

**Valley Transit**  
**City of Appleton, Wisconsin**  
**ANNUAL FINANCIAL REPORT**

December 31, 2018

# Valley Transit

## City of Appleton, Wisconsin

DECEMBER 31, 2018

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## Independent auditors' report

To the Fox Cities Transit Commission  
Valley Transit  
City of Appleton, Wisconsin

### REPORT ON THE FINANCIAL STATEMENTS

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, 2018, and the related notes to the financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to Transit's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transit as of December 31, 2018, 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.

**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, 2018 and the changes in its financial position or 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.

**CHANGE IN ACCOUNTING PRINCIPLE**

As discussed in Note F to the financial statements, in 2018 the Transit adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**OTHER MATTERS****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the schedules relating to pensions and other postemployment benefits on pages 27 through 28 be presented to supplement the financial statements. Such information, 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.

**Prior Year Summarized Financial information**

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated June 22, 2018, expressed an unmodified opinion on those statements from which the prior year summarized financial information was derived.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Transit's financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Schenck SC previously audited, in accordance with auditing standards generally accepted in the United States of America, Valley Transit, an enterprise fund of the City of Appleton, Wisconsin's financial statements for the year ended December 31, 2017, which are not presented with the accompanying financial statements and expressed an unmodified opinion on the respective financial statements. That audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Transit's financial statements as a whole. The 2017 actual amounts in the supplementary information as referenced in the Table of Contents for the year ended December 31, 2017 are presented for purposes of additional analysis and are 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 used to prepare Transit's 2017 financial statements. The report of Schenck SC stated that the information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In their opinion, the 2017 actual amounts in the supplementary information as referenced in the Table of Contents were fairly stated in all material respects in relation to the financial statements from which they have been derived.

#### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019, 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 18, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# 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, 2018 and 2017.

### 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 \$5,629,096 as of December 31, 2018; compared to \$5,886,980 in 2017. 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, 2018 and 2017.

<b>Assets</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Current Assets	\$2,511,977	\$2,593,123
Capital Assets	3,833,627	3,734,540
Other Assets	<u>2,129,426</u>	<u>1,454,328</u>
Total Assets	8,475,030	7,781,991
<b>Deferred Outflow of Resources</b>		
Deferred outflows related to pension	1,016,091	1,127,451
<b>Liabilities</b>		
Current Liabilities	2,394,586	2,303,860
Non-current Liabilities	<u>411,685</u>	<u>242,719</u>
Total Liabilities	2,806,271	2,546,579
<b>Deferred Inflow of Resources</b>		
Deferred inflows related to pension	1,055,754	475,883
<b>Net Assets</b>		
Invested in capital assets	3,833,627	3,734,540
Restricted for depreciation reserve	2,129,426	1,454,328
Unrestricted	<u>(333,957)</u>	<u>698,112</u>
Total Net Assets	5,629,096	5,886,980
Percent restricted	37.83%	24.70%

Current Assets decreased by \$81,146 in 2018 mostly due to lower inventory of parts and supplies, and partially due to timing differences related to accounts payable payments and receipts of state and federal operating support. Current liabilities were increased by \$90,726 primarily due to an increase in unearned revenue from the sale of ADA paratransit tickets.

The increase in Capital Assets during 2018 reflects capital purchases of \$893,429 financed by federal capital funding and local match dollars, offset by depreciation expense of approximately \$633,000 and a loss on disposal of an asset not fully depreciated.

The change in deferred outflow and inflows of resources and non-current liabilities in 2018 is related directly to Valley Transit's proportionate share of the financial activities of the Wisconsin Retirement System, and the investment returns in 2018.

Valley Transit saw an increase in total Net Position during 2018 largely due to the federal capital funding received to finance a bus replacement 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, 2018 and 2017.

