



Dave Yost • Auditor of State

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Trumbull County Transit Board
Trumbull County
160 High Street NW FL 4
Warren, Ohio 44481

To the Trumbull County Transit Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Trumbull County Transit Board, Trumbull County, Ohio (the Transit Board), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Transit Board'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 Transit Board'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 Transit Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trumbull County Transit Board, Trumbull County, Ohio, as of December 31, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, 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 Transit Board's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018, on our consideration of the Transit Board'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 Transit Board'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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

October 22, 2018

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**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2017

The management's discussion and analysis of the Trumbull County Transit Board (TCTB), financial performance provides an overall review of TCTB's financial activities as of and for the years ended December 31, 2017 and 2016. 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 basic financial statements taken as a whole.

Overview of Financial Highlight for Trumbull County Transit Board

- TCTB has a net position of \$34,331 and \$13,398 as of December 31, 2017 and 2016, respectively. This net position results from the difference between total assets of \$1,924,014 and \$1,023,707 and total liabilities of \$1,889,683 and \$1,010,309 as of December 31, 2017 and 2016, respectively.
- As of December 31, 2017, assets of \$1,924,014 primarily consist of non-restricted cash of \$297,237 and receivables of \$1,626,777. As of December 31, 2016, assets of \$1,023,707 primarily consist of non-restricted cash of \$180,043 and receivables of \$843,664.
- Liabilities of \$1,889,683 and \$1,010,309 as of December 31, 2017 and 2016, respectively, consist of trade accounts payable and payroll tax and employee benefit accruals.

Basic Financial Statements and Presentation

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

The financial statements presented by TCTB 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 accrual basis of accounting. TCTB is structured as a single enterprise fund with revenues recognized when earned and measureable, not when received. Expenses are recognized when they are incurred, not when paid. TCTB has no capital assets.

The *Statement of Net Position* presents information on all of TCTB 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 TCTB is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increases 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 TCTB'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 grant revenues received from federal and state governments and local intergovernmental agency revenues.

The *Statement of Cash Flows* allows financial statement users to assess TCTB 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 noncapital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2017

Notes to Financial Statements

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

Financial Analysis of TCTB

Table 1 provides a summary of TCTB's net position as of December 31, 2017 and 2016:

Table 1

Condensed Summary of Net Position

	<u>2017</u>	<u>2016</u>
<i>Assets:</i>		
Current Assets	\$ 1,924,014	\$ 1,023,707
Total Assets	<u>1,924,014</u>	<u>1,023,707</u>
<i>Liabilities:</i>		
Current Liabilities	<u>1,889,683</u>	<u>1,010,309</u>
<i>Net Position:</i>		
Unrestricted net position	<u>34,331</u>	<u>13,398</u>
Total Net Position	<u><u>\$ 34,331</u></u>	<u><u>\$ 13,398</u></u>

TCTB has no investment in capital assets. Therefore, all current assets are available to liquidate liabilities or to cover other spending.

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2017

Table 2 provides a summary of changes in net position for the years ended December 31, 2017 and 2016:

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Position

	2017	2016
<i>Operating Revenues (Expenses):</i>		
Operating revenues	\$ 437,846	\$ 433,979
Operating expenses	(2,224,529)	(1,881,511)
Operating loss	(1,786,683)	(1,447,532)
 <i>Non-Operating Revenues:</i>		
Federal grants	990,132	831,248
State grants	140,619	118,704
Intergovernmental agency and other revenue	676,865	502,138
Total Non-Operating Revenues	1,807,616	1,452,090
Increase (Decrease) in Net Position	20,933	4,558
 Net Position, Beginning of Year	 13,398	 8,840
Net Position, End of Year	\$ 34,331	\$ 13,398

Financial Operating Activities

The most significant operating expense for TCTB is transportation contractor expense which accounts for 92.1% and 91.4% of the total operating expenses for 2017 and 2016, respectively. The transportation contractor provides all the necessary service to operate the public transit system including salaries, wages and benefits for their employees, vehicle expenses and mobility management. Operating expenses for 2017 and 2016 includes \$76,678 and \$75,139 of wages and benefits incurred in connection with the full-time grant administrator position, respectively. Trumbull County has agreed to reimburse TCTB for the salary and benefits of the grant administrator. Accordingly, intergovernmental agency revenue for 2017 and 2016 includes \$76,678 and \$75,139 for this reimbursement, respectively.

