



Dave Yost • Auditor of State



**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Delaware Area Transit Agency  
Delaware County  
119 Henderson Court  
Delaware, Ohio 43015

To the Board of Trustees:

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

We have audited the accompanying financial statements of the Delaware Area Transit Agency, Delaware County, Ohio (the Agency), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency'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 Agency'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 Agency's internal control. Accordingly, we express no 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware Area Transit Agency, Delaware County, Ohio, as of December 31, 2015, and the changes in its 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.

### **Emphasis of Matter**

As discussed in Note 10 to the financial statements, during the year ended December 31, 2015, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 69, *Government Combinations and Disposals of Government Operation*. We did not modify our opinion regarding this matter.

### **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 and Other Information*

Our audit was conducted to opine on the Agency'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 the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule 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 October 13, 2016, on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 13, 2016

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**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

As management of the Delaware Area Transit Agency (DATA), Delaware County, Ohio (the Agency), we offer readers of DATA's basic financial statements this narrative overview and analysis of the financial activities of DATA for the year ended December 31, 2015. 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 basic financial statements taken as a whole.

**Financial Highlights for 2015**

For 2015, the Agency assumed fiscal agent responsibilities for the Agency and began to report finances based on an accrual accounting basis, which is required by our largest funder, the Federal Transit Administration (FTA).

Also during 2015, DATA adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 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 Agency'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 DATA'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 Agency 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.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

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 Agency statements are prepared on an accrual basis of accounting and include an annual pension expense for their proportionate share of each plan's *change* in net pension asset/liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Agency is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting beginning in Fiscal Year 2015.

The Agency has a net position of \$1.58 million. This net position results from the difference between total assets and deferred outflows of resources of \$2.68 million and total liabilities and deferred inflows of resources of \$1.09 million.

Current assets of \$0.83 million primarily consist of non-restricted Cash and Cash Equivalents of \$0.54 million and Intergovernmental/Accounts Receivable of \$0.25 million.

Current liabilities of \$0.23 million primarily consist of Accounts Payable, Accrued Wages and related Payroll Accruals.

**Basic Financial Statements and Presentation**

The financial statements presented by the Agency are the Statement of Net Position, the Statement of Revenues, Expenses and Changes 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. The Agency 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, except land and work in process, over their estimated useful lives.

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

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the Agency'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 the federal government.

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

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Net Position**

The largest portion of the Agency's net position reflect investments in capital assets consisting of buses, an operating facility, and equipment less accumulated depreciation. The Agency uses these capital assets to provide public transportation services in Delaware County, Ohio and in adjacent areas. The table below provides a summary of the Agency's net position:

**(Table 1)  
Delaware Area Transit Agency  
Condensed Summary of Net Position  
For the Years Ended December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
Current Assets	\$ 827,719	\$ 1,108,150
Net Pension Asset	5,621	1,532
Capital Assets (Net of Accumulated Depreciation)	1,662,574	1,809,637
Deferred Outflows of Resources-Pensions	180,602	108,243
Total Assets & Deferred Outflows	<u>2,676,516</u>	<u>3,027,532</u>
Current Liabilities	230,316	203,414
Long Term Sick Liability	15,797	14,887
Net Pension Liability	831,745	812,958
Deferred Inflows of Resources-Pensions	16,327	0
Total Liabilities & Deferred Inflows	<u>1,094,185</u>	<u>1,031,259</u>
Net Position		
Investments in Capital Assets	1,662,574	1,809,637
Unrestricted	<u>(80,243)</u>	<u>186,666</u>
Total Net Position	<u>\$ 1,582,331</u>	<u>\$ 1,996,303</u>

Prior to 2015 DATA's fiscal agent was Delaware County. Beginning balance data as of January 1, 2015 is presented as year ending data for 2014.

