

**VALLEY TRANSIT  
CITY OF APPLETON**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2021**



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CITY OF APPLETON  
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## 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, 2021, 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, 2021, and the changes in financial position and cash flows thereof 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 described in Note 1, the financial statements present only the Valley Transit enterprise fund of the City of Appleton, Wisconsin, and do not purport to, and do not present fairly the financial position of the City of Appleton, Wisconsin, as of December 31, 2021 and 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 these 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Transit's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibility 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 opinions. 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Transit's ability to continue as a going concern for a reasonable period of time.

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.

***Other Matter***

***Report on Summarized Comparative Information***

We have previously audited Transit's 2020 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated June 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***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, 2021 was conducted for the purpose of forming an opinion on Transit's basic 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 basic 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 basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended December 31, 2021, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole for the year ended December 31, 2021.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Transit as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated June 7, 2021, which contained an unmodified opinion on the financial statements. The accompanying supplementary information for the year ended December 31, 2020 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 2020 basic financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied in the audit of the 2020 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 basic financial statements as a whole for the year ended December 31, 2020.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises detailed regulatory reports but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2022, 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 7, 2022

## **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, 2021 and 2020.

### **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 \$12,182,977 as of December 31, 2021; compared to \$10,327,391 in 2020. 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 following table provides a summary of Valley Transit's balances as of December 31, 2021 and 2020.

<b>Assets</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Current Assets	\$3,037,659	\$3,202,061
Capital Assets	10,930,235	9,155,990
Other Assets	<u>2,408,373</u>	<u>1,718,562</u>
Total Assets	16,376,267	14,076,613
 <b>Deferred Outflow of Resources</b>		
Deferred outflows related to pension	1,840,753	1,377,900
 <b>Liabilities</b>		
Current Liabilities	3,201,986	2,971,172
Non-current Liabilities	<u>484,954</u>	<u>470,064</u>
Total Liabilities	3,686,940	3,441,236
 <b>Deferred Inflow of Resources</b>		
Deferred inflows related to pension	2,347,103	1,685,886
 <b>Net Assets</b>		
Invested in capital assets	10,930,235	9,155,989
Restricted for depreciation reserve	2,408,373	1,718,562
Unrestricted	<u>(1,155,631)</u>	<u>(547,160)</u>
Total Net Assets	12,182,977	10,327,391
 Percent restricted	 19.77%	 16.64%

Current Assets decreased by \$164,402 in 2021 mostly due to a lower balance in cash and investments offset by an increase in accounts receivable. Current liabilities increased by \$230,814 due to an increase in amounts due to other governments and a smaller increase in unearned revenue from ADA paratransit tickets. The amount due to other governments at the end of 2021 is greater than a typical year due to an unexpected year-end credit to fringe expenses.

The increase in Capital Assets during 2021 reflects capital purchases of \$2,783,471 financed by federal and state capital funding and local match dollars, offset by depreciation expense of \$1,008,462.

The deferred outflow and inflows of resources and non-current liabilities in 2021 & 2020 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 increased primarily due to net pension asset/liability.

Valley Transit saw an increase in total Net Position during 2021 largely due to the federal and state capital funding received to finance bus replacements and other capital projects, resulting in an increase in investment in Capital Assets.

The following table provides a summary of Valley Transit's operations for the years ending December 31, 2021 and 2020.

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Passenger fares for transit service	\$991,230	\$902,147
Special fare assistance	38,103	25,957
Non-transportation revenue	<u>144,920</u>	<u>83,877</u>
Total Operating Revenues	<u>1,174,253</u>	<u>1,011,981</u>
<b>Operating Expenses</b>		
Salaries and wages	3,179,274	3,027,086
Fringe benefits	784,960	991,862
Services	615,170	525,803
Materials and Supplies	765,991	793,894
Utilities	104,903	100,854
Casualty and Liability costs	200,398	191,643
Purchased transportation services	2,468,841	2,108,532
Miscellaneous	68,301	49,880
Depreciation	<u>1,008,462</u>	<u>817,979</u>
Total Operating Expenses	<u>9,196,300</u>	<u>8,607,533</u>
Operating Loss	<u>(8,022,047)</u>	<u>(7,595,552)</u>
	<b>Operating Subsidies</b>	
Local	1,291,042	1,232,128
Investment Income <small>(credited as local subsidies)</small>	(25,996)	72,072
State	3,118,470	2,915,685
Federal	2,143,639	2,099,188
Loss/Gain on Asset Disposal	<u>3,470</u>	<u>(17,119)</u>
Total Subsidies	<u>6,530,625</u>	<u>6,301,954</u>
Loss Before Contributions & Transfers	(1,491,422)	(1,293,598)
Capital Contributions - Federal & State	2,783,471	2,545,822
Transfers - Appleton Operating Subsidies	563,537	581,409
<b>Change in net position</b>	1,855,586	1,833,633
NET position - beginning of year	<u>10,327,391</u>	<u>8,493,758</u>
NET position - end of year	<u>12,182,977</u>	<u>10,327,391</u>