<b>Operating Revenues</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Passenger fares for transit service	\$1,491,772	\$1,432,547
Special fare assistance	41,306	43,910
Non-transportation revenue	<u>106,323</u>	<u>96,054</u>
Total operating revenues	<u>1,639,401</u>	<u>1,572,511</u>
<b>Operating Expenses</b>		
Salaries and wages	2,958,770	2,841,373
Fringe benefits	1,120,473	1,315,919
Services	503,558	478,279
Materials and supplies	935,697	701,000
Utilities	97,797	92,722
Casualty and liability costs	163,672	209,701
Purchased transportation services	3,325,004	3,275,088
Miscellaneous	47,338	68,639
Depreciation	<u>632,834</u>	<u>622,352</u>
Total operating expenses	<u>9,785,143</u>	<u>9,605,073</u>
Operating loss	<u>(8,145,742)</u>	<u>(8,032,562)</u>
<b>Operating Subsidies</b>		
Local	1,513,554	1,564,382
Investment income (credited as local subsidies)	42,600	7,759
State	2,686,456	2,627,353
Federal	2,841,092	2,714,045
Loss on disposal of capital assets	<u>(164,247)</u>	<u>-</u>
Total non-operating revenues	<u>6,919,455</u>	<u>6,913,539</u>
Loss Before contributions & transfers	(1,226,287)	(1,119,023)
Capital Contributions - federal & state	565,291	1,073,780
Transfers - Appleton operating subsidies	<u>674,022</u>	<u>690,956</u>
Change in net position	13,026	645,713
Net position – January 1, as originally stated	5,886,980	5,241,267
Change in accounting principle	<u>(270,910)</u>	<u>-</u>
Net position – January 1, restated	5,616,070	5,241,267
Net position – December 31	<u>5,629,096</u>	<u>5,886,980</u>

Operating revenues increased \$66,890 in 2018 due to an increase in ridership in both fixed route (1.5%) and ADA paratransit services (10.3%).

Operating expenses increased by \$180,070, mostly due to an increase in Services, Material and Supplies and Purchased Transportation Services. The increase in Services included more expense related to contracted services for security and marketing services along with an increase in both Vehicle and Equipment repair. Increased maintenance and parts for the aging fleet are reflected in the increased costs of Material and Supplies.

Local Shares decreased by \$50,828 due to increased Federal and State support based on higher expenses in 2018 and an increase in interest income.

Valley Transit's 2018 net position has decreased when compared to 2017. There are several factors that contributed to the decrease in position. During 2018, Valley Transit recognized a loss on disposal of a capital asset (\$164,247) when the obsolete fixed route AVL system was replaced with updated ITS software. The AVL system was not fully depreciated at the time of disposal. During 2018, one replacement bus was purchased, as compared to three buses purchased in 2017, resulting in a lower investment in capital assets. Also contributing to the reduction in net position is a change in accounting principle with regard to Other Post Employee Benefits, as discussed in the Notes to Financial Statements. This change had a cumulative impact of \$270,910.

### **Capital Assets**

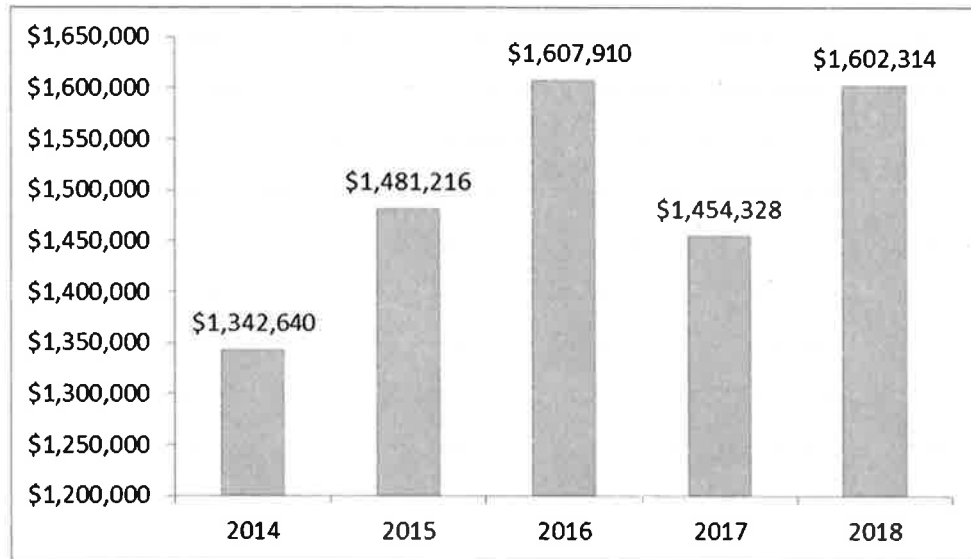
The Federal Transit Administration provided 80% of the funding to purchase Valley Transit's capital assets and therefore has significant interest in their use. The remaining 20% is funded either through Valley Transit's depreciation reserve for replacement equipment or from current year support from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

During 2018, Valley Transit acquired one bus at a cost of \$451,506, with federal funding financing \$361,205. The remaining capital asset additions consisted primarily of software and facilities infrastructure maintenance, with Valley Transit's 5339 federal funding used to finance 80% of the acquisition cost.