During fiscal year 2015, the Agency's current assets decreased as we spent funds on general operations. Capital assets decreased due to the purchase of equipment, offset by annual depreciation expense.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

**(Table 2)  
Delaware Area Transit Agency  
Condensed Summary of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2015**

	<b>2015</b>
<b>Revenues:</b>	
General Public Fares	\$ 86,378
Special Transit Fares	254,569
Local Operating Funds	201,168
State Operating Funds	139,081
Federal Operating Funds	957,793
Other Operating Funds	21,339
Federal Capital Funds	25,724
Other Non-Operating Funds	4,454
Total Revenues	1,690,506
<b>Expenses:</b>	
Operating Expenses	
Labor	1,021,475
Fringe Benefits	453,700
Contract Services	74,989
Material and Supplies	238,257
Utilities	27,257
Casualty and Liability Insurance	87,429
Miscellaneous Expenses	22,152
Depreciation Expense	179,219
Total Expenses	2,104,478
Decrease in Net Position During the Year	(413,972)
Net Position, Beginning of Year	1,996,303
Net Position, End of Year	\$ 1,582,331

**Financial Operating Results**

During 2015, the agencies operating costs (excluding depreciation) exceeded revenues by \$234,753. This shortfall was covered using available cash reserves which were generated by operating expenses being less than operating revenues in prior years. Management believes they will be able to obtain additional operating revenues during 2016 as well as adjust expenditure levels so that the Agency operates at a balanced budget, or even a gain.

Management is not aware of any known facts, decisions, or conditions that will significantly affect equity or the results for future operations.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

**Capital Assets** – At the end of fiscal year 2015, the Agency had \$2,516,875 invested in land, operating facility, vehicles and equipment. Table 3 shows fiscal year 2015 balances in comparison to fiscal year 2014 balances (which were also the 2015 beginning balances).

**(Table 3)  
Delaware Area Transit Agency  
Statement of Capital Assets  
For the Years Ended December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Non-Depreciable Capital Assets</b>		
Land	\$ 325,507	\$ 325,507
Work in Process	112,840	112,840
<b>Depreciable Capital Assets</b>		
Facilities & Structures	898,711	898,711
Revenue Vehicles	1,132,005	1,177,745
Furniture, Equipment, & TE	160,592	128,436
Total Depreciable Capital Assets	2,191,368	2,204,952
 Total Cost	 \$ 2,629,715	 \$ 2,643,299
 <b>Accumulated Depreciation</b>		
Facilities & Structures	(89,877)	(67,408)
Revenue Vehicles	(842,882)	(751,274)
Furniture, Equipment, & TE	(34,382)	(14,980)
Total Depreciation	(967,141)	(833,662)
 <b>Net Value</b>	 \$ 1,662,574	 \$ 1,809,637

**Depreciation** – This category includes depreciation on all capital assets, except land and work in process.

**Request for Information** – This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Executive Director, Delaware Area Transit Agency, 119 Henderson Court, Delaware, Ohio, 43015.

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**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Assets</b>	<b>2015</b>
<b>Current Assets:</b>	
Cash on Deposit	\$ 544,733
Accounts Receivable	36,149
Intergovernmental Receivable	215,568
Prepays	31,269
Total Current Assets	827,719
<b>Non-Current Assets:</b>	
Net Pension Asset	5,621
Property, Facilities and Equipment	
Land - Non Depreciable	325,507
Facilities & Structures	898,771
Revenue Vehicles	1,132,005
Furniture & Equipment	115,905
Transit Enhancements	44,687
Work In Process - Non Depreciable	112,840
Subtotal	2,629,715
Less Accumulated Depreciation	(967,141)
Total Property, Facility and Equipment (net of accumulated depreciation)	1,662,574
Total Non-Current Assets	1,668,195
Deferred Outflows of Resources - Pensions	180,602
Total Assets and Deferred Outflows of Resources	\$ 2,676,516
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	62,377
Accrued Payroll, Withholdings, & Taxes	55,969
Accrued Leave Payable	74,770
Unearned Funds	37,200
Total Current Liabilities	230,316
Long Term Sick Liability	15,797
Net Pension Liability	831,745
Total Liabilities	1,077,858
Deferred Inflows of Resources - Pensions	16,327
<b>Net Position</b>	
Investments in Capital Assets	1,662,574
Unrestricted	(80,243)
Total Net Position	1,582,331
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,676,516