Operating revenues increased \$162,272 in 2021 mostly due to an increase of approximately \$82,400 in ADA and ancillary paratransit fares and an additional \$61,043 in non-transportation revenue. Non-transportation revenue consists largely of advertising revenue, commission on vending machines and scrap metal sales. Ridership continues to be low due to the COVID-19 global pandemic that shut down most of the country in mid-March 2020. Preventive measures included social distancing, travel restrictions, lockdowns and quarantines for people exposed or symptomatic. Precautions continued throughout 2021.

Operating expenses increased by \$588,767 mostly due to an increase in purchased transportation expense and increased depreciation expense. During 2021, Valley Transit saw a small rise in demand for ADA and ancillary paratransit services as some COVID restrictions were lifted and people began traveling again. Payroll expense increased due to collective bargaining agreements for represented staff and pay for performance adjustments for non-represented staff that totaled approximately \$152,188 which was offset by a decrease in fringes of \$206,902.

Valley Transit's 2021 net position has increased when compared to 2020. The largest factor contributing to the increase in net position is the capital funding received for five replacement buses purchased during 2021.

### **Capital Assets**

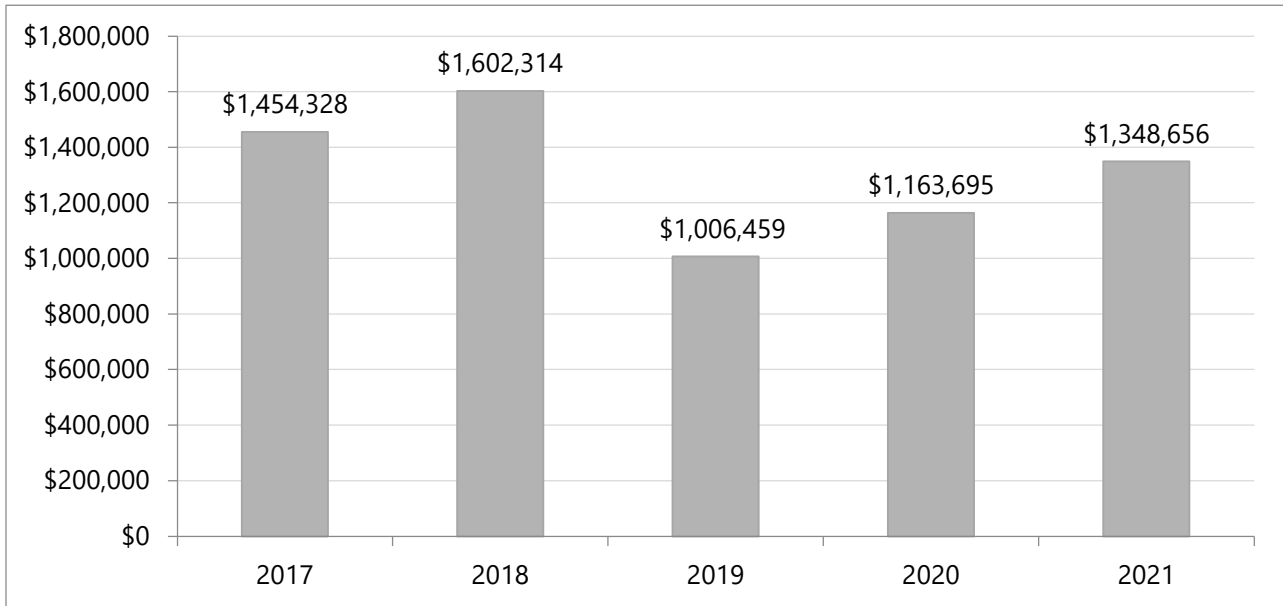
The Federal Transit Administration provides 80% of the funding to purchase Valley Transit's capital assets and therefore has significant interest in their use. The remaining 20% is funded either through Valley Transit's depreciation reserve for replacement equipment or from current year support from the various local governments that participate in Valley Transit.

Net capital assets increased \$1,774,245 during 2021 as the result of capital purchases of \$2,783,471 financed by state and federal capital grants and local match dollars, offset by depreciation expense of \$1,008,462. Capital investments in 2021 consisted of five new buses at a total investment of \$2,455,372, Operation staff vehicle (\$30,032), database software (\$100,649), new bus stop signs (\$27,826) and the beginning of a construction project at the Whitman facility (\$169,592).

