

**NORWALK TRANSIT DISTRICT**  
**Financial Statements**  
**June 30, 2019**

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NORWALK TRANSIT DISTRICT  
June 30, 2019

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# SEWARD AND MONDE

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners

Norwalk Transit District

Norwalk, Connecticut

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Norwalk Transit District (the District) which comprise the statement of net position as of June 30, 2019, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic 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 from 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 auditor considers internal control relevant to the entity'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 the entity'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 Norwalk Transit District as of June 30, 2019, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***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 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Norwalk Transit District's basic financial statements. The combining schedule of revenues, expenses and changes in net position by route is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of revenues, expenses and changes in net position by route is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining statement of revenues, expenses and changes in net position by route is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of Norwalk Transit District'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 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 Norwalk Transit District's internal control over financial reporting and compliance.

*Seward and Monde*

North Haven, Connecticut  
October 24, 2019

**NORWALK TRANSIT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2019**

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The following Management's Discussion and Analysis (MD&A) of the Norwalk Transit District's (the District) activities and financial performance provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2019.

Following this MD&A are the basic financial statements of the District together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

**District Activities Highlights**

The Norwalk Transit District was established by a City of Norwalk ordinance in 1973 and began operation in 1978 to provide bus and door-to-door services in Norwalk, Connecticut. Although the District has one participating member municipality, the City of Norwalk, it is a regional service provider. The District operates fixed route, commuter, para-transit and on demand micro-transit services in communities throughout southwestern Connecticut. Most District services are directly operated, except for some supplemental para-transit service contracted out to local non-profit agencies. The total population of all communities served throughout Fairfield County is in excess of 900,000. The primary service area of Norwalk and Westport has a population of 110,000.

Services consist of 8 bus routes that operate Monday through Friday and 6 routes that operate on Saturday, generally from 6:00 a.m. to 7:45 p.m. Additional services known as the Norwalk Evening and Sunday Shuttles operate on two routes, one serving the Connecticut Avenue corridor and the second serving the Main Avenue corridor.

In addition, the District operates commuter bus service, servicing the train station in Norwalk, Westport and Greenwich and the Norwalk Community College, Merritt 7 buildings, 10/20 Westport Road, Norwalk Hospital, and Greenwich Hospital.

Norwalk has six Commuter Connection Shuttle routes with two commuter shuttles operating on the weekends. Four shuttles meet Metro-North Railroad trains at the South Norwalk rail station.

Within the Town of Westport, the District operates commuter services on seven routes weekdays. Five shuttles serve Saugatuck and two shuttles serve the Green Farms rail stations.

In Greenwich, the District operates two commuter shuttles that serve the Greenwich Metro-North rail station.

In cooperation with Greater Bridgeport Transit and the Milford Transit District, the District operates the Coastal Link, a regional fixed route bus service along the Route 1 corridor through Norwalk, Westport, Fairfield, Bridgeport, Stratford, and Milford.

The District provides ADA complementary para-transit services both directly and under contract through a variety of programs: Dispatch-A-Ride (serving Norwalk), Easy Access (serving Stamford), and Westport Elderly & Disabled (serving Westport). An inter-jurisdictional ADA complementary para-transit service is provided through the District's Town-to-Town program, which serves Westport and Wilton. In addition, para-transit services for the elderly are provided in Westport.

The base adult fare for all District bus service is \$1.75. A reduced fare of \$0.85 is offered at all times to senior citizens, Medicare cardholders, and persons with disabilities. The base fare for ADA para-transit service is \$3.50 per one-way trip, with ten trip blocks available at a variety of discounted fares depending on the parameters of each program.

The District operates a fleet of 39 vehicles (39 directly operated) for its fixed-route local, regional, and shuttle services.

The para-transit service is delivered with an available fleet of 51 vehicles (35 directly operated and 16 purchased transportation). The fleet consists of body-on-chassis vehicles, vans, and autos. Some of the directly operated vehicles have dual use for both fixed route and para-transit services.

The District operates from a single storage, maintenance, and administration facility located at 275 Wilson Avenue in Norwalk. The WHEELS Hub transit center is located at Burnell Boulevard in Norwalk.

- The replacement of vehicles reaching the end of their useful life will continue. Approximately 50% of the existing fleet is expected to be replaced in the next five years.
- Two planning studies are fully funded and planned.
  - The Facilities Analysis is currently underway and will evaluate the existing facility built in 2001 and determine a program of state of good repair and whether future needs can be met by the existing facility.
  - Comprehensive Operational Analysis: evaluating the performance of current services, and how these relate to future community needs.

## **Financial Statements**

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The Combining Statement of Revenues, Expenses and Changes in Net Position by Route provides more detail by providing information about the District's most significant programs and routes.

The District's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The District is structured as a single enterprise fund with revenues recognized when earned. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except for land and capital assets in progress) are depreciated over their estimated useful

lives. See the notes to the financial statements for a summary of the District's significant accounting policies.

### **Financial Operations Highlights for Fiscal Year 2019**

- Total net position in 2019 decreased by \$20,120 compared to a decrease of \$111,944 in 2018.
- Passenger fee revenue accounted for \$1,671,966 or 9.9 percent of all revenues in 2019. This represents a 3.9% decrease from fiscal 2018 passenger fee revenue of \$1,740,186, a \$68,220 decline. The fee revenue decline is attributable to a drop in ridership compared to the previous year.
- Other components of revenues include:
  - o State of Connecticut (Department of Transportation) funds of \$12,173,891 were earned in fiscal 2019 compared to \$12,083,677 in fiscal 2018, a .7% increase.
  - o Local funds of \$826,076 were earned in fiscal 2019 and \$801,929 in fiscal 2018, a 3% increase.
  - o Other miscellaneous sources of revenue of \$68,610 were earned in fiscal 2019 and \$36,687 in fiscal 2018. Advertising makes up the majority of miscellaneous revenue.
- The District incurred \$14,617,010 in operating expenses not including depreciation in fiscal 2019, a .5% increase from the fiscal 2018 amount of \$14,543,976.
- The District incurred costs of \$2,073,608 on the purchase of transit related property and operating equipment, an increase of \$876,934 over fiscal 2018.

### **Financial Position Summary**

A summary of the District's net position at June 30 is shown below:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
<b>Assets:</b>			
Current	\$ 1,712,694	\$ 2,078,430	(\$ 365,736)
Capital assets	23,700,460	23,761,399	( 60,939)
<b>Total Assets</b>	<b><u>\$ 25,413,154</u></b>	<b><u>\$ 25,839,829</u></b>	<b><u>(\$ 426,675)</u></b>
<b>Liabilities:</b>			
Current and Long Term	\$ 3,960,328	\$ 4,366,883	(\$ 406,555)
<b>Total Liabilities</b>	<b><u>\$ 3,960,328</u></b>	<b><u>\$ 4,366,883</u></b>	<b><u>(\$ 406,555)</u></b>
<b>Net Position:</b>			
Net Investment in capital assets	\$ 23,700,460	\$ 23,761,399	(\$ 60,939)
Unrestricted	( 2,247,634)	( 2,288,453)	40,819
<b>Total Net Position</b>	<b><u>\$ 21,452,826</u></b>	<b><u>\$ 21,472,946</u></b>	<b><u>(\$ 20,120)</u></b>



Total net position serves over time as a useful indicator of the District's financial position. The District's net position each year represents its investment in capital assets (e.g., real property, vehicles, and other equipment) and other unrestricted amounts. Capital assets are used to provide services to the patrons and passengers of the District and to users of public transit who ride the Norwalk Transit District fixed route buses as well as various shuttle services and ADA services to persons with disabilities.

The District's assets exceed its liabilities by \$21,452,826 at June 30, 2019, a \$20,120 decrease from June 30, 2018.

### **Summary of Changes in Net Position**

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Operating revenues	\$ 1,740,576	\$ 1,776,873	(\$ 36,297)
Operating expenses	<u>16,735,613</u>	<u>16,504,676</u>	<u>230,937</u>
Operating loss	( 14,995,037)	( 14,727,803)	( 267,234)
Net nonoperating revenues	<u>12,901,309</u>	<u>13,419,185</u>	<u>( 517,876)</u>
Loss before capital grants	( 2,093,728)	( 1,308,618)	( 785,110)
Capital grants	<u>2,073,608</u>	<u>1,196,674</u>	<u>876,934</u>
Change in Net Position	( 20,120)	( 111,944)	91,824
Net position, July 1	<u>21,472,946</u>	<u>21,584,890</u>	<u>( 111,944)</u>
Net position, June 30	<u><u>\$ 21,452,826</u></u>	<u><u>\$ 21,472,946</u></u>	<u><u>(\$ 20,120)</u></u>

## **Revenues**

A summary of revenues for the years ended June 30, 2019 and 2018 and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Increase (Decrease)</u>
Operating:				
Passenger fees	\$ 1,671,966	\$ 1,740,186	(\$ 68,220)	-3.92%
Other operating revenues	<u>68,610</u>	<u>36,687</u>	<u>31,923</u>	<u>87.01%</u>
Total Operating	<u>1,740,576</u>	<u>1,776,873</u>	<u>( 36,297)</u>	<u>-2.04%</u>
Non-Operating:				
State and local assistance grants	12,999,967	13,536,977	( 537,010)	-3.97%
Other	<u>18,323</u>	<u>20,709</u>	<u>( 2,386)</u>	<u>-11.52%</u>
Total Non-Operating	<u>13,018,290</u>	<u>13,557,686</u>	<u>( 539,396)</u>	<u>-3.98%</u>
Capital grants	<u>2,073,608</u>	<u>1,196,674</u>	<u>876,934</u>	<u>73.28%</u>
Total Revenues	<u>\$ 16,832,474</u>	<u>\$ 16,531,233</u>	<u>\$ 301,241</u>	<u>1.82%</u>

The District is highly dependent upon subsidies and grants from the State of Connecticut, Federal government and local municipalities. The Norwalk Transit District would cease to exist as a transit operator without these revenues.

Operating revenue, consisting of passenger fees and miscellaneous other revenue, decreased by 2%. As previously mentioned, the decline in fee revenue is attributable to a decline in ridership during the year. Miscellaneous other revenue increased due to a spike in contracted advertising revenue. Non-operating revenue, consisting of state and local assistance grants, decreased by 4%. Capital grants also increased. The overall operating, federal, state and local assistance grants revenue increased by 1.9% from 2018.

## Expenses

A summary of expenses for the years ended June 30, 2019 and 2018 and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Increase (Decrease)</u>
Operating expenses:				
Salaries	\$ 7,481,177	\$ 7,187,471	\$ 293,706	4.09%
Employee benefits	3,147,631	3,144,550	3,081	0.10%
Depreciation	2,118,603	1,960,700	157,903	8.05%
Purchased transportation	1,601,237	1,692,111	( 90,874)	-5.37%
Fuel and lubrications	722,601	629,395	93,206	14.81%
Materials, supplies & vehicle maintenance	675,841	834,338	( 158,497)	-19.00%
Professional services	222,481	284,073	( 61,592)	-21.68%
Advertising	4,097	19,496	( 15,399)	-78.99%
Insurance	154,649	137,619	17,030	12.37%
Utilities	327,046	326,094	952	0.29%
Contract maintenance	106,950	125,914	( 18,964)	-15.06%
Other expenses	173,300	162,915	10,385	6.37%
Total operating expenses	16,735,613	16,504,676	230,937	1.40%
Non-operating expenses:				
Nonoperating expenses	-	53,455	( 53,455)	-100.00%
Interest expense	116,981	85,046	31,935	37.55%
Total expenses	<u>\$ 16,852,594</u>	<u>\$ 16,643,177</u>	<u>\$ 209,417</u>	<u>1.26%</u>

Salaries increased due to CBA wage increase obligations in addition to above average overtime coverage resulting from employees out on FMLA during the year.

Purchased transportation expense decreased due to a reduction in contractor vehicle use, in addition to liquidated damages absorbed by contractors during the year.

Diesel fuel is one of the highest expenses of the District; the cost of ultra-low sulfur diesel fuel has increased compared to periods in prior year.

Materials, supplies and vehicle maintenance decreased resulting from newer paratransit vehicles in the fleet which required less maintenance. Additionally, significant repairs were performed on an aging vehicle as part of an initiative in the prior year.

Professional Services expense decreased due to a reduction in recruiting and temporary help needs.

Advertising expense decreased due to a reduction in public notice expense during the year.

Contract maintenance expense decreased as there were security implementation costs in the prior year.

Interest expense is proportionate to the amount of the line of credit utilized at current market rates.

### **Debt Administration**

The District has one commercial revolving line of credit with \$4,000,000 available in total used for operations. The line of credit carries interest at the Wall Street Journal prime rate plus .25%. The balance at June 30, 2019 was \$2,384,349. The purpose of the line is for short-term borrowings to meet operating expenses and is caused by delays in receipt of receivables from State and local grantors. See Note 6 of the financial statements.

### **Capital Acquisitions**

During fiscal year 2019 the District's major capital acquisitions were the purchase of para-transit vehicles as part of scheduled fleet updates to address phasing out vehicles that have reached the end of their useful lives. Additionally, two officer vehicles and a support vehicle were purchased, and a vault upgrade was completed.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial and Administration Officer, 275 Wilson Avenue, Norwalk, Connecticut 06854.

NORWALK TRANSIT DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2019

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ASSETS

Current Assets:	
Cash and cash equivalents	\$ 135,885
Grant and trade receivables	1,034,469
Inventory	527,515
Prepaid expenses	14,825
Total current assets	<u>1,712,694</u>
Capital Assets:	
Capital assets, not being depreciated	3,154,342
Capital assets, net of accumulated depreciation	<u>20,546,118</u>
Total capital assets	<u>23,700,460</u>
Total assets	<u>\$ 25,413,154</u>

LIABILITIES and NET POSITION

Current Liabilities:	
Line of credit	\$ 2,384,349
Checks issued in excess of depository balances	299,862
Accounts payable	381,405
Accrued expenses and other current liabilities	691,991
Deferred revenue	9,096
Total current liabilities	<u>3,766,703</u>
Workers compensation claims payable	<u>193,625</u>
Total liabilities	<u>3,960,328</u>
Net Position:	
Net investment in capital assets	23,700,460
Unrestricted	<u>( 2,247,634)</u>
Total net position	<u>21,452,826</u>
Total liabilities and net position	<u>\$ 25,413,154</u>

See accompanying notes to financial statements.

NORWALK TRANSIT DISTRICT  
STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION  
Year Ended June 30, 2019

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Operating revenues	
Passenger fees	\$ 1,671,966
Other revenues	<u>68,610</u>
Total operating revenues	<u>1,740,576</u>
Operating expenses	
Salaries	7,481,177
Employee benefits	3,147,631
Purchased transportation	1,601,237
Depreciation	2,118,603
Fuel and lubrications	722,601
Materials, supplies, and vehicle maintenance	675,841
Professional services	222,481
Advertising	4,097
Insurance	154,649
Utilities	327,046
Contract maintenance services	106,950
Other expenses	<u>173,300</u>
Total operating expenses	<u>16,735,613</u>
Operating loss	<u>( 14,995,037)</u>
Nonoperating revenues (expenses):	
Intergovernmental grants	12,173,891
Local assistance	826,076
Gain on sale of vehicles	18,290
Interest revenue	33
Interest expense	<u>( 116,981)</u>
Net nonoperating revenues	<u>12,901,309</u>
Decrease in net position before capital grants	<u>( 2,093,728)</u>
Capital grants	<u>2,073,608</u>
Decrease in net position	<u>( 20,120)</u>
Net position, beginning of year	<u>21,472,946</u>
Net position, end of year	<u>\$ 21,452,826</u>

See accompanying notes to financial statements.

NORWALK TRANSIT DISTRICT  
STATEMENT of CASH FLOWS  
Year Ended June 30, 2019

Cash flows from operating activities:	
Cash received from customers and others	\$ 1,701,778
Cash paid to employees for services	( 10,653,994)
Cash paid to suppliers for goods and services	<u>( 4,470,268)</u>
Net cash used in operating activities	<u>( 13,422,484)</u>
Cash flows from investing activities:	
Interest received	<u>33</u>
Net cash provided by investing activities	<u>33</u>
Cash flows from noncapital financing activities:	
Proceeds from intergovernmental grants and local assistance	13,315,478
Net proceeds from line of credit	212,012
Interest paid	<u>( 116,169)</u>
Net cash provided by noncapital financing activities	<u>13,411,321</u>
Cash flows from capital and related financing activities:	
Proceeds from capital grants and local assistance	2,057,664
Purchase of capital assets	( 2,057,664)
Proceeds from sale of vehicles	<u>28,910</u>
Net cash provided by capital and related financing activities	<u>28,910</u>
Net change in cash and cash equivalents	17,780
Cash and cash equivalents, beginning of year	<u>118,105</u>
Cash and cash equivalents, end of year	<u>\$ 135,885</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$ 14,995,037)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,118,603
Decrease (increase) in assets:	
Trade receivables	( 38,798)
Inventory	( 86,585)
Prepaid expenses	204,903
Increase (decrease) in liabilities:	
Accounts payable	( 382,675)
Accrued expenses and other current liabilities	( 248,608)
Checks issued in excess of depository balances	( 12,806)
Workers compensation claims payable	<u>18,519</u>
Net cash used in operating activities	<u>(\$ 13,422,484)</u>

See accompanying notes to financial statements.

NORWALK TRANSIT DISTRICT  
NOTES to BASIC FINANCIAL STATEMENTS  
June 30, 2019

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1 - Organization and Business Purpose

The Norwalk Transit District (the District) was formed in 1973 by the City of Norwalk under the provisions of Chapter 103a of the Connecticut General Statutes to develop and maintain a mass transportation system within the City of Norwalk. The District began service in 1978, and has since expanded to include additional towns and types of services.

The State of Connecticut (the State), the City of Norwalk, and the Towns of Westport and Wilton provide the District funds through operating grants which subsidize the District for transit operations.

The State of Connecticut Department of Transportation (DOT) currently provides matching funds for the reimbursement of capital expenditures incurred by the District for the purchase of property and equipment authorized and partially funded under capital grants provided by the Federal Transit Administration (FTA), a federally administered agency.

Any loss or significant reduction of these grants could have a significant impact on the District's financial position and operations. The continuance of the District's operations has been, and will continue to be dependent upon the receipt of adequate funding assistance.

2 - Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District have been prepared in conformity with generally accepted accounting principles. The Government Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies are described below.

The District is comprised of an individual proprietary fund. The District is responsible for its debt and is entitled to surpluses. No separate agency receives a financial benefit or imposes a financial burden on the District.

The District and its enterprise fund are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchanges and exchange-like transactions are recognized when the exchange takes place.



### Operating and Non-operating Revenues and Expenses

Revenues received as fares or for direct compensation for transportation services are reported as operating revenues as they are earned. Capital and operating subsidy grants as well as interest income are considered to be non-operating revenues in the accounting period in which they are earned. Expenses which pertain to providing transportation services are classified as operating expenses. All other expenses as well as any other charges are classified as non-operating.

### Cash and Cash Equivalents

For the purpose of the statement of net position and the statement of cash flows, cash and cash equivalents include all demand and savings accounts and short-term, highly liquid investments with original maturities of three months or less.

### Grant and Trade Receivables

Grant and trade receivables are stated at the amount management expects to collect from outstanding balances. The District may record an allowance for doubtful accounts based on specific customers, historical trends, and other information. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No valuation allowance was deemed necessary for June 30, 2019.

### Inventory

Inventory, consisting of fuel, lubricants, repair parts and supplies, is stated at the lower of cost, using the first-in, first-out method, or market.

### Capital Assets

Acquisitions greater than or equal to five thousand dollars and that have an estimated useful life of greater than one year are recorded at cost. Maintenance and repairs are charged to expense as incurred. Additions, renewals, and betterments that significantly extend the life of the asset are capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives:

Transit vehicles	5 to 12 years
Furniture, computers and equipment	5 to 7 years
Building and improvements	32 to 40 years

When items are sold or otherwise disposed of, the cost and related accumulated depreciation is removed from the respective accounts and the resulting gain or loss is reflected in the statement of revenues, expenses and changes in net position.

Capital assets acquired with grant proceeds are restricted for use in urban mass transportation systems. A portion of the proceeds received from the sale of property and equipment acquired with grant proceeds must be returned to grantor agencies.

### Net Position

Net position is comprised of the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position is classified in the following two components: net investment in capital assets and unrestricted. Net investment in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by any outstanding debt that is attributable to the acquisition, construction and improvement of those assets (there was no outstanding debt related to capital assets as of June 30, 2019). Unrestricted consists of net position not included in the net investment in capital assets category.

### Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

### Compensated Absences

The District accrues for vacation time of employees in accordance with the union contract and the District's policy for administrative employees. Upon termination, employees are entitled to a payout of outstanding vacation time. This represents a future liability to the District, which is included in accrued expenses and other current liabilities on the statement of net position.

### Subsequent Events

Management has evaluated subsequent events through October 24, 2019, the date the financial statements were available to be issued.

### 3 - Cash

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has deposits in a financial institution that maintains Federal Deposit Insurance Corporation (FDIC) deposit insurance up to \$250,000 per depositor. At times, balances held at the financial institution may exceed federally insured limits. The District maintains a daily repurchase agreement with the financial institution to mitigate its risk. None of the District's bank balance of \$136,668 was exposed to custodial credit risk at June 30, 2019.

#### 4 - Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Disposals and Construction in Progress Placed in Service	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 2,686,848	\$ -	\$ -	\$ 2,686,848
Works of art	271,997	-	-	271,997
Construction in progress	184,854	10,643	-	195,497
Total capital assets not being depreciated	<u>3,143,699</u>	<u>10,643</u>	<u>-</u>	<u>3,154,342</u>
Capital assets being depreciated:				
Building and improvements	17,194,493	39,139	-	17,233,632
Transit vehicles	17,068,699	1,886,055	( 1,466,655)	17,488,099
Furniture, computers and equipment	5,810,544	121,827	-	5,932,371
Total capital assets being depreciated	<u>40,073,736</u>	<u>2,047,021</u>	<u>( 1,466,655)</u>	<u>40,654,102</u>
Less accumulated depreciation for:				
Building and improvements	6,002,955	434,926	-	6,437,881
Transit vehicles	10,778,527	1,295,004	( 1,466,655)	10,606,876
Furniture, computers and equipment	2,674,554	388,673	-	3,063,227
Total accumulated depreciation	<u>19,456,036</u>	<u>2,118,603</u>	<u>( 1,466,655)</u>	<u>20,107,984</u>
Total capital assets being depreciated, net	<u>20,617,700</u>	<u>( 71,582)</u>	<u>-</u>	<u>20,546,118</u>
Total capital assets, net	<u>\$ 23,761,399</u>	<u>(\$ 60,939)</u>	<u>\$ -</u>	<u>\$ 23,700,460</u>

Depreciation expense amounted to \$2,118,603 for the year ended June 30, 2019.

## 5 - Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following at June 30, 2019:

Accrued payroll	\$ 176,812
Accrued vacation	373,431
Accrued retirement contribution (see Note 8)	131,085
Accrued other expenses	<u>10,663</u>
	<u>\$ 691,991</u>

## 6 - Line of Credit

At June 30, 2019, the District had a \$4,000,000 secured line of credit available through Connecticut Community Bank N.A., with an interest rate equal to the prime rate plus .25%. At June 30, 2019 the interest rate was 5.75%. Total borrowings outstanding at June 30, 2019 were \$2,384,349. Interest expense for 2019 was \$116,981. The line is secured by substantially all of the assets of the District.

## 7 - Workers' Compensation Claims Payable

As of August 1, 2012 the District was fully insured for workers' compensation. In prior years the District was self insured up to \$350,000 with claims exceeding that limit being covered by a worker's compensation excess policy. Payments are estimated based upon a third party assessment of payroll amounts, job classification rates, experience and second injury fund assessments. The amount of the workers' compensation claims payable is based on the ultimate cost of settling the claims, which includes past expenses, net of estimated subrogation recoveries and does not include other allocated or unallocated claims adjustment expenses.

The workers' compensation claims payable at June 30, 2019 was \$193,625, which includes incurred but not reported claims. An analysis of the activity for the workers' compensation claims payable is as follows:

	<u>Liability July 1,</u>	<u>Current Year Claims and Adjustments to Estimates</u>	<u>Net Claim Payments</u>	<u>Liability June 30,</u>
2016 - 2017	\$ 187,719	\$ 1,281	\$ 12,506	\$ 176,494
2017 - 2018	176,494	114,301	115,689	175,106
2018 - 2019	175,106	39,234	20,715	193,625

## 8 - Employee Retirement Plans

The District administers a defined contribution plan, the Norwalk Transit District 401(a) Plan. The plan is provided to all non-union employees who are 21 years of age and to all union employees who have completed one year of service and who are 21 years of age. For union employees, the District contributes 6% of compensation based on a required employee contribution of 2% of compensation. Employer contributions for union employees are vested 20% per year after the second full year of service. Non-union employees are excluded from making mandatory employee contributions. For non-union employees, the District contributes a percentage of the employees' compensation at varying rates per the employees' contract. Employer contributions for non-union employees are vested 20% per year after the first full year of service. Non-union employees hired before February 3, 2017 are fully vested. The District may use forfeitures to pay plan expenses or reduce amounts otherwise required to be contributed to the plan. Contributions are invested at the direction of the employee in one or more funds. Plan provisions and contribution requirements are established and may be amended by the District.

For the year ended June 30, 2019, union employee contributions to the plan were \$86,973, and the District recognized pension expense of \$260,919. Employer contributions for union employees are made annually after the end of the plan year, which is on a calendar year basis. As of June 30, 2019 the District had accrued \$131,085 in union employer contributions related to the plan which is included in accrued expenses and other current liabilities on the statement of net position (see Note 5). For the year ended June 30, 2019 the District recognized pension expense of \$173,078 for non-union employees.

The District administers a deferred compensation plan under Internal Revenue Code Section 457. The plan is provided to union and non-union employees and allows these employees to defer a portion of their salary until future years. For union employees, voluntary contributions above the 2% required employee contribution to the Norwalk Transit District 401(a) plan described above, are contributed to the 457 plan. Employee contributions to the plan were \$118,040 for the year ended June 30, 2019. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All pension plan assets are held in trust with Wells Fargo.

## 9 - Contingencies

There are various claims against the District that have arisen in the normal course of business. In management's opinion, none of these claims will have a material adverse effect on the financial statements of the District. The District purchases commercial insurance to cover the general risk of loss arising from its business activities.

The District is the recipient of funds under grant awards from federal and state sources. Although management believes costs charged to these sources are appropriate, the final determination of cost allowability rests with the funding sources.

The nature of the District's transportation service subjects it to extensive and rapidly changing federal and state environmental regulations governing air emissions, waste water discharge and solid and hazardous waste management activities. The District's policy is to accrue environmental and clean-up related costs of a non-capital nature when it is both probable that a liability has been incurred and that an amount can be reasonably estimated. It remains however, extremely difficult to reasonably quantify future environmental related expenditures and therefore no such liability has been recorded.

#### 10 - Commitments

The District has entered into contracts and various other commitments for professional services related to the City of Norwalk River Valley Trail project and for a facility assessment and capital plan development. Open commitments under these contracts total approximately \$170,000 at June 30, 2019.

#### 11 - Collective Bargaining Arrangement

All of the District's drivers and mechanics are covered by a collective bargaining agreement, which expires on June 30, 2020.

NORWALK TRANSIT DISTRICT  
COMBINING STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION BY ROUTE  
Year Ended June 30, 2019

	Norwalk Core	Coastal Link	Norwalk WZU	Norwalk Shuttles	Westport Shuttles	Greenwich Shuttles	Sunday Shuttles	CT Ave Eve Shuttles	Main Eve Shuttles	Total Norwalk Fixed Route	Stamford ADA	Norwalk ADA	Norwalk ADA CL	Westport E & D	Westport TTT	Wilton TTT	State Matching Grant	General Fund	Capital and Other	Total	
Operating revenues																					
Passenger fees	\$ 874,899	\$ 203,546	\$ 14,152	\$ 133,063	\$ 67,951	\$ 24,728	\$ 17,794	\$ 15,738	\$ 10,316	\$ 1,362,187	\$ 190,274	\$ 87,292	\$ 17,765	\$ 3,833	\$ 9,804	\$ 811	\$ -	\$ -	\$ -	\$ 1,671,966	
Other revenues	67,646	-	-	-	964	-	-	-	-	68,610	-	-	-	-	-	-	-	-	-	68,610	
Total operating revenues	942,545	203,546	14,152	133,063	68,915	24,728	17,794	15,738	10,316	1,430,797	190,274	87,292	17,765	3,833	9,804	811	-	-	-	1,740,576	
Operating expenses																					
Salaries	3,035,121	580,949	126,564	672,576	481,184	149,698	80,169	47,497	47,544	5,221,302	1,472,307	611,085	126,000	19,107	22,717	3,645	5,014	-	-	7,481,177	
Employee benefits	1,269,483	242,990	52,937	281,315	201,262	62,613	33,532	19,867	19,886	2,183,885	615,814	255,595	52,701	7,993	9,502	1,525	2,097	18,519	-	3,147,631	
Purchased transportation	-	-	-	-	-	-	-	-	-	-	1,097,915	352,893	58,099	12,383	15,430	517	64,000	-	-	1,601,237	
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,118,603	2,118,603	
Fuel and lubrications	307,753	79,812	9,789	78,011	70,582	12,575	9,600	7,331	6,969	582,422	88,772	38,783	8,299	1,784	2,279	262	-	-	-	722,601	
Materials, supplies and vehicle maintenance	218,867	56,757	9,416	68,726	87,143	15,526	8,457	6,459	6,140	477,491	109,600	47,882	10,247	2,202	2,812	324	-	-	25,283	675,841	
Professional services	222,481	-	-	-	-	-	-	-	-	222,481	-	-	-	-	-	-	-	-	-	-	222,481
Advertising	4,097	-	-	-	-	-	-	-	-	4,097	-	-	-	-	-	-	-	-	-	-	4,097
Insurance	154,649	-	-	-	-	-	-	-	-	154,649	-	-	-	-	-	-	-	-	-	-	154,649
Utilities	327,046	-	-	-	-	-	-	-	-	327,046	-	-	-	-	-	-	-	-	-	-	327,046
Contract maintenance services	106,950	-	-	-	-	-	-	-	-	106,950	-	-	-	-	-	-	-	-	-	-	106,950
Other expenses	154,965	-	-	-	-	-	-	-	-	154,965	-	-	-	-	-	-	-	18,335	-	-	173,300
Total operating expenses	5,801,412	960,508	198,706	1,100,628	840,171	240,412	131,758	81,154	80,539	9,435,288	3,384,408	1,306,238	255,346	43,469	52,740	6,273	71,111	36,854	2,143,886	16,735,613	
Operating loss	( 4,858,867)	( 756,962)	( 184,554)	( 967,565)	( 771,256)	( 215,684)	( 113,964)	( 65,416)	( 70,223)	( 8,004,491)	( 3,194,134)	( 1,218,946)	( 237,581)	( 39,636)	( 42,936)	( 5,462)	( 71,111)	( 36,854)	( 2,143,886)	( 14,995,037)	
Nonoperating revenues (expenses), not including local funding sources																					
State of Connecticut assistance grants Department of Transportation	5,224,813	312,669	184,554	967,565	562,915	215,684	113,964	65,416	70,223	7,717,803	3,194,134	980,708	190,317	19,818	-	-	71,111	-	-	12,173,891	
Gain on sale of vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,290	-	-	18,290
Interest revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33	-	-	33
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 116,981)	-	-	( 116,981)
Net nonoperating revenues, not including local funding sources and capital grants	5,224,813	312,669	184,554	967,565	562,915	215,684	113,964	65,416	70,223	7,717,803	3,194,134	980,708	190,317	19,818	-	-	71,111	( 98,658)	-	12,075,233	
Increase (decrease) in net position before local funding sources, and capital grants	365,946	( 444,293)	-	-	( 208,341)	-	-	-	-	( 286,688)	-	( 238,238)	( 47,264)	( 19,818)	( 42,936)	( 5,462)	-	( 135,512)	( 2,143,886)	( 2,919,804)	
Nonoperating revenues, local funding sources																					
City of Norwalk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	548,711	-	-	548,711
Town of Westport	-	-	-	-	208,341	-	-	-	-	208,341	-	-	-	19,818	42,936	-	-	-	-	-	271,095
Town of Wilton	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,270	-	-	-	-	6,270
Net nonoperating revenues, local funding sources	-	-	-	-	208,341	-	-	-	-	208,341	-	-	-	19,818	42,936	6,270	-	548,711	-	-	826,076
Increase (decrease) in net position before capital grants	365,946	( 444,293)	-	-	-	-	-	-	-	( 78,347)	-	( 238,238)	( 47,264)	-	-	808	-	413,199	( 2,143,886)	( 2,093,728)	
Capital grants:																					
Federal Transit Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,666,357	1,666,357
State of Connecticut	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	407,251	407,251
Total capital grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,073,608	2,073,608
Change in net position	\$ 365,946	( \$ 444,293)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	( \$ 78,347)	\$ -	( \$ 238,238)	( \$ 47,264)	\$ -	\$ -	\$ 808	\$ -	\$ 413,199	( \$ 70,278)	( \$ 20,120)	

See accompanying notes to financial statements.