. Valley Transit also completed installation of an Intelligent Transit System funded under an ARRA grant (\$29,620 reimbursed at 100%).

In 2012 capital projects included purchasing two staff vehicles, two bus shelters and capital maintenance items (\$124,578 reimbursed at 80%). In 2012, Valley Transit also continued to work on projects associated with the ARRA grant; purchasing and installing new bus stop signs and implementing a large portion of the Intelligent Transit System for the fixed route buses (\$211,192 reimbursed at 100%).

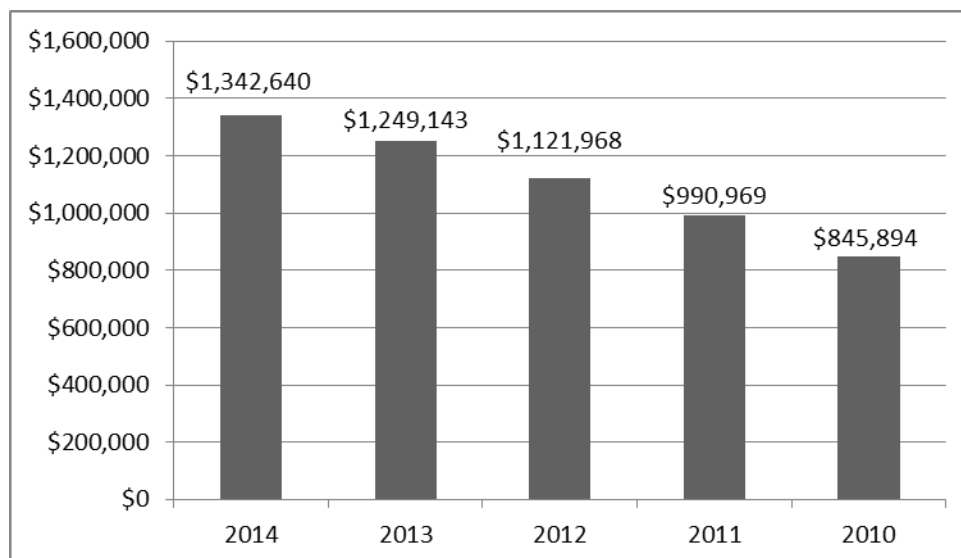
During 2011, Valley Transit also worked on projects associated with the ARRA grant; purchasing two twenty-passenger hybrid buses, in addition to beginning installation of the Intelligent Transit System for the fixed route buses.

During 2010, Valley Transit purchased registering fareboxes (\$504,205 reimbursed at 100%) with ARRA funds and used capital money to complete upgrades to the HVAC, lighting and buildings; also resulting in an increase in restricted and net capital assets. Valley Transit also received a planning grant from the Wisconsin Department of Transportation for an operational analysis (total cost of \$62,402, reimbursed at 80%).

### **Funded Depreciation Reserve – Restricted Assets**

Restricted Net Position represents a funded reserve used to pay for asset replacements that are not paid for by capital grants; typically 20% of the asset value. This reserve is funded by a charge equal to 20% of annual depreciation expense levied on the system's fixed route local municipal partners.

The balance of this account over the past five years is as follows:



While capital assets are 80% funded by Federal Transit grants and Valley Transit has purchased capital items over the last five years using the depreciation reserve for the remaining 20%, we have not made significant purchases so the balance in this fund is appropriately increasing. As previously discussed, several capital projects in 2014 were paid for out of the depreciation reserve account at a higher rate than 20%, reflecting a smaller increase in the reserve account than expected.

### **Requests for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of Valley Transit's finances. If you have questions about this report or need any additional information contact the City of Appleton, Valley Transit Attn: Deborah S. Wetter, General Manager at 1.920.832.2291 or [Deborah.Wetter@appleton.org](mailto:Deborah.Wetter@appleton.org).

### **Valley Transit Statistics and Accomplishments**

The following section provides detailed information about a variety of topics relating to Valley Transit operations in 2014 including: funding partners, services provided, operating statistics and a list of accomplishments.