See Accompanying Notes to the Basic Financial Statements

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>2015</b>
<b>Operating Revenues</b>	
General Public Fares	\$ 86,378
Special Transit Fares	254,569
Local Operating Funds	201,168
State Operating Funds	139,081
Federal Operating Funds	957,793
Other Operating Revenue	21,339
Total Operating Revenues	<u>1,660,328</u>
<b>Operating Expenses</b>	
Labor	1,021,475
Fringe Benefits	453,700
Contract Services	74,989
Materials & Supplies	238,257
Utilities	27,257
Casualty & Liability Insurance	87,429
Miscellaneous Expenses	22,152
Total Operating Expenses	<u>1,925,259</u>
<b>Operating Loss Excluding Depreciation</b>	(264,931)
Depreciation	<u>179,219</u>
<b>Operating Loss</b>	(444,150)
<b>Non-Operating Revenues</b>	
Federal Grant - Capital	25,724
Other Non-Operating Income	4,454
Total Non-Operating Revenue	<u>30,178</u>
<b>Net Loss</b>	(413,972)
<b>Net Position, Beginning of Year</b>	<u>1,996,303</u>
<b>Net Position, End of Year</b>	<u><u>\$ 1,582,331</u></u>

See Accompanying Notes to the Basic Financial Statements



**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>2015</b>
<b>Operating Activities</b>	
Cash Received From Customers	\$ 1,735,879
Cash Payments - Suppliers for Goods & Services	(518,733)
Cash Payments - Employees for Wages & Fringes	(1,471,110)
Net Cash Used by Operating Activities	<u>(253,964)</u>
<b>Non-Capital Financing Activities</b>	
Non-Transit Funds	<u>1,101</u>
Net Cash Provided by Non-Capital Financing Activities	1,101
<b>Capital and Related Financing Activities</b>	
Purchase of Equipment & Furniture	(32,156)
Federal Capital Funds	25,724
Proceeds from Disposal of Fixed Asset	3,353
Net Cash Used by Capital and Related Financing Activities	<u>(3,079)</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(255,941)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>800,674</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 544,733</u></u>
 <b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating Loss	\$ (444,150)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation	179,219
Changes in Assets, Liabilities, and Deferrals:	
Decrease in Prepaid Items	5,268
Decrease in Accounts/Intergovernmental Receivables	19,222
Decrease in Accounts Payable	(33,350)
Increase in Accrued Payroll, Benefits & Leave	23,962
Increase in Unearned Funds	37,200
Increase in Net Pension Asset	(4,089)
Increase in Net Pension Liability	18,786
Increase in Deferred Outflows - Pensions	(72,359)
Increase in Deferred Inflows - Pensions	16,327
Net Cash (Used) in Operating Activities	<u><u>\$ (253,964)</u></u>

See Accompanying Notes to the Basic Financial Statements

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**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Description of Entity** - The Delaware Area Transit Agency (the Agency), is a County Transit Board established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. It was created pursuant to Section 306.01 of the Ohio Revised Code. The Agency is not subject to federal or state income taxes.

The Agency is directed by a 7 member Board of Trustees and they are appointed by the Delaware County Commissioners. The Agency is responsible for the safe and efficient operation and maintenance of regional transportation within Delaware County.

**Reporting Entity** - The Agency has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". Accordingly, the accompanying financial statements include only the accounts and transactions of the Agency. Under the criteria specified in these GASB Statements, the Agency has no component units. The Agency is, however, considered to be a related organization of Delaware County by virtue of the fact that the Agency's Board of Trustees is appointed by the County Commissioners.

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Agency is not financially accountable for any other organization nor is any other organization accountable for the Agency. This is evidenced by the fact that the Agency is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code.

**Basis of Accounting** - The Agency's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows. The Agency follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position and cash flows. All transactions are accounted for in a single enterprise fund.

**Non-exchange Transactions** - The Agency complies with the provisions of Statement No. 33 of the Governmental Accounting Standards Board (GASB) regarding the Accounting and Financial Reporting for Non-exchange Transactions. This statement requires that capital contributions be recognized as revenue. No capital contributions were received and no related revenue was recognized as revenue in the Statement of Revenues, Expenses and Changes in Net Position for the Agency.

The Agency will continue applying all applicable pronouncements issued by the GASB.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents** - Cash and cash equivalents are carried at cost, which approximates fair value.

**Materials and Supplies Inventory** - Materials and supplies (including fuel) are purchased as needed and no parts or fuel inventory are maintained.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses, at and during the reported period. Actual results could differ from those estimates.

