

**VALLEY TRANSIT
CITY OF APPLETON**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023



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**VALLEY TRANSIT
CITY OF APPLETON
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	12
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	13
STATEMENT OF CASH FLOWS	14
NOTES TO FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS	38
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – WISCONSIN RETIREMENT SYSTEM	39
SCHEDULE OF CONTRIBUTIONS – WISCONSIN RETIREMENT SYSTEM	39
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	40
SUPPLEMENTARY INFORMATION	
STATEMENT OF REVENUES AND EXPENSES – BUDGET TO ACTUAL	42
OTHER INFORMATION	
DETAILED SCHEDULE OF REVENUES AND EXPENSES – REGULATORY BASIS	44
RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL RECOGNIZED REVENUES AND EXPENSES – REGULATORY BASIS	45
COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS	46
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR FINANCIAL STATEMENTS	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	48



INDEPENDENT AUDITORS' REPORT

Fox Cities Transit Commission
Valley Transit
City of Appleton, Wisconsin

Report on the Audit of the Financial Statements

Opinion

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 year ended December 31, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transit as of December 31, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Transit and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Transit and do not purport to, and do not, present fairly the financial position of the City of Appleton, Wisconsin as of December 31, 2023, the changes in its financial position, or, where applicable, its cash flows for the year 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Transit's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit for the year ended December 31, 2023 was conducted for the purpose of forming an opinion on Transit's financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements for the year ended December 31, 2023, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole for the year ended December 31, 2023.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Transit as of and for the year ended December 31, 2022 (not presented herein), and have issued our report thereon dated June 22, 2023, which contained an unmodified opinion on the financial statements. The accompanying supplementary information for the year ended December 31, 2022 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2022 financial statements. The accompanying supplementary information was subjected to the audit procedures applied in the audit of the 2022 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole for the year ended December 31, 2022.

Fox Cities Transit Commission
Valley Transit
City of Appleton

Report on Summarized Comparative Information

We have previously audited Transit’s 2022 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated June 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024, on our consideration of Transit’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. The purpose of that report is solely 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 effectiveness of Transit’s 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 Transit’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
June 4, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023 and 2022.

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,257,117 as of December 31, 2023; compared to \$14,118,011 in 2022. 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.

Valley Transit

Management's Discussion and Analysis (Continued)

The following table provides a summary of Valley Transit's balances as of December 31, 2023 and 2022.

Assets	<u>2023</u>	<u>2022</u>
Current Assets	\$4,454,415	\$3,402,049
Capital Assets	13,654,081	12,463,714
Other Assets	<u>1,345,557</u>	<u>2,697,148</u>
Total Assets	19,454,053	18,562,911
Deferred Outflow of Resources		
Deferred outflows related to pension	3,323,139	2,694,893
Liabilities		
Current Liabilities	4,372,702	3,489,912
Non-current Liabilities	<u>1,255,977</u>	<u>404,386</u>
Total Liabilities	5,628,679	3,894,298
Deferred Inflow of Resources		
Deferred inflows related to pension	1,891,396	3,245,495
Net Assets		
Invested in capital assets	13,654,081	12,463,714
Restricted	1,345,557	2,697,148
Unrestricted	<u>257,479</u>	<u>(1,042,851)</u>
Total Net Assets	\$15,257,117	\$14,118,011
Percent restricted	8.82%	19.10%

Current Assets increased by \$1,052,366 in 2023 mostly due to an increase in the cash balance account and amounts due from the Federal government. Current liabilities increased by \$882,790 due to an increase in amounts due to other governments and an increase in accounts payable. This is mostly related to the timing of construction progress payments.

The increase in Capital Assets during 2023 reflects capital purchases of \$2,532,695 financed by federal and state capital funding and local match dollars, offset by depreciation expense of \$1,342,328.

The deferred outflows and inflows of resources and non-current liabilities in 2023 & 2022 is related directly to Valley Transit's proportionate share of the financial activities of the Wisconsin Retirement System, and the investment returns. Other Assets and Non-current Liabilities decreased/increased primarily due to net pension asset/liability. Valley Transit saw an increase in total Net Position during 2023 largely due to the federal and state capital funding received to finance a building renovation and other capital projects, resulting in an increase in investment in Capital Assets.

Valley Transit

Management's Discussion and Analysis (Continued)

The following table provides a summary of Valley Transit's operations for the years ending December 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Passenger fares for transit service	\$1,066,799	\$976,791
Special fare assistance	46,946	43,709
Non-transportation revenue	<u>96,161</u>	<u>114,544</u>
Total Operating Revenues	<u>1,209,906</u>	<u>1,135,044</u>
 Operating Expenses		
Salaries and wages	3,246,422	3,135,956
Fringe benefits	1,364,984	883,939
Services	873,733	676,563
Materials and Supplies	951,000	968,147
Utilities	122,283	112,979
Casualty and Liability costs	287,976	228,660
Purchased transportation services	1,975,745	1,876,759
Miscellaneous	125,082	94,052
Depreciation	<u>1,342,328</u>	<u>1,223,909</u>
Total Operating Expenses	<u>10,289,553</u>	<u>9,200,964</u>
Operating Loss	<u>(9,079,647)</u>	<u>(8,065,920)</u>
 Operating Subsidies		
Local	1,494,254	1,167,220
Investment Income <small>(credited as local subsidies)</small>	181,272	(43,030)
State	2,770,400	2,928,863
Federal	2,996,785	2,793,245
Loss/Gain on Asset Disposal	<u>0</u>	<u>18,710</u>
Total Subsidies	<u>7,442,711</u>	<u>6,865,008</u>
 Loss Before Contributions & Transfers	(1,636,936)	(1,200,912)
 Capital Contributions - Federal & State	2,276,931	2,700,188
Transfers - Appleton Operating Subsidies	499,111	677,585
Transfers Out	<u>0</u>	<u>(241,827)</u>
 Change in net position	1,139,106	1,935,034
 NET position - beginning of year	<u>14,118,011</u>	<u>12,182,977</u>
 NET position - end of year	<u>\$15,257,117</u>	<u>\$14,118,011</u>

Valley Transit

Management's Discussion and Analysis (Continued)

Operating revenues increased \$74,862 in 2023 mostly due to an increase in transportation revenues, resulting from an increase in ridership. Valley Transit's ridership plummeted during COVID-19, but continues to steadily improve following the pandemic. Overall ridership increased 5% in 2023 when compared to 2022.