Funding for the most significant operating expenses indicated above is from passenger fares of \$437,846 for 2017 and \$433,979 for 2016 and non-operating revenues of \$1,807,616 for 2017 and \$1,452,090 for 2016 in the form of federal grants, state grants, intergovernmental agency and other revenues. These revenues account for 80.5% and 76.9% of the total combined revenues of \$2,245,462 and \$1,886,069 for 2017 and 2016 respectively. Passenger fare revenue for 2017 was \$437,846 and for 2016 was \$433,979 and accounts for 19.5% and 23.1% of the total revenue, respectively.

Federal and state grant revenue for 2017 was \$1,130,751 and for 2016 was \$949,952 and accounts for 50.4% and 50.4% of the total revenue. Intergovernmental agency and other revenues for 2017 was \$676,865 and for 2016 was \$502,138 and accounts for 30.1% and 26.7% of the total revenue.

TCTB monitors its sources of revenues closely for fluctuations.

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2017

Contingencies

Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenses under the terms of the grant. At December 31, 2017, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the TCTB management, no material grant expenditures will be disallowed.

Contacting TCTB Financial Management

The financial report is designed to provide our citizens, customers, and creditors, with a general overview of TCTB's finances and to show TCTB accountability and transparency for the money it receives. Questions concerning any other information in this report or to request additional information should be addressed to: Mark Hess, Administrator, Trumbull County Transit Board, 160 High Street NW, Warren, Ohio 44481.

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET POSITION

DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash		\$	297,237
Receivables:			
Trade			229,079
Federal assistance			935,082
State assistance			140,619
Intergovernmental agency			321,997
	Total Receivables		1,626,777
	Total Current Assets		1,924,014

TOTAL ASSETS

\$ 1,924,014

CURRENT LIABILITIES

Trade accounts payable		\$	1,886,077
Payroll taxes and benefits accruals			3,606
	Total Current Liabilities		1,889,683

NET POSITION

Unrestricted			34,331
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TOTAL LIABILITIES AND NET POSITION

\$ 1,924,014

See Accompanying Notes to the Financial Statements

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUE		
Passengers fares	\$	437,846
OPERATING EXPENSES		
Transportation contractor		2,048,720
Technical assistance contractor		36,000
Wages and benefits		76,678
Legal and accounting services		45,018
Other expenses		18,113
	Total Operating Expenses	<u>2,224,529</u>
OPERATING LOSS		(1,786,683)
NON-OPERATING REVENUES		
Federal grant		990,132
State grants		140,619
Intergovernmental agency revenues		676,865
	Total Non-operating Revenues	<u>1,807,616</u>
CHANGES IN NET POSITION		20,933
NET POSITION		
Beginning of year		<u>13,398</u>
End of year	\$	<u><u>34,331</u></u>

See Accompanying Notes to the Financial Statements

TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING ACTIVITIES	
Cash received from customers	\$ 380,899
Cash payments to suppliers of goods or services	(1,268,477)
Cash payments to employee for services	<u>(76,678)</u>
Net Cash Used in Operating Activities	<u>(964,256)</u>
NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental agency revenues received	437,945
Federal and state grants received	<u>643,505</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,081,450</u>
INCREASE IN CASH	117,194
CASH AT BEGINNING OF YEAR	<u>180,043</u>
CASH AT END OF YEAR	<u><u>\$ 297,237</u></u>
NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (1,786,683)
Change in assets and liabilities:	
Increase in trade receivables	(56,947)
Increase in trade accounts payable and accruals	<u>879,374</u>
Net Change in Assets and Liabilities	<u>822,427</u>
Net Cash Used in Operating Activities	<u><u>\$ (964,256)</u></u>

See Accompanying Notes to the Financial Statements

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Trumbull County Transit Board (TCTB) was created pursuant to Section 306 of the Ohio Revised Code for the purpose of providing public transportation in Trumbull County, Ohio area. As a political subdivision it is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. TCTB is not subject to federal or state income taxes.

TCTB is managed by 7-member Board of Directors appointed by the Trumbull County Commissioners.

Reporting Entity – TCTB complies with the provision of Statement Nos. 39 and 61 of the Governmental Accounting Standards (“GASB”) regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the TCTB. Under the criteria specified in Statement Nos. 39 and 61, TCTB has no component units and is not considered a component unit of Trumbull County.