### **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.

The balance of this 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.

### **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](mailto:Ronald.McDonald@appleton.org).

## **FINANCIAL STATEMENTS**

**VALLEY TRANSIT  
CITY OF APPLETON  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021  
(WITH SUMMARIZED AMOUNTS AS OF DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Investments	\$ 1,776,985	\$ 2,170,064
Accounts Receivable	446,778	303,489
Due from Other Governments:		
Federal Capital and Operating Grants	434,077	413,483
Local Governments	1,949	2,125
Prepaid Items	377,870	312,900
Total Current Assets	<u>3,037,659</u>	<u>3,202,061</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Investments	1,348,656	1,163,695
Other Assets:		
Net Pension Asset	1,059,717	554,867
Capital Assets:		
Nondepreciable	1,081,158	910,941
Depreciable	9,849,077	8,245,049
Total Capital Assets	<u>10,930,235</u>	<u>9,155,990</u>
Total Assets	16,376,267	14,076,613
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Amounts	1,755,548	1,281,687
Other Postemployment Related Amounts	85,205	96,213
Total Deferred Outflows of Resources	<u>1,840,753</u>	<u>1,377,900</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	302,596	419,762
Accrued and Other Current Liabilities	121,744	130,049
Due to Other Governments	1,529,255	1,290,162
Compensated Absences	184,299	183,570
Special Deposits	500	500
Unearned Revenue	1,063,592	947,129
Total Current Liabilities	<u>3,201,986</u>	<u>2,971,172</u>
Long-Term Obligations, Less Current Portion:		
Compensated Absences	122,964	112,562
Other Postemployment Benefits	361,990	357,502
Total Long-Term Liabilities	<u>484,954</u>	<u>470,064</u>
Total Liabilities	3,686,940	3,441,236
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related Amounts	2,320,880	1,664,337
Other Postemployment Related Amounts	26,223	21,549
Total Deferred Inflows of Resources	<u>2,347,103</u>	<u>1,685,886</u>
<b>NET POSITION</b>		
Investment in Capital Assets	10,930,235	9,155,990
Restricted	2,408,373	1,718,562
Unrestricted	<u>(1,155,631)</u>	<u>(547,161)</u>
Total Net Position	<u>\$ 12,182,977</u>	<u>\$ 10,327,391</u>

See accompanying Notes to Financial Statements.

**VALLEY TRANSIT  
CITY OF APPLETON  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2021  
(WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Regular Passenger Fares	\$ 991,230	\$ 902,147
Special Fares	38,103	25,957
Advertising Services	80,871	43,415
Other	64,049	40,462
Total Operating Revenues	<u>1,174,253</u>	<u>1,011,981</u>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	3,179,274	3,027,086
Fringe Benefits	784,960	991,862
Services	615,170	525,803
Materials and Supplies:		
Fuels and Lubricants	372,132	237,611
Tires and Tubes	40,358	40,379
Other	353,501	515,904
Utilities	104,903	100,854
Casualty and Liability Costs	200,398	191,643
Purchased Transportation Services	2,468,841	2,108,532
Miscellaneous	68,301	49,880
Depreciation	1,008,462	817,979
Total Operating Expenses	<u>9,196,300</u>	<u>8,607,533</u>
<b>OPERATING LOSS</b>	(8,022,047)	(7,595,552)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	(25,996)	72,072
Federal Operating Assistance	2,143,639	2,099,188
State Operating Assistance	3,118,470	2,915,685
Local Operating Assistance	1,291,042	1,232,128
Loss on Disposal of Capital Assets	3,470	(17,119)
Total Nonoperating Revenues (Expenses)	<u>6,530,625</u>	<u>6,301,954</u>
Loss Before Contributions and Transfers	(1,491,422)	(1,293,598)
Federal and State Capital Grants and Contributions	2,783,471	2,545,822
Transfers In - City Operating Subsidy	<u>563,537</u>	<u>581,409</u>
<b>CHANGE IN NET POSITION</b>	1,855,586	1,833,633
Net Position - Beginning of Year	<u>10,327,391</u>	<u>8,493,758</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 12,182,977</u>	<u>\$ 10,327,391</u>

See accompanying Notes to Financial Statements.



