

DELAWARE TRANSIT CORPORATION

Financial Statements
June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

Delaware Transit Corporation

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Delaware Transportation Authority
Delaware Transit Corporation
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statement of the Delaware Transit Corporation, a blended component unit of the Delaware Transportation Authority, which is a component unit of the State of Delaware, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware Transit Corporation as of June 30, 2020 and 2019, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Required Supplementary Information, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues and expenses compared to budget and schedules of expenses by mode are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues and expenses compared to budget and schedules of expenses by mode are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Board of Trustees
Delaware Transportation Authority
Delaware Transit Corporation

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020, on our consideration of the Delaware Transit Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Delaware Transit Corporation's 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 Delaware Transit Corporation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 3, 2020

This section of the Delaware Transit Corporation's (DTC) annual financial statements presents our discussion and analysis of DTC's financial performance during the Fiscal Years Ended June 30, 2020 and 2019.

Background

DTC is a division of the Delaware Department of Transportation (DelDOT) and operates the Delaware Administration for Regional Transit (DART) First State Public Transportation Service. DTC was formed in 1995 to manage the combined operations of DART, the Delaware Administration for Specialized Transit, the Delaware Railroad Administration, and Commuter Services Administration. DTC operates 266 fixed route and 308 paratransit vehicles on over 64 routes in Delaware's three counties. DTC contracts with the Southeastern Pennsylvania Transportation Authority (SEPTA) for commuter rail service. DTC also operates and maintains 38 park-and-ride lots and 12 park-and-pool lots with an estimated 5,559 parking spaces. DTC maintains approximately 2,369 bus stops throughout the State of Delaware (the State), with major transit hubs in Wilmington, Christiana Mall, Dover, Rehoboth Beach, and Lewes Beach. DTC owns or leases four rail stations that are serviced by SEPTA. All services carried over 7.6 million riders.

Financial Highlights

- Total 2020 operating revenues were approximately \$16.3 million and were \$4.7 million less than 2019 operating revenues. The decrease is due to an 18% decrease in ridership as a result of the COVID -19 pandemic and the Governor's declared State of Emergency and Stay-at-Home order during the fourth quarter of Fiscal Year 2020.
- Total 2020 operating expenses before depreciation were approximately \$135.9 million and were \$1.8 million less than 2019 operating expenses. The decrease in operating expenses before depreciation is largely due to a to a reduction in transit services, lower fuel cost, and less need for contractual services as a result of the COVID-19 pandemic's impact on operations.
- A \$40.4 million investment was made in capital assets during the current year (the funding was \$16.7 million in state capital grants, \$16.3 million in federal capital grants, and \$7.4 million from operating funds). This is primarily attributable to the purchase of revenue vehicles, facility construction and renovations, and the purchase and installation of bus stop shelters.

Overview of the Financial Statements

The financial section of this annual report consists of five parts: (1) management's discussion and analysis, (2) basic financial statements, (3) notes to the financial statements, (4) required supplementary information, and (5) supplementary information.

The financial statements provide both long- and short-term information about DTC's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information and supplementary information that further explain and support the information in the financial statements.

DTC's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net position. All assets and liabilities associated with the operation of DTC are included in the statements of net position.

Financial Analysis

Statements of Net Position

Total assets increased 16.6% to \$198.5 million in 2020. Total liabilities increased 12.5% to \$210.2 million in 2020 and increased 1.1% to \$186.8 million in 2019. Total net position (deficit) at June 30, 2020 was a deficit of approximately \$27.5 million, a 37.6% increase in net position from June 30, 2019. The increase in net position from 2019 was primarily attributed to additional investments in capital assets and funding received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Condensed Financial Information - Delaware Transit Corporation

Statements of Net Position as of June 30

(Dollars expressed in millions)

	<u>Percentage Change</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 - 2019</u>	<u>2019 - 2018</u>
Current assets	\$ 47.0	\$ 39.6	\$ 44.0	18.7	(10.0)
Capital assets, net	150.5	130.7	123.0	15.1	6.3
Other noncurrent assets	<u>1.0</u>	<u>-</u>	<u>-</u>	-	-
Total assets	198.5	170.3	167.0	16.6	2.0
Deferred outflows of resources	25.0	14.1	6.2	77.3	127.4
Current liabilities	12.2	12.7	12.2	(3.9)	4.1
Noncurrent liabilities	<u>198.0</u>	<u>174.1</u>	<u>172.5</u>	13.7	0.9
Total liabilities	210.2	186.8	184.7	12.5	1.1
Deferred inflows of resources	40.8	41.7	22.9	(2.2)	82.1
Net position (deficit)					
Net investment in capital assets	150.5	130.7	123.0	15.1	6.3
Unrestricted deficit	<u>(178.0)</u>	<u>(174.8)</u>	<u>(157.4)</u>	1.8	11.1
Total net position (deficit)	<u>\$ (27.5)</u>	<u>\$ (44.1)</u>	<u>\$ (34.4)</u>	37.6	(28.2)

The increase of \$10.9 million in deferred outflows of resources was primarily due to changes in actuarial assumptions for DTC's pension and OPEB plans. The increase in total liabilities was due to an increase in net other post-employment benefits liability of \$27.8 million offset by a decrease in net pension liability of \$4.7 million.

Changes in Net Position

The increase in net position as of June 30, 2020 was approximately \$16.6 million, which is an increase in net position of 37.6% over 2019. Total operating revenues decreased 22.4% to approximately \$16.3 million in 2020. Total operating expenses decreased 1.1% to approximately \$156.4 million in 2020.

Condensed Financial Information - Delaware Transit Corporation
Changes in Net Position for the Fiscal Years Ended June 30
(Dollars expressed in millions)

	2020	2019	2018	Percentage Change	
				2020 - 2019	2019 - 2018
Operating revenues					
Passenger revenue	\$ 13.0	\$ 17.5	\$ 18.0	(25.7)	(2.8)
Other operating revenues	<u>3.3</u>	<u>3.5</u>	<u>2.4</u>	(5.7)	45.8
Total operating revenues	16.3	21.0	20.4	(22.4)	2.9
Operating expenses					
Operating expenses	135.9	137.7	130.7	(1.3)	5.4
Depreciation	<u>20.5</u>	<u>20.4</u>	<u>20.1</u>	0.5	1.5
Total operating expenses	<u>156.4</u>	<u>158.1</u>	<u>150.8</u>	(1.1)	4.8
Operating loss	(140.1)	(137.1)	(130.4)	2.2	5.1
Nonoperating revenues, net	23.3	3.3	3.4	606.1	(2.9)
Capital contributions	16.3	15.1	9.7	7.9	55.7
Transfers from DelDOT	<u>117.1</u>	<u>109.0</u>	<u>102.2</u>	7.4	6.7
Changes in net position	16.6	(9.7)	(15.1)	271.1	(35.8)
Total net position - beginning of year, as previously stated	(44.1)	(34.4)	21.8	28.2	(257.8)
Prior period adjustment - implementation of GASB No. 75	<u>-</u>	<u>-</u>	<u>(41.1)</u>		(100.0)
Total net position (deficit) - beginning of year, as restated	<u>(44.1)</u>	<u>(34.4)</u>	<u>(19.3)</u>	(28.2)	78.2
Total net position (deficit) - end of year	<u><u>\$ (27.5)</u></u>	<u><u>\$ (44.1)</u></u>	<u><u>\$ (34.4)</u></u>	37.6	(28.2)

The decrease in total operating revenue in 2020 is primarily due to an 18% decrease in ridership as a result of the COVID-19 pandemic and the Governor's declared State of Emergency and Stay-at Home order during the fourth quarter of Fiscal Year 2020.

The decrease in total operating expenses in 2020 is due to a reduction in transit services, lower fuel cost, and less need for contractual services as a result of the COVID-19 pandemic's impact on operations. The increase in total operating expenses in 2019 is due to an increase in personnel and payroll-related costs and an increase in insurance costs and contracted services costs related to an expansion of transit services in the Delaware beach resort area.

Nonoperating revenues in 2020 increased by \$20.0 million due to additional federal operating assistance funding DTC received from the Federal Transit Administration (FTA) through the CARES Act.

Capital contributions were up \$1.2 million due to DTC's purchase of replacement and expansion of revenue vehicles to include the purchase of new electric buses. Transfers from DelDOT increased \$8.1 million primarily due to an increase of DelDOT's funding towards the purchase of DTC capital assets and an increase in DelDOT's subsidy used to fund DTC operations.

Capital Assets

As of June 30, 2020 and 2019, DTC had \$329.2 million and \$292.3 million, respectively, invested in capital assets, which included land, buildings, vehicles, communication and support equipment, furniture and fixtures, bus signs and shelters, and construction in progress. Net of accumulated depreciation, DTC's net capital assets at June 30, 2020 and 2019 totaled \$150.5 million and \$130.7 million, respectively.

Net capital assets increased \$19.9 and \$7.7 million during the Fiscal Years Ended June 30, 2020 and 2019, respectively. The increase in capital assets for the Fiscal Years Ended June 30, 2020 and 2019 is primarily attributed to the purchase of revenue vehicles, facility construction and renovations, and the purchase and installation of bus stop shelters totaling \$40.4 and \$28.1 million, respectively, offset by depreciation expense of \$20.5 and \$20.4 million, respectively.

Assets disposed of during 2020 and 2019 totaled \$3.5 million and \$5.2 million, respectively. Disposals related primarily to the replacement of revenue vehicles and the disposal of communications equipment that was determined to be obsolete or no longer able to support operational needs.

Economic Factors and Next Year's Budget

DTC submits their operating and capital budgets as part of DelDOT's submission to the General Assembly. DTC's Fiscal Year 2021 operating and capital budgets have been authorized by the General Assembly to meet the demand for core transit services in the State. The Fiscal Year 2021 total operating budget is \$128.4 million, which is 4.0% higher than Fiscal Year 2020's operating budget. The capital budget is \$63.6 million, which authorizes funding for purchases of replacement and expansion transit vehicles, facility construction, and rail projects.

DTC's Fiscal Year 2021 State operating assistance is \$46.6 million compared to Fiscal Year 2020 State operating assistance of \$94.8 million. Decrease in State operating assistance is attributed to new funding awarded to DTC from the CARES Act totaling \$55.6 million for operating assistance and \$5.5 million for preventive maintenance funding.

DTC provides post-retirement healthcare benefits to all employees who retire from DTC after meeting eligibility requirements. Governmental Accounting Standards Board Statement No. 75 requires calculation of the net Other Post-Employment Benefits (OPEB) liability and, deferred inflows and deferred outflows related to these post-retirement benefits. The pay-as-you-go cash basis costs associated with these benefits was \$2.7 million and \$2.5 million for the Fiscal Years Ended June 30, 2020 and 2019,

respectively. The impact on the financial statements was the recognition of \$12.5 million and \$12.1 million in benefit expenses for the Fiscal Years Ended June 30, 2020 and 2019, respectively. DTC expects a similar impact on the 2021 financial statements.

Contacting DTC's Financial Management

This financial report is designed to provide interested parties with a general overview of DTC's finances and to demonstrate DTC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Delaware Transit Corporation, 900 Public Safety Boulevard, Dover, Delaware 19901-4503.

Delaware Transit Corporation
Statements of Net Position
June 30, 2020 and 2019

Assets	2020	2019
Current assets		
Cash and cash equivalents	\$ 15,618,857	\$ 17,516,478
Investments - at fair value, unrestricted	3,325,738	15,594,641
Accounts receivable		
Trade	406,383	1,019,416
Federal	22,753,764	87,343
State	263,579	909,867
Inventory	4,562,636	4,423,132
Escrow insurance deposits	13,292	-
Prepaid expenses	57,171	94,216
	<hr/>	<hr/>
Total current assets	47,001,420	39,645,093
Noncurrent assets		
Capital assets, nondepreciable		
Land	1,872,536	1,872,536
Construction in progress	7,881,517	-
Capital assets, depreciable		
Buildings and improvements	99,792,768	91,115,337
Fixtures, vehicles, and equipment	219,671,949	199,306,892
	<hr/>	<hr/>
Total capital assets	329,218,770	292,294,765
Less: accumulated depreciation	(178,764,079)	(161,608,252)
	<hr/>	<hr/>
Total capital assets, net	150,454,691	130,686,513
Investments - at fair value, unrestricted	1,045,580	-
	<hr/>	<hr/>
Total noncurrent assets	151,500,271	130,686,513
	<hr/>	<hr/>
Total assets	198,501,691	170,331,606
Deferred outflows of resources		
Pension and OPEB contributions made after the measurement date	5,660,677	4,883,368
Net difference between projected and actual earnings on pension plan and OPEB trust investments	-	3,747,678
Changes in assumptions - pension plans and OPEB plan	19,360,782	5,448,531
	<hr/>	<hr/>
Total deferred outflows of resources	25,021,459	14,079,577

(Continued)

Delaware Transit Corporation
Statements of Net Position
June 30, 2020 and 2019

Liabilities and Net Position	<u>2020</u>	<u>2019</u>
Current liabilities		
Accounts payable and other accrued expenses	\$ 5,549,117	\$ 6,255,449
Accrued payroll and related expenses	3,645,523	3,557,055
Insurance loss reserve	1,653,034	1,761,936
Compensated absences	<u>1,374,242</u>	<u>1,163,861</u>
Total current liabilities	12,221,916	12,738,301
Noncurrent liabilities		
Compensated absences - net of current portion	2,713,030	2,294,897
Insurance loss reserve - net of current portion	7,595,966	7,304,064
Net OPEB liability	179,120,695	151,307,397
Net pension liability	<u>8,550,390</u>	<u>13,211,311</u>
Total noncurrent liabilities	<u>197,980,081</u>	<u>174,117,669</u>
Total liabilities	210,201,997	186,855,970
Deferred inflows of resources		
Net differences between projected and actual earnings on pension plan and OPEB trust investments	2,948,588	472,007
Differences between expected and actual experience - pension plan and OPEB trust	22,917,585	24,101,486
Changes in assumptions - OPEB plan	<u>14,956,826</u>	<u>17,093,516</u>
Total deferred inflows of resources	40,822,999	41,667,009
Net position (deficit)		
Investment in capital assets	150,454,691	130,686,513
Unrestricted deficit	<u>(177,956,537)</u>	<u>(174,798,309)</u>
Total net position (deficit)	<u>\$ (27,501,846)</u>	<u>\$ (44,111,796)</u>

See independent auditors' report and accompanying notes to financial statements.

