ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2017

OHIO AUDITOR OF STATE
KEITH FABER

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY**
**ALLEN COUNTY**

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# INDEPENDENT AUDITOR'S REPORT

Allen County Regional Transit Authority
Allen County
200 East High Street
Lima, Ohio 45801

To the Members of the Board of Trustees:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Allen County Regional Transit Authority, Allen County, Ohio (the ACRTA), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the ACRTA's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the ACRTA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the ACRTA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Allen County Regional Transit Authority, Allen County, Ohio, as of December 31, 2017, and the changes in financial position and its cash flows for the year then ended in accordance with the 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 this presentation to include *management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary Information*

Our audit was conducted to opine on the ACRTA's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019, on our consideration of the ACRTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 the ACRTA's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

June 13, 2019

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As management of the Allen County Regional Transit Authority (ACRTA), we offer readers of ACRTA's basic financial statements this narrative overview and analysis of the financial activities of ACRTA for the year ended December 31, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

**Overview of Financial Highlights**

- ACRTA has net position of $4,118,541. The net position results from the difference between total assets and deferred outflows of resources of $7,192,674 and total liabilities and deferred inflows of $3,074,133.
- Current assets of $791,945 consist of non-restricted Cash and Cash Equivalents of $415,416 and Accounts and Intergovernmental Receivable of $320,322 and Material and Supplies Inventory of $56,207.
- Current Liabilities of $484,725 consist of Accrued Payroll and Benefits of $58,834, Compensated Absences Payable of $8,510, Accounts Payable of $180,963, Other Payable of $985 and Notes Payable of $235,433.
- Net position increased by $190,732 primarily due to the increase in funding from special services and non-transportation receipts.

During 2015, the ACRTA adopted GASB 68 "Accounting and Financial Reporting for Pensions – an Amendment of GASB 27." Which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the ACRTA's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the ACRTA's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the ACRTA is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system.

In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the ACRTA statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the ACRTA is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting

## Basic Financial Statements and Presentation

ACRTA complies with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", and Statement No. 38, "Certain Financial Statement Disclosures".

The financial statements presented by ACRTA are the Statement of Net Position, the Statement of Revenues, Expenses, and Change in Net Position and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. ACRTA is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated over their estimated useful lives.

The *Statement of Net Position* presents information on all of ACRTA assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of ACRTA is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities and/or deferred inflows of resources results in increased net position, which indicates improved financial position.

The *Statement of Revenues, Expenses, and Change in Net Position* presents information showing how ACRTA's net position changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from federal, state and local governments.

The *Statement of Cash Flows* allows financial statement users to assess ACRTA's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

**Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Financial Analysis of ACRTA**

Table 1 provides a summary of ACRTA's net position for 2017 and 2016:

**Table 1**
**Condensed Summary of Net Position**

| | 2017 | 2016 |
|---|---|---|
| Assets: | | |
| Current Assets | $791,945 | $454,621 |
| Deferred Outflows of Resources: Pension | 883,000 | 610,690 |
| Capital Assets (net of accumulated depreciation) | 5,517,729 | 5,094,358 |
| Total Assets | 7,192,674 | 6,159,669 |
| Liabilities: | | |
| Current Liabilities | 484,725 | 558,959 |
| Long-Term Liabilities: | 2,190,897 | 1,641,190 |
| Deferred Inflows of Resources: | | |
| Unearned Revenue – Federal Grant | 370,780 | |
| Pension | 27,731 | 31,711 |
| Net Position: | | |
| Net Investment in Capital Assets | 5,517,729 | 5,094,358 |
| Unrestricted Net Position | (1,399,188) | (1,166,549) |
| Total Net Position | $4,118,541 | $3,927,809 |

The largest portion of ACRTA's net position reflects investment in capital assets consisting of vehicles, office equipment, shop equipment, computer hardware/software. ACRTA uses these capital assets to provide public transportation services for Allen County; consequently, these assets are not available to liquidate liabilities or to cover other spending.

**Table 2**
**Condensed Summary of Revenues, Expenses and Changes in Net Position**

| | 2017 | 2016 |
|---|---|---|
| Operating Revenues | $694,363 | $611,703 |
| Operating Expenses (Excluding Depreciation) | (3,247,293) | (3,048,119) |
| Depreciation Expense | (756,602) | (613,507) |
| Operating Loss | (3,309,532) | (3,049,923) |
| | | |
| Non-Operating Revenues / Expenses | | |
| Federal Grants | 2,608,719 | 2,652,752 |
| State Grants | 133,970 | 137,487 |
| Local Grants | 131,490 | 129,072 |
| Other Revenues | 679,398 | 509,078 |
| Other Expenses | (6,382) | (9,029) |
| Debt Service | (46,931) | |
| Total Non-Operating Revenues (Expenses) | 3,500,264 | 3,419,360 |
| | | |
| Decrease/Increase in Net Position During Year | 190,732 | 369,437 |
| | | |
| Net Position, Beginning of Year | 3,927,809 | 3,558,372 |
| | | |
| Net Position, End of Year | $4,118,451 | $3,927,809 |

## Financial Operating Activities

The most significant operating expenses for ACRTA are Labor, Employee Benefits, Depreciation Expense, Services, and Materials and Supplies. These expenses account for 81% of the total operating expenses. Labor, which accounts for 31% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 14% of the total, represents costs associated with OPERS and workers compensation premiums paid by ACRTA covering its employees. Depreciation expense, which accounts for 19% of the total, represents current year depreciation less any disposals. Services, which accounts for 13% of the total, represents costs associated with vehicle operations, auditing and legal fees and contract management and building services. Materials and supplies, which accounts for 17% of the total, represents costs associated with materials and supplies needed for vehicle maintenance as well as computer and office supplies.

