



DELAWARE TRANSIT CORPORATION

Financial Statement Audit for Fiscal Years ended June 30, 2020 and 2021



Kathleen K. McGuinness, RPh, CFE
Delaware State Auditor



KATHLEEN
McGUINNESS
DELAWARE
STATE AUDITOR

Delaware Transit Corporation

*Financial Statement Audit
for Fiscal Years 2020 and 2021*

What Was Performed? A financial statement audit of the Delaware Transit Corporation (DTC) for Fiscal Years ended June 30, 2020 and 2021.

Why This Engagement? The mission of DART First State (formerly known as the Delaware Authority for Regional Transit) and the Delaware Transit Corporation is to design and provide the highest-quality public transportation services that satisfy the needs of customers and the community.

In 1994, the General Assembly created the Delaware Transit Corporation (DTC) to manage and operate DART, along with the Delaware Administration for Specialized Transportation, Delaware Railroad Administration and Commuter Services Administration. DTC operates DART statewide bus services and also contracts with the Southeastern Pennsylvania Transportation Authority (SEPTA), which provides regional rail service in New Castle County.

This engagement was performed in accordance with 2 *Del. C. § 1323* and 29 *Del. C. § 2906*.

In fiscal year 2021, DTC received \$46.6 million in state funding.

What Was Found? It's my pleasure to report this audit contains an unmodified opinion.¹

The audited financial statements of the Delaware Transit Corporation for Fiscal Years ended June 30, 2020 and 2021, can be found on our website: auditor.delaware.gov.

Please do not reply to this email. For any questions regarding the report, please contact State Auditor Kathleen K. McGuinness at Kathleen.Mcguinness@delaware.gov.

¹ An unmodified opinion is sometimes referred to as a "clean" opinion. It is one in which the auditor expresses an opinion that the financial statements present fairly, in all material respects, an entity's financial position, results of operation and cash flows in conformity with generally accepted accounting principles.

Delaware Transit Corporation

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information 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 as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the DTC's basic 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 audits. We conducted our audits 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Delaware Transit Corporation as of June 30, 2021 and 2020, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the fiscal year ended June 30, 2021, the DTC adopted GASB Statement No. 84, Fiduciary Activities. As a result of implementing this standard, DTC reported Statements of Fiduciary Net Position - Pension and OPEB Trust Fiduciary Funds and related Statements of Changes in Fiduciary Net Position - Pensions and OPEB Trust Fiduciary Funds. Our auditors' opinion is not modified with respect to the change.

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.

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 November 9, 2021, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
November 9, 2021

Delaware Transit Corporation
Management's Discussion and Analysis
June 30, 2021 and 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, 2021 and 2020.

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 265 fixed route and 303 paratransit vehicles on over 58 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 5,339 parking spaces. DTC maintains approximately 2,530 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 4.7 million riders.

Financial Highlights

- Total 2021 operating revenues were approximately \$10.5 million and were \$5.8 million less than 2020 operating revenues. The decrease is due to a 38% 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 and continuation into Fiscal Year 2021.
- Total 2021 operating expenses before depreciation were approximately \$133.9 million and were \$2.0 million less than 2020 operating expenses. The decrease in operating expenses before depreciation is largely due to a reduction in paratransit operator salaries; lower fuel, tire, and repair costs; and less need for travel and training as a result of the COVID-19 pandemic's impact on operations.
- A \$34.3 million investment was made in capital assets during the current year (the funding was \$16.1 million in state capital grants, \$17.1 million in federal capital grants, and \$1.1 million from operating funds used towards the final construction of the Wilmington Transit Center). 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 basic financial statements provide both long- and short-term information about DTC's overall financial status. The basic financial statements include DTC operations as a special-purpose government entity. DTC's business-type financial statements can be found on pages 11 - 15 of this report. Separately, DTC reports its fiduciary funds to account for resources held for the benefit of parties outside of DTC.

See independent auditors' report.

Delaware Transit Corporation
Management's Discussion and Analysis
June 30, 2021 and 2020

Fiduciary funds are not available to support DTC operations; therefore, they are reflected outside of DTC's business-type financial statements. The fiduciary fund financial statements can be found on pages 16 - 17 of this report. 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 decreased 1.7% to \$195.2 million in 2021. Total liabilities decreased 2.3% to \$205.3 million in 2021. Total net position (deficit) at June 30, 2021 was a deficit of approximately \$42.9 million, a 56.0% decrease in net position from June 30, 2020. The decrease in net position from 2020 to 2021 is due to a decrease in DTC's operations as well as a reduction in DeIDOT funding due to additional federal economic stimulus grants awarded in 2021. The 37.6% increase in net position from 2019 to 2020 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021 - 2020</u>	<u>2020 - 2019</u>
Current assets	\$ 23.7	\$ 47.0	\$ 39.6	(49.6)	18.7
Capital assets, net	164.3	150.5	130.7	9.2	15.1
Other noncurrent assets	<u>7.2</u>	<u>1.0</u>	<u>-</u>	620.0	-
Total assets	195.2	198.5	170.3	(1.7)	16.6
Deferred outflows of resources	39.4	25.0	14.1	57.6	77.3
Current liabilities	15.8	12.2	12.7	29.5	(3.9)
Noncurrent liabilities	<u>189.5</u>	<u>198.0</u>	<u>174.1</u>	(4.3)	13.7
Total liabilities	205.3	210.2	186.8	(2.3)	12.5
Deferred inflows of resources	72.2	40.8	41.7	77.0	(2.2)
Net position (deficit)					
Net investment in capital assets	164.3	150.5	130.7	9.2	15.1
Unrestricted deficit	<u>(207.2)</u>	<u>(178.0)</u>	<u>(174.8)</u>	16.4	1.8
Total net position (deficit)	<u>\$ (42.9)</u>	<u>\$ (27.5)</u>	<u>\$ (44.1)</u>	(56.0)	37.6

See independent auditors' report.

Delaware Transit Corporation
Management's Discussion and Analysis
June 30, 2021 and 2020

The increase of \$14.4 million in deferred outflows of resources was primarily due to changes in actuarial assumptions for DTC's pension plans and OPEB Trust. The decrease in total liabilities was due to a decrease in pension and net other post-employment benefits liabilities of \$7.0 million partially offset by an increase in current liabilities of \$3.6 million. The \$31.4 million increase in deferred inflows of resources was primarily due to differences between expected and actual experience for the pension plans and OPEB Trust.

Changes in Net Position

The decrease in net position for the Fiscal Year Ended June 30, 2021 was approximately \$15.4 million, which is a decrease in net position of 56.0% over 2020. Total operating revenues decreased 35.6% to approximately \$10.5 million in 2021. Total operating expenses decreased 1.3% to approximately \$154.4 million in 2021.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>	
				<u>2021 - 2020</u>	<u>2020 - 2019</u>
Operating revenues					
Passenger revenue	\$ 7.1	\$ 13.0	\$ 17.5	(45.4)	(25.7)
Other operating revenues	<u>3.4</u>	<u>3.3</u>	<u>3.5</u>	3.0	(5.7)
Total operating revenues	10.5	16.3	21.0	(35.6)	(22.4)
Operating expenses					
Operating expenses	133.9	135.9	137.7	(1.5)	(1.3)
Depreciation	20.4	20.5	20.4	(0.5)	0.5
Bad debt expense	<u>0.1</u>	<u>-</u>	<u>-</u>	-	-
Total operating expenses	<u>154.4</u>	<u>156.4</u>	<u>158.1</u>	(1.3)	(1.1)
Operating loss	(143.9)	(140.1)	(137.1)	2.7	2.2
Nonoperating revenues, net	45.4	23.3	3.3	94.8	606.1
Capital contributions	17.1	16.3	15.1	4.9	7.9
Transfers from DelDOT	<u>66.0</u>	<u>117.1</u>	<u>109.0</u>	(43.6)	7.4
Changes in net position	(15.4)	16.6	(9.7)	(192.8)	271.1
Total net position (deficit) - beginning of year	<u>(27.5)</u>	<u>(44.1)</u>	<u>(34.4)</u>	37.6	(28.2)
Total net position (deficit) - end of year	<u>\$ (42.9)</u>	<u>\$ (27.5)</u>	<u>\$ (44.1)</u>	(56.0)	37.6

The decrease in total operating revenue in 2021 is primarily due to a 38% 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 and continuation into Fiscal Year 2021.

See independent auditors' report.

Delaware Transit Corporation
Management's Discussion and Analysis
June 30, 2021 and 2020

The decrease in total operating expenses in 2021 is due to a reduction in paratransit operator salaries; lower fuel, tire, and repair costs; and less need for training and travel as a result of the COVID-19 pandemic's impact on operations.

Nonoperating revenues in 2021 increased by \$22.1 million due to additional federal operating assistance funding DTC received from the Federal Transit Administration (FTA) through the CARES Act and Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA).

In 2021, capital contributions were up \$0.8 million due to DTC's purchase of replacement and expansion of revenue vehicles to include the purchase of new electric buses. Transfers from DelDOT decreased \$51.1 million in 2021 from 2020 primarily due to a decrease of DelDOT's operating subsidy to DTC. The decrease in DelDOT's operating subsidy was partially offset by an increase in federal funding received through the CARES Act and CRRSAA.

Capital Assets

As of June 30, 2021 and 2020, DTC had \$363.0 million and \$329.2 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, 2021 and 2020 totaled \$164.3 million and \$150.5 million, respectively.

Net capital assets increased \$13.8 million and \$19.8 million during the Fiscal Years Ended June 30, 2021 and 2020, respectively. The increase in capital assets for the Fiscal Years Ended June 30, 2021 and 2020 is primarily attributed to the purchase of revenue vehicles, facility construction and renovations, and the purchase and installation of bus stop shelters totaling \$34.3 million and \$40.4 million, respectively, offset by depreciation expense of \$20.5 million and \$20.5 million, respectively.

Assets disposed of during 2021 and 2020 totaled \$0.5 million and \$3.5 million, respectively. Disposals related primarily to the replacement of revenue vehicles, service vehicles, and equipment that were 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 2022 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 2022 total operating budget is \$127.8 million. The capital budget is \$49.4 million, which authorizes funding for purchases of replacement and expansion transit vehicles, facility construction, and rail projects.

DTC's Fiscal Year 2022 State operating assistance is \$79.8 million compared to Fiscal Year 2021 State operating assistance of \$46.6 million. Increase in State operating assistance is partially offset by changes in federal funding awarded to DTC. In Fiscal Year 2021, DTC was awarded \$35.5 million of CRRSAA funding. In Fiscal Year 2020, DTC was awarded \$61.2 million of CARES Act funding.

See independent auditors' report.