Delaware Transit Corporation
Statements of Revenues, Expenses, and Changes in Net Position
Fiscal Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Passenger fares	\$ 13,006,999	\$ 17,476,880
Advertising	623,571	583,862
Miscellaneous	848,953	1,390,793
Auxiliary transportation	<u>1,839,216</u>	<u>1,522,817</u>
Total operating revenues	16,318,739	20,974,352
Operating expenses		
Payroll expense	94,402,896	91,460,651
Professional fees and services	24,846,000	26,383,136
Materials and supplies	10,729,966	12,614,118
Office and miscellaneous	<u>5,893,154</u>	<u>7,289,506</u>
Total operating expenses before depreciation	135,872,016	137,747,411
Depreciation	<u>20,535,966</u>	<u>20,371,070</u>
Total operating expenses	<u>156,407,982</u>	<u>158,118,481</u>
Operating loss	(140,089,243)	(137,144,129)
Nonoperating revenues (expenses)		
Income from investments	425,011	531,943
Bad debt expense	-	(19,955)
Federal operating assistance	28,935,269	6,313,677
Pass-through grant revenues	4,318,296	2,195,033
Pass-through grant expenses	<u>(10,382,203)</u>	<u>(5,738,675)</u>
Excess of nonoperating revenues over nonoperating expenses	<u>23,296,373</u>	<u>3,282,023</u>
Loss before contributions and transfers	(116,792,870)	(133,862,106)
Capital contributions	16,278,524	15,134,236
Transfers from DelDOT	<u>117,124,296</u>	<u>108,999,965</u>
Increase (decrease) in net position	16,609,950	(9,727,905)
Net position (deficit), beginning of the year	<u>(44,111,796)</u>	<u>(34,383,891)</u>
Net position (deficit), end of year	<u>\$ (27,501,846)</u>	<u>\$ (44,111,796)</u>

See independent auditors' report and accompanying notes to financial statements.

Delaware Transit Corporation
Statements of Cash Flows
Fiscal Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Receipts from passengers	\$ 13,620,032	\$ 17,448,966
Payments to suppliers	(38,977,190)	(42,399,494)
Payments to employees	(80,847,369)	(78,038,233)
Insurance claims paid	(4,589,781)	(4,570,260)
Other receipts	<u>3,311,740</u>	<u>3,477,517</u>
Net cash used in operating activities	(107,482,568)	(104,081,504)
Cash flows from noncapital financing activities		
Federal operating subsidies	6,194,460	6,313,677
Pass-through grant revenue	4,318,296	2,195,033
Pass-through grant payments	(10,382,203)	(5,738,675)
Transfers from DelDOT	<u>100,421,187</u>	<u>96,225,471</u>
Net cash provided by noncapital financing activities	100,551,740	98,995,506
Cash flows from capital and related financing activities		
Proceeds from capital contributions	16,352,912	15,131,031
Transfers from DelDOT - capital	17,349,397	12,970,287
Acquisition of capital assets	<u>(40,404,227)</u>	<u>(28,090,253)</u>
Net cash provided by (used in) capital and related financing activities	(6,701,918)	11,065
Cash flows from investing activities		
Net sales (purchases) of investments	11,323,406	(278,023)
Net Payments (to) from insurance escrow account	(13,292)	134,864
Interest received	<u>425,011</u>	<u>531,943</u>
Net cash provided by investing activities	<u>11,735,125</u>	<u>388,784</u>
Net decrease in cash and cash equivalents	(1,897,621)	(4,686,149)
Cash and cash equivalents - beginning of year	<u>17,516,478</u>	<u>22,202,627</u>
Cash and cash equivalents - end of year	<u>\$ 15,618,857</u>	<u>\$ 17,516,478</u>

(Continued)

Delaware Transit Corporation
 Statements of Cash Flows
 Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (140,089,243)	\$ (137,144,129)
Adjustment to reconcile operating loss to net cash used in operating activities		
Depreciation	20,535,966	20,371,070
Changes in assets and deferred outflows of resources		
(Increase) decrease in trade accounts receivable	613,033	(47,869)
Increase in inventory	(139,504)	(317,342)
(Increase) decrease in prepaid expenses	37,045	(20,711)
Increase in deferred outflows of resources	(10,941,882)	(7,915,229)
Changes in liabilities and deferred inflows of resources		
Decrease in accounts payable and other accrued expenses	(706,332)	(21,543)
Increase (decrease) in insurance loss reserve	183,000	(113,000)
Increase in compensated absences	628,514	403,551
Increase in accrued payroll and related expenses	88,468	580,386
Increase (decrease) in net pension liability	(4,660,921)	9,692,343
Increase (decrease) in net OPEB liability	27,813,298	(8,303,404)
Increase (decrease) in deferred inflows of resources	<u>(844,010)</u>	<u>18,754,373</u>
Net cash used in operating activities	<u>\$ (107,482,568)</u>	<u>\$ (104,081,504)</u>

See independent auditors' report and accompanying notes to financial statements.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2020 and 2019

(1) Authorizing Legislation

Pursuant to Title 2 of the Delaware Code, Sections 1304(a) and 1307(a) as enacted by 69 Delaware Law Chapter 435, Delaware Transit Corporation (DTC) was created on November 17, 1994 as a subsidiary public corporation of the Delaware Transportation Authority (the Authority). The Authority provides significant operational subsidies to DTC annually. DTC is authorized to operate the public transportation system within the State of Delaware (State).

The Authority is an independent operating arm of the Delaware Department of Transportation (DelDOT) and a body corporate and politic, constituting a public instrumentality of the State. The Authority was created in 1976 and later reorganized in 1979 by the Enabling Act. The Authority was created to foster the planning and financing of an economical, comprehensive, and integrated system of air, water, vehicular, public, and specialized transportation for the benefit of all people of the State.

(2) Summary of Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

DTC (the reporting entity) is a subsidiary public corporation and a blended component unit of the Authority. As a result of the Authority's relationship with the State, DTC's financial statements are included in the comprehensive annual financial report of the State in accordance with accounting principles generally accepted in the United States of America (GAAP).

DTC operates as a special-purpose government engaged solely in business-type activities. DTC's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Operating revenues and expenses generally result from providing services in connection with DTC's ongoing operations. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are recorded as nonoperating revenues and expenses. When an expense is incurred that can be paid using either restricted or unrestricted resources, it is DTC's policy to first apply the expense towards restricted resources and then towards unrestricted resources.

(b) Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2020 and 2019

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of demand and time deposits and securities with an original maturity of three months or less when purchased.

(d) Allowance for Doubtful Accounts

Accounts receivable consist of short-term receivables that arise in the normal course of business. Accounts are generally considered past due after 30 days and do not accrue interest.

Management determines the allowance for doubtful accounts based upon prior experience and its assessment of the collectibility of specific accounts. At June 30, 2020 and 2019, the allowance for doubtful accounts receivable was \$794 and \$4,189, respectively. Uncollectible accounts receivable are charged off when management determines that all reasonable collection efforts have been exhausted.

(e) Inventory

Inventory consists of equipment parts for revenue and service vehicles and fuel. Inventory is stated at the lower of cost or market value determined using the average cost method.

(f) Investments

Investments are recorded at fair value. Fair value is determined using quoted market prices in an active market, if available. For certain U.S. government securities, U.S. government agency securities, and commercial paper, for which an active market does not exist, fair value is determined using a discounted cash flow model. Significant inputs to the discounted cash flow model are the coupon, yield, and expected maturity date of the security.

(g) Capital Assets

Capital assets, which include land, buildings, vehicles, communication and support equipment, furniture and fixtures, bus signs and shelters, and construction in progress are defined by DTC as all assets purchased with State and federal grant funds, as well as any asset with an individual acquisition cost greater than \$5,000 purchased with operating funds. Capital assets are recorded at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Buildings, vehicles, equipment, furniture and fixtures, and bus signs and shelters are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Revenue vehicles	4 - 25 years
Service vehicles and equipment	3 - 20 years
Communications equipment	10 - 40 years
Furniture and fixtures	3 - 10 years
Bus signs and shelters	10 years

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(h) Capital Contributions and Transfers

Capital contributions arise from State and federal grants generally restricted to capital acquisition. Most capital grants and contributions are in the form of cash, which is then used to purchase capital assets or fund other approved uses.

DTC receives transfers from DelDOT, including subsidy amounts received for operating assistance, pass-through grant revenue, and capital funding for the purchase of capital assets.

(i) Compensated Absences

Compensated absences are absences for which DTC employees will be paid, such as vacation, sick leave, and certain other qualifying absences. The number of days compensated for various absence categories is generally based on length of service. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of DTC and its employees is accrued as employees earn the right to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of DTC and its employees are accounted for in the period in which such services are rendered or such events take place.

(j) Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of DTC and additions to/deductions from DTC's fiduciary net position have been determined on the same basis as they are reported by DTC. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(k) Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust and additions to/deductions from OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(l) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as consumption of net assets by the government that is applicable to future reporting periods. Deferred inflows of resources are defined as acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows increase net position, similar to assets, and deferred inflows decrease net position, similar to liabilities.

Delaware Transit Corporation
Notes to Financial Statements
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(m) Revenues and Expenses

Passenger fare revenues are recorded as revenue at the time services are provided to passengers. Revenues from DART cards are recognized at the point of sale.

DTC defines nonoperating revenues as federal operating subsidies, pass-through grant revenues, investment income, capital contributions, and transfers from DelDOT. All other revenues are derived from the normal operations of DTC. Nonoperating expenses are primarily composed of pass-through grant expenses. All other expenses are a result of normal operations.

Pass-through revenues and expenses relate to federal, State, and other agency funding received by DTC that is subsequently distributed to local nonprofit, subrecipient organizations, and other agencies to fund transportation-related operations and capital improvement programs.

(n) Governmental Accounting Standards Board Statements (GASB) Not Yet Adopted

The following statements were issued by GASB, which management believes may impact the financial reporting of DTC.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement is also intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective date of Statement No. 84 one year, making it effective for reporting periods beginning after December 15, 2019, DTC has not adopted GASB Statement No. 84 as of June 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the governments' leasing activities. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective date of Statement No. 87 by 18 months, making it effective for reporting periods beginning after December 15, 2020. DTC has not adopted GASB Statement No. 87 as of June 30, 2020.

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(3) Deposits and Investments

(a) Cash Management Policy and Investment Guidelines

Cash Management Policy Board

DTC follows the *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy) of the State's Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for investment of all money belonging to the State or on deposit from its political subdivisions, other than money deposited in any State Pension Fund or the State Deferred Compensation Program and to determine the terms, conditions, and other matters relating to those investments, including the designation of permissible investments (29 Del.C. §2716(a)). By law, all deposits and investments belonging to the State are under the control of the State Treasurer in various pooled investment funds (State Investment Pool) except for those that, by specific authority, are under the control of other agencies or component units, as determined by the Board.

As mandated by State statutes, the State's funds shall be invested pursuant to the prudent person standard as defined in the Policy. The prudent person standard allows the Board to establish investment policies based on investment criteria that it defines, and it allows the Board to delegate investment authority to investment professionals. This standard of care not only permits, but also encourages, diversifying investments across various asset classes.

Investment Guidelines and Management

The Policy requires State funds to be allocated and held in the following categories of accounts:

- Collection and disbursement accounts
- Liquidity accounts
- Reserve accounts
- Endowment accounts
- Operating accounts
- Settlement accounts

DTC's accounts are considered operating accounts. State agencies and other public authorities maintain various operating accounts with the intent of segregating such funds for accounting and reporting purposes. In addition, operating accounts may be created to meet particular purposes and/or to comply with State statutes, bond trust agreements, and/or federal guidelines. The investment objectives of such funds are to ensure safety and maximize return while providing for the liquidity requirements specifically identifiable to the use of such funds.

The Policy specifies the type of investments that investment managers can make; the maximum percentage of assets that may be invested in particular instruments; the minimum credit quality of these investments; and the maximum length of time the assets can be invested.

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Delaware Transit Corporation
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The following investments are permissible for operating accounts, subject to the percentage limitations of the account:

- U.S. Treasury obligations
- U.S. government agency obligations
- Certificates of deposit and time deposits
- Corporate debt instruments
- Repurchase agreements
- Money market funds
- Canadian treasury bills
- Canadian agency securities
- Mortgage-backed and asset-backed securities
- Supranational organizations or international agencies

The Policy is available on the Office of the State Treasurer's website at <http://treasury.delaware.gov>.

(b) Custodial Credit Risk

Cash and Cash Equivalents

Cash and cash equivalents, as reported on the statements of net position, are under the control of DTC. DTC maintains all of its cash and cash equivalents with one financial institution. The carrying amounts of DTC's deposits at June 30, 2020 and 2019 were \$15,618,857 and \$17,516,478, respectively, and the bank balances were \$15,676,322 and \$17,541,582, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits-in-transit. The bank balances of \$15,676,322 and \$17,541,582 at June 30, 2020 and 2019, respectively, were covered up to \$250,000 by the Federal Deposit Insurance Corporation and the remainder by collateral held by DTC's Trustee, in DTC's name.

Investments

At June 30, 2020 and 2019, all of DTC's investments were insured or registered, with securities held by DTC or the counterparty in DTC's name.