Funding for the most significant operating expenses indicated above is from Special Service and Passenger Fare revenue, as well as Non-Operating Revenues in the form of Federal Grants and Assistance, State Grants and Assistance and Local Grants and Assistance. These revenues account for 84% of the total combined revenues of $4,247,940. Passenger Fare revenue for 2017 was $201,486, and account for 5% of the total revenues. Special Service revenue for 2017 was $492,877, and accounts for 12% of the total revenue. Federal Grants and Assistance revenue for 2017 was $2,608,719 and accounts for 61% of the total revenue. State Grants and Assistance revenue for 2017 was $133,970 and accounts for 3% of total revenue. Local Grants and Assistance revenue for 2017 was $131,490, and accounts for 3% of the total revenue. Fuel sales and Other Revenues make up the remaining 16% of total revenue.

ACRTA monitors its sources of revenues closely for fluctuations.

## Capital Assets and Debt Administration

ACRTA investment in capital assets as of December 31, 2017, amounts to $5,517,729 (net of accumulated depreciation). This investment in capital assets includes Vehicles, Equipment, Buildings and Improvements, Land, and Computer Hardware/Software.

Additional information concerning ACRTA capital assets can be found in Note 4 of the Notes to the Basic Financial Statements.

As of December 31, 2017, ACRTA had $235,433 in debt outstanding. See note 5 of the Notes to the Basic Financial Statements for additional details.

## Contacting ACRTA Financial Management

This financial report is designed to provide our citizens, customers, and creditors, with a general overview of ACRTA finances and to show ACRTA accountability for the money it receives. Questions concerning the information in this report or to request additional information should be directed to Shelia Haney, Executive Director, Allen County Regional Transit Authority, 200 East High Street, Lima, Ohio 45801.

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**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY**
**ALLEN COUNTY**

**STATEMENT OF NET POSITION**
**DECEMBER 31, 2017**

| | |
|---|---|
| **Assets:** | |
| **Current Assets:** | |
| Cash and Cash Equivalents | $415,416 |
| Accounts Receivable | 143,222 |
| Intergovernmental Receivable | 177,100 |
| Material and Supplies Inventory | 56,207 |
| Total Current Assets | 791,945 |
| | |
| **Capital Assets:** | |
| Equipment | 316,567 |
| Vehicles | 5,444,905 |
| Computer Hardware/Software | 277,663 |
| Buildings & Improvements | 3,524,511 |
| Land | 781,175 |
| Total Capital Assets | 10,344,821 |
| Less: Accumulated Depreciation | (4,827,092) |
| Total Capital Assets, Net of Accumulated Depreciation | 5,517,729 |
| Total Assets | 6,309,674 |
| | |
| **Deferred Outflows of Resources:** | |
| Pension | 883,000 |
| | |
| **Liabilities:** | |
| **Current Liabilities:** | |
| Accounts Payable | 180,963 |
| Accrued Payroll and Benefits | 58,834 |
| Compensated Absences Payable | 8,510 |
| Notes Payable | 235,433 |
| Other Payable | 985 |
| Total Current Liabilities | 484,725 |
| | |
| **Long-Term Liabilities:** | |
| Net Pension Liability | 2,190,897 |
| Total Liabilties | 2,675,622 |
| | |
| **Deferred Inflows of Resources:** | |
| Unearned Revenue - Federal Grant | 370,780 |
| Pension | 27,731 |
| Total Deferred Inflows of Resources | 398,511 |
| | |
| **Net Position:** | |
| Net Investment in Capital Assets | 5,517,729 |
| Unrestricted | (1,399,188) |
| Total Net Position | $4,118,541 |

*See accompanying notes to the basic financial statements.*

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY**
**ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| | |
|---|---|
| **Operating Revenues** | |
| Passenger Fares | $201,486 |
| Special Service | 492,877 |
| **Total Operating Revenues** | 694,363 |
| | |
| **Operating Expenses** | |
| Labor | 1,247,415 |
| Employee Benefits | 545,310 |
| Services | 521,517 |
| Materials and Supplies | 694,420 |
| Utilities | 45,018 |
| Insurance | 116,672 |
| Miscellaneous | 76,941 |
| Depreciation | 756,602 |
| **Total Operating Expenses** | 4,003,895 |
| | |
| **Operating Loss** | (3,309,532) |
| | |
| **Non-Operating Revenues / (Expenses)** | |
| Interest Income | 10 |
| Interest Expense | (6,382) |
| Auxiliary Revenue | 8,545 |
| Non-Transportation Revenue | 670,843 |
| Federal Grants and Assistance | 2,608,719 |
| State Grants and Assistance | 133,970 |
| Local Grants and Assistance | 131,490 |
| **Debt Service:** | |
| Principal | (35,860) |
| Interest | (11,071) |
| **Total Non-Operating Revenues / (Expenses)** | 3,500,264 |
| | |
| **Increase in Net Position** | 190,732 |
| | |
| **Net Position at Beginning of Year** | 3,927,809 |
| | |
| **Net Position at End of Year** | $4,118,541 |

*See accompanying notes to the basic financial statements.*

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY**
**ALLEN COUNTY**

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| | |
|---|---|
| **Cash Flows from Operating Activities:** | |
| Cash Received from Customers | $694,363 |
| Cash Payments to Suppliers for Goods and Services | (1,405,074) |
| Cash Payments to Employees for Services | (1,610,397) |
| Net Cash used for Operating Activities | (2,321,108) |
| | |
| **Cash Flows from Non-Capital Financing Acitivities:** | |
| Receipts from Non-Capital State and Federal Grants | 1,580,753 |
| Receipts from Other Financing Activities | 676,098 |
| Net Cash Provided by Financing Activities | 2,256,851 |
| | |
| **Cash Flows from Capital and Related Financing Activities:** | |
| Interest Expense | (6,382) |
| Repayment of Debt | (46,931) |
| Receipts from Capital Grants | 1,636,625 |
| Purchase of Capital Assets | (1,179,973) |
| Net Cash Used for Financing Activities | 403,339 |
| | |
| **Cash Flows from Investing Activities:** | |
| Interest income | 10 |
| Net Cash Provided by Investing Activities | 10 |
| | |
| Net Increase in Cash | 339,092 |
| | |
| Cash and Cash Equivalents, Beginning of Year | 76,324 |
| | |
| Cash and Cash Equivalents, End of Year | 415,416 |
| | |
| Operating Loss | (3,309,532) |
| | |
| **Adjustments:** | |
| Depreciation | 756,602 |
| **Change in Assets and Liabilities:** | |
| (Increase) Decrease in Assets: | |
| Materials and Supplies Inventory | (1,453) |
| Deferred Outlfows Pension | (272,310) |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 49,962 |
| Accrued Payroll and Benefits | (91,644) |
| Compensated Absences | 555 |
| Other Payables | 985 |
| Net Pension Liability | 549,707 |
| Deferrred Inflows Pension | (3,980) |
| Total Adjustments | 231,822 |
| | |
| Net Cash Used for Operating Activities | ($2,321,108) |

*See accompanying notes to the basic financial statements.*

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## NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

Description of the Reporting Entity

The Allen County Regional Transit Authority (ACRTA) is a body politic of the State of Ohio, established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. ACRTA operates under a Board of Trustees with an appointed Executive Director handling the daily operations. The ACRTA provided transportation services to the residents of Allen County, to include but not limited to the general population, elderly, and handicapped riders.

For financial reporting purposes, the ACRTA's basic financial statements include all funds, agencies, boards, commissions, and departments for which the ACRTA is financially accountable. Financial accountability, as defined by the GASB, exists if the ACRTA appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the ACRTA. The ACRTA may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the ACRTA. The ACRTA also took into consideration other organizations for which the nature and significance of their relationship with the ACRTA are such that exclusion would cause the ACRTA's basic financial statements to be misleading or incomplete. The ACRTA has no component units.

ACRTA participates in a public entity risk pool. Note 9 to the financial statements provides additional information for this entity. This organization is:

**Public Entity Risk Pool:**
The Ohio Transit Risk Pool – self-insurance pool

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of ACRTA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the ACRTA's accounting policies are described below.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

A. Basis of Presentation

The ACRTA's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and change in net position, and a statement of cash flows. The ACRTA uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses, and change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the ACRTA finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The ACRTA's financial statements are prepared using the accrual basis of accounting whereby revenues and expenditures are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position of cash flows. All transactions are reported in a single enterprise fund.

D. Budgetary Accounting and Control

ACRTA's annual budget is prepared on the accrual basis of accounting as permitted by law. ACRTA maintains budgetary control by not permitting total expenditures to exceed total appropriations without approval of the Board of Trustees.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in checking accounts and are stated at cost, which approximates market value. Cash and cash equivalents represent the funds that are used for general operations. For purposes of the statement of cash flows, ACRTA considers all highly liquid instruments with maturity of three months or less at the time they are purchased to be cash equivalents.

F. Recognition of Receivables and Revenue

Passenger fares are recorded as revenue at the time services are provided and revenues pass through the fare box. Grants and assistance revenues are from reimbursable, non-reimbursable and entitlement type grant programs. These grant programs involve transactions that are categorized as either government mandated or voluntary non-exchange transactions. Grant and assistance revenues from government mandated and voluntary non-exchange transaction are recorded as receivable and non-operating revenue when all eligibility requirements are met. Grants and assistance revenues received before the eligibility requirements are met are deferred inflows of resources.

G. Deferred Outlfows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflow of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an inflow of resources (expense) until that time. For the ACRTA, deferred outflows of resources are reported on the statement of net position for pension. In addition to the liabilities, the statement of financial position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the ACRTA, deferred inflows of resources are reported unearned revenue – federal grants and for pension. Deferred outflows and inflows for pension are explained in Note 6.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Capital Assets

Capital Assets are recorded at cost. Current year depreciation expense is recorded using the straight – line method over the estimated useful lives of the assets as follows.

| | |
|---|---|
| Buildings and Improvements | 20 to 35 years |
| Equipment | 5 years |
| Computer/Software | 5 years |
| Vehicles | 4 to 12 years |

When assets acquired with capital grants are disposed of, ACRTA is required to notify the granting federal agency. A proportional amount of the proceeds or fair market value, if any, of such property and equipment may be used to acquire like-kind replacement vehicles or equipment or remitted to the granting federal agency.

I Material and Supplies Inventory

Inventory consists of two types of fuel for buses and for sale to other local entities and is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when sold or used.

J Compensated Absences

ACRTA employees are permitted to carry one week of Personal Time Off (PTO) over at year-end. Unused accrued PTO benefits are paid to the employee upon separation from ACRTA.

K. Current Liabilities

Obligations incurred but unpaid at June 30 are reported as current liabilities in the accompanying financial statements. These liabilities consisted of Accounts Payable, Accrued Payroll and Benefits, Compensated Absences Payable, Other Payable and Notes Payable totaling $484,725 at December 31, 2018.

L. Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The ACRTA did not have any outstanding borrowings as noted above for 2017. Net Position is reported as restricted when there are limitations imposed on their use either by enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The ACRTA did not have any restricted net position for 2017.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the ACRTA, these revenues are passenger fares and special services. Operating expenses are the necessary costs incurred to provide the services that are the primary activity. All revenues and expenses not meeting these definitions are reported as non-operating.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same bases as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

## NOTE 3 – CASH AND INVESTMENTS

The provisions of the Ohio Revised Code govern the investments and deposits of ACRTA. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit ACRTA to invest its monies in certificates of deposits, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio) and obligation of the United States government or certain agencies thereof. ACRTA may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

Repurchase agreements are to be secured by the specific government securities upon which the repurchase agreements are based. These securities must be an obligation of or guaranteed by the United States and mature or be redeemable within five years of the related repurchase agreement. The market value of the securities subject to repurchase agreements must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security be maintained for public deposits and investments be held in ACRTA's name.

ACRTA is prohibited from investing in any financial instruments, contracts, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). ACRTA is also prohibited from investing in reverse repurchase agreement.

The carrying amount of ACRTA deposits was $415,416.

### A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the ACRTA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $164,673 of the ACRTA's bank balance was exposed to custodial credit risk, $250,000 of the bank balance of $414,673 was FDIC covered.

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

The ACRTA has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with ACRTA or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 is as follow.

| Description | Balance 01/01/2017 | Additions | Capital Disposals | Balance 12/31/2017 |
|---|---|---|---|---|
| Buildings & Improvements | $3,524,511 | | | $3,524,511 |
| Land | 217,262 | $563,913 | | 781,175 |
| Vehicles | 5,226,790 | 616,060 | $397,945 | 5,444,905 |
| Equipment | 316,567 | | | 316,567 |
| Computer Hardware/Software | 277,663 | | | 277,663 |
| Total Capital Assets | $9,562,793 | $1,179,973 | $397,945 | $10,344,821 |
| | | | | |
| Less Accumulated Depreciation | | | | |
| Buildings & Improvements | 1,818,148 | 96,965 | | 1,915,113 |
| Vehicles | 2,185,572 | 608,553 | 397,945 | 2,396,180 |
| Equipment | 276,397 | 29,233 | | 305,630 |
| Computer Hardware/Software | 188,318 | 21,851 | | 210,169 |
| Total Accumulated Depreciation | 4,468,435 | 756,602 | 397,945 | 4,827,092 |
| Total Capital Assets, Net | $5,094,358 | $423,371 | $0 | $5,517,729 |

**NOTE 5 – NOTE PAYABLE**

In 2017 the ACRTA obtained a promissory note from a local bank in the amount of $271,293 that was used to help pay off the lines of credits. The outstanding balance at December 31, 2017 was $235,433. The monthly payment amount is $5,214.53 with a maturity date of March 21, 2022 and an interest rate of 5.75%.

## NOTE 6 – DEFINED BENEFIT PENSION PLAN

### *Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the ACRTA's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the ACRTA's obligation for this liability to annually required payments. The ACRTA cannot control benefit terms or the manner in which pensions are financed; however, the ACRTA does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued payroll and benefits* on the accrual basis of accounting.

*Plan Description – Ohio Public Employees Retirement System (OPERS)*

Plan Description – ACRTA employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. ACRTA employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

## NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>Members not in other Groups and members hired on or after January 7, 2013 |
|---|---|---|
| **State and Local** | **State and Local** | **State and Local** |
| **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| **Public Safety** | **Public Safety** | **Public Safety** |
| **Age and Service Requirements:**<br>Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| **Law Enforcement** | **Law Enforcement** | **Law Enforcement** |
| **Age and Service Requirements:**<br>Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | **Age and Service Requirements:**<br>Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| **Public Safety and Law Enforcement** | **Public Safety and Law Enforcement** | **Public Safety and Law Enforcement** |
| **Formula:**<br>2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | **Formula:**<br>2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | **Formula:**<br>2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)**

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions for state and local employers as follows:

| | |
|---|---|
| **2017 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| | |
| **2017 Actual Contribution Rates** | |
| Employer: | |
| Pension | 13.0 % |
| Post-employment Health Care Benefits | 1.0 % |
| | |
| Total Employer | 14.0 % |
| | |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payrolls.

The ACRTA's contractually required contribution was $180,022 for 2017. Of this amount, $7,631 is reported as an accrued payroll and benefits.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The ACRTA's proportion of the net pension liability was based on the ACRTA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS |
|---|---|
| Proportionate of Net Pension Liability: | |
| Current Measurement Date | .009648% |
| Prior Measurement Date | .009475% |
| | |
| Change in Proportionate Share | .000173% |
| | |
| Proportionate Share of the Net Pension Liability | $2,190,897 |
| | |
| Pension Expense | $465,132 |

At December 31, 2017, the ACRTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

| | | OPERS |
|---|---|---|
| **Deferred Outflows of Resources** | | |
| Net difference between expected and actual experience | $ | (2,970) |
| Net difference between projected and actual earnings on pension investments | $ | (326,275) |
| Change of Assumptions | $ | (347,503) |
| ACRTA contibutions subsequent to the measurement date | $ | (180,022) |
| Changes in proportion and differences in assumptions | $ | (26,230) |
| Total Deferred Outflow of Resources | $ | (883,000) |
| | | |
| **Deferred Inflows of Resources** | | |
| Differences between expended and actual experience | $ | 13,039 |
| Changes in proportion and differences in assumptions | $ | 14,692 |
| Total Deferred Inflows of Resources | $ | 27,731 |

$180,022 reported as deferred outflows of resources related to pension resulting from ACTRA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | | |
|---|---|---|
| 2018 | $ | (284,705) |
| 2019 | $ | (284,123) |
| 2020 | $ | (115,983) |
| 2021 | $ | 9,564 |
| 2022 | $ | - |
| Total | $ | (675,247) |

*Actuarial Methods and Assumptions - OPERS*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

## NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 10.05 percent including wage inflation |
| COLA or Ad Hoc COLA | |
| Pre-January 7, 2013 Retirees | 3 percent, simple |
| Post- January 7, 2013 Retirees | 3 percent, simple |
| through 2018, then | 2.15 percent, simple |
| Investment Rate of Return | 7.5 percent |
| Actuarial Cost Method | Individual Entry Age |

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

## NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return.

| Asset Class | Target Allocation for 2016 | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 23.00% | 2.75% |
| Domestic Equities | 20.70 | 6.34 |
| Real Estate | 10.00 | 4.75 |
| Private Equity | 10.00 | 8.97 |
| International Equities | 18.30 | 7.95 |
| Other Investments | 18.00 | 4.92 |
| TOTAL | 100.00% | |

The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of ACRTA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*. The following table presents the net pension liability or asset calculated using the discount rate of 7.5%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| ACRTA's proportionate share of the net pension liability | $3,347,084 | $2,190,897 | $1,227,419 |

## NOTE 7 – POSTEMPLOYMENT BENEFITS

### Ohio Public Employees Retirement System

**Plan Description –** The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member – Directed Plan - a defined contribution plan; and the Combined Plan – a cost sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

**NOTE 7 – POSTEMPLOYMENT BENEFITS (Continued)**

OPERS maintains two cost-sharing multiple-employer defined benefit postemployment health care trusts which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to health reimbursement arrangement, and Medicare Part B premium reimbursements to qualifying benefit recipients of both the traditional pension and combined plan. This trust is also used to fund health care for member-directed plan participants in the form of a retiree medical account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for post-retirement health care coverage, age-and–service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPERB) as described in Government Accounting Standards Board (GASB) Statement No. 45. See OPER's CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed 14 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. The portion of the employer contribution allocated to health care for members of both the traditional and combined plans was 1 percent for 2017. As recommended by OPERS' actuary, the portion of the employer contribution allocated to health care beginning January 1, 2018, decreased to 0 percent for both plans.

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. The employer contribution as a percentage of covered payroll deposited into the RMA for participants of the member-directed plan was 4 percent for 2017.

Substantially all of the ACRTA's contribution allocated to the fund postemployment health care benefits relates to the cost-sharing multiple-employer trusts. The corresponding contributions for the years ended December 31, 2017, 2016, and 2015 was $1,848, $21,381, and $20,217 respectively. For 2017, 99 percent has been contributed with the balance being reported as an Accrued Payroll and Benefits. The full amount has been contributed for 2016 and 2015.

## NOTE 8 – LONG TERM OBLIGATIONS

The changes in the ACRTA's long-term obligation during 2017 were as follows:

| | Amount Outstanding 12/31/16 | Additions | Deletions | Amount Outstanding 12/31/17 |
|---|---|---|---|---|
| Net Pension Liability | $1,641,190 | $549,707 | $0 | $2,190,897 |
| Total | $1,641,190 | $549,707 | $0 | $2,190,897 |

## NOTE 9 – RISK MANAGEMENT

The ACRTA is a member of the Ohio Transit Risk Pool (OTRP), a self-insurance pool created under Chapter 2744 of the Ohio Revised Code. Through the pool, the ACRTA receives risk management services and property and casualty loss coverage in exchange for contributions paid. The OTRP members group self-insures the $250,000 of any qualified auto physical damage loss and the first $100,000 of any qualified commercial property loss. Qualified casualty losses are group self-insured to $2,000,000 subject to a $1,000 per loss deductible. Per occurrence limits are maintained above the group self-insurance by OTRP equal to approximately $200,000,000 for qualified property losses and $10,000,000 for qualified casualty losses. Any underfunding of the plan's self-insured liabilities are shared pro-rata by the members based on pool contribution factors comprised of: service area population, FTE employees, number of vehicles, total property values, claims history and net operating expenses. All factors are single weighed except for claims history which is double weighted in the underwriting analysis.

The ACRTA continues to carry commercial insurance for all risks of loss, including Worker's Compensation, Comprehensive General Liability, Automobile Liability, Errors and Omissions, and Cyber, Employee Benefits Liability, Commercial Property, Auto Physical Damage, Bonds and Crime.

There was no significant reduction in insurance coverage and no settlements exceeded insurance coverage during the past three years.

## NOTE 10 – CONTINGENCIES

In the normal course of operations, ACRTA may be subject to litigation and claims. ACRTA receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of local government support, which took place in January 1, 2009, had a material effect on ACRTA's programs.

The ACRTA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability for the General Fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the ACRTA at December 31, 2017.

## NOTE 11 – RECEIVABLES

Receivables at December 31, 2017 consisted of accounts (billings) and intergovernmental grants. All receivables are considered collectible in full.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY**
**ALLEN COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF ACRTA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**
**LAST FOUR YEARS (1)**

| | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| ACRTA's Proportion of the Net Position Liability | 0.009648% | 0.009475% | 0.008630% | 0.008863% |
| ACRTA's Proportionate Share of the Net Pension Liability | $2,190,897 | $1,641,190 | $1,068,988 | $1,044,832 |
| ACRTA's Covered Employee Payroll | $1,069,025 | $1,010,825 | $1,357,650 | $1,202,585 |
| ACRTA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll | 204.94% | 162.36% | 78.74% | 86.88% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 77.25% | 81.08% | 86.45% | 86.36% |

(1) Information prior to 2013 is not available

Amounts presented as of the Authority's measurement date which is the prior fiscal year end.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY**
**ALLEN COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF ACRTA'S CONTRIBUTIONS**
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**
**LAST FIVE YEARS (1)**

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Contractually Required Contribution | $180,022 | $128,283 | $121,299 | $162,918 | $156,336 |
| Contributions in Relation to the Contractually Required Contribution | $172,391 | ($128,283) | ($121,299) | ($162,918) | ($156,336) |
| Contribution Deficiency (Excess) | $7,631 | $0 | $0 | $0 | $0 |
| ACRTA Covered-Employee Payroll | $1,384,785 | $1,069,025 | $1,010,825 | $1,357,650 | $1,202,585 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.00% | 12.00% | 12.00% | 12.00% | 13.00% |

**(1)** Information prior to 2013 is not available

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**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY**
**ALLEN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| **FEDERAL GRANTOR** <br> ***Pass Through Grantor*** <br> **Program / Cluster Title** | **Federal CFDA Number** | **Grant Number** | **Total Federal Expenditures** |
|---|---|---|---|
| **U.S. DEPARTMENT OF TRANSPORTATION** | | | |
| ***Passed Through Ohio Department of Transportation*** | | | |
| Transit Services Programs Cluster: | | | |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | OH-16-X009 | $1,132 |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | OH-16X016 | 2,505 |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | OH-2016-061 | 103,524 |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | OH-2017-X010 | 171,405 |
| Total Enhanced Mobility of Seniors and Individuals with Disabilities | | | 278,566 |
| New Freedom Program | 20.521 | OH-57-X056 | 12,805 |
| Total Transit Services Program Cluster | | | 291,371 |
| **Direct Program:** | | | |
| Federal Transit Cluster: | | | |
| Federal Transit_Formula Grants | 20.507 | OH-2017-012-01 | 130,000 |
| Federal Transit_Formula Grants | 20.507 | OH-95-X207 | 34,646 |
| Federal Transit_Formula Grants | 20.507 | OH-2017-021-00 | 16,220 |
| Federal Transit_Formula Grants | 20.507 | OH-2016-032-01 | 440,605 |
| Federal Transit_Formula Grants | 20.507 | OH-2016-016-00 | 1,086,914 |
| Total Federal Transit_Formula Grants | | | 1,708,385 |
| Bus and Bus Facilities Formula Program | 20.526 | OH-2017-013-01 | 580,000 |
| Total Federal Transit Cluster: | | | 2,288,385 |
| **Total U.S. Department of Transportation** | | | 2,579,756 |
| **Total Expenditures of Federal Awards** | | | 2,579,756 |

*The accompanying notes are an integral part of this schedule.*

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY**
**ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**2 CFR 200.510(b)(6)**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

## NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Allen County Regional Transit Authority (ACTRA's) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the ACTRA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the ACTRA.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The ACTRA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require ACRTA to contribute non-Federal funds (matching funds) to support the Federally-funded programs. ACRTA has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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KEITH FABER

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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Allen County Regional Transit Authority
Allen County
200 East High Street
Lima, Ohio 45801

To the Members of the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Allen County Regional Transit Authority, Allen County, (the ACRTA) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the ACRTA's basic financial statements and have issued our report thereon dated June 13, 2019.

## *Internal Control Over Financial Reporting*

As part of our financial statement audit, we considered the ACRTA's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the ACRTA's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the ACRTA's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

### *Compliance and Other Matters*

As part of reasonably assuring whether the ACRTA's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

### *ACRTA's Response to Finding*

The ACRTA's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the ACRTA's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### *Purpose of this Report*

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the ACRTA's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the ACRTA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

June 13, 2019

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KEITH FABER

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# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Allen County Regional Transit Authority
Allen County
200 East High Street
Lima, Ohio 45801

To the Members of the Board of Trustees:

***Report on Compliance for the Major Federal Program***

We have audited the Allen County Regional Transit Authority's (the ACRTA) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Allen County Regional Transit Authority's major federal program for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the ACRTA's major federal program.

***Management's Responsibility***

The ACRTA's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the ACRTA's compliance for the ACRTA's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the ACRTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the ACRTA's major program. However, our audit does not provide a legal determination of the ACRTA's compliance.

***Basis for Qualified Opinion on Federal Transit Cluster***

As described in finding 2017-002 in the accompanying schedule of findings, the ACRTA did not comply with requirements regarding Cash Management applicable to its Federal Transit Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the ACRTA to comply with requirements applicable to this program.

***Qualified Opinion on Federal Transit Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Federal Transit Cluster*, the ACRTA complied, in all material respects, with the requirements referred to above that could directly and materially affect its Federal Transit Cluster major federal program for the year ended December 31, 2017.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2017-003. Our opinion on the major federal program is not modified with respect to this matter.

The ACRTA's responses to our noncompliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the ACRTA's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

***Report on Internal Control Over Compliance***

The ACRTA's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the ACRTA's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the ACRTA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings as items 2017-002 and 2017-003.

The ACRTA's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the ACRTA's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

June 13, 2019

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**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY**
**ALLEN COUNTY**

**SCHEDULE OF FINDINGS**
**2 C.F.R. § 200.515**
**DECEMBER 31, 2017**

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| ***(d)(1)(i)*** | **Type of Financial Statement Opinion** | Unmodified |
| ***(d)(1)(ii)*** | **Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?** | Yes |
| ***(d)(1)(ii)*** | **Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?** | No |
| ***(d)(1)(iii)*** | **Was there any reported material noncompliance at the financial statement level (GAGAS)?** | No |
| ***(d)(1)(iv)*** | **Were there any material weaknesses in internal control reported for major federal programs?** | Yes |
| ***(d)(1)(iv)*** | **Were there any significant deficiencies in internal control reported for major federal programs?** | No |
| ***(d)(1)(v)*** | **Type of Major Programs' Compliance Opinion** | Qualified |
| ***(d)(1)(vi)*** | **Are there any reportable findings under 2 C.F.R. § 200.516(a)?** | Yes |
| ***(d)(1)(vii)*** | **Major Programs (list):** | Federal Transit Cluster |
| ***(d)(1)(viii)*** | **Dollar Threshold: Type A\B Programs** | Type A: > $ 750,000<br>Type B: all others |
| ***(d)(1)(ix)*** | **Low Risk Auditee under 2 C.F.R. § 200.520?** | No |

## 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

### FINDING NUMBER 2017-001

**Material Weakness – Accuracy of Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors were identified and were adjusted in the accompanying financial statements:

- Accounts payable and related expenses were overstated in the amount of $203,150 as a result of recording a liability for equipment not received until January 2018;
- Federal Grants and Assistance was overstated and unearned revenue was understated in the amount of $370,780 as a result of receiving federal assistance before it was actually earned;
- Deferred outflows of resources was overstated by $333,192, deferred inflows of resources was overstated by $28,049, net pension liability was overstated by $428,959, and employee benefits expenses was overstated by $123,816, when recording pension obligations as required by Governmental Accounting Standards Statement (GASB) 68;
- Debt service principal in the amount of $35,860 and debt service interest in the amount of $11,071, was classified as operating activity instead of non-operating activity; and
- Cash flows from operating activities was understated by $432,036, cash flows from non-capital financing activities understated by $12,840, and cash flows from capital and related financing activities was overstated by $444,876.

An error in the amount of $30,098 to intergovernmental receivable and federal grants and assistance revenues, and an error in the amount of $42,955 to accounts payable and to materials and supplies expenses were immaterial and not adjusted in the accompanying financial statements.

Financial reporting errors resulted in the material misstatement of the financial statements. Such errors impact the users understanding the activity and balances of the ACRTA.

Governmental resources such as those found on the Auditor of State website at www.ohioauditor.gov and training opportunities presented by the Auditor of State and governmental accounting associations should be utilized by the finance director to further an understanding of financial reporting. The annual financial statements should be reviewed to identify reporting errors for correction prior to filing with the Auditor of State.

**OFFICIALS' RESPONSE:** Allen County RTA has taken steps to address this repeat finding. The Finance Director who prepared the past few audit reports is no longer working with us. We have secured the services of a CPA with 31+ years of public transit finance experience, who is working with staff to review our finance systems and all related reporting. This process began in January 2019 and is ongoing. He will be assisting us in preparing the CY2018 audit report and working with staff to ensure we have the proper practices in place to ensure we report all transactions correctly. We fully understand the importance of accurate financial reporting and believe we have taken the proper actions to meet this important requirement. The CY2018 will be fully reviewed for accuracy before filing with the Auditor of State.

## 3. FINDINGS FOR FEDERAL AWARDS

**Noncompliance Citation / Material Weakness – Cash Management**

<table>
<tr><td>Finding Number</td><td colspan="3">2017-002</td></tr>
<tr><td>CFDA Title and Number</td><td colspan="3">Federal Transit Cluster:<br>Federal Transit_Formula Grants - CFDA #20.507<br>Bus and Bus Facilities Formula Program – CFDA #20.526</td></tr>
<tr><td>Federal Award Identification Number / Year</td><td colspan="3">Federal Transit Cluster:<br><br>Federal Transit_Formula Grants - CFDA #20.507<br>OH-2017-012-01, OH-95-X207, OH-2017-021-00<br>OH-2016-032-01, and OH-2016-016-00<br><br>Bus and Bus Facilities Formula Program – CFDA #20.526<br>OH-2017-013-01</td></tr>
<tr><td>Federal Agency</td><td colspan="3">U.S. Department of Transportation</td></tr>
<tr><td>Compliance Requirement</td><td colspan="3">Cash Management</td></tr>
<tr><td>Pass-Through Entity</td><td colspan="3">N/A</td></tr>
<tr><td>Repeat Finding from Prior Audit?</td><td>No</td><td>Finding Number (if repeat)</td><td>N/A</td></tr>
</table>

**2 C.F.R. § 1200.1** gives regulatory effect to the Department of Transportation for **2 C.F.R. § 200.305(b)** which states, in part, for non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

The ACTRA requested and received $387,000 in Federal Transit Formula Grant funding for the purchase of electronic fare box equipment. These funds were received on December 29, 2017; however, due to inadequate procedures and/or controls, only $16,220 of these funds were spent in 2017 and the remaining funds were spent in 2018. This was a reimbursement grant and the funds should have been spent before the grant funds were received.

Requesting and receiving reimbursements of Federal Grant money prior to meeting requirements of the grant could result in the loss of future federal funding and/or other action being taken by the grantor agency.

The accompanying Schedule of Expenditures of Federal Awards was adjusted to remove these expenditures.

The ACTRA should establish and implement procedures to verify that reimbursement requests for federal funds are in accordance with the federal grant guidelines. These policies and procedures should be approved and adopted by management, provided to employees, and monitored periodically by management to help ensure they are operating as intended and updated as necessary.

**FINDING NUMBER 2017-002**
**(Continued)**

**OFFICIALS' RESPONSE:** ACRTA understands that Federal Awards from FTA are on a reimbursement basis, or in the case of large procurements, where funds are required to be received before payment can be made, then the funds must be disbursed within 72 hours of receipt. Going forward we will not request federal funds unless we have verified that the vendors were paid in advance or for large disbursements we will prepare the payment and ensure it is disbursed within the 72 hours of receipt of the federal funds. Documentation of vendor payment, along with the federal funds receipt will be maintained in the finance files for future audit purposes.

**Noncompliance Citation / Material Weakness –**
**Accuracy of Schedule of Expenditures of Federal Awards**

<table>
<tr><td>Finding Number</td><td colspan="3">2017-003</td></tr>
<tr><td>CFDA Title and Number</td><td colspan="3">Transit Services Programs Cluster:<br>Enhanced Mobility of Seniors and Individuals with Disabilities - CFDA #20.513<br>New Freedom Program – CFDA #20.521<br><br>Federal Transit Cluster:<br>Federal Transit_Formula Grants - CFDA #20.507<br>Bus and Bus Facilities Formula Program – CFDA #20.526</td></tr>
<tr><td>Federal Award Identification Number / Year</td><td colspan="3">Transit Services Programs Cluster:<br>Enhanced Mobility of Seniors and Individuals with Disabilities - CFDA #20.513<br>OH-16-X009, OH-16-X016, OH-2016-061, OH-2017-X010;<br>New Freedom Program –CFDA #20.521<br>OH-57-X056;<br><br>Federal Transit Cluster:<br>Federal Transit_Formula Grants - CFDA #20.507<br>OH-2017-021-00, OH-95-X207, OH-2017-021-00, OH-2016-032-01, OH-2016-016-00,<br>Bus and Bus Facilities Formula Program – CFDA #20.526 - OH-2017-013-01</td></tr>
<tr><td>Federal Agency</td><td colspan="3">U.S. Department of Transportation</td></tr>
<tr><td>Compliance Requirement</td><td colspan="3">Other</td></tr>
<tr><td>Pass-Through Entity</td><td colspan="3">Ohio Department of Transportation – Transit Services Program Cluster</td></tr>
<tr><td>Repeat Finding from Prior Audit?</td><td>Yes</td><td>Finding Number (if repeat)</td><td>2016-003</td></tr>
</table>

**FINDING NUMBER 2017-003**
**(Continued)**

**2 C.F.R. § 1200.1** gives regulatory effect to the Department of Transportation for **2 C.F.R. § 200.510(b)(3)** which requires, in part, the auditee to prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. The Schedule must include total Federal awards expended for each individual Federal program.