## Funded Depreciation Reserve – Restricted Assets

Restricted Net Position 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 increase in the restricted cash during 2018 was due to collecting the annual depreciation expense of 20% but funding capital local share with current year support.

## 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 1.920.832.2291 or [Ronald.McDonald@appleton.org](mailto:Ronald.McDonald@appleton.org).

## FINANCIAL STATEMENTS

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# Valley Transit

## City of Appleton, Wisconsin

### STATEMENT OF NET POSITION DECEMBER 31, 2018 WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 430,688	\$ 528,007
Accounts receivable	372,688	158,847
Due from other governments		
State of Wisconsin operating assistance	247,556	709,436
Federal capital and operating grants	1,228,407	689,996
Local governments	3,517	216,147
Inventories	182,839	263,316
Prepaid items	46,282	27,374
Total current assets	2,511,977	2,593,123
Noncurrent assets		
Restricted assets		
Cash and investments	1,602,314	1,454,328
Other assets		
Net pension asset	527,112	-
Capital assets		
Nondepreciable	891,831	896,241
Depreciable	2,941,796	2,838,299
Total capital assets	3,833,627	3,734,540
Total assets	8,475,030	7,781,991
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related amounts	958,045	1,127,451
Other postemployment related amounts	58,046	-
Total deferred outflows of resources	1,016,091	1,127,451
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	347,491	445,408
Accrued and other current liabilities	70,886	57,315
Due to other governments	1,167,949	1,113,962
Compensated absences	207,716	208,962
Special deposits	500	-
Unearned revenue	600,044	478,213
Total current liabilities	2,394,586	2,303,860
Long-term obligations, less current portion		
Compensated absences	87,671	94,150
Net pension liability	-	148,569
Other postemployment benefits	324,014	-
Total long-term liabilities	411,685	242,719
Total liabilities	2,806,271	2,546,579
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related amounts	1,046,376	475,883
Other postemployment related amounts	9,378	-
Total deferred inflows of resources	1,055,754	475,883
<b>NET POSITION</b>		
Investment in capital assets	3,833,627	3,734,540
Restricted	2,129,426	1,454,328
Unrestricted	(333,957)	698,112
Total net position	\$ 5,629,096	\$ 5,886,980

The notes to the financial statements are an integral part of this statement.

# Valley Transit

## City of Appleton, Wisconsin

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018	2017
<b>OPERATING REVENUES</b>		
Regular passenger fares	\$ 1,491,772	\$ 1,432,547
Special fares	41,306	43,910
Advertising services	77,824	68,509
Other	28,499	27,545
Total operating revenues	1,639,401	1,572,511
<b>OPERATING EXPENSES</b>		
Salaries and wages	2,958,770	2,841,373
Fringe benefits	1,120,473	1,315,919
Services	503,558	478,279
Materials and supplies		
Fuels and lubricants	441,840	360,553
Tires and tubes	31,895	58,964
Other	461,962	281,483
Utilities	97,797	92,722
Casualty and liability costs	163,672	209,701
Purchased transportation services	3,325,004	3,275,088
Miscellaneous	47,338	68,639
Depreciation	632,834	622,352
Total operating expenses	9,785,143	9,605,073
Operating loss	(8,145,742)	(8,032,562)
<b>NONOPERATING REVENUES</b>		
Interest income	42,600	7,759
Federal operating assistance	2,841,092	2,714,045
State operating assistance	2,686,456	2,627,353
Local operating assistance	1,513,554	1,564,382
Loss on disposal of capital assets	(164,247)	-
Total nonoperating revenues	6,919,455	6,913,539
Loss before contributions and transfers	(1,226,287)	(1,119,023)
Federal capital grants and contributions	565,291	1,073,780
Transfers in - City operating subsidy	674,022	690,956
<b>Change in net position</b>	13,026	645,713
<b>Net position - January 1, as originally stated</b>	5,886,980	5,241,267
Change in accounting principle	(270,910)	-
<b>Net position - January 1, restated</b>	5,616,070	5,241,267
<b>Net position - December 31</b>	<u>\$ 5,629,096</u>	<u>\$ 5,886,980</u>

The notes to the financial statements are an integral part of this statement.