DTC measures and records its investments using fair value measurement guidelines. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

Delaware Transit Corporation
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<u>Description</u>	Assets at Fair Value at June 30, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments measured at fair value				
U.S. government securities	\$ -	\$ 2,156,777	\$ -	\$ 2,156,777
Commercial paper	-	2,214,541	-	2,214,541
	<u>\$ -</u>	<u>\$ 4,371,318</u>	<u>\$ -</u>	<u>\$ 4,371,318</u>

<u>Description</u>	Assets at Fair Value at June 30, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments measured at fair value				
U.S. government securities	\$ -	\$ 8,464,245	\$ -	\$ 8,464,245
U.S. government agency securities	-	641,011	-	641,011
Commercial paper	-	6,489,385	-	6,489,385
	<u>\$ -</u>	<u>\$ 15,594,641</u>	<u>\$ -</u>	<u>\$ 15,594,641</u>

Investments categorized as Level 2 are valued through several industry accepted methodologies including yield to maturity and benchmark yields. Standard inputs in the valuation methodologies include reported trades, broker/dealer quotes, issuer spreads, and market publications.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in DTC accounts, at the time of purchase, shall not exceed two years, except when it is prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

The following tables present a listing of directly held investments and related maturities as follows:

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities (in Years)		
		June 30, 2020		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. government securities	\$ 2,156,777	\$ 1,111,197	\$ 1,045,580	\$ -
Commercial paper	2,214,541	2,214,541	-	-
Total investments	<u>\$ 4,371,318</u>	<u>\$ 3,325,738</u>	<u>\$ 1,045,580</u>	<u>\$ -</u>

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Delaware Transit Corporation
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<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u> <u>June 30, 2019</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. government securities	\$ 8,464,245	\$ 8,464,245	\$ -	\$ -
U.S. government agency securities	641,011	641,011	-	-
Commercial paper	<u>6,489,385</u>	<u>6,489,385</u>	-	-
Total investments	<u>\$ 15,594,641</u>	<u>\$ 15,594,641</u>	<u>\$ -</u>	<u>\$ -</u>

(d) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. DTC follows the Policy by investing only in authorized securities. DTC's general investment policy for credit risk is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

The Policy requires that investments in:

- Certificates of deposit and time deposits be with a banking institution with assets of not less than \$100 billion that is rated not lower than A1/P-1/F1 short term by at least two rating agencies;
- Money market funds be invested solely in government securities that are rated in the highest rating category by at least one rating agency;
- Asset-backed securities have the highest credit rating from at least two rating agencies; and
- Corporate debt instruments must be rated by Standard and Poor's Ratings Services (S&P) and/or Moody's Investor Service (Moody's) and/or Fitch Ratings (Fitch) as follows:

<u>Investment</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>
Commercial paper	A-2	P-2	F2
Senior long-term debt	A-	A3	A-*
Corporate bonds and debentures	A-	A3	A-

*Excluding asset-backed commercial paper that is rated A1 or better

DTC's investments carry ratings that are in compliance with the Policy.

Based on Standard and Poor's Rating Services, DTC had \$1,150,000 in commercial paper investments with a rating of A-1 and \$1,075,000 in commercial paper investments with a rating of A-1+ as of June 30, 2020.

Delaware Transit Corporation
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(e) Investments in Excess of 5%

Concentration of credit risk is the risk of loss attributed to the magnitude of DTC's investments in a single issuer (5% or more of total investments). When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure.

The Policy provides that the purchase of securities cannot exceed the following percentage of account limitations, valued at market.

- A. U.S. Treasury obligations - no restrictions.
- B. U.S. government agency obligations - 50% in total; 20% in any one issuer.
- C. Certificates of deposit and time deposits - 50% in total (domestic and non-domestic combined); 25% in all non-domestic banking institutions; 5% in any one issuer.
- D. Corporate debt - 50% in total; 25% in all non-domestic corporations; 25% in any one industry; 5% in any one issuer.
- E. Repurchase agreements - 50% in total; provided that any securities purchased subject to repurchase agreements shall be subject to the respective Percentage Limit for such security type as set forth in the Policy and valued for such purposes at the lesser of fair market value and 102% of the maturity value of the securities pursuant to the repurchase agreement and marked-to-the-market daily as requested by the investment manager.
- F. Money market funds - no restrictions.
- G. Canadian treasuries - 25% in total.
- H. Canadian agency securities - 25% in total; 10% in any one agency.
- I. Mortgage-backed and asset-backed securities - 10% in total.
- J. Asset-Backed Securities - 10% in total.
- K. Supranational Organizations or International Agencies - 25% in total; 10% in any one agency.

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2020:

United States Treasury	\$ 2,156,777	49%
Deere and Company	\$ 574,078	13%
Metlife	\$ 574,066	13%
Coca-Cola Company	\$ 569,974	13%
Apple Inc.	\$ 496,422	11%

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Notes to Financial Statements
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The following issuer has investments at fair value in excess of 5% of the investment portfolio at June 30, 2019:

United States Treasury	\$ 8,464,245	54%
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(f) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although DTC does not have a formal policy governing foreign currency risk, DTC does manage its exposure to fair value loss by requiring its investment managers to maintain diversified portfolios to limit foreign currency risk. DTC does not deem foreign currency risk significant.

(g) Investment Commitments

DTC has made no investment commitments as of June 30, 2020 and 2019.

(h) Funding of Unpaid Loss Insurance Reserve Liability

Included in cash at June 30, 2020 and 2019 was \$9,235,708 and \$9,066,000, respectively, which will be utilized to fund the remaining loss insurance reserve liability (Note 12), net of escrow insurance deposits.

Delaware Transit Corporation
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(4) Capital Assets

Capital asset activity for the Fiscal Year Ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset not being depreciated				
Land	\$ 1,872,536	\$ -	\$ -	\$ 1,872,536
Construction in progress	<u>-</u>	<u>7,881,517</u>	<u>-</u>	<u>7,881,517</u>
Total capital asset not being depreciated	1,872,536	7,881,517	-	9,754,053
Capital assets being depreciated				
Buildings and improvements	91,115,337	8,677,431	-	99,792,768
Revenue vehicles	155,308,847	21,903,174	(3,229,124)	173,982,897
Service vehicles and equipment	10,443,648	552,444	(190,497)	10,805,595
Communication equipment	20,245,881	762,642	(33,644)	20,974,879
Furniture and fixtures	750,602	-	(26,957)	723,645
Bus signs and shelters	<u>12,557,914</u>	<u>627,019</u>	<u>-</u>	<u>13,184,933</u>
Total capital assets being depreciated	290,422,229	32,522,710	(3,480,222)	319,464,717
Less accumulated depreciation for:				
Buildings and improvements	33,312,059	3,466,688	-	36,778,747
Revenue vehicles	97,371,372	14,222,136	(3,129,041)	108,464,467
Service vehicles and equipment	8,770,174	436,182	(190,497)	9,015,859
Communication equipment	14,981,829	1,385,837	(33,644)	16,334,022
Furniture and fixtures	656,365	31,295	(26,957)	660,703
Bus signs and shelters	<u>6,516,453</u>	<u>993,828</u>	<u>-</u>	<u>7,510,281</u>
Total accumulated depreciation	<u>161,608,252</u>	<u>20,535,966</u>	<u>(3,380,139)</u>	<u>178,764,079</u>
Total capital assets being depreciated, net	<u>128,813,977</u>	<u>11,986,744</u>	<u>(100,083)</u>	<u>140,700,638</u>
Total capital assets, net	<u>\$ 130,686,513</u>	<u>\$ 19,868,261</u>	<u>\$ (100,083)</u>	<u>\$ 150,454,691</u>

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Capital asset activity for the Fiscal Year Ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset not being depreciated				
Land	\$ 1,872,536	\$ -	\$ -	\$ 1,872,536
Total capital asset not being depreciated	1,872,536	-	-	1,872,536
Capital assets being depreciated				
Buildings and improvements	79,566,443	11,548,894	-	91,115,337
Revenue vehicles	147,016,357	13,207,820	(4,915,330)	155,308,847
Service vehicles and equipment	9,985,883	672,255	(214,490)	10,443,648
Communication equipment	18,671,756	1,574,285	(160)	20,245,881
Furniture and fixtures	750,602	-	-	750,602
Bus signs and shelters	<u>11,511,416</u>	<u>1,086,999</u>	<u>(40,501)</u>	<u>12,557,914</u>
Total capital assets being depreciated	267,502,457	28,090,253	(5,170,481)	290,422,229
Less accumulated depreciation for:				
Buildings and improvements	30,091,917	3,220,142	-	33,312,059
Revenue vehicles	88,272,230	14,014,472	(4,915,330)	97,371,372
Service vehicles and equipment	8,502,876	455,532	(188,234)	8,770,174
Communication equipment	13,274,789	1,707,176	(136)	14,981,829
Furniture and fixtures	624,444	31,921	-	656,365
Bus signs and shelters	<u>5,579,008</u>	<u>941,827</u>	<u>(4,382)</u>	<u>6,516,453</u>
Total accumulated depreciation	<u>146,345,264</u>	<u>20,371,070</u>	<u>(5,108,082)</u>	<u>161,608,252</u>
Total capital assets being depreciated, net	<u>121,157,193</u>	<u>7,719,183</u>	<u>(62,399)</u>	<u>128,813,977</u>
Total capital assets, net	<u>\$ 123,029,729</u>	<u>\$ 7,719,183</u>	<u>\$ (62,399)</u>	<u>\$ 130,686,513</u>

Depreciation expense for the Fiscal Years Ended June 30, 2020 and 2019 were \$20,535,966 and \$20,371,070, respectively.

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(5) Long-Term Liabilities

Long-term liability activity for the Fiscal Year Ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 3,458,758	\$ 628,514	\$ -	\$ 4,087,272	\$ 1,374,242
Insurance loss reserve	9,066,000	4,772,781	(4,589,781)	9,249,000	1,653,034
Net OPEB liability	151,307,397	27,813,298	-	179,120,695	-
Net pension liability	<u>13,211,311</u>	<u>-</u>	<u>(4,660,921)</u>	<u>8,550,390</u>	<u>-</u>
Long-term liabilities	<u>\$ 177,043,466</u>	<u>\$ 33,214,593</u>	<u>\$ (9,250,702)</u>	<u>\$ 201,007,357</u>	<u>\$ 3,027,276</u>

Long-term liability activity for the Fiscal Year Ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 3,055,207	\$ 403,551	\$ -	\$ 3,458,758	\$ 1,163,861
Insurance loss reserve	9,179,000	4,457,260	(4,570,260)	9,066,000	1,761,936
Net OPEB liability	159,610,801	-	(8,303,404)	151,307,397	-
Net pension liability	<u>3,518,968</u>	<u>9,692,343</u>	<u>-</u>	<u>13,211,311</u>	<u>-</u>
Long-term liabilities	<u>\$ 175,363,976</u>	<u>\$ 14,553,154</u>	<u>\$ (12,873,664)</u>	<u>\$ 177,043,466</u>	<u>\$ 2,925,797</u>

(6) Union Contracts

Operators and maintenance personnel of the North District Fixed Route system are represented by the Amalgamated Transit Union AFL-CIO, Local 842. The term of the current Collective Bargaining Agreement (CBA) covers the period from September 1, 2016 through August 31, 2019. As of the date of this report, a new CBA had not been signed and both parties continue to operate under the expired contract terms.

Paratransit Specialists statewide and South District Fixed Route Operators are also represented by the Amalgamated Transit Union AFL-CIO, Local 842, under a separate CBA. The term of the current CBA covers the period from September 1, 2016 through August 31, 2019. As of the date of this report, a new CBA had not been signed and both parties continue to operate under the expired contract terms.

Certain administrative, operations, and maintenance personnel are represented by the Office and Professional Employees International Union AFL-CIO, Local 32. The term of the current CBA covers the period from January 1, 2017 through December 31, 2020.

Service and Automotive Technicians and Automotive Parts/Inventory Control Specialists are represented by the International Brotherhood of Electrical Workers, Local 2270. The term of the current CBA covers the period from July 1, 2019 through June 30, 2023.

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(7) Defined Benefit Pension Plans

(a) Plan Descriptions

DTC administers the Delaware Transit Corporation Pension Plan (DTC Plan) and the Delaware Administration for Regional Transit (DART) Contributory Pension Plan (DART Plan).

The DTC Plan is a single-employer, defined benefit, contributory plan covering noncollectively bargained employees of DTC, DART, and Delaware Administration for Specialized Transit.

The DART Plan is a single-employer, defined benefit, contributory plan covering members of Local 32, Office and Professional Employees International Union AFL-CIO, and Local 842, Amalgamated Transit Union AFL-CIO and its collective bargaining units: the North District Fixed Route and Maintenance Employees and the Paratransit and Greater Dover Area Fixed Route Drivers, who are employed by DTC.

Each plan provides retirement, disability, and death benefits to plan members and beneficiaries.

Both plans issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing DTC at 900 Public Safety Boulevard, Dover, Delaware 19901-4503.

The following employees were covered by the DTC Plan at June 30,:

	<u>2019</u>	<u>2018</u>
Active members	329	314
Inactive members or beneficiaries currently receiving benefits	93	84
Terminated, vested members	<u>101</u>	<u>96</u>
Totals	<u>523</u>	<u>494</u>

The following employees were covered by the DART Plan at December 31,:

	<u>2019</u>	<u>2018</u>
Active members	671	668
Inactive members or beneficiaries currently receiving benefits	206	197
Terminated, vested members	<u>107</u>	<u>103</u>
Totals	<u>984</u>	<u>968</u>

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(b) Benefits

The DTC Plan provides retirement, disability, and death benefits. All employees with 10 years of credited service are eligible for early retirement at age 55. All employees may retire at any age after 25 years of credited service or upon reaching the age of 62. If an employee terminates their employment after at least five years of credited service, but before normal retirement age, they may defer pension benefits until reaching retirement age. Benefits fully vest after five years of credited service.

Death benefits for a DTC Plan participant who dies while employed after completing five years of credited service is equal to 75% of the service pension to which the participant would have been eligible at age 65. The DTC plan was amended to add a survivorship pop-up benefit for participants who retire on or after January 1, 2018 and elect a joint and survivorship annuity.

The authority under which the DTC Plan benefit provisions are established, evaluated, and amended resides with DTC. DTC reserves the right to amend, modify, or terminate the DTC Plan and completely discontinue contributions with respect to eligible participants. However, no such action shall adversely affect eligible participants who have retired under the DTC Plan prior to such action, nor shall any such amendment have the effect of decreasing the amount of a participant's accrued benefit. DTC expects to continue the DTC Plan indefinitely.

The DART Plan provides retirement, disability, and death benefits. All employees with 10 years of credited service are eligible to receive pension benefits at age 65. All employees may retire at any age after 25 years of credited service or upon reaching the age of 65 with a minimum of five years of continuous service. If an employee terminates their employment after at least five years of continuous service, but before normal retirement age, they may defer pension benefits until reaching retirement age. As of December 31, 2019 and 2018, the monthly benefit was \$72.50 and \$70.50 per year of service, respectively. This benefit is then multiplied by the applicable years of service credited to the eligible participant. Effective January 1, 2019, the monthly benefit paid to retirees receiving benefits under the DART Plan as of December 31, 2018 was increased by 2% and the multiplier for employees who retire after December 31, 2018 was increased to a monthly benefit per year of service of \$72.50, up from \$70.50. Effective January 1, 2020, the monthly benefit paid to retirees receiving benefits under the Plan as of December 31, 2019 was increased by 2% and the multiplier for employees who retire after December 31, 2019 was increased to a monthly benefit per year of service of \$74.00, up from \$72.50. Upon the death of a retiree or active participant, a lump-sum payment will be made comprised of the aggregate of the participant's contributions that exceed the aggregate of the payments that have been made to the participant.

The authority under which the DART Plan benefit provisions are established, evaluated, and amended resides with the DART Plan Pension Committee. The DART Plan Pension Committee is comprised of three members appointed by DTC and three members appointed by Amalgamated Transit Union, Local 842.

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(c) Funding Policy

For the DTC Plan, DTC retains the authority to establish, evaluate, and amend the obligations to contribute to the Plan. DTC's annual contribution determined by the actuary is funded monthly until the required contribution is met. Employees hired after June 30, 2012 are required to contribute 3% of eligible annual compensation in excess of \$6,000.

For the DART Plan, the Pension Committee retains the authority to establish, evaluate, and amend the obligations to contribute to the Plan of both the Plan members, as collectively bargained, and DTC. Plan members are required to contribute 5% of their hourly wages for each hour worked to a maximum of 2,080 hours per year. DTC contributes 5% of the regular hourly wages to the Plan.

The employer contributions recognized by the DTC Plan and the DART Plan during the Fiscal Year Ended June 30, 2020 were \$1,343,265 and \$1,399,890, respectively. The employer contributions recognized by the DTC Plan and the DART Plan during the Fiscal Year Ended June 30, 2019 were \$1,255,065 and \$1,213,140, respectively.

(d) Net Pension Liability

The DTC Plan's net pension liability for the Fiscal Years Ended June 30, 2020 and 2019 was determined by actuarial valuations as of July 1, 2019 and 2017, respectively. Update procedures were used to roll forward the valuation results to the respective measurement dates. There have been no changes between the measurement date of the net pension liability and DTC's report date that are expected to have a significant effect on the net pension liability.

The total pension liability used to calculate the net pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurements for the Fiscal Years Ended June 30,:

	2020	2019
Investment rate of return	7.0%, net of plan investment expense, including inflation	7.0%, net of plan investment expense, including inflation
Salary increases	2.5%, including inflation	2.5%, including inflation
Inflation	2.0%	2.0%
Mortality	RP-2014 Mortality with generational projection using scale MP-2017	RP-2014 Mortality with generational projection using scale MP-2017

The long-term expected rate of return on the DTC Plan's investments of 7.0% was determined using a building-block method, where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. These return expectations are weighted based on the following asset/target amounts for the Fiscal Year Ended June 30, 2020:

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<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	6.2%	42.0%
International equity	6.3	16.0
Emerging equity	6.9	7.0
Core fixed income	2.5	17.5
Intermediate IG Corp	3.6	8.7
High yield	4.3	4.4
Emerging debt	4.5	4.4

These return expectations were weighted based on the following asset/target amounts for the Fiscal Year Ended June 30, 2019:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	5.0%	42.0%
International equity	4.9	16.0
Emerging equity	5.0	7.0
Core fixed income	2.6	17.5
Intermediate IG Corp	3.6	8.7
High yield	4.1	4.4
Emerging debt	4.2	4.4

The DART Plan's net pension liability for the calendar years ended December 31, 2019 and 2018 was determined by an actuarial experience study as of January 1, 2019. There have been no changes between the measurement date of the net pension liability and the report date that are expected to have a significant effect on the net pension liability. The total pension liability used to calculate the net pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurements for the Fiscal Years Ended June 30,:

	<u>2020</u>	<u>2019</u>
Investment rate of return	7.0%, including inflation	7.0%, including inflation
Salary increases	2.5%, including inflation	2.5%, including inflation
Inflation	2.5%	2.5%
Mortality	Sex distinct RP-2014 Blue Collar table, fully generational with scale MP-2018	Sex distinct RP-2014 Blue Collar table, fully generational with scale MP-2018

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The long-term expected rate of return on the DART Plan's investments of 7.0% was determined using a building-block method, where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. These return expectations were weighted based on the following asset/target amounts for the Fiscal Year Ended June 30, 2020:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	7.0%	39.0%
International equity	7.0	21.0
Fixed income	5.0	39.0
Cash equivalents	3.0	1.0

These return expectations were weighted based on the following asset/target amounts for the Fiscal Year Ended June 30, 2019:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	8.0%	39.0%
International equity	8.0	21.0
Fixed income	4.0	39.0
Cash equivalents	3.0	1.0

(e) Discount Rate

The discount rate used to measure the total pension liability was 7.0% for both the DTC Plan and the DART Plan for all measurement periods. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from DTC will be made at rates determined by DTC or the DART Plan Pension Committee, actuarially calculated. Based on those assumptions, the fiduciary net position for both the DTC Plan and the DART Plan was projected to be available to make all projected future benefit payments of current members of each Plan. Therefore, the long-term expected rate of return on investments for both the DTC Plan and the DART Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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(f) Changes in the Net Pension Liability

Changes in DTC's net pension liability for the Fiscal Year Ended June 30, 2020 were as follows:

	<u>DTC Plan</u>			<u>DART Plan</u>			<u>Totals</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at 7/1/18 (DTC Plan) and 1/1/19 (DART Plan)	\$ 30,228,648	\$ 28,133,804	\$ 2,094,844	\$ 58,834,916	\$ 47,718,449	\$ 11,116,467	\$ 89,063,564	\$ 75,852,253	\$ 13,211,311
Changes for the year									
Service cost	1,288,592	-	1,288,592	2,080,651	-	2,080,651	3,369,243	-	3,369,243
Interest	2,077,398	-	2,077,398	4,167,977	-	4,167,977	6,245,375	-	6,245,375
Changes of benefit terms	208,879	-	208,879	1,160,065	-	1,160,065	1,368,944	-	1,368,944
Differences between expected and actual experience	(1,094,998)	-	(1,094,998)	(136,567)	-	(136,567)	(1,231,565)	-	(1,231,565)
Changes in assumptions	1,154,455	-	1,154,455	-	-	-	1,154,455	-	1,154,455
Contributions - employer	-	1,343,265	(1,343,265)	-	1,399,890	(1,399,890)	-	2,743,155	(2,743,155)
Contributions - member	-	186,239	(186,239)	-	1,584,446	(1,584,446)	-	1,770,685	(1,770,685)
Net investment income (loss)	-	1,804,607	(1,804,607)	-	9,507,003	(9,507,003)	-	11,311,610	(11,311,610)
Benefit payments, including refunds of member contributions	(1,103,052)	(1,103,052)	-	(2,793,310)	(2,793,310)	-	(3,896,362)	(3,896,362)	-
Administrative expenses	-	(149,129)	149,129	-	(108,948)	108,948	-	(258,077)	258,077
Net changes	<u>2,531,274</u>	<u>2,081,930</u>	<u>449,344</u>	<u>4,478,816</u>	<u>9,589,081</u>	<u>(5,110,265)</u>	<u>7,010,090</u>	<u>11,671,011</u>	<u>(4,660,921)</u>
Balances at 6/30/19 (DTC Plan) and 12/31/19 (DART Plan)	<u>\$ 32,759,922</u>	<u>\$ 30,215,734</u>	<u>\$ 2,544,188</u>	<u>\$ 63,313,732</u>	<u>\$ 57,307,530</u>	<u>\$ 6,006,202</u>	<u>\$ 96,073,654</u>	<u>\$ 87,523,264</u>	<u>\$ 8,550,390</u>

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Changes in DTC's net pension liability for the Fiscal Year Ended June 30, 2019 were as follows:

	DTC Plan			DART Plan			Totals		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 7/1/17 (DTC Plan) and 1/1/18 (DART Plan)	\$ 27,876,132	\$ 25,502,783	\$ 2,373,349	\$ 51,702,538	\$ 50,556,919	\$ 1,145,619	\$ 79,578,670	\$ 76,059,702	\$ 3,518,968
Changes for the year									
Service cost	1,137,417	-	1,137,417	2,194,365	-	2,194,365	3,331,782	-	3,331,782
Interest	1,919,848	-	1,919,848	3,680,761	-	3,680,761	5,600,609	-	5,600,609
Changes of benefit terms	-	-	-	1,238,609	-	1,238,609	1,238,609	-	1,238,609
Differences between expected and actual experience	(293,859)	-	(293,859)	(647,158)	-	(647,158)	(941,017)	-	(941,017)
Changes in assumptions	488,560	-	488,560	3,340,244	-	3,340,244	3,828,804	-	3,828,804
Contributions - employer	-	1,255,065	(1,255,065)	-	1,213,140	(1,213,140)	-	2,468,205	(2,468,205)
Contributions - member	-	144,642	(144,642)	-	1,499,056	(1,499,056)	-	1,643,698	(1,643,698)
Net investment income	-	2,261,406	(2,261,406)	-	(2,785,579)	2,785,579	-	(524,173)	524,173
Benefit payments, including refunds of member contributions	(899,450)	(899,450)	-	(2,674,443)	(2,674,443)	-	(3,573,893)	(3,573,893)	-
Administrative expenses	-	(133,656)	133,656	-	(90,644)	90,644	-	(224,300)	224,300
Other	-	3,014	(3,014)	-	-	-	-	3,014	(3,014)
Net changes	<u>2,352,516</u>	<u>2,631,021</u>	<u>(278,505)</u>	<u>7,132,378</u>	<u>(2,838,470)</u>	<u>9,970,848</u>	<u>9,484,894</u>	<u>(207,449)</u>	<u>9,692,343</u>
Balances at 6/30/18 (DTC Plan) and 12/31/18 (DART Plan)	<u>\$ 30,228,648</u>	<u>\$ 28,133,804</u>	<u>\$ 2,094,844</u>	<u>\$ 58,834,916</u>	<u>\$ 47,718,449</u>	<u>\$ 11,116,467</u>	<u>\$ 89,063,564</u>	<u>\$ 75,852,253</u>	<u>\$ 13,211,311</u>

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(g) Sensitivity of Net Pension Liability to Changes in the Discount Rate

The sensitivity of the net pension liability (asset) to changes in the DTC Plan's discount rate as of June 30, 2019 and the DART Plan's discount rate as of December 31, 2019 were as follows:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
DTC Plan (7.0%)	\$ 6,671,353	\$ 2,544,188	\$ (911,446)
DART Plan (7.0%)	\$ 13,853,667	\$ 6,006,202	\$ (593,353)

The sensitivity of the net pension liability (asset) to changes in the DTC Plan's discount rate as of June 30, 2018 and the DART Plan's discount rate as of December 31, 2018 were as follows:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
DTC Plan (7.0%)	\$ 5,850,184	\$ 2,094,844	\$ (1,052,920)
DART Plan (7.0%)	\$ 18,472,311	\$11,116,467	\$ 4,939,148

(h) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The components of pension expense for the DTC Plan were as follows for the Fiscal Years Ended June 30,:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 1,288,592	\$ 1,137,417
Interest	2,077,398	1,919,848
Changes of benefit terms	208,879	-
Member contributions	(186,239)	(144,642)
Differences between expected and actual experience	(321,335)	(184,460)
Changes in assumptions	396,620	252,313
Administrative expenses	149,129	133,656
Projected earnings on plan investments	(1,979,071)	(1,798,131)
Amortization of investment return differences	212,793	(37,882)
Other changes in fiduciary net position	-	(3,014)
Pension expense	<u>\$ 1,846,766</u>	<u>\$ 1,275,105</u>

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The components of pension expense for the DART Plan were as follows for the Fiscal Years Ended June 30,:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 2,080,651	\$ 2,194,365
Interest	4,167,977	3,680,761
Member contributions	(1,584,446)	(1,499,056)
Benefit changes	1,160,065	1,238,609
Differences between expected and actual experience	(160,704)	(141,194)
Changes in assumptions	477,178	477,178
Administrative expenses	108,948	90,644
Projected earnings on plan investments	(3,343,116)	(3,537,164)
Amortization of investment return differences	<u>116,609</u>	<u>1,349,387</u>
Pension expense	<u>\$ 3,023,162</u>	<u>\$ 3,853,530</u>

For the Fiscal Years Ended June 30, 2020 and 2019, DTC recognized pension expense of \$4,869,928 and \$5,128,635, respectively.

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement period (Fiscal Year June 30, 2020 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net pension liability in Fiscal Year 2021.

Expected and Actual Experience Differences - The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Assumptions - The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive Plan members. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Differences Between Projected and Actual Investment Earnings on Pension Plan Investments - The difference between the actual earnings on Plan investments compared to the DTC Plan's expected rate of return of 7.0% and DART Plan's expected rate of return of 7.0% is amortized over a closed period of five years. The first year of amortization is recognized as pension expense, with the remaining four years recognized as either a deferred outflow or deferred inflow of resources.

