

**City of Appleton, WI
Valley Transit**

2021 Audit Results and Report –
Valley Transit Commissioners

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor


 *Create Opportunities*

©2019 CliftonLarsonAllen LLP

1

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

 **Create Opportunities**

©2019 CliftonLarsonAllen LLP

2

2

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

© 2019 CliftonLarsonAllen LLP



Create Opportunities

3

3

Service Team

Leah Lasecki, Principal, CPA



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

Bryan Grunewald, Principal, CPA



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

© 2019 CliftonLarsonAllen LLP



Create Opportunities

4

4

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”)

© 2019 CliftonLarsonAllen LLP



Create Opportunities

5

5



Executive Summary

Results of Professional Services

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

© 2019 CliftonLarsonAllen LLP

6

6

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.



Create Opportunities

7


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.



Create Opportunities

8

Required Communications with City Governance

© 2019 CliftonLarsonAllen LLP

Topic	Communication
Our responsibility under Generally Accepted Auditing Standards, Uniform Guidance, and State Single Audit Guidelines	<ul style="list-style-type: none"> Express an opinion on the fair presentation of the financial statements in conformity with GAAP Plan and perform the audit to obtain reasonable, not absolute assurance that the financial statements are free of material misstatement Evaluate internal control over financial reporting and compliance and overall compliance with Federal and State Major Programs Utilize a risk based audit approach Communicate significant matters to appropriate parties
Planned Scope and Timing of the Audit	<ul style="list-style-type: none"> Performed the audit according to the planned scope and timing previously communicated.
Other Information in Documents Containing the Audited Financial Statements	<ul style="list-style-type: none"> Financial statements may only be used in their entirety Our approval is required to use our audit report in a client prepared document We have no responsibility to perform procedures beyond those related to the financial statements



Required Communications with City Governance (continued)

© 2019 CliftonLarsonAllen LLP

Topic	Communication
Significant Accounting Policies	<ul style="list-style-type: none"> Management is responsible for the accounting policies of the organization Accounting policies are outlined in Note 1 to the financial statements No new accounting policies were adopted and the application of existing policies was not changed during 2021. Accounting policies deemed appropriate No unusual transactions occurred
Significant Accounting Estimates	<ul style="list-style-type: none"> An area of focus under a risk based audit approach Significant estimates include: <ol style="list-style-type: none"> Pension liability and related deferred outflows\inflows of resources and expense Retiree health OPEB liability and related deferred outflows\inflows of resources and expense Accumulated sick leave Fair Value of investments IBNR for the Self-Funded Plans Amortization of intangible assets and deferred costs Useful lives of capital assets Estimates determined by management based on their knowledge and experience No management bias indicated Estimates were deemed reasonable Estimate uncertainty is disclosed in the financial statements



Required Communications with City Governance (continued)

Topic	Communication
Sensitive Financial Statement Disclosures	<ul style="list-style-type: none"> None that are particularly sensitive.
Management Representation Letter	<ul style="list-style-type: none"> Management provided signed representation letters prior to finalization of the audit reports
Other	<ul style="list-style-type: none"> No uncorrected misstatements, other than those that are clearly trivial, were identified. No material misstatements were identified as part of audit procedures. No difficulties encountered in performing the audit No issues discussed prior to retention as independent auditors No disagreements with management regarding accounting, reporting, or other matters No consultations with other independent auditors No other findings or issues were discussed with, or communicated to, management

© 2019 CliftonLarsonAllen LLP



11

MD&A

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

© 2019 CliftonLarsonAllen LLP



12

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.

© 2019 CliftonLarsonAllen LLP



12/31/21 Financial Overview

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)

	2021	2020
OPERATING REVENUES		
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	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	191,943
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

© 2019 CliftonLarsonAllen LLP



12/31/21 Financial Overview (Continued)

Financial Highlights – Change in Net Position:

- 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.

© 2019 CliftonLarsonAllen LLP



Create Opportunities

15

15

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, 2020)

	2021	2020
ASSETS		
Current Assets:		
Cash and Investments	\$ 1,376,985	\$ 2,170,064
Accounts Receivable	448,778	303,489
Due from Other Governments:		
Federal Capital and Operating Grants	434,077	413,483
Local Governments	1,940	2,125
Prepaid Items	377,870	313,900
Total Current Assets	3,037,650	3,202,061
Noncurrent Assets:		
Restricted Assets:		
Cash and Investments	1,348,656	1,183,605
Other Assets:		
Net Pension Asset	1,056,717	654,867
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 Assets	16,376,297	14,078,613
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	302,596	419,762
Accrued and Other Current Liabilities	121,744	130,949
Due to Other Governments	1,529,255	1,260,182
Compensated Absences	184,200	183,970
Special Deposits	500	900
Unearned Revenue	1,063,592	647,129
Total Current Liabilities	3,201,898	2,671,172
Long-Term Obligations, Less Current Portion:		
Compensated Absences	122,604	112,562
Other Postemployment Benefits	381,600	387,602
Total Long-Term Liabilities	494,204	490,164
Total Liabilities	3,696,102	3,161,336
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	2,320,880	1,694,337
Other Postemployment Related Amounts	26,222	21,546
Total Deferred Inflows of Resources	2,347,102	1,695,883
NET POSITION		
Investment in Capital Assets	10,930,235	9,155,990
Restricted	2,408,372	1,718,562
Unrestricted	(1,155,631)	(547,181)
Total Net Position	\$ 12,182,976	\$ 10,327,371

© 2019 CliftonLarsonAllen LLP



Create Opportunities

16

16

12/31/21 Financial Overview (Continued)

Financial Highlights – Statement of Net Position:

- 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 depreciation 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.

©2019 CliftonLarsonAllen LLP



Create Opportunities

17

17

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.

©2019 CliftonLarsonAllen LLP



Create Opportunities

18

18

12/31/21 Financial Overview (Continued)

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 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:				
City of Appleton (Reported as Transfer)	563,537	581,409	640,199	674,022
City of Appleton Share of Investment Return	(25,996)	72,072	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%	77.5%	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	25.8%	27.3%	30.4%	28.7%

© 2019 CliftonLarsonAllen LLP



Create Opportunities

New Accounting Standards

Effective for 2022

GASB Statement No. 87 "Leases"

GASB Statement No. 91 "Conduit Debt Obligations"

Additional information on both standards is provided in Appendix B in the Executive Audit Summary.

© 2019 CliftonLarsonAllen LLP



Create Opportunities

Questions



©2019 CliftonLarsonAllen LLP



Create Opportunities

21

21



CLAconnect.com

Leah Lasecki, CPA
Principal
(920) 455-4201
leah.lasecki@claconnect.com

©2019 CliftonLarsonAllen LLP



22