# VALLEY TRANSIT BY THE NUMBERS 2014

**1,271,282** RIDES ON  
ALL SERVICES

**1,081,882** RIDES ON  
FIXED ROUTE

**18**

FIXED BUS  
ROUTES

**3**

TRIPPER  
ROUTES

**1**

CALL-A-RIDE  
ZONE

**216,154** URBANIZED  
POPULATION

**117** SQUARE MILE  
RADIUS

**27**

BUSES IN  
FLEET

**21**

PEAK HOUR  
BUSES

**194,183** RIDES TAKEN BY  
AASD STUDENTS

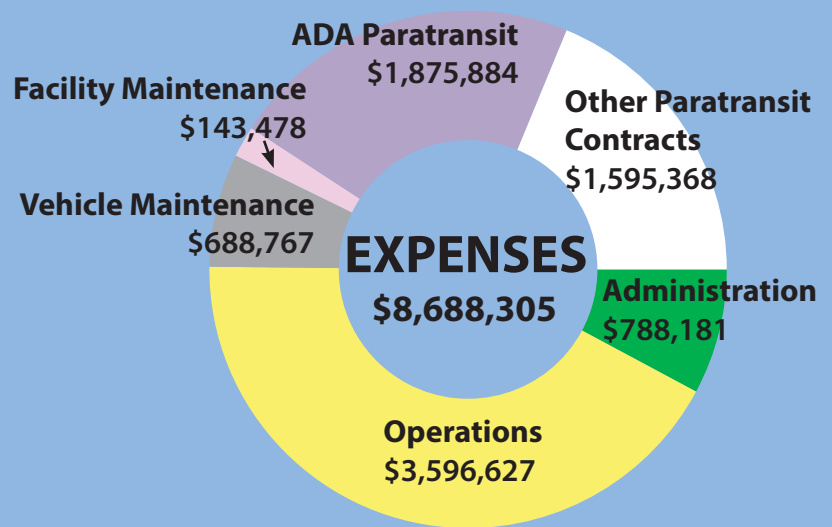
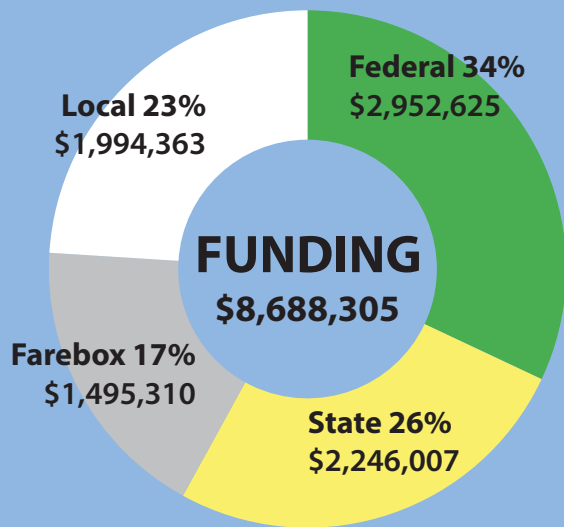
**54%** OF TRIPS TO JOBS  
OR JOB TRAINING

## 13 Municipalities as Local Funding Partners

City of Appleton  
City of Kaukauna  
City of Menasha  
City of Neenah  
Town of Buchanan  
Town of Grand Chute  
Town of Harrison  
Town of Menasha  
Village of Kimberly  
Village of Little Chute  
Calumet County  
Outagamie County  
Winnebago County

## Other Local Funding Partners

Appleton Area School District  
Appleton Downtown Inc.  
Community Care  
Community Foundation of  
the Fox Cities  
IRIS  
Lakeland Care District  
Menasha Corp.  
Thrivent Financial for Lutherans  
United Way Fox Cities



## 10 SERVICES PROVIDED

Fixed Route Bus Service	The Connector
Valley Transit II ADA Paratransit	New Hope Transportation
Appleton Downtown Trolley	Northern Winnebago County Dial-A-Ride
Calumet County Rural Transportation	Outagamie County Employment
Call-A-Ride	Outagamie County Rural

### KEY ACCOMPLISHMENTS

- Completed 10 year strategic plan with broad community and employee involvement which has resulted in increased engagement of additional potential partners in the community.
- Conducted rider survey in January and February and again in October to determine riding patterns, preferences, demographic make-up of ridership and customer issues.
- Upgraded obsolete timekeeping system with new payroll software. New software has improved accuracy of records and reduced staff time required to process payroll.
- Wrote new procurement manual as required by the Federal Triennial Audit and received FTA approval for it.
- Became a direct recipient of 5310 grants. Entered into an agreement with East Central Wisconsin Regional Planning Commission to assist with sub-recipient grant submission and award.
- Involved front-line employees in process of improving Valley Transit services by instituting a Route Improvement Committee, a Customer Service Committee and reinstituted the Operations and Safety Committee.
- Educated municipal funding partners on the value of the Connector to their citizens which resulted in their participation in the funding of the Connector allowing the Connector service to continue to operate.
- Entered into agreement with Fox Valley Technical College to implement a student pass in 2015.
- Planned and implemented a holiday promotion that resulted in a 13% ridership increase, 610 pounds of food donated to the local food pantry by our riders and increased public visibility for Valley Transit.
- Provided 17,281 rides to/from Oktoberfest and License to Cruise in Downtown Appleton which was the highest ridership ever achieved.

### FOR MORE INFORMATION:

Deborah Wetter, General Manager  
920-832-2291 [Deborah.Wetter@appleton.org](mailto:Deborah.Wetter@appleton.org)



# VALLEY TRANSIT

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

<b>ASSETS</b>		
	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Accounts Receivable		
State of Wisconsin operating assistance	\$ 984,661	\$ 779,202
Allowance for potentially uncollectible state grants	(105,275)	-
Federal capital and operating grants	898,637	600,154
Local governments	193,877	61,876
Other	216,503	316,345
Inventory	182,276	180,502
Prepaid expenses	24,087	29,695
Total Current Assets	<u>2,394,766</u>	<u>1,967,774</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Capital asset cash and investments	1,342,640	1,249,143
Capital Assets		
Plant in service	14,264,045	14,328,952
Accumulated depreciation	<u>(10,148,530)</u>	<u>(9,602,190)</u>
Total Noncurrent Assets	<u>5,458,155</u>	<u>5,975,905</u>
 Total Assets	 <u>7,852,921</u>	 <u>7,943,679</u>

