Allen County Regional Transit Authority

Allen County

Single Audit

January 1, 2008 Through December 31, 2008

Fiscal Year Audited Under GAGAS: 2008

BALESTRA, HARR & SCHERER

CERTIFIED PUBLIC ACCOUNTANTS

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Mary Taylor, CPA
Auditor of State

Board Members
Allen County Regional Transit Authority
200 East High Street
Lima, Ohio 45801

We have reviewed the *Independent Auditor's Report* of the Allen County Regional Transit Authority, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Allen County Regional Transit Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 12, 2009

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ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Schedule of Federal Awards Expenditure	16
Notes to the Schedule of Federal Awards Expenditures	16
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*	17
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	19
Schedule of Findings and Questioned Costs OMB Circular A-133 Section .505	21
Schedule of Prior Audit Findings	23

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Board of Trustees
Allen County Regional Transit Authority
200 East High Street
Lima, Ohio 45801

Independent Auditor's Report

We have audited the accompanying financial statements of the business type activities of the Allen County Regional Transit Authority (the Authority), Allen County, a component unit of Allen County Financial Condition, Ohio as of and for the year ended December 31, 2008 which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2008, and the respective changes in financial position and cash flows, there of for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 9, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

June 30, 2009

Allen County Regional Transit Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2008

As management of the Allen County Regional Transit Authority (ACRTA), we offer readers of ACRTA basic financial statements this narrative overview and analysis of the financial activities of ACRTA for the year ended December 31, 2008. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Financial Highlights

- ACRTA has net assets of $3,056,060. These net assets result from the difference between total assets of $3,237,042 and total liabilities of $180,982.
- Current assets of $331,757 primarily consist of Cash and Cash Equivalents of $126,830 and Accounts Receivable of $169,726
- Current Liabilities of $180,982 primarily consist of Accrued Payroll and benefits of $42,472, and an unearned revenue of $98,844.

<u>Basic Financial Statements and Presentation</u>

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

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

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

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

The *Statement of Cash Flows* allows financial statement users to assess ACRTA adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

<u>Notes to the Financial Statements</u>

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

Allen County Regional Transit Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Financial Analysis of ACRTA

Table 1 provides a summary of ACRTA net assets for 2008 and 2007:

Table1

Condensed Summary of Net Assets

	2008	2007
Current Assets	$331,757	$283,511
Capital Assets (net of accumulated depreciation)	2,905,285	2,963,566
Total Assets	3,237,042	3,247,077
Current Liabilities	180,982	163,612
Total Liabilities	180,982	163,612
Net Assets:		
Invested in Capital Assets	2,905,285	2,963,566
Unrestricted Net Assets	150,775	119,899
Total Net Assets	$3,056,060	$3,083,465

The largest portion of ACRTA net assets reflect investment in capital assets consisting of vehicles, equipment, buildings, land, and computer software, net of accumulated depreciation.

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Assets

	2008	2007
Operating Revenues (Expenses):		
Operