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City of Appleton, WI Valley Transit

2022 Audit Results and Report –
Valley Transit Commissioners

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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
 - **12/31/22** Financial Overview – Valley Transit
 - New GASB Pronouncements



Service Team

CLA

- Over 100 office locations nationally
- Dedicated National Assurance GASB Technical Team – over 10 full time reviewers and internal consultants
- 18 office locations in Wisconsin
- We Serve:
 - Over 2,200 governmental clients nationally
 - Over 410 governmental clients in Wisconsin
 - Over half of all of the counties in Wisconsin
 - Many of the largest Cities in Wisconsin



City's Service Team

Leah Lasecki, Principal, CPA



Over 20 years serving governmental and not-for-profit clients. Leah serves local governments including Counties, local municipalities, public schools, and special purpose governments.

Danielle Niemela, Director, CPA

Over 6 years serving governmental clients. Danielle's experience includes serving governments of all sizes and complexity and not-for-profits.

Bryan Grunewald, Principal, CPA



Over 20 years serving governmental and not-for-profit clients. Bryan serves local governments including Counties, local municipalities, public schools, and special purpose governments.

Hayle Lepak, Director, CPA



Over 7 years serving governmental clients. Hayle has extensive experience performing compliance audits (Single Audits) and working with Wisconsin Counties.

To fulfill our promise to know you and help you, all members on our local CLA team are 100% dedicated to state and local government. They provide auditing, assurance, outsourced accounting, and a variety of consulting services within accounting, finance, human resources and information technology.



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”)





Executive Summary

Results of Professional Services



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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 related to Valley Transit.

Compliance Findings

- There were no compliance findings reported related to Valley Transit.



Single Audit Audit Results

Federal and State Programs Audited as Major Programs

CFDA Number	Name of Federal Programs/Clusters
14.218	Community Development Block Grant Cluster
20.507	Federal Transit Cluster
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
395.104	Transit Operating Assistance

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.

The City received \$8.9M in total federal grants with \$7.2M (81%) being audited within these 4 programs. All 4 federal programs being audited, all have been audited in the past. 14.218 and 20.507 are typically cyclical grants, meaning they are audited every 3 years (or more often). 21.027 and 93.323 were audited in prior year due to the levels of COVID funding. The Federal Transit Cluster of \$2.95M in 2022 makes up 33% of federal grants received by the City.

State program was previously audited in 2019. (\$5.6M total state programs with \$2.9M being the State Transit Operating grant audited).



Required Communications with City Governance

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 (continued)

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 • As described in Note 1 to the financial statements, the City changed accounting policies related to leases by adopting GASB 87, <i>Leases</i>, in 2022. This standard had a significant impact on the City’s financial statements as noted below. Please see footnotes for further information. <ul style="list-style-type: none"> • Lease Asset and Related Deferred Inflow of Resources of \$4.059M (\$1.2M governmental activities and \$2.86M in proprietary funds) was recorded. There is no impact on change in net assets. • Leases Payable and Related Right-to-Use Capital Asset for buildings and equipment of \$237k. There is an immaterial impact on change in fund balance. • Accounting policies deemed appropriate • No unusual transactions occurred



Required Communications (continued)

Topic	Communication
Significant Accounting Estimates	<ul style="list-style-type: none"> • An area of focus under a risk based audit approach • Significant estimates include: <ul style="list-style-type: none"> a. Pension liability and related deferred outflows\inflows of resources and expense b. Retiree health OPEB liability and related deferred outflows\inflows of resources and expense c. Accumulated sick leave d. Fair Value of investments e. IBNR for the Self-Funded Plans f. Amortization of intangible assets and deferred costs g. 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



MD&A

- VT Finance has prepared the Management's Discussion presented within the report. We encourage a thorough review of this.



12/31/22 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.