**Property, Facilities and Equipment** - Property, facilities and equipment are stated at historical cost. The cost of maintenance and repairs is charged to operations as incurred. The Agency maintains a capitalization threshold of \$5,000.

**Depreciation** - Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

<u>Description</u>	<u>Years</u>
Building and improvements	5 - 40
Land improvements	5 - 20
Transportation equipment	2 - 12
Other equipment	2 - 15

**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 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.

**Net Position** - Equity is displayed in two components as follows:

Investments in Capital Assets - This consists of capital assets, net of accumulated depreciation.

Unrestricted - This consists of net position that does not meet the definition of restricted or investments in capital assets.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Operating Revenues and Expenses** - The Agency has classified its revenues as either operating or non-operating. Operating revenues are those revenues that are generated directly from the primary activities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Agency. Revenues and expenses not meeting this definition are reported as non-operating.

**Recognition of Revenue and Receivables** - The Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT) provide financial assistance and make allocations directly to the Agency for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenue over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as revenue when the expenditure has been made and the revenue is available. Capital grant funds received in advance of project costs being incurred are deferred.

When assets acquired with capital grants funds are disposed of, the Agency is required to notify the granting 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 remitted to the granting agency.

**Accrued Leave Payable** - The Agency offers employees paid leave time (Leave) in the form of vacation, holiday pay, and sick leave. Vacation and holiday benefits are accrued as a current liability as the benefits are attributable to services already rendered and it is probable the Agency will compensate employees for the benefits through time off or some other means. Employees earn paid leave time off based on actual hours worked and are allowed to carry forward time earned. They are not eligible for payment of unused sick hours until they have reached 10 years of service and the payout is capped at 25% of a maximum of 240 hours. Sick pay is expensed as used. Employees are paid for 100% of unused vacation and holiday upon separation of service. An annual accrual for leave balances at year end is made to the extent that it is probable that benefits will result in future payments. The Agency records accrued vacation and holiday time as a short term liability as it is probable the time will be used within the following 12 months. The Agency records the value of eligible unused sick time as a long term liability for those employees who have reached the required 10 years of service as those benefits are not expected to be paid out until the death or eligible retirement of the employee, see Note 8.

**2. EQUITY IN CASH AND DEPOSITS**

Custodial credit risk is the risk that in the event of bank failure, the Agency's deposits may not be returned to it. The Agency has no deposit policy for custodial risk beyond the requirements of State statute. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. The Agency had a bank balance and carrying amount of \$544,733 at December 31, 2015 with financial institutions authorized to accept public funds. Of the bank balance at December 31, 2015 \$250,000 was covered by federal depository insurance and \$294,733 was exposed to custodial risk and was not collateralized with securities held by the pledging financial institutions trust department.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**3. DEFINED BENEFIT PENSION PLANS**

**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 Agency'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 Agency's obligation for this liability to annually required payments. The Agency cannot control benefit terms or the manner in which pensions are financed; however, the Agency 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 intergovernmental payable on both the accrual and modified accrual basis of accounting.

**Ohio Public Employees Retirement System (OPERS)**

Agency 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. Agency employees) may elect the member-directed plan and the combined plan, the majority of Agency employee members are in OPERS' traditional plan.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**3. DEFINED BENEFIT PENSION PLANS (Continued)**

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.

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 State and Local group under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

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

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.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**3. DEFINED BENEFIT PENSION PLANS (Continued)**

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

	State and Local
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Agency's contractually required contribution was \$164,088 for year 2015. Of this amount, \$22,283 is reported as an Accrued Payroll, Withholdings, and Taxes.

