





**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY  
DECEMBER 31, 2018**

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**INDEPENDENT AUDITOR'S REPORT**

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

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Delaware Area Transit Agency, Delaware County, Ohio (the Agency), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Agency's internal control. Accordingly, we express no 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware Area Transit Agency, Delaware County as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 8 to the financial statements, during 2018, the Agency adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the Agency's basic financial statements taken as a whole.

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected 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 August 12, 2019, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

August 12, 2019

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**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

As management of the Delaware Area Transit Agency (DATA), Delaware County, Ohio (the Agency), we offer readers of the Agency's basic financial statements this narrative overview and analysis of the financial activities of the Agency's for the year ended December 31, 2018. 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 2018**

The Agency has a net position of \$2.12 million. This net position results from the difference between total assets and deferred outflows of resources of \$5.35 million and total liabilities and deferred inflows of resources of \$3.3 million.

Current assets of \$1.60 million primarily consist of non-restricted Cash and Cash Equivalents of \$.33 million and Intergovernmental/Accounts Receivable of \$1.24 million.

Current liabilities of \$0.17 million primarily consist of Accounts Payable, Accrued Wages and related Payroll Accruals.

**Pension Reporting**

The net pension liability (NPL) is the largest single liability reported by the Agency at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the Agency adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Agency's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Agency's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Agency is not responsible for certain key factors affecting the balance of these

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Agency's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Agency is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$1,801,940 to \$816,623.

**Basic Financial Statements and Presentation**

The financial statements presented by the Agency are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Agency is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land and work in process, over their estimated useful lives.

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

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the Agency's net position changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from the federal government.

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DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

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

**Notes to the Basic Financial Statements**

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

**Net Position**

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

**(Table 1)  
Delaware Area Transit Agency  
Condensed Summary of Net Position  
For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Current Assets	\$ 1,602,236	\$ 1,050,965
Net Pension Asset	25,626	15,876
Capital Assets (Net of Accumulated Depreciation)	3,205,835	2,508,835
Deferred Outflows of Resources-Pensions	434,734	977,838
Deferred Outflows of Resources-OPEB	81,430	15,627
Total Assets & Deferred Outflows	<u>5,349,861</u>	<u>4,554,841</u>
Current Liabilities	167,706	454,969
Long Term Sick Liability	24,811	24,725
Net Pension Liability	1,511,858	2,213,798
Net Pension OPEB	1,076,153	1,000,944
Deferred Inflows of Resources-Pensions	367,049	58,082
Deferred Inflows of Resources-OPEB	80,166	0
Total Liabilities & Deferred Inflows	<u>3,227,743</u>	<u>3,752,518</u>
Net Position		
Investments in Capital Assets	3,205,835	2,508,835
Unrestricted	<u>(1,083,717)</u>	<u>(1,692,212)</u>
Total Net Position	<u>\$ 2,122,118</u>	<u>\$ 816,623</u>

During fiscal year 2018, the Agency's current assets increased as we received federal funds for replacement buses and facility improvements along with funds from a funding agreement with COTA. Capital assets increased due to the purchase of revenue vehicles and renovation work on our operating facility, offset by annual depreciation expense.

**DELAWARE AREA TRANSIT AGENCY  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

**Statement of Revenues, Expenses and Changes in Net Position**

**(Table 2)  
Delaware Area Transit Agency  
Condensed Summary of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2018 and 2018**

	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>		
General Public Fares	\$ 63,094	\$ 69,122
Special Transit Fares	364,065	318,068
Local Operating Funds	1,922,935	910,391
State Operating Funds	77,656	81,581
Federal Operating Funds	653,192	453,305
Other Operating Funds	35,415	29,755
Federal Capital Funds	924,307	932,179
Other Non-Operating Funds	10,445	14,011
Total Revenues	4,051,109	2,808,412
<b>Expenses:</b>		
Operating Expenses		
Labor	1,170,424	1,217,189
Fringe Benefits	873,691	1,130,502
Contract Services	87,802	102,490
Material and Supplies	248,487	209,234
Utilities	26,026	22,533
Casualty and Liability Insurance	92,566	80,017
Miscellaneous Expenses	18,272	14,243
Depreciation Expense	228,346	188,205
Total Expenses	2,745,614	2,964,413
Change in Net Position During the Year	1,305,495	(156,001)
Net Position, Beginning of Year (Restated)	816,623	N/A
Net Position, End of Year	\$ 2,122,118	\$ 816,623

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$15,627 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report an OPEB expense of \$91,809.