12/31/22 Financial Overview

**VALLEY TRANSIT
CITY OF APPLETON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
OPERATING REVENUES		
Regular Passenger Fares	\$ 976,791	\$ 991,230
Special Fares	43,709	38,103
Advertising Services	93,876	80,871
Other	20,668	64,049
Total Operating Revenues	1,135,044	1,174,253
OPERATING EXPENSES		
Salaries and Wages	3,135,956	3,179,274
Fringe Benefits	883,939	784,960
Services	676,563	615,170
Materials and Supplies:		
Fuels and Lubricants	565,649	372,132
Tires and Tubes	42,265	40,358
Other	360,233	353,501
Utilities	112,979	104,903
Casualty and Liability Costs	228,660	200,398
Purchased Transportation Services	1,876,759	2,468,841
Miscellaneous	94,052	68,301
Depreciation	1,223,909	1,008,462
Total Operating Expenses	9,200,964	9,196,300
OPERATING LOSS	(8,065,920)	(8,022,047)
NONOPERATING REVENUES (EXPENSES)		
Interest Income (Loss)	(43,030)	(25,996)
Federal Operating Assistance	2,793,245	2,143,639
State Operating Assistance	2,928,863	3,118,470
Local Operating Assistance	1,167,220	1,291,042
Loss on Disposal of Capital Assets	18,710	3,470
Total Nonoperating Revenues (Expenses)	6,865,008	6,530,625
Loss Before Contributions and Transfers	(1,200,912)	(1,491,422)
Federal and State Capital Grants and Contributions	2,700,188	2,783,471
Transfers In - City Operating Subsidy	677,585	563,537
Transfers Out	(241,827)	-
CHANGE IN NET POSITION	1,935,034	1,855,586
Net Position - Beginning of Year	12,182,977	10,327,391
NET POSITION - END OF YEAR	\$ 14,118,011	\$ 12,182,977



12/31/22 Financial Overview (Continued)

**VALLEY TRANSIT
CITY OF APPLETON
STATEMENT OF NET POSITION
DECEMBER 31, 2022
(WITH SUMMARIZED AMOUNTS AS OF DECEMBER 31, 2021)**

	2022	2021		2022	2021
ASSETS			LIABILITIES		
Current Assets:			Current Liabilities:		
Cash and Investments	\$ 1,236,690	\$ 1,776,985	Accounts Payable	258,893	302,596
Accounts Receivable	418,364	446,778	Accrued and Other Current Liabilities	129,985	121,744
Due from Other Governments:			Due to Other Governments	1,580,372	1,529,255
Federal Capital and Operating Grants	1,364,847	434,077	Compensated Absences	182,367	184,299
Local Governments	1,949	1,949	Special Deposits	500	500
Prepaid Items	380,199	377,870	Unearned Revenue	1,337,795	1,063,592
Total Current Assets	3,402,049	3,037,659	Total Current Liabilities	3,489,912	3,201,986
Noncurrent Assets:			Long-Term Obligations, Less Current Portion:		
Restricted Assets:			Compensated Absences	96,612	122,964
Cash and Investments	1,351,611	1,348,656	Other Postemployment Benefits	307,774	361,990
Other Assets:			Total Long-Term Liabilities	404,386	484,954
Net Pension Asset	1,345,537	1,059,717	Total Liabilities	3,894,298	3,686,940
Capital Assets:			DEFERRED INFLOWS OF RESOURCES		
Nondepreciable	1,299,422	1,081,158	Pension Related Amounts	3,167,019	2,320,880
Depreciable	11,164,292	9,849,077	Other Postemployment Related Amounts	78,476	26,223
Total Capital Assets	12,463,714	10,930,235	Total Deferred Inflows of Resources	3,245,495	2,347,103
Total Assets	18,562,911	16,376,267	NET POSITION		
DEFERRED OUTFLOWS OF RESOURCES			Investment in Capital Assets	12,463,714	10,930,235
Pension Related Amounts	2,617,332	1,755,548	Restricted:		
Other Postemployment Related Amounts	77,561	85,205	Capital Outlay	1,351,611	1,348,656
Total Deferred Outflows of Resources	2,694,893	1,840,753	Pension Benefit	1,345,537	1,059,717
			Unrestricted	(1,042,851)	(1,155,631)
			Total Net Position	\$ 14,118,011	\$ 12,182,977



12/31/22 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 five years operating assistance by governments.



12/31/22 Financial Overview (Continued)

OPERATING ASSISTANCE - FIVE YEAR TREND						
Governmental Unit	Change from					
	Prior Year	2022	2021	2020	2019	2018
Federal	\$ 699,477	\$ 2,173,428	\$ 1,473,951	\$ 1,676,612	\$ 2,061,086	\$ 1,966,260
Federal - Capital Maintenance	(94,405)	355,442	449,847	363,858	460,874	714,743
Federal - Enhanced Mobility of Seniors and Individuals with Disabilities	-	44,535	264,375	219,840	58,718	142,157
State of Wisconsin	(153,028)	2,831,704	2,984,732	2,793,718	2,708,742	2,577,210
State of Wisconsin - Paratransit Aid	(36,579)	97,159	133,738	121,967	112,455	109,246
Local:	-	-	-	-	-	-
City of Appleton (Reported as Transfer)	114,048	677,585	563,537	581,409	640,199	674,022
City of Appleton Share of Investment Return	(17,034)	(43,030)	(25,996)	72,072	83,005	42,600
Town of Buchanan	2,407	14,299	11,892	12,315	13,662	14,667
City of Kaukauna	4,253	25,270	21,017	21,758	25,827	27,232
Village of Kimberly	2,937	17,453	14,516	14,989	16,803	17,538
City of Menasha	7,241	43,015	35,774	37,030	43,537	45,775
Fox Crossing	8,797	52,265	43,468	44,981	49,543	51,683
Fox Crossing - Elderly	(607)	1,601	2,208	1,518	6,926	7,500
City of Neenah	14,933	88,722	73,789	76,503	86,891	93,217
City of Neenah - Elderly	(10,758)	7,585	18,343	16,768	37,876	33,350
Village of Little Chute	3,100	18,412	15,312	15,973	19,281	19,814
Town of Grand Chute	23,516	139,706	116,190	120,088	133,242	138,989
Town of Greenville	-	-	-	177	1,751	1,568
Winnebago County - Elderly	388	581	193	297	2,205	3,107
Outagamie County - Link	21,004	107,300	86,296	87,636	81,183	75,018
Special Transportation - Outagamie County	(39,247)	122,511	161,758	137,716	237,092	163,408
Special Transportation - Winnebago County	(15,474)	14,826	30,300	35,929	63,588	50,629
Special Transportation - Calumet County	(4,299)	2,412	6,711	7,532	16,298	12,931
New Hope, Inc.	-	-	-	-	-	64,303
Appleton Downtown, Inc. - Trolley	-	-	-	1,136	13,811	13,638
Connector	1,244	59,293	58,049	60,001	64,775	51,272
Special Transportation - Family Care	(143,257)	451,969	595,226	539,781	761,687	627,914
Total	\$ 433,192	\$ 7,523,883	\$ 7,090,691	\$ 6,900,482	\$ 7,884,496	\$ 7,757,723
Total Operating Expenses	\$ 4,664	\$ 9,200,964	\$ 9,196,300	\$ 8,607,533	\$ 10,169,598	\$ 9,785,143
% of Operating Expenses		81.8%	77.1%	80.2%	77.5%	79.3%
Total Federal and State Assistance	\$ 460,000	\$ 5,722,108	\$ 5,262,108	\$ 5,014,873	\$ 5,485,314	\$ 5,527,548
Total Local Assistance	\$ (26,808)	\$ 1,801,775	\$ 1,828,583	\$ 1,885,609	\$ 2,399,182	\$ 2,230,175
Local Assistance % of Total		23.9%	25.8%	27.3%	30.4%	28.7%



Upcoming Accounting Pronouncements

GASB Statement No. 96 “Subscription Based Information Technology Arrangements” – effective for 2023

GASB 96 is very similar to GASB 87, Leases, in its calculation and accounting. This will apply to any long-term IT type contracts.

GASB Statement No. 101 “Compensated Absences” – effective for 2024

GASB 101 is replacing GASB 16. The goal of the new guidance is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. It is anticipated that this will effect most governments and will likely increase previously recorded liabilities. Under the standard, governments are required to accrue for time that has accumulated and is likely to be used, even if the employee will never be eligible for a termination payment related to unused time.

Additional information on both standards is provided in Appendix B in the Executive Audit Summary. Contact CLA for additional information.



Questions



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