**VALLEY TRANSIT  
CITY OF APPLETON  
STATEMENT OF CASH FLOWS  
DECEMBER 31, 2021  
(WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 1,147,427	\$ 1,497,797
Cash Paid for Employee Wages and Benefits	(3,478,446)	(2,949,576)
Cash Paid to Suppliers	(5,190,700)	(4,905,401)
Net Cash Used by Operating Activities	(7,521,719)	(6,357,180)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Federal Operating Assistance	2,123,045	3,187,056
State Operating Assistance	3,118,470	2,915,685
Local Operating Assistance	1,530,311	1,299,506
Local Operating Assistance - City Operating Subsidy	563,537	581,409
Net Cash Provided by Noncapital Financing Activities	7,335,363	7,983,656
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	(2,784,097)	(2,571,481)
Contributed Capital - Federal and State	2,783,471	2,545,822
Sale of Capital Assets	4,860	-
Net Cash Provided (Used) by Capital and Related Financing Activities	4,234	(25,659)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	(25,996)	72,072
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(208,118)	1,672,889
Cash and Cash Equivalents - Beginning of Year	3,333,759	1,660,870
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,125,641	\$ 3,333,759
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (8,022,047)	\$ (7,595,552)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	1,008,462	817,979
Change in WRS Asset/Liability	(504,850)	(1,175,048)
Change in WRS Deferred Outflow	(473,861)	392,573
Change in WRS Deferred Inflow	656,543	805,061
Change in OPEB Liability	4,488	40,683
Change in OPEB Deferred Outflow	11,008	(42,662)
Change in OPEB Deferred Inflow	4,674	13,733
Change in Operating Assets and Liabilities:		
Accounts Receivables	(143,289)	278,119
Prepaid Items	(64,970)	(177,230)
Accounts Payable	(117,166)	34,297
Accrued and Other Current Liabilities	(8,305)	43,750
Customer Deposits	-	-
Unearned Revenue	116,463	207,697
Compensated Absences	11,131	(580)
Net Cash Provided Used by Operating Activities	\$ (7,521,719)	\$ (6,357,180)
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>		
Cash and Cash Equivalents in Current Assets	\$ 1,776,985	\$ 2,170,064
Cash and Cash Equivalents in Restricted Assets	1,348,656	1,163,695
Total Cash and Cash Equivalents	\$ 3,125,641	\$ 3,333,759
Noncash Capital and Related Financing Activities:		
Contributed Capital Assets	\$ 2,783,471	\$ 2,545,822
Unrealized Losses on Investments	\$ (44,694)	\$ -

See accompanying Notes to Basic Financial Statements.

**VALLEY TRANSIT  
CITY OF APPLETON  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2021**

**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 and are carried at cost. 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  
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DECEMBER 31, 2021**

**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 accounted for on the consumption method.

**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:

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

**VALLEY TRANSIT  
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DECEMBER 31, 2021**

**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. Unearned Revenues**

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

**9. Pensions**

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

**10. Other Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense (revenue), information about the fiduciary net position of the City's Other Postemployment Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**VALLEY TRANSIT  
CITY OF APPLETON  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**11. 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, 2020, from which the summarized information was derived.

**VALLEY TRANSIT  
CITY OF APPLETON  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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](http://www.appleton.org/government/finance).

**B. Restricted Assets**

Restricted assets on December 31, 2021 totaled \$1,348,656 and consisted of cash and investments held for the following purpose:

Description	Amount	Purpose
Depreciation	<u>\$ 1,348,656</u>	To be used for the replacement of capital assets of Valley Transit

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 891,831	\$ -	\$ -	\$ 891,831
Construction in Progress	19,110	170,217	-	189,327
Total Capital Assets, Nondepreciable	910,941	170,217	-	1,081,158
Capital Assets, Depreciable:				
Buildings and Improvements	4,188,029	-	-	4,188,029
Machinery and Equipment	13,392,282	2,613,880	1,381,605	14,624,557
Subtotals	17,580,311	2,613,880	1,381,605	18,812,586
Less Accumulated Depreciation for:				
Buildings and Improvements	3,808,621	49,348	-	3,857,969
Machinery and Equipment	5,526,641	959,114	1,380,215	5,105,540
Subtotals	9,335,262	1,008,462	1,380,215	8,963,509
Total Capital Assets, Depreciable, Net	8,245,049	1,605,418	1,390	9,849,077
Capital Assets, Net	<u>\$ 9,155,990</u>	<u>\$ 1,775,635</u>	<u>\$ 1,390</u>	<u>\$ 10,930,235</u>

**VALLEY TRANSIT  
CITY OF APPLETON  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations**

The following is a summary of changes in long-term obligations of Transit for the year ended December 31, 2021:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Compensated Absences	\$ 296,132	\$ 37,767	\$ 26,636	\$ 307,263	\$ 184,299

**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, and 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 issued a standalone Annual Comprehensive Financial Report which can be found at <https://etf.wi.gov/about-etf/publications/cafr.htm>.

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.