Operating expenses increased by \$1,088,589 during 2023. Valley Transit saw a large increase in the cost of fringe benefits due to increased medical insurance premiums. Increases were also seen in purchased services, casualty and liability costs, purchased transportation and depreciation.

Valley Transit's 2023 net position increased when compared to 2022. The largest factor contributing to the increase in net position is the capital funding received for a capital construction project that began during 2023. Phase one of the project will be completed in 2024.

Capital Assets

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

Net capital assets increased \$1,190,367 during 2023 as the result of capital purchases of \$2,532,695 financed by state and federal capital grants and local match dollars, offset by depreciation expense of \$1,342,328. Capital investments in 2023 consisted of six new bus shelters (\$68,250), CAD/AVL Software (\$398,595) and ongoing construction projects at the Transit Center and the Whitman facility (\$2,065,850).

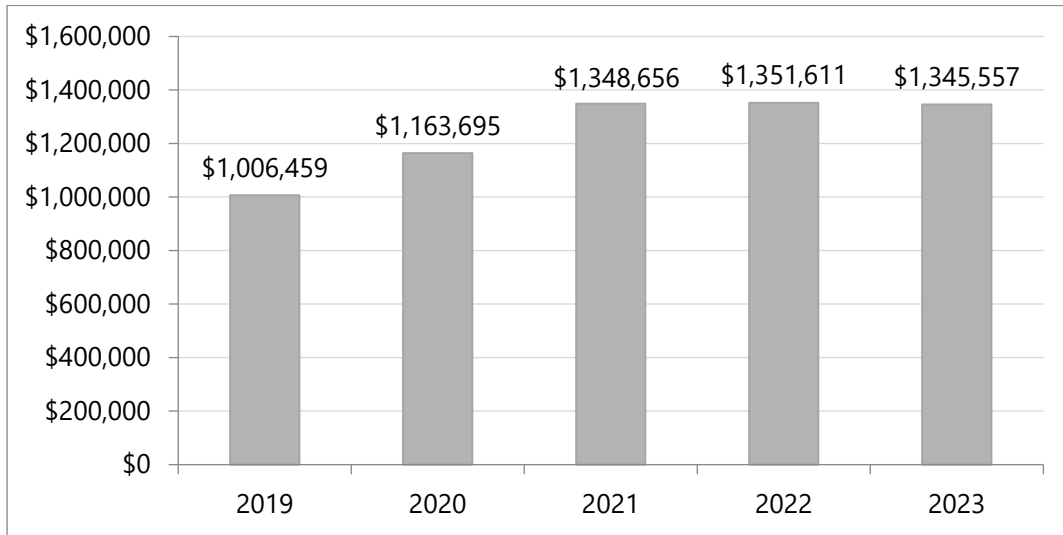
Funded Depreciation Reserve – Restricted Assets

Restricted Assets 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.

Valley Transit

Management's Discussion and Analysis (Continued)

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



The decrease in the restricted cash during 2019 is due to utilization of the funds for the 20% capital local share of 2019's capital purchases. This is slightly offset by the annual payment of 20% of the depreciation expense by the local funding partners. The balance increased in 2021 and 2020 due to investment income on the cash balance and the charge to local funding partners based on depreciation expense. None of the reserve was used for the ten new buses purchased in 2021 and 2020 (five each year) as they were 100% financed by State of Wisconsin capital grants resulting from the Volkswagen emissions settlement. Twenty percent of that grant amount will be repaid to the State over a period of ten years via withholding from the City of Appleton's portion of State Shared Revenues. That reduction in State revenues to the City will be reimbursed to the general fund from this reserve.

At the end of 2022 and 2023, restricted cash remained relatively flat. Funds of \$244,782 were collected from Valley Transit's funding partners for 20% of the depreciation expense in both years, but in 2022 (\$241,827) and in 2023 (\$145,628) funds were transferred to the general fund to pay back the reduction in shared revenue as discussed above. In 2023, Valley Transit used \$164,801 of the funds for 20% of capital purchases made during the year.

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: Ronald McDonald, General Manager at 1.920.832.5800 or Ronald.McDonald@appleton.org.

FINANCIAL STATEMENTS

**VALLEY TRANSIT
CITY OF APPLETON
STATEMENT OF NET POSITION
DECEMBER 31, 2023
(WITH SUMMARIZED AMOUNTS AS OF DECEMBER 31, 2022)**