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The following presents the deferred outflows of resources and deferred inflows of resources related to the DTC Plan and DART Plan as of June 30, 2020:

	<u>DTC Plan</u>		<u>DART Plan</u>		<u>Totals</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,756,334	\$ -	\$ 836,467	\$ -	\$ 2,592,801
Changes in assumptions	2,332,783	-	2,385,888	-	4,718,671	-
Net differences between projected and actual earnings on pension plan investments	-	260,291	-	2,532,818	-	2,793,109
Employer contributions subsequent to the measurement date	<u>1,492,990</u>	<u>-</u>	<u>1,464,729</u>	<u>-</u>	<u>2,957,719</u>	<u>-</u>
Totals	<u>\$ 3,825,773</u>	<u>\$ 2,016,625</u>	<u>\$ 3,850,617</u>	<u>\$ 3,369,285</u>	<u>\$ 7,676,390</u>	<u>\$ 5,385,910</u>

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The following presents the deferred outflows of resources and deferred inflows of resources related to the DTC Plan and DART Plan as of June 30, 2019:

	<u>DTC Plan</u>		<u>DART Plan</u>		<u>Totals</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 982,671	\$ -	\$ 860,604	\$ -	\$ 1,843,275
Changes in assumptions	1,574,948	-	2,863,066	-	4,438,014	-
Net differences between projected and actual earnings on pension plan investments	-	221,962	3,747,678	-	3,747,678	221,962
Employer contributions subsequent to the measurement date	<u>1,457,272</u>	<u>-</u>	<u>909,948</u>	<u>-</u>	<u>2,367,220</u>	<u>-</u>
Totals	<u>\$ 3,032,220</u>	<u>\$ 1,204,633</u>	<u>\$ 7,520,692</u>	<u>\$ 860,604</u>	<u>\$ 10,552,912</u>	<u>\$ 2,065,237</u>

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As of June 30, 2020, DTC reported \$2,957,719 as deferred outflows of resources related to pensions resulting from DTC contributions subsequent to the measurement dates, which will be recognized as a reduction of the net pension liability for the Fiscal Year Ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the Fiscal Years Ending June 30,:

	DTC Plan	DART Plan	Total
2021	\$ 81,896	\$ (313,661)	\$ (231,765)
2022	(168,747)	(385,200)	(553,947)
2023	17,523	348,244	365,767
2024	147,273	(916,305)	(769,032)
2025	199,013	316,468	515,481
Thereafter	39,200	(32,943)	6,257

(i) Payable to the Plans

At June 30, 2020, DTC reported payables of \$10,644 for the outstanding amount of contributions due to the DTC Plan. At June 30, 2019, DTC reported no outstanding amounts for contributions due to the DTC Plan.

At June 30, 2020, DTC reported payables of \$137,127 for the outstanding amount of contributions due to the DART Plan. At June 30, 2019, DTC reported no outstanding amount for contributions due to the DART Plan.

(8) OPEB

(a) Plan Description

In June 2010, the Delaware Transit Corporation OPEB Fund Trust (the OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code. The OPEB Trust was amended and restated on January 1, 2014. Furthermore, the OPEB Trust was amended to change employee eligibility and DTC subsidy requirements effective January 1, 2016. The OPEB Trust is administered by DTC. Policy for and management of the OPEB Trust benefits provided to retirees are the responsibility of DTC. No stand-alone financial report is issued for the OPEB Trust.

The OPEB Trust is a single-employer, defined benefit plan. The OPEB Trust provides retirement medical and life insurance coverage to retired employees and their eligible dependents.

DTC retains the authority to establish, evaluate, and amend the benefit terms provided under the OPEB Trust. DTC assumes no contractual obligations to continue contributions to the OPEB Trust and reserves the right at any time and for any reason to discontinue or amend the above-mentioned post-employment benefits. Failure by DTC to continue to make contributions to the OPEB Trust shall not give rise to any liability to DTC. It is the expectation of DTC to continue the OPEB Trust indefinitely.

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Membership of the plan consisted of the following at June 30,:

	2019	2018
Retirees and beneficiaries receiving benefits		
Pre-65	74	73
Post-65	287	270
Total retirees and beneficiaries receiving benefits	361	343
Total active plan members	878	875
Totals	1,239	1,218

Substantially all DTC full-time employees become eligible for post-retirement benefits if they reach retirement age while working for DTC. However, employees who elect early retirement at age 55 with 10 years of service are also eligible for OPEB benefits.

Eligibility

Contract Employees:

For employees hired before January 1, 2016 - Age 65 with five years of service or after 25 years of service.

For employees hired after January 1, 2016 - Age 65 with 10 years of service or after 25 years of service.

Non-Contract Employees:

For employees hired before January 1, 2016 - Age 55 with 10 years of service or age 62 with five years of service.

For employees hired after January 1, 2016 - Age 55 with 10 years of service.

For both contract and non-contract employees, disabled participants must reach retirement age to be eligible.

Benefits

During the Fiscal Years Ended June 30, 2020 and 2019, DTC provided health insurance options through two providers and life insurance through one provider.

Spouse and Survivor Coverage

Surviving spouses of participants are allowed access to the plan and receive the same subsidy as retirees.

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Retiree Contributions

The only required contributions by retirees are their respective portion of current year premiums as described in Note 8(c). DTC retains the authority to amend the requirements for retiree contributions at any time.

(b) Funding Policy and Employer Contributions

DTC funds the OPEB Trust on a pay-as-you-go basis with additional funding provided on an ad-hoc basis. Contributions to the OPEB Trust are generally made at the same time and in the same amount as benefit payments and expenses becoming due. Funds are recorded in the OPEB Trust for the payment of retiree healthcare and life insurance claims and investment expenses. Employer contributions for healthcare are recorded in the OPEB Trust. The funds available are invested under DTC's management, who acts as the Trustee of and is responsible for the financial management of the OPEB Trust. The cash basis costs associated with these benefits were \$2,702,958 and \$2,516,148 for the Fiscal Years Ended June 30, 2020 and 2019, respectively.

(c) Employer Subsidy

Medical, Dental, and Vision for Employees Hired Before January 1, 2016

DTC subsidizes 90% of medical premiums based on published rates for retirees less than age 65 and 100% for retirees age 65 or greater. DTC subsidizes 100% of the dental and vision coverage for non-contract employees. Contract employees are allowed access to dental and vision coverage, but must pay the full premium.

Medical, Dental, and Vision for Employees Hired After January 1, 2016

DTC subsidizes 50% of medical premiums based on published rates after 10 years of service and 75% after 15 years of service. For retirees less than age 65 and greater than 20 years of service, retirees are responsible for the same premium paid by active employees, with DTC subsidizing the remaining amount. For retirees greater than age 65 and greater than 20 years of service, DTC subsidizes 100% of the medical premiums. DTC subsidizes 100% of dental and vision coverage for all retirees and their spouses and dependents after 10 years of service.

Life Insurance

Life insurance is provided to retirees. Retirees under age 70 receive \$6,000 in coverage. Once the participant reaches age 70, the coverage drops to \$5,000. DTC must pay \$0.265 per month per \$1,000 of coverage for each employee.

The premium payments for post-employment benefits paid by retirees were \$103,360 and \$85,385 for the Fiscal Years Ended June 30, 2020 and 2019, respectively.

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(d) Net OPEB Liability

The net OPEB liability was measured as of June 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of June 30, 2019. Actuarial valuations are performed every two years and roll forward or rollback procedures are performed between the actuarial valuation date and measurement date.

The total OPEB liability used to calculate the net OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurements for the Fiscal Years Ended June 30,:

	<u>2020</u>	<u>2019</u>
Inflation	2.4%	2.4%
Salary increases	2.5%, including inflation	2.5%, including inflation
Investment rate of return	3.1%, based on the government bond index rate as of June 30, 2019	3.6%, based on the government bond index rate as of June 30, 2018

The healthcare cost trend rate was 5.7% of June 30, 2019 and 2018, based on the Society of Actuaries Long-Run Medical Cost Trend Model. Sample trends are as follows:

	<u>Post- Medicare</u>	<u>Pre-Medicare</u>
2021	5.1%	5.1%
2026	5.0%	5.5%
2031	5.0%	5.8%
2055	4.7%	5.1%

Mortality rates were based on: RP 2014 Generational Blue Collar Headcount Weighted Mortality Tables for Contract members; RP 2014 Generational White Collar Headcount Weighted Mortality Tables for Non-Contract members; RP 2014 Generational Disabled Annuitant Headcount Weighted Mortality Tables for Disabled members. All tables were projected using Scale MP-2018 and base year 2006.

There have been no significant changes to assumptions between the measurement date and the report date that are expected to have a significant effect on the net OPEB liability.

All participants currently enrolled in healthcare coverage are assumed to continue to elect healthcare coverage in the future. All participants that have waived healthcare coverage are assumed to continue to waive healthcare coverage in the future. 92% of those currently enrolled are assumed to continue coverage into retirement. This assumption is based on DTC's experience.

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(e) Discount Rate

The discount rate used to measure the total OPEB liability was 3.13% and 3.62% based on the 20-year general obligation bond index as of June 30, 2019 and 2018, respectively.

(f) Changes in the Net OPEB Liability

Changes in DTC's net OPEB liability for the Fiscal Year Ended June 30, 2020 were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of July 1, 2018	\$ 155,632,012	\$ 4,324,615	\$ 151,307,397
Changes for the year			
Service cost	10,497,112	-	10,497,112
Interest	5,571,052	-	5,571,052
Differences between expected and actual experience	(954,956)	-	(954,956)
Changes in assumptions	15,477,648	-	15,477,648
Contributions - employer	-	2,516,148	(2,516,148)
Net investment income	-	261,410	(261,410)
Benefit payments, including refunds of member contributions	<u>(2,516,148)</u>	<u>(2,516,148)</u>	<u>-</u>
Net changes	<u>28,074,708</u>	<u>261,410</u>	<u>27,813,298</u>
Balances at June 30, 2019	<u>\$ 183,706,720</u>	<u>\$ 4,586,025</u>	<u>\$ 179,120,695</u>

Changes in DTC's net OPEB liability for the Fiscal Year Ended June 30, 2019 were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of July 1, 2017	\$ 163,346,444	\$ 3,735,643	\$ 159,610,801
Changes for the year			
Service cost	11,453,625	-	11,453,625
Interest	5,786,270	-	5,786,270
Differences between expected and actual experience	(23,811,648)	-	(23,811,648)
Changes in assumptions	1,136,832	-	1,136,832
Contributions - employer	-	2,279,511	(2,279,511)
Net investment loss	-	588,972	(588,972)
Benefit payments, including refunds of member contributions	<u>(2,279,511)</u>	<u>(2,279,511)</u>	<u>-</u>
Net changes	<u>(7,714,432)</u>	<u>588,972</u>	<u>(8,303,404)</u>
Balances at June 30, 2018	<u>\$ 155,632,012</u>	<u>\$ 4,324,615</u>	<u>\$ 151,307,397</u>

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(g) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

The sensitivity of the net OPEB liability to changes in the OPEB Trust's discount rate as of June 30, 2019 was as follows:

	1% Decrease (2.1%)	Current Discount Rate (3.1%)	1% Increase (4.1%)
Net OPEB liability	\$ 216,972,879	\$ 179,120,695	\$ 149,818,707

The sensitivity of the net OPEB liability to changes in the OPEB Trust's discount rate as of June 30, 2018 was as follows:

	1% Decrease (2.6%)	Current Discount Rate (3.6%)	1% Increase (4.6%)
Net OPEB liability	\$ 182,057,597	\$ 151,307,397	\$ 127,319,554

The sensitivity of the net OPEB liability to changes in the OPEB Trust's healthcare cost trend rate as of June 30, 2019 was as follows:

	1% Decrease (4.7%)	Current Healthcare Trend Rate (5.7%)	1% Increase (6.7%)
Net OPEB liability	\$ 146,913,896	\$ 179,120,695	\$ 221,835,442

The sensitivity of the net OPEB liability to changes in the OPEB Trust's healthcare cost trend rate as of June 30, 2018 was as follows:

	1% Decrease (4.7%)	Current Healthcare Trend Rate (5.7%)	1% Increase (6.7%)
Net OPEB liability	\$ 126,107,462	\$ 151,307,397	\$ 184,285,680

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(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The components of OPEB expense were as follows for the Fiscal Years Ended June 30,:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 10,497,112	\$ 11,453,625
Interest	5,571,052	5,786,270
Projected earnings on OPEB Trust	(302,723)	(261,495)
Current period amortization of deferred outflows associated with differences between projected and actual earnings	(53,253)	(61,516)
Current period amortization of deferred inflows associated with differences between projected and actual experience	(2,888,383)	(2,782,277)
Current period amortization of deferred inflows associated with changes in assumptions	<u>(290,636)</u>	<u>(2,010,375)</u>
OPEB expense	<u>\$ 12,533,169</u>	<u>\$ 12,124,232</u>

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement date of June 30, 2019 (Fiscal Year June 30, 2020 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net OPEB liability in Fiscal Year 2021.

Expected and Actual Experience Differences - The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as OPEB expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Changes in Assumptions - The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as OPEB expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources.

Differences Between Projected and Actual Investment Earnings on OPEB Trust Investments - The difference between the actual earnings on OPEB investments compared to the expected rate of return of 3.1% is amortized over a closed period of five years. The first year of amortization is recognized as OPEB expense, with the remaining four years recognized as either a deferred outflow or deferred inflow of resources.

The following presents a summary of the deferred outflows of resources and deferred inflows of resources related to the OPEB Trust as of June 30, 2020:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 20,324,784
Changes in assumptions	14,642,111	14,956,826
Net differences between projected and actual earnings on OPEB Trust investments	-	155,479
Employer contributions subsequent to the measurement date	<u>2,702,958</u>	<u>-</u>
Totals	<u>\$ 17,345,069</u>	<u>\$ 35,437,089</u>

The following presents a summary of the deferred outflows of resources and deferred inflows of resources related to the OPEB Trust as of June 30, 2019:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 22,258,211
Changes in assumptions	1,010,517	17,093,516
Net differences between projected and actual earnings on OPEB Trust investments	-	250,045
Employer contributions subsequent to the measurement date	<u>2,516,148</u>	<u>-</u>
Totals	<u>\$ 3,526,665</u>	<u>\$ 39,601,772</u>

At June 30, 2020, DTC reported \$2,702,958 as deferred outflows of resources related to OPEB resulting from DTC contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability for the Fiscal Year Ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense during the Fiscal Years Ending June 30,:

2021	\$ (3,232,272)
2022	(3,232,272)
2023	(3,236,253)
2024	(3,170,758)
2025	(3,179,019)
Thereafter	(4,744,404)

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(i) Payable to the OPEB Trust

At June 30, 2020 and 2019, there were no outstanding amounts for contributions due to the OPEB Trust.

