



Dave Yost • Auditor of State

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Butler County Regional Transit Authority, Butler County, Ohio (the Authority), as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Butler County Regional Transit Authority, Butler County as of December 31, 2013 and 2012, 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.

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Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 27, 2014

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)**

As management of the Butler County Regional Transit Authority, Butler County, Ohio (the Authority), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2013 and 2012. 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 2013

The Authority has a net position of \$3.68 million. This net position result from the difference between total assets of \$4.01 million and total liabilities of \$0.33 million.

Current assets of \$1.87 million primarily consist of non-restricted Cash and Cash Equivalents of \$1.19 million; Intergovernmental/Accounts Receivable of \$0.53 million and prepaid/bid deposits of \$0.16 million.

Current liabilities of \$0.33 million primarily consist of Accounts Payable, Accrued Wages and related Payroll Accruals.

Financial Highlights for 2012

The Authority has a net position of \$3.93 million. This net position result from the difference between total assets of \$4.16 million and total liabilities of \$0.23 million.

Current assets of \$1.87 million primarily consist of non-restricted Cash and Cash Equivalents of \$1.23 million; Intergovernmental/Accounts Receivable of \$0.53 million and prepaid/bid deposits of \$0.13 million.

Current liabilities of \$0.24 million primarily consist of Accounts Payable, Accrued Wages and related Payroll Accruals.

Basic Financial Statements and Presentation

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

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

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

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

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)**

Notes to the Financial Statements

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

Net Position

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

**(Table 1)
Butler County Regional Transit Authority
Condensed Summary of Net Position
For the Years Ended December 31, 2013, 2012 and 2011**

	2013	2012	2011
Current Assets	\$ 1,873,471	\$ 1,871,331	\$ 1,827,194
Capital Assets (Net of Accumulated Depreciation)	2,135,085	2,290,626	2,732,449
Total Assets	4,008,556	4,161,957	4,559,643
Current Liabilities	331,735	234,506	237,543
Total Liabilities	331,735	234,506	234,543
Net Position			
Invested in Capital Assets	2,135,085	2,290,626	2,732,449
Unrestricted	1,541,736	1,636,825	1,589,651
Total Net Position	\$ 3,676,821	\$ 3,927,451	\$ 4,322,100

During fiscal year 2013, the Authority's current assets remained stable. Capital assets decreased due to annual depreciation charges exceeding capital replacements.

During fiscal year 2012, the Authority's current assets increased with our service growth. Capital assets decreased due to annual depreciation charges exceeding capital replacements.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)**

Statement of Revenues, Expenses and Changes in Net Position

Table 2 reflects the changes in net position.

(Table 2)
Butler County Regional Transit Authority
Condensed Summary of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
Revenues:			
Passenger Fares	\$ 590,582	\$ 647,302	\$ 576,256
Local Operating Funds	75,639	0	0
State Operating Funds	73,550	74,668	0
Federal Operating Funds	1,396,094	1,185,263	393,449
Intergovernmental Funding	1,669,474	1,045,150	1,567,994
Gain on Sale of Assets	0	37,312	0
Federal Capital Funds	260,598	58,738	482,055
Sale of Non-Transportation Service	84,000	0	0
Other Income	33,666	24,425	20,971
Total Revenues	4,183,603	3,072,858	3,040,725
Expenses:			
Operating Expenses			
Net of Depreciation	3,886,765	2,949,455	2,491,943
Depreciation Expense	547,468	518,052	422,148
Total Expenses	4,434,233	3,467,507	2,914,091
Increase in Net Position During the Year	(250,630)	(394,649)	126,634
Net Position, Beginning of Year	3,927,451	4,322,100	4,195,466
Net Position, End of Year	\$ 3,676,821	\$ 3,927,451	\$ 4,322,100

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)**

Financial Operating Results

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

Operating Revenues

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

Non-Operating Revenues

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

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

Labor and Fringe Benefits - These personnel costs accounted for approximately 54.2% of the Authority operating expenses (excluding depreciation) in 2013 as compared to 50.8% in 2012 and 50.0% in 2011. This reflects our continued expansion of services.

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

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

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

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

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Purchased Transportation – This represents the cost of the park-n-ride service operated by SORTA for the Authority and discussed under Intergovernmental Funding in the revenue section.

