



Dave Yost • Auditor of State



**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Statement of Net Position .....	11
Statement of Revenues, Expenses, and Changes in Net Position.....	12
Statement of Cash Flows.....	13
Notes to the Basic Financial Statements .....	15
Required Supplementary Information:	
Schedule of SEAT's Proportionate Share of the Net Pension Liability Ohio Public Employees Retirement System - Last Two Fiscal Years .....	29
Schedule of SEAT Contributions Ohio Public Employees Retirement System - Last Three Fiscal Years .....	30
Schedule of Expenditures of Federal Awards.....	31
Notes to the Schedule of Expenditures of Federal Awards .....	32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	33
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 .....	35
Schedule of Findings – 2 CFR Part 200.515 .....	37

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

South East Area Transit  
Muskingum County  
375 Fairbanks Street  
Zanesville, Ohio 43701

To the Board of Trustees:

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

We have audited the accompanying financial statements of the South East Area Transit, Muskingum County, Ohio (the Authority), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority'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 Authority'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 audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South East Area Transit, Muskingum 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.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157  
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Emphasis of Matter***

As discussed in Note 12 to the financial statements, during the year ended December 31, 2015, the Authority 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*. 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 Authority's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the Schedule) 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 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 September 14, 2016 on our consideration of the Authority'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 Authority'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

September 14, 2016

**This page intentionally left blank.**

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

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

As management of South East Area Transit ("Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority 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**

During 2015, the Authority 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 Authority'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 Authority's proportionate share of each plan's collective:

- ⌘ Present value of estimated future pension benefits attributable to active and inactive employees' past service
- ⌘ 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 Authority 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

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

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

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 Authority's 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 Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.
- ⤴ The Authority has net position of \$785,789. Net position results from a difference between total assets and deferred outflows of resources of \$1,964,967 and total liabilities and deferred inflows of resources of \$1,179,178.
- ⤴ Current assets of \$560,806 primarily consist of Cash and Cash Equivalents of \$254,809, Accounts Receivable of \$16,441, and Intergovernmental Receivable of \$251,237.
- ⤴ Current liabilities of \$263,583 primarily consist of Notes Payable of \$101,288, Accounts Payable of \$58,535, and Payroll related items of \$90,673.

**Basic Financial Statements and Presentation**

The financial statements presented by the Authority 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 Authority 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, over their estimated useful lives.

The Statement of Net Position presents information on all the Authority's assets and liabilities, 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 Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increase in liabilities results in increased net position which indicate improved financial condition.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net assets 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 Authority'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.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

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

**Financial Analysis of the Authority**

Table 1 provides a summary of the Authority's net position for 2015:

	<b>2015</b>	<b>2014</b>
<b>Assets &amp; Deferred Outflows:</b>		
Current Assets	\$ 560,806	\$ 572,063
Capital Assets (net of accumulated depreciation)	1,249,267	1,268,537
Deferred Outflows of Resources-Pensions	154,894	104,462
Total Assets & Deferred Outflows	<u>1,964,967</u>	<u>1,945,062</u>
<b>Liabilities &amp; Deferred Inflows:</b>		
Net Pension Liability	856,339	836,997
Deferred Inflows of Resources-Pensions	15,044	-
Current Liabilities	263,583	323,181
Long-Term Liabilities	44,212	42,282
Total Liabilities & Deferred Inflows	<u>1,179,178</u>	<u>1,202,460</u>
<b>Net Position:</b>		
Invested in Capital Assets	1,249,267	1,268,537
Unrestricted	(463,478)	(525,935)
Total Net Position	<u>\$ 785,789</u>	<u>\$ 742,602</u>

Current Assets decreased \$11,257 primarily due to decrease in intergovernmental receivables caused by prompt payment of receivables by ODOT and contracted governmental customers.

Capital assets decreased \$19,270 as a result of a higher value of disposition of unused assets as opposed to acquisitions for 2015.

Current liabilities decreased \$59,598 primarily due to decreased accounts payable due to timing of the payment of payables.

The largest portion of the Authority's net position reflect investment in capital assets consisting of buildings, buses, and equipment less any related debt used to acquire these assets still outstanding. The Authority uses these capital assets to provide public transportation services for the counties of Muskingum and Guernsey; consequently, these assets are not available for future spending.

The Authority maintains a line of credit to pay current operating expenses. At December 31, 2015, the balance of the line of credit was \$101,288, and unrestricted net position had a negative balance of \$463,478.