**DELAWARE AREA TRANSIT AGENCY  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$2,745,614
OPEB expense under GASB 75	(91,809)
2018 contractually required contribution	<u>2,237</u>
Adjusted 2018 program expenses	2,656,042
Total 2017 program expenses under GASB 45	2,964,413
Decrease in program expenses not related to OPEB	<u>(\$308,371)</u>

**Financial Operating Results**

During 2018, the Agency's revenues exceed operating cost (excluding depreciation) by \$599,089. This is a result of the Agency receiving local support of \$1,922,935 which included payments from COTA in the amount of \$1,721,768 to support transit operations. This payment was a result of a regional revenue agreement between the parties where the Agency transferred available federal funds to COTA in exchange for local funds from COTA. For 2018 the Agency also received increased federal support, decreased state support, and special transit fares were higher. Operating expenses were mostly stable with wages down slightly as some services were reduced. Materials and supplies were higher reflecting increased fuel prices and casualty and liability insurance costs were higher.

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

**DELAWARE AREA TRANSIT AGENCY  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

**Capital Assets**

At the end of fiscal year 2018, the Agency had \$4,195,544 invested in land, operating facility, revenue vehicles, and equipment. Table 3 shows fiscal year 2018 balances in comparison to fiscal year 2017 balances.

**(Table 3)  
Delaware Area Transit Agency  
Statement of Capital Assets  
For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Non-Depreciable Capital Assets</b>		
Land	\$ 325,507	\$ 325,507
Work in Process	0	740,143
<b>Depreciable Capital Assets</b>		
Facilities & Structures	2,181,222	898,771
Revenue Vehicles	1,522,024	1,358,658
Furniture, Equipment, & TE	166,791	166,791
Total Depreciable Capital Assets	3,870,037	2,424,220
<b>Total Cost</b>	<b>\$ 4,195,544</b>	<b>\$ 3,489,870</b>
<b>Accumulated Depreciation</b>		
Facilities & Structures	(175,096)	(134,815)
Revenue Vehicles	(705,045)	(761,714)
Furniture, Equipment, & TE	(109,568)	(84,506)
Total Depreciation	(989,709)	(981,035)
<b>Net Value</b>	<b>\$ 3,205,835</b>	<b>\$ 2,508,835</b>

**Request for Information**

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

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Assets</b>	<b>2018</b>
<b>Current Assets:</b>	
Cash on Deposit	\$ 331,367
Accounts Receivable	44,157
Intergovernmental Receivable	1,192,780
Prepays	33,932
Total Current Assets	1,602,236
<b>Non-Current Assets:</b>	
Net Pension Asset	25,626
Property, Facilities and Equipment	
Land - Non Depreciable	325,507
Facilities & Structures	2,181,222
Revenue Vehicles	1,522,024
Furniture & Equipment	122,104
Transit Enhancements	44,687
Subtotal	4,195,544
Less Accumulated Depreciation	(989,709)
Total Property, Facility and Equipment (net of accumulated depreciation)	3,205,835
Total Non-Current Assets	3,231,461
Deferred Outflows of Resources - Pensions	434,734
Deferred Outflows of Resources - OPEB	81,430
Total Assets and Deferred Outflows of Resources	\$ 5,349,861
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	38,713
Accrued Payroll, Withholdings, & Taxes	44,215
Accrued Leave Payable	84,778
Total Current Liabilities	167,706
Long Term Sick Liability	24,811
Net Pension Liability	1,511,858
Net OPEB Liability	1,076,153
Total Liabilities	2,780,528
Deferred Inflows of Resources - Pensions	367,049
Deferred Inflows of Resources - OPEB	80,166
<b>Net Position</b>	
Investments in Capital Assets	3,205,835
Unrestricted	(1,083,717)
Total Net Position	2,122,118
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 5,349,861