Employees who retire at or after age 65 (54 for protective occupations, 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, 2021**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Pension Plan (Continued)**

**1. Plan Description (Continued)**

Wisconsin Retirement System (WRS) Pension Plan Description (Continued)

Final average earnings is the average of the participant's three highest annual 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
2011	-1.2%	11%
2012	-7.0%	-7%
2013	-9.6%	9%
2014	4.7%	25%
2015	2.9%	2%
2016	0.5%	-5%
2017	2.0%	4%
2018	2.4%	17%
2019	0.0%	-10%
2020	1.7%	21%

**VALLEY TRANSIT  
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**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, including teachers, 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, 2021, the WRS recognized \$197,554 in contributions from Transit.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, Executives, and Elected Officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

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

At December 31, 2021, Transit reported an asset of \$1,059,717 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. 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 asset was based on Transit's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, Transit's proportion was 0.01697411%, which was a decrease of 0.00023398% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, Transit recognized pension revenue of \$116,938

**VALLEY TRANSIT  
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**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, 2021, 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	\$ 1,533,736	\$ 330,364
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	1,989,533
Changes in Assumptions	24,036	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	222	983
Employer Contributions Subsequent to the Measurement Date	197,554	-
Total	\$ 1,755,548	\$ 2,320,880

\$197,554 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, 2021. 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 Ended December 31,	Expense
2022	\$ (196,645)
2023	(53,251)
2024	(360,437)
2025	(152,553)
Total	\$ (762,886)

**VALLEY TRANSIT  
CITY OF APPLETON  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Pension Plan (Continued)**

**5. Actuarial Assumptions**

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Postretirement Adjustments*	1.9%

\* No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 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  
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**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:			
Global Equities	51.0	7.2%	4.7%
Fixed Income	25.0	3.2%	8.0%
Inflation Sensitive Assets	16.0	2.0%	-0.4%
Real Estate	8.0	5.6%	3.1%
Private Equity/Debt	11.0	10.2%	7.6%
Multi-Asset	4.0	5.8%	3.3%
Cash	-15.0	0.9%	N/A
Total Core Fund	100.0	6.6%	4.1%
Variable Fund Asset Class:			
U.S. Equities	70.0	6.5%	4.1%
International Equities	30.0	7.4%	4.9%
Total Variable Fund	100.0	7.1%	4.6%

New England Pension Consultants Long Term U.S. CPI (Inflation) Forecast: 2.4%

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

**Single Discount Rate.** A single discount rate of 7.00% 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 7.00% and a municipal bond rate of 2.00% (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, 2020. 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 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members.

**VALLEY TRANSIT  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Pension Plan (Continued)**

**5. Actuarial Assumptions (Continued)**

**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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
Transit's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,008,704	\$ (1,059,717)	\$ (2,578,957)

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

**6. Payables to the Pension Plan**

At December 31, 2021, Transit reported no outstanding contributions to the pension plan for the year ended December 31, 2021.

**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.

**VALLEY TRANSIT  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Other Postemployment Benefits (Continued)**

Single-employer Defined Postemployment Benefit Plan (Continued)

**3. Employees Covered by Benefit Terms**

At December 31, 2021, the following employees of the City, including Transit, were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	58
Active Employees	575
Total	<hr style="border: 1px solid black;"/> <hr style="border: 1px solid black;"/> <b>633</b>

**4. Contributions**

All retired plan members and beneficiaries currently receiving benefits are required to pay the entire cost of insurance premiums based on the employee group and their retirement date.

**5. Total OPEB Liability**

Transit's proportionate share of the total OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the Total OPEB liability was determined by an actuarial valuation as of January 1, 2020.

**Actuarial Assumptions.** The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	January 1, 2020
Actuarial Cost Method:	Entry Age Normal
Discount Rate:	2.25%
Inflation:	3.0%
Salary Increases:	4.0%
Healthcare Cost Trend Rates:	5.0% for 2020 Decreasing to an Ultimate Rate of 4.5% by 2036

Mortality, disability, retirement, and withdrawal rates are the same as those used in the December 31, 2020 Wisconsin Retirement System's (WRS) actuarial valuation report. The actuarial assumptions used in the January 1, 2020 valuation were based on the "Wisconsin Retirement System 2015 - 2017 Experience Study".

**VALLEY TRANSIT  
CITY OF APPLETON  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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)**

**Discount Rate.** The discount rate used to measure the total OPEB liability changed from 1.93% used in the prior year to 2.25% which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of December 31, 2021. The projection of cash flows used to determine the discount rate assumed that Transit 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, 2020	\$ 357,502
Changes for the Year:	
Service Cost	21,892
Interest	6,842
Changes of Assumptions and Other Inputs	(7,953)
Benefit Payments	(26,589)
Other Changes	10,296
Net Changes	4,488
Balance at December 31, 2021	\$ 361,990

**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 (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
Total OPEB Liability	\$ 321,272	\$ 361,990	\$ 367,957



**VALLEY TRANSIT  
CITY OF APPLETON  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Other Postemployment Benefits (Continued)**

Single-employer Defined Postemployment Benefit Plan (Continued)

**6. Changes in the Total OPEB Liability (Continued)**

**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 (4.0%) 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	\$ 380,946	\$ 361,990	\$ 311,748

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

For the year ended December 31, 2021, Transit recognized OPEB expense of \$38,614.