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<b>LIABILITIES</b>		2014	2013
<b>CURRENT LIABILITIES</b>			
Accounts Payable			
Trade	\$	347,248	\$ 246,335
Local governments		1,083,874	897,910
Due to municipality		279,782	102,508
Unearned revenues		346,091	314,442
Accrued payroll liabilities			
Wages		150,147	133,977
Accrued vacation		159,140	159,005
Total Current Liabilities		<u>2,366,282</u>	<u>1,854,177</u>
<b>NONCURRENT LIABILITIES</b>			
Accrued sick leave		<u>97,936</u>	<u>127,581</u>
Total Liabilities		<u>2,464,218</u>	<u>1,981,758</u>
<b>NET POSITION</b>			
Invested in capital assets		4,115,515	4,726,762
Restricted for capital replacement		1,342,640	1,249,143
Unrestricted		<u>(69,452)</u>	<u>(13,984)</u>
<b>TOTAL NET POSITION</b>		<u>\$ 5,388,703</u>	<u>\$ 5,961,921</u>

# VALLEY TRANSIT

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

	2014	2013
<b>OPERATING REVENUES</b>		
Passenger fares for transit service	\$ 1,495,310	\$ 1,472,445
Special fare assistance	-	-
Non-Transportation Revenue		
Advertising	38,419	52,699
Other	2,157	2,368
Contra - expenses	27,470	20,046
Total Operating Revenues	<u>1,563,356</u>	<u>1,547,558</u>
<b>OPERATING EXPENSES</b>		
Labor		
Operators' wages	1,705,758	1,683,990
Other salaries and wages	668,326	598,439
Fringe benefits	1,311,645	1,305,491
Services	384,024	271,349
Materials and Supplies		
Fuels and lubricants	606,859	645,593
Tires and tubes	38,735	39,868
Other	313,791	219,780
Utilities	105,020	101,937
Casualty and liability costs	199,369	90,011
Purchased transportation services	3,296,289	3,098,708
Miscellaneous	58,489	63,865
Depreciation	657,913	655,108
Total Operating Expenses	<u>9,346,218</u>	<u>8,774,139</u>
Operating Loss	<u>(7,782,862)</u>	<u>(7,226,581)</u>
<b>OPERATING SUBSIDIES</b>		
Local	1,422,802	1,348,844
Investment income credited as local subsidies	24,464	(2,450)
State	2,246,007	2,208,486
Federal	2,952,625	2,649,815
Total Operating Subsidies	<u>6,645,898</u>	<u>6,204,695</u>
Loss Before Contributions and Transfers	(1,136,964)	(1,021,886)
<b>CAPITAL CONTRIBUTIONS - FEDERAL &amp; STATE</b>	39,485	126,488
<b>GAIN (LOSS) ON ASSET DISPOSAL</b>	(10,165)	-
<b>TRANSFERS-CITY OPERATING SUBSIDY</b>	<u>534,426</u>	<u>495,271</u>
<b>CHANGE IN NET POSITION</b>	(573,218)	(400,127)
NET POSITION - Beginning of Year	<u>5,961,921</u>	<u>6,362,048</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 5,388,703</u>	<u>\$ 5,961,921</u>

See accompanying notes to financial statements.

# VALLEY TRANSIT

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

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 1,694,847	\$ 1,446,345
Paid to suppliers for goods and services	(5,884,704)	(5,563,775)
Paid to employees for services	(2,534,920)	(2,474,112)
Cash Flows from Operating Activities	(6,724,777)	(6,591,542)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating subsidies received - federal	2,654,142	2,430,222
Operating subsidies received - state	2,040,548	1,995,508
Operating subsidies received - local	2,116,466	1,246,844
Cash Flows from Noncapital Financing Activities	6,811,156	5,672,574
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income and unrealized losses	24,464	(2,450)
Cash Flows from Investing Activities	24,464	(2,450)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(56,831)	(181,096)
Contributed capital - federal	39,485	134,351
Cash Flows from Capital and Related Financing Activities	(17,346)	(46,745)
<b>Net Change in Cash and Cash Equivalents</b>	93,497	(968,163)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,249,143	2,217,306
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,342,640	\$ 1,249,143
<b>NONCASH CAPITAL AND FINANCING ACTIVITIES</b>		
Loss on disposal of capital asset	\$ 10,165	\$ -
Change in Capital Grants Accrued	\$ -	\$ 7,863

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	<u>2014</u>	<u>2013</u>
<b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (7,782,862)	\$ (7,226,581)
Noncash items included in operating loss		
Depreciation	657,913	655,108
Changes in assets and liabilities		
Accounts receivable - other	99,842	(133,881)
Inventory	(1,774)	13,027
Prepaid expenses	5,608	(18,626)
Accounts payable - trade	100,913	(7,350)
Due to municipality	177,274	102,508
Unearned revenues	31,649	32,668
Accrued payroll liabilities	<u>(13,340)</u>	<u>(8,415)</u>
 <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	 <u><b>\$ (6,724,777)</b></u>	 <u><b>\$ (6,591,542)</b></u>
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS</b>		
Statement of Net Assets Accounts		
Restricted capital investments	<u>\$ 1,342,640</u>	<u>\$ 1,249,143</u>
 <b>CASH AND CASH EQUIVALENTS</b>	 <u><u><b>\$ 1,342,640</b></u></u>	 <u><u><b>\$ 1,249,143</b></u></u>

# VALLEY TRANSIT

## NOTES TO FINANCIAL STATEMENTS

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

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements of Valley Transit (transit) 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 transit are described below:

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

Valley Transit, an enterprise fund of the City of Appleton (city), provides public bus transportation in the city and surrounding communities. The transit is governed by the Transit Commission which consists of city council members, citizen representatives and participating government's representatives.

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

The transit is presented as an enterprise fund of the city. 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.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 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.

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

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

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.

Investment of transit funds is restricted by state statutes. 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, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.

# VALLEY TRANSIT

## NOTES TO FINANCIAL STATEMENTS

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

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

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

##### ***Deposits and Investments*** (cont.)

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.

The transit is included in the city's investment policy which follows the state statutes for allowable investments.

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

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

Transit considers receivables from government units to be fully collectible. The transit has established an allowance for potentially uncollectible state operating funds. Any reduction in state aid as a result of reduced collections would be offset by local aid recovered from the local partners.

##### ***Inventory***

Materials and supplies are generally used for operation and maintenance work, not for resale. They are valued at lower of cost or market utilizing the average cost method and charged to operation and maintenance expense when used.

##### ***Restricted Assets – Capital Asset Cash and Investments***

Valley Transit collects the local share of capital additions from the contributing municipalities in advance based on depreciation expense. These funds are shown as restricted assets in the financial statements and are to be used for the future purchases of capital items.

# VALLEY TRANSIT

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

Additions to and replacements of transit 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, generally, together with removal costs less salvage, is charged to accumulated depreciation. Any local share of proceeds on sale of property is treated as additional contributed capital from local shares.

The provision for depreciation shown in the financial statements results from the application of straight-line rates to original costs.

A summary of depreciation lives follows:

	<u>Years</u>
Building	25
Vehicles	3–15
Shop Equipment	2–10
Office equipment	3–10
Bus stop signs	10
Shelters and benches	5–10

##### ***Capital Associated Maintenance Items***

Certain major vehicle repair parts such as tires, transmissions, differentials, etc. as well as certain special studies are eligible for funding under federal capital grants. These items are called “capital associated maintenance items.” In the year these items are purchased, they are recorded as operating expenses and the related capital grants are recorded as federal operating assistance.

##### ***Due to/from Municipality – Payable to/Receivable from Local Governments***

The partners contribute an estimated portion of the local share throughout the year. At the end of the year, the amount over or under collected is shown as due to/from municipality and payable to/receivable from local governments, respectively, on the statements of net position.

##### ***Unearned Revenues***

Unearned revenues represent tickets that have been sold to agencies, but not yet used or redeemed.

# VALLEY TRANSIT

## NOTES TO FINANCIAL STATEMENTS

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

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

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

##### ***Sick Leave and Vacation Policies***

All permanent employees are allowed to accumulate up to 960 hours of sick time. Upon retirement, the equivalent value of the accumulated sick leave up to 720 hours shall be paid to the employee. Non-represented employees are also entitled to an additional 240 hours of accumulated sick leave, if available, which can be used to pay for health insurance premiums under the city's group insurance policy.

Employees earn varying amounts of vacation based on years of service. Vacation time is awarded on January 1 based on the prior year's service and is therefore accrued at the end of each year.

#### ***REVENUES AND EXPENSES***

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

The transit system distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services. The principal operating revenues of the transit system are charges to customers for services. In addition, as fully described in Note 4, the transit system 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.

##### ***Charges for Services***

Valley Transit fares are recorded as revenue continuously through the year. The value of tickets for various paratransit services sold but not used is recorded as a liability. Fares were made effective January 1, 2009 and revised effective January 5, 2015 as approved by the Valley Transit Commission.

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

Transit has received federal, state, local and other grants to pay a portion of the costs of capital assets or capital associated maintenance items. The value of property contributed to the transit is reported as revenues on the statements of revenues, expenses and changes in net position.

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; Statement No. 68, *Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 70, *Accounting and Financial reporting for Nonexchange Financial Guarantees*. When effective, application of these standards may restate portions of these financial statements

# VALLEY TRANSIT

## NOTES TO FINANCIAL STATEMENTS

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

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

#### 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.

### NOTE 2 – DEPOSITS AND INVESTMENTS

Generally accepted accounting principles require the disclosure of the transit's cash and investment balances and their applicable investment insurance coverage. The transit cash and investments are commingled with the entire city; therefore, individual fund bank balances cannot be determined. Please refer to the citywide statements for further information.

