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DELAWARE COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Delaware County
140 N Sandusky St
Delaware, Ohio 43015

We have performed the procedures enumerated below, with which the County Commissioners and the management of Delaware County, Ohio (the County) agreed, solely to assist the County Commissioners in evaluating whether their transit department's accounting system; (1) follows the Federal Transit Administration's (FTA) Uniform System of Accounts (USOA); (2) follows accrual accounting or a directly translatable method; and (3) can report data in conformity with the National Transit Database (NTB) requirements. Management is responsible for its accounting system, reported data and for complying with FTA and NTB requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Uniform System of Accounts (USOA) (informational only)

The USOA is the basic reference document for the National Transit Database. It contains the accounting structure required by Federal Transit laws. The main purpose of the USOA is to ensure that data definitions are uniform for all transit agencies. Each transit agency must maintain the accounts and records necessary to meet its own internal information requirements as well as those specified in the USOA. It is not mandatory the internal books of account for a transit agency be maintained solely as described in the USOA. Each transit agency should customize its internal system of accounts to meet its own management requirements and also ensure that it is able to translate its accounts to the prescribed uniform system of accounts.

- 1. Accrual Method of Accounting** USOA (Chapter 1) requires the accrual basis of accounting to be used. For those transit agencies that use cash-basis or encumbrance-basis accounting, in whole or in part, the agency must make work sheet adjustments to record data on the accrual basis of accounting as described in the USOA. USOA (Chapter 2) provides additional information regarding the accounting method prescribed by FTA National Transit Database.

We inquired with management and noted Delaware County maintains accounting records on cash-basis of accounting. We obtained the *National Transit Database F-10, F-20 F-30 and F-40* reports from the Delaware County's transit department for the year ended 12/31/2013. We noted the County maintained work sheet adjustments to convert their cash basis information from their accounting system to the accrual basis described in the USOA.

- 2. Capital Definitions** USOA (Chapter 3) indicates capital costs are those expenses related to purchasing capital equipment and financing capital projects. They are large, non-annually recurring expenditures that have long-rang impact on the transit agency. For USOA, capital purchases are defined as long-term assets that are depreciated over a number of years. A capital purchase would be accounted for as a long-term asset at one point in time (i.e. at the time of physical delivery), if, except for a down payment, it is paid entirely at one time.

We reviewed the County's 12/31/2013 *National Transit Database F-10, F-20, F-30 and F-40* reports for items identified as capital purchases. We noted no such items.

- 3. Revenue Definitions** USOA (Chapter 4) provides definitions for classifying the origin and amount of revenue under the USOA. The USOA classifies revenues into various categories, including but not limited to, passenger fares for directly-operated transit service, special transit fares, state special fair assistance and federal cash grants and reimbursements.

We inquired with management and noted the County receives transit revenues in the form of passenger fares for directly operating transit service, auxiliary transportation funds, revenues accrued through a purchased transportation agreement, and State and Federal grants. We reviewed the County's cash-basis revenue ledger and noted the County has separate account codes to record each of these revenues. We scanned the revenues included in these accounts and noted they appeared consistent with the definitions contained in the USOA.

For the 12/31/2013 *National Transit Database F-10, F-20, F-30 and F-40* reports, we agreed the revenue totals to the accrual work sheet and to the County's cash-basis accounting records. We noted the amounts agreed. We agreed the accrual adjustments to the subsequent receipt ledger and noted they were reasonable adjustments to convert the County's cash basis revenues to an accrual basis.

- 4. Expense Object Classes** USOA (Chapter 5) provides definitions for classifying expenses that are included in each object class under the USOA. An object class contains the expense for an article or service obtained. This is distinguished from expense functions, which record the costs to produce the results obtained by using the article of service. Object class expenses are grouped on the basis of types of goods or services purchased. Object classes include salaries and wages, fringe benefits, services, materials and supplies and other expenses.

We inquired with management and noted the County's transit department object expenses include Labor, Materials and Supplies, Utilities, Casualty and Liability Costs, and Miscellaneous Expense. We reviewed the County's cash-basis expenditure ledger and noted the County has separate account codes to record each of these object expenses. We scanned the expenses included in each object expense category and noted they appeared consistent with the definitions contained in the USOA.

For the 12/31/2013 *National Transit Database F-10, F-20, F-30 and F-40* reports, we agreed the expense totals to the accrual work sheet and to the County's cash-basis accounting records. We noted that Materials and Supplies were overstated on the *National Transit Database F-30 and F-40* reports by \$45 and the Casualty and Liability Costs were overstated by \$300. We agreed the accrual adjustments to the subsequent expense ledger and noted they were reasonable adjustments to convert the County's cash basis expenses to an accrual basis.

5. Expense Functions USOA (Chapter 6) provides definitions for classifying expenses under the USOA into various functions. Functions under USOA include Vehicle Operations, Vehicle Maintenance, Non-Vehicle Maintenance, and General Administration.

We inquired with management and noted the County's transit department function expenses include Vehicle Operations, Vehicle Maintenance, Non-Vehicle Maintenance, and General Administration. We scanned the County's function allocations calculations and noted the County has a reasonable method for allocating transit costs to various function expenses consistent with the definitions contained in the USOA. For direct modal and shared costs, if applicable, we scanned the County's calculation and determined these items were allocated based on a reasonable method.

For the 12/31/2013 *National Transit Database F-10, F-20, F-30 and F-40* reports, we agreed the functional expenditure totals to the County's allocation calculations.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the County's transit department's accounting system, receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the County, and is not intended to be, and should not be used by anyone other than these specified parties.



Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor

Columbus, Ohio

July 30, 2014

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DELAWARE COUNTY FINANCIAL CONDITION

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
SEPTEMBER 9, 2014