

NORWALK TRANSIT DISTRICT
Financial Statements
June 30, 2023

NORWALK TRANSIT DISTRICT
June 30, 2023

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Norwalk Transit District (the District) which comprise the statement of net position as of June 30, 2023, 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.

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, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Norwalk Transit District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Norwalk Transit District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and government auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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. Such information 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 July 9, 2024, 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 effectiveness of Norwalk Transit District'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 Norwalk Transit District's internal control over financial reporting and compliance.

Seward and Monde

North Haven, Connecticut
July 9, 2024

**NORWALK TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

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, 2023.

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 118,000.

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 and micro-transit, servicing the train stations in Norwalk, Westport and Greenwich and the Norwalk Community College, Merritt 7 buildings, 10/20 Westport Road, Norwalk Hospital, and Greenwich Hospital.

Norwalk has five 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 micro-transit for commuters, which serves the Saugatuck and Green Farms rail stations.

In Greenwich, the District operates one commuter shuttle that serves 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.

In 2018, the District launched Wheels 2 U Micro-Transit service, an on-demand mobile app based premium shuttle service that operates within the City of Norwalk's entertainment zone, and has been implemented in the town of Westport.

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. Base Fare for Wheels 2 U service is \$2.00, with discounts offered in conjunction with marketing initiatives.

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 76% of the existing fleet is expected to be replaced in the next five years.
- Two planning studies are fully funded and in progress.
 - The Facilities Analysis and Renovation Planning is completed and construction began in FY23. It has been determined that the existing facility built in 2001 is in need of renovation to maintain a state of good repair and meet the District's future needs.
 - 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, artwork 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 2023

- Total net position in 2023 increased by \$123,602 compared to an increase of \$4,404,446 in 2022. The prior year increase was due to capital revenue earned from the purchase of 10 new, fixed route busses placed in service during the prior fiscal year.
- Passenger fee revenue accounted for \$420,674 or 2.1 percent of all revenues in 2023. This represents a 49% decrease from fiscal 2022 passenger fee revenue of \$829,457, a \$408,783 decrease due to the COVID-19 post pandemic free fare program.
- Other components of revenues include:
 - o State of Connecticut (Department of Transportation) funds of \$13,058,220 were earned in fiscal 2023 compared to \$11,528,396 in fiscal 2022, a 13.3% increase.
 - o Local funds of \$1,010,107 were earned in fiscal 2023 and \$945,493 in fiscal 2022, a 6.8% increase.
 - o Other miscellaneous sources of revenue of \$144,808 were earned in fiscal 2023 and \$95,299 in fiscal 2022. Advertising makes up the majority of miscellaneous revenue, which drove the uptick from prior year.
- The District incurred \$16,218,368 in operating expenses not including depreciation in fiscal 2023, an 11.9% increase from the fiscal 2022 amount of \$14,491,128. The increase in expense was driven by continued recovery towards pre-pandemic levels of service.
- The District incurred costs of \$2,759,470 on the purchase of transit related property, facility improvements and operating equipment, a decrease of \$4,186,996 over fiscal 2022.

Financial Position Summary

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Assets:			
Current	\$ 5,237,248	\$ 3,091,734	\$ 2,145,514
Capital assets	31,879,619	32,157,890	(278,271)
Other assets	140,765	167,756	(26,991)
Total Assets	<u>\$ 37,257,632</u>	<u>\$ 35,417,380</u>	<u>\$ 1,840,252</u>
Liabilities:			
Current Liabilities	\$ 5,100,759	\$ 3,367,897	\$ 1,732,862
Non-current liabilities	400,189	416,401	(16,212)
Total Liabilities	<u>\$ 5,500,948</u>	<u>\$ 3,784,298</u>	<u>\$ 1,716,650</u>
Net Position:			
Net Investment in capital assets	\$ 31,879,619	\$ 32,157,890	(\$ 278,271)
Unrestricted	(122,935)	(524,808)	401,873
Total Net Position	<u>\$ 31,756,684</u>	<u>\$ 31,633,082</u>	<u>\$ 123,602</u>

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 \$31,756,684 at June 30, 2023, a \$123,602 increase from June 30, 2022.

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Operating revenues	\$ 565,482	\$ 924,756	(\$ 359,274)
Operating expenses	<u>19,256,109</u>	<u>17,441,058</u>	<u>1,815,051</u>
Operating loss	(18,690,627)	(16,516,302)	(2,174,325)
Net nonoperating revenues	<u>16,054,759</u>	<u>13,974,282</u>	<u>2,080,477</u>
Loss before capital grants	(2,635,868)	(2,542,020)	(93,848)
Capital grants	<u>2,759,470</u>	<u>6,946,466</u>	<u>(4,186,996)</u>
Change in Net Position	123,602	4,404,446	(4,280,844)
Net position, July 1	<u>31,633,082</u>	<u>27,228,636</u>	<u>4,404,446</u>
Net position, June 30	<u><u>\$ 31,756,684</u></u>	<u><u>\$ 31,633,082</u></u>	<u><u>\$ 123,602</u></u>

Revenues

A summary of revenues for the years ended June 30, 2023 and 2022 and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percentage Increase (Decrease)</u>
Operating:				
Passenger fees	\$ 420,674	\$ 829,457	(\$ 408,783)	-49.28%
Other operating revenues	<u>144,808</u>	<u>95,299</u>	<u>49,509</u>	<u>51.95%</u>
Total Operating	<u>565,482</u>	<u>924,756</u>	<u>(359,274)</u>	<u>-38.85%</u>
Non-Operating:				
Intergovernmental and local assistance grants	16,248,680	14,047,836	2,200,844	15.67%
Other	<u>262</u>	<u>6,947</u>	<u>(6,685)</u>	<u>-96.23%</u>
Total Non-Operating	<u>16,248,942</u>	<u>14,054,783</u>	<u>2,194,159</u>	<u>15.61%</u>
Capital grants	<u>2,759,470</u>	<u>6,946,466</u>	<u>(4,186,996)</u>	<u>-60.28%</u>
Total Revenues	<u><u>\$ 19,573,894</u></u>	<u><u>\$ 21,926,005</u></u>	<u><u>(\$ 2,352,111)</u></u>	<u><u>-10.73%</u></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.

Expenses

A summary of expenses for the years ended June 30, 2023 and 2022 and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percentage Increase (Decrease)</u>
Operating expenses:				
Salaries	\$ 7,947,208	\$ 7,487,801	\$ 459,407	6.14%
Employee benefits	3,203,011	3,145,824	57,187	1.82%
Depreciation	3,037,741	2,949,930	87,811	2.98%
Purchased transportation	1,573,803	1,097,407	476,396	43.41%
Fuel and lubrications	801,978	513,212	288,766	56.27%
Materials, supplies & vehicle maintenance	512,657	462,315	50,342	10.89%
Professional services	1,152,220	929,963	222,257	23.90%
Advertising	5,105	9,846	(4,741)	-48.15%
Insurance	223,217	199,460	23,757	11.91%
Utilities	451,465	356,598	94,867	26.60%
Contract maintenance	128,508	95,504	33,004	34.56%
Other expenses	<u>219,196</u>	<u>193,198</u>	<u>25,998</u>	<u>13.46%</u>
Total operating expenses	19,256,109	17,441,058	1,815,051	10.41%
Non-operating expenses:				
Interest expense on lease liability	7,641	9,019	(1,378)	-15.28%
Interest expense	<u>186,542</u>	<u>71,482</u>	<u>115,060</u>	<u>160.96%</u>
Total expenses	<u>\$ 19,450,292</u>	<u>\$ 17,521,559</u>	<u>\$ 1,928,733</u>	<u>11.01%</u>

Salaries and Benefits increased due to increased service levels as compared to 2022 and contractual wage increases.

Purchased transportation expense increased due to increased demand for contractor vehicle service brought on by increased paratransit ridership as the community recovered from COVID-19.

Fuel and Lubricant expense increased due to higher fuel costs and increased demand to meet higher levels of service during the year.

Materials, supplies, and vehicle maintenance expense increased due to the impact of maintaining aging paratransit vehicles that are nearing replacement.

Professional Services expense increased due to higher IT service needs during the year and the outsourcing to a fractional CFO model.

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, 2023 was \$1,846,345. 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 2023 the District's major capital expenditures were for A&E services and construction expenditures related to the facility renovation at 275 Wilson Ave.

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 Officer, 275 Wilson Avenue, Norwalk, Connecticut 06854.

NORWALK TRANSIT DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 165,564
Grant and trade receivables	4,471,372
Inventory	528,621
Prepaid expenses	71,691
Total current assets	<u>5,237,248</u>
Capital Assets:	
Capital assets, not being depreciated	7,939,120
Capital assets, net of accumulated depreciation	23,940,499
Total capital assets	<u>31,879,619</u>
Right-of-use asset, net	<u>140,765</u>
Total assets	<u>\$ 37,257,632</u>

LIABILITIES and NET POSITION

Current Liabilities:	
Line of credit	\$ 1,846,345
Current portion of lease liability	29,225
Checks issued in excess of depository balances	775,683
Accounts payable	1,657,084
Accrued expenses and other current liabilities	792,422
Total current liabilities	<u>5,100,759</u>
Non-Current Liabilities:	
Workers compensation claims payable	288,649
Long-term lease liability, less current portion	111,540
Total non-current liabilities	<u>400,189</u>
Total liabilities	<u>5,500,948</u>
Net Position:	
Net investment in capital assets	31,879,619
Unrestricted	(122,935)
Total net position	<u>31,756,684</u>
Total liabilities and net position	<u>\$ 37,257,632</u>

See accompanying notes to financial statements.

NORWALK TRANSIT DISTRICT
STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION
Year Ended June 30, 2023

Operating revenues	
Passenger fees	\$ 420,674
Other revenues	144,808
	<hr/>
Total operating revenues	565,482
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Operating expenses	
Salaries	7,947,208
Employee benefits	3,203,011
Purchased transportation	1,573,803
Depreciation	3,037,741
Fuel and lubrications	801,978
Materials, supplies, and vehicle maintenance	512,657
Professional services	1,152,220
Advertising	5,105
Insurance	223,217
Utilities	451,465
Contract maintenance services	128,508
Other expenses	219,196
	<hr/>
Total operating expenses	19,256,109
	<hr/>
Operating loss	(18,690,627)
	<hr/>
Nonoperating revenues (expenses):	
Intergovernmental grants	15,238,573
Local assistance	1,010,107
Gain on sale of equipment	248
Interest revenue	14
Interest expense on lease liability	(7,641)
Interest expense	(186,542)
	<hr/>
Net nonoperating revenues	16,054,759
	<hr/>
Decrease in net position before capital grants	(2,635,868)
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Capital grants	2,759,470
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Increase in net position	123,602
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Net position, beginning of year	31,633,082
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Net position, end of year	\$ 31,756,684
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See accompanying notes to financial statements.

NORWALK TRANSIT DISTRICT
STATEMENT of CASH FLOWS
Year Ended June 30, 2023

Cash flows from operating activities:	
Cash received from customers and others	\$ 576,042
Cash paid to employees for services	(11,165,236)
Cash paid to suppliers for goods and services	<u>(4,541,360)</u>
Net cash used in operating activities	<u>(15,130,554)</u>
Cash flows from investing activities:	
Interest received	<u>14</u>
Net cash provided by investing activities	<u>14</u>
Cash flows from noncapital financing activities:	
Proceeds from intergovernmental grants and local assistance	13,904,145
Net proceeds from line of credit	1,217,511
Cash paid on lease liability	(26,991)
Interest paid on lease liability	(7,641)
Interest paid	<u>(171,031)</u>
Net cash provided by noncapital financing activities	<u>14,915,993</u>
Cash flows from capital and related financing activities:	
Proceeds from capital grants and local assistance	2,759,470
Purchase of capital assets	(2,759,470)
Proceeds from sale of equipment	<u>248</u>
Net cash provided by capital and related financing activities	<u>248</u>
Net change in cash and cash equivalents	(214,299)
Cash and cash equivalents, beginning of year	<u>379,863</u>
Cash and cash equivalents, end of year	<u><u>\$ 165,564</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$ 18,690,627)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,037,741
Amortization of right-of-use asset	26,991
Bad debts	53,757
Decrease (increase) in assets:	
Trade receivables	16,633
Inventory	(23,719)
Prepaid expenses	(66,691)
Increase (decrease) in liabilities:	
Accounts payable	771,302
Accrued expenses and other current liabilities	32,588
Checks issued in excess of depository balances	(301,542)
Workers compensation claims payable	<u>13,013</u>
Net cash used in operating activities	<u><u>(\$ 15,130,554)</u></u>

See accompanying notes to financial statements.

NORWALK TRANSIT DISTRICT
NOTES to BASIC FINANCIAL STATEMENTS
June 30, 2023

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, 2023. As of June 30, 2023 management determined that \$53,757 of grant receivables were uncollectable and written off as bad debts. This is included in other expenses on the Statement of Revenue, Expenses, and Changes in Net Position. Grant and trade receivables includes \$1,029,528 in amounts due from the State of Connecticut Department of Transportation that are greater than one-year-old.

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 net realizable value.

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.

Leases

The right-of-use asset represents the District's right to use an underlying asset for the lease term and the lease liability represents the District's obligation to make lease payments both of which are recognized based on the present value of the lease payments over the lease term at the commencement date. The District uses its estimated incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The right-to-use asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement, plus certain initial direct costs. Subsequently, the right-to-use assets is amortized on a straight-line basis over the life of the related lease.

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, 2023). Unrestricted consists of net position not included in the net investment in capital assets category.

Allocation Plan

Expenses for operations and fare revenues are pooled and allocated based on either vehicle hours, vehicle miles, or ridership for each transit program.

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 July 9, 2024, 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. As of June 30, 2023 none of the District's bank balance of \$165,875 was exposed to custodial credit risk.

4 - Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Disposals and Construction in Progress Placed in Service	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 2,686,848	\$ -	\$ -	\$ 2,686,848
Works of art	271,997	-	-	271,997
Construction in progress	2,331,314	2,648,961	-	4,980,275
Total capital assets not being depreciated	5,290,159	2,648,961	-	7,939,120
Capital assets being depreciated:				
Building and improvements	20,748,511	-	-	20,748,511
Transit vehicles	22,261,957	-	(49,710)	22,212,247
Furniture, computers and equipment	7,079,956	110,509	-	7,190,465
Total capital assets being depreciated	50,090,424	110,509	(49,710)	50,151,223
Less accumulated depreciation for:				
Building and improvements	8,089,475	669,799	-	8,759,274
Transit vehicles	10,506,598	1,757,308	(49,710)	12,214,196
Furniture, computers and equipment	4,626,620	610,634	-	5,237,254
Total accumulated depreciation	23,222,693	3,037,741	(49,710)	26,210,724
Total capital assets being depreciated, net	26,867,731	(2,927,232)	-	23,940,499
Total capital assets, net	\$ 32,157,890	(\$ 278,271)	\$ -	\$ 31,879,619

Depreciation expense amounted to \$3,037,741 for the year ended June 30, 2023.

5 - Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following at June 30, 2023:

Accrued payroll	\$ 311,415
Accrued vacation	344,004
Accrued retirement contribution (see Note 9)	121,492
Accrued interest	<u>15,511</u>
	<u>\$ 792,422</u>

6 - Line of Credit

At June 30, 2023, 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, 2023 the interest rate was 8.50%. Total borrowings outstanding at June 30, 2023 were \$1,846,345. Interest expense for the year ended June 30, 2023 was \$186,542. 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, 2023 was \$288,649, which includes incurred but not reported claims. An analysis of the activity for the workers' compensation claims payable is as follows:

	<u>Liability</u> July 1,	<u>Current Year</u> <u>Claims and</u> <u>Adjustments</u> <u>to Estimates</u>	<u>Net</u> <u>Claim</u> <u>Payments</u>	<u>Liability</u> June 30,
2020 - 2021	\$ 166,543	(\$ 7,007)	\$ 17,748	\$ 141,788
2021 - 2022	141,788	164,250	30,402	275,636
2022 - 2023	275,636	38,754	25,741	288,649

8 - Leases

The District leases additional building space in Norwalk, Connecticut. This lease term is for five years beginning on October 1, 2017 through September 30, 2021. The lease contains an option to renew for five additional years, which was exercised by the District.

The right-of-use asset activity for the year ended June 30, 2023 was as follows:

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2023</u>
Right-of-use asset:				
Building	\$ 192,607	\$ -	\$ -	\$ 192,607
Less accumulated amortization for:				
Building	24,851	26,991	-	51,842
Total right-of-use asset, net	<u>\$ 167,756</u>	<u>(\$ 26,991)</u>	<u>\$ -</u>	<u>\$ 140,765</u>

Amortization expense amounted to \$26,991 for the year ended June 30, 2023 and is included in "other expenses" on the statement of revenue, expenses and changes in net position.

The maturity of the lease liability as of June 30, 2023 was as follows:

Years ending, June 30,	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 29,225	\$ 6,193	\$ 35,418
2025	31,557	4,671	36,228
2026	33,991	3,071	37,062
2027	36,531	1,389	37,920
2028	9,461	73	9,534
	<u>\$ 140,765</u>	<u>\$ 15,397</u>	<u>\$ 156,162</u>

At June 30, 2023 the weighted average discount rate was 5.00% and the weighted average remaining lease term was 51 months.

9 - 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, 2023, union employee contributions to the plan were \$78,382, and the District recognized pension expense of \$235,282. 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, 2023 the District had accrued \$121,492 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, 2023 the District recognized pension expense of \$173,685 for non-union employees. There were no forfeitures for the year ended June 30, 2023.

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 \$180,054 for the year ended June 30, 2023. 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.

10 - 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.

11 - Commitments

The District has entered into contracts and various other commitments for facility renovations and improvements. Open commitments under these contracts total approximately \$19,424,000 at June 30, 2023.

12 - Collective Bargaining Arrangement

All of the District's drivers and mechanics are covered by a collective bargaining agreement, which expires on June 30, 2024. Negotiations on a new agreement are in process.

NORWALK TRANSIT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES and CHANGES in NET POSITION BY ROUTE
 Year Ended June 30, 2023

	Norwalk Core	Coastal Link	Norwalk W2U	Norwalk Shuttles	Westport Shuttles	Greenwich Shuttles	Sunday Shuttles	CT Ave Eve Shuttles	Main Eve Shuttles	Total Norwalk Fixed Route	Park Connect	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	\$ 212,192	\$ 50,788	\$ 7,918	\$ 15,440	\$ 57,307	\$ 1,847	\$ 4,380	\$ 3,753	\$ 3,216	\$ 356,841	\$ -	\$ 42,692	\$ 14,896	\$ 3,700	\$ 1,036	\$ 1,470	\$ 39	\$ -	\$ -	\$ -	\$ -	\$ 420,674
Other revenues	144,808	-	-	-	-	-	-	-	-	144,808	-	-	-	-	-	-	-	-	-	-	-	144,808
Total operating revenues	357,000	50,788	7,918	15,440	57,307	1,847	4,380	3,753	3,216	501,649	-	42,692	14,896	3,700	1,036	1,470	39	-	-	-	-	565,482
Operating expenses																						
Salaries	3,372,250	862,189	235,599	508,727	545,227	69,116	43,680	51,707	53,583	5,742,078	20,272	1,238,445	717,364	161,890	35,691	24,043	2,378	5,047	-	-	-	7,947,208
Employee benefits	1,361,754	346,082	94,569	204,202	218,853	27,743	17,533	20,755	21,508	2,312,999	-	497,110	287,949	64,982	14,327	9,651	954	2,026	13,013	-	-	3,203,011
Purchased transportation	-	-	-	-	-	-	-	-	-	-	-	1,140,912	335,604	12,423	2,153	2,591	-	80,120	-	-	-	1,573,803
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,037,741
Fuel and lubrications	349,726	85,968	6,990	87,064	61,626	8,362	8,342	9,423	8,989	626,400	477	87,863	64,953	14,717	4,269	3,077	222	-	-	-	-	801,978
Materials, supplies and vehicle maintenance	208,763	51,315	4,266	53,130	44,757	6,000	5,091	5,751	5,486	384,559	346	63,811	47,172	10,688	3,100	2,234	161	-	-	-	586	512,657
Professional services	272,295	73,980	24,852	53,660	79,599	7,291	4,608	5,454	5,653	527,392	-	210,402	80,136	18,005	5,119	3,774	255	-	-	-	307,137	1,152,220
Advertising	1,645	447	150	324	481	44	27	33	34	3,185	-	1,271	484	109	31	23	2	-	-	-	-	5,105
Insurance	71,923	19,541	6,564	14,173	21,025	1,926	1,217	1,441	1,493	139,303	-	55,575	21,167	4,755	1,352	997	68	-	-	-	-	223,217
Utilities	145,468	39,523	13,277	28,666	42,525	3,895	2,462	2,914	3,020	281,750	-	112,402	42,810	9,618	2,733	2,015	137	-	-	-	-	451,465
Contract maintenance services	41,407	11,249	3,779	8,160	12,105	1,108	701	829	860	80,198	-	31,995	12,186	2,738	778	574	39	-	-	-	-	128,508
Other expenses	48,942	13,307	4,467	9,652	14,314	1,311	827	979	1,014	94,813	25	37,836	14,412	3,238	925	681	-	-	-	67,218	-	219,196
Total operating expenses	5,874,183	1,503,601	394,513	967,758	1,040,512	126,696	84,488	99,286	101,640	10,192,677	21,120	3,477,622	1,624,237	303,163	70,478	49,660	4,264	87,193	80,231	3,345,464	-	19,256,109
Operating loss	(5,517,183)	(1,452,813)	(386,595)	(952,318)	(983,205)	(124,849)	(80,108)	(95,533)	(98,424)	(9,691,028)	(21,120)	(3,434,930)	(1,609,341)	(299,463)	(69,442)	(48,190)	(4,225)	(87,193)	(80,231)	(3,345,464)	-	(18,690,627)
Nonoperating revenues (expenses), not including local funding sources																						
State of Connecticut assistance grants Department of Transportation	5,626,480	349,906	386,820	937,992	664,109	122,551	72,533	88,700	92,134	8,341,225	10,560	3,289,653	1,097,506	212,983	30,819	-	-	75,474	-	-	-	13,058,220
Federal Transit Administration - Cares Act	-	516,454	-	-	-	-	-	-	-	516,454	10,560	72,343	480,920	79,538	-	-	928	11,719	-	-	-	1,172,462
U.S. Department of the Treasury - ARPA Free Fares	428,553	120,020	-	14,811	-	2,364	7,617	6,882	6,341	586,588	-	74,836	31,640	7,105	-	-	-	-	-	-	-	700,169
Gain on sale of equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	248	-	-	248
Interest revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	14
Interest expense on lease liability	(2,462)	(669)	(225)	(485)	(720)	(66)	(42)	(49)	(51)	(4,769)	-	(1,902)	(725)	(163)	(46)	(34)	(2)	-	-	-	-	(7,641)
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(186,542)	-	-	(186,542)
Net nonoperating revenues, not including local funding sources and capital grants	6,052,571	985,711	386,595	952,318	663,389	124,849	80,108	95,533	98,424	9,439,498	21,120	3,434,930	1,609,341	299,463	30,773	(34)	926	87,193	(186,280)	-	-	14,726,930
Decrease in net position before local funding sources and capital grants	535,388	(467,102)	-	-	(319,816)	-	-	-	-	(251,530)	-	-	-	-	(38,669)	(48,224)	(3,299)	-	(266,511)	(3,345,464)	-	(3,953,697)
Nonoperating revenues, local funding sources																						
City of Norwalk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	660,885	-	-	660,885
Town of Westport	-	-	-	-	251,530	-	-	-	-	251,530	-	-	-	-	38,669	48,224	-	-	-	-	-	338,423
Town of Wilton	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,299	-	-	7,500	-	-	10,799
Net nonoperating revenues, local funding sources	-	-	-	-	251,530	-	-	-	-	251,530	-	-	-	-	38,669	48,224	3,299	-	668,385	-	-	1,010,107
Increase (decrease) in net position before capital grants	535,388	(467,102)	-	-	(68,286)	-	-	-	-	-	-	-	-	-	-	-	-	-	401,874	(3,345,464)	-	(2,943,590)
Capital grants:																						
Federal Transit Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,666,857	1,666,857
State of Connecticut	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,400,335	1,400,335
Total capital grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,067,192	3,067,192
Change in net position	\$ 535,388	(\$ 467,102)	\$ -	\$ -	(\$ 68,286)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 401,874	(\$ 278,272)	\$ -	\$ 123,602