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

Basis of Accounting – TCTB 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 position, change in net position and cash flows. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* TCTB follows GASB guidance as applicable to enterprise funds.

TCTB complies with the provision of GASB statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments.”

TCTB will continue applying all applicable pronouncements issued by the GASB.

Cash and Cash Equivalents – For purposes of the statement of cash flows, TCTB considers all highly liquid investments 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.

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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.

Net Position – Net position, or equity, represents the difference between assets and liabilities. Net position is usually displayed in three components as follows:

Net Investment 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 attributed to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provision or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the TCTB policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Classifications of Revenues

TCTB has classified its revenues as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions which includes passenger fares. Non-operating revenue includes activities that have the characteristics of non-exchange transaction, such as intergovernmental agency and other revenues and most federal, state and local grants and contracts.

Recognition of Revenue and Receivables

The Federal Transit Administration (“FTA”), the Federal Highway Administration (“FHA”) and the Ohio Department of Transportation (“ODOT”), provide financial assistance and make grants directly to the TCTB 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 receivable and revenue over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as revenue when the expense has been made and revenue is available. Capital grant funds received in advance of project costs being incurred, if any are deferred.

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. DEPOSITS

The deposit of TCTB monies are governed by the provision of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit TCTB to invest on certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool ("STAR Ohio") and obligation of the United States government and certain agencies thereof. TCTB may also enter into repurchase agreements with eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealers for a period not exceeding 30 days.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. The 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 two percent and be marked to market daily. State law does not require that security for public deposits and investments be maintained in the TCTB's name.

At December 31, 2017, the recorded amount and bank balance of TCTB deposits was \$297,237 and was not exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the TCTB deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 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 names 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 TCTB.

3. INTERGOVERNMENTAL AGENCY REVENUES

TCTB receives money from Trumbull County from the senior services tax levy that was passed by the voters of Trumbull County, Ohio in 2014 expiring in 2018. This revenue is at the discretion of the Trumbull County Commissioners. Senior services tax revenue can be used for operating purposes.

Although the current policy and procedures regarding the senior levy funds has been deemed reasonable and defensible, Trumbull County commissioners have asked the county prosecutor's office to seek an opinion from the Ohio Attorney General to determine if the funds generated by the senior services levy are used to leverage federal grants, must the grant money be used exclusively for senior services. Also in question is whether the senior levy funds can be commingled with other Transit Board revenues and if senior levy funds are used for non-senior citizen services, does this violate the tax levy laws. At this time, the outcome of the opinion is cannot be predicted.

TCTB also receives money from Trumbull County from its general fund to reimburse TCTB for the salary and benefits of the grant administrator that was hired November 1, 2015.

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

4. TRANSPORTATION CONTRACT

TCTB has a contract with Community Bus Services, Inc. to provide transportation services for the residents of Trumbull County which expires in 2018.

5. CONTINGENCIES

Federal and State Grants – under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expense under the terms of the grant. At December 31, 2017, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the TCTB management, no material grant expenses will be disallowed.

6. FEDERAL AND STATE GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Grants, reimbursements and special fare assistance in the statements of revenue, expenses and changes in net position for the years ended December 31, consist of the following:

FEDERAL:	
FTA Maintenance and Other Assistance	\$ 990,132
FHA Transit Preservation	<u>-0-</u>
Total Federal	990,132
STATE:	
ODOT Capital Cost of Contracting	<u>140,619</u>
TOTAL	<u><u>\$ 1,130,751</u></u>

7. BENEFIT PLANS

During 2017, TCTB had one full-time employee who was covered by and was required to contribute to the State Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system administered by the State of Ohio. Employer and employee required contributions to PERS for both retirement benefits and postretirement health care benefits are established by the Ohio Revised Code and are based on percentages of covered employees' gross salaries, which are calculated annually by the fund's actuaries. The payroll for the employee covered by PERS for the year ended December 31, 2017 was \$66,250. The current employee total contribution rate is 10.0% of gross salary and the employer contribution rate is 14% of related gross salary. TCTB's contribution to PERS amounted to \$9,275 for 2017. Under the intergovernmental agency agreement with Trumbull County described in Note 3, TCTB is reimbursed for salaries paid to and contributions to benefit plans made on behalf the grant administrator. On December 31, 2017, the employee retired and was not replaced until April 2018.

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

7. BENEFIT PLANS (CONTINUED)

Health care benefits for TCTB's full-time employee are provided by the group health care plan of Trumbull County.