	2023	2022
ASSETS		
Current Assets:		
Cash and Investments	\$ 1,696,145	\$ 1,236,690
Accounts Receivable	368,552	418,364
Due from Other Governments:		
Federal Capital and Operating Grants	1,905,758	1,364,847
Local Governments	44,462	1,949
Prepaid Items	439,498	380,199
Total Current Assets	4,454,415	3,402,049
Noncurrent Assets:		
Restricted Assets:		
Cash and Investments	1,345,557	1,351,611
Other Assets:		
Net Pension Asset	-	1,345,537
Capital Assets:		
Nondepreciable	3,365,272	1,299,422
Depreciable	10,288,809	11,164,292
Total Capital Assets	13,654,081	12,463,714
Total Assets	19,454,053	18,562,911
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	3,255,066	2,617,332
Other Postemployment Related Amounts	68,073	77,561
Total Deferred Outflows of Resources	3,323,139	2,694,893
LIABILITIES		
Current Liabilities:		
Accounts Payable	973,298	258,893
Accrued and Other Current Liabilities	138,929	129,985
Due to Other Governments	1,735,789	1,580,372
Compensated Absences	176,744	182,367
Special Deposits	-	500
Unearned Revenue	1,347,942	1,337,795
Total Current Liabilities	4,372,702	3,489,912
Long-Term Obligations, Less Current Portion:		
Compensated Absences	70,846	96,612
Net Pension Liability	871,620	-
Other Postemployment Benefits	313,511	307,774
Total Long-Term Liabilities	1,255,977	404,386
Total Liabilities	5,628,679	3,894,298
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	1,824,342	3,167,019
Other Postemployment Related Amounts	67,054	78,476
Total Deferred Inflows of Resources	1,891,396	3,245,495
NET POSITION		
Investment in Capital Assets	13,554,546	12,463,714
Restricted:		
Capital Outlay	1,345,557	1,351,611
Pension Benefit	-	1,345,537
Unrestricted	357,014	(1,042,851)
Total Net Position	\$ 15,257,117	\$ 14,118,011

See accompanying Notes to Financial Statements.

**VALLEY TRANSIT
CITY OF APPLETON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2022)**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Regular Passenger Fares	\$ 1,066,799	\$ 976,791
Special Fares	46,946	43,709
Advertising Services	74,344	93,876
Other	21,817	20,668
Total Operating Revenues	<u>1,209,906</u>	<u>1,135,044</u>
OPERATING EXPENSES		
Salaries and Wages	3,246,422	3,135,956
Fringe Benefits	1,364,984	883,939
Services	873,733	676,563
Materials and Supplies:		
Fuels and Lubricants	499,141	565,649
Tires and Tubes	41,771	42,265
Other	410,088	360,233
Utilities	122,283	112,979
Casualty and Liability Costs	287,976	228,660
Purchased Transportation Services	1,975,745	1,876,759
Miscellaneous	125,082	94,052
Depreciation	1,342,328	1,223,909
Total Operating Expenses	<u>10,289,553</u>	<u>9,200,964</u>
OPERATING LOSS	(9,079,647)	(8,065,920)
NONOPERATING REVENUES (EXPENSES)		
Interest Income (Loss)	181,272	(43,030)
Federal Operating Assistance	2,996,785	2,793,245
State Operating Assistance	2,770,400	2,928,863
Local Operating Assistance	1,494,254	1,167,220
Gain on Disposal of Capital Assets	-	18,710
Total Nonoperating Revenues (Expenses)	<u>7,442,711</u>	<u>6,865,008</u>
Loss Before Contributions and Transfers	(1,636,936)	(1,200,912)
Federal and State Capital Grants and Contributions	2,276,931	2,700,188
Transfers In - City Operating Subsidy	499,111	677,585
Transfers Out	-	(241,827)
CHANGE IN NET POSITION	1,139,106	1,935,034
Net Position - Beginning of Year	<u>14,118,011</u>	<u>12,182,977</u>
NET POSITION - END OF YEAR	<u>\$ 15,257,117</u>	<u>\$ 14,118,011</u>

See accompanying Notes to Financial Statements.

**VALLEY TRANSIT
CITY OF APPLETON
STATEMENT OF CASH FLOWS
DECEMBER 31, 2023
(WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2022)**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 1,269,865	\$ 1,437,661
Cash Paid for Employee Wages and Benefits	(3,028,318)	(3,451,783)
Cash Paid to Suppliers	<u>(5,046,197)</u>	<u>(4,887,131)</u>
Net Cash Used by Operating Activities	(6,804,650)	(6,901,253)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Operating Assistance	2,455,874	1,862,475
State Operating Assistance	2,770,400	2,928,863
Local Operating Assistance	1,607,158	1,218,337
Local Operating Assistance - City Operating Subsidy	499,111	677,585
Transfer In (Out)	<u>-</u>	<u>(241,827)</u>
Net Cash Provided by Noncapital Financing Activities	7,332,543	6,445,433
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(2,532,695)	(2,757,388)
Contributed Capital - Federal and State	2,276,931	2,700,188
Sale of Capital Assets	<u>-</u>	<u>18,710</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(255,764)	(38,490)
CASH FLOWS FROM INVESTING ACTIVITIES		
Pooled Cash Income (Loss)	<u>181,272</u>	<u>(43,030)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	453,401	(537,340)
Cash and Cash Equivalents - Beginning of Year	<u>2,588,301</u>	<u>3,125,641</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,041,702</u>	<u>\$ 2,588,301</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (9,079,647)	\$ (8,065,920)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	1,342,328	1,223,909
Change in WRS Asset/Liability	2,217,157	(285,820)
Change in WRS Deferred Outflow	(637,734)	(861,784)
Change in WRS Deferred Inflow	(1,342,677)	846,139
Change in OPEB Liability	5,737	(54,216)
Change in OPEB Deferred Outflow	9,488	7,644
Change in OPEB Deferred Inflow	(11,422)	52,253
Change in Operating Assets and Liabilities:		
Accounts Receivables	49,812	28,414
Prepaid Items	(59,299)	(2,329)
Accounts Payable	714,405	(43,703)
Accrued and Other Current Liabilities	8,944	8,241
Customer Deposits	(500)	-
Unearned Revenue	10,147	274,203
Compensated Absences	<u>(31,389)</u>	<u>(28,284)</u>
Net Cash Used by Operating Activities	<u>\$ (6,804,650)</u>	<u>\$ (6,901,253)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents in Current Assets	\$ 1,696,145	\$ 1,236,690
Cash and Cash Equivalents in Restricted Assets	<u>1,345,557</u>	<u>1,351,611</u>
Total Cash and Cash Equivalents	<u>\$ 3,041,702</u>	<u>\$ 2,588,301</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed Capital Assets	<u>\$ 2,276,931</u>	<u>\$ 2,700,188</u>

See accompanying Notes to Basic Financial Statements.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Valley Transit, City of Appleton, Wisconsin (Transit), have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to 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:

A. Reporting Entity

Valley Transit, an enterprise fund of the City of Appleton, Wisconsin (the City), provides public bus transportation in the City and surrounding communities. Transit is governed by the Transit Commission which consists of City council members, citizen representations, and representatives from participating governments. In accordance with U.S. GAAP, the financial statements are required to include Transit and any separate component units that have a significant operational or financial relationship with Transit. Transit has not identified any component units that are required to be included in the financial statements in accordance with standards.

B. Enterprise Fund

The accounts of Transit are accounted for in an enterprise fund as required by U.S. GAAP. An enterprise fund is used to account for government operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes.

C. Measurement Focus and Basis of Accounting

Transit's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

An enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. In addition, as described in Note 3.A, Transit also receives operating subsidies from state, local and federal governments. The principal operating revenues of Transit are charges to customers for services. Operating expenses include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

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 Transit is reported as revenues on the statements of revenues, expenses and changes in net position.

All preventative maintenance on vehicles and buildings are eligible for funding under federal capital grants. In the year these items are purchased, they are recorded as operating expenses and the related capital grants are recorded as capital cost of maintenance, operating and capital assistance.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

Transit is included in the City's investment policy which follows state statutes for allowable investments.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

2. Restricted Cash

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 will be used for future purchases of capital items.

3. Accounts Receivable

Transit considers receivables from government units to be fully collectible. 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.

4. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are expended in the periods benefited.

5. Capital Assets

Capital assets, which include property, plant and equipment assets, are reported in the financial statements. Capital assets are defined by Transit as assets with an initial, individual costs of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of Transit are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25
Vehicles	3 - 15
Shop Equipment	2 - 10
Office Equipment	3 - 10
Shelters and Signs	5 - 10

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

6. Compensated Absences

It is Transit's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the fund financial statements.

7. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses and revenues are deferred until the future periods to which the outflows and inflows are applicable.

8. Pensions

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset),
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions,
- Pension Expense (Revenue).

Information about the fiduciary net position of the WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

9. Net Position

Equity is classified as net position and displayed in three components:

- Net investment in capital assets. Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position. Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position. Net position that is neither classified as restricted nor as net investment in capital assets.

E. 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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

F. Prior Year Information

Comparative amounts for the prior year have been presented in the financial statements to provide an understanding of changes in Transit's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Transit cash and investments are commingled with the entire City; therefore, individual fund bank balances cannot be determined. Please refer to the City's financial statements for further information.

The City's Annual Comprehensive Financial Report can be reviewed at www.appleton.org/government/finance.

B. Restricted Assets

Restricted assets on December 31, 2023 totaled \$1,345,557 and consisted of cash and investments held for the following purpose:

Description	Amount	Purpose
Depreciation	<u>\$ 1,345,557</u>	To be used for the replacement of capital assets of Valley Transit

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 891,831	\$ -	\$ -	\$ 891,831
Construction in Progress	407,591	2,065,850	-	2,473,441
Total Capital Assets, Nondepreciable	1,299,422	2,065,850	-	3,365,272
Capital Assets, Depreciable:				
Buildings and Improvements	4,188,029	-	-	4,188,029
Machinery and Equipment	15,376,628	466,845	-	15,843,473
Subtotals	19,564,657	466,845	-	20,031,502
Less Accumulated Depreciation for:				
Buildings and Improvements	3,906,441	43,068	-	3,949,509
Machinery and Equipment	4,493,924	1,299,260	-	5,793,184
Subtotals	8,400,365	1,342,328	-	9,742,693
Total Capital Assets, Depreciable, Net	11,164,292	(875,483)	-	10,288,809
Capital Assets, Net	<u>\$ 12,463,714</u>	<u>\$ 1,190,367</u>	<u>\$ -</u>	13,654,081
Less: Retainage Payable on Contracts				99,535
Net Investment in Capital Assets				<u>\$ 13,554,546</u>

D. Long-Term Obligations

The following is a summary of changes in long-term obligations of Transit for the year ended December 31, 2023:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 278,979</u>	<u>\$ -</u>	<u>\$ 31,389</u>	<u>\$ 247,590</u>	<u>\$ 176,744</u>

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan

1. Plan Description

Wisconsin Retirement System (WRS) Pension Plan Description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, 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.

ETF issues a standalone Annual Comprehensive Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

Vesting

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

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

1. Plan Description (Continued)

Benefits Provided (Continued)

Final average earnings is the average of the participant's three highest earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

2. Postretirement Adjustments

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

Year	Core Fund Adjustment %	Variable Fund Adjustment %
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, executives and elected officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

For the year ended December 31, 2023, the WRS recognized \$214,388 in contributions from Transit.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Executives, and Elected Officials)	6.80%	6.80%
Protective with Social Security	6.80%	13.20%
Protective without Social Security	6.80%	18.10%

4. Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023, Transit reported a liability of \$871,620 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Transit's proportion of the net pension liability was based on Transit's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, Transit's proportion was 0.01645279%, which was a decrease of 0.00024083% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, Transit recognized pension expense of \$443,241.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

4. Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At December 31, 2023, Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,388,220	\$ 1,823,810
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	1,480,680	-
Changes in Assumptions	171,397	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	381	532
Employer Contributions Subsequent to the Measurement Date	214,388	-
Total	\$ 3,255,066	\$ 1,824,342

\$214,388 reported as deferred outflows related to pension resulting from Transit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31,	Expense
2024	\$ 50,338
2025	251,837
2026	258,268
2027	655,893
Total	\$ 1,216,336

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

5. Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2021
Measurement Date of Net Pension Liability (Asset):	December 31, 2022
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8 %
Discount Rate:	6.8 %
Salary Increases:	
Wage Inflation	3.0 %
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Mortality Table
Post-Retirement Adjustments*	1.7 %

* No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The total pension liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the December 31, 2021 actuarial valuation.