**Net Pension Liability, 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, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency'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		
	Traditional Plan	Combined Plan	Total
Proportionate Share of the Net Pension Liability/(Asset)	\$831,745	(\$5,621)	\$826,124
Proportion of the Net Pension Liability	0.006896%	0.014598%	0.021494%
Pension Expense (Revenue)	\$ (138,764.00)	\$ (10,784.00)	\$ (149,548.00)



**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**3. DEFINED BENEFIT PENSION PLANS (Continued)**

At December 31, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Plan	Combined Plan	Total
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	(\$44,379)	(\$343)	(\$44,722)
Agency contributions subsequent to the measurement date	(127,813)	(8,067)	(135,880)
Total Deferred Outflows of Resources	(\$172,192)	(\$8,410)	(\$180,602)
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$14,612	\$1,715	\$16,327
Total Deferred Inflows of Resources	\$14,612	\$1,715	\$16,327

\$135,880 reported as deferred outflows of resources related to pension resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2016	(\$24,160)
2017	(19,926)
2018	(10,077)
2019	899
2020	695
Thereafter	861
Total	(\$51,708)

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values 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

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**3. DEFINED BENEFIT PENSION PLANS (Continued)**

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 in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

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

The long-term 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.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees 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 table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**3. DEFINED BENEFIT PENSION PLANS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. 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 statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Agency's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

<u>Agency's Net Pension Liability/(Asset</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Traditional Plan	\$1,530	\$832	\$243
Combined Plan	\$1	(\$6)	(\$11)
	(in thousands)		

**4. POSTEMPLOYMENT BENEFITS**

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes medical coverage, prescription drug coverage, and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**4. POSTEMPLOYMENT BENEFITS (Continued)**

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015, local government employers contributed 14.00% of covered payroll. Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits.

The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Agency's contributions allocated to fund post-employment health care benefits for the year ended December 31, 2015 was \$22,647; 100% has been contributed for 2015.

**5. FISCAL AGENT**

In 2015, the Agency assumed fiscal management responsibilities for the Agency which were previously handled by Delaware County. The Executive Director serves as the liaison to local, state, and federal officials.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**6. RISK MANAGEMENT**

The Agency participates in the Ohio Transit Insurance Pool Association, Inc. (OTIP), renamed in 2002 as Ohio Transit Risk Pool Association, (OTRP), related to its risk of property and casualty loss. Under this plan, the Agency receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. Any underfunding of the plans liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

The Agency continues to carry commercial insurance for all other risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

**7. CAPITAL ASSETS**

	January 1, 2015	Additions	Deletions	December 31, 2015
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 325,507	\$ -	\$ -	\$ 325,507
Work In Process	112,840	-	-	112,840
<b>Depreciable Capital Assets</b>				
Facilities & Structures	898,771	-	-	898,771
Revenue Vehicles	1,177,745	-	(45,740)	1,132,005
Furnishing, Equipment, & TE	128,436	32,156	-	160,592
Total Depreciable Capital Assets	2,204,952	32,156	(45,740)	2,191,368
Total Cost	\$ 2,643,299	\$ 32,156	\$ (45,740)	\$ 2,629,715
<b>Accumulated Depreciation</b>				
Facilities & Structures	(67,408)	(22,469)	-	(89,877)
Revenue Vehicles	(751,274)	(137,348)	45,740	(842,882)
Furnishing, Equipment, & TE	(14,980)	(19,402)	-	(34,382)
Total Depreciation	\$ (833,662)	\$ (179,219)	\$ 45,740	\$ (967,141)
<b>Net Value</b>	<b>\$ 1,809,637</b>	<b>\$ (147,063)</b>	<b>\$ 0</b>	<b>\$ 1,662,574</b>

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**8. DEBT**

The Agency has no long term debt, but does have an open \$250,000 Line of Credit with Richwood Bank, of which \$0 was outstanding at December 31, 2015. The current Line of Credit is from December 8, 2015 through December 1, 2017 and replaces a Line of Credit that was also for \$250,000.

**9. LONG-TERM SICK LIABILITY**

The Agency allows employees with 10 or more years of service to be paid out for unused sick leave upon retirement or death at a rate of 25% of up to 240 hours of time. During 2015 the amount of this liability increased from \$14,887 to \$15,797, an increase of \$910. None of this is anticipated to be paid out during the next fiscal year.