8. RISK MANAGEMENT

TCTB is exposed to various risks of loss related to torts: theft of, damaged to, and destruction of assets flood and earthquake; errors and omission; employment related matters; inquiries to employee; and employee theft and fraud. Through its transportation contractor agreement, TCTB maintains comprehensive insurance coverage with private carriers for all risks of loss. There was no significant reduction in insurance coverage and no settlements exceeded insurance coverage during the past three years.

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2017

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL GRANT NUMBER</u>	<u>GRANT EXPENDITURES</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Federal Transit Cluster/Direct Programs:</i>			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-2018-003	\$ 538,610
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-90-X835	11,078
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-2018-002	<u>376,245</u> 925,933
<i>Federal Transit Services Program Cluster:</i>			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.513	OH-2016-068	64,199
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 990,132</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY, OHIO**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2017

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles in accordance with the requirements of Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. TCTB has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. MATCHING REQUIREMENTS

Certain federal programs require TCTB to contribute non-federal funds (matching funds) to support the federally-funded programs. TCTB 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

Trumbull County Transit Board
Trumbull County
160 High Street NW FL4
Warren, Ohio 44481

To the Trumbull County Transit Board:

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 Trumbull County Transit Board, Trumbull County, (the Transit Board) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Transit Board's basic financial statements and have issued our report thereon dated October 22, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Transit Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Transit Board'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 Transit Board's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the Transit Board'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*.

Transit Board's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 22, 2018



Dave Yost • Auditor of State

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

Trumbull County Transit Board
Trumbull County
160 High Street NW FL 4
Warren, Ohio 44481

To the Transit Board:

Report on Compliance for Major Federal Program

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

Management's Responsibility

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

Opinion on the Major Federal Program

In our opinion, the Trumbull County Transit Board 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, 2017.

Report on Internal Control Over Compliance

The Transit Board'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 Transit Board'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 Transit Board's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Dave Yost
Auditor of State
Columbus, Ohio

October 22, 2018

**TRUMBULL COUNTY TRANSIT BOARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
FYE DECEMBER 31, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2017-001

Significant Deficiency

The Transit Board has outsourced the processing of customer fare collections, which are a significant accounting function, to a third party administrator. The Transit Board has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that customer fare collections have been completely and accurately processed in accordance with the contract between the Transit Board and the third party administrator.

In addition, the Transit Board did not obtain a Service Organization Controls Type Two report for the current audit period.

U.S. Attestation Standards (clarified) Section 320 (AT-C 320) codifies standards for reporting on an Examination of Controls at service organizations. An unmodified Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the Transit Board with reasonable assurance that customer fare collections conform to the contract.

While the fiscal officer reviews the amounts deposited by the third party administrator and compares them to the related invoices, this does not provide sufficient assurance.

The Transit Board should require a Type Two report in its contract with the third-party administrator. The Transit Board should review the Type Two report timely. The report should follow the American Institute of Certified Public Accountants' Attestation Standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective State. If the third-party administrator refuses to furnish the Transit Board with a Type Two Report, the Transit Board should contract with a third-party administrator that will provide this report.

Officials' Response: See corrective action plan.

3. FINDINGS FOR FEDERAL AWARDS

None

Trumbull County Transit Board
106 High Street NW FL4, Warren, Ohio 44481

Robert L. Faulkner, Sr., Chairman
Michael Salamone, Transit Administrator

Phone: 330-675-7938
Fax: 330-675-7941

Email: rfaulkner@trumbullcountytransit.org
cesalamo@co.trumbull.oh.us

December 5, 2018

CORRECTIVE ACTION PLAN
2 CFR Section 200.511(c)
FYE DECEMBER 31, 2017

Finding Number 2017-001

Planned Corrective Action:

To Mr. Holesko,

The Transit Board has approached the current service provider and they have agreed to have an examination of their internal controls and to provide an unmodified Type II Service Organization Controls (SOC) Report for the year ending December 31, 2018. Going forward, the contractor, as part of their contract, will be required to undergo an examination of controls of the service organization and must provide the Transit Board with an unmodified Type II SOC Report.

Sincerely,



Michael Salamone

Trumbull County Transit Administrator

Cc: Robert L Faulkner SR.

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TRUMBULL COUNTY TRANSIT BOARD

TRUMBULL 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
DECEMBER 18, 2018**