Delaware Transit Corporation
Management's Discussion and Analysis
June 30, 2021 and 2020

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 \$3.0 million and \$2.7 million for the Fiscal Years Ended June 30, 2021 and 2020, respectively. The impact on the financial statements was the recognition of \$12.6 million and \$12.5 million in benefit expenses for the Fiscal Years Ended June 30, 2021 and 2020, respectively. DTC expects a similar impact on the 2022 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, 2021 and 2020

Assets	2021	2020
Current assets		
Cash and cash equivalents	\$ 6,751,758	\$ 15,618,857
Investments - at fair value, unrestricted	4,202,798	3,325,738
Accounts receivable		
Trade	663,929	406,383
Federal	6,466,704	22,753,764
State	909,083	263,579
Inventory - supplies	4,610,974	4,562,636
Escrow insurance deposits	59,723	13,292
Prepaid expenses	<u>52,749</u>	<u>57,171</u>
Total current assets	23,717,718	47,001,420
Noncurrent assets		
Capital assets, nondepreciable		
Land	1,872,536	1,872,536
Construction in progress	9,271,679	7,881,517
Capital assets, depreciable		
Buildings and improvements	105,365,998	99,792,768
Fixtures, vehicles, and equipment	<u>246,497,950</u>	<u>219,671,949</u>
Total capital assets	363,008,163	329,218,770
Less: accumulated depreciation	<u>(198,718,805)</u>	<u>(178,764,079)</u>
Total capital assets, net	164,289,358	150,454,691
Investments - at fair value, unrestricted	<u>7,166,971</u>	<u>1,045,580</u>
Total noncurrent assets	<u>171,456,329</u>	<u>151,500,271</u>
Total assets	195,174,047	198,501,691
Deferred outflows of resources		
Pension and OPEB contributions made after the measurement date	5,781,926	5,660,677
Net difference between expected and actual experience on pension plans and OPEB Trust	969,862	-
Changes in assumptions - pension plans and OPEB Trust	<u>32,667,777</u>	<u>19,360,782</u>
Total deferred outflows of resources	39,419,565	25,021,459

(Continued)

Delaware Transit Corporation
Statements of Net Position
June 30, 2021 and 2020

Liabilities and Net Position	<u>2021</u>	<u>2020</u>
Current liabilities		
Accounts payable and other accrued expenses	\$ 8,548,602	\$ 5,549,117
Accrued payroll and related expenses	3,828,412	3,645,523
Insurance loss reserve	1,850,981	1,653,034
Compensated absences	<u>1,482,639</u>	<u>1,374,242</u>
Total current liabilities	15,710,634	12,221,916
Noncurrent liabilities		
Compensated absences - net of current portion	3,001,998	2,713,030
Insurance loss reserve - net of current portion	5,821,019	7,595,966
Net OPEB liability	174,823,752	179,120,695
Net pension liability	<u>5,860,219</u>	<u>8,550,390</u>
Total noncurrent liabilities	<u>189,506,988</u>	<u>197,980,081</u>
Total liabilities	205,217,622	210,201,997
Deferred inflows of resources		
Net differences between projected and actual earnings on pension plan and OPEB Trust investments	6,413,607	2,948,588
Differences between expected and actual experience - pension plans and OPEB Trust	52,996,123	22,917,585
Changes in assumptions - OPEB Trust	<u>12,820,136</u>	<u>14,956,826</u>
Total deferred inflows of resources	72,229,866	40,822,999
Net position (deficit)		
Investment in capital assets	164,289,358	150,454,691
Unrestricted deficit	<u>(207,143,234)</u>	<u>(177,956,537)</u>
Total net position (deficit)	<u>\$ (42,853,876)</u>	<u>\$ (27,501,846)</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Passenger fares	\$ 7,131,331	\$ 13,006,999
Advertising	588,451	623,571
Miscellaneous	888,146	848,953
Auxiliary transportation	<u>1,943,171</u>	<u>1,839,216</u>
Total operating revenues	10,551,099	16,318,739
Operating expenses		
Payroll expense	93,605,646	94,402,896
Professional fees and services	23,527,457	24,846,000
Materials and supplies	10,405,497	10,729,966
Office and miscellaneous	<u>6,397,575</u>	<u>5,893,154</u>
Total operating expenses before depreciation and bad debt	133,936,175	135,872,016
Depreciation	20,446,590	20,535,966
Bad debt expense	<u>110,000</u>	<u>-</u>
Total operating expenses	<u>154,492,765</u>	<u>156,407,982</u>
Operating loss	(143,941,666)	(140,089,243)
Nonoperating revenues (expenses)		
Income from investments	30,398	425,011
Federal operating assistance	49,301,184	28,935,269
Pass-through grant revenues	5,284,722	4,318,296
Pass-through grant expenses	<u>(9,130,013)</u>	<u>(10,382,203)</u>
Excess of nonoperating revenues over nonoperating expenses	<u>45,486,291</u>	<u>23,296,373</u>
Loss before contributions and transfers	(98,455,375)	(116,792,870)
Capital contributions	17,070,314	16,278,524
Transfers from DelDOT	<u>66,033,031</u>	<u>117,124,296</u>
Increase (decrease) in net position	(15,352,030)	16,609,950
Net position (deficit), beginning of the year	<u>(27,501,846)</u>	<u>(44,111,796)</u>
Net position (deficit), end of year	<u>\$ (42,853,876)</u>	<u>\$ (27,501,846)</u>

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

Delaware Transit Corporation
Statements of Cash Flows
Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Receipts from passengers	\$ 6,873,785	\$ 13,620,032
Payments to suppliers	(34,087,250)	(38,977,190)
Payments to employees	(81,491,455)	(80,847,369)
Insurance claims paid	(6,377,000)	(4,589,781)
Other receipts	<u>3,331,582</u>	<u>3,311,740</u>
Net cash used in operating activities	(111,750,338)	(107,482,568)
Cash flows from noncapital financing activities		
Federal operating subsidies	67,428,936	6,194,460
Pass-through grant revenue	5,284,722	4,318,296
Pass-through grant payments	(9,130,013)	(10,382,203)
Transfers from DelDOT	<u>49,917,563</u>	<u>100,421,187</u>
Net cash provided by noncapital financing activities	113,501,208	100,551,740
Cash flows from capital and related financing activities		
Proceeds from capital contributions	15,229,622	16,352,912
Transfers from DelDOT - capital	15,469,964	17,349,397
Acquisition of capital assets	<u>(34,303,071)</u>	<u>(40,404,227)</u>
Net cash used in capital and related financing activities	(3,603,485)	(6,701,918)
Cash flows from investing activities		
Net sales (purchases) of investments	(6,998,451)	11,323,406
Net payments to insurance escrow account	(46,431)	(13,292)
Investment income received	<u>30,398</u>	<u>425,011</u>
Net cash provided by (used in) investing activities	(7,014,484)	11,735,125
Net decrease in cash and cash equivalents	(8,867,099)	(1,897,621)
Cash and cash equivalents - beginning of year	<u>15,618,857</u>	<u>17,516,478</u>
Cash and cash equivalents - end of year	<u>\$ 6,751,758</u>	<u>\$ 15,618,857</u>

(Continued)

Delaware Transit Corporation
Statements of Cash Flows
Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (143,941,666)	\$ (140,089,243)
Adjustment to reconcile operating loss to net cash used in operating activities		
Depreciation	20,446,590	20,535,966
Bad debt expense	110,000	-
Loss on disposal of fixed assets	21,814	-
Changes in assets and deferred outflows of resources		
(Increase) decrease in trade accounts receivable	(367,546)	613,033
Increase in inventory	(48,338)	(139,504)
Decrease in prepaid expenses	4,422	37,045
Increase in deferred outflows of resources	(14,398,106)	(10,941,882)
Changes in liabilities and deferred inflows of resources		
Increase (decrease) in accounts payable and other accrued expenses	2,999,485	(706,332)
Increase (decrease) in insurance loss reserve	(1,577,000)	183,000
Increase in compensated absences	397,365	628,514
Increase in accrued payroll and related expenses	182,889	88,468
Decrease in net pension liability	(2,690,171)	(4,660,921)
Increase (decrease) in net OPEB liability	(4,296,943)	27,813,298
Increase (decrease) in deferred inflows of resources	31,406,867	(844,010)
Net cash used in operating activities	\$ (111,750,338)	\$ (107,482,568)

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

Delaware Transit Corporation
Statements of Fiduciary Net Position -
Pension and OPEB Trust Fiduciary Funds
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,259,969	\$ 1,316,698
Accounts receivable		
Accrued interest and dividends	3	878
Other receivable	-	18,619
Member contributions receivable	59,090	29,637
Employer contributions receivable	182,973	17,788
Total current assets	1,502,035	1,383,620
Noncurrent assets		
Investments, at fair value		
Fixed income	35,468,153	31,947,623
Domestic equities	53,741,361	40,435,530
International equities	23,796,938	20,974,938
Total noncurrent assets	113,006,452	93,358,091
Total assets	114,508,487	94,741,711
Liabilities		
Current liabilities		
Accrued expenses	85,936	82,768
Total current liabilities	85,936	82,768
Net position restricted for pension/OPEB	\$ 114,422,551	\$ 94,658,943

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

Delaware Transit Corporation
 Statements of Changes in Fiduciary Net Position -
 Pension and OPEB Trust Fiduciary Funds
 For the Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
Additions		
Contributions		
Employer contributions	\$ 5,956,985	\$ 5,595,838
Member contributions	<u>1,861,605</u>	<u>1,801,510</u>
Total contributions	7,818,590	7,397,348
Investment income (expenses)		
Net realized and unrealized gain on investments	17,778,429	9,784,020
Interest and dividends	2,183,876	2,112,339
Investment expenses	<u>(264,196)</u>	<u>(213,908)</u>
Net investment income	<u>19,698,109</u>	<u>11,682,451</u>
Total additions	27,516,699	19,079,799
Deductions		
Benefits paid	7,191,031	6,446,566
Refunds of contributions to members	391,671	218,926
Administrative expenses	<u>170,389</u>	<u>231,022</u>
Total deductions	<u>7,753,091</u>	<u>6,896,514</u>
Increase in net position	19,763,608	12,183,285
Net position restricted for pension/OPEB		
Net position - beginning of year	<u>94,658,943</u>	<u>82,475,658</u>
Net position - end of year	<u><u>\$114,422,551</u></u>	<u><u>\$ 94,658,943</u></u>

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

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

(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.

Fiduciary funds account for assets held by DTC in a trustee capacity or as an agency for other individuals or organizations. Fiduciary funds are not reflected in DTC business-type statements because the resources of those funds are not available to support DTC's operations. However, DTC is considered either financially accountable or the nature and the significance of the fiduciary fund's relationship with DTC are such that exclusion would cause DTC's financial statements to be misleading. The fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting.