### NOTE 3 – CHANGES IN CAPITAL ASSETS

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

	Balance 1/1/14	Additions	Retirements	Balance 12/31/14
Capital assets, not being depreciated				
Land	\$ 891,831	\$ -	\$ -	\$ 891,831
Capital assets being depreciated				
Building	3,903,581	15,996	(72,355)	3,847,222
Vehicles	8,719,979	36,579	(51,018)	8,705,540
Shop equipment	272,062	-	-	272,062
Office equipment	291,288	-	-	291,288
Bus stop signs	34,389	-	-	34,389
Shelters and benches	215,822	5,891	-	221,713
Total Capital Assets Being Depreciated	13,437,121	58,466	(123,373)	13,372,214
Total Capital Assets	14,328,952	58,466	(123,373)	14,264,045
Less: Accumulated depreciation				
Building	(3,382,231)	(117,114)	60,555	(3,438,790)
Vehicles	(5,484,677)	(513,626)	51,018	(5,947,285)
Shop equipment	(268,199)	(1,776)	-	(269,975)
Office equipment	(259,622)	(15,478)	-	(275,100)
Bus stop signs	(10,823)	(2,772)	-	(13,595)
Shelters and benches	(196,638)	(7,147)	-	(203,785)
Total Accumulated Depreciation	(9,602,190)	(657,913)	111,573	(10,148,530)
Construction in progress	-	-	-	-
Net Transit System Plant	\$ 4,726,762			\$ 4,115,515

# VALLEY TRANSIT

## NOTES TO FINANCIAL STATEMENTS

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

### NOTE 3 – CHANGES IN CAPITAL ASSETS (cont.)

	Balance 1/1/13	Additions	Retirements	Balance 12/31/13
Capital assets, not being depreciated				
Land	\$ 891,831	\$ -	\$ -	\$ 891,831
Capital assets being depreciated				
Building	3,795,555	108,026	-	3,903,581
Vehicles	8,665,188	54,791	-	8,719,979
Shop equipment	267,887	4,175	-	272,062
Office equipment	285,204	14,104	(8,020)	291,288
Bus stop signs	34,389	-	-	34,389
Shelters and benches	215,822	-	-	215,822
Total Capital Assets Being Depreciated	13,264,045	181,096	(8,020)	13,437,121
Total Capital Assets	14,155,876	181,096	(8,020)	14,328,952
Less: Accumulated depreciation				
Building	(3,266,153)	(116,078)	-	(3,382,231)
Vehicles	(4,975,046)	(509,631)	-	(5,484,677)
Shop equipment	(266,733)	(1,466)	-	(268,199)
Office equipment	(250,434)	(17,208)	8,020	(259,622)
Bus stop signs	(8,051)	(2,772)	-	(10,823)
Shelters and benches	(188,685)	(7,953)	-	(196,638)
Total Accumulated Depreciation	(8,955,102)	(655,108)	8,020	(9,602,190)
Construction in progress	14,883	-	(14,883)	-
Net Transit System Plant	\$ 5,215,657			\$ 4,726,762

### NOTE 4 – OPERATING SUBSIDIES AND TRANSFERS

The transit receives operating subsidies from the federal, state and local governments. The transit submits an annual request for state subsidies which are limited by 1) the maximum amount of the grant award, 2) five times the local contribution, and 3) the non-federal share of the audited operating deficit. The transit combined state and federal operating assistance shall not exceed 60% of audited operating expenses.

State operating assistance is received in quarterly payments from the Wisconsin Department of Transportation. A portion of the fourth quarter is withheld pending final audit by the DOT staff.

Local governments contribute their estimated share of operating costs either monthly or quarterly. Funds not needed for immediate operations are invested and the interest earned is credited to the various local governmental units based upon their contributions. The interest, including restricted capital funding, earned for 2014 and 2013 amounted to \$24,464 and (\$2,450), respectively. At the end of the year, actual operating costs are allocated between the various local governmental units based on the number of hours of service provided to each. Any excess payments are recorded as payables, or deficiencies as receivables.

# VALLEY TRANSIT

## NOTES TO FINANCIAL STATEMENTS

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

### NOTE 4 – OPERATING SUBSIDIES AND TRANSFERS (cont.)

Operating assistance for 2014 and 2013 was as follows:

	2014	2013
Governmental Unit		
Federal	\$ 2,724,535	\$ 2,443,889
Federal – capital maintenance	91,986	17,332
State of Wisconsin	2,142,421	2,129,982
State of Wisconsin – paratransit aid	103,586	78,504
Planning grant (federal passed through state)	63,622	-
ADA - Federal	72,482	-
WETAP/JARC – Federal	-	188,594
Local		
City of Appleton (reported as transfer)	534,426	495,271
City of Appleton share of investment income	24,464	(2,450)
Town of Buchanan	11,663	11,120
City of Kaukauna	20,248	19,290
Village of Kimberly	13,660	13,323
City of Menasha	34,244	32,817
Town of Menasha	41,959	39,225
Town of Menasha – Elderly	8,680	9,959
City of Neenah	71,228	66,036
City of Neenah – Dial-A-Ride	33,906	34,548
Village of Little Chute	14,782	14,119
Town of Grand Chute	111,365	108,560
Town of Harrison	1,270	1,230
Winnebago County – Heritage Dial-a-Ride	3,177	2,998
Outagamie County – Link	70,307	86,160
Special transportation – Outagamie County	224,210	233,925
Special transportation – Winnebago County	61,373	54,492
Special transportation – Calumet County	18,563	16,048
Calumet County – New Hope	103,079	78,515
Appleton Downtown Inc. – Trolley	13,491	9,280
Connector	94,294	92,782
IRIS	15,379	13,389
Lakeland	38,284	34,827
Community Care	364,921	343,378
AASD Tripper	37,750	32,823
Planning grant donation	14,969	-
Totals	<u>\$ 7,180,324</u>	<u>\$ 6,699,966</u>

# VALLEY TRANSIT

## NOTES TO FINANCIAL STATEMENTS

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

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### NOTE 5 – LONG-TERM OBLIGATIONS

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#### *LONG-TERM OBLIGATIONS SUMMARY*

	<u>1/1/14 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14 Balance</u>	<u>Due Within One Year</u>
Accrued sick leave	\$ 127,581	\$ 13,475	\$ 43,120	\$ 97,936	\$ -

	<u>1/1/13 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13 Balance</u>	<u>Due Within One Year</u>
Accrued sick leave	\$ 157,456	\$ 15,645	\$ 45,520	\$ 127,581	\$ -

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### NOTE 6 – NET POSITION

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GASB No. 34 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

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 are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. As of December 31, 2014 and 2013, Valley Transit does not have any outstanding debt.

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 legislation. As of December 31, 2014 and 2013, Valley Transit has \$1,342,640 and \$1,249,143 of restricted net position, respectively.

Unrestricted net position – The component of net position consist of net assets 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 the transit’s policy to use restricted resources first, then unrestricted resources as they are needed.

# VALLEY TRANSIT

## NOTES TO FINANCIAL STATEMENTS

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

### NOTE 7 – EMPLOYEES' RETIREMENT SYSTEMS

All eligible city employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system (PERS). All employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year, and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS. All employees initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year, and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category and Executives and Elected Officials. Required contributions for protective contributions 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. Contribution rates for 2014 were:

	<u>Employees</u>	<u>Employer</u>
2014 General category	7.00%	7.00%
2013 General category	6.65%	6.65%

Covered payroll listed below is substantially the same as total payroll.

	<u>Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Covered Transit System Payroll	<u>\$ 2,534,920</u>	<u>\$ 2,474,112</u>	<u>\$ 2,374,226</u>
Total Required Contributions	<u>\$ 354,889</u>	<u>\$ 329,057</u>	<u>\$ 280,160</u>
Total Required Contributions (%)	<u>14.0%</u>	<u>13.3%</u>	<u>11.8%</u>

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

# VALLEY TRANSIT

## NOTES TO FINANCIAL STATEMENTS

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

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### **NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS**

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The city administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The city’s group health insurance plan provides coverage to active employees and retirees at blended premium rates. This results in other postemployment benefit for retirees, commonly referred to as an implicit rate subsidy. The retirees pay 100% of the premium amounts under the plan. Specific information concerning the transit’s other postemployment benefits has not been determined. Please refer to the city’s financial statements for information concerning the city’s other postemployment benefits.

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### **NOTE 9 – RISK MANAGEMENT (COMMERCIAL/SELF INSURANCE)**

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#### ***SELF INSURANCE***

Valley Transit participates in the City of Appleton’s Insurance Fund (an internal service fund). The city established this fund to account for and finance its common insurance premiums, risk management costs and uninsured risks of loss. All funds of the city participate in the fund and make payments based on historical estimates of the amounts needed to pay prior and current year claims and administration costs. The charge considers recent trends in actual claims experience of the city as a whole and makes provision for losses relating to catastrophes. The city carries a variety of self insured retention (SIR) levels and deductibles. The SIR for each general, automobile, police professional or public officials claim is \$200,000 per occurrence up to \$800,000 in a year and \$300,000 per occurrence for each worker’s compensation claim. The deductibles for property damage claims range from \$100 to \$10,000. The city also purchases commercial insurance coverage in excess of the SIR and deductible. In addition, the city retains a balance in the fund for uninsured losses such as environmental/pollution claims and employment practices claims. Settled claims for Valley Transit have not exceeded this commercial coverage in any of the past three years. Valley Transit’s share of insurance fund costs was \$83,650 in 2014 and \$106,886 in 2013. The city’s Comprehensive Annual Financial Report contains additional information about the insurance fund and the city’s risk management policies.

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

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

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

The physical damage policy issued by TMI to the city provides collision and comprehensive coverage for the lesser of the agreed value or the cost of repairs minus a \$500 per accident deductible for private passenger and service units and a \$1,000 per accident deductible for bus units.

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

# VALLEY TRANSIT

## NOTES TO FINANCIAL STATEMENTS

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

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### NOTE 9 – RISK MANAGEMENT (COMMERCIAL/SELF INSURANCE) (cont.)