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

Capital Assets – At the end of fiscal year 2013, the Authority had \$2,135,085 invested in land, operating facility, and vehicles. Table 3 shows fiscal year 2013 balances in comparison to 2012 & 2011 balances:

**(Table 3)
Butler County Regional Transit Authority
Statement of Capital Assets
For the Years Ended December 31, 2013, 2012 and 2011**

	2013	2012	2011
Non-Depreciable Capital Assets			
Land	\$ 294,000	\$ 294,000	\$ 294,000
Depreciable Capital Assets			
Operating Facility	2,227,829	2,227,829	2,227,829
Equipment & Misc.	409,180	300,371	221,539
Vehicles	1,843,663	1,560,545	1,619,295
Total Depreciable Capital Assets	<u>4,480,672</u>	<u>4,088,745</u>	<u>4,068,663</u>
 Total Cost	 <u>\$ 4,774,672</u>	 <u>\$ 4,382,745</u>	 <u>\$ 4,362,663</u>
 Accumulated Depreciation			
Operating Facility	(1,010,427)	(899,977)	(789,527)
Equipment	(195,242)	(115,461)	(81,703)
Vehicles	(1,433,918)	(1,076,681)	(758,984)
Total Depreciation	<u>(2,639,587)</u>	<u>(2,092,119)</u>	<u>(1,630,214)</u>
 Net Value	 <u>\$ 2,135,085</u>	 <u>\$ 2,290,626</u>	 <u>\$ 2,732,449</u>

Depreciation – This category includes depreciation on all capital assets, except land.

Request for Information

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

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Butler County Regional Transit Authority
Statement of Net Position
For the Years Ended December 31, 2013 and 2012

Assets	2013	2012
Current Assets:		
Cash on Deposit	\$ 1,187,054	\$ 1,230,083
Intergovernmental Receivable	512,221	529,568
Accounts Receivable	14,897	7,841
Prepays	89,299	53,839
Bid Deposits	70,000	50,000
Total Current Assets	<u>1,873,471</u>	<u>1,871,331</u>
Non-Current Assets:		
Property, Facilities and Equipment		
Land - Non Depreciable	294,000	294,000
Operating Facility	2,227,829	2,227,829
Vehicles & Equipment	1,843,663	1,560,545
Furniture & Equipment	359,187	282,660
Amenities & Misc.	49,993	17,711
Subtotal	<u>4,774,672</u>	<u>4,382,745</u>
Less Accumulated Depreciation	<u>(2,639,587)</u>	<u>(2,092,119)</u>
Total Property, Facility and Equipment (net of accumulated depreciation)	<u>2,135,085</u>	<u>2,290,626</u>
Total Assets	<u><u>4,008,556</u></u>	<u><u>4,161,957</u></u>
 Liabilities		
Current Liabilities		
Accounts Payable	172,150	123,652
Accrued Payroll & Benefits	149,587	90,378
Unearned Funds	9,998	20,476
Total Liabilities	<u><u>331,735</u></u>	<u><u>234,506</u></u>
 Net Position		
Invested in Capital Assets	2,135,085	2,290,626
Unrestricted	1,541,736	1,636,825
Total Net Position	<u><u>\$ 3,676,821</u></u>	<u><u>\$ 3,927,451</u></u>

See Accompanying Notes to the Basic Financial Statements

Butler County Regional Transit Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2013 and 2012

	2013	2012
Operating Revenues		
Passenger Fares - Demand Response, Contracts	\$ 590,582	\$ 647,302
Local Operating Funds	75,639	-
State Operating Funds	73,550	74,668
Federal Operating Funds	1,396,094	1,185,263
Intergovernmental Funding	1,669,474	1,045,150
Total Operating Revenues	<u>3,805,339</u>	<u>2,952,383</u>
Operating Expenses		
Labor	1,578,333	1,123,498
Fringe Benefits	526,989	376,015
Contract Services	334,860	268,288
Materials & Supplies	598,401	400,389
Utilities	53,622	45,081
Casualty & Liability Insurance	195,452	92,358
Purchased Transportation	581,724	636,746
Depreciation Expense	547,468	518,052
Other	17,384	7,080
Total Operating Expenses	<u>4,434,233</u>	<u>3,467,507</u>
Operating Gain (Loss)	(628,894)	(515,124)
Non-Operating Revenues (Expenses)		
Gain/Loss on Sale of Capital Assets	-	37,312
Federal Capital Funds	260,598	58,738
Sale of Non-Transportation Services	84,000	-
Other Income	33,666	24,425
Total Non-Operating Revenue	<u>378,264</u>	<u>120,475</u>
Net Gain (Loss)	(250,630)	(394,649)
Net Position, Beginning of Year	<u>3,927,451</u>	<u>4,322,100</u>
Net Position, End of Year	<u>\$ 3,676,821</u>	<u>\$ 3,927,451</u>