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

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class:			
Public Equity	48.0	7.6	5.0
Public Fixed Income	25.0	5.3	2.7
Inflation Sensitive Assets	19.0	3.6	1.1
Real Estate	8.0	5.2	2.6
Private Equity/Debt	15.0	9.6	6.9
Cash	(15.0)	N/A	N/A
Total Core Fund	<u>100.0</u>	7.4	4.8
Variable Fund Asset Class:			
U.S. Equities	70.0	7.2	4.6
International Equities	30.0	8.1	5.5
Total Variable Fund	<u>100.0</u>	7.7	5.1

New England Pension Consultants Long Term U.S. CPI (Inflation) Forecast: 2.5%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

Single Discount Rate. A single discount rate of 6.8% was used to measure the Total Pension Liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.05% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Transit's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents Transit's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.8%, as well as what Transit's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.8%) or 1-percentage-point higher (7.8%) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
Transit's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,892,877	\$ 871,620	\$ (518,832)

6. Payables to the Pension Plan

At December 31, 2023, Transit reported no outstanding contributions to the pension plan for the year ended December 31, 2023.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits

Single-Employer Defined Postemployment Benefit Plan

1. Plan Description

The City administers a single-employer defined benefit healthcare plan (the Retiree Health Plan) for which Transit employees may participate. The City's group health insurance plan provides coverage to active employees and retiree (or other qualified terminated employees) at blended premium rates. This results in another postemployment benefit (OPEB) for retirees, commonly referred to as an implicit rate subsidy. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

2. Benefits Provided

Employees and their eligible dependents can elect to continue medical coverage into retirement on the City's group plan on a pay-all basis. The City does not pay any portion of the cost of coverage. Coverage continues until the retiree reaches Medicare eligibility given that the required contributions are paid. For all employees, coverage can remain for the spouse as a single policy until the spouse becomes Medicare eligible given that the required contributions are paid.

3. Employees Covered by Benefit Terms

At December 31, 2022, the following employees of the City, including Transit, were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	53
Active Employees	555
Total	<hr style="border: 1px solid black;"/> <hr style="border: 1px solid black;"/> 608

4. Total OPEB Liability

Transit's proportionate share of the total OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the Total OPEB liability was determined by an actuarial valuation as of January 1, 2022.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

Single-Employer Defined Postemployment Benefit Plan (Continued)

5. Total OPEB Liability (Continued)

Actuarial Assumptions. The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method:	Entry Age Normal
Discount Rate:	4.00%
Inflation:	3.0%
Salary Increases:	4.0%
Healthcare Cost Trend Rates:	5.5% for 2022 Decreasing to an Ultimate Rate of 4.5% by 2037

Mortality, disability, retirement, and withdrawal rates are the same as those used in the December 31, 2021 Wisconsin Retirement System's (WRS) actuarial valuation report.

Discount Rate. The discount rate used to measure the total OPEB liability changed from 4.31% used in the 2022 reporting year to 4.00% in the current year, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of December 31, 2023. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates.

6. Changes in the Proportionate Share of the City's Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance at December 31, 2022	\$ 307,774
Changes for the Year:	
Service Cost	14,916
Interest	12,601
Difference Between Expected and Actual Experience	-
Changes of Assumptions and Other Inputs	6,250
Benefit Payments	(25,259)
Other Changes	(2,771)
Net Changes	<u>5,737</u>
Balance at December 31, 2023	<u>\$ 313,511</u>

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

Single-Employer Defined Postemployment Benefit Plan (Continued)

6. Changes in the Proportionate Share of the City's Total OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of Transit, as well as what Transit's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current rate:

	1% Decrease to Discount Rate (3.00%)	Current Discount Rate (4.00%)	1% Increase to Discount Rate (5.00%)
Total OPEB Liability	\$ 293,939	\$ 313,511	\$ 334,851

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of Transit, as well as what Transit's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0%) or 1-percentage-point higher (6.0%) than the current healthcare cost trend rates:

	1% Increase (4.0% Increasing to 3.0%)	Healthcare Cost Trend Rates (5.0% Increasing to 4.0%)	1% Decrease (6.0% Increasing to 5.0%)
Total OPEB Liability	\$ 343,524	\$ 313,511	\$ 287,566

7. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, Transit recognized OPEB expense of \$31,841.

At December 31, 2023, Transit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 18,352	\$ 24,130
Changes in Assumptions	49,721	42,924
Total	\$ 68,073	\$ 67,054

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

Single-Employer Defined Postemployment Benefit Plan (Continued)

7. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in other postemployment benefits expense as follows:

<u>Year Ending December 31,</u>	<u>Expense</u>
2024	\$ 4,323
2025	4,323
2026	4,323
2027	1,055
2028	(1,694)
Thereafter	<u>(11,311)</u>
Total	<u><u>\$ 1,019</u></u>

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 OTHER INFORMATION

A. Operating Subsidies and Transfers

Transit receives operating subsidies from the federal, state, and local governments. 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. 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.