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

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. During 2013, TMI issued a refund of \$131,532 to Valley Transit based on a comprehensive review of reserves available for future obligations. In 2014, TMI did not issue any refunds to Valley Transit.

The city's share of this corporation is 4.98% for auto liability and 2.85% of physical damage 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).

#### **HEALTH CARE**

The city provides health and dental care benefits to employees through a self-funded plan with specific insurance coverage. The plans are administered by United Health Care and Delta Dental. Insurance premiums, based on historical cost, are paid into the general fund from all other city funds and are available to pay claims, administrative costs, and stop loss claims.

The estimated liability for self-funded losses is based on reported claims for the year and those received subsequent to year end.

The city's Comprehensive Annual Financial Report contains additional information about the insurance fund and the city's risk management policies.

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### NOTE 10 – COMMITMENTS AND CONTINGENCIES

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#### **PARATRANSIT SERVICE CONTRACTS**

Valley Transit contracts with a number of surrounding cities and counties for demand-responsive paratransit services. Contract terms and conditions vary for each provider.

#### **LONG-TERM CONTRACT – RUNNING, INC.**

In 2009, Valley Transit entered into a long-term contract with Running, Inc. effective April 1, 2009 through March 31, 2012. The contract contained two option years and was extended through December 31, 2012 while negotiating the first option year. The second option year agreement expired December 31, 2014. A new three year contract began January 1, 2015.

#### **GRANTS**

Valley Transit has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management has recorded an allowance for potentially uncollectible state grants and believes any remaining disallowances would be immaterial.

## **SUPPLEMENTAL INFORMATION**

# VALLEY TRANSIT

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

	2014	2013
<b>REVENUE</b>		
401 - Passenger fares for transit service	\$ 1,495,310	\$ 1,472,445
402 - Special fare assistance		
407 - Non-transportation revenue		
Advertising	38,419	52,699
Other	2,157	2,368
Contra-expenses	27,470	20,046
409 - Local operating assistance	1,865,165	1,767,313
409 - Local operating assistance - Donations	116,527	74,352
411 - State operating assistance - current year	2,142,421	2,129,982
411 - State operating assistance - paratransit aid	103,586	78,504
411 - Planning grant (federal passed through state)	63,622	-
413 - Federal operating assistance	2,724,535	2,443,889
413 - Federal operating assistance - ADA	72,482	-
413 - Federal operating assistance - WETAP/JARC	-	188,594
413 - Federal operating assistance - capital maintenance	91,986	17,332
	<u>8,743,680</u>	<u>8,247,524</u>
Total Revenue		
<b>EXPENSES - BY OBJECT CLASS TOTAL</b>		
501 - Labor		
Operators' wages	1,705,758	1,683,990
Other salaries and wages	668,326	598,439
502 - Fringe benefits	1,311,645	1,305,491
503 - Services	384,024	271,349
504 - Materials and supplies		
Fuels and lubricants	606,859	645,593
Tires and tubes	38,735	39,868
Other	313,791	219,780
505 - Utilities	105,020	101,937
506 - Casualty and liability costs	199,369	90,011
508 - Purchased transportation services	3,296,289	3,098,708
509 - Miscellaneous - Training	58,489	63,865
513 - Depreciation	657,913	655,108
	<u>-</u>	<u>-</u>
Total Expenses	<u>9,346,218</u>	<u>8,774,139</u>
<b>EXCESS EXPENSES OVER REVENUES</b>		
FOR THE YEAR *	<u>\$ (602,538)</u>	<u>\$ (526,615)</u>

\* Excludes capital contributions and loss on asset disposal shown on Statements of Revenues and Expenses.

# VALLEY TRANSIT

## STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL For the Year Ended December 31, 2014

	Budget*	Actual	Variance- Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Passenger fares and special fare assistance	\$ 1,525,052	\$ 1,495,310	\$ (29,742)
Non-transportation revenue	61,000	68,046	7,046
Total Operating Revenues	<u>1,586,052</u>	<u>1,563,356</u>	<u>(22,696)</u>
<b>OPERATING EXPENSES (Excluding Depreciation)</b>			
Labor and Fringe Benefits			
Operators' wages	1,556,422	1,705,758	(149,336)
Other salaries and wages	722,806	668,326	54,480
Fringe benefits	<u>1,509,542</u>	<u>1,311,645</u>	<u>197,897</u>
Total Labor and Fringe Benefits	<u>3,788,770</u>	<u>3,685,729</u>	<u>103,041</u>
Services	<u>347,205</u>	<u>384,024</u>	<u>(36,819)</u>
Materials and Supplies			
Fuels	653,967	590,082	63,885
Lubricants	11,000	16,777	(5,777)
Tires and tubes	28,000	38,735	(10,735)
Revenue equipment maintenance	99,515	172,518	(73,003)
Building and grounds maintenance	-	5,938	(5,938)
General office	<u>73,575</u>	<u>135,335</u>	<u>(61,760)</u>
Total Materials and Supplies	<u>866,057</u>	<u>959,385</u>	<u>(93,328)</u>
Utilities			
Electric	60,050	53,536	6,514
Gas	30,000	25,159	4,841
Water	7,613	6,223	1,390
Telephone	9,700	9,839	(139)
Other	<u>10,288</u>	<u>10,263</u>	<u>25</u>
Total Utilities	<u>117,651</u>	<u>105,020</u>	<u>12,631</u>
Casualty and Liability Costs			
Physical damage	14,488	10,435	4,053
Public liability and property	<u>184,151</u>	<u>188,934</u>	<u>(4,783)</u>
Total Casualty and Liability Costs	<u>198,639</u>	<u>199,369</u>	<u>(730)</u>

