



Dave Yost · Auditor of State

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Butler County Regional Transit Authority
Butler County
3045 Moser Court
Hamilton, Ohio 45011

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Butler County Regional Transit Authority, Butler County, Ohio (the Authority), as of and for the year ended December 31, 2016 and 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of 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 Butler County Regional Transit Authority, Butler County as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary 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 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 relate 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 May 31, 2017, 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.

Butler County Regional Transit Authority

Butler County

Independent Auditor's Report

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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, appearing to read "Dave Yost".

Dave Yost
Auditor of State

Columbus, Ohio

May 31, 2017

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**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(UNAUDITED)**

As management of the Butler County Regional Transit Authority, Butler County, Ohio (the 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, 2016 and 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 2016

The Authority has a net position of \$7.61 million. This net position result from the difference between total assets and deferred outflows of resources of \$11.01 million and total liabilities and deferred inflows of resources of \$3.40 million.

Current assets of \$1.62 million primarily consist of non-restricted Cash and Cash Equivalents of \$0.90 million; Intergovernmental/Accounts Receivable of \$0.61 million and prepaids of \$0.11 million.

Current liabilities of \$0.42 million primarily consist of Accounts Payable, Accrued Wages and related Payroll Accruals.

Financial Highlights for 2015

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:

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 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
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mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

In accordance with GASB 68, the 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 a net position of \$6.67 million. This net position result from the difference between total assets and deferred outflows of resources of \$8.84 million and total liabilities and deferred inflows of resources of \$2.17 million.

Current assets of \$1.42 million primarily consist of non-restricted Cash and Cash Equivalents of \$0.91 million; Intergovernmental/Accounts Receivable of \$0.44 million and prepaid/bid deposits of \$0.07 million.

Current liabilities of \$0.27 million primarily consist of Accounts Payable, Accrued Wages and related Payroll Accruals.

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 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 Authority's net position changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from federal, state and local governments.

The Statement of Cash Flows allows financial statement users to assess the Authority'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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
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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.

Net Position

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

**(Table 1)
Butler County Regional Transit Authority
Condensed Summary of Net Position
For the Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Current Assets | \$ 1,616,951 | \$ 1,421,533 |
| Net Pension Asset | 6,514 | 6,253 |
| Capital Assets (Net of Accumulated Depreciation) | 8,152,769 | 7,050,655 |
| Deferred Outflows of Resources-Pensions | 1,234,302 | 357,154 |
| Total Assets & Deferred Outflows | 11,010,536 | 8,835,595 |
| | | |
| Current Liabilities | 424,168 | 265,410 |
| Net Pension Liability | 2,922,737 | 1,868,991 |
| Deferred Inflows of Resources-Pensions | 58,001 | 34,742 |
| Total Liabilities & Deferred Inflows | 3,404,906 | 2,169,143 |
| | | |
| Net Position | | |
| Invested in Capital Assets | 8,152,769 | 7,050,655 |
| Unrestricted | (547,139) | (384,203) |
| Total Net Position | \$ 7,605,630 | \$ 6,666,452 |

During fiscal year 2016, the Authority's current assets increased as we received federal funds for replacement buses, facility improvements, and general operating funds. Capital assets increased due to the purchase of equipment and replacement vehicles, offset by the disposal of several vehicles and annual depreciation.

During fiscal year 2015, the Authority's current assets decreased as we spent funds on replacement buses and general operating funds. Capital assets increased due to the purchase of equipment and replacement vehicles, offset by the disposal of several vehicles and annual depreciation.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(UNAUDITED)**

Statement of Revenues, Expenses and Changes in Net Position

Table 2 reflects the changes in net position.

**(Table 2)
Butler County Regional Transit Authority
Condensed Summary of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2016 and 2015**

| Revenues: | 2016 | 2015 |
|--|--------------------------|--------------------------|
| Passenger Fares | \$ 473,513 | \$ 418,619 |
| Local Operating Funds | 0 | 67,659 |
| State Operating Funds | 108,732 | 97,957 |
| Federal Operating Funds | 1,223,605 | 1,399,649 |
| Intergovernmental Funding | 3,138,497 | 2,633,197 |
| Gain on Sale of Assets | 10,382 | 18,000 |
| Federal Capital Funds | 1,708,906 | 4,411,112 |
| Local Capital Funds | 1,750 | 0 |
| Sale of Non-Transportation Service | 90,000 | 90,000 |
| Other Income | 12,489 | 12,299 |
| Total Revenues | <hr/> 6,767,874 | <hr/> 9,148,492 |
| Expenses: | | |
| Operating Expenses | | |
| Net of Depreciation | 4,933,943 | 4,464,565 |
| Depreciation Expense | <hr/> 894,753 | <hr/> 675,456 |
| Total Expenses | <hr/> 5,828,696 | <hr/> 5,140,021 |
| Increase in Net Position During the Year | 939,178 | 4,008,471 |
| Net Position, Beginning of Year | <hr/> 6,666,452 | <hr/> 2,657,981 |
| Net Position, End of Year | <hr/> <hr/> \$ 7,605,630 | <hr/> <hr/> \$ 6,666,452 |

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(UNAUDITED)**

Financial Operating Results

Revenues - For purposes of this presentation, the Authority groups its Revenues into the following categories:

Operating Revenues

- **Passenger Fares – Demand Response/Contracts** – Fares paid by the public to ride the public bus service and public/contract fares paid by agencies on behalf of the rider.
- **Federal Operating Funds** – Federal Transit Administration (FTA) operating subsidy funds for the medical and job shuttle service. The medical shuttle began in 2008 and the job shuttle began operations in 2010. These funds were completely expended as of July 2015. BCRTA also receives general operating funds from FTA as part of our 5307 allocations as well as funds from competitive grant programs.
- **Intergovernmental Funding Agreements** – BCRTA has an agreement with Southwest Ohio Regional Transit Authority (SORTA), who operates park-n-ride express service from Butler County to Downtown Cincinnati. The agreement divides a portion of Urbanized Federal Funds which are allocated to the Authority, to SORTA to operate this service. The funds reported are the “gross” funds allocated to the Authority. In addition during 2009 BCRTA entered into a service agreement with the City of Middletown to operate a shuttle between Hamilton and Middletown, we added a shuttle between Oxford and Middletown during 2010 and added a shuttle operating between Oxford and Hamilton in 2012. The service agreement extended to the Tri-County shuttle beginning in 2015. During 2013 we entered into an agreement with Miami University to provide public transit services in the city of Oxford for a 10 year term.

Non-Operating Revenues

- **Gain/Loss on Sale of Assets** – Sale of surplus vehicles, property, and equipment.
- **Federal Capital Funds** – FTA funds for the purchase of capital assets.
- **Sale of Non-Transportation Services** – Funds received for management services provided to the city of Middletown Transit.
- **Other Income** – Miscellaneous refunds, credits, and interest income.

Operating Expenses - For purposes of this presentation, the Authority groups its Operating Expenses into the following categories:

Labor and Fringe Benefits - These personnel costs accounted for approximately 68% of the Authority operating expenses (excluding depreciation) in 2016 as compared to 63% in 2015. This reflects our continued expansion of services.

Contract Services - Items under this category include Attorney, Audit, Transit Management Fees, external vehicle maintenance, facility maintenance, as well as miscellaneous professional services.

Materials and Supplies - These costs have increased from prior years mainly due to fuel pricing and service expansion.

Utilities - These costs include natural gas, electric, water, and communication services.

Casualty and Liability - The Authority is a member of the Ohio Transit Risk Pool, which sets premiums based on service factors and claims experience.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
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Purchased Transportation – This represents the cost of the park-n-ride service operated by SORTA for the Authority and discussed under Intergovernmental Funding in the revenue section.

Other - This category summarizes various expenses not included in other expense categories.

Capital Assets – At the end of fiscal year 2016, the Authority had \$8,152,769 invested in land, operating facility, and vehicles. Table 3 shows fiscal year 2016 balances in comparison to 2015 balances:

**(Table 3)
Butler County Regional Transit Authority
Statement of Capital Assets
For the Years Ended December 31, 2015 and 2014**

| | 2016 | 2015 |
|---------------------------------------|--------------------------|----------------------|
| Non-Depreciable Capital Assets | | |
| Land | \$ 294,000 | \$ 294,000 |
| Depreciable Capital Assets | | |
| Operating Facility | 2,260,231 | 2,227,829 |
| Equipment & Misc. | 558,030 | 466,589 |
| Vehicles | 8,600,421 | 7,188,455 |
| Total Depreciable Capital Assets | <u>11,418,682</u> | <u>9,882,873</u> |
| Total Cost | <u>\$ 11,712,682</u> | <u>\$ 10,176,873</u> |
| Accumulated Depreciation | | |
| Operating Facility | (1,319,196) | (1,222,704) |
| Equipment | (372,775) | (321,432) |
| Vehicles | (1,867,942) | (1,582,082) |
| Total Depreciation | <u>(3,559,913)</u> | <u>(3,126,218)</u> |
| Net Value | <u>\$ 8,152,769</u> | <u>\$ 7,050,655</u> |

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 Authority's finances. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Chief Financial Officer, Butler County Regional Transit Authority, 3045 Moser Court, Hamilton, Ohio 45011.

Butler County Regional Transit Authority
Statement of Net Position
For the Years Ended December 31, 2016 and 2015

| Assets and Deferred Outflows of Resources | 2016 | 2015 |
|--|----------------------|---------------------|
| Current Assets: | | |
| Cash on Deposit | \$ 898,146 | \$ 906,982 |
| Intergovernmental Receivable | 601,774 | 432,506 |
| Accounts Receivable | 4,626 | 9,130 |
| Prepaids | 112,405 | 72,915 |
| Total Current Assets | 1,616,951 | 1,421,533 |
| Non-Current Assets: | | |
| Net Pension Asset | 6,514 | 6,253 |
| Property, Facilities and Equipment | | |
| Land - Non Depreciable | 294,000 | 294,000 |
| Operating Facility | 2,260,231 | 2,227,829 |
| Vehicles & Equipment | 8,600,421 | 7,188,455 |
| Furniture & Equipment | 495,987 | 416,249 |
| Amenities & Misc. | 62,043 | 50,340 |
| Subtotal | 11,712,682 | 10,176,873 |
| Less Accumulated Depreciation | (3,559,913) | (3,126,218) |
| Total Property, Facility and Equipment (net of accumulated depreciation) | 8,152,769 | 7,050,655 |
| Total Non-Current Assets | 8,159,283 | 7,056,908 |
| Deferred Outflows of Resources - Pensions | 1,234,302 | 357,154 |
| Total Assets and Deferred Outflows of Resources | \$ 11,010,536 | \$ 8,835,595 |
| Liabilities, Deferred Inflows of Resources and Net Position | | |
| Current Liabilities | | |
| Accounts Payable | 203,449 | 116,609 |
| Accrued Payroll & Benefits | 136,900 | 133,531 |
| Unearned Funds | 83,819 | 15,270 |
| Total Current Liabilities | 424,168 | 265,410 |
| Net Pension Liability | 2,922,737 | 1,868,991 |
| Total Liabilities | 3,346,905 | 2,134,401 |
| Deferred Inflows of Resources - Pensions | 58,001 | 34,742 |
| Net Position | | |
| Invested in Capital Assets | 8,152,769 | 7,050,655 |
| Unrestricted | (547,139) | (384,203) |
| Total Net Position | 7,605,630 | 6,666,452 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 11,010,536 | \$ 8,835,595 |

See Accompanying Notes to the Basic Financial Statements

Butler County Regional Transit Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|--|--------------|--------------|
| Operating Revenues | | |
| Passenger Fares - Demand Response, Contracts | \$ 473,513 | \$ 418,619 |
| Local Operating Funds | 0 | 67,659 |
| State Operating Funds | 108,732 | 97,957 |
| Federal Operating Funds | 1,223,605 | 1,399,649 |
| Intergovernmental Funding | 3,138,497 | 2,633,197 |
| Total Operating Revenues | 4,944,347 | 4,617,081 |
| Operating Expenses | | |
| Labor | 2,394,887 | 2,252,823 |
| Fringe Benefits | 984,111 | 687,443 |
| Contract Services | 290,122 | 282,555 |
| Materials & Supplies | 465,301 | 463,218 |
| Utilities | 79,415 | 75,844 |
| Casualty & Liability Insurance | 208,700 | 157,138 |
| Purchased Transportation | 479,045 | 506,468 |
| Depreciation Expense | 894,753 | 675,456 |
| Other | 32,362 | 39,076 |
| Total Operating Expenses | 5,828,696 | 5,140,021 |
| Operating Gain (Loss) | (884,349) | (522,939) |
| Non-Operating Revenues (Expenses) | | |
| Gain/Loss on Sale of Capital Asset | 10,382 | 18,000 |
| Federal Capital Funds | 1,708,906 | 4,411,112 |
| Local Capital Funds | 1,750 | - |
| Sale of Non-Transportation Services | 90,000 | 90,000 |
| Other Income | 12,489 | 12,299 |
| Total Non-Operating Revenue | 1,823,527 | 4,531,411 |
| Net Gain (Loss) | 939,178 | 4,008,471 |
| Net Position, Beginning of Year | 6,666,452 | 2,657,981 |
| Net Position, End of Year | \$ 7,605,630 | \$ 6,666,452 |

See Accompanying Notes to the Basic Financial Statements

Butler County Regional Transit Authority
Statement of Cash Flows
For the Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Operating Activities | | |
| Cash Received From Customers | \$ 4,779,583 | \$ 4,562,460 |
| Cash Payments - Suppliers for Goods & Services | (1,399,555) | (1,609,496) |
| Cash Payments - Employees for Wages & Fringes | (3,176,034) | (2,965,611) |
| Net Cash Provided (Used) by Operating Activities | <u>203,994</u> | <u>(12,647)</u> |
| Non-Capital Financing Activities | | |
| Non-Transit Funds | 102,489 | 102,298 |
| Prepays - Other | (39,490) | 5,043 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>62,999</u> | <u>107,341</u> |
| Capital and Related Financing Activities | | |
| Improvements to Operating Facility | (32,402) | - |
| Purchase of Vehicles & Equipment | (1,873,024) | (5,301,543) |
| Purchase of Equipment & Furniture | (91,441) | (56,441) |
| Purchase of Amenities & Misc. | - | - |
| Federal Capital Funds | 1,708,906 | 4,411,112 |
| Local Capital Funds | 1,750 | - |
| Proceeds from Disposal of Fixed Asset | 10,382 | 18,000 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(275,829)</u> | <u>(928,872)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (8,836) | (834,178) |
| Cash and Cash Equivalents at Beginning of Year | 906,982 | 1,741,160 |
| Cash and Cash Equivalents at End of Year | \$ 898,146 | \$ 906,982 |

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

| | | |
|---|-------------------|--------------------|
| Operating Gain (Loss) | \$ (884,349) | \$ (522,939) |
| Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used in Operating Activities | | |
| Depreciation | 894,753 | 675,456 |
| Changes in Assets & Liabilities: | | |
| Accounts/Intergovernmental Receivables | (164,764) | (54,622) |
| Accounts Payable | 86,840 | (87,865) |
| Accrued Payroll & Benefits | 3,369 | 24,299 |
| Accrued Tickets & Reserves | 68,549 | 2,668 |
| Net Pension Asset | (261) | (4,549) |
| Net Pension Liability | 1,053,746 | 42,214 |
| Deferred Outflows - Pensions | (877,148) | (122,051) |
| Deferred Inflows - Pensions | 23,259 | 34,742 |
| Net Cash Provided (Used) in Operating Activities | <u>\$ 203,994</u> | <u>\$ (12,647)</u> |

See Accompanying Notes to the Basic Financial Statements

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**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Entity - The Butler County Regional Transit Authority (BCRTA, the Authority), is a body corporate and politic 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 Sections 306.30 through 306.71 of the Ohio Revised Code. As a political subdivision, it is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The Authority is not subject to federal or state income taxes.

The Authority is directed by a nine member Board of Trustees appointed by the Board of County Commissioners of Butler County. The Authority is responsible for the safe and efficient operation and maintenance of regional transportation within Butler County.

Reporting Entity - The Authority complies with the provisions of Statement No. 14 of the Governmental Accounting Standards Board (GASB) regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority has no component units. The Authority is, however, considered to be a related organization of Butler County by virtue of the fact that BCRTA's Board of Trustees is appointed by the County Commissioners and the County's ability to impose its will on the Authority.

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

Basis of Accounting - The Authority'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 Authority 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.

In accordance with Statement No. 20 of the GASB, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund accounting, the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989.

Non-exchange Transactions - The Authority 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 Authority.

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

BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity, at date of purchase, of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Investments - The RTA maintains all available funds on deposit with financial institutions with amounts on deposit protected by FDIC coverage or through a public funds depository agreement. The investment policy prohibits any type of investing that would be considered risky.

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, liabilities, 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.

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, 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:

Invested 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 invested in capital assets.

BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses - The Authority 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 Authority. 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 Authority 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 Authority 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.

Compensated Absences - The Authority offers employees paid time off (PTO). These benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable the Authority will compensate employees for the benefits through time off or some other means. An annual accrual for PTO balances at year end is made to the extent that it is probable that benefits will result in future payments.

2. EQUITY IN CASH AND DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority 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 Authority had a bank balance and carrying amount of \$898,146 at December 31, 2016 and \$906,982 at December 31, 2015 with financial institutions authorized to accept public funds. Of the bank balance at December 31, 2016 \$250,000 was covered by federal depository insurance and \$648,146 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the Authority's name. Of the bank balance at December 31, 2015 \$250,000 was covered by federal depository insurance and \$656,982 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the Authority's name.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

3. 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. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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.

Ohio Public Employees Retirement System (OPERS)

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

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 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):

| Group A | Group B | Group C |
|---|---|---|
| State and Local | State and Local | State and Local |
| 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 |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 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.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 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:

| | <u>State and Local</u> |
|--|----------------------------|
| 2016 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2016 Actual Contribution Rates | |
| Employer: | |
| Pension | 12.0 % |
| Post-employment Health Care Benefits | <u>2.0</u> |
| Total Employer | <u>14.0 %</u> |
| Employee | <u>10.0 %</u> |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$366,899 for year 2016.

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, 2015, 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:

| | <u>OPERS</u> | |
|---|-------------------------|----------------------|
| | <u>Traditional Plan</u> | <u>Combined Plan</u> |
| Proportionate Share of the Net Pension Liability/(Asset) | \$2,922,737 | (\$6,514) |
| Proportion of the Net Pension Liability | 0.016842% | 0.012560% |

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

3. DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Traditional Plan | Combined Plan | Total |
|--|-----------------------------|-------------------------|-----------------------------|
| Deferred Outflows of Resources | | | |
| Net difference between projected and actual earnings on pension plan investments | (\$850,992) | (\$2,705) | (\$853,697) |
| BCRTA contributions subsequent to the measurement date | (269,157) | (3,379) | (272,536) |
| Changes in proportion and differences | <u>(107,111)</u> | <u>(958)</u> | <u>(108,069)</u> |
| Total Deferred Outflows of Resources | <u><u>(\$1,227,260)</u></u> | <u><u>(\$7,042)</u></u> | <u><u>(\$1,234,302)</u></u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$54,831 | \$3,170 | \$58,001 |
| Changes in proportion and differences | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Deferred Inflows of Resources | <u><u>\$54,831</u></u> | <u><u>\$3,170</u></u> | <u><u>\$58,001</u></u> |

\$272,536 reported as deferred outflows of resources related to pension resulting from BCRTA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. 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: | | |
| 2017 | (\$692,549) | \$25,307 |
| 2018 | (423,333) | 5,229 |
| 2019 | (195,270) | 1,958 |
| 2020 | (502) | 1,554 |
| 2021 | (388) | 1,150 |
| Thereafter | <u>(480)</u> | <u>1,160</u> |
| Total | <u><u>(\$1,312,522)</u></u> | <u><u>\$36,358</u></u> |

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.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 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, 2015, 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 | 4.25 to 10.05 percent including wage inflation |
| COLA or Ad Hoc COLA | Pre 1/7/2013 Retirees: 3.00 percent, simple Post 1/7/2013 Retirees: 3.00 percent, simple through 2018, then 2.80 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 0.4 percent for 2015.

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 2015 and the long-term expected real rates of return:

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

3. DEFINED BENEFIT PENSION PLANS (Continued)

| <u>Asset Class</u> | Target Allocation <u>2015</u> | Long Term Expected Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|-------------------------------------|---|
| Fixed Income | 23.00 % | 2.31 % |
| Domestic Equities | 20.70 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 18.30 | 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 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:

| <u>BCRTA's Net Pension Liability/(Asset)</u> | Current | | |
|--|------------------------|--------------------------|------------------------|
| | 1% Decrease (7.00%) | Discount Rate (8.00%) | 1% Increase (9.00%) |
| Traditional Plan | \$4,648 | \$2,917 | \$1,458 |
| Combined Plan | (\$0) | \$0 | (\$1) |

(in thousands)

4. MANAGEMENT SERVICES

In 2010, the Authority contracted with the Lakatos Group to provide management services. Specifically, the Lakatos Group is providing the services of Executive Director. Beginning in July 2013 the Board contracted directly with Carla Lakatos for these services. The Director works for the Board of Trustees and oversees the day to day operations as well as directing the strategic planning of the organization. The Executive Director also serves as the liaison to local, state, and federal officials. As of January 1, 2016, Ms. Lakatos was replaced as Executive Director by Matthew Dutkevitz. Management services are no longer contracted as Mr. Dutkevitz performs these obligations as an employee of the Authority.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

5. RISK MANAGEMENT

The Authority 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 Authority 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 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.

6. CAPITAL ASSETS – 2016

| | January 1, 2016 | Additions | Deletions | December 31, 2016 |
|---------------------------------------|----------------------------|----------------------------|---------------------|----------------------------|
| Non-Depreciable Capital Assets | | | | |
| Land | \$ 294,000 | \$ - | \$ - | \$ 294,000 |
| Depreciable Capital Assets | | | | |
| Operating Facility | 2,227,829 | 32,402 | - | 2,260,231 |
| Equipment | 466,589 | 91,441 | - | 558,030 |
| Vehicles | 7,188,455 | 1,873,024 | (461,058) | 8,600,421 |
| Total Depreciable Capital Assets | 9,882,873 | 1,996,867 | (461,058) | 11,418,682 |
| Total Cost | <u>\$ 10,176,873</u> | <u>\$ 1,996,867</u> | <u>\$ (461,058)</u> | <u>\$ 11,712,682</u> |
| Accumulated Depreciation | | | | |
| Operating Facility | (1,222,704) | (96,492) | - | (1,319,196) |
| Equipment | (321,432) | (51,343) | - | (372,775) |
| Vehicles | (1,582,082) | (746,918) | 461,058 | (1,867,942) |
| Total Depreciation | <u>\$ (3,126,218)</u> | <u>\$ (894,753)</u> | <u>\$ 461,058</u> | <u>\$ (3,559,913)</u> |
| Net Value | <u><u>\$ 7,050,655</u></u> | <u><u>\$ 1,102,114</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 8,152,769</u></u> |

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

CAPITAL ASSETS – 2015

| | January 1, 2015 | Additions | Deletions | December 31, 2015 |
|---------------------------------------|----------------------------|----------------------------|---------------------|----------------------------|
| Non-Depreciable Capital Assets | | | | |
| Land | \$ 294,000 | \$ - | \$ - | \$ 294,000 |
| Depreciable Capital Assets | | | | |
| Operating Facility | 2,227,829 | - | - | 2,227,829 |
| Equipment | 443,049 | 56,441 | (32,901) | 466,589 |
| Vehicles | 2,117,807 | 5,301,543 | (230,895) | 7,188,455 |
| Total Depreciable Capital Assets | 4,788,685 | 5,357,984 | (263,796) | 9,882,873 |
| Total Cost | <u>\$ 5,082,685</u> | <u>\$ 5,357,984</u> | <u>\$ (263,796)</u> | <u>\$ 10,176,873</u> |
| Accumulated Depreciation | | | | |
| Operating Facility | (1,120,877) | (101,827) | - | (1,222,704) |
| Equipment | (280,597) | (73,736) | 32,901 | (321,432) |
| Vehicles | (1,313,085) | (499,892) | 230,895 | (1,582,082) |
| Total Depreciation | <u>\$ (2,714,559)</u> | <u>\$ (675,455)</u> | <u>\$ 263,796</u> | <u>\$ (3,126,218)</u> |
| Net Value | <u>\$ 2,368,126</u> | <u>\$ 4,682,529</u> | <u>\$ 0</u> | <u>\$ 7,050,655</u> |

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BCRTA CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS ENDED DECEMBER 31**

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually Required Contribution | \$ 366,899 | \$ 345,054 | \$ 322,316 | \$ 238,425 | \$ 171,079 |
| Contributions in Relation to the Contractually Required Contribution | <u>\$ 366,899</u> | <u>\$ 345,054</u> | <u>\$ 322,316</u> | <u>\$ 238,425</u> | <u>\$ 171,079</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| BCRTA Covered-Employee Payroll Contribution as a Percentage of Covered-Employee Payroll | \$ 2,710,406 | \$ 2,532,610 | \$ 2,375,026 | \$ 1,766,282 | \$ 1,256,193 |
| | 13.5% | 13.6% | 13.6% | 13.5% | 13.6% |

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BCRTA CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS ENDED DECEMBER 31**

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$ 95,793 | \$ 67,041 | \$ 38,449 | \$ 38,956 | \$ 35,896 |
| Contributions in Relation to the Contractually Required Contribution | <u>\$ 95,793</u> | <u>\$ 67,041</u> | <u>\$ 38,449</u> | <u>\$ 38,956</u> | <u>\$ 35,896</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| BCRTA Covered-Employee Payroll Contribution as a Percentage of Covered-Employee Payroll | \$ 696,546 | \$ 486,059 | \$ 285,546 | \$ 281,202 | \$ 259,536 |
| | 13.8% | 13.8% | 13.5% | 13.9% | 13.8% |

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

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

| | 2015 | | 2014 | |
|--|------------------|---------------|------------------|---------------|
| | Traditional Plan | Combined Plan | Traditional Plan | Combined Plan |
| BCRTA's proportion of the Net Pension Liability/(Asset) | 0.016842% | 0.012560% | 0.015496% | 0.016240% |
| BCRTA's Proportionate Share of the Net Pension Liability | \$ 2,922,737 | \$ (6,514) | \$ 1,868,991 | \$ (6,253) |
| BCRTA's Covered-Employee Payroll | \$ 2,532,610 | \$ 2,532,610 | \$ 2,375,026 | \$ 2,375,026 |
| BCRTA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 115.40% | -0.26% | 78.69% | -0.26% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 81.08% | 116.90% | 86.45% | 114.83% |

(1) Information prior to 2014 is not available.

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

BUTLER COUNTY REGIONAL TRANSIT AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

| FEDERAL GRANTOR Program Title | Federal CFDA Number | Pass Through Entity Number | Total Federal Expenditures |
|---|----------------------------------|---|---|
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Federal Transit Cluster: | | | |
| 5307 - Federal Transit - Formula Program | 20.507 | OH-95-0196 | \$ 837,000 |
| 5307 - Federal Transit - Formula Program | 20.507 | OH-90-0831 | 530,765 |
| 5307 - Federal Transit - Formula Program | 20.507 | OH-90-0862 | 1,054,928 |
| 5307 - Federal Transit - Formula Program | 20.507 | OH-95-0229 | 383,681 |
| 5339 - Federal Transit - Formula Program | 20.526 | OH-34-0025 | 71,459 |
| 5339 - Federal Transit - Formula Program | 20.526 | OH-34-0038 | 54,678 |
| Total Federal Transit Cluster | | | 2,932,511 |
| Total Expenditures of Federal Awards | | | \$ 2,932,511 |

The accompanying notes are an integral part of this schedule.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED 12/31/16**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Butler County Regional Transit Authority (the Authority's) under programs of the federal government for the year ended 12/31/16. 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 position, 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 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

Butler County Regional Transit Authority
Butler County
3045 Moser Court
Hamilton, Ohio 45011

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 Butler County Regional Transit Authority, Butler County, (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 31, 2017.

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*.

Butler County Regional Transit Authority
Butler County
Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

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.



Dave Yost
Auditor of State

Columbus, Ohio

May 31, 2017



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

Butler County Regional Transit Authority
Butler County
3045 Moser Court
Hamilton, Ohio 45011

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Butler County Regional Transit Authority's (the Authority) 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 Butler County Regional Transit Authority's major federal program for the year ended December 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 Butler County Regional Transit 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, 2016.

Butler County Regional Transit Authority

Butler County

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

Page 2

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 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

May 31, 2017

BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Federal Transit Cluster; 20.507, 20.526 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR §200.520? | Yes |

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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BUTLER COUNTY REGIONAL TRANSIT AUTHORITY

BUTLER 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
JUNE 20, 2017