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, realized for 2023 amounted to an investment gain of \$181,272. At the end of the year, actual operating costs are allocated between the various local governmental units based on the number of hours of services provided to each. Any excess payments are recorded as payables, or deficiencies as receivables.

Operating assistance for 2023 was as follows:

Governmental Unit	Amount
Federal	\$ 2,303,835
Federal - Capital Maintenance	452,746
Federal - Enhanced Mobility of Seniors and Individuals with Disabilities	240,204
State of Wisconsin - Operating	2,671,281
State of Wisconsin - Paratransit Aid	99,119
Local:	
City of Appleton (Reported as Transfer)	500,888
City of Appleton Share of Investment Return	181,272
Town of Buchanan	13,643
City of Kaukauna	24,112
Village of Kimberly	16,653
City of Menasha	41,043
Fox Crossing	49,867
Fox Crossing - Elderly	2,021
City of Neenah	84,653
City of Neenah - Elderly	11,740
Village of Little Chute	17,567
Town of Grand Chute	133,298
Winnebago County - Elderly	229
Outagamie County - Link	100,026
Special Transportation - Outagamie County	199,651
Special Transportation - Winnebago County	31,950
Special Transportation - Calumet County	1,636
Appleton Downtown Inc. - Trolley Connector	10,000
Other Local Share	55,666
Special Transportation - Family Care	256,116
Total	444,384
	\$ 7,943,600

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 OTHER INFORMATION (CONTINUED)

B. Risk Management

Transit is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Transit completes an annual review of its insurance coverage to ensure adequate coverage. A description of Transit's risk management programs is presented below:

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 \$500,000 per occurrence for each worker's compensation claim. The deductibles for property damage claims range from \$1,000 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 \$119,472 in 2022 and \$137,268 in 2023. The City's Annual Comprehensive 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 2023, 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 \$2,500,000 and reinsures \$4,500,000 with Great American Insurance. In addition, the City's policy provides for \$25,000 per person and \$50,000 per accident in uninsured 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.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 OTHER INFORMATION (CONTINUED)

B. Risk Management (Continued)

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.

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. In 2023 and 2022, Transit Mutual returned surplus to Valley Transit pursuant to its surplus management policy; in addition, dividends were paid to Valley Transit in 2022.

The City's share of this corporation is 6.39% for auto liability and 7.15% 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 54912-1135 or by email from maureen@transitmutual.com .

Health Insurance

The City provides health and dental care benefits to employees through a self-funded plan with specific insurance coverage. The plan is 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 insurance.

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 Annual Comprehensive Financial Report contains additional information about the insurance fund and the City's risk management procedures.

C. Commitments and Contingencies

From time to time, Transit is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and Transit's Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on Transit's financial position or results of operations.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Commitments and Contingencies (Continued)

Paratransit Service Contracts

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

Grants

Transit participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Transit expects any expenditures which may be disallowed by the granting agency to be immaterial.

Construction Commitments

In February 2023, Transit awarded a contract to SMA Construction Services LLC to complete Phase I construction at the Whitman facility for a bid amount not to exceed \$7,040,250, including contingency of \$335,250 (5%). The construction is intended to be funded with Federal grants. Construction will continue through 2024.

REQUIRED SUPPLEMENTARY INFORMATION

**VALLEY TRANSIT
CITY OF APPLETON
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:						
Service Cost	\$ 14,916	\$ 19,904	\$ 21,892	\$ 17,085	\$ 18,143	\$ 17,672
Interest	12,601	7,788	6,842	9,854	10,714	8,613
Differences Between Expected and Actual Experience	-	(19,151)	-	(16,712)	-	53,881
Changes of Assumptions	6,250	(36,243)	(7,953)	36,969	5,772	5,188
Benefit Payments	(25,259)	(21,281)	(26,589)	(23,095)	(24,371)	(27,644)
Other Changes	<u>(2,771)</u>	<u>(5,233)</u>	<u>10,296</u>	<u>16,582</u>	<u>(17,453)</u>	<u>(4,606)</u>
Net Change in Total OPEB Liability	5,737	(54,216)	4,488	40,683	(7,195)	53,104
Total OPEB liability - Beginning	<u>307,774</u>	<u>361,990</u>	<u>357,502</u>	<u>316,819</u>	<u>324,014</u>	<u>270,910</u>
Total OPEB Liability - Ending	<u>\$ 313,511</u>	<u>\$ 307,774</u>	<u>\$ 361,990</u>	<u>\$ 357,502</u>	<u>\$ 316,819</u>	<u>\$ 324,014</u>
Covered-Employee Payroll	\$ 3,130,084	\$ 3,130,084	\$ 3,139,115	\$ 2,478,512	\$ 2,995,492	\$ 2,067,524
Transit's Total OPEB Liability as a Percentage of Covered-Employee Payroll	10.02%	9.83%	11.53%	14.42%	10.58%	15.67%

* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

**VALLEY TRANSIT
CITY OF APPLETON
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 MEASUREMENT PERIODS**

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (Plan Year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.01777468%	\$ (435,909)	\$ 1,976,149	22.06%	102.74%
12/31/15	0.01902319%	292,873	2,091,058	14.01%	98.20%
12/31/16	0.01902499%	148,569	2,048,179	7.25%	99.12%
12/31/17	0.01775315%	(527,112)	2,012,410	26.19%	102.93%
12/31/18	0.01743214%	620,181	2,067,524	30.00%	96.45%
12/31/19	0.01720809%	(554,867)	2,046,949	27.11%	102.96%
12/31/20	0.01697411%	(1,059,717)	2,013,154	52.64%	105.26%
12/31/21	0.01669362%	(1,345,537)	2,014,785	66.78%	106.02%
12/31/22	0.01645279%	871,620	2,052,477	42.47%	95.72%

**SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (Fiscal Year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 181,575	\$ 181,575	\$ -	\$ 2,091,058	8.68%
12/31/16	178,393	178,393	-	2,048,179	8.71%
12/31/17	173,669	173,669	-	2,012,410	8.63%
12/31/18	182,915	182,915	-	2,067,524	8.85%
12/31/19	182,258	182,258	-	2,046,949	8.90%
12/31/20	185,027	185,027	-	2,013,154	9.19%
12/31/21	197,554	197,554	-	2,014,785	9.81%
12/31/22	197,956	197,956	-	2,052,477	9.64%
12/31/23	214,388	214,388	-	2,109,488	10.16%

See accompanying Notes to Required Supplementary Information.