# VALLEY TRANSIT

## STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (cont.) For the Year Ended December 31, 2014

	Budget*	Actual	Variance- Favorable (Unfavorable)
<b>OPERATING EXPENSES (Excluding Depreciation) (cont.)</b>			
Purchased Transportation Services	\$ 3,389,968	\$ 3,296,289	\$ 93,679
Miscellaneous			
Dues and subscriptions	5,685	5,701	(16)
Advertising and promotion	42,000	32,592	9,408
Training/other miscellaneous	8,462	22,128	(13,666)
	(7,300)	(1,932)	(5,368)
Total Miscellaneous	48,847	58,489	(9,642)
Total Operating Expenses (Excluding Depreciation)	8,757,137	8,688,305	68,832
EXCESS OF OPERATING EXPENSES (EXCLUDING DEPRECIATION) OVER OPERATING REVENUES FOR THE YEAR	\$ (7,171,085)	\$ (7,124,949)	\$ 46,136

\* Budget numbers reflect the city's approved budget excluding current year capital and capital carryover.

# VALLEY TRANSIT

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

	Per WisDOT Guidelines	Per Federal Guidelines
Total revenues including operating assistance	<u>\$ 8,743,680</u>	<u>\$ 8,743,680</u>
Less: Unrecognized Revenues		
Local operating subsidies	1,981,692	1,981,692
Federal operating subsidy (including \$91,986 capital maintenance)	2,889,003	2,889,003
State operating subsidy	2,142,421	2,142,421
State paratransit aid	103,586	103,586
Planning grant	63,622	63,622
Advertising	-	38,419
Non-transportation revenues	<u>29,627</u>	<u>29,627</u>
Total Unrecognized Revenues	<u>7,209,951</u>	<u>7,248,370</u>
ADJUSTED REVENUES	<u>\$ 1,533,729</u>	<u>\$ 1,495,310</u>
Total expenses per statement of revenues and expenses	<u>\$ 9,346,218</u>	<u>\$ 9,346,218</u>
Less: Unrecognized Expenses		
Depreciation	657,913	657,913
Capital maintenance *	114,983	114,983
Planning study (funded with separate grant)	79,528	79,528
5310 Funding	90,603	90,603
Contra-expenses	27,470	27,470
WisDOT Paratransit Costs - not eligible	<u>103,586</u>	<u>103,586</u>
Total WisDOT Unrecognized Expenses	<u>1,074,083</u>	<u>1,074,083</u>
RECOGNIZED EXPENSES	<u>\$ 8,272,135</u>	<u>\$ 8,272,135</u>
RECOGNIZED DEFICITS	<u>\$ (6,738,406)</u>	<u>\$ (6,776,825)</u>

\* Represents 100% of costs funded through capital maintenance program.

## VALLEY TRANSIT

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

<b>FEDERAL FUNDS</b>			
Capital Cost of Third Party Contracting		\$ 952,271	
Preventative Maintenance		332,924	
Operating Assistance		<u>1,439,340</u>	
			<u>\$ 2,724,535</u>
<b>STATE FUNDS</b>			
WisDOT Recognized Deficit		<u>\$ 6,738,406</u>	
WisDOT Contract Amount		<u>\$ 2,142,421</u>	
WisDOT Recognized Expenses	\$ 8,272,135		
Maximum Federal and State	60.00%	4,963,281	
Less: Federal Share		<u>2,724,535</u>	
Non-Federal Share		<u>\$ 2,238,746</u>	
City of Appleton and Other Local Subsidies		<u>\$ 1,981,692</u>	
5 Times Operating Subsidy		<u>\$ 9,908,460</u>	
STATE SHARE - LEAST OF THE FOUR			<u>\$ 2,142,421</u>
<b>SUMMARY OF 2014 FUNDING</b>			
	Received in 2014	Receivable (Payable) 12/31/14	Totals
Federal Operating Funds*	\$ 1,825,898	\$ 898,637	\$ 2,724,535
State Funds**	1,928,179	214,242	2,142,421
Local Public Subsidies	<u>3,065,566</u>	<u>(1,083,874)</u>	<u>1,981,692</u>
TOTAL FUNDING	<u>\$ 6,819,643</u>	<u>\$ 29,005</u>	<u>\$ 6,848,648</u>

\* - Revenues exclude Planning grant of \$63,622 and section 5309 of \$6,983

\*\* - Revenues exclude paratransit funding of \$103,586.

- Receivable excludes prior year operating aid of \$728,216.