# Valley Transit

## City of Appleton, Wisconsin

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,547,391	\$ 1,781,355
Cash paid for employee wages and benefits	(2,884,270)	(3,935,305)
Cash paid to suppliers	(6,229,387)	(5,123,549)
Net cash used by operating activities	(7,566,266)	(7,277,499)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Federal operating assistance	2,841,092	2,505,557
State operating assistance	2,686,456	2,614,766
Local operating assistance	1,703,640	1,368,974
Local operating assistance - City operating subsidy	674,022	690,956
Net cash provided by noncapital financing activities	7,905,210	7,180,253
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(896,168)	(1,449,372)
Contributed capital - federal	565,291	1,073,780
Net cash used by capital and related financing activities	(330,877)	(375,592)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	42,600	7,759
<b>Change in cash and cash equivalents</b>	50,667	(465,079)
<b>Cash and cash equivalents - January 1</b>	1,982,335	2,447,414
<b>Cash and cash equivalents - December 31</b>	<u>\$ 2,033,002</u>	<u>\$ 1,982,335</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (8,145,742)	\$ (8,032,562)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	632,834	622,352
Change in liability (asset) and deferred outflows and inflows of resources		
Pension	64,218	201,488
Other postemployment benefits	4,436	-
Change in operating assets and liabilities		
Accounts receivables	(213,841)	106,088
Inventories and prepaid items	61,569	2,058
Accounts payable	(97,917)	(300,178)
Accrued and other current liabilities	13,571	(3,172)
Customer deposits	500	-
Unearned revenue	121,831	102,756
Compensated absences	(7,725)	23,671
Net cash provided used by operating activities	<u>\$ (7,566,266)</u>	<u>\$ (7,277,499)</u>
<b>Reconciliation of cash and cash equivalents to the statement of net position</b>		
Cash and cash equivalents in current assets	\$ 430,688	\$ 528,007
Cash and cash equivalents in restricted assets	1,602,314	1,454,328
<b>Total cash and cash equivalents</b>	<u>\$ 2,033,002</u>	<u>\$ 1,982,335</u>

The notes to the financial statements are an integral part of this statement.

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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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 (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 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 established in GASB Statement No. 61.

##### **B. ENTERPRISE FUND**

The accounts of Transit are accounted for in an enterprise fund as required by 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.

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 4.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.



# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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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.

##### **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. Inventories**

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

##### **5. 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.

##### **6. 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.

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

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

#### 7. 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.

#### 8. 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.

#### 9. Unearned Revenues

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

#### 10. 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, 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.

#### 11. 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, 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.

#### 12. 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.

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

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- **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, 2017, from which the summarized information was derived.

#### G. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements with no change in previously reported net position or changes in net position.

### 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 Comprehensive Annual 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, 2018 totaled \$1,602,314 and consisted of cash and investments held for the following purpose:

Description	Amount	Purpose
Depreciation	<u>\$ 1,602,314</u>	To be used for the replacement of capital assets of Valley Transit

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

#### C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	\$ 891,831	\$ -	\$ -	\$ 891,831
Construction in progress	4,410	-	4,410	-
Total capital assets, nondepreciable	896,241	-	4,410	891,831
Capital assets, depreciable:				
Buildings and improvements	3,905,821	98,925	-	4,004,746
Machinery and equipment	10,118,029	801,652	467,397	10,452,284
Subtotals	14,023,850	900,577	467,397	14,457,030
Less accumulated depreciation for:				
Buildings and improvements	3,875,584	45,057	-	3,920,641
Machinery and equipment	7,309,967	587,777	303,151	7,594,593
Subtotals	11,185,551	632,834	303,151	11,515,234
Total capital assets, depreciable, net	2,838,299	267,743	164,246	2,941,796
Capital assets, net	\$ 3,734,540	\$ 267,743	\$ 168,656	3,833,627

#### D. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of Transit for the year ended December 31, 2018:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Compensated absences	\$ 303,112	\$ 201,237	\$ 208,962	\$ 295,387	\$ 207,716

#### E. PENSION PLAN

##### 1. 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 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/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.

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

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Employees who retire at or after age 65 (54 for protective occupation employees, 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.

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

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

The WRS also provides death and disability benefits for employees.

#### 2. Post-Retirement 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
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
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

#### 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, and 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.

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

During the year ended December 31, 2018, the WRS recognized \$182,915 in contributions from Transit.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

#### 4. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, Transit reported an asset of \$527,112 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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, 2017, Transit's proportion was 0.01775315%, which was a decrease of 0.00127184% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, Transit recognized pension expense of \$226,535.