**VALLEY TRANSIT
CITY OF APPLETON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 1 WISCONSIN RETIREMENT SYSTEM

Changes of benefit terms: There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions:

Based on a three-year experience study conducted in 2021 covering January 1, 2019 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year ended December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the postretirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the postretirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transition from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Transit is required to present the last 10 fiscal years of data; however, accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

NOTE 2 OTHER POSTEMPLOYMENT BENEFIT PLANS

Single-Employer Defined Postemployment Benefit Plan

There were no changes in benefit terms of the Plan. In addition to changes required by GASB Statement No. 75, the updated actuarial valuation decreased the discount rate used from 4.31% to 4.00%. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Transit is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

SUPPLEMENTARY INFORMATION

**VALLEY TRANSIT
CITY OF APPLETON
STATEMENT OF REVENUES AND EXPENSES – BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2022)**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	2022 Actual
	Original	Final			
OPERATING REVENUES					
Passenger Fares and Special Fare Assistance	\$ 1,563,273	\$ 1,563,273	\$ 1,113,745	\$ (449,528)	\$ 1,020,500
Non-Transportation Revenue	79,000	304,469	96,161	(208,308)	114,544
Total Operating Revenues	1,642,273	1,867,742	1,209,906	(657,836)	1,135,044
OPERATING EXPENSES (EXCLUDING DEPRECIATION)					
Labor and Fringe Benefits:					
Operators' Wages	2,401,956	2,401,956	2,162,550	239,406	2,071,560
Other Salaries and Wages	1,104,103	1,104,103	1,083,872	20,231	1,064,396
Fringe Benefits	1,395,237	1,395,237	1,364,984	30,253	883,939
Total Labor and Fringe Benefits	4,901,296	4,901,296	4,611,406	289,890	4,019,895
Services	694,580	694,550	873,733	(179,183)	676,563
Materials and Supplies:					
Fuels	1,050,500	1,050,500	466,131	584,369	542,662
Lubricants	25,000	25,000	33,010	(8,010)	22,987
Tires and Tubes	41,500	38,559	41,771	(3,212)	42,265
Revenue Equipment Maintenance	139,000	139,000	229,859	(90,859)	229,815
Building and Grounds Maintenance	124,258	124,258	108,318	15,940	98,331
General Office	64,252	251,418	71,911	179,507	32,087
Total Materials and Supplies	1,444,510	1,628,735	951,000	677,735	968,147
Utilities:					
Electric	55,620	55,620	53,156	2,464	52,359
Gas	23,000	23,000	20,814	2,186	24,356
Water	7,850	7,850	8,051	(201)	7,525
Telephone	5,600	5,600	16,064	(10,464)	5,542
Other	26,260	26,260	24,198	2,062	23,197
Total Utilities	118,330	118,330	122,283	(3,953)	112,979
Casualty and Liability Costs:					
Physical Damage	25,349	25,349	22,643	2,706	29,402
Public Liability and Property	197,441	197,441	265,333	(67,892)	199,258
Total Casualty and Liability Costs	222,790	222,790	287,976	(65,186)	228,660
Purchased Transportation Services	3,241,507	3,241,507	1,975,745	1,265,762	1,876,759
Miscellaneous:					
Dues and Subscriptions	19,340	19,340	14,655	4,685	15,603
Advertising and Promotion	50,309	50,309	82,698	(32,389)	47,989
Training/Other Miscellaneous	34,480	32,680	27,730	4,950	30,460
Total Miscellaneous	104,129	102,329	125,083	(22,754)	94,052
Total Operating Expenses (Excluding Depreciation)	10,727,142	10,909,537	8,947,226	1,962,311	7,977,055
EXCESS OF OPERATING EXPENSES (EXCLUDING DEPRECIATION) OVER OPERATING REVENUES FOR THE YEAR	<u>\$ (9,084,869)</u>	<u>\$ (9,041,795)</u>	<u>\$ (7,737,320)</u>	<u>\$ 1,304,475</u>	<u>\$ (6,842,011)</u>

* Budget numbers reflect the City's approved budget excluding current year capital and capital carryover

OTHER INFORMATION

**VALLEY TRANSIT
CITY OF APPLETON
DETAILED SCHEDULE OF REVENUES AND EXPENSES – REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2023**

REVENUE

401 - Passenger Fares to Transit Service	\$	1,066,799
402 - Special Fare Assistance		46,946
406 - Auxiliary Transportation Revenue		
Advertising		74,344
407 - Non-transportation Revenue		
Other		21,817
409 - Local Operating Assistance		2,114,480
409 - Local Operating Assistance - Donations		60,157
411 - State Operating Assistance - Current Year (State Operating 85.20)		2,671,281
413 - Federal Operating Assistance (Federal 5307)		2,948,340
Total Revenue		9,004,164

