

# **Agenda**

- Introduction of the Service Team
- Services Provided to Valley Transit
- Executive Summary
  - Financial Statement and Single Audit Results
  - Required Communications with City Governance
  - MD&A
  - 12/31/21 Financial Overview Valley Transit
  - New GASB Pronouncements

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# **Service Team**

## **CLA**

- Over 100 office locations nationally
- 18 office locations in Wisconsin
- Serve over 2,100 governmental clients nationally
- Serve over 400 governmental clients in Wisconsin
- Serve over half of all of the counties in Wisconsin



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## **Service Team**

### Leah Lasecki, Principal, CPA



20 years serving governmental and not-forprofit clients

**Bryan Grunewald, Principal, CPA** 



Over 20 years serving governmental and not-for-profit clients

### **Combined service experience includes:**

- Auditing and Other Assurance Services
- Outsourced accounting
- •Operational and Financial Systems Consulting
- Budgeting
- •IT Security
- Search and Placement

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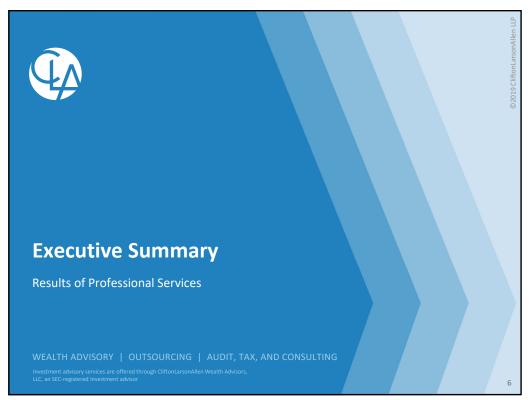
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# **Services Provided to Valley Transit**

- Valley Transit (VT) is an Enterprise Fund of the City of Appleton an audit of the VT financial statements is performed with the City.
- Separately issued financial statements for VT are prepared.
- VT is included with the City's Federal/State Compliance Audit in Accordance with Federal Uniform Guidance and the State Single Audit Guidelines ("Single Audit")

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# **Financial Statement and Single Audit Results**

### Opinion

Unmodified ("Clean")

### Internal Control Deficiencies

- There were no deficiencies in internal control over financial reporting reported.
- There were no deficiencies in internal control over compliance reported.

### **Compliance Findings**

There were no compliance findings reported.



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# **Financial Statement and Single Audit Results** (continued)

Federal and State Programs Audited as Major Programs

CFDA Number	Name of Federal Programs/Clusters
14.231	Emergency Solutions Grant Program
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
State ID Number	Name of State Programs
VW-BUS-APPL-01	2018 State VW Capital Grant

Federal and State programs are selected for audit based on risk and any requirements as imposed by the grantors. As an overall low risk auditee, Federal and State programs audited must be at least 20% of total expenditures.

All 3 federal programs were audited for the first time due to additional funding (largely COVID related). None of these 3 programs are administered by Valley Transit. The Federal Transit Cluster (CFDA/Federal Assistance Number 20.507 and including the 5307 and 5339 grant programs) is expected to be audited in 2022 as a major Type A program.

State program was previously audited in 2020. Audited again in order to achieve testing coverage. State funded programs of the City are not overly significant (\$5.6M total state programs with \$2.45M being the State VW Capital grant audited). As noted, we noted no compliance findings related to these programs based on our audit. State operating aids and paratransit aids (state ID 395.104) are expected to be audited in 2022 as major Type A programs.