See Accompanying Notes to the Basic Financial Statements

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>2018</b>
<b>Operating Revenues</b>	
General Public Fares	\$ 63,094
Special Transit Fares	364,065
Local Operating Funds	1,922,935
State Operating Funds	77,656
Federal Operating Funds	653,192
Other Operating Revenue	35,415
Total Operating Revenues	<u>3,116,357</u>
<b>Operating Expenses</b>	
Labor	1,170,424
Fringe Benefits	873,691
Contract Services	87,802
Materials & Supplies	248,487
Utilities	26,026
Casualty & Liability Insurance	92,566
Miscellaneous Expenses	18,272
Total Operating Expenses	<u>2,517,268</u>
<b>Operating Gain Excluding Depreciation</b>	599,089
Depreciation	<u>228,346</u>
<b>Operating Gain</b>	370,743
<b>Non-Operating Revenues</b>	
Federal Grant - Capital	924,307
Other Non-Operating Income	10,445
Total Non-Operating Revenue	<u>934,752</u>
<b>Net Gain</b>	1,305,495
<b>Net Position, Beginning of Year, as restated</b>	<u>816,623</u>
<b>Net Position, End of Year</b>	<u><u>\$ 2,122,118</u></u>

See Accompanying Notes to the Basic Financial Statements



**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>2018</b>
<b>Operating Activities</b>	
Cash Received From Customers	\$ 2,266,384
Cash Payments - Suppliers for Goods & Services	(747,972)
Cash Payments - Employees for Wages & Fringes	(1,825,734)
Net Cash (Used) by Operating Activities	<u>(307,322)</u>
<b>Non-Capital Financing Activities</b>	
Non-Transit Funds	<u>3,108</u>
Net Cash Provided by Non-Capital Financing Activities	3,108
<b>Capital and Related Financing Activities</b>	
Purchase of Revenue Vehicles	(383,038)
Purchase of A&E Services	(17,761)
Purchase of Renovation Services	(788,151)
Federal Capital Funds	1,187,912
Proceeds from Disposal of Fixed Asset	<u>7,337</u>
Net Cash Provided by Capital and Related Financing Activities	6,299
<b>Net Decrease in Cash and Cash Equivalents</b>	(297,916)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>629,283</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 331,367</u></u>
<b>Reconciliation of Operating Gain to Net Cash Used in Operating Activities</b>	
Operating Gain	\$ 370,743
Adjustments to Reconcile Operating Gain to Net Cash Used in Operating Activities	
Depreciation	228,346
Changes in Assets, Liabilities, and Deferrals:	
Decrease in Prepaid Items	785
(Increase) in Accounts/Intergovernmental Receivables	(849,972)
(Decrease) in Accounts Payable	(275,604)
(Decrease) in Accrued Payroll, Benefits & Leave	(11,573)
(Decrease) in Net Pension/OPEB Assets	(9,750)
(Decrease) in Net Pension/OPEB Liabilities	(611,104)
(Increase) in Deferred Outflows - Pensions/OPEB	461,674
Increase in Deferred Inflows - Pensions/OPEB	389,133
Net Cash (Used) in Operating Activities	<u><u>\$ (307,322)</u></u>

See Accompanying Notes to the Basic Financial Statements

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**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

The Agency follows the Uniform System of Accounting as provided by the Federal Transit Administration.

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

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

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

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

**Cash and Cash Equivalents** - Cash and cash equivalents are carried at cost, which approximates fair value. Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are reported as cash on deposit on the financial statements.

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

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

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

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

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

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Agency, deferred outflows of resources are reported for pension and OPEB.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Agency, deferred inflows of resources include pension and OPEB.

**Pensions/Other Postemployment Benefits (OPEB)** - For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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

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

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

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

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

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

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

When assets acquired with capital grants funds are disposed of, the Agency is required to notify the granting agency. A proportional amount of the proceeds or fair market value, if any, of such property and equipment may be used to acquire like-kind replacement vehicles or remitted to the granting agency.

**Accrued Leave Payable** - The Agency offers employees paid leave time (Leave) in the form of vacation, holiday pay, and sick leave. Vacation and holiday benefits are accrued as a current liability as the benefits are attributable to services already rendered and it is probable the Agency will compensate employees for the benefits through time off or some other means. Employees earn paid leave time off based on actual hours worked and are allowed to carry forward time earned. They are not eligible for payment of unused sick hours until they have reached 10 years of service and the payout is capped at 25% of a maximum of 240 hours. Sick pay is expensed as used. Employees are paid for 100% of unused vacation and holiday upon separation of service. An annual accrual for leave balances at year end is made to the extent that it is probable that benefits will result in future payments. The Agency records accrued vacation and holiday time as a short term liability as it is probable the time will be used within the following 12 months. The Agency records the value of eligible unused sick time as a long term liability for those employees who have reached the required 10 years of service as those benefits are not expected to be paid out until the death or eligible retirement of the employee, see Note 7.

**2. EQUITY IN CASH AND DEPOSITS**

Custodial credit risk is the risk that in the event of bank failure, the Agency's deposits may not be returned to it. The Agency has no deposit policy for custodial risk beyond the requirements of State statute. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. The Agency had a bank balance and carrying amount of \$331,367 at December 31, 2018 with financial institutions authorized to accept public funds. Of the bank balance at December 31, 2018, \$250,000 was covered by federal depository insurance. At December 31, 2018, \$81,367 was collateralized with securities held by the pledging financial institutions trust department.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

**3. DEFINED BENEFIT PENSION/OPEB PLANS**

**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Agency's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Agency's obligation for this liability to annually required payments. The Agency cannot control benefit terms or the manner in which pensions are financed; however, the Agency does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**Net OPEB Liability**

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Agency's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

**DELAWARE AREA TRANSIT AGENCY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

Ohio Revised Code limits the Agency's obligation for this liability to annually required payments. The Agency cannot control benefit terms or the manner in which OPEB are financed; however, the Agency does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contributions outstanding at the end of the year is included in payables on the accrual bases of accounting.

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

Agency employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**DELAWARE AREA TRANSIT AGENCY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the State and Local group under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%. A death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

Funding Policy - Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.



**DELAWARE AREA TRANSIT AGENCY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

The following table displays the member and employer contribution rates as a percent of covered payroll for each division for 2018:

	<u>2018 Employee Rate</u>	<u>2018 Employer Rate</u>
State Division	10.0%	14.0%
Local Division	10.0%	14.0%

The member and employer contribution rates for the State and Local divisions are currently set at the maximums authorized by the ORC of 10% and 14%, respectively.

ORC Chapter 145 assigns authority to the Board to amend the funding policy. As of December 31, 2017, the Board adopted the contribution rates recommended by the actuary. The contribution rates were included in a funding policy adopted by the Board in October 2013, and are certified periodically by the Board as required by the ORC.

As of December 31, 2018, the date of the last pension actuarial study, the funding period for all defined benefits of the System was 18 years.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Agency's contractually required contribution was \$181,084 for 2018.

**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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and expense:

	<u>Traditional Plan</u>	<u>Combined Plan</u>
Proportionate Share of the Net Pension Liability/(Asset)	\$1,511,858	(\$25,626)
Proportion of the Net Pension Liability	0.009637%	0.018824%
Proportionate Share of the Employer Pension Expense	\$415,999	\$2,885

**DELAWARE AREA TRANSIT AGENCY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

At December 31, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Plan	Combined Plan	Total
<b>Deferred Outflows of Resources - Pensions</b>			
Difference between expected and actual experience	\$1,544	\$0	\$1,544
Agency contributions subsequent to the measurement date	170,132	10,952	181,084
Changes in proportion and differences in assumptions	247,962	4,144	252,106
Total Deferred Outflows of Resources - Pensions	\$419,638	\$15,096	\$434,734
<b>Deferred Inflows of Resources - Pensions</b>			
Differences between expected and actual experience	\$29,794	\$7,634	\$37,428
Difference between projected and actual earning on pension plan investments	324,576	4,043	328,619
Changes in proportion and differences in assumptions	0	1,002	1,002
Total Deferred Inflows of Resources - Pensions	\$354,370	\$12,679	\$367,049

The reported \$181,084 as deferred outflows of resources related to pension resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019.