Working capital is an organization's current assets less its current liabilities. Working capital is an indicator or liquidity or an organization's ability to pay current operating expenses on time. At December 31, 2015, the Authority had a positive working capital balance of \$297,223.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

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

Table 2 shows the highlights of the Authority's revenues and expenses. These two main components are subtracted to yield the changes in net position. This table uses the full accrual method of accounting.

	<b>2015</b>	<b>2014</b>
<b>Operating Revenues (Expenses)</b>		
Operating Revenues	\$ 2,828,286	\$ 2,735,410
Operating Expenses (excluding depreciation)	(2,964,512)	(2,848,296)
Depreciation Expenses	(194,466)	(236,740)
Operating Loss	<u>(330,692)</u>	<u>(349,626)</u>
<b>Non Operating Revenues</b>		
Capital Grant Revenue	365,971	420,281
Loss on Disposal of Asset	-	-
Other Non-Operating Income	7,908	70,806
Total Non-Operating Revenues	<u>373,879</u>	<u>491,087</u>
<b>Change in Net Position During Year</b>	43,187	141,461
<b>Net Position, Beginning of Year (Restated - See Note 12)</b>	742,602	N/A
<b>Net Position, End of Year</b>	<u><u>\$ 785,789</u></u>	<u><u>\$ 742,602</u></u>

**Financial Operating Activities**

Operating revenues increased by \$92,876 caused by an increase in contract services provided to Muskingum County & Guernsey County JFS.

Operating expenses (Including Wages, Fringe Benefits, and, Purchased Transportation) increased \$116,216 which is consistent with the increases of contract revenue.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$104,462 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$93,156. Consequently, in order to compare 2015 total expenses to 2014, the following adjustment are needed:

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

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

Total 2015 program expenses under GASB 68	\$3,158,978
Program expenses under GASB 68	(93,156)
2015 contractually required contributions	<u>109,202</u>
Adjusted 2015 program expenses	3,175,024
Total 2014 program expenses under GASB 27	<u>3,085,036</u>
Increase in program expenses not related to pension	<u>\$89,988</u>

**Capital Assets and Debt Administration**

The Authority's investment in capital assets as of December 31, 2015 is \$1,249,267 (net of accumulated depreciation). This investment in capital assets includes land, buildings, buses, and equipment.

Additional information concerning the Authority's capital assets can be found in Note 5 of the Notes to the Basic Financial Statements.

As of December 31, 2015, long term liabilities consist entirely of compensated absences for accrued sick pay of \$44,212.

The Authority has no long term debt, but does have a line of credit of which \$101,288 was outstanding at December 31, 2015.

**Contacting the Authority's Financial Management**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact our Transit Director at 375 Fairbanks Street, Zanesville, Ohio 43701.

**This page intentionally left blank.**

**South East Area Transit  
Muskingum County  
Statement of Net Position  
For the Year Ended December 31, 2015**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 254,809
Accounts Receivable	16,441
Intergovernmental Receivable	251,237
Materials & Supplies Inventory	36,569
Prepaid Expenses	1,750
Total Current Assets	<u>560,806</u>

Non-Current Assets:

Property, Facilities and Equipment	
Land - Non Depreciable	334,255
Operating Facilities	1,767,602
Buses & Other Vehicles	1,643,655
Furniture, Fixtures, & Equipment	528,960
Subtotal	<u>4,274,472</u>
Less Accumulated Depreciation	<u>(3,025,205)</u>
Total Property, Facility and Equipment (net of accumulated depreciation)	<u>1,249,267</u>
Total Non-Current Assets	<u>1,249,267</u>

Total Assets	<u>1,810,073</u>
--------------	------------------

**Deferred Outflows of Resources**

Deferred Outflows of Resources - Pensions	<u>154,894</u>
---	----------------

**Liabilities**

Current Liabilities

Notes Payable	101,288
Accounts Payable	58,535
Accrued Payroll	15,325
Accrued Payroll Taxes & Withholdings	17,705
Accrued Vacation Time	57,643
Unredeemed Fares	13,087
Total Current Liabilities	<u>263,583</u>

Long-Term Liabilities

Net Pension Liability	856,339
Accrued Sick Time	44,212
Total Long-Term Liabilities	<u>900,551</u>