The ACRTA prepared a Schedule of Expenditures of Federal Awards (the Schedule), however, due to inadequate procedures and/or controls, the following errors were identified:

- The Enhanced Mobility of Seniors and Individuals with Disabilities Grant – CFDA #20.513 , did not include individual award numbers OH-16-X009 in the amount of $1,132, and OH-16-X016 in the amount of $2,505;
- The Enhanced Mobility of Seniors and Individuals with Disabilities Grant – CFDA #20.513, overstated individual award number OH-2016-061 by the amount of $23,565 and OH-2017-X010 by the amount of $300;
- The individual award number for the New Freedom Program OH-57-X056 was not correct; and
- The Federal Transit Formula Grant - CFDA #20.507, overstated individual award OH-2017-021-00 by the amount of $370,870.

The accompanying Schedule has been adjusted to correct these errors.

Errors on the Schedule could result in the material misstatement of the Schedule which may result in follow-up action being taken by the grantor agency.

To reduce the risk of inaccurate reporting of federal expenditures and noncompliance with 2 CFR § 200.510(b), due care should be taken in the preparation of the Schedule of Expenditures of Federal Awards. The Schedule should be reviewed after preparation and agreed to underlying accounting records and other information for completeness and accuracy.

**OFFICIALS' RESPONSE:** Our contract CPA worked directly with ODOT to identify the correct CFDA Titles and Award numbers and then provide that information to the auditor. That information is usually provided on the federal grant documents and ACRTA will be keeping copies of all grant awards on file, so we can properly access and report that data in the future. For any future ODOT grant awards involving the pass through of federal funds, ACRTA will request a copy of the applicable Federal Grant from ODOT so we have the needed information on file.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**2 CFR 200.511(b)**
**DECEMBER 31, 2017**

| Finding Number | Finding Summary | Status | Additional Information |
|---|---|---|---|
| 2016-001 | Material Weakness - Accuracy of Financial Reporting | Not Corrected | We have made staff changes (January 2019) to help fully address this. This includes the services of a CPA with 31+ years of public transit finance experience and training of remaining staff members.<br><br>Repeated as Finding 2017-001 |
| 2016-002 | Noncompliance Citation – Ohio Rev. Code § 121.22 (C) and 121.22(G)(1) – Open Meeting | Corrective Action Taken and Finding is Fully Corrected | Allen County RTA is following the recommendations. |
| 2016-003 | Noncompliance Citation Material Weakness - 2 C.F.R. § 1200.1 and 2 C.F.R. § 200.510(b)(3) – errors in the Schedule of Expenditures of Federal Awards | Not Corrected | Allen County RTA continues to make adjustments to our accounting system to ensure we report all federal funds on the proper schedule, even those that may have not passed through our organization directly but were paid or processed on our behalf.<br><br>Repeated as Finding 2017-003 |

**CORRECTIVE ACTION PLAN**
**2 CFR § 200.511(c)**
**DECEMBER 31, 2017**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|---|---|---|---|
| 2017-001 | The Finance Director who handled the audit is no longer employed by Allen County Regional Transit Authority (ACRTA).<br>Allen County RTA is working with a CPA with 31+ years of Public Transit Finance Experience. To date he has reviewed the accounting structure and worked with staff to bring the chart of accounts into the FTA recommended format, reviewed most of the 2018 transactions, adjusted accounting processes to allow for the system to handle most transactions vs. general journal entries, and is training staff on best practices.<br>Upon receipt of the final 2017 audit he will work with staff to make any required system adjustments to balance to the audit statements and then begin the process of closing out 2018 and properly preparing that report. He has already worked to provide more accurate data for the 2017 Federal Award schedule. Once the systems are adjusted/corrected and staff is trained on best practices of day to day processing, he will continue to review monthly data until such time ACRTA is ready to fill the role of Finance Director (or a similar responsible position). | 12-31-19 | Shelia Haney, Executive Director |
| 2017-002 | ACRTA understands that Federal Awards from FTA are on a reimbursement basis, or in the case of large procurements, where funds are required to be received before payment can be made, then the funds must be disbursed within 72 hours of receipt. Going forward we will not request federal funds unless we have verified that the vendors were paid in advance or for large disbursements we will prepare the payment and ensure it is disbursed within the 72 hours of receipt of the federal funds. Documentation of vendor payment, along with the federal funds receipt will be maintained in the finance files for future audit purposes. | 12-31-19 | Shelia Haney, Executive Director |

| | | | |
|---|---|---|---|
| 2017-003 | Our contract CPA worked directly with ODOT to identify the correct CFDA Titles and Award numbers and then provide that information to the auditor. That information is usually provided on the federal grant documents and ACRTA will be keeping copies of all grant awards on file, so we can properly access and report that data in the future. For any future ODOT grant awards involving the pass through of federal funds, ACRTA will request a copy of the applicable Federal Grant from ODOT so we have the needed information on file. | 12-31-19 | Shelia Haney, Executive Director |

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OHIO AUDITOR OF STATE
**KEITH FABER**

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**JULY 30, 2019**