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

	Traditional Plan	Combined Plan
Year Ending December 31:		
2019	\$202,706	(\$1,239)
2020	(31,271)	(540)
2021	(142,926)	(2,302)
2022	(133,373)	(2,206)
2023	0	(786)
Thereafter	0	(1,462)
Total	(\$104,864)	(\$8,535)

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**Actuarial Assumptions – Pensions**

Actuarial valuations of an ongoing plan involve estimates of the value 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.

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 was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Combined Plan
Measurement and Valuation Date	December 31, 2017	December 31, 2017
Experience Study	5-Year Period Ended December 31, 2015	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25%-10.75% (includes wage inflation at 3.25%)	3.25%-8.25% (includes wage inflation at 3.25%)
Cost-of-living Adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

**DELAWARE AREA TRANSIT AGENCY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**Discount Rate - Pensions** The discount rate used to measure the total pension liability was 7.5% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the net pension liability or asset calculated using the discount rate of 7.5%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

Agency's Net Pension Liability/(Asset) as of December 31, 2018	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Traditional Plan	\$2,685	\$1,512	\$534
Combined Plan	(\$7)	(\$25)	(\$17)
	(in thousands)		

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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 following table displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2018	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.20%
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
<b>TOTAL</b>	<b>100.00%</b>	<b>5.66%</b>

The long-term expected 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit

**DELAWARE AREA TRANSIT AGENCY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2018.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net OPEB liability was based on the Agency's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability Current Measurement Date	0.00991%
Proportionate Share of the Net OPEB Liability	\$1,076,153
OPEB Expense	\$91,809

At December 31, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
<b>Deferred Outflows of Resources - OPEB</b>	
Difference between expected and actual experience	\$838
Agency contributions subsequent to the measurement date	2,237
Changes in proportion and differences in assumptions	78,355
Total Deferred Outflows of Resources - OPEB	\$81,430
<b>Deferred Inflows of Resources - OPEB</b>	
Difference between projected and actual earning on pension plan investments	80,166
Total Deferred Inflows of Resources - OPEB	\$80,166

**DELAWARE AREA TRANSIT AGENCY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

The reported \$2,237 as deferred outflows of resources related to OPEB resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019.

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

Year Ending December 31:	OPERS
2019	\$17,821
2020	17,821
2021	(16,573)
2022	(20,042)
2023	0
Thereafter	0
Total	(\$973)

**Actuarial Assumptions – OPEB**

Actuarial valuations of an ongoing plan involve estimates of the value 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.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Information	
Actuarial Valuation Date	December 31, 2016
Rolled-Forward Measurement Date	December 31, 2017
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Assumptions	
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Wage Inflation	3.25%
Projected Salary Increases	3.25%-10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028

**DELAWARE AREA TRANSIT AGENCY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

**Discount Rate - OPEB** A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the Agency's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Health Care Trend Rate** The following table presents the OPEB liability calculated using the single discount rate of 3.85%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

As of December 31, 2017	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Agency's Net OPEB Liability	\$1,430	\$1,076	\$790
		(in thousands)	

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

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

by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

<u>As of December 31, 201</u>	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
Agency's Net OPEB Liability	\$1,030	\$1,076 (in thousands)	\$1,124

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit.

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return

<u>Asset Class</u>	<u>Target Allocation for 2017</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00%	1.88%
Domestic Equities	21.00	6.37
REITs	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
<b>TOTAL</b>	<b>100.00%</b>	<b>4.98%</b>

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: The Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2% for 2018.



**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

**4. RISK MANAGEMENT**

The Agency participates in the Ohio Transit Insurance Pool Association, Inc. (OTIP), renamed in 2002 as Ohio Transit Risk Pool Association (OTRP), related to its risk of property and casualty loss. Under this plan, the Agency receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. Any underfunding of the plans liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses. The Agency continues to carry commercial insurance for all other risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years. There has not been a significant reduction in insurance coverage from the previous fiscal year.