Total Liabilities	<u>1,164,134</u>
-------------------	------------------

**Deferred Inflows of Resources**

Deferred Inflows of Resources-Pensions	<u>15,044</u>
--	---------------

**Net Position**

Invested in Capital Assets	1,249,267
Unrestricted	<u>(463,478)</u>
Total Net Position	<u><u>785,789</u></u>

See Accompanying Notes to the Basic Financial Statements

**South East Area Transit  
Muskingum County  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2015**

<b>Operating Revenues</b>	
General Public Fares	\$ 99,307
Special Transit Fares	1,378,518
Intergovernmental Funding	1,276,099
Advertising Revenue	29,663
Maintenance Services	33,697
Other Operating Revenue	11,002
Total Operating Revenues	<u>2,828,286</u>
<b>Operating Expenses</b>	
Labor	891,874
Fringe Benefits	782,705
Services	96,806
Materials & Supplies	236,788
Utilities	44,280
Casualty & Liability Insurance	78,725
Taxes	961
Purchased Transportation	800,476
Miscellaneous Expenses	16,897
Interest Expense	4,800
Leases & Rentals	10,200
Total Operating Expenses	<u>2,964,512</u>
<b>Operating Loss Excluding Depreciation</b>	(136,226)
Depreciation	<u>194,466</u>
<b>Operating Loss</b>	(330,692)
<b>Non-Operating Revenues</b>	
Federal Capital Maintenance Grant	230,033
Federal Grant - Capital	135,938
Other Non-Operating Income	7,908
Total Non-Operating Revenues	<u>373,879</u>
<b>Change in Net Position</b>	43,187
<b>Net Position, Beginning of Year (Restated - See Note 12)</b>	<u>742,602</u>
<b>Net Position, End of Year</b>	<u><u>\$ 785,789</u></u>

See Accompanying Notes to the Basic Financial Statements

**South East Area Transit  
Muskingum County  
Statement of Cash Flows  
For the Year Ended December 31, 2015**

**Operating Activities**

Cash Received From Customers	\$ 1,473,551
Cash Received From Grants for Operating	1,327,307
Cash Received From Advertising Fees	29,663
Cash Received From Maintenance Services	33,697
Cash Received From Other Receipts	11,002
Cash Payments for Operating and Administrative Expenses	<u>(2,993,891)</u>
Net Cash Used	(118,671)

**Non-Capital Financing Activities**

Increase (Decrease) on Line of Credit	(42,450)
---------------------------------------	----------

**Capital and Related Financing Activities**

Proceeds From Capital Grants and Assistance	365,971
Proceeds From Sale of Equipment / Other	7,811
Payments For The Purchase of Capital Assets	<u>(175,196)</u>
Net Cash Provided	198,586

**Investing Activities**

Cash Received From Interest	97
-----------------------------	----

**Net Increase in Cash & Equivalents**

37,562

**Cash & Equivalents - Beginning of Year**

217,247

**Cash & Equivalents - End of Year**

\$ 254,809

**Reconciliation of Operating Gain (Loss) to Net Cash Used in Operating Activities**

Operating Loss	\$ (330,692)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation	194,466
Changes in Assets & Liabilities	
(Increase) Decrease in Accounts Receivable	51,209
(Increase) Decrease in Inventories	(2,390)
Increase (Decrease) in Accounts Payable	(43,532)
Increase (Decrease) in Payroll Liabilities	18,075
Increase (Decrease) in Compensated Absenses	5,965
Increase (Decrease) in Unredeemed Fares	4,274
Net Pension Liability	19,342
Deferred Outflows - Pensions	(50,432)
Deferred Inflows - Pensions	<u>15,044</u>
Net Cash (Used) in Operating Activities	<u><u>\$ (118,671)</u></u>

See Accompanying Notes to the Basic Financial Statements

**This page intentionally left blank.**

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**1. DESCRIPTION OF THE AUTHORITY AND REPORTING ENTITY**

Description of the Authority

The Muskingum Authority of Public Transit which is doing business as the South East Area Transit (hereinafter referred to as the "Authority") was created pursuant to Sections 306.30 through 306.54 of the Ohio Revised Code for the purpose of providing public transportation in the City of Zanesville, Muskingum County, City of Cambridge, and Guernsey County, as well as the Southeast Ohio Area. The Authority is an independent political subdivision of the State of Ohio and thus is not subject to federal or state income taxes.

At December 31, 2015 the Authority had 31 full-time equivalent employees and 2 part-time employee(s). Approximately 67% of the Authority's employees at December 31, 2015 are subject to a collective bargaining agreement expiring on May 31, 2016.