(j) Additional Information for the OPEB Trust

The following additional information is being provided related to the OPEB Trust as of and for the Fiscal Year Ended June 30, 2019, the measurement date of the OPEB liability, since separate plan financial statements are not publicly available.

**Schedule of Fiduciary Net Position - OPEB Trust
June 30, 2019**

Assets	
Cash and cash equivalents	\$ 54,080
Investments, at fair value	
Fixed income	1,559,355
Domestic equities	1,938,531
International equities	<u>1,034,059</u>
Total investments, at fair value	<u>4,531,945</u>
Total assets	\$ <u>4,586,025</u>
Net position restricted for OPEB	\$ <u>4,586,025</u>

**Schedule of Plan Investment Net Income - OPEB Trust
For the Fiscal Year Ended June 30, 2019**

Additions	
Investment income	
Net realized and unrealized gain	\$ 162,983
Interest and dividends	<u>109,906</u>
	272,889
Less: investment expense	<u>11,479</u>
Net investment income	\$ <u>261,410</u>

The following additional information is being provided related to the OPEB Trust as of and for the Fiscal Year Ended June 30, 2018, the measurement date of the OPEB liability, since separate plan financial statements are not publicly available.

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Schedule of Fiduciary Net Position - OPEB Trust
June 30, 2018

Assets	
Cash and cash equivalents	\$ 45,067
Investments, at fair value	
Fixed income	1,321,711
Domestic equities	1,921,666
International equities	<u>1,036,171</u>
 Total investments, at fair value	 <u>4,279,548</u>
 Total assets	 \$ <u>4,324,615</u>
 Net position restricted for OPEB	 \$ <u>4,324,615</u>

Schedule of Plan Investment Net Income - OPEB Trust
For the Fiscal Year Ended June 30, 2018

Additions	
Investment income	
Net realized and unrealized gain	\$ 520,338
Interest and dividends	<u>92,803</u>
	613,141
Less: investment expense	<u>24,169</u>
 Net investment income	 \$ <u>588,972</u>

Disclosures Specific to the OPEB Trust

Cash and Cash Equivalents

The OPEB Trust considers all short-term money market shares purchased to be cash equivalents.

Valuation of Investments and Income Recognition

Investments are administered by Wilmington Trust Company and quarterly reports are analyzed and reviewed by DTC. Investments are valued at fair value as determined by quoted market prices.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

Basis of Accounting

The financial statements of the OPEB Trust are reported using the economic resources measurement focus and are prepared on the accrual basis of accounting in conformity with GAAP. Contributions are recognized when due pursuant to the terms of the OPEB Trust

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and established funding policies. Expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Benefits are recognized when due and payable in accordance with the terms of the OPEB Trust.

Investments

Investment Policy

DTC has appointed the DTC OPEB Trust Committee (the OPEB Trust Committee) to administer the OPEB Trust and to oversee certain policies and procedures related to the investment of the OPEB Trust assets.

The OPEB Trust Committee has adopted an Investment Policy Statement (IPS) to set forth the factors involved in the management of investment assets for the Trust, and the IPS is included with every investment manager's agreement. The OPEB Trust Committee has the authority to establish and amend the IPS. The IPS was most recently amended with an effective date of April 2015.

DTC adopted the philosophy that the most effective risk control procedure is to adequately diversify the investments of the OPEB Trust among different asset classes with differing risk profiles. Diversification is achieved through providing a wide variety of investment classes in which to invest the funds. The IPS sets the allowable asset ranges. Long-term expected real rate of return and asset allocation for the OPEB Trust's funds as of June 30, 2019 were as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	6.2%	42.0%
International equity	6.3	16.0
Emerging equity	6.9	7.0
Core fixed income	2.5	17.5
Intermediate IG Corp	3.6	8.7
High yield	4.3	4.4
Emerging debt	4.5	4.4

Long-term expected real rate of return and asset allocation for the OPEB Trust's funds as of June 30, 2018 were as follows:

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<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	5.0%	42.0%
International equity	4.9	16.0
Emerging equity	5.0	7.0
Core fixed income	2.6	17.5
Intermediate IG Corp	3.6	8.7
High yield	4.1	4.4
Emerging debt	4.2	4.4

The long-term expected rate of return on the OPEB Trust's investments was determined using a building-block method, where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns.

Along with diversification, DTC set forth the following investment goals and objectives in the IPS:

- To invest assets of the OPEB Trust in a manner consistent with the following fiduciary standards (a) all transactions undertaken must be for the sole interest of OPEB Trust participants and their beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses in individual investments.
- To provide for the funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the OPEB Trust.
- To enhance the value of OPEB Trust assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
- Subject to performance expectations over the long-term, to minimize principal fluctuations over the time horizon, as defined in the IPS.
- To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the OPEB Trust's actuarial discount rate.

Implementing and complying with these goals and guidelines are the responsibilities of the OPEB Trust Committee, third-party consultants, and investment managers. The IPS also outlines the review and control procedures that DTC monitors for compliance.

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Investment Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on OPEB Trust investments, net of investment expenses, was 3.8% and 6.4% for the Fiscal Years Ended June 30, 2019 and 2018, respectively.

Fair Value of Investments

The fair value of the OPEB Trust's investments based on quoted market prices are presented, by type, as follows:

<u>Investments by Type</u>	<u>Total</u>	<u>Fair Value Measurements at June 30, 2019</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Fixed income mutual funds	\$ 1,559,355	\$ 1,559,355	\$ -	\$ -
Equity securities				
Domestic equity mutual funds	1,938,531	1,938,531	-	-
International equity mutual funds	<u>1,034,059</u>	<u>1,034,059</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 4,531,945</u>	<u>\$ 4,531,945</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Investments by Type</u>	<u>Total</u>	<u>Fair Value Measurements at June 30, 2018</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Fixed income mutual funds	\$ 1,321,711	\$ 1,321,711	\$ -	\$ -
Equity securities				
Domestic equity mutual funds	1,921,666	1,921,666	-	-
International equity mutual funds	<u>1,036,171</u>	<u>1,036,171</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 4,279,548</u>	<u>\$ 4,279,548</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the OPEB Trust will not be able to recover the value of investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the OPEB Trust, and are held by either the counterparty or the counterparty's trust department or agent but not in the OPEB Trust's name. As of June

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30, 2019 and 2018, the OPEB Trust's investment securities were not exposed to custodial credit risk because all securities were held by the OPEB Trust's custodian in the OPEB Trust's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The OPEB Trust does not have a formal policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the OPEB Trust. The OPEB Trust's investments in the Wilmington Trust U.S. Government Money Market Fund had an Aaa rating at June 30, 2019 and 2018. The OPEB Trust had no other direct investment in fixed income securities as of June 30, 2019 and 2018.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the OPEB Trust does not have a formal policy governing foreign currency risk, the OPEB Trust does manage its exposure to fair value loss by requiring its investment managers to maintain diversified portfolios to limit foreign currency risk.

Administrative Expenses

Administrative expenses consist of investment management expenses incident to the administration of the OPEB Trust. DTC pays all administrative expenses incurred by the OPEB Trust.

OPEB Trust Termination

The OPEB Trust Agreement shall be irrevocable unless and until DTC no longer has any liability for OPEB. Upon termination of the OPEB Trust, after all expenses have been paid, any assets remaining shall revert to DTC or be transferred to another entity or person that meets the requirements for exemption from tax under Section 115 of the Internal Revenue Code.

(9) Operating Leases

DTC has several noncancellable operating leases, primarily for operation and maintenance facilities, which are renewed on a year-to-year basis or month-to-month basis. Those leases require DTC to pay for maintenance and liability insurance costs. Rental expenses were \$35,467 and \$34,291 for the Fiscal Years Ended June 30, 2020 and 2019, respectively.

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During the Fiscal Year Ended June 30, 2020, DTC entered into a ten-month lease beginning August 1, 2020. The future minimum lease payments related to this lease agreement are \$342,240.

On September 2, 2016, DTC entered into an operating lease agreement for transit vehicle tires that covered a three-year period with the option to extend the contract up to two times for a period of up to one year. DTC has exercised the option to extend the contract. The lease agreement requires DTC to make monthly payments based on miles driven multiplied by a mileage rate as set forth in the agreement. The mileage rate is based on contract year and estimated annual vehicle miles. For the Fiscal Years Ended June 30, 2020 and 2019, DTC incurred expenses related to this lease of \$373,981 and \$469,715, respectively.

(10) Economic Dependency

DTC's revenue from operating subsidiaries from State entities was approximately 64% and 71% of total revenue for the Fiscal Years Ended June 30, 2020 and 2019, respectively.

DTC's revenue from operating subsidiaries from Federal entities was approximately 16% and 4% of total revenue for the Fiscal Years Ended June 30, 2020 and 2019, respectively.

(11) Commitments and Contingencies

Litigation

DTC is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of DTC.

(12) Risk Management

In the past three years of insured coverage, settled claims have not exceeded commercial coverage.

(a) Workers' Compensation Insurance

DTC maintains coverage for workers' compensation benefits. DTC manages the coverage through both the retention of risk and the purchase of commercial insurance. The payment of workers' compensation claims is processed through a third-party administrator.

For years prior to 2003, DTC established workers' compensation loss contingency reserves based upon insurance carriers' actuarial reviews. Benefit claims in an amount of \$100,000 or less per person, per coverage year are paid by DTC from the workers' compensation loss contingency reserve. Once any claim exceeds \$100,000 or total claims for a given policy period exceed the maximum loss amount, the insurance policy covers the excess.

For Fiscal Year 2003, DTC changed its coverage to a first dollar program. Also, all claims were subject to a \$5,000 deductible for the medical portion of a claim. All other expenses related to a claim were covered by the insurance carrier.

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Subsequent to Fiscal Year 2003, DTC changed its coverage and was insured through Fiscal Year 2011 by the State. For Fiscal Years 2012 through 2014, DTC was insured through Liberty Mutual. In Fiscal Year 2015, DTC returned to being covered by the State. The premium for Fiscal Years 2020 and 2019 was calculated as \$1.55 per \$100 on gross wages. DTC is not responsible for any costs other than the premium paid, thus no loss contingency reserves were established.

(b) Auto Insurance

DTC maintains auto insurance coverage through both the retention of risk and the purchase of commercial insurance. Auto loss reserves that are based upon actuarial reviews were established by DTC.

For fiscal years prior to 2003, DTC established auto loss reserves based upon insurance carriers' actuarial reviews. Individual claims in an amount of \$100,000 or less per incident, per coverage year were paid from the auto loss reserve funds. Once a specific claim exceeds \$100,000 or total claims for a given policy period exceed the maximum loss amount established by the insurance carrier, the insurance policy covers the excess.

For 2003 and subsequent years, DTC changed its auto insurance coverage whereby they established self-insured retention thresholds up to certain dollar amounts and purchased commercial insurance (wrap-around) policies for coverage amounts in excess of the self-insured retention thresholds.

DTC established initial loss reserve insurance liabilities for each of the years based upon actuarially determined valuations assuming DTC's maximum liability exposure to be \$1,000,000 per occurrence (this reflects the sovereign immunity cap pursuant to Title 2 of the Delaware Code, Subsection 1329). DTC had several cases that were settled in excess of the sovereign immunity cap.

For individual claims in excess of the sovereign immunity cap, DTC established a maximum amount of loss based upon their self-insured retention program, as well as purchasing commercial insurance coverage in the amounts identified in the table below:

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<u>Fiscal Year</u>	<u>Initial Loss Reserve Insurance Liability Established</u>	<u>Maximum Amount of Loss Under Self-Insured Retention Program (Per Occurrence)</u>	<u>Excess Commercial Coverage (Aggregate)</u>
2020	\$ 4,737,000	\$ 1,000,000	***
2019	4,435,000	1,000,000	***
2018	4,929,000	1,000,000	***
2017	5,040,000	1,000,000	***
2016	4,679,000	1,000,000	***
2015	5,078,000	1,000,000	***
2014	4,510,000	1,000,000	***
2013	4,304,004	1,000,000	***
2012	3,828,996	1,000,000	***
2011	3,372,000	1,000,000	***
2010	3,467,000	1,000,000	***
2009	3,129,000	900,000	**
2008	3,106,000	900,000	**
2007 (01/15/07 - 06/30/07)	*	900,000	**
2007 (07/01/06 - 01/14/07)	2,607,350	2,300,000	\$ 5,000,000
2006	2,858,258	2,300,000	5,000,000
2005	2,763,367	2,300,000	5,000,000
2004	2,666,763	1,300,000	6,000,000
2003	2,561,000	1,300,000	10,000,000

* Initial loss reserve established July 1, 2006 in the amount of \$2,607,350 for the entire fiscal year.

** For these loss years, DTC was self-insured for the first \$900,000, and the next \$100,000 was commercial coverage. DTC had no additional coverage beyond this point.