At December 31, 2021, 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	\$ 29,840	\$ 13,369
Changes in Assumptions	55,365	12,854
Total	\$ 85,205	\$ 26,223

**VALLEY TRANSIT  
CITY OF APPLETON  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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:

Year Ended December 31,	Expense
2022	\$ 9,879
2023	9,879
2024	9,879
2025	9,879
2026	9,879
Thereafter	9,587
Total	\$ 58,982

**8. Payable to the OPEB Plan**

At December 31, 2021, Transit reported no outstanding contributions to the Plan required for the year ended December 31, 2021.

**9. Plan Financial Report**

The Plan does not prepare a separate standalone financial report.

**G. Net Position**

The Transit reports restricted net position at December 31, 2021 as follows:

Restricted for:	
Depreciation Reserve	\$ 1,348,656
Pension Asset	1,059,717
Total Restricted Net Position	\$ 2,408,373

**VALLEY TRANSIT  
CITY OF APPLETON  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, included restricted capital funding, realized for 2021 amounted to an investment loss of \$25,996. 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 2021 was as follows:

Governmental Unit	Amount
Federal	\$ 1,473,951
Federal - Capital Maintenance	449,847
Federal - Enhanced Mobility of Seniors and Individuals with Disabilities	219,840
State of Wisconsin	2,984,732
State of Wisconsin - Paratransit Aid	133,738
Local:	
City of Appleton (Reported as Transfer)	563,537
City of Appleton Share of Investment Return	(25,996)
Town of Buchanan	11,892
City of Kaukauna	21,017
Village of Kimberly	14,516
City of Menasha	35,774
Fox Crossing	43,468
Fox Crossing - Elderly	2,208
City of Neenah	73,789
City of Neenah - Elderly	18,343
Village of Little Chute	15,312
Town of Grand Chute	116,190
Winnebago County - Elderly	193
Outagamie County - Link	86,296
Special Transportation - Outagamie County	161,758
Special Transportation - Winnebago County	30,300
Special Transportation - Calumet County	6,711
Connector	58,049
Special Transportation - Family Care	595,226
Total	<u>\$ 7,090,691</u>

**VALLEY TRANSIT  
CITY OF APPLETON  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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 \$1000 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 \$113,784 in 2020 and \$116,244 in 2021. 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 2021, 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, 2021**

**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 2021 and 2020, Transit Mutual returned surplus to Valley Transit pursuant to its surplus management policy; in addition, dividends were paid to Valley Transit in 2021 and 2020.

The City's share of this corporation is 5.02% for auto liability and 5.88% 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, 2021**

**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.

Long-Term Contract - Running, Inc.

In 2019, Transit entered into a long-term contract with Running, Inc. to provide Paratransit services. The contract is effective July 1, 2019 and through June 30, 2022 and allows for fixed rate payments based on one-way trips. The contract includes the option to extend for up to two additional one-year periods.

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:				
Service Cost	\$ 21,892	\$ 17,085	\$ 18,143	\$ 17,672
Interest	6,842	9,854	10,714	8,613
Differences Between Expected and Actual Experience	-	(16,712)	-	53,881
Changes of Assumptions	(7,953)	36,969	5,772	5,188
Benefit Payments	(26,589)	(23,095)	(24,371)	(27,644)
Other Changes	10,296	16,582	(17,453)	(4,606)
Net Change in Total OPEB Liability	<u>4,488</u>	<u>40,683</u>	<u>(7,195)</u>	<u>53,104</u>
Total OPEB liability - Beginning	<u>357,502</u>	<u>316,819</u>	<u>324,014</u>	<u>270,910</u>
Total OPEB Liability - Ending	<u>\$ 361,990</u>	<u>\$ 357,502</u>	<u>\$ 316,819</u>	<u>\$ 324,014</u>
Covered-Employee Payroll	\$ 3,139,115	\$ 2,478,512	\$ 2,995,492	\$ 2,067,524
County's Total OPEB Liability as a Percentage of Covered-Employee Payroll	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 FISCAL YEARS**

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%

**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	-	2,042,314	9.67%

See accompanying Notes to Required Supplementary Information.

**VALLEY TRANSIT  
CITY OF APPLETON  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**NOTE 1 WISCONSIN RETIREMENT SYSTEM**

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

No significant change in assumptions were noted from the prior year.

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.