See Accompanying Notes to the Basic Financial Statements

Butler County Regional Transit Authority
Statement of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
Operating Activities		
Cash Received From Customers	\$ 3,815,632	\$ 2,661,091
Cash Payments - Suppliers for Goods & Services	(1,743,425)	(1,424,264)
Cash Payments - Employees for Wages & Fringes	(2,046,113)	(1,528,228)
Net Cash Provided (Used) by Operating Activities	26,094	(291,401)
Non-Capital Financing Activities		
Bid Deposit Disbursed	(20,000)	-
Non-Transit Funds	117,666	24,425
Prepays - Other	(35,460)	2,137
Net Cash Provided (Used) by Non-Capital Financing Activities	62,206	26,562
Capital and Related Financing Activities		
Purchase of Vehicles & Equipment	(283,118)	(10,002)
Purchase of Equipment & Furniture	(76,527)	(77,463)
Purchase of Amenities & Misc.	(32,282)	(1,368)
Federal Capital Funds	260,598	58,738
Proceeds from Disposal of Fixed Assets	-	37,312
Net Cash Provided (Used) by Capital and Related Financing Activities	(131,329)	7,217
Net Increase (Decrease) in Cash and Cash Equivalents	(43,029)	(257,622)
Cash and Cash Equivalents at Beginning of Year	1,230,083	1,487,705
Cash and Cash Equivalents at End of Year	\$ 1,187,054	\$ 1,230,083

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

Operating Gain (Loss)	\$ (628,894)	\$ (515,124)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used in Operating Activities		
Depreciation	547,468	518,052
Changes in Assets & Liabilities:		
Accounts/Intergovernmental Receivables	10,291	(291,292)
Accounts Payable	48,498	51,024
Accrued Payroll & Benefits	59,209	(28,715)
Accrued Tickets & Reserves	(10,478)	(25,346)
Net Cash Provided (Used) in Operating Activities	\$ 26,094	\$ (291,401)

See Accompanying Notes to the Basic Financial Statements

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**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Entity – The Butler County Regional Transit Authority (BCRTA, the Authority), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. It was created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code. As a political subdivision, it is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The Authority is not subject to federal or state income taxes.

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

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

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

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

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

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

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

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Property, Facilities and Equipment - Property, facilities and equipment are stated at historical cost. The cost of maintenance and repairs is charged to operations as incurred.

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

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

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

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

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

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

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

Recognition of Revenue and Receivables

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

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

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

2. EQUITY IN CASH AND DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority has no deposit policy for custodial risk beyond the requirements of State statute. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. The Authority had a bank balance and carrying amount of \$1,187,054 at December 31, 2013 and \$1,230,083 at December 31, 2012 with financial institutions authorized to accept public funds. Of the bank balance at December 31, 2013 \$250,000 was covered by federal depository insurance and \$937,054 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the Authority's name. Of the bank balance at December 31, 2012 \$250,000 was covered by federal depository insurance and \$980,083 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the Authority's name.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. EMPLOYEE RETIREMENT PLANS

Ohio Public Employees Retirement System

The BCRTA participates in the Ohio Public Employees Retirement System (OPERS).

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
1. The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan.
 2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 3. The Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2013 member contribution rates were 10.0% of covered payroll for members in state and local classifications. The 2013 employer contribution rate for state and local employers was 14.00% of covered payroll.

- F. Plan members are required to contribute a percentage of their annual covered salary (10% in 2013 and 2012), and the Authority is required to contribute an actuarially determined rate. The employer contribution rates were 14% for 2013 and 2012, of annual covered payroll. The contribution requirements of plan members and the Authority are established and may be amended by the Board. The Authority's contributions to OPERS for the years ended December 31, 2013 and 2012 were \$238,425 and \$171,079, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. EMPLOYEE RETIREMENT PLANS (Continued)

Post-employment Benefits

A. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.00% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. EMPLOYEE RETIREMENT PLANS (Continued)

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2013 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2013. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. Employer Specific Information.

The rates stated in Section B, above, are the contractually required contribution rates for OPERS. The Authority's contributions for post-employment benefits were \$68,118 and \$48,877 for the years ended December 31, 2013 and 2012, respectively. This was estimated by multiplying actual employer contributions for calendar year 2013 and 2012 by 0.2857 for state and local employees.