*** For these years, DTC was self-insured with no commercial coverage.

The components of the remaining insurance loss reserve on DTC's statements of net position were as follows at June 30,:

<u>Auto Loss Reserve Remaining for Fiscal Year</u>	<u>2020</u>	<u>2019</u>
2020	\$ 2,772,000	\$ -
2019	3,674,000	4,247,000
2018	1,347,000	2,615,000
2017	1,202,000	1,685,000
2016	250,000	434,000
2015	-	81,000
2000	4,000	4,000
	<u>\$ 9,249,000</u>	<u>\$ 9,066,000</u>

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Changes in the balance of total claim liabilities during the Fiscal Years Ended June 30, 2020 and 2019 were as follows:

Fiscal Year	Beginning Balance - July 1	Current Year Estimated Claims and Changes in Estimates	Actual Claim Payments	Ending Balance - June 30
2020	\$ 9,066,000	\$ 4,772,781	\$ (4,589,781)	\$ 9,249,000
2019	\$ 9,179,000	\$ 4,457,260	\$ (4,570,260)	\$ 9,066,000

(13) Transfers

The following amounts were transferred from DelDOT and related entities to DTC for the Fiscal Years Ended June 30,:

	2020	2019
Amounts transferred as operating assistance	\$ 94,804,300	\$ 93,181,900
Amounts transferred as pass-through grant revenues	5,616,887	3,043,571
Amounts transferred as capital funding for purchase of capital assets	<u>16,703,109</u>	<u>12,774,494</u>
Total transfers from DelDOT	<u>\$ 117,124,296</u>	<u>\$ 108,999,965</u>

(14) Coronavirus Relief Fund

On June 23, 2020 DTC was awarded CARES Act funding to prevent, prepare for, and respond to Coronavirus. DTC was awarded \$55,256,994 under CARES Act Section 5307-6, Urbanized Area Formula Grants. The grant is intended to support operating assistance with funding of \$50,654,441 and preventive maintenance funding of \$4,602,553 for the period of January 20, 2020 through June 30, 2021. As of June 30, 2020, the amount expended was \$18,719,686.

On May 21, 2020 DTC was awarded CARES Act funding to prevent, prepare for, and respond to Coronavirus. DTC was awarded \$5,915,431 under CARES Act Section 5311-5, Rural Area Formula Grants. The grant is intended to support operating assistance with funding of \$4,979,549 and preventive maintenance funding of \$935,882 for the period of January 20, 2020 through September 30, 2021. As of June 30, 2020, the amount expended was \$4,021,123.

Grant reimbursement for \$22,740,809 expended for the Fiscal Year ended June 30, 2020, was recorded to Federal operating assistance in the Statements of Revenues, Expenses, and Changes in Net Position. As of June 30, 2020, this amount was recorded as a Federal accounts receivable on the Statement of Net Position.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2020 and 2019

(15) Deficit on Unrestricted Net Position

DTC had a deficit on unrestricted net position of \$177,956,537 and \$174,798,309 as of June 30, 2020 and 2019, respectively. The deficit was initially caused by the implementation of GASB Statement No. 45, which required DTC to record the annual unfunded required contribution related to post-employment benefits provided to retirees. The deficit increased substantially for Fiscal Years 2018 and thereafter as a result of implementing GASB Statement No. 75. For the overall financial impact related to post-employment benefits, see Note (8).

(16) Subsequent Events

The Coronavirus (COVID-19) has adversely affected and may continue to adversely affect activity globally, nationally, and locally. COVID-19 has had an adverse impact on DTC's costs and the demand for DTC's services. It is unknown the extent to which COVID-19 may spread and continue to have a destabilizing effect on financial and economic activity. These conditions could further adversely affect DTC's business, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of DTC's operations or of DTC's customers and suppliers, which could significantly disrupt DTC's operations. The extent of the adverse impact of the COVID-19 outbreak on DTC cannot be predicted at this time.

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements or disclosure in the accompanying notes to financial statements. All events and transactions have been evaluated through December 3, 2020, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Delaware Transit Corporation
Required Supplementary Information
June 30, 2020 and 2019

Schedule of Changes in Net Pension Liability and Related Ratios - DTC Plan

Last 10 Fiscal Years
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total pension liability										
Service cost	\$ 1,289	\$ 1,137	\$ 1,060	\$ 873	\$ 843	\$ 840				
Interest	2,077	1,920	1,691	1,724	1,612	1,483				
Changes of benefit terms	209	-	-	-	-	-				
Differences between expected and actual experience	(1,095)	(294)	(192)	(693)	(297)	-				
Changes in assumptions	1,154	489	1,530	-	-	-				
Benefit payments, including refunds of member contributions	(1,103)	(899)	(753)	(705)	(629)	(569)				
Net changes in total pension liability	2,531	2,353	3,336	1,199	1,529	1,754				
Total pension liability - beginning	<u>30,229</u>	<u>27,876</u>	<u>24,540</u>	<u>23,341</u>	<u>21,812</u>	<u>20,058</u>				
Total pension liability - ending (a)	<u>\$ 32,760</u>	<u>\$ 30,229</u>	<u>\$ 27,876</u>	<u>\$ 24,540</u>	<u>\$ 23,341</u>	<u>\$ 21,812</u>				
Plan fiduciary net position										
Contributions - employer	\$ 1,343	\$ 1,255	\$ 1,104	\$ 1,104	\$ 1,176	\$ 1,158				
Contributions - members	186	145	116	81	57	30				
Net investment income	1,805	2,261	2,529	405	554	2,443				
Benefit payments, including refunds of member contributions	(1,103)	(899)	(753)	(705)	(629)	(569)				
Administrative expense	(149)	(134)	(161)	(166)	(94)	(116)				
Other	-	3	-	-	-	-				
Net changes in plan fiduciary net position	2,082	2,631	2,835	719	1,064	2,946				
Plan fiduciary net position - beginning	<u>28,134</u>	<u>25,503</u>	<u>22,668</u>	<u>21,949</u>	<u>20,885</u>	<u>17,939</u>				
Plan fiduciary net position - ending (b)	<u>\$ 30,216</u>	<u>\$ 28,134</u>	<u>\$ 25,503</u>	<u>\$ 22,668</u>	<u>\$ 21,949</u>	<u>\$ 20,885</u>				
Net pension liability - ending (a) - (b)	<u>\$ 2,544</u>	<u>\$ 2,095</u>	<u>\$ 2,373</u>	<u>\$ 1,872</u>	<u>\$ 1,392</u>	<u>\$ 927</u>				
Plan fiduciary net position as a percentage of total pension liability	92.23 %	93.07 %	91.49 %	92.37 %	94.04 %	95.75 %				
Covered payroll	\$ 15,099	\$ 14,985	\$ 14,161	\$ 13,142	\$ 12,261	\$ 12,099				
Net pension liability as a percentage of covered payroll	16.85 %	13.98 %	16.76 %	14.24 %	11.35 %	7.66 %				

Information for Fiscal Year 2013 and earlier is not available.

Notes to Schedule

Benefit changes: The plan was amended to add a survivorship pop-up benefit for participants who retire on or after January 1, 2018 and elect a joint and survivorship annuity.
Changes in assumptions: The Integration Amount growth assumption was changed from 2.5% to 0.0%. This was changed to reflect the ad hoc nature of future increases given by the Committee.

See independent auditors' report.

Delaware Transit Corporation
Required Supplementary Information
June 30, 2020 and 2019

Schedule of Changes in Net Pension Liability and Related Ratios - DART Plan

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total pension liability										
Service cost	\$ 2,081	\$ 2,193	\$ 2,098	\$ 2,048	\$ 1,976	\$ 1,766				
Interest	4,168	3,681	3,406	3,209	2,925	2,675				
Changes of benefit terms	1,160	1,239	1,042	197	1,473	1,030				
Differences between expected and actual experience	(137)	(647)	(121)	(217)	(112)	4				
Changes in assumptions	-	3,340	-	-	-	-				
Benefit payments, including refunds of member contributions	<u>(2,793)</u>	<u>(2,674)</u>	<u>(2,531)</u>	<u>(2,411)</u>	<u>(2,134)</u>	<u>(2,103)</u>				
Net changes in total pension liability	4,479	7,132	3,894	2,826	4,128	3,372				
Total pension liability - beginning	<u>58,835</u>	<u>51,703</u>	<u>47,809</u>	<u>44,983</u>	<u>40,855</u>	<u>37,483</u>				
Total pension liability - ending (a)	<u>\$ 63,314</u>	<u>\$ 58,835</u>	<u>\$ 51,703</u>	<u>\$ 47,809</u>	<u>\$ 44,983</u>	<u>\$ 40,855</u>				
Plan fiduciary net position										
Contributions - employer	\$ 1,400	\$ 1,213	\$ 1,048	\$ 1,080	\$ 1,253	\$ 909				
Contributions - members	1,584	1,499	1,344	1,360	1,388	1,263				
Net investment income	9,507	(2,786)	6,743	2,550	(869)	2,605				
Benefit payments, including refunds of member contributions	(2,793)	(2,674)	(2,531)	(2,411)	(2,134)	(2,103)				
Administrative expense	<u>(109)</u>	<u>(91)</u>	<u>(106)</u>	<u>(94)</u>	<u>(100)</u>	<u>(133)</u>				
Net changes in plan fiduciary net position	9,589	(2,839)	6,498	2,485	(462)	2,541				
Plan fiduciary net position - beginning	<u>47,718</u>	<u>50,557</u>	<u>44,059</u>	<u>41,574</u>	<u>42,036</u>	<u>39,495</u>				
Plan fiduciary net position - ending (b)	<u>\$ 57,307</u>	<u>\$ 47,718</u>	<u>\$ 50,557</u>	<u>\$ 44,059</u>	<u>\$ 41,574</u>	<u>\$ 42,036</u>				
Net pension liability (asset) - ending (a) - (b)	<u>\$ 6,007</u>	<u>\$ 11,117</u>	<u>\$ 1,146</u>	<u>\$ 3,750</u>	<u>\$ 3,409</u>	<u>\$ (1,181)</u>				
Plan fiduciary net position as a percentage of total pension liability	90.51 %	81.10 %	97.78 %	92.16 %	92.42 %	102.89 %				
Covered payroll	\$ 32,277	\$ 31,684	\$ 27,383	\$ 27,472	\$ 28,203	\$ 25,748				
Net pension liability (asset) as a percentage of covered payroll	18.61 %	35.09 %	4.19 %	13.65 %	12.09 %	(4.59)%				

Information for Fiscal Year 2013 and earlier is not available.

Notes to Schedule

Benefit changes: Effective January 1, 2019, the multiplier for employees who retire after December 31, 2018, was increased to a monthly benefit per year of service of \$72.50.
Changes in assumptions: In Fiscal Year 2018, change in assumptions included; expected rates of future mortality changed to sex distinct RP-2014 blue collar mortality, fully generational, using scale MP-2018. The salary increases changed from 4.0% to 2.5% and inflation changed from 2.0% to 2.5%.

See independent auditors' report.

Delaware Transit Corporation
Required Supplementary Information
June 30, 2020 and 2019

Schedule of Contributions - Pension Plans

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
DTC Plan, as of June 30,											
Actuarially determined contribution	\$ 1,493	\$ 1,343	\$ 1,255	\$ 980	\$ 1,104	\$ 1,176	\$ 1,156	Information for Fiscal Year 2013 and earlier is not available.			
Contributions in relation to the actuarially determined contribution	<u>1,493</u>	<u>1,343</u>	<u>1,255</u>	<u>1,104</u>	<u>1,104</u>	<u>1,176</u>	<u>1,158</u>				
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (124)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2)</u>				
Covered payroll	\$ 16,552	\$ 15,099	\$ 14,985	\$ 14,161	\$ 13,142	\$ 12,261	\$ 12,099				
Contributions as a percentage of covered payroll	9.02 %	8.89 %	8.38 %	7.80 %	8.40 %	9.59 %	9.57 %				
DART Plan, as of December 31,											
Actuarially determined contribution		\$ 1,465	\$ 1,063	\$ 1,027	\$ 1,012	\$ 857	\$ 635	\$ 773	\$ 715	\$ 598	\$ 611
Contributions in relation to the actuarially determined contribution		<u>1,400</u>	<u>1,213</u>	<u>1,048</u>	<u>1,080</u>	<u>1,253</u>	<u>909</u>	<u>1,250</u>	<u>1,080</u>	<u>1,074</u>	<u>1,082</u>
Contribution deficiency (excess)		<u>\$ 65</u>	<u>\$ (150)</u>	<u>\$ (21)</u>	<u>\$ (68)</u>	<u>\$ (396)</u>	<u>\$ (274)</u>	<u>\$ (477)</u>	<u>\$ (365)</u>	<u>\$ (476)</u>	<u>\$ (471)</u>
Covered payroll		\$ 32,277	\$ 31,684	\$ 27,383	\$ 27,472	\$ 28,203	\$ 25,748	\$ 25,579	\$ 22,985	\$ 22,847	\$ 22,675
Contributions as a percentage of covered payroll		4.34 %	3.83 %	3.83 %	3.93 %	4.44 %	3.53 %	4.89 %	4.70 %	4.70 %	4.77 %

Notes to Schedule

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the plan year (July 1 for the DTC Plan and January 1 for the DART Plan) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates for 2019:

	<u>DTC Plan</u>	<u>DART Plan</u>
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll (closed), increasing 2.0% per year	Level percentage of pay
Remaining amortization period	Range from 11 to 20 years	15 years rolling
Asset valuation method	Five-year market smoothed	Five-year market smoothed
Inflation	2.0%	2.5%
Salary increases	2.5%, including inflation	2.5%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation	7.0%
Retirement age	Rates vary by participant age and service	Rates vary by participant age and service
Mortality	RP-2014 Mortality with generational projection using scale MP-2017	Sex distinct RP-2014 Blue Collar Mortality, Fully Generational, using Scale MP-2018

See independent auditors' report.

Delaware Transit Corporation
Required Supplementary Information
June 30, 2020 and 2019

Schedule of Changes in Net OPEB Liability and Related Ratios

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total OPEB liability										
Service cost	\$ 10,497	\$ 11,454	\$ 13,166							
Interest	5,571	5,786	4,801							
Changes of benefit terms	-	-	-							
Differences between expected and actual experience	(955)	(23,812)	(1,365)							
Changes in assumptions	15,478	1,137	(21,367)							
Benefit payments, including refunds of member contributions	<u>(2,516)</u>	<u>(2,280)</u>	<u>(2,072)</u>							
Net changes in total OPEB liability	28,075	(7,715)	(6,837)							
Total OPEB liability - beginning	<u>155,632</u>	<u>163,347</u>	<u>170,184</u>							
Total OPEB liability - ending (a)	<u>\$ 183,707</u>	<u>\$ 155,632</u>	<u>\$ 163,347</u>							
Plan fiduciary net position										
Contributions - employer	\$ 2,516	\$ 2,280	\$ 3,572							
Net investment income	261	589	(20)							
Benefit payments, including refunds of member contributions	(2,516)	(2,280)	(2,072)							
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>							
Net changes in plan fiduciary net position	261	589	1,480							
Plan fiduciary net position - beginning	<u>4,325</u>	<u>3,736</u>	<u>2,256</u>							
Plan fiduciary net position - ending (b)	<u>\$ 4,586</u>	<u>\$ 4,325</u>	<u>\$ 3,736</u>							
Net OPEB liability - ending (a) - (b)	<u>\$ 179,121</u>	<u>\$ 151,307</u>	<u>\$ 159,611</u>							
Plan fiduciary net position as a percentage of total OPEB liability	2.50 %	2.78 %	2.29 %							
Covered-employee payroll	\$ 53,654	\$ 52,732	\$ 50,228							
Net OPEB liability as a percentage of covered-employee payroll	333.84 %	286.94 %	317.77 %							

Information for Fiscal Year 2016 and earlier is not available.