**5. CAPITAL ASSETS**

	January 1, 2018	Additions	Deletions	December 31, 2018
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 325,507	\$ -	\$ -	\$ 325,507
Work In Process	740,143	-	(740,143)	-
Total Non-Depreciable Assets	1,065,650	-	(740,143)	325,507
<b>Depreciable Capital Assets</b>				
Facilities & Structures	898,771	1,282,451	-	2,181,222
Revenue Vehicles	1,358,658	383,038	(219,672)	1,522,024
Furnishing, Equipment, & TE	166,791	-	-	166,791
Total Depreciable Capital Assets	2,424,220	1,665,489	(219,672)	3,870,037
Total Cost	<u>\$ 3,489,870</u>	<u>\$ 1,665,489</u>	<u>\$ (959,815)</u>	<u>\$ 4,195,544</u>
<b>Accumulated Depreciation</b>				
Facilities & Structures	(134,815)	(40,281)	-	(175,096)
Revenue Vehicles	(761,714)	(163,003)	219,672	(705,045)
Furnishing, Equipment, & TE	(84,506)	(25,062)	-	(109,568)
Total Depreciation	<u>\$ (981,035)</u>	<u>\$ (228,346)</u>	<u>\$ 219,672</u>	<u>\$ (989,709)</u>
<b>Net Value</b>	<u>\$ 2,508,835</u>	<u>\$ 1,437,143</u>	<u>\$ (740,143)</u>	<u>\$ 3,205,835</u>

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

**6. DEBT**

The Agency has no long-term debt but does have an open \$250,000 Line of Credit with Richwood Bank, of which \$0 was outstanding at December 31, 2018.

**7. LONG-TERM SICK LIABILITY**

The Agency allows employees with 10 or more years of service to be paid out for unused sick leave upon retirement or death at a rate of 25% of up to 240 hours of time. During 2018 the amount of this liability increased from \$24,725 to \$24,811, an increase of 86. None of this is anticipated to be paid out during the next fiscal year.

**8. CHANGE IN ACCOUNTING PRINCIPLES**

The Agency monitors GASB Statement changes and implements any that apply.

For fiscal year 2018, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

Net Position December 31, 2017	\$1,801,940
Adjustments:	
Net OPEB Liability	(1,000,944)
Deferred Outflow – Payments Subsequent to Measurement Date	<u>15,627</u>
Restated Net Position December 31, 2017	<u>\$816,623</u>

Other than employer contributions subsequent to the measurement date, the Agency made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
OHIO PUBLIC EMPLOYEE RETIREMENT SYSTEM  
Last Four Years**

<b>Traditional Plan:</b>	2018	2017	2016	2015
Agency's proportion of the Net Pension Liability	0.009637%	0.009482%	0.008558%	0.006896%
Agency's Proportionate Share of the Net Pension Liability/(Asset)	\$1,511,858	\$ 2,213,798	\$1,480,932	\$ 831,745
Agency's Covered-Employee Payroll	\$1,152,850	\$1,220,699	\$1,090,287	\$871,774
Agency's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	131.14%	181.35%	135.83%	95.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%
<b>Combined Plan:</b>	2018	2017	2016	2015
Agency's proportion of the Net Pension Liability/(Asset)	0.018824%	.024125%	0.018470%	0.014598%
Agency's Proportionate Share of the Net Pension Liability/(Asset)	\$ (25,626)	\$ (15,876)	\$ (8,709)	\$ (15,876)
Agency's Covered-Employee Payroll	\$74,703	73,864	\$58,456	\$46,740
Agency's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	-34.30%	116.55%	181.35%	-21.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	137.28%	114.83%	116.90%	114.83%

Note: Amounts presented as of the Agency's measurement date which is the prior year. Although this schedule is intended to show information for ten years, information prior to 2015 is not available. An additional column will be added each year.