At December 31, 2018, 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	\$ 669,710	\$ 313,267
Net differences between projected and actual earnings on pension plan investments	-	724,467
Changes in assumptions	104,147	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,273	8,642
Employer contributions subsequent to the measurement date	182,915	-
Total	<u>\$ 958,045</u>	<u>\$ 1,046,376</u>

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

\$182,915 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, 2019. 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
2019	\$ 54,919
2020	(7,306)
2021	(182,644)
2022	(137,475)
2023	1,260
Total	<u>\$ (271,246)</u>

#### 5. Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2016
Measurement date of net pension liability (asset):	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Market Value
Long-term expected rate of return:	7.2%
Discount rate:	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 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 arithmetic real rates of return for each major asset class are summarized in the following table:

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>			
Global equities	50%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8%	6.5%	3.6%
Private equity/debt	8%	9.4%	6.5%
Multi-asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.4%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total Variable Fund	100%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

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

**Single Discount Rate.** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% 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 members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of Transit's proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents Transit's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.2 percent, 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Transit's proportionate share of the net pension liability (asset)	\$ 1,363,819	\$ (527,112)	\$ (1,964,278)

**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/publications/cafr.htm>.



# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

#### 6. Payables to the Pension Plan

At December 31, 2018, Transit reported a payable of \$0 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2018.

#### F. OTHER POSTEMPLOYMENT BENEFITS

The City has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended December 31, 2017 have not been restated.

The cumulative effect of this change to the Transit enterprise fund was to decrease the December 31, 2017 net position by \$270,910 as follows:

Other postemployment liability		
OPEB asset balance previously reported	\$	-
Actuarially determined balance		270,910
Change in other postemployment liability		<u>\$ (270,910)</u>

#### Single-employer Defined Postemployment Benefit Plan

##### Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). 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.

##### 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.

##### Employees Covered by Benefit Terms

At December 31, 2018, the following employees of the City were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	65
Active employees	<u>564</u>
	<u>629</u>

##### Contributions

Certain 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.

##### Total OPEB Liability

Transit's total OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the Total OPEB liability was determined by an actuarial valuation as of January 1, 2018.

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

**Actuarial Assumptions.** The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	January 1, 2018
Measurement Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Inflation:	3.0%
Salary increases:	4.0%
Investment rate of return:	3.64%
Healthcare cost trend rates:	5.5% for 2018 decreasing to an ultimate rate of 4.5% by 2028

Mortality rates are the same as those used in the December 31, 2017 Wisconsin Retirement System's (WRS) actuarial valuation report.

The actuarial assumptions used in the December 31, 2017 valuation were based on the "Wisconsin Retirement System 2014 - 2014 Experience Study".

The long-term expected rate of return on OPEB plan investments was valued at 3.64%. A blend of expected earnings on Transit funds and the current yield for 20 year tax-exempt AA Municipal bond rate or higher as of the measurement date was used for all years of benefit payments.

**Discount Rate.** The discount rate used to measure the total OPEB liability was 3.64%. 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.

#### ***Changes in the Total OPEB Liability***

	Increase (Decrease) Total OPEB Liability (a)
Balance at December 31, 2017	\$ 270,910
Changes for the year:	
Service cost	17,672
Interest	8,613
Difference between expected & actual experience	53,881
Changes of assumptions and other inputs	5,188
Benefit payments	(27,644)
Other changes	(4,606)
Net changes	53,104
Balance at December 31, 2018	\$ 324,014

**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 (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	1% Decrease to Discount Rate (2.64%)	Current Discount Rate (3.64%)	1% Increase to Discount Rate (4.64%)
Total OPEB liability	\$ 305,580	\$ 324,014	\$ 343,666

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

**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 (4.5% decreasing to 3.5%) or 1-percentage-point higher (6.5% decreasing to 5.5%) than the current healthcare cost trend rates:

	1% Decrease (4.5% increasing to 3.5%)	Healthcare Cost Trend Rates (5.5% increasing to 4.5%)	1% Increase (6.5% increasing to 5.5%)
Total OPEB liability	\$ 305,580	\$ 324,014	\$ 343,666

#### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2018, Transit recognized OPEB expense of \$480,749. At December 31, 2018, 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	\$ 48,150	\$ -
Changes in assumptions	9,896	9,378
Total	\$ 58,046	\$ 9,378

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
2019	\$ 5,793
2020	5,793
2021	5,793
2022	5,793
2023	5,793
2024-2027	19,703
Total	\$ 48,668

#### **Payable to the OPEB Plan**

At December 31, 2018, Transit reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2018.