D. OPERS Retirement Board Implements its Health Care Preservation Plan.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

4. MANAGEMENT SERVICES

In 2010, the Authority contracted with the Lakatos Group to provide management services. Specifically, the Lakatos Group is providing the services of Executive Director. Beginning in July 2013 the Board contracted directly with Carla Lakatos for these services. The Director works for the Board of Trustees and oversees the day to day operations as well as directing the strategic planning of the organization. The Executive Director also serves as the liaison to local, state, and federal officials.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. RISK MANAGEMENT

The Authority participates in the Ohio Transit Insurance Pool Association, Inc. (OTIP), renamed in 2002 as Ohio Transit Risk Pool Association, (OTRP), related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. Any underfunding of the plans liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

The Authority continues to carry commercial insurance for all other risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

6. CAPITAL ASSETS - 2013

	January 1, 2013	Additions	Deletions	December 31, 2013
Non-Depreciable Capital Assets				
Land	\$ 294,000	\$ -	\$ -	\$ 294,000
Depreciable Capital Assets				
Operating Facility	2,227,829	-	-	2,227,829
Equipment	300,371	108,809	-	409,180
Vehicles	1,560,545	283,118	-	1,843,663
Total Depreciable Capital Assets	4,088,745	391,927	-	4,480,672
Total Cost	<u>\$ 4,382,745</u>	<u>\$ 391,927</u>	<u>\$ -</u>	<u>\$ 4,774,672</u>
Accumulated Depreciation				
Operating Facility	(899,977)	(110,450)	-	(1,010,427)
Equipment	(115,461)	(79,781)	-	(195,242)
Vehicles	(1,076,681)	(357,237)	-	(1,433,918)
Total Depreciation	<u>\$ (2,092,119)</u>	<u>\$ (547,468)</u>	<u>\$ -</u>	<u>\$ (2,639,587)</u>
Net Value	<u>\$ 2,290,626</u>	<u>\$ (155,541)</u>	<u>\$ -</u>	<u>\$ 2,135,085</u>

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. CAPITAL ASSETS - 2012

	January 1, 2012	Additions	Deletions	December 31, 2012
Non-Depreciable Capital Assets				
Land	\$ 294,000	\$ -	\$ -	294,000
Depreciable Capital Assets				
Operating Facility	2,227,829	-	-	2,227,829
Equipment	221,539	78,832	-	300,371
Vehicles	1,619,295	10,002	(68,752)	1,560,545
Total Depreciable Capital Assets	4,068,663	88,834	(68,752)	4,088,745
Total Cost	\$ 4,362,663	\$ 88,834	(68,752)	\$ 4,382,745
Accumulated Depreciation				
Operating Facility	(789,526)	(110,451)	-	(899,977)
Equipment	(81,703)	(33,758)	-	(115,461)
Vehicles	(758,984)	(373,845)	56,148	(1,076,681)
Total Depreciation	\$ (1,630,213)	\$ (518,054)	56,148	\$ (2,092,119)
Net Value	\$ 2,732,450	\$ (429,220)	\$ (12,604)	\$ 2,290,626

7. CHANGE IN ACCOUNTING PRINCIPLE

For 2012, the RTA implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". The implementation of GASB Statements No. 63 and No. 65 had no impact on beginning of year net position.

BUTLER COUNTY REGIONAL TRANSIT AUTHORITY

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

FEDERAL GRANTOR Program Title	Grant Award Year	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
New Freedom Program	2010	20.521	\$ 132,862
Job Access and Reverse Commute Program	2010	20.516	271,089
Federal Transit Cluster:			
5309 - Federal Transit - Formula Operating Program	2011	20.507	55,178
5309 - Federal Transit - Formula Operating Program	2012	20.507	22,041
5309 - Federal Transit - Formula Operating Program	2013	20.507	250,000
5307 - Federal Transit - Formula Operating Program	2012	20.507	799,484
5307 - Federal Transit - Formula Operating Program	2014	20.507	115,953
Total Federal Transit Cluster			<u>1,242,656</u>
Total			<u><u>\$ 1,646,607</u></u>

The accompanying notes are an integral part of this schedule.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Award Expenditures Schedule (the Schedule) reports the Butler County Regional Transit Authority's (the Authority's) federal award programs' disbursements. The schedule has been prepared on the accrual basis of accounting.

NOTE B – MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Butler County Regional Transit Authority, Butler County, (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 27, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 27, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Butler County Regional Transit Authority's, Butler County, Ohio (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Butler County Regional Transit Authority's major federal program for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Butler County Regional Transit Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

August 27, 2014

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013**

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 control weaknesses 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 internal control weaknesses 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 § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Federal Transit Cluster, CFDA #20.507
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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BUTLER COUNTY REGIONAL TRANSIT AUTHORITY

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 9, 2014**