EXPENSES BY OBJECT CLASS TOTAL

501 - Labor		
Operators' Wages		2,162,550
Other Salaries and Wages		1,083,872
502 - Fringe Benefits		1,364,984
503 - Services		873,733
504 - Materials and Supplies		
Fuels and Lubricants		499,141
Tires and Tubes		41,771
Other		410,088
505 - Utilities		122,283
506 - Casualty and Liability Costs		287,976
508 - Purchased Transportation Services		1,975,745
509 - Miscellaneous		125,083
513 - Depreciation		1,342,327
Total Expenses		10,289,553

EXCESS OF EXPENSES OVER REVENUES FOR THE YEAR *	\$	(1,285,389)
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* Excludes capital contributions shown on Statement of Revenues, Expenses and Changes in Net Position

**VALLEY TRANSIT
CITY OF APPLETON
RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND
FEDERAL RECOGNIZED REVENUES AND EXPENSES – REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2023**

	<u>Per WisDOT Guidelines</u>	<u>Per Federal Guidelines</u>
Total Revenues Including Operating Assistance Per Statement of Revenues, Expenses, and Changes in Net Position	\$ 11,428,659	\$ 11,428,659
Less: Revenues not Included Per Guidelines		
Federal Capital	2,276,931	2,276,931
Federal 5310 Operating Grant	48,445	48,445
WisDOT Paratransit Costs - not Eligible	99,119	99,119
Total Revenues not Included Per Guidelines	<u>2,424,495</u>	<u>2,424,495</u>
ADJUSTED REVENUES FOR REGULATORY BASIS	9,004,164	9,004,164
Less: Unrecognized Revenues		
Local Operating Subsidies	2,127,308	2,127,308
Federal Operating Subsidy	2,948,340	2,948,340
State Operating Subsidy	2,671,281	2,671,281
Advertising Services	-	74,344
Other (Non-Transportation Revenues)	221	6,203
Less: Additional Contra Expense		
Sale of City Property	2,669	2,669
Credit Card Rebates	3,556	3,556
Damage to City Property	9,389	9,389
Total Unrecognized Revenues	<u>7,762,764</u>	<u>7,843,090</u>
ADJUSTED REVENUES	<u>\$ 1,241,400</u>	<u>\$ 1,161,074</u>
Total Expenses Per Statement of Revenues, Expenses, and Changes in Net Position	\$ 10,289,553	\$ 10,289,553
Less: Unrecognized Expenses		
Depreciation	1,342,327	1,342,327
Capital Maintenance *	452,746	452,746
Contra-Expenses:		
Sale of City Property	2,669	2,669
Credit Card Rebates	3,556	3,556
Damage to City Property	9,389	9,389
Total WisDOT Unrecognized Expenses	<u>1,810,687</u>	<u>1,810,687</u>
RECOGNIZED EXPENSES	<u>\$ 8,478,866</u>	<u>\$ 8,478,866</u>
RECOGNIZED DEFICITS	<u>\$ (7,237,466)</u>	<u>\$ (7,317,792)</u>

* Represents 100% of costs funded for capital maintenance

**VALLEY TRANSIT
CITY OF APPLETON
COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS
YEAR ENDED DECEMBER 31, 2023**

STATE SHARE

WisDOT Recognized Deficit	\$ 7,237,466		
Less: Federal Share	<u>2,948,340</u>		
Non-federal Share of WisDOT Deficit		<u>\$ 4,289,126</u>	
WisDOT Recognized Expenses	\$ 8,478,866		
Maximum Federal and State*	<u>N/A</u>		
Recognized Expenses	8,478,866		
Less: Federal Share	<u>2,948,340</u>		
Non-federal Share		<u>\$ 5,530,526</u>	
City of Appleton and Other Local Subsidies	<u>\$ 2,174,637</u>		
5 Times Operating Subsidy		<u>\$ 10,873,185</u>	
WisDOT Contract Amount		<u>\$ 2,671,281</u>	
WisDOT Share			<u>\$ 2,671,281</u>

*State specified no maximum percent for 2023.

FEDERAL SECTION 5307 SHARE

Federally Recognized Deficit	\$ 7,317,792		
Maximum Federal Percentage	<u>50.00%</u>		
50% of Federal Deficit		<u>\$ 3,658,896</u>	
Federally Recognized Deficit	\$ 7,317,792		
Less WisDOT Share	<u>2,671,281</u>		
Non-WisDOT Share		<u>\$ 4,646,511</u>	
Maximum Contract Amount			
Capital Cost of Third Party Contracting	\$ 278,703		
Preventative Maintenance	452,746		
Operating Assistance	<u>2,216,891</u>		
Total Federal Funds		<u>\$ 2,948,340</u>	
Federal Share			<u>\$ 2,948,340</u>

SUMMARY OF 2023 FUNDING

	Received in 2023	Receivable (Payable) 12/31/23	Total
Federal Section 5307 Assistance	\$ 191,759	\$ 2,756,581	\$ 2,948,340
State Assistance	2,671,281	-	2,671,281
Local Assistance	<u>3,353,634</u>	<u>(1,735,789)</u>	<u>1,617,845</u>
Total Funding	<u>\$ 6,216,674</u>	<u>\$ 1,020,792</u>	<u>\$ 7,237,466</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR FINANCIAL STATEMENTS**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Fox Cities Transit Commission
Valley Transit
City of Appleton, Wisconsin

We have audited, in accordance with the 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, the financial statements of Valley Transit (Transit) a fund of the City of Appleton, Wisconsin, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Transit's financial statements, and have issued our report thereon which includes an emphasis of matter paragraph as indicated on page 1 thereon dated June 4, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Transit's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of Transit's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Transit's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

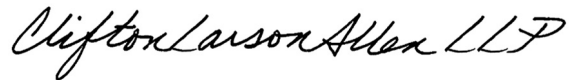
Fox Cities Transit Commission
Valley Transit
City of Appleton, Wisconsin

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Transit’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Transit’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Transit’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
June 4, 2024



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