See independent auditors' report.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

The decision to include and how to report a component unit in DTC's reporting entity is based on several criteria, including legal standing, debt responsibility, fiscal dependency, and financial accountability. DTC is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on DTC. DTC may also be financially accountable if an organization is fiscally dependent on DTC and there is a potential for the organization to provide specific benefits to or impose specific financial burdens on DTC, regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. DTC reports the following component units, which are included in the fiduciary fund financial statements:

- Delaware Transit Corporation Pension Plan (DTC Plan) - The DTC Plan is a single-employer, defined benefit, contributory plan covering noncollectively bargained employees of DTC, Delaware Administration for Regional Transit (DART), and the Delaware Administration for Specialized Transit. The DTC Plan is a legally separate entity. It provides retirement, disability, and death benefits exclusively to DTC. The DTC Plan reports may be obtained by writing DTC at 900 Public Safety Boulevard, Dover, Delaware 19901-4503. The plan years reported in the statements of fiduciary net position are as of June 30, 2021 and 2020 and the related statements of changes in fiduciary net position are for the years then ended.
- DART Contributory Pension Plan (DART Plan) - 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. The DART Plan is a legally separate entity. It provides retirement, disability, and death benefits exclusively to DTC. The DART Plan reports may be obtained by writing DTC at 900 Public Safety Boulevard, Dover, Delaware 19901-4503. The plan years reported in the statements of fiduciary net position are as of December 31, 2020 and 2019 and the related statements of changes in fiduciary net position are for the years then ended.
- Delaware Transit Corporation OPEB Fund Trust (the OPEB Trust) - The OPEB Trust is a single-employer, defined benefit plan administered by DTC. The OPEB Trust provides retirement medical and life insurance coverage to retired employees and their eligible dependents. The OPEB Trust is a legally separate entity. Policy for and management of the OPEB Trust benefits provided to retirees are the responsibility of DTC. See Note 8 for further information regarding the OPEB Trust. The plan years reported in the statements of fiduciary net position are as of June 30, 2021 and 2020 and the related statements of changes in fiduciary net position are for the years then ended.

See independent auditors' report.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

(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.

(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, 2021 and 2020, the allowance for doubtful accounts receivable was \$19,766 and \$794, respectively. Uncollectible accounts receivable are charged off when management determines that all reasonable collection efforts have been exhausted.

(e) Inventory - Supplies

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.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

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

(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 the 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

See independent auditors' report.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

(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 future reporting periods. Deferred outflows increase net position, similar to assets, and deferred inflows decrease net position, similar to liabilities.

(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) Adoption of Government Accounting Standards Board (GASB) Statements

In Fiscal Year 2021, DTC adopted a new accounting standard. This standard was adopted as of July 1, 2019, the earliest period practical.

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 postponed the effective date of Statement No. 84 one year, making it effective for reporting periods beginning after December 15, 2019. The adoption did not impact prior period net position.

(o) GASB Statement Not Yet Adopted

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

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

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

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, 2021.

(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

See independent auditors' report.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

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.

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, 2021 and 2020 were \$6,751,758 and \$15,618,857, respectively, and the bank balances were \$6,895,517 and \$15,676,322, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits-in-transit. The bank balances of \$6,895,517 and \$15,676,322 at June 30, 2021 and 2020, 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.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

Investments

At June 30, 2021 and 2020, 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.

Description	Assets at Fair Value at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments measured at fair value				
U.S. government securities	\$ -	\$ 8,172,385	\$ -	\$ 8,172,385
Commercial paper	-	3,197,384	-	3,197,384
	\$ -	\$ 11,369,769	\$ -	\$ 11,369,769

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

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:

See independent auditors' report.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u> <u>June 30, 2021</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. government securities	\$ 8,172,385	\$ 1,005,414	\$7,166,971	\$ -
Commercial paper	<u>3,197,384</u>	<u>3,197,384</u>	-	-
Total investments	<u>\$ 11,369,769</u>	<u>\$ 4,202,798</u>	<u>\$7,166,971</u>	<u>\$ -</u>

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u> <u>June 30, 2020</u>		
		<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	<u>2,214,541</u>	<u>2,214,541</u>	-	-
Total investments	<u>\$ 4,371,318</u>	<u>\$ 3,325,738</u>	<u>\$1,045,580</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

See independent auditors' report.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

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

Based on S&P, DTC had \$799,906 in commercial paper investments with a rating of A-1 and \$2,397,478 in commercial paper investments with a rating of A-1+ as of June 30, 2021.

Based on S&P, 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.

(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

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Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2021:

United States Treasury	\$ 8,172,386	72%
Total Cap CDA	\$ 799,906	7%
Old Line FDG LLC	\$ 799,765	7%
Pacific Life	\$ 799,093	7%
Svenska Handelsbanken AB	\$ 798,619	7%

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%

(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, 2021 and 2020.

(h) Funding of Unpaid Loss Insurance Reserve Liability

Included in cash and investments at June 30, 2021 and 2020 was \$7,612,277 and \$9,235,708, respectively, which will be utilized to fund the remaining loss insurance reserve liability (Note 13), net of escrow insurance deposits.

Delaware Transit Corporation
Notes to Financial Statements
June 30, 2021 and 2020

(4) Capital Assets

Capital asset activity for the Fiscal Year Ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital asset not being depreciated				
Land	\$ 1,872,536	\$ -	\$ -	\$ 1,872,536
Construction in progress	<u>7,881,517</u>	<u>1,390,162</u>	<u>-</u>	<u>9,271,679</u>
Total capital asset not being depreciated	9,754,053	1,390,162	-	11,144,215
Capital assets being depreciated				
Buildings and improvements	99,792,768	5,573,230	-	105,365,998
Revenue vehicles	173,982,897	24,504,832	(395,652)	198,092,077
Service vehicles and equipment	10,805,595	451,205	(89,532)	11,167,268
Communication equipment	20,974,879	1,625,712	-	22,600,591
Furniture and fixtures	723,645	-	(28,494)	695,151
Bus signs and shelters	<u>13,184,933</u>	<u>757,930</u>	<u>-</u>	<u>13,942,863</u>
Total capital assets being depreciated	319,464,717	32,912,909	(513,678)	351,863,948
Less accumulated depreciation for:				
Buildings and improvements	36,778,747	3,720,002	-	40,498,749
Revenue vehicles	108,464,467	14,154,170	(373,838)	122,244,799
Service vehicles and equipment	9,015,859	442,156	(89,532)	9,368,483
Communication equipment	16,334,022	1,077,962	-	17,411,984
Furniture and fixtures	660,703	28,926	(28,494)	661,135
Bus signs and shelters	<u>7,510,281</u>	<u>1,023,374</u>	<u>-</u>	<u>8,533,655</u>
Total accumulated depreciation	<u>178,764,079</u>	<u>20,446,590</u>	<u>(491,864)</u>	<u>198,718,805</u>
Total capital assets being depreciated, net	<u>140,700,638</u>	<u>12,466,319</u>	<u>(21,814)</u>	<u>153,145,143</u>
Total capital assets, net	<u>\$ 150,454,691</u>	<u>\$ 13,856,481</u>	<u>\$ (21,814)</u>	<u>\$ 164,289,358</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
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>

Depreciation expense for the Fiscal Years Ended June 30, 2021 and 2020 was \$20,446,590 and \$20,535,966, respectively.

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(5) Long-Term Liabilities

Long-term liability activity for the Fiscal Year Ended June 30, 2021 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	\$ 4,087,272	\$ 397,365	\$ -	\$ 4,484,637	\$ 1,482,639
Insurance loss reserve	9,249,000	4,800,000	(6,377,000)	7,672,000	1,850,981
Net OPEB liability	179,120,695	-	(4,296,943)	174,823,752	-
Net pension liability	8,550,390	-	(2,690,171)	5,860,219	-
Long-term liabilities	<u>\$ 201,007,357</u>	<u>\$ 5,197,365</u>	<u>\$ (13,364,114)</u>	<u>\$ 192,840,608</u>	<u>\$ 3,333,620</u>

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	13,211,311	-	(4,660,921)	8,550,390	-
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>

(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, 2019 through August 31, 2023.

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, 2019 through August 31, 2023.

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. 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.

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 DTC Plan and the 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>2020</u>	<u>2019</u>
Active members	348	329
Inactive members or beneficiaries currently receiving benefits	103	93
Terminated, vested members	<u>112</u>	<u>101</u>
Totals	<u>563</u>	<u>523</u>

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

	<u>2020</u>	<u>2019</u>
Active members	654	671
Inactive members or beneficiaries currently receiving benefits	226	206
Terminated, vested members	<u>113</u>	<u>107</u>
Totals	<u>993</u>	<u>984</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, 2020 and 2019, the monthly benefit was \$74.00 and \$72.50 per year of service, respectively. This benefit is then multiplied by the applicable years of service credited to the eligible participant. Effective January 1, 2020, the monthly benefit paid to retirees receiving benefits under the DART 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. Effective January 1, 2021, the monthly benefit paid to retirees receiving benefits under the Plan as of December 31, 2020 was increased by 2%, and the multiplier for employees who retire after December 31, 2020 was increased to a monthly benefit per year of service of \$76.00, up from \$74.00. 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 AFL-CIO, 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 contributions recognized by the DTC Plan during the Fiscal Years Ended June 30, 2021 and 2020 were \$1,648,285 and \$1,492,990, respectively. The contributions recognized by the DART Plan during the Fiscal Years Ended December 31, 2020 and 2019 were \$1,346,507 and \$1,399,890, respectively.

(d) Net Pension Liability

The DTC Plan's net pension liability for the Fiscal Years Ended June 30, 2021 and 2020 was determined by actuarial valuations as of July 1, 2020 and 2019, 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,:

	2021	2020
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, 2021:

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<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	6.3%	42.0%
International equity	6.6	16.0
Emerging equity	7.4	7.0
Core fixed income	1.4	17.5
Intermediate IG Corp	2.0	8.7
High yield	3.9	4.4
Emerging debt	4.1	4.4

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	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

The DART Plan's net pension liability for the calendar years ended December 31, 2020 and 2019 was determined by an actuarial experience study as of January 1, 2020 and 2019, respectively. 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>2021</u>	<u>2020</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, 2021:

<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	2.0	1.0

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

(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, 2021 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 7/1/19 (DTC Plan) and 1/1/20 (DART Plan)	\$ 32,759,922	\$ 30,215,734	\$ 2,544,188	\$ 63,313,732	\$ 57,307,530	\$ 6,006,202	\$ 96,073,654	\$ 87,523,264	\$ 8,550,390
Changes for the year									
Service cost	1,465,383	-	1,465,383	2,184,562	-	2,184,562	3,649,945	-	3,649,945
Interest	2,252,272	-	2,252,272	4,472,395	-	4,472,395	6,724,667	-	6,724,667
Changes of benefit terms	-	-	-	1,491,981	-	1,491,981	1,491,981	-	1,491,981
Differences between expected and actual experience	712,083	-	712,083	404,587	-	404,587	1,116,670	-	1,116,670
Contributions - employer	-	1,492,990	(1,492,990)	-	1,346,507	(1,346,507)	-	2,839,497	(2,839,497)
Contributions - member	-	217,064	(217,064)	-	1,596,122	(1,596,122)	-	1,813,186	(1,813,186)
Net investment income (loss)	-	1,944,916	(1,944,916)	-	9,376,785	(9,376,785)	-	11,321,701	(11,321,701)
Benefit payments, including refunds of member contributions	(1,169,224)	(1,169,224)	-	(3,269,170)	(3,269,170)	-	(4,438,394)	(4,438,394)	-
Administrative expenses	-	(207,414)	207,414	-	(93,536)	93,536	-	(300,950)	300,950
Net changes	<u>3,260,514</u>	<u>2,278,332</u>	<u>982,182</u>	<u>5,284,355</u>	<u>8,956,708</u>	<u>(3,672,353)</u>	<u>8,544,869</u>	<u>11,235,040</u>	<u>(2,690,171)</u>
Balances at 6/30/20 (DTC Plan) and 12/31/20 (DART Plan)	<u>\$ 36,020,436</u>	<u>\$ 32,494,066</u>	<u>\$ 3,526,370</u>	<u>\$ 68,598,087</u>	<u>\$ 66,264,238</u>	<u>\$ 2,333,849</u>	<u>\$ 104,618,523</u>	<u>\$ 98,758,304</u>	<u>\$ 5,860,219</u>

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Changes in DTC's net pension liability for the Fiscal Year Ended June 30, 2020 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 7/1/18 (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	-	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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(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, 2020 and the DART Plan's discount rate as of December 31, 2020 were as follows:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
DTC Plan (7.0%)	\$ 8,034,889	\$ 3,526,370	\$ (250,208)
DART Plan (7.0%)	\$ 10,717,035	\$ 2,333,849	\$ (4,722,284)

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)

(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>2021</u>	<u>2020</u>
Service cost	\$ 1,465,383	\$ 1,288,592
Interest	2,252,272	2,077,398
Changes of benefit terms	-	208,879
Member contributions	(217,064)	(186,239)
Differences between expected and actual experience	(232,325)	(321,335)
Changes in assumptions	396,620	396,620
Administrative expenses	207,414	149,129
Projected earnings on plan investments	(2,126,771)	(1,979,071)
Amortization of investment return differences	<u>42,982</u>	<u>212,793</u>
Pension expense	<u>\$ 1,788,511</u>	<u>\$ 1,846,766</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>2021</u>	<u>2020</u>
Service cost	\$ 2,184,562	\$ 2,080,651
Interest	4,472,395	4,167,977
Member contributions	(1,596,122)	(1,584,446)
Benefit changes	1,491,981	1,160,065
Differences between expected and actual experience	(102,906)	(160,704)
Changes in assumptions	477,178	477,178
Administrative expenses	93,536	108,948
Projected earnings on plan investments	(3,997,073)	(3,343,116)
Amortization of investment return differences	<u>(1,706,077)</u>	<u>116,609</u>
Pension expense	<u>\$ 1,317,474</u>	<u>\$ 3,023,162</u>

For the Fiscal Years Ended June 30, 2021 and 2020, DTC recognized pension expense of \$3,105,985 and \$4,869,928, respectively.

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement period (Fiscal Year June 30, 2021 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net pension liability in Fiscal Year 2022.

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, 2021:

	<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	\$ 623,073	\$ 1,434,999	\$ 346,789	\$ 675,763	\$ 969,862	\$ 2,110,762
Changes in assumptions	1,936,163	-	1,908,710	-	3,844,873	-
Net differences between projected and actual earnings on pension plan investments	-	121,418	-	6,206,453	-	6,327,871
Employer contributions subsequent to the measurement date	<u>1,648,284</u>	<u>-</u>	<u>1,171,449</u>	<u>-</u>	<u>2,819,733</u>	<u>-</u>
Totals	<u>\$ 4,207,520</u>	<u>\$ 1,556,417</u>	<u>\$ 3,426,948</u>	<u>\$ 6,882,216</u>	<u>\$ 7,634,468</u>	<u>\$ 8,438,633</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, 2020:

	DTC Plan		DART Plan		Totals	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
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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As of June 30, 2021, DTC reported \$2,819,733 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, 2022. 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,:

	<u>DTC Plan</u>	<u>DART Plan</u>	<u>Total</u>
2022	\$ (43,366)	\$ (1,403,344)	\$(1,446,710)
2023	142,904	(669,900)	(526,996)
2024	272,654	(1,934,449)	(1,661,795)
2025	324,394	(701,678)	(377,284)
2026	120,777	24,855	145,632
Thereafter	185,456	57,799	243,255

(i) Payable to the Plans

DTC reported payables of \$150,394 and \$10,644 for the outstanding amount of contributions due to the DTC Plan as of June 30, 2021 and 2020, respectively.

DTC reported payables of \$97,579 and \$137,127 for the outstanding amount of contributions due to the DART Plan as of June 30, 2021 and 2020, respectively.

(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,:

	2020	2019
Retirees and beneficiaries receiving benefits		
Pre-65	89	74
Post-65	317	287
Total retirees and beneficiaries receiving benefits	406	361
Total active plan members	895	878
Totals	1,301	1,239

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, 2021 and 2020, 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. DTC's cash basis costs associated with these benefits were \$2,962,193 and \$2,702,958 for the Fiscal Years Ended June 30, 2021 and 2020, 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 \$0.20 per month per \$1,000 of coverage for each employee.

The premium payments for post-employment benefits paid by retirees were \$94,219 and \$103,360 for the Fiscal Years Ended June 30, 2021 and 2020, respectively.

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(d) Net OPEB Liability

The net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of January 1, 2021 and June 30, 2019, respectively. 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,:

	2021	2020
Inflation	2.4%	2.4%
Salary increases	2.5%, including inflation	2.5%, including inflation
Investment rate of return	2.5%, based on the government bond index rate as of June 30, 2020	3.1%, based on the government bond index rate as of June 30, 2019

The healthcare cost trend rate was 4.7% and 5.7% as of June 30, 2020 and 2019, respectively, based on the Society of Actuaries Long-Run Medical Cost Trend Model. Sample trends for the total medical and prescription costs are as follows:

	Medical Rate
2030	5.2%
2040	5.2%
2050	5.2%
2070	4.4%

Mortality rates were based on: Pri-2012 Blue Collar Dataset Employee Headcount-Weighted Mortality MP2020 for Contract Members; Pri-2012 White Collar Dataset Employee Headcount-Weighted Mortality for Non-Contract Members; Pri-2012 Blue Collar Dataset Retiree Headcount-Weighted Mortality for Retired Contract Members; Pri-2012 White Collar Dataset Retiree Headcount-Weighted Mortality for Retired Non-Contract Members; and Pri-2012 Total Dataset Disabled Headcount-Weighted Mortality for Disabled Members. All tables were projected using Scale MP-2020 and base year 2012.

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. 87% 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 2.45% and 3.13% based on the 20-year general obligation bond index as of June 30, 2020 and 2019, respectively.

(f) Changes in the Net OPEB Liability

Changes in DTC's net OPEB liability for the Fiscal Year Ended June 30, 2021 were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of July 1, 2019	\$ 183,706,720	\$ 4,586,025	\$ 179,120,695
Changes for the year			
Service cost	12,581,516	-	12,581,516
Interest	5,695,698	-	5,695,698
Differences between expected and actual experience	(37,630,080)	-	(37,630,080)
Changes in assumptions	18,030,203	-	18,030,203
Contributions - employer	-	2,702,958	(2,702,958)
Net investment income	-	282,322	(282,322)
Benefit payments, including refunds of member contributions	(2,702,958)	(2,702,958)	-
Administrative expenses	-	(11,000)	11,000
Net changes	<u>(4,025,621)</u>	<u>271,322</u>	<u>(4,296,943)</u>
Balances at June 30, 2020	<u>\$ 179,681,099</u>	<u>\$ 4,857,347</u>	<u>\$ 174,823,752</u>

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	(2,516,148)	(2,516,148)	-
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>

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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, 2020 was as follows:

	<u>1% Decrease (1.5%)</u>	<u>Current Discount Rate (2.5%)</u>	<u>1% Increase (3.5%)</u>
Net OPEB liability	\$ 145,012,402	\$ 174,823,752	\$ 213,876,522

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

	<u>1% Decrease (2.1%)</u>	<u>Current Discount Rate (3.1%)</u>	<u>1% Increase (4.1%)</u>
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 healthcare cost trend rate as of June 30, 2020 was as follows:

	<u>1% Decrease (3.7%)</u>	<u>Current Healthcare Trend Rate (4.7%)</u>	<u>1% Increase (5.7%)</u>
Net OPEB liability	\$ 144,283,666	\$ 174,823,752	\$ 214,937,013

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:

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

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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>2021</u>	<u>2020</u>
Service cost	\$ 12,581,516	\$ 10,497,112
Interest	5,695,698	5,571,052
Projected earnings on OPEB Trust	(320,038)	(302,723)
Administrative and investment expenses	28,104	-
Current period amortization of deferred outflows associated with differences between projected and actual earnings	(49,131)	(53,253)
Current period amortization of deferred inflows associated with differences between projected and actual experience	(7,069,503)	(2,888,383)
Current period amortization of deferred inflows associated with changes in assumptions	<u>1,712,720</u>	<u>(290,636)</u>
OPEB expense	<u>\$ 12,579,366</u>	<u>\$ 12,533,169</u>

Contributions Made Subsequent to the Measurement Period - Contributions made subsequent to the measurement date of June 30, 2020 (Fiscal Year June 30, 2021 contributions) are included as deferred outflows of resources and will be recognized as a reduction to the net OPEB liability in Fiscal Year 2022.

Expected and Actual Experience Differences - The differences between expected and actual experience with regard to economic and demographic factors are 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 changes in assumptions about future economic or demographic factors or other inputs are 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 differences between the actual earnings on OPEB investments compared to the expected rate of return of 2.5% are 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, 2021:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 50,885,361
Changes in assumptions	28,822,904	12,820,136
Net differences between projected and actual earnings on OPEB Trust investments	-	85,736
Employer contributions subsequent to the measurement date	<u>2,962,193</u>	<u>-</u>
Totals	<u>\$ 31,785,097</u>	<u>\$ 63,791,233</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, 2020:

	<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>

At June 30, 2021, DTC reported \$2,962,193 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, 2022. 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,:

2022	\$ (5,405,914)
2023	(5,409,895)
2024	(5,344,400)
2025	(5,352,659)
2026	(5,356,783)
Thereafter	(8,098,678)

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(i) Payable to the OPEB Trust

At June 30, 2021 and 2020, 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, 2021, since separate plan financial statements are not publicly available.