**NOTE 2 OTHER POSTEMPLOYMENT BENEFIT PLANS**

**Single-employer Defined Postemployment Benefit Plan**

In addition to changes required by GASB Statement No. 75, the updated actuarial valuation decreased the discount rate used from 1.93% to 2.25%. 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, 2021  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	2020 Actual
	Original	Final			
<b>OPERATING REVENUES</b>					
Passenger Fares and Special Fare Assistance	\$ 1,561,373	\$ 1,561,373	\$ 1,029,333	\$ (532,040)	\$ 928,104
Non-Transportation Revenue	141,308	73,000	144,920	71,920	83,877
Total Operating Revenues	1,702,681	1,634,373	1,174,253	(460,120)	1,011,981
<b>OPERATING EXPENSES (EXCLUDING DEPRECIATION)</b>					
Labor and Fringe Benefits:					
Operators' Wages	2,450,808	2,450,808	2,046,028	404,780	1,981,445
Other Salaries and Wages	794,552	794,552	1,133,246	(338,694)	1,045,641
Fringe Benefits	1,263,800	1,263,800	784,960	478,840	991,862
Total Labor and Fringe Benefits	4,509,160	4,509,160	3,964,234	544,926	4,018,948
Services	499,157	492,957	615,170	(122,213)	525,803
Materials and Supplies:					
Fuels	572,500	572,500	353,700	218,800	233,960
Lubricants	25,000	25,000	18,432	6,568	3,651
Tires and Tubes	41,500	41,500	40,358	1,142	40,379
Revenue Equipment Maintenance	139,000	139,000	242,775	(103,775)	78,469
Building and Grounds Maintenance	124,258	124,258	123,668	590	113,067
General Office	6,752	197,850	(12,942)	210,792	324,368
Total Materials and Supplies	909,010	1,100,108	765,991	334,117	793,894
Utilities:					
Electric	51,481	51,481	50,833	648	51,466
Gas	17,500	17,500	17,177	323	13,021
Water	7,850	7,850	7,199	651	8,066
Telephone	8,100	8,100	7,540	560	8,079
Other	22,201	22,201	22,154	47	20,222
Total Utilities	107,132	107,132	104,903	2,229	100,854
Casualty and Liability Costs:					
Physical Damage	25,349	25,349	-	25,349	6,229
Public Liability and Property	197,441	197,441	200,398	(2,957)	185,414
Total Casualty and Liability Costs	222,790	222,790	200,398	22,392	191,643
Purchased Transportation Services	3,992,361	3,992,361	2,468,841	1,523,520	2,108,532
Miscellaneous:					
Dues and Subscriptions	22,022	22,022	18,156	3,866	16,585
Advertising and Promotion	50,309	50,309	27,023	23,286	16,583
Training/Other Miscellaneous	31,400	31,400	23,122	8,278	16,712
Total Miscellaneous	103,731	103,731	68,301	35,430	49,880
Total Operating Expenses (Excluding Depreciation)	10,343,341	10,528,239	8,187,838	2,340,401	7,789,554
<b>EXCESS OF OPERATING EXPENSES (EXCLUDING DEPRECIATION) OVER OPERATING REVENUES FOR THE YEAR</b>					
	<u>\$ (8,640,660)</u>	<u>\$ (8,893,866)</u>	<u>\$ (7,013,585)</u>	<u>\$ 1,880,281</u>	<u>\$ (6,777,573)</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, 2021**

**REVENUE**

401 - Passenger Fares to Transit Service	\$ 991,230
402 - Special Fare Assistance	38,103
406 - Auxiliary Transportation Revenue	
Advertising	80,871
407 - Non-transportation Revenue	
Rental of Buildings and Other Property	6,000
Other	58,049
409 - Local Operating Assistance	1,778,583
409 - Local Operating Assistance - Donations	50,000
411 - State Operating Assistance - Current Year (State Operating 85.20)	2,984,732
413 - Federal Operating Assistance (Federal 5307 and Cares Act)	<u>2,072,291</u>
Total Revenue	<u>8,059,859</u>

**EXPENSES BY OBJECT CLASS TOTAL**

501 - Labor	
Operators' Wages	2,046,028
Other Salaries and Wages	1,133,246
502 - Fringe Benefits	784,960
503 - Services	615,170
504 - Materials and Supplies	
Fuels and Lubricants	372,132
Tires and Tubes	40,358
Other	353,501
505 - Utilities	104,903
506 - Casualty and Liability Costs	200,398
508 - Purchased Transportation Services	2,468,841
509 - Miscellaneous	68,301
513 - Depreciation	<u>1,008,462</u>
Total Expenses	<u>9,196,300</u>