Notes to Schedule

Benefit changes: None.
Changes in assumptions: The discount rate was changed from 3.62% as of June 30, 2018 to 3.13% as of June 30, 2019.

See independent auditors' report.

Delaware Transit Corporation
 Required Supplementary Information
 June 30, 2020 and 2019

Schedule of Investment Returns - OPEB Trust

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Annual money-weighted rate of return, net of investment expense	3.8%	6.4%	8.7%	Information for Fiscal Year 2016 and earlier is not available.						

See independent auditors' report.

SUPPLEMENTARY INFORMATION

Delaware Transit Corporation
Schedule of Revenues and Expenses Compared to Budget
Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Operating revenues			
Passenger fares	\$ 20,149,205	\$ 13,006,999	\$ (7,142,206)
Advertising	650,000	623,571	(26,429)
Miscellaneous	1,100,000	848,953	(251,047)
Auxiliary transportation	<u>875,000</u>	<u>1,839,216</u>	<u>964,216</u>
Total operating revenues	22,774,205	16,318,739	(6,455,466)
Operating expenses before depreciation	<u>123,403,978</u>	<u>135,872,016</u>	<u>(12,468,038)</u>
Operating expenses in excess of operating revenues before depreciation	(100,629,773)	(119,553,277)	(18,923,504)
Nonoperating revenue (expenses)			
Federal operating assistance	5,825,473	28,935,269	23,109,796
Pass-through grant revenues	-	4,318,296	4,318,296
Pass-through grant expenses	<u>-</u>	<u>(10,382,203)</u>	<u>(10,382,203)</u>
Excess of nonoperating revenues over expenses	5,825,473	22,871,362	17,045,889
Transfers from DelDOT for operating purposes			
State operating assistance	94,804,300	94,804,300	-
State pass-through grant revenue	<u>-</u>	<u>5,616,887</u>	<u>5,616,887</u>
Total transfers for operating purposes	<u>94,804,300</u>	<u>100,421,187</u>	<u>5,616,887</u>
Income before capital contributions, transfers, depreciation, investment income, and bad debt	<u>\$ -</u>	<u>\$ 3,739,272</u>	<u>\$ 3,739,272</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - All Modes
Fiscal Year Ended June 30, 2020

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ 29,185,956	\$ -	\$ -	\$ -	\$ 29,185,956
Other salaries	5,414,057	8,072,722	632,912	7,039,457	21,159,148
Fringe benefits	<u>29,840,197</u>	<u>7,061,161</u>	<u>543,597</u>	<u>6,612,837</u>	<u>44,057,792</u>
	64,440,210	15,133,883	1,176,509	13,652,294	94,402,896
Professional fees and services					
Professional and technical	-	-	8,074	3,166,187	3,174,261
Contract and maintenance	558,865	1,531,234	2,538,640	175,000	4,803,739
Security	868,863	-	32,030	-	900,893
Purchased transportation	15,523,516	-	-	-	15,523,516
Other	<u>107,022</u>	<u>(59,325)</u>	<u>137,021</u>	<u>258,873</u>	<u>443,591</u>
	17,058,266	1,471,909	2,715,765	3,600,060	24,846,000
Material and supplies					
Fuel and lubes	5,317,871	74,143	-	-	5,392,014
Tires and tubes	592,049	8,526	-	-	600,575
Other materials	<u>162,369</u>	<u>3,625,959</u>	<u>323,494</u>	<u>625,555</u>	<u>4,737,377</u>
	6,072,289	3,708,628	323,494	625,555	10,729,966
Office and miscellaneous					
Utilities	-	-	-	1,042,290	1,042,290
Insurance	-	-	-	3,217,222	3,217,222
Miscellaneous expenses:					
Due and subscriptions	-	-	1,355	60,216	61,571
Travel and meetings	-	-	-	867,094	867,094
Advertising	-	-	-	402,386	402,386
Facilities	-	-	49,867	66,286	116,153
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,438</u>	<u>186,438</u>
	-	-	51,222	5,841,932	5,893,154
Total expenses	<u>\$ 87,570,765</u>	<u>\$ 20,314,420</u>	<u>\$ 4,266,990</u>	<u>\$ 23,719,841</u>	<u>\$ 135,872,016</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - Fixed Route Directly Operated
Fiscal Year Ended June 30, 2020

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ 15,541,075	\$ -	\$ -	\$ -	\$ 15,541,075
Other salaries	2,107,318	4,834,550	247,650	2,692,629	9,882,147
Fringe benefits	<u>15,135,130</u>	<u>4,289,289</u>	<u>212,702</u>	<u>2,544,042</u>	<u>22,181,163</u>
	32,783,523	9,123,839	460,352	5,236,671	47,604,385
Professional fees and services					
Professional and technical	-	-	3,159	1,084,293	1,087,452
Contract and maintenance	50,879	965,433	993,335	68,475	2,078,122
Security	339,974	-	12,533	-	352,507
Purchased transportation	-	-	-	-	-
Other	-	18,867	53,614	87,024	159,505
	<u>390,853</u>	<u>984,300</u>	<u>1,062,641</u>	<u>1,239,792</u>	<u>3,677,586</u>
Material and supplies					
Fuel and lubes	3,401,028	28,983	-	-	3,430,011
Tires and tubes	364,864	3,336	-	-	368,200
Other materials	<u>64,413</u>	<u>2,793,191</u>	<u>126,579</u>	<u>262,724</u>	<u>3,246,907</u>
	3,830,305	2,825,510	126,579	262,724	7,045,118
Office and miscellaneous					
Utilities	-	-	-	407,834	407,834
Insurance	-	-	-	1,258,855	1,258,855
Miscellaneous expenses:					
Due and subscriptions	-	-	530	23,562	24,092
Travel and meetings	-	-	-	339,282	339,282
Advertising	-	-	-	300,993	300,993
Facilities	-	-	19,512	25,937	45,449
Other	-	-	-	72,986	72,986
	<u>-</u>	<u>-</u>	<u>20,042</u>	<u>2,429,449</u>	<u>2,449,491</u>
Total expenses	<u>\$ 37,004,681</u>	<u>\$ 12,933,649</u>	<u>\$ 1,669,614</u>	<u>\$ 9,168,636</u>	<u>\$ 60,776,580</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - Paratransit Directly Operated
Fiscal Year Ended June 30, 2020

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ 13,644,881	\$ -	\$ -	\$ -	\$ 13,644,881
Other salaries	2,875,265	2,682,724	288,534	3,137,160	8,983,683
Fringe benefits	<u>14,331,626</u>	<u>2,317,476</u>	<u>247,817</u>	<u>2,964,041</u>	<u>19,860,960</u>
	30,851,772	5,000,200	536,351	6,101,201	42,489,524
Professional fees and services					
Professional and technical	-	-	3,681	1,236,401	1,240,082
Contract and maintenance	59,279	308,053	1,157,326	79,780	1,604,438
Security	396,101	-	14,602	-	410,703
Purchased transportation	-	-	-	-	-
Other	<u>-</u>	<u>(78,192)</u>	<u>62,467</u>	<u>124,351</u>	<u>108,626</u>
	455,380	229,861	1,238,076	1,440,532	3,363,849
Material and supplies					
Fuel and lubes	1,823,038	33,768	-	-	1,856,806
Tires and tubes	139,199	3,887	-	-	143,086
Other materials	<u>73,563</u>	<u>523,770</u>	<u>147,476</u>	<u>264,507</u>	<u>1,009,316</u>
	2,035,800	561,425	147,476	264,507	3,009,208
Office and miscellaneous					
Utilities	-	-	-	475,163	475,163
Insurance	-	-	-	1,466,681	1,466,681
Miscellaneous expenses:					
Due and subscriptions	-	-	618	27,451	28,069
Travel and meetings	-	-	-	395,294	395,294
Advertising	-	-	-	18,143	18,143
Facilities	-	-	22,734	30,219	52,953
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,955</u>	<u>84,955</u>
	-	-	23,352	2,497,906	2,521,258
Total expenses	<u>\$ 33,342,952</u>	<u>\$ 5,791,486</u>	<u>\$ 1,945,255</u>	<u>\$ 10,304,146</u>	<u>\$ 51,383,839</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - Fixed Route Purchased Transportation
Fiscal Year Ended June 30, 2020

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	219,937	384,486	66,956	732,430	1,403,809
Fringe benefits	<u>188,517</u>	<u>314,537</u>	<u>57,507</u>	<u>701,415</u>	<u>1,261,976</u>
	408,454	699,023	124,463	1,433,845	2,665,785
Professional fees and services					
Professional and technical	-	-	854	292,821	293,675
Contract and maintenance	442,590	140,314	268,562	18,513	869,979
Security	91,917	-	3,388	-	95,305
Purchased transportation	4,279,063	-	-	-	4,279,063
Other	<u>107,022</u>	<u>-</u>	<u>14,496</u>	<u>23,528</u>	<u>145,046</u>
	4,920,592	140,314	287,300	334,862	5,683,068
Material and supplies					
Fuel and lubes	34,106	7,836	-	-	41,942
Tires and tubes	84,166	902	-	-	85,068
Other materials	<u>16,604</u>	<u>293,279</u>	<u>34,222</u>	<u>71,031</u>	<u>415,136</u>
	134,876	302,017	34,222	71,031	542,146
Office and miscellaneous					
Utilities	-	-	-	110,264	110,264
Insurance	-	-	-	340,349	340,349
Miscellaneous expenses:					
Due and subscriptions	-	-	143	6,370	6,513
Travel and meetings	-	-	-	91,730	91,730
Advertising	-	-	-	81,378	81,378
Facilities	-	-	5,275	7,012	12,287
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,733</u>	<u>19,733</u>
	-	-	5,418	656,836	662,254
Total expenses	<u>\$ 5,463,922</u>	<u>\$ 1,141,354</u>	<u>\$ 451,403</u>	<u>\$ 2,496,574</u>	<u>\$ 9,553,253</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - Paratransit Purchased Transportation
Fiscal Year Ended June 30, 2020

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	211,537	170,962	29,772	413,875	826,146
Fringe benefits	<u>184,924</u>	<u>139,859</u>	<u>25,571</u>	<u>389,223</u>	<u>739,577</u>
	396,461	310,821	55,343	803,098	1,565,723
Professional fees and services					
Professional and technical	-	-	380	552,672	553,052
Contract and maintenance	6,117	117,434	119,417	8,232	251,200
Security	40,871	-	1,507	-	42,378
Purchased transportation	2,445,680	-	-	-	2,445,680
Other	<u>-</u>	<u>-</u>	<u>6,444</u>	<u>23,970</u>	<u>30,414</u>
	2,492,668	117,434	127,748	584,874	3,322,724
Material and supplies					
Fuel and lubes	59,699	3,556	-	-	63,255
Tires and tubes	3,820	401	-	-	4,221
Other materials	<u>7,789</u>	<u>15,719</u>	<u>15,217</u>	<u>27,293</u>	<u>66,018</u>
	71,308	19,676	15,217	27,293	133,494
Office and miscellaneous					
Utilities	-	-	-	49,029	49,029
Insurance	-	-	-	151,337	151,337
Miscellaneous expenses:					
Due and subscriptions	-	-	64	2,833	2,897
Travel and meetings	-	-	-	40,788	40,788
Advertising	-	-	-	1,872	1,872
Facilities	-	-	2,346	3,118	5,464
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,764</u>	<u>8,764</u>
	-	-	2,410	257,741	260,151
Total expenses	<u>\$ 2,960,437</u>	<u>\$ 447,931</u>	<u>\$ 200,718</u>	<u>\$ 1,673,006</u>	<u>\$ 5,282,092</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - Rail
Fiscal Year Ended June 30, 2020

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	-	-	-	63,363	63,363
Fringe benefits	-	-	-	14,116	14,116
	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,479</u>	<u>77,479</u>
Professional fees and services					
Professional and technical	-	-	-	-	-
Contract and maintenance	-	-	-	-	-
Security	-	-	-	-	-
Purchased transportation	8,798,773	-	-	-	8,798,773
Other	-	-	-	-	-
	<u>8,798,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,798,773</u>
Material and supplies					
Fuel and lubes	-	-	-	-	-
Tires and tubes	-	-	-	-	-
Other materials	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Office and miscellaneous					
Utilities	-	-	-	-	-
Insurance	-	-	-	-	-
Miscellaneous expenses:					
Due and subscriptions	-	-	-	-	-
Travel and meetings	-	-	-	-	-
Advertising	-	-	-	-	-
Facilities	-	-	-	-	-
Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 8,798,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,479</u>	<u>\$ 8,876,252</u>

See independent auditors' report.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Delaware Transportation Authority
Delaware Transit Corporation
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Delaware Transit Corporation (DTC), a blended component unit of the Delaware Transportation Authority, which is a component unit of the State of Delaware, which comprise the statements of net position as of June 30, 2020, and the related notes to the financial statements, which collectively comprise DTC's basic financial statements, and have issued our report thereon dated December 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DTC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DTC's internal control. Accordingly, we do not express an opinion on the effectiveness of DTC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Board of Trustees
Delaware Transportation Authority
Delaware Transit Corporation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DTC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DTC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DTC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 3, 2020