Schedule of Fiduciary Net Position - OPEB Trust
June 30, 2021

Assets	
Cash and cash equivalents	\$ 62,829
Investments, at fair value	
Fixed income	1,597,290
Domestic equities	3,014,686
International equities	<u>1,524,217</u>
Total investments, at fair value	<u>6,136,193</u>
Total assets	<u>\$ 6,199,022</u>
Net position restricted for OPEB	<u>\$ 6,199,022</u>

Schedule of Plan Investment Net Income - OPEB Trust
For the Fiscal Year Ended June 30, 2021

Additions	
Investment income	
Net realized and unrealized gain	\$ 1,244,979
Interest and dividends	<u>116,351</u>
	1,361,330
Less: investment expense	<u>19,655</u>
Net investment income	<u>\$ 1,341,675</u>

The following additional information is being provided related to the OPEB Trust as of and for the Fiscal Year Ended June 30, 2020, since separate plan financial statements are not publicly available.

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Schedule of Fiduciary Net Position - OPEB Trust
June 30, 2020

Assets	
Cash and cash equivalents	\$ 49,876
Investments, at fair value	
Fixed income	1,679,598
Domestic equities	2,121,325
International equities	<u>1,006,548</u>
Total investments, at fair value	<u>4,807,471</u>
Total assets	\$ <u>4,857,347</u>
Net position restricted for OPEB	\$ <u>4,857,347</u>

Schedule of Plan Investment Net Income - OPEB Trust
For the Fiscal Year Ended June 30, 2020

Additions	
Investment income	
Net realized and unrealized gain	\$ 194,129
Interest and dividends	<u>105,297</u>
	299,426
Less: investment expense	<u>17,104</u>
Net investment income	\$ <u>282,322</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, 2021 were as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation Percentage</u>
Domestic equity	6.3%	42.0%
International equity	6.6	16.0
Emerging equity	7.4	7.0
Core fixed income	1.4	17.5
Intermediate IG Corp	2.0	8.7
High yield	3.9	4.4
Emerging debt	4.1	4.4

Long-term expected real rate of return and asset allocation for the OPEB Trust's funds as of June 30, 2020 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	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

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 25.5% and 4.2% for the Fiscal Years Ended June 30, 2021 and 2020, 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, 2021</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Fixed income mutual funds	\$ 1,597,290	\$ 1,597,290	\$ -	\$ -
Equity securities				
Domestic equity mutual funds	3,014,686	3,014,686	-	-
International equity mutual funds	<u>1,524,217</u>	<u>1,524,217</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 6,136,193</u>	<u>\$ 6,136,193</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Investments by Type</u>	<u>Total</u>	<u>Fair Value Measurements at June 30, 2020</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Fixed income mutual funds	\$ 1,679,598	\$ 1,679,598	\$ -	\$ -
Equity securities				
Domestic equity mutual funds	2,121,325	2,121,325	-	-
International equity mutual funds	<u>1,006,548</u>	<u>1,006,548</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 4,807,471</u>	<u>\$ 4,807,471</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 30, 2021 and 2020, 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.

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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, 2021 and 2020. The OPEB Trust had no other direct investment in fixed income securities as of June 30, 2021 and 2020.

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. For the Fiscal Year Ended June 30, 2021, DTC paid all administrative expenses incurred by the OPEB Trust. For the Fiscal Year Ended June 30, 2020, the OPEB Trust incurred \$11,000 of administrative expenses.

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) Note to Pension Plans reported in Statements of Fiduciary Net Position

Investment Policy

The respective Pension Committees of the DTC Plan and DART Plans (Pension Plans) have adopted separate Investment Policy Statements (IPS) to set forth the factors involved in the management of investment assets for the Pension Plans. The Pension Committees have the authority to establish and amend the IPS of their respective Pension Plans.

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The Pension Committees have adopted the philosophy that the most effective risk control procedure is to adequately diversify the investments 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 DTC Plan IPS sets the allowable asset ranges and target asset allocations for the DTC Plan funds:

Asset Class	Asset Weightings	
	Range	Target
Domestic equity	22% to 62%	42%
International equity	3% to 43%	23%
Other equity	0% to 20%	0%
Fixed income	15% to 55%	35%
Cash equivalent	0% to 20%	0%

The DART Plan IPS sets the allowable asset ranges and target asset allocations for the DART Plan funds:

Asset Class	Asset Weightings	
	Range	Target
Domestic equity	19% to 59%	39%
International equity	1% to 41%	21%
REIT	0% to 20%	0%
Inflation hedge	0% to 20%	0%
Fixed income	19% to 59%	39%
Cash equivalent	0% to 20%	1%

The allowable ranges mean the minimum and maximum percentage of each asset class allowed. The target asset allocation is the average allocation desired over time. The Pension Committees have the ability to deviate from these ranges when it deems necessary based on market conditions.

Along with diversification, the Pension Committees of the Pension Plans set forth the following investment goals and objectives in each IPS:

- To invest assets in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of plan 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 plan.

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- To enhance the value of plan 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 plans' actuarial discount rate.

Implementing and complying with these goals and guidelines are the responsibilities of the Pension Committees, third-party consultants, and investment managers. Each Pension Plan IPS also outlines the review and control procedures which the Pension Committees monitor for compliance.

Investments

The fair value of the Pension Plans' 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</u>		
		<u>June 30, 2021</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Fixed income mutual funds	\$ 33,870,863	\$ 33,870,863	\$ -	\$ -
Equity securities				
Domestic equity mutual funds	50,726,675	50,726,675	-	-
International equity mutual funds	<u>22,272,721</u>	<u>22,272,721</u>	-	-
Total investments measured at fair value	<u>\$ 106,870,259</u>	<u>\$ 106,870,259</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Investments by Type</u>	<u>Total</u>	<u>Fair Value Measurements at</u>		
		<u>June 30, 2020</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Fixed income mutual funds	\$ 30,268,025	\$ 30,268,025	\$ -	\$ -
Equity securities				
Domestic equity mutual funds	38,314,205	38,314,205	-	-
International equity mutual funds	<u>19,968,390</u>	<u>19,968,390</u>	-	-
Total investments measured at fair value	<u>\$ 88,550,620</u>	<u>\$ 88,550,620</u>	<u>\$ -</u>	<u>\$ -</u>

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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 Pension Plans 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 Pension Plans, and are held by either the counterparty or the counterparty's trust department or agent but not in the Pension Plans' name. As of June 30, 2021 and 2020, the Pension Plans' investment securities were not exposed to custodial credit risk, because all securities were held by the Pension Plans' custodians in the Pension Plans' names.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The DTC Plan 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.

The DART Plan does not directly own any fixed income securities, such as government and corporate bonds and obligations. All fixed income securities are owned through mutual funds that are managed by fund managers and openly traded in the financial markets. All mutual fund investments are reviewed and recommended by the DART Plan Committee's independent investment consultant prior to inclusion in the DART Plan's portfolio.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the Pension Plans.

The DTC Plan investment in the Wilmington Trust U.S. Government Money Market Fund had an Aaa rating at June 30, 2021 and 2020. The DTC Plan has no other direct investment in fixed income securities as of June 30, 2021 and 2020.

The DART Plan IPS states the overall rating for fixed income assets shall be at least "A" according to one of the three major rating agencies. In cases where the yield spread adequately compensates for additional risk, securities where two of the three rating agencies have assigned ratings of "Baa3" or "BBB-" can be purchased up to a maximum of 20% of the total market value of fixed income securities.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Pension Plans' investment in a single issuer.

The following presents investments that represent 5% or more of the DTC Plan's net position as of June 30,

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	<u>2021</u>	<u>2020</u>
Doubleline Core Fixed Income	\$ <u>-</u>	\$ <u>1,843,776</u>
PGIM Total Return Bond Fund	\$ <u>3,422,905</u>	\$ <u>3,139,316</u>
Baird Core Plus Bond Fund	\$ <u>2,767,842</u>	\$ <u>2,686,856</u>
JOHCM International Select Class I	\$ <u>2,172,082</u>	\$ <u>2,089,463</u>
Vanguard Total International Stock Index	\$ <u>-</u>	\$ <u>2,183,333</u>
Vanguard Total International Stock ETF	\$ <u>2,981,938</u>	\$ <u>-</u>
Vanguard Total Stock Market ETF	\$ <u>-</u>	\$ <u>2,105,798</u>
Vanguard Total Stock Market Index Institutional Class	\$ <u>14,403,085</u>	\$ <u>9,236,185</u>
Harding Loevner International Equity Fund	\$ <u>2,256,700</u>	\$ <u>-</u>

As of June 30, 2021 and 2020, there were no securities issued by a single issuer that comprised more than 5% of the DART Plan investments.

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 DTC Plan does not have a formal policy governing foreign currency risk, the DTC Plan does manage its exposure to fair value loss by requiring its investment managers to maintain diversified portfolios to limit foreign currency risk. The DART Plan's policy is to hold foreign stocks through American Depository Receipts, which carry no exposure to foreign currency risk since they are denominated in U.S. dollars and accounted for at fair market value.

(10) 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 \$376,320 and \$35,467 for the Fiscal Years Ended June 30, 2021 and 2020, respectively.

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, 2021 and 2020, DTC incurred expenses related to this lease of \$390,249 and \$373,981, respectively.

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(11) Economic Dependency

DTC's revenue from operating subsidies from State entities was approximately 45% and 64% of total revenue for the Fiscal Years Ended June 30, 2021 and 2020, respectively.

DTC's revenue from operating subsidies from federal entities was approximately 33% and 16% of total revenue for the Fiscal Years Ended June 30, 2021 and 2020, respectively.

(12) 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 with the possibility of the following exception.

As of June 30, 2021, DTC was threatened with litigation by a third-party contractor, but a formal complaint has not yet been filed. On March 9, 2018, the third-party contractor was awarded a contract for the design and construction of the Lewes Park & Ride Maintenance Facility, Phase 2, in Sussex County, Delaware (the Project). During the Project, DTC documented a series of contractual breaches by the third-party contractor, which led to a Notice of Default in December 2020 and a contract termination in June 2021. The third-party contractor is claiming approximately \$2 million in monies owed to it. Due to the early stages of this claim, DTC is unable to estimate the likelihood of success in any resulting litigation.

(13) 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.

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

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premium for Fiscal Years 2021 and 2020 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). In Fiscal Year 2021, DTC had one case that was settled up to DTC's maximum liability exposure of \$1 million.