**EXCESS OF EXPENSES OVER REVENUES FOR THE YEAR \***      \$ (1,136,441)

\* 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, 2021**

	<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	\$ 11,051,886	\$ 11,051,886
Less: Revenues not Included Per Guidelines		
Federal Capital - Maintenance	328,099	328,099
Federal 5310 Operating Grant	71,348	71,348
State Capital	2,455,372	2,455,372
WisDOT Paratransit Costs - not Eligible	133,738	133,738
Loss on Disposal of Capital Assets	3,470	3,470
Total Revenues not Included Per Guidelines	<u>2,992,027</u>	<u>2,992,027</u>
<b>ADJUSTED REVENUES FOR REGULATORY BASIS</b>	<u>8,059,859</u>	<u>8,059,859</u>
Less: Unrecognized Revenues		
Local Operating Subsidies	1,873,277	1,873,277
Federal Operating Subsidy	2,072,291	2,072,291
State Operating Subsidy	2,984,732	2,984,732
Advertising Services	-	80,871
Other (Non-Transportation Revenues)	6,202	8,216
Less: Additional Contra Expense		
Sale of City Property	1,498	1,498
Credit Card Rebates	6,354	6,354
Damage to City Property	47,981	47,981
Total Unrecognized Revenues	<u>6,992,335</u>	<u>7,075,220</u>
<b>ADJUSTED REVENUES</b>	<u>\$ 1,067,524</u>	<u>\$ 984,639</u>
Total Expenses Per Statement of Revenues, Expenses, and Changes in Net Position	\$ 9,196,300	\$ 9,196,300
Less: Unrecognized Expenses		
Depreciation	1,008,462	1,008,462
Capital Maintenance *	328,099	328,099
Contra-Expenses:		
Sale of City Property	1,498	1,498
Credit Card Rebates	6,354	6,354
Damage to City Property	47,981	47,981
Total WisDOT Unrecognized Expenses	<u>1,392,394</u>	<u>1,392,394</u>
<b>RECOGNIZED EXPENSES</b>	<u>\$ 7,803,906</u>	<u>\$ 7,803,906</u>
<b>RECOGNIZED DEFICITS</b>	<u>\$ (6,736,382)</u>	<u>\$ (6,819,267)</u>

\* Represents 100% of operating costs funded through capital maintenance program (excludes capitalized assets)

**VALLEY TRANSIT  
CITY OF APPLETON  
COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS  
YEAR ENDED DECEMBER 31, 2021**

**STATE SHARE**

WisDOT Recognized Deficit	\$ 6,736,382		
Less: Federal Share	<u>2,231,639</u>		
Non-federal Share of WisDOT Deficit		<u>\$ 4,504,743</u>	
WisDOT Recognized Expenses	\$ 7,803,906		
Maximum Federal and State*	<u>N/A</u>		
Recognized Expenses	<u>7,803,906</u>		
Less: Federal Share	<u>2,231,639</u>		
Non-federal Share		<u>\$ 5,572,267</u>	
City of Appleton and Other Local Subsidies	<u>\$ 1,828,583</u>		
5 Times Operating Subsidy		<u>\$ 9,142,915</u>	
WisDOT Contract Amount		<u>\$ 2,984,732</u>	
WisDOT Share			<u>\$ 2,984,732</u>

\*State specified no maximum percent for 2021.

**FEDERAL SECTION 5307 SHARE**

Federally Recognized Expenses	\$ 6,819,267		
Maximum Federal Percentage	<u>50.00%</u>		
50% of Federal Deficit		<u>\$ 3,409,634</u>	
Federally Recognized Deficit	\$ 6,819,267		
Less WisDOT Share	<u>2,984,732</u>		
Non-WisDOT Share		<u>\$ 3,834,535</u>	
Maximum Contract Amount			
Capital Cost of Third Party Contracting	\$ 128,079		
Preventative Maintenance	449,847		
Operating Assistance	<u>1,653,713</u>		
Total Federal Funds		<u>\$ 2,231,639</u>	
Federal Share			<u>\$ 2,231,639</u>

**SUMMARY OF 2021 FUNDING**

	Received in 2021	Receivable (Payable) 12/31/21	Total
Federal Section 5307 Assistance	\$ 268,940	\$ 1,962,699	\$ 2,231,639
State Assistance	2,984,732	-	2,984,732
Local Assistance	<u>3,049,266</u>	<u>(1,529,255)</u>	<u>1,520,011</u>
Total Funding	<u>\$ 6,302,938</u>	<u>\$ 433,444</u>	<u>\$ 6,736,382</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 the Valley Transit (the Transit) a fund of the City of Appleton, Wisconsin, as of and for the year ended December 31, 2021, 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 7, 2022.

***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 determining the 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 have not been identified.

***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 7, 2022