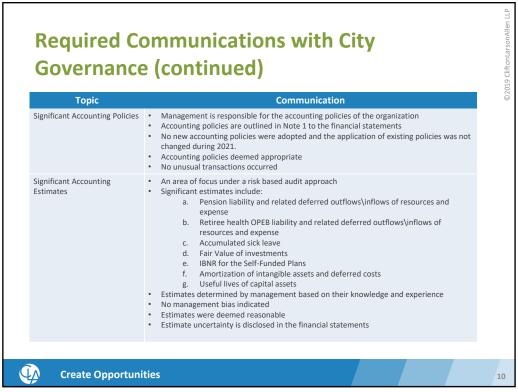


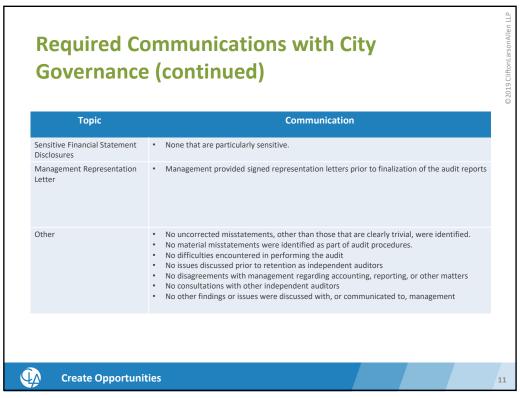
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Topic	Communication
Our responsibility under Generally Accepted Auditing Standards, Uniform Guidance, and State Single Audit Guidelines	<ul> <li>Express an opinion on the fair presentation of the financial statements in conformity with GAAP</li> <li>Plan and perform the audit to obtain reasonable, not absolute assurance that the financial statements are free of material misstatement</li> <li>Evaluate internal control over financial reporting and compliance and overall compliance with Federal and State Major Programs</li> <li>Utilize a risk based audit approach</li> <li>Communicate significant matters to appropriate parties</li> </ul>
Planned Scope and Timing of the Audit	<ul> <li>Performed the audit according to the planned scope and timing previously communicated.</li> </ul>
Other Information in Documents Containing the Audited Financial Statements	<ul> <li>Financial statements may only be used in their entirety</li> <li>Our approval is required to use our audit report in a client prepared documen</li> <li>We have no responsibility to perform procedures beyond those related to the financial statements</li> </ul>





## MD&A

 VT Finance has prepared the Management's Discussion presented within the report.

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# 12/31/21 Financial Overview

As an enterprise fund of the City, VT uses the same basis of accounting as private-sector business enterprises. Financial statements have an economic resources measurement focus and as such, an accrual basis of accounting is used (i.e. all assets and liabilities are recorded, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows (cash receipts and cash payments).

Financial Trends are in appendix A in the City's Executive Summary as prepared by CLA.

The following slides include this information provided in the City's Executive Summary and additional information from VT's separately issued financial statements.

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## 12/31/21 Financial Overview

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

	2021	2020
OPERATING REVENUES	s 991 230	
Regular Passenger Fares Special Fares	\$ 991,230 38 103	\$ 902,147 25.957
Advertising Services	80.871	43,415
Other	64.049	43,415
Total Operating Revenues	1,174,253	1,011,981
Total Operating Revenues	1,174,253	1,011,981
OPERATING EXPENSES		
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	9,196,300	8,607,533
OPERATING LOSS	(8,022,047)	(7,595,552)
NONOPERATING REVENUES (EXPENSES)		
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)	6,530,625	6,301,954
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	563,537	581,409
CHANGE IN NET POSITION	1,855,586	1,833,633
Net Position - Beginning of Year	10,327,391	8,493,758
NET POSITION - END OF YEAR	\$ 12,182,977	\$ 10,327,391

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### 12/31/21 Financial Overview (Continued)

### <u>Financial Highlights – Change in Net Position:</u>

- Total operating revenues increased \$162k from prior year.
  - 2021 passenger fares and special fares still remain approx. \$450k less than pre-COVID amounts. However, special transit and advertising revenues have largely been restored to pre-COVID levels.
- In 2021 and 2020, Operating revenues (fares, advertising, other) fund 12.77% and 11.76%, respectively, of operating expenses. Non-operating revenues (federal, state and local operating subsidies) fund the remaining 77.39% and 79.12%, respectively, of operating expenses.
- Total operating expenses increased \$589k from prior year.
  - \$360k of this relates to purchased services that were reduced with COVID in prior year. Pre-COVID expense was approx. \$1M more than 2021.
  - \$190k of this relates to depreciation expense, largely related to bus replacements with larger amounts of depreciation expense.
  - As expected, other categories of expenses remain similar to prior year.
- Net Operating loss (prior to operating subsidies from grants/local share) increased by \$426k to approximately \$8M.



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## 12/31/21 Financial Overview (Continued)

VALLEY TRANSIT
CITY OF APPLETON
STATEMENT OF NET POSITION
DECEMBER 31, 2021
(WITH SUMMARIZED AMOUNTS AS OF DECEMBER 31, 202

	2021	2020
ASSETS		
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	3 037 659	3 202 081
Total Cullent Assets	3,037,008	3,202,001
Noncurrent Assets:		
Restricted Assets:		
Cash and Investments	1.348.656	1,163,695
Other Assets:		
Other Assets: Net Pension Asset		
Net Pension Asset	1,059,717	554,887
Capital Assets:		
Nondepreciable	1.081.158	910.941
Depreciable	9.849.077	8.245.049
Total Capital Assets	10.930.235	9,155,990
Total Capital Assets	10,630,230	6,100,660
Total Assets	16,376,267	14,076,613
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	1.755.548	1.281.687
Other Postemployment Related Amounts	85.205	96.213
Total Deferred Outflows of Resources	1,840,753	1,377,900
LIABILITIES		
Current Liabilities:		
Accounts Payable	302,598	419,762
Accrued and Other Current Liabilities	121,744	130,049
Due to Other Governments	1 529 255	1.290.182
Compensated Absences	184,299	183 570
Special Deposits	500	500
Uneamed Revenue	1.063.592	947.129
Total Current Liabilities	3 201 988	2,971,172
Total Current Datinies	3,201,660	2,011,112
Long-Term Obligations, Less Current Portion:		
Compensated Absences	122,964	112,582
Other Postemployment Benefits	361,990	357,502
Total Long-Term Liabilities	484,954	470,064
Total Liabilities	3 686 940	3,441,238
	3,000,040	3,441,230
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	2,320,880	1,664,337
Other Postemployment Related Amounts	26,223	21,549
Total Deferred Inflows of Resources	2,347,103	1,685,886
NET POSITION		
Investment in Capital Assets	10 930 235	9 155 990
Restricted	2.408.373	1.718.562
Unrestricted	(1.155.631)	(547,161)
Total Net Position	\$ 12,182,977	\$ 10,327,391