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 following table:

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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>
2021	\$ 4,800,000	\$ 1,000,000	***
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>2021</u>	<u>2020</u>
2021	\$ 2,384,000	\$ -
2020	2,041,000	2,772,000
2019	2,129,000	3,674,000
2018	410,000	1,347,000
2017	491,000	1,202,000
2016	213,000	250,000
2000	<u>4,000</u>	<u>4,000</u>
	<u>\$ 7,672,000</u>	<u>\$ 9,249,000</u>

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Changes in the balance of total claim liabilities during the Fiscal Years Ended June 30, 2021 and 2020 were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance - July 1</u>	<u>Current Year Estimated Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Ending Balance - June 30</u>
2021	\$ 9,249,000	\$ 4,800,000	\$ (6,377,000)	\$ 7,672,000
2020	\$ 9,066,000	\$ 4,772,781	\$ (4,589,781)	\$ 9,249,000

(14) Transfers

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

	<u>2021</u>	<u>2020</u>
Amounts transferred as operating assistance	\$ 46,598,000	\$ 94,804,300
Amounts transferred as pass-through grant revenues	3,319,563	5,616,887
Amounts transferred as capital funding for purchase of capital assets	<u>16,115,468</u>	<u>16,703,109</u>
Total transfers from DelDOT	<u>\$ 66,033,031</u>	<u>\$ 117,124,296</u>

(15) Coronavirus Relief Funds

On June 23, 2020, DTC was awarded CARES Act funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$55,256,994 under CARES Act Section 5307-6, Urbanized Area Formula Grants. The grant is intended to support operating assistance funding of \$50,654,441 and preventive maintenance funding of \$4,602,553 for the period of January 20, 2020 through June 30, 2021. For the Fiscal Years Ended June 30, 2021 and 2020, the amounts expended were \$36,537,308 and \$18,719,686, respectively.

On May 21, 2020, DTC was awarded CARES Act funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$5,915,431 under CARES Act Section 5311-5, Rural Area Formula Grants. The grant is intended to support operating assistance funding of \$4,979,549 and preventive maintenance funding of \$935,882 for the period of January 20, 2020 through September 30, 2021. For the Fiscal Years Ended June 30, 2021 and 2020, the amounts expended were \$1,894,308 and \$4,021,123, respectively.

On March 16, 2021, DTC was awarded CRRSAA funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$16,905,899 under CRRSAA Section 5307/5337, Urbanized Area Formula Grants. The grant is intended for the period of November 1, 2020 through June 30, 2022. For the Fiscal Year Ended June 30, 2021, the amount expended was \$4,610,957.

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On March 17, 2021, DTC was awarded CRRSAA funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$34,976 under CRRSAA Section 5310-1B, Mobility of Senior and Individual with Disabilities Formula. The grant is intended for the period of January 20, 2020 through June 30, 2022. For the Fiscal Year Ended June 30, 2021, the amount expended was \$2,100.

On March 16, 2021, DTC was awarded CRRSAA funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$18,606,707 under CRRSAA Section 5311-9A, Rural Area Formula Grants. The grant is intended for the period of November 1, 2020 through June 30, 2022. For the Fiscal Year Ended June 30, 2021, no amount was expended.

On May 21, 2021, DTC was awarded American Rescue Plan Act (ARP Act) funding to prevent, prepare for, and respond to the Coronavirus pandemic. DTC was awarded \$57,826,473 under ARP Act Section 5307, Urbanized Area Formula Grants. The subsidy amounts received for operating assistance from DelDOT will be offset by the federal funding from the ARP Act. Management is evaluating when funding will be received. For the Fiscal Year Ended June 30, 2021, no amount was expended.

Federal stimulus grant reimbursement for \$43,044,673, expended for the Fiscal Year Ended June 30, 2021, was recorded to federal operating assistance in the Statements of Revenues, Expenses, and Changes in Net Position. As of June 30, 2021, \$4,613,057 was recorded as a federal accounts receivable on the Statements of Net Position.

Federal stimulus 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, \$22,740,809 was recorded as a federal accounts receivable on the Statements of Net Position.

(16) Deficit on Unrestricted Net Position

DTC had a deficit on unrestricted net position of \$207,143,234 and \$177,956,537 as of June 30, 2021 and 2020, 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).

(17) COVID-19 Pandemic

In 2020, the COVID-19 outbreak in the United States, including geographical regions in which DTC operates, caused business disruption through mandated and voluntary closings of businesses. DTC, however, was deemed to be an essential business under the Delaware State of Emergency Declaration and, therefore, remained operational. DTC did experience a negative impact on their transportation services due to the impact of COVID-19. As of the date of this report, DTC has experienced a gradual increase in ridership since the onset of the pandemic. The full extent of the impact of COVID-19 on DTC's operational and financial performance will continue to depend on current developments, which are uncertain and cannot be fully predicted.

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(18) Subsequent Events

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 , which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

Last 10 Fiscal Years
(Dollar amounts in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total pension liability										
Service cost	\$ 1,465	\$ 1,289	\$ 1,137	\$ 1,060	\$ 873	\$ 843	\$ 840			
Interest	2,252	2,077	1,920	1,691	1,724	1,612	1,483			
Changes of benefit terms	-	209	-	-	-	-	-			
Differences between expected and actual experience	712	(1,095)	(294)	(192)	(693)	(297)	-			
Changes in assumptions	-	1,154	489	1,530	-	-	-			
Benefit payments, including refunds of member contributions	<u>(1,169)</u>	<u>(1,103)</u>	<u>(899)</u>	<u>(753)</u>	<u>(705)</u>	<u>(629)</u>	<u>(569)</u>			
Net changes in total pension liability	3,260	2,531	2,353	3,336	1,199	1,529	1,754			
Total pension liability - beginning	<u>32,760</u>	<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>\$ 36,020</u>	<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	\$ 1,493	\$ 1,343	\$ 1,255	\$ 1,104	\$ 1,104	\$ 1,176	\$ 1,158			
Contributions - members	217	186	145	116	81	57	30			
Net investment income	1,945	1,805	2,261	2,529	405	554	2,443			
Benefit payments, including refunds of member contributions	(1,169)	(1,103)	(899)	(753)	(705)	(629)	(569)			
Administrative expense	(208)	(149)	(134)	(161)	(166)	(94)	(116)			
Other	-	-	3	-	-	-	-			
Net changes in plan fiduciary net position	2,278	2,082	2,631	2,835	719	1,064	2,946			
Plan fiduciary net position - beginning	<u>30,216</u>	<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>\$ 32,494</u>	<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>\$ 3,526</u>	<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	90.21 %	92.23 %	93.07 %	91.49 %	92.37 %	94.04 %	95.75 %			
Covered payroll	\$ 16,552	\$ 15,099	\$ 14,985	\$ 14,161	\$ 13,142	\$ 12,261	\$ 12,099			
Net pension liability as a percentage of covered payroll	21.30 %	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: None.
Changes in assumptions: None.

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

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>
Total pension liability										
Service cost	\$ 2,184	\$ 2,081	\$ 2,193	\$ 2,098	\$ 2,048	\$ 1,976	\$ 1,766			
Interest	4,472	4,168	3,681	3,406	3,209	2,925	2,675			
Changes of benefit terms	1,492	1,160	1,239	1,042	197	1,473	1,030			
Differences between expected and actual experience	405	(137)	(647)	(121)	(217)	(112)	4			
Changes in assumptions	-	-	3,340	-	-	-	-			
Benefit payments, including refunds of member contributions	<u>(3,269)</u>	<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	5,284	4,479	7,132	3,894	2,826	4,128	3,372			
Total pension liability - beginning	<u>63,314</u>	<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>\$ 68,598</u>	<u>\$ 63,314</u>	<u>\$ 58,835</u>	<u>\$ 51,703</u>	<u>\$ 47,809</u>	<u>\$ 44,983</u>	<u>\$ 40,855</u>			
										Information for Fiscal Year 2013 and earlier is not available.
Plan fiduciary net position										
Contributions - employer	\$ 1,347	\$ 1,400	\$ 1,213	\$ 1,048	\$ 1,080	\$ 1,253	\$ 909			
Contributions - members	1,596	1,584	1,499	1,344	1,360	1,388	1,263			
Net investment income	9,377	9,507	(2,786)	6,743	2,550	(869)	2,605			
Benefit payments, including refunds of member contributions	(3,269)	(2,793)	(2,674)	(2,531)	(2,411)	(2,134)	(2,103)			
Administrative expense	<u>(94)</u>	<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	8,957	9,589	(2,839)	6,498	2,485	(462)	2,541			
Plan fiduciary net position - beginning	<u>57,307</u>	<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>\$ 66,264</u>	<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>\$ 2,334</u>	<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	96.60 %	90.51 %	81.10 %	97.78 %	92.16 %	92.42 %	102.89 %			
Covered payroll	\$ 33,162	\$ 32,277	\$ 31,684	\$ 27,383	\$ 27,472	\$ 28,203	\$ 25,748			
Net pension liability (asset) as a percentage of covered payroll	7.04 %	18.61 %	35.09 %	4.19 %	13.65 %	12.09 %	(4.59)%			

Notes to Schedule

Benefit changes: Effective January 1, 2020, the multiplier for employees who retire after December 31, 2019 was increased to a monthly benefit per year of service of \$74.00.
Changes in assumptions: In Fiscal Year 2020, there were no changes in assumptions from the prior year.

See independent auditors' report.

Delaware Transit Corporation
Required Supplementary Information
June 30, 2021 and 2020

Schedule of Contributions - Pension Plans

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2021</u>	<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>
DTC Plan, as of June 30,											
Actuarially determined contribution	\$ 1,648	\$ 1,493	\$ 1,343	\$ 1,255	\$ 980	\$ 1,104	\$ 1,176	\$ 1,156	Information for Fiscal Year 2013		
Contributions in relation to the actuarially determined contribution	<u>1,648</u>	<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>	and earlier is not available.		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (124)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2)</u>			
Covered payroll	\$ 18,215	\$ 16,552	\$ 15,099	\$ 14,985	\$ 14,161	\$ 13,142	\$ 12,261	\$ 12,099			
Contributions as a percentage of covered payroll	9.05 %	9.02 %	8.89 %	8.38 %	7.80 %	8.40 %	9.59 %	9.57 %			
DART Plan, as of December 31,											
Actuarially determined contribution		\$ 1,531	\$ 1,465	\$ 1,063	\$ 1,027	\$ 1,012	\$ 857	\$ 635	\$ 773	\$ 715	\$ 598
Contributions in relation to the actuarially determined contribution		<u>1,347</u>	<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>
Contribution deficiency (excess)		<u>\$ 184</u>	<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>
Covered payroll		\$ 33,162	\$ 32,277	\$ 31,684	\$ 27,383	\$ 27,472	\$ 28,203	\$ 25,748	\$ 25,579	\$ 22,985	\$ 22,847
Contributions as a percentage of covered payroll		4.06 %	4.34 %	3.83 %	3.83 %	3.93 %	4.44 %	3.53 %	4.89 %	4.70 %	4.70 %

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 2020:

	<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%, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation	7.0%, net of pension plan investment expense, including inflation
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, 2021 and 2020