Description of the Reporting Entity

The accompanying financial statements comply with the provisions of the Government Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as well as GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14, and GASB Statement No. 61, Financial Reporting Entity: Omnibus an amendment of GASB Statements No 14 and No. 34. These statements require that financial statements of the reporting entity include all of the organizations, activities, functions, and component units for which the reporting entity is financially accountable.

Component units are legally separate organizations for which the authority is financially accountable. The authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the County approves the budget, the levying of taxes, the issuance of debt, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government. The Authority does not have financial accountability over any entities.

The Authority is managed by a twelve member Board of Trustees, who establishes policies and sets direction for the management of the Authority. Six members are appointed by the Mayor of Zanesville with the consent of City Council, two members are appointed by the Muskingum County Commissioners, and the remaining four members are appointed by the Guernsey County Commissioners, the Mayor of Cambridge, the Mayor of South Zanesville, and the Mayor of Byesville. The position appointed by the Mayor of Byesville has yet to be filled. Board Members serve overlapping three-year terms.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting. The most significant of the Authority's accounting policies are described below.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

The accompanying financial statements have been prepared on 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.

Budgetary Accounting and Control

The Authority's annual budget is prepared on the accrual basis of accounting as permitted by law.

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 the general operations. For the purpose of the statement of cash flows, the Authority considers all highly liquid instruments with a maturity of three months or less at the time they are purchased to be cash and cash equivalents.

Recognition of Receivables and Revenues

Passenger fares are recorded as revenue at the time services are provided and revenues pass through the farebox.

Grants and assistance revenues are received 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. Grants and assistance revenues from government-mandated and voluntary non-exchange transactions are recorded as a receivable and revenue when all eligibility requirements are met. Grants and assistance revenues received before the eligibility requirements are met are deferred.

Inventory of Materials and Supplies

Inventory items are stated at the lower of cost or market. Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

Capital Assets

Property, facilities, and equipment are stated at historical cost. The cost of normal maintenance and repairs are charged to operations as incurred. Improvements and interest are capitalized and depreciated over the remaining useful lives of the related properties, with the exception of land which is non-depreciable. 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>
Buildings and Improvements	5-20
Transportation Vehicles	4-12
Furniture, Fixtures and Equipment	3-15

Depreciation and losses on the disposal of capital assets acquired or constructed through grants externally restricted for capital acquisition are closed to net position. Net income (loss) adjusted by the amount of depreciation (and losses) on capital assets acquired in this manner is closed to net assets.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Operating Revenues and Expenses

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

Restricted Assets

Restricted Assets consist of monies and other resources, the use of which is legally restricted for capital acquisition and construction.

Net Position

Equity is displayed in three components as follows:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first.

Unrestricted – This consists of net position that does not meet the definition of "restricted" or "invested in capital assets".

Compensated Absences

GASB Statement No. 16 establishes criteria for compensated absences. Compensated absences for vacation leave and benefits with similar characteristics should be recorded as a liability when earned by employees if the following conditions are satisfied:

- The compensated absence is earned on the basis of services already provided by the employees; and
- It is probable that the compensated absence will be paid in a future period.

The Authority records compensated absences for vacation and sick leave in accordance with GASB No. 16. The Authority accrues vacation benefits as earned by its employees. Unused vacation benefits are paid to the employee upon separation from the Authority. Vacation days are limited to a maximum of twenty days. Upon voluntary termination, the Authority pays the employee 50% of accrued sick pay for a maximum of 100 days. An employee cannot carry over vacation to the following year; however, the Authority pays an employee with one or more years of service his or her accrued vacation upon termination of employment.

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 the amounts reported in the financial statements and accompanying notes.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**3. CASH AND INVESTMENTS**

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

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105% of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security maintained for public deposits and investments be held in the Authority's name.

The Authority is prohibited from investing in any financial instrument contract, 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 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"). The Authority is also prohibited from investing in reverse repurchase agreements.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

At December 31, 2015, the bank balance of all Authority deposits was \$263,322, and the book balance was \$254,809. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of December 31, 2015, \$13,322 of the Authority's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC.

Investments

The Authority held no investments at December 31, 2015.