**10. TRANSFER OF OPERATIONS AND CHANGE IN ACCOUNTING PRINCIPLES**

Delaware County transferred its enterprise fund transit authority operation, to the newly formed Delaware Area Transit Agency (DATA), which became a separate legal entity on January 1, 2015. The County transferred the assets, deferred inflows/outflows, and liabilities of the operations to DATA on January 1, 2015, the change was made for accountability and reporting purposes and follows reporting requirements of GASB 69. As a result of the transfer, DATA recognized the follow assets, liabilities and net position:

**Transferred Assets:**

Current Assets	1,039,672
Capital Assets	1,777,578
Adjustments to Capital Assets	<u>32,065</u>

**Total Assets:** 2,849,315

**Deferred Outflows of Resources:**

Deferred Outflows- OPERS	<u>108,243</u>
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**Total Assets and Deferred Outflows** 2,957,558

**Transferred Liabilities:**

Current Liabilities	105,569
Long Term Compensated Absences	42,728
Net Pension Liability	<u>812,958</u>

**Total Liabilities** 961,255

**Transferred Net Position:**

Net Investment in Capital Assets	1,809,643
Unrestricted	<u>186,660</u>

**Total Net Position** 1,996,303

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**10. TRANSFER OF OPERATIONS AND CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

The Agency also implemented GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27, and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The effect on beginning balance was already reflected in the balances transferred from Delaware County.

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**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF AGENCY CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS (1)**

	2015	2014
Contractually Required Contribution	\$ 164,088	\$ 130,251
Contributions in Relation to the Contractually Required Contribution	<u>\$ (164,088)</u>	<u>\$ (130,251)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Agency Covered-Employee Payroll	\$ 1,189,043	\$ 950,737
Contribution as a Percentage of Covered-Employee Payroll	13.8%	13.7%

(1) Information prior to 2014 is not available.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST YEAR ENDED DECEMBER 31 (1)**

	2014	
	<u>Traditional Plan</u>	<u>Combined Plan</u>
Agency's proportion of the Net Pension Liability/(Asset)	0.006896%	0.014598%
Agency's Proportionate Share of the Net Pension Liability	\$ 831,745	\$ (5,621)
Agency's Covered-Employee Payroll	\$ 871,774	\$ 46,740
Agency's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	95.41%	-12.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	114.83%

(1) Information prior to 2014 is not available.

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

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Grant Number</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Transit Services Program Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilites - Formula Grant	OH-16-X020	20.513	\$ 152,258
Federal Transit Cluster:			
Federal Transit - Formula Program	OH-90-X804	20.507	81,368
Federal Transit - Formula Program	OH-90-X811	20.507	720,304
Federal Transit - Formula Program	OH-90-X827	20.507	29,587
Total Federal Transit Cluster			831,259
Total U.S. Department of Transportation			983,517
<b>Total Expenditures of Federal Awards</b>			<b>\$ 983,517</b>

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

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Delaware Area Transit Agency's (the Agency's) under programs of the federal government for the year ended December 31, 2015. 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 Agency, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Agency.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Agency 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 the Agency to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Agency has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

Delaware Area Transit Agency  
Delaware County  
119 Henderson Court  
Delaware, Ohio 43015

To 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 Delaware Area Transit Agency, Delaware County, Ohio (the Agency) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated October 13, 2016, wherein we noted the Agency adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date and GASB Statement No. 69, Government Combinations and Disposals of Government Operation*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Agency'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 Agency'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 Agency'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 2015-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Agency'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*.

***Agency's Response to Findings***

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Agency's response 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 Agency's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 13, 2016



# Dave Yost • Auditor of State

## 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

Delaware Area Transit Agency  
Delaware County  
119 Henderson Court  
Delaware, Ohio 43015

To the Board of Trustees:

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

We have audited the Delaware Area Transit Agency's (the Agency) 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 Delaware Area Transit Agency's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Agency's major federal program.

### ***Management's Responsibility***

The Agency'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 Agency's compliance for the Agency'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 Agency'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 Agency's major program. However, our audit does not provide a legal determination of the Agency's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Delaware Area Transit Agency complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2015.