Schedule of Changes in Net OPEB Liability and Related Ratios

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>
Total OPEB liability										
Service cost	\$ 12,581	\$ 10,497	\$ 11,454	\$ 13,166						
Interest	5,696	5,571	5,786	4,801						
Changes of benefit terms	-	-	-	-						
Differences between expected and actual experience	(37,630)	(955)	(23,812)	(1,365)						
Changes in assumptions	18,030	15,478	1,137	(21,367)						
Benefit payments, including refunds of member contributions	<u>(2,703)</u>	<u>(2,516)</u>	<u>(2,280)</u>	<u>(2,072)</u>						
Net changes in total OPEB liability	(4,026)	28,075	(7,715)	(6,837)						
Total OPEB liability - beginning	<u>183,707</u>	<u>155,632</u>	<u>163,347</u>	<u>170,184</u>						
Total OPEB liability - ending (a)	<u>\$ 179,681</u>	<u>\$ 183,707</u>	<u>\$ 155,632</u>	<u>\$ 163,347</u>						
Plan fiduciary net position										
Contributions - employer	\$ 2,703	\$ 2,516	\$ 2,280	\$ 3,572						
Net investment income	282	261	589	(20)						
Benefit payments, including refunds of member contributions	(2,703)	(2,516)	(2,280)	(2,072)						
Administrative expense	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>-</u>						
Net changes in plan fiduciary net position	271	261	589	1,480						
Plan fiduciary net position - beginning	<u>4,586</u>	<u>4,325</u>	<u>3,736</u>	<u>2,256</u>						
Plan fiduciary net position - ending (b)	<u>\$ 4,857</u>	<u>\$ 4,586</u>	<u>\$ 4,325</u>	<u>\$ 3,736</u>						
Net OPEB liability - ending (a) - (b)	<u>\$ 174,824</u>	<u>\$ 179,121</u>	<u>\$ 151,307</u>	<u>\$ 159,611</u>						
Plan fiduciary net position as a percentage of total OPEB liability	2.70 %	2.50 %	2.78 %	2.29 %						
Covered-employee payroll	\$ 58,119	\$ 53,654	\$ 52,732	\$ 50,228						
Net OPEB liability as a percentage of covered-employee payroll	300.80 %	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 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020. The medical trend was updated to the latest model released by the SOA and excludes the impact of the Cadillac Tax. The mortality tables were updated to the latest SOA experience study on private sector blue and white collar employees, retirees, and disabled retirees and updating the mortality improvement scale to MP2020.

See independent auditors' report.

Delaware Transit Corporation
Required Supplementary Information
June 30, 2021 and 2020

Schedule of Investment Returns - OPEB Trust

Last 10 Fiscal Years

	<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>
Annual money-weighted rate of return, net of investment expense	4.2%	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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Operating revenues			
Passenger fares	\$ 10,774,282	\$ 7,131,331	\$ (3,642,951)
Advertising	650,000	588,451	(61,549)
Miscellaneous	1,025,000	888,146	(136,854)
Auxiliary transportation	<u>950,000</u>	<u>1,943,171</u>	<u>993,171</u>
Total operating revenues	13,399,282	10,551,099	(2,848,183)
Operating expenses before depreciation and bad debt expense	<u>126,995,180</u>	<u>133,936,175</u>	<u>6,940,995</u>
Operating expenses in excess of operating revenues before depreciation and bad debt expense	(113,595,898)	(123,385,076)	(9,789,178)
Nonoperating revenue (expenses)			
Federal operating assistance	66,997,898	49,301,184	(17,696,714)
Pass-through grant revenues	-	5,284,722	5,284,722
Pass-through grant expenses	<u>-</u>	<u>(9,130,013)</u>	<u>(9,130,013)</u>
Excess of nonoperating revenues over expenses	66,997,898	45,455,893	(21,542,005)
Transfers from DelDOT for operating purposes			
State operating assistance	46,598,000	46,598,000	-
State pass-through grant revenue	<u>-</u>	<u>3,319,563</u>	<u>3,319,563</u>
Total transfers for operating purposes	<u>46,598,000</u>	<u>49,917,563</u>	<u>3,319,563</u>
Loss before capital contributions, transfers, depreciation, investment income, and bad debt	<u>\$ -</u>	<u>\$ (28,011,620)</u>	<u>\$ (28,011,620)</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - All Modes
Fiscal Year Ended June 30, 2021

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ 28,140,451	\$ -	\$ -	\$ -	\$ 28,140,451
Other salaries	5,403,110	8,955,493	705,636	7,262,573	22,326,812
Fringe benefits	<u>28,830,579</u>	<u>7,632,940</u>	<u>599,743</u>	<u>6,075,121</u>	<u>43,138,383</u>
	62,374,140	16,588,433	1,305,379	13,337,694	93,605,646
Professional fees and services					
Professional and technical	-	-	-	2,495,018	2,495,018
Contract and maintenance	511,900	1,361,769	3,167,502	24,999	5,066,170
Security	1,228,991	-	30,118	-	1,259,109
Purchased transportation	14,304,290	-	-	-	14,304,290
Other	<u>107,022</u>	<u>14,031</u>	<u>183,691</u>	<u>98,126</u>	<u>402,870</u>
	16,152,203	1,375,800	3,381,311	2,618,143	23,527,457
Material and supplies					
Fuel and lubes	4,524,470	89,406	-	-	4,613,876
Tires and tubes	502,848	11,202	-	-	514,050
Other materials	<u>80,059</u>	<u>3,581,694</u>	<u>340,432</u>	<u>1,275,386</u>	<u>5,277,571</u>
	5,107,377	3,682,302	340,432	1,275,386	10,405,497
Office and miscellaneous					
Utilities	-	-	-	1,100,650	1,100,650
Insurance	-	-	-	3,161,412	3,161,412
Miscellaneous expenses					
Dues and subscriptions	-	-	2,024	72,769	74,793
Travel and meetings	-	-	-	936,382	936,382
Advertising	-	-	-	513,134	513,134
Facilities	-	-	391,090	66,887	457,977
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,227</u>	<u>153,227</u>
	-	-	393,114	6,004,461	6,397,575
Total expenses	<u>\$ 83,633,720</u>	<u>\$ 21,646,535</u>	<u>\$ 5,420,236</u>	<u>\$ 23,235,684</u>	<u>\$ 133,936,175</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - Fixed Route Directly Operated
Fiscal Year Ended June 30, 2021

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ 16,981,050	\$ -	\$ -	\$ -	\$ 16,981,050
Other salaries	2,417,263	5,473,613	351,333	3,529,530	11,771,739
Fringe benefits	<u>16,306,635</u>	<u>4,669,277</u>	<u>298,609</u>	<u>2,976,716</u>	<u>24,251,237</u>
	35,704,948	10,142,890	649,942	6,506,246	53,004,026
Professional fees and services					
Professional and technical	-	-	-	1,242,125	1,242,125
Contract and maintenance	38,043	945,866	1,577,086	12,447	2,573,442
Security	611,910	-	14,995	-	626,905
Purchased transportation	-	-	-	-	-
Other	<u>-</u>	<u>7,867</u>	<u>91,459</u>	<u>44,358</u>	<u>143,684</u>
	649,953	953,733	1,683,540	1,298,930	4,586,156
Material and supplies					
Fuel and lubes	3,032,305	44,512	-	-	3,076,817
Tires and tubes	335,921	5,577	-	-	341,498
Other materials	<u>40,203</u>	<u>2,593,740</u>	<u>169,500</u>	<u>639,917</u>	<u>3,443,360</u>
	3,408,429	2,643,829	169,500	639,917	6,861,675
Office and miscellaneous					
Utilities	-	-	-	548,009	548,009
Insurance	-	-	-	1,574,054	1,574,054
Miscellaneous expenses					
Dues and subscriptions	-	-	1,008	36,231	37,239
Travel and meetings	-	-	-	466,221	466,221
Advertising	-	-	-	392,885	392,885
Facilities	-	-	194,722	33,303	228,025
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,014</u>	<u>77,014</u>
	-	-	195,730	3,127,717	3,323,447
Total expenses	<u>\$ 39,763,330</u>	<u>\$ 13,740,452</u>	<u>\$ 2,698,712</u>	<u>\$ 11,572,810</u>	<u>\$ 67,775,304</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - Paratransit Directly Operated
Fiscal Year Ended June 30, 2021

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ 11,159,401	\$ -	\$ -	\$ -	\$ 11,159,401
Other salaries	2,633,507	2,609,012	257,393	2,585,799	8,085,711
Fringe benefits	<u>12,213,683</u>	<u>2,261,261</u>	<u>218,767</u>	<u>2,180,799</u>	<u>16,874,510</u>
	26,006,591	4,870,273	476,160	4,766,598	36,119,622
Professional fees and services					
Professional and technical	-	-	-	899,966	899,966
Contract and maintenance	27,871	200,296	1,155,402	9,119	1,392,688
Security	448,296	-	10,986	-	459,282
Purchased transportation	-	-	-	-	-
Other	<u>-</u>	<u>5,735</u>	<u>67,005</u>	<u>32,497</u>	<u>105,237</u>
	476,167	206,031	1,233,393	941,582	2,857,173
Material and supplies					
Fuel and lubes	1,403,611	32,610	-	-	1,436,221
Tires and tubes	106,584	4,086	-	-	110,670
Other materials	<u>29,058</u>	<u>709,841</u>	<u>124,179</u>	<u>459,521</u>	<u>1,322,599</u>
	1,539,253	746,537	124,179	459,521	2,869,490
Office and miscellaneous					
Utilities	-	-	-	401,481	401,481
Insurance	-	-	-	1,153,181	1,153,181
Miscellaneous expenses					
Dues and subscriptions	-	-	738	26,544	27,282
Travel and meetings	-	-	-	341,562	341,562
Advertising	-	-	-	27,641	27,641
Facilities	-	-	142,657	24,398	167,055
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,053</u>	<u>55,053</u>
	-	-	143,395	2,029,860	2,173,255
Total expenses	<u>\$ 28,022,011</u>	<u>\$ 5,822,841</u>	<u>\$ 1,977,127</u>	<u>\$ 8,197,561</u>	<u>\$ 44,019,540</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - Fixed Route Purchased Transportation
Fiscal Year Ended June 30, 2021

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	238,584	732,411	81,316	830,033	1,882,344
Fringe benefits	<u>210,627</u>	<u>589,376</u>	<u>69,113</u>	<u>693,532</u>	<u>1,562,648</u>
	449,211	1,321,787	150,429	1,523,565	3,444,992
Professional fees and services					
Professional and technical	-	-	-	287,488	287,488
Contract and maintenance	444,297	116,257	365,014	2,881	928,449
Security	141,625	-	3,471	-	145,096
Purchased transportation	5,439,432	-	-	-	5,439,432
Other	<u>107,022</u>	<u>400</u>	<u>21,168</u>	<u>10,267</u>	<u>138,857</u>
	6,132,376	116,657	389,653	300,636	6,939,322
Material and supplies					
Fuel and lubes	40,689	10,302	-	-	50,991
Tires and tubes	58,520	1,291	-	-	59,811
Other materials	<u>8,977</u>	<u>260,990</u>	<u>39,230</u>	<u>148,108</u>	<u>457,305</u>
	108,186	272,583	39,230	148,108	568,107
Office and miscellaneous					
Utilities	-	-	-	126,836	126,836
Insurance	-	-	-	364,312	364,312
Miscellaneous expenses					
Dues and subscriptions	-	-	233	8,386	8,619
Travel and meetings	-	-	-	107,906	107,906
Advertising	-	-	-	90,933	90,933
Facilities	-	-	45,068	7,708	52,776
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,825</u>	<u>17,825</u>
	-	-	45,301	723,906	769,207
Total expenses	<u>\$ 6,689,773</u>	<u>\$ 1,711,027</u>	<u>\$ 624,613</u>	<u>\$ 2,696,215</u>	<u>\$ 11,721,628</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - Paratransit Purchased Transportation
Fiscal Year Ended June 30, 2021