**4. ACCOUNTS RECEIVABLE**

Receivables at December 31, 2015 consisted of accounts (billings for user charges for services) and intergovernmental grants.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**4. ACCOUNTS RECEIVABLE (Continued)**

Management estimated allowances for bad debt based on a review of accounts receivable at year end and it was determined that most accounts were collectable and in good standing. A summary of the principal items of intergovernmental receivables at December 31, 2015 consisted of the following amounts: Ohio Department of Transportation \$139,722, Ohio Department of Taxation \$9,369, Guernsey County Job and Family Services \$37,114 and Muskingum County Job and Family Services \$65,032.

**5. CAPITAL ASSETS**

A summary of capital asset activity during the fiscal year follows:

Asset Type	Balance at 12-31-2014	Additions	Deletions	Balance at 12-31-2015
<b>Nondepreciable Capital Assets:</b>				
Land	\$334,255	\$0	\$0	\$334,255
<b>Depreciable Capital Assets:</b>				
Buildings	1,748,824	18,778	0	1,767,602
Buses & Vehicles	1,644,734	144,590	145,669	1,643,655
Furniture, Fixtures and Equipment	524,280	11,828	7,148	528,960
Total Depreciable Capital Assets	<u>3,917,838</u>	<u>175,196</u>	<u>152,817</u>	<u>3,940,217</u>
<b>Accumulated Depreciation</b>				
Buildings	1,251,655	60,467	0	1,312,122
Buses & Vehicles	1,301,517	119,910	145,669	1,275,758
Furniture, Fixtures and Equipment	430,384	14,089	7,148	437,325
Total Accumulated Depreciation	<u>2,983,556</u>	<u>194,466</u>	<u>152,817</u>	<u>3,025,205</u>
Net Depreciable Capital Assets	<u>934,282</u>	<u>(19,270)</u>	<u>0</u>	<u>915,012</u>
Capital Assets - Net	<u>\$1,268,537</u>	<u>(\$19,270)</u>	<u>\$0</u>	<u>\$1,249,267</u>

**6. NOTE PAYABLE**

In 2015, the Authority renewed a Revenue Anticipation Note from a local bank in the amount of \$150,000 to be used as a source of short-term operating funds. The outstanding balance at December 31, 2015 is \$101,288. The Note is un-secured. The interest rate is variable.

**7. DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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 Authority'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 Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority 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.

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

SEAT 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. SEAT employees) may elect the member-directed plan and the combined plan, the majority of SEAT 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.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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.

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

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

	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 Authority's contractually required contribution was \$109,202 for year 2015.

**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 Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	Traditional Plan
Proportionate Share of the Net Pension Liability	\$856,339
Proportion of the Net Pension Liability	0.007100%
 Pension Expense	 \$93,156

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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

	Traditional Plan
<b>Deferred Outflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$45,692
SEAT contributions subsequent to the measurement date	109,202
Total Deferred Outflows of Resources	\$154,894
 <b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$15,044
Total Deferred Inflows of Resources	\$15,044

\$109,202 reported as deferred outflows of resources related to pension resulting from SEAT 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:

	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
Year Ending December 31:		
2016	11,423	(6,941)
2017	11,423	(6,941)
2018	11,423	(1,162)
2019	11,423	0
Thereafter	0	0
Total	45,692	(\$15,044)

**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.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**7. 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:

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
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	100.00 %	5.28 %

**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 Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority'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:

SEAT's Net Pension Liability	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Traditional Plan	\$1,575	\$856	\$251
	(in thousands)		

**8. POST-EMPLOYMENT BENEFITS**

Plan Description – 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.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided 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/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377..

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2015 the portion of employer contributions allocated to health care was 2 percent for members in the Traditional Plan and the Combined Plan. It was 2 percent in 2014.

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 health care plan. The Authority's contributions allocated to fund post-employment health care benefits for the year ended December 31, 2015 was \$18,200.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of the pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**9. GRANTS, REIMBURSEMENTS, AND SPECIAL FARE ASSISTANCE**

Grants, reimbursements, and special fare assistance in the statement of revenues, expenses, and changes in equity for the year ended December 31, 2015 consist of the following:

Federal:	
FTA Capital Assistance	\$ 365,971
FTA Operating Assistance	1,153,050
	<u>\$ 1,519,021</u>
State:	
ODOT Operating Assistance	\$ 10,000
ODOT Elderly Fare Assistance	10,549
	<u>\$ 20,549</u>
Local:	
City of Zanesville	\$ 80,000
Village of South Zanesville	2,500
Muskingum County	10,000
City of Cambridge	5,000
Guernsey County	5,000
Muskingum County Job and Family Services	774,598
Guernsey County Job and Family Services	477,572
	<u>\$ 1,354,670</u>

On April 25, 2012, the Board of Trustees established a capital replacement line item on its accounting system in which it places 11 percent of negotiated special transit fares. The purpose of these monies is to provide a local match portion for the Authority for federal capital maintenance grants or federal capital replacement grants that are available through the Ohio Department of Transportation, as needed. For the year ending December 31, 2015, the Authority collected \$52,458 in the capital replacement line item. This amount was reported in the financial statements within Special Transit Fares.