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### 12/31/21 Financial Overview (Continued)

<u>Financial Highlights – Statement of Net Position:</u>

- Total current assets of Transit continue to be similar to 2020.
- Restricted cash and investments that will be used to fund asset replacements not
  covered by capital grants (typically 20%) increased by \$185k (approx. 16% increase) to
  \$1.349M. The MD&A provides a 5 year trend analysis and explanations of this
  reserve.
- Net capital assets increased by \$1.7M as a result of both capital purchases (\$2.8M) and deprecation expense (\$1M). The new facility is carrying approx. \$170k in construction in progress as of 12/31/21.
- Total current liabilities of Transit continue to be similar to 2020. All liabilities appear to be timely paid as agreed.
- Transit carries "unearned revenues" of approximately \$1.1M that represent advance ticket sales that have not yet been redeemed and recognized in revenues.
- Net Position increased \$1.85M for 2021 to \$12.2M.
  - Much of this increase relates to the \$2.8M capital grant (VW) that is not yet reflected in expense through depreciation.
  - Net Position of \$12.2M includes \$10.9M that is invested in capital assets.
  - Net Position includes \$2.4M in restricted net position that includes \$1.059M in assets related to the WRS pension. When netted with the unrestricted net position, this results in approximately \$96K unrestricted deficit.



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### 12/31/21 Financial Overview (Continued)

#### **OPERATING ASSISTANCE**

To continue to operate and provide reasonable fare, transit receives operating subsidies from the federal, state, and local governments.

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.
- 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.

Presented on the next slide is a trend analysis of the past four years operating assistance by government.



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OPERATING ASSISTANCE - FOUR YEAR TREND									
Governmental Unit	2021	2020	2019	2018					
Federal	\$ 1,473,951	\$ 1,676,612	\$ 2,061,086	\$ 1,966,260					
Federal - Capital Maintenance	449,847	363,858	460,874	714,743					
Federal - Enhanced Mobility of Seniors and	443,047	303,030	400,074	714,743					
Individuals with Disabilities	219,840	58,718	142,157	160,089					
State of Wisconsin	2,984,732	2,793,718	2,708,742	2,577,210					
State of Wisconsin - Paratransit Aid	133,738	121,967	112,455	109,246					
Local:	155,750	121,507	112,433	103,240					
City of Appleton (Reported as Transfer)	563,537	581,409	640,199	674,022					
City of Appleton Share of Investment Return	(25,996)		83.005	42,600					
Town of Buchanan	11,892	12,315	13,662	14,667					
City of Kaukauna	21,017	21,758	25,827	27,232					
Village of Kimberly	14,516	14,989	16,803	17,538					
City of Menasha	35,774	37,030	43,537	45,775					
Fox Crossing	43,468	44,981	49,543	51,683					
Fox Crossing - Elderly	2,208	1,518	6,926	7,500					
City of Neenah	73,789	76,503	86,891	93,217					
City of Neenah - Elderly	18,343	16,768	37,876	33,350					
Village of Little Chute	15,312	15,973	19,281	19,814					
Town of Grand Chute	116,190	120,088	133,242	138,989					
Town of Greenville		177	1,751	1,568					
Winnebago County - Elderly	193	297	2,205	3,107					
Outagamie County - Link	86,296	87,636	81,183	75,018					
Special Transportation - Outagamie County	161,758	137,716	237,092	163,408					
Special Transportation - Winnebago County	30,300	35,929	63,588	50,629					
Special Transportation - Calumet County	6,711	7,532	16,298	12,931					
New Hope, Inc.	-	-	-	64,303					
Appleton Downtown, Inc Trolley	-	1,136	13,811	13,638					
Connector	58,049	60,001	64,775	51,272					
Special Transportation - Family Care	595,226	539,781	761,687	627,914					
Total	\$ 7,090,691	\$ 6,900,482	\$ 7,884,496	\$ 7,757,723					
Total Operating Expenses	\$ 9,196,300	\$ 8,607,533	\$ 10,169,598	\$ 9,785,143					
% of Operating Expenses	77.1%	80.2%		79.3%					
Total Federal and State Assistance	\$ 5,262,108	\$ 5,014,873	\$ 5,485,314	\$ 5,527,548					
Total Local Assistance	\$ 1,828,583	\$ 1,885,609	\$ 2,399,182	\$ 2,230,175					
Local Assistance % of Total	3 1,020,383			3 2,230,173					
COCCUTACIONALICE AND LIGHT	23.070	27.5%	30.470	20.770					