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	113,756	140,457	15,594	254,959	524,766
Fringe benefits	99,634	113,026	13,254	207,514	433,428
	<u>213,390</u>	<u>253,483</u>	<u>28,848</u>	<u>462,473</u>	<u>958,194</u>
Professional fees and services					
Professional and technical	-	-	-	65,439	65,439
Contract and maintenance	1,689	99,350	70,000	552	171,591
Security	27,160	-	666	-	27,826
Purchased transportation	1,086,023	-	-	-	1,086,023
Other	-	29	4,059	11,004	15,092
	<u>1,114,872</u>	<u>99,379</u>	<u>74,725</u>	<u>76,995</u>	<u>1,365,971</u>
Material and supplies					
Fuel and lubes	47,865	1,982	-	-	49,847
Tires and tubes	1,823	248	-	-	2,071
Other materials	1,821	17,123	7,523	27,840	54,307
	<u>51,509</u>	<u>19,353</u>	<u>7,523</u>	<u>27,840</u>	<u>106,225</u>
Office and miscellaneous					
Utilities	-	-	-	24,324	24,324
Insurance	-	-	-	69,865	69,865
Miscellaneous expenses					
Dues and subscriptions	-	-	45	1,608	1,653
Travel and meetings	-	-	-	20,693	20,693
Advertising	-	-	-	1,675	1,675
Facilities	-	-	8,643	1,478	10,121
Other	-	-	-	3,335	3,335
	<u>-</u>	<u>-</u>	<u>8,688</u>	<u>122,978</u>	<u>131,666</u>
Total expenses	<u>\$ 1,379,771</u>	<u>\$ 372,215</u>	<u>\$ 119,784</u>	<u>\$ 690,286</u>	<u>\$ 2,562,056</u>

See independent auditors' report.

Delaware Transit Corporation
Schedule of Expenses by Mode - Rail
Fiscal Year Ended June 30, 2021

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Total
Payroll expense					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	-	-	-	62,252	62,252
Fringe benefits	-	-	-	16,560	16,560
	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,812</u>	<u>78,812</u>
Professional fees and services					
Professional and technical	-	-	-	-	-
Contract and maintenance	-	-	-	-	-
Security	-	-	-	-	-
Purchased transportation	7,778,835	-	-	-	7,778,835
Other	-	-	-	-	-
	<u>7,778,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,778,835</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					
Dues 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>\$ 7,778,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,812</u>	<u>\$ 7,857,647</u>

See independent auditors' report.

Delaware Transit Corporation
Combining Statement of Fiduciary Net Position -
Pension and OPEB Trust Fiduciary Funds
June 30, 2021

	<u>DTC Plan</u>	<u>12/31/2020 DART Plan</u>	<u>OPEB Trust</u>	<u>Total</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 328,852	\$ 868,288	\$ 62,829	\$ 1,259,969
Accounts receivable				
Accrued interest and dividends	-	3	-	3
Member contributions receivable	13,036	46,054	-	59,090
Employer contributions receivable	<u>137,358</u>	<u>45,615</u>	<u>-</u>	<u>182,973</u>
Total current assets	479,246	959,960	62,829	1,502,035
Noncurrent assets				
Investments, at fair value				
Fixed income	10,782,182	23,088,681	1,597,290	35,468,153
Domestic equities	23,287,143	27,439,532	3,014,686	53,741,361
International equities	<u>7,410,720</u>	<u>14,862,001</u>	<u>1,524,217</u>	<u>23,796,938</u>
Total noncurrent assets	<u>41,480,045</u>	<u>65,390,214</u>	<u>6,136,193</u>	<u>113,006,452</u>
Total assets	41,959,291	66,350,174	6,199,022	114,508,487
Liabilities				
Current liabilities				
Accrued expenses	<u>-</u>	<u>85,936</u>	<u>-</u>	<u>85,936</u>
Total current liabilities	<u>-</u>	<u>85,936</u>	<u>-</u>	<u>85,936</u>
Net position restricted for pension/ OPEB	<u>\$ 41,959,291</u>	<u>\$ 66,264,238</u>	<u>\$ 6,199,022</u>	<u>\$114,422,551</u>

See independent auditors' report.

Delaware Transit Corporation
Combining Statement of Fiduciary Net Position -
Pension and OPEB Trust Fiduciary Funds
June 30, 2020

	<u>DTC Plan</u>	<u>12/31/2019 DART Plan</u>	<u>OPEB Trust</u>	<u>Total</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 451,950	\$ 814,872	\$ 49,876	\$ 1,316,698
Accounts receivable				
Accrued interest and dividends	-	878	-	878
Other receivable	18,619	-	-	18,619
Member contributions receivable	10,644	18,993	-	29,637
Employer contributions receivable	-	17,788	-	17,788
	<u>481,213</u>	<u>852,531</u>	<u>49,876</u>	<u>1,383,620</u>
Total current assets				
Noncurrent assets				
Investments, at fair value				
Fixed income	11,273,690	18,994,335	1,679,598	31,947,623
Domestic equities	14,031,720	24,282,485	2,121,325	40,435,530
International equities	<u>6,714,035</u>	<u>13,254,355</u>	<u>1,006,548</u>	<u>20,974,938</u>
	<u>32,019,445</u>	<u>56,531,175</u>	<u>4,807,471</u>	<u>93,358,091</u>
Total noncurrent assets				
Total assets	32,500,658	57,383,706	4,857,347	94,741,711
Liabilities				
Current liabilities				
Accrued expenses	<u>6,592</u>	<u>76,176</u>	<u>-</u>	<u>82,768</u>
Total current liabilities	<u>6,592</u>	<u>76,176</u>	<u>-</u>	<u>82,768</u>
Net position restricted for pension/ OPEB	<u>\$ 32,494,066</u>	<u>\$ 57,307,530</u>	<u>\$ 4,857,347</u>	<u>\$ 94,658,943</u>

See independent auditors' report.

Delaware Transit Corporation
Combining Statement of Changes in Fiduciary Net Position -
Pension and OPEB Trust Fiduciary Funds
For the Fiscal Year Ended June 30, 2021

	<u>DTC Plan</u>	<u>12/31/2020 DART Plan</u>	<u>OPEB Trust</u>	<u>Total</u>
Additions				
Contributions				
Employer contributions	\$ 1,648,285	\$ 1,346,507	\$ 2,962,193	\$ 5,956,985
Member contributions	<u>265,483</u>	<u>1,596,122</u>	<u>-</u>	<u>1,861,605</u>
Total contributions	1,913,768	2,942,629	2,962,193	7,818,590
Investment income (expenses)				
Net realized and unrealized gain on investments	8,298,866	8,234,584	1,244,979	17,778,429
Interest and dividends	781,296	1,286,229	116,351	2,183,876
Investment expenses	<u>(100,513)</u>	<u>(144,028)</u>	<u>(19,655)</u>	<u>(264,196)</u>
Net investment income	<u>8,979,649</u>	<u>9,376,785</u>	<u>1,341,675</u>	<u>19,698,109</u>
Total additions	10,893,417	12,319,414	4,303,868	27,516,699
Deductions				
Benefits paid	1,351,339	2,877,499	2,962,193	7,191,031
Refunds of contributions to members	-	391,671	-	391,671
Administrative expenses	<u>76,853</u>	<u>93,536</u>	<u>-</u>	<u>170,389</u>
Total deductions	<u>1,428,192</u>	<u>3,362,706</u>	<u>2,962,193</u>	<u>7,753,091</u>
Increase in net position	9,465,225	8,956,708	1,341,675	19,763,608
Net position restricted for pension/ OPEB				
Net position - beginning of year	<u>32,494,066</u>	<u>57,307,530</u>	<u>4,857,347</u>	<u>94,658,943</u>
Net position - end of year	<u>\$ 41,959,291</u>	<u>\$ 66,264,238</u>	<u>\$ 6,199,022</u>	<u>\$114,422,551</u>

See independent auditors' report.

Delaware Transit Corporation
Combining Statement of Changes in Fiduciary Net Position -
Pension and OPEB Trust Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

	<u>DTC Plan</u>	<u>12/31/2019 DART Plan</u>	<u>OPEB Trust</u>	<u>Total</u>
Additions				
Contributions				
Employer contributions	\$ 1,492,990	\$ 1,399,890	\$ 2,702,958	\$ 5,595,838
Member contributions	<u>217,064</u>	<u>1,584,446</u>	<u>-</u>	<u>1,801,510</u>
Total contributions	1,710,054	2,984,336	2,702,958	7,397,348
Investment income (expenses)				
Net realized and unrealized gain on investments	1,248,302	8,341,589	194,129	9,784,020
Interest and dividends	696,614	1,310,428	105,297	2,112,339
Investment expenses	<u>(51,790)</u>	<u>(145,014)</u>	<u>(17,104)</u>	<u>(213,908)</u>
Net investment income	<u>1,893,126</u>	<u>9,507,003</u>	<u>282,322</u>	<u>11,682,451</u>
Total additions	3,603,180	12,491,339	2,985,280	19,079,799
Deductions				
Benefits paid	1,169,224	2,574,384	2,702,958	6,446,566
Refunds of contributions to members	-	218,926	-	218,926
Administrative expenses	<u>111,074</u>	<u>108,948</u>	<u>11,000</u>	<u>231,022</u>
Total deductions	<u>1,280,298</u>	<u>2,902,258</u>	<u>2,713,958</u>	<u>6,896,514</u>
Increase in net position	2,322,882	9,589,081	271,322	12,183,285
Net position restricted for pension/ OPEB				
Net position - beginning of year	<u>30,171,184</u>	<u>47,718,449</u>	<u>4,586,025</u>	<u>82,475,658</u>
Net position - end of year	<u>\$ 32,494,066</u>	<u>\$ 57,307,530</u>	<u>\$ 4,857,347</u>	<u>\$ 94,658,943</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**

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, 2021, and the related notes to the financial statements, which collectively comprise DTC's basic financial statements, and have issued our report thereon dated November 9, 2021.

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) as a basis for designing 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.

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 financial statements. 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
November 9, 2021