**10. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors and omission, employment related matters, injuries to employees and employee theft and fraud. The Authority joined together with certain other transit authorities in the State to form Ohio Transit Insurance Risk Pool Association, Inc. (OTRIP). OTRIP is a joint self-insurance pool pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for 10 member transit agencies. The Authority pays an annual premium to OTRIP for its general insurance coverage and makes quarterly payments into a loss and administration fund pursuant to OTRIP's bylaws. The Agreement of Formation of the OTRIP provides that OTRIP will be self-sustaining through member premiums.

Per occurrence, catastrophic loss coverage is maintained by OTRIP equal to \$200,000,000 for qualified property losses (including auto physical damage) and \$10,000,000 for automobile liability.

The Authority 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 any of the past three fiscal years.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**11. CONTINGENCIES**

The Authority receives a substantial amount of support from federal, state, and local governments. A significant reduction in this level of support, if such were to occur, would have a material effect on the Authority's programs and activities.

**12. CHANGE IN ACCOUNTING PRINCIPLE**

During fiscal year 2015, the Authority adopted 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 implementation of this pronouncement had the following effect on net position as reported December 31, 2014.

Net position December 31, 2014	\$1,475,137
Adjustments:	
Net Pension Liability	(836,997)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>104,462</u>
Net position December 31, 2014, Restated	<u><u>\$742,602</u></u>

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF SEAT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN  
LAST TWO FISCAL YEARS (1)**

	2014	2013
SEAT's proportion of the Net Pension Liability/(Asset)	0.007100%	0.007100%
SEAT's Proportionate Share of the Net Pension Liability	\$ 856,339	\$ 836,997
SEAT's Covered-Employee Payroll	\$ 870,517	\$ 888,623
SEAT's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.37%	94.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 year end.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF SEAT CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN  
LAST THREE FISCAL YEARS (1)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$109,202	\$104,462	\$115,521
Contributions in Relation to the Contractually Required Contribution	<u>109,202</u>	<u>104,462</u>	<u>115,521</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
SEAT Covered-Employee Payroll	\$910,017	\$870,517	\$888,623
Contribution as a Percentage of Covered- Employee Payroll	12.0%	12.0%	13.0%

(1) Information prior to 2013 is not available.

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b> <i>Passed Through Ohio Department of Transportation</i>			
Formula Grants for Rural Areas	20.509	OH-18-X035	<u>\$1,519,021</u>
Total U.S. Department of Transportation			<u>1,519,021</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$1,519,021</u></u>

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

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 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 South East Area Transit, Muskingum County, Ohio (the Authority) 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 Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**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, as applicable, 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 Authority 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 Authority to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Authority 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

South East Area Transit  
Muskingum County  
375 Fairbanks Street  
Zanesville, Ohio 43701

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 South East Area Transit, Muskingum County, Ohio (the Authority), as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2016. We noted the Authority adopted Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

As part of our financial statement audit, we considered the Authority'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 Authority'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 Authority'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Authority'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*.

***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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

September 14, 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

South East Area Transit  
Muskingum County  
375 Fairbanks Street  
Zanesville, Ohio 43701

To the Board of Trustees:

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

We have audited the South East Area Transit's, Muskingum County, Ohio (the Authority's), 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 Authority'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 Authority's major federal program.

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

The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Authority's compliance for the Authority'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 Authority'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 Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

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

In our opinion, the Authority 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 Authority'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 Authority'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 each 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 Authority'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 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 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

September 14, 2016

**SOUTH EAST AREA TRANSIT  
MUSKINGUM COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR Part 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Program (list):</b> <ul style="list-style-type: none"> <li>• Formula Grants for Rural Areas – CFDA #20.509</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR Part 200.520?</b>	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**SOUTH EAST AREA TRANSIT**

**MUSKINGUM 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 27, 2016**