**Report on Internal Control Over Compliance**

The Agency'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 Agency'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 Agency'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 compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with 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 would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 13, 2016



**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Federal Transit Cluster – CFDA #20.507
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

**FINDING NUMBER 2015-001**

**Financial Reporting - Material Weakness**

Sound financial reporting is the responsibility of the Executive Director and the Board of Trustees and is essential to help ensure information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were considered to be material and were made to the Agency's financial statements to properly reflect all financial activity identified as of December 31, 2015:

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2015  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-001 (Continued)**

**Financial Reporting - Material Weakness (Continued)**

1. Unrecorded liabilities were identified as of December 31, 2015. To account for these unrecorded liabilities, Utilities increased by \$730, Contract Services increased by \$20,650, Miscellaneous Expenses increased by \$2,660, Materials and Supplies increased by \$2,488, and Accounts Payable increased by \$26,528
2. GASB 68 was not properly implemented on the financial statements. To account for the implementation of GASB 68, Net Pension Asset increased by \$4,089, Deferred Outflows of Resources increased \$44,722, Net Pension Liability increased \$18,787, Deferred Inflows of Resources increased \$16,327, and Pension Expense decreased \$13,697.
3. GASB 68 was not properly implemented on the financial statements. To restate beginning net position to account for GASB 68, Net Pension Asset increased by \$1,532, Beginning Net Position decreased by \$703,183, Deferred Outflows of Resources increased by \$135,880, Net Pension Liability increased by \$812,958, and Pension Expense decreased by \$27,637.

The following audit adjustments were not considered to be material but the Agency opted to post these adjustments to their financial statements to properly reflect all financial activity identified as of December 31, 2015

1. An unrecorded capital asset was identified. To account for the unrecorded capital asset, Furnishing & Equipment increased and Materials and Supplies decreased both by \$7,398. To account for the depreciation accrued for the unrecorded capital asset, Depreciation and Accumulated Depreciation increased by \$616.
2. The Agency disposed of a vehicle; however they did not remove the vehicle from the capital asset listing. To account for the disposal, Revenue Vehicles decreased and Accumulated Depreciation decreased by \$45,740.
3. Depreciation was overstated due to the Agency using the incorrect dates during the calculation and a change in useful lives. To account for the overstatement, Accumulated Depreciation and Depreciation decreased by \$24,385.
4. An unrecorded liability was identified and adjusted on the financial statements. The Agency also booked the receivable related to this federal funding. To account for the receivable, Intergovernmental Receivable increased by \$14,256, Accounts Receivable increased by \$270, Federal Operating Funds increased by \$8,608, and Federal Grant - Capital increased by \$5,918.
5. Payroll expenditures were posted in 2015 for expenditures that were earned in 2016. To account for the expenditures in the proper period, Accrued Payroll, Withholdings, & Taxes decreased by \$4,275, Labor decreased by \$2,708, and Fringe Benefits decreased by \$1,567.
6. Payroll expenditures were posted in 2014 for expenditures that were earned in 2015. To account for the expenditures in the proper period, Labor increased by \$5,416, Fringe Benefits increased by \$2,880, and Beginning Net Position increased by \$8,296.
7. The cash flows were prepared on an accrual basis. To account for the statement on a cash basis, the following adjustments were made: Cash Received from Customers increased by \$13,211, Cash Payments - Suppliers for Goods & Services increased by \$27,901, Cash Payments - Employees for Wages & Fringes decreased by \$21,438, Non-Transit Funds decreased by \$3,353, Prepaids-Other decreased by \$5,268, Federal Capital Funds increased by \$5,918, and Proceeds from Disposal of Fixed Assets increased by \$3,353.
8. A reclassification was made to properly state \$15,797 as long-term sick liability instead of a current liability.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2015  
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2015-001 (Continued)**

**Financial Reporting - Material Weakness (Continued)**

Although the Agency has implemented various controls over financial reporting, the identified audit adjustments suggest controls may not be effective or operating as management intended. By not properly accounting for all financial activity, inaccurate financial reports could be disseminated to the governing board and management, as well as, financial statement readers.

The audit adjustments identified during the audit should be reviewed by the Executive Director to prevent similar errors from being reported improperly on the financial statements in subsequent years. In addition, the Board of Trustees should review the financial statements and note disclosures to help identify and correct errors and omissions.

**Officials' Response:**

See Corrective Action Plan

**3. FINDINGS FOR FEDERAL AWARDS**

None

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
DECEMBER 31, 2015**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2015-001	We will make a greater effort to record transactions in the proper year and ensure timeliness of reporting requirements	Immediate and on-going	Denny Schooley



# Dave Yost • Auditor of State

**DELAWARE AREA TRANSIT AGENCY**

**DELAWARE 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  
NOVEMBER 10, 2016**