#### **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, 2018 as follows:

Restricted for	
Depreciation reserve	\$ 1,602,314
Pension asset	527,112
Total restricted net position	\$ 2,129,426

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

#### NOTE 4: 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. A portion of the fourth quarter is withheld pending final audit by the DOT staff.

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 2018 amounted to an investment gain of \$42,600. 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 2018 was as follows:

Governmental Unit	Amount
Federal	\$ 2,531,551
Federal - capital maintenance	714,743
Federal - enhanced mobility of seniors and individuals with disabilities	160,089
State of Wisconsin	2,577,210
State of Wisconsin - paratransit aid	109,246
Local	
City of Appleton (reported as transfer)	674,022
City of Appleton share of investment return	42,600
Town of Buchanan	14,667
City of Kaukauna	27,232
Village of Kimberly	17,538
City of Menasha	45,775
Fox Crossing	51,683
Fox Crossing - Elderly	7,500
City of Neenah	93,217
City of Neenah - Elderly	33,350
Village of Little Chute	19,814
Town of Grand Chute	138,989
Town of Greenville	1,568
Winnebago County - Elderly	3,107
Outagamie County - Link	75,018
Special transportation - Outagamie County	163,408
Special transportation - Winnebago County	50,629
Special transportation - Calumet County	12,931
New Hope	64,303
Appleton Downtown Inc. - Trolley	13,638
Connector	51,272
Special transportation - Family Care	627,914
Total	<u>\$ 8,323,014</u>

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

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#### **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 \$100 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 \$115,760 in 2018 and \$99,440 in 2017. The City's Comprehensive Annual 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 2018, 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/underinsured 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.

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 2017 and 2018, Transit Mutual returned surplus to Valley Transit pursuant to its surplus management policy; in addition, dividends were paid to Valley Transit in 2017 and 2018.

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2018

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The City's share of this corporation is 4.97% for auto liability and 2.21% 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 54915-1483 or by email from [contact@transitmutal.com](mailto:contact@transitmutal.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 claims.

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 Comprehensive Annual 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.

#### **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 2009, Transit entered into a long-term contract with Running, Inc. effective April 1, 2009 through March 2012. The contract contained two option years and was extended through December 31, 2012 while negotiating the first option year. The second option year agreement expired on December 31, 2014. A new three year contract began January 1, 2015 which runs through December 31, 2018.

#### **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. An audit under the Uniform Guidance has been conducted but final acceptance is still pending. Accordingly, Transit's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although Transit expects such amounts, if any, to be immaterial.

#### **D. UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. Transit is currently evaluating the impact this standard will have on the financial statements when adopted.

## REQUIRED SUPPLEMENTARY INFORMATION

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# Valley Transit

## City of Appleton, Wisconsin

### SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS \*

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 17,672
Interest	8,613
Changes of benefit terms	-
Differences between expected and actual experience	53,881
Changes of assumptions	5,188
Benefit payments	(27,644)
Other changes	(4,606)
Net change in total OPEB liability	<u>53,104</u>
Total OPEB liability - beginning	<u>270,910</u>
Total OPEB liability - ending	<u>\$ 324,014</u>
Covered-employee payroll	\$ 2,067,524
County's total OPEB liability as a percentage of covered-employee payroll	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.

*See notes to required supplementary information.*



# Valley Transit

## City of Appleton, Wisconsin

### 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%

### 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%

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

Valley 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.

# Valley Transit

## City of Appleton, Wisconsin

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2018

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#### **A. WISCONSIN RETIREMENT SYSTEM**

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

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.

#### **B. OTHER POSTEMPLOYMENT BENEFIT PLANS**

The City of Appleton, Wisconsin implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2018. As an enterprise fund of the City, 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.

##### ***Single-employer Defined Postemployment Benefit Plan***

In addition to changes required by GASB Statement No. 75, the actuarial valuation updated starting per capita costs and health care trend. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

## SUPPLEMENTARY INFORMATION

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# Valley Transit

## City of Appleton, Wisconsin

### DETAILED SCHEDULE OF REVENUES AND EXPENSES - REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

REVENUE		
	2018	2017
401 - Passenger fares to transit service	\$ 1,491,772	\$ 1,432,547
402 - Special fare assistance	41,306	43,910
406 - Auxiliary transportation revenue		
Advertising	77,824	68,509
407 - Non-transportation revenue		
Rental of buildings and other property	6,317	6,000
Other	22,182	21,545
409 - Local operating assistance	2,166,368	2,197,683
409 - Local operating assistance - donations	63,808	65,414
411 - State operating assistance - current year	2,577,210	2,522,153
411 - State operating assistance - paratransit aid	109,246	105,200
413 - Federal operating assistance	2,531,551	2,493,004
413 - Federal operating assistance - ADA	83,621	121,872
413 - Federal operating assistance - capital maintenance	225,920	99,169
Total revenue	<u>9,397,125</u>	<u>9,177,006</u>
EXPENSES BY OBJECT CLASS TOTAL		
501 - Labor		
Operators' wages	1,873,158	1,785,923
Other salaries and wages	1,085,612	1,055,450
502 - Fringe benefits	1,120,473	1,315,919
503 - Services	503,558	478,279
504 - Materials and supplies		
Fuels and lubricants	441,840	360,553
Tires and tubes	31,895	58,964
Other	461,962	281,483
505 - Utilities	97,797	92,722
506 - Casualty and liability costs	163,672	209,701
508 - Purchased transportation services	3,325,004	3,275,088
509 - Miscellaneous	47,338	68,639
513 - Depreciation	632,834	622,352
Total expenses	<u>9,785,143</u>	<u>9,605,073</u>
EXCESS OF EXPENSES OVER REVENUES FOR THE YEAR *	<u>\$ (388,018)</u>	<u>\$ (428,067)</u>

\* Excludes capital contributions shown on Statement of Revenues, Expenses and Changes in Net Position

# Valley Transit

## City of Appleton, Wisconsin

### STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)	2017 Actual
	Original	Final	Actual		
<b>OPERATING REVENUES</b>					
Passenger fares and special fare assistance	\$ 1,692,548	\$ 1,692,548	\$ 1,533,078	\$ (159,470)	\$ 1,476,457
Non-transportation revenue	69,000	63,000	106,323	43,323	96,054
Total operating revenues	1,761,548	1,755,548	1,639,401	(116,147)	1,572,511
<b>OPERATING EXPENSES (EXCLUDING DEPRECIATION)</b>					
Labor and fringe benefits					
Operators' wages	2,248,514	2,248,514	1,873,158	375,356	\$ 1,785,923
Other salaries and wages	622,950	622,950	1,085,612	(462,662)	1,055,450
Fringe benefits	1,161,711	1,161,711	1,120,473	41,238	1,315,919
Total labor and fringe benefits	4,033,175	4,033,175	4,079,243	(46,068)	4,157,292
Services	442,897	459,261	503,558	(44,297)	478,279
Materials and supplies					
Fuels	605,000	605,000	425,673	179,327	342,642
Lubricants	15,000	15,000	16,167	(1,167)	17,911
Tires and tubes	61,200	61,200	31,895	29,305	58,964
Revenue equipment maintenance	161,500	161,500	334,301	(172,801)	226,836
Building and grounds maintenance	110,718	110,718	126,498	(15,780)	148,399
General office	-	-	1,163	(1,163)	(93,752)
Total materials and supplies	953,418	953,418	935,697	17,721	701,000
Utilities					
Electric	61,900	61,900	48,635	13,265	45,372
Gas	38,300	38,300	17,206	21,094	15,955
Water	7,850	7,850	7,498	352	6,792
Telephone	14,300	14,300	12,508	1,792	14,123
Other	11,150	11,150	11,950	(800)	10,480
Total utilities	133,500	133,500	97,797	35,703	92,722
Casualty and liability costs					
Physical damage	16,887	16,887	5,688	11,199	9,542
Public liability and property	210,119	210,119	157,984	52,135	200,159
Total casualty and liability costs	227,006	227,006	163,672	63,334	209,701
Purchased transportation services	3,561,861	3,561,861	3,325,004	236,857	3,275,088
Miscellaneous					
Dues and subscriptions	7,502	7,502	8,562	(1,060)	7,961
Advertising and promotion	50,309	50,309	17,542	32,767	28,624
Training/other miscellaneous	375,664	558,949	21,234	537,715	32,054
Total miscellaneous	433,475	616,760	47,338	569,422	68,639
Total operating expenses (excluding depreciation)	9,785,332	9,984,981	9,152,309	832,672	8,982,721
<b>EXCESS OF OPERATING EXPENSES (EXCLUDING DEPRECIATION) OVER OPERATING REVENUES FOR THE YEAR</b>	<b>\$ (8,023,784)</b>	<b>\$ (8,229,433)</b>	<b>\$ (7,512,908)</b>	<b>\$ 716,525</b>	<b>\$ (7,410,210)</b>

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

# Valley Transit

## City of Appleton, Wisconsin

### RECONCILIATION OF REVENUES AND EXPENSES TO WISDOT AND FEDERAL RECOGNIZED REVENUES AND EXPENSES - REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2018

	Per WisDOT Guidelines	Per Federal Guidelines
Total revenues including operating assistance per statement of revenues, expenses and changes in net position	\$ 9,798,169	\$ 9,798,169
Less: Unrecognized Revenues		
Local operating subsidies	2,230,176	2,230,176
Federal operating subsidy (including capital maintenance)	2,841,092	2,841,092
Federal capital	565,291	565,291
State operating subsidy	2,577,210	2,577,210
State paratransit aid	109,246	109,246
Advertising services	-	77,824
Other (Non-transportation revenues)	11,791	28,499
Total Unrecognized revenues	8,334,806	8,429,338
<b>ADJUSTED REVENUES</b>	<b>\$ 1,463,363</b>	<b>\$ 1,368,831</b>
Total expenses per statement of revenues, expenses and changes in net position	\$ 9,785,143	\$ 9,785,143
Less: Unrecognized Expenses		
Depreciation	632,834	632,834
Capital maintenance *	225,920	225,920
Federal operating assistance - 5310 ADA	83,621	83,621
Contra-expenses	11,922	11,922
WisDOT Paratransit Costs - not eligible	109,246	109,246
Total WisDOT unrecognized expenses	1,063,543	1,063,543
<b>RECOGNIZED EXPENSES</b>	<b>\$ 8,721,600</b>	<b>\$ 8,721,600</b>
<b>RECOGNIZED DEFICITS</b>	<b>\$ (7,258,237)</b>	<b>\$ (7,352,769)</b>

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

# Valley Transit

## City of Appleton, Wisconsin

### COMPUTATION OF THE DEFICIT DISTRIBUTION AMONG THE SUBSIDY GRANTORS FOR THE YEAR ENDED DECEMBER 31, 2018

#### STATE SHARE

WisDOT recognized deficit	\$ 7,258,237	
Less: Federal share	<u>2,531,551</u>	
Non-federal share of WisDOT deficit		<u>\$ 4,726,686</u>
WisDOT recognized expenses	\$ 8,721,600	
Maximum federal and state	<u>60.00%</u>	
Recognized expenses	<u>5,232,960</u>	
Less: Federal share	<u>2,531,551</u>	
Non-Federal share		<u>\$ 2,701,409</u>
City of Appleton and other local subsidies	<u>\$ 2,230,176</u>	
5 Times operating subsidy		<u>\$ 11,150,880</u>
WisDOT Contract Amount		<u>\$ 2,577,210</u>
WisDOT share		<u>\$ 2,577,210</u>

#### FEDERAL SECTION 5307 SHARE

Federally recognized expenses	\$ 7,352,769	
Maximum federal percentage	<u>50.00%</u>	
50% of federal deficit		<u>\$ 3,676,385</u>
Federally recognized deficit	\$ 7,352,769	
Less WisDOT share	<u>2,577,210</u>	
Non-WisDOT share		<u>\$ 4,775,559</u>
Maximum contract amount		
Capital cost of third party contracting	\$ 125,639	
Preventative maintenance	507,249	
Operating assistance	<u>1,898,663</u>	
Total federal funds		<u>\$ 2,531,551</u>
Federal share		<u>\$ 2,531,551</u>

#### SUMMARY OF 2018 FUNDING

	Received in 2018	Receivable (payable) 12/31/18	Total
Federal section 5307 assistance	1,854,302	\$ 677,249	\$ 2,531,551
State assistance	2,577,210	-	2,577,210
Local assistance	<u>3,317,425</u>	<u>(1,167,949)</u>	<u>2,149,476</u>
Total funding	<u>\$ 7,748,937</u>	<u>\$ (490,700)</u>	<u>\$ 7,258,237</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR FINANCIAL STATEMENTS

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## 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*

To the 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, 2018, 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 2 dated June 18, 2019.

### **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) to determine 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 may exist that have not been identified.

### **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 determination of financial statement amounts. 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
June 18, 2019