Note- There were no significant changes of benefit terms in 2018

Note- There were no significant changes in assumption in 2018

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF AGENCY CONTRIBUTIONS - PENSION  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST FIVE FISCAL YEARS**

	2018	2017	2016	2015	2014
Contractually Required Contribution	\$181,084	\$159,582	\$135,880	\$164,088	\$130,251
Contributions in Relation to the Contractually Required Contribution	\$181,084	\$159,582	\$135,880	\$164,088	\$130,251
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Agency Covered-Employee Payroll	\$1,293,457	\$1,227,553	\$1,132,333	\$1,367,400	\$1,085,425
Contribution as a Percentage of Covered-Employee Payroll	14%	13%	12%	12%	12%

(1) Information prior to 2014 is not available.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
Last Two Years**

	2018	2017
Agency's proportion of the Net OPEB Liability	.00910%	.00985136%
Agency's Proportionate Share of the Net OPEB Liability	\$1,076,153	\$1,000,944
Agency's Covered-Employee Payroll	\$1,227,553	\$1,294,563
Agency's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	87.67%	77.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

Note: Amounts presented as of the Agency's measurement date which is the prior year. Although this schedule is intended to show information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Note- There were no significant changes of benefit terms in 2018

Note- There were no significant changes in assumption in 2018

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF AGENCY CONTRIBUTIONS- OPEB  
LAST THREE YEARS**

	2018	2017	2016
Contractually Required Contribution	\$0	\$13,151	\$22,646
Contributions in Relation to the Contractually Required Contribution	\$ 0	\$13,151	\$22,646
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Agency Covered-Employee Payroll	\$1,293,457	1,227,553	\$1,132,333
Contribution as a Percentage of Covered-Employee Payroll	0.0%	1.00%	2.00%

- (1) Note: Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
- (2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Direct Program</b>			
Federal Transit Cluster:			
Federal Transit - Formula Grants	20.507	N/A	\$ 382,000
Federal Transit - Formula Grants	20.507	N/A	320,428
Total Federal Transit- Formula Grants			<u>702,428</u>
<b>Passed Through Ohio Department of Transportation</b>			
State of Good Repair Grants Program	20.525	OH-04-0072	542,307
Total Federal Transit Cluster			<u>\$ 1,244,735</u>
<b>Direct Program</b>			
Transit Services Program Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities - Formula Grant	20.513	N/A	\$ 34,449
Enhanced Mobility of Seniors and Individuals with Disabilities - Formula Grant	20.513	N/A	298,315
Total Transit Services Program Cluster:			<u>332,764</u>
Total U.S. Department of Transportation			<u>1,577,499</u>
Total Expenditures of Federal Awards			<u><b>\$ 1,577,499</b></u>

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

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Delaware Area Transit Agency's (the Agency's) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Agency.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Agency has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require the Agency to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Agency has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.





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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Delaware Area Transit Agency, Delaware County, (the Agency) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated August 12, 2019, wherein we noted the Agency adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Agency's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Agency's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 Agency's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

August 12, 2019



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

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

To the Board of Trustees:

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

We have audited the Delaware Area Transit Agency's (the Agency) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Agency's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Agency's major federal program.

***Management's Responsibility***

The Agency's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the Agency's compliance for the Agency's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Agency's major program. However, our audit does not provide a legal determination of the Agency's compliance.

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

In our opinion, Delaware Area Transit Agency complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2018.

***Report on Internal Control Over Compliance***

The Agency's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Agency's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Agency's internal control over compliance.

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

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

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



Keith Faber  
Auditor of State

Columbus, Ohio

August 12, 2019

**DELAWARE AREA TRANSIT AGENCY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2018**

**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)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Federal Transit Cluster
<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**

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDING**  
**2 CFR 200.511(b)**  
**December 31, 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	The Agency's Schedule of Expenditures of Federal Awards, for the year ending December 31, 2017 identified a \$603,326 understatement in the Federal Transit Cluster.	Corrected	Corrective Action Plan was in place after the FY 2017 financial audit. Schedule of Expenditures of Federal Awards for current year did not identify under/overstatements of expenditures.

OHIO AUDITOR OF STATE  
**KEITH FABER**



**DELAWARE AREA TRANSIT AGENCY**

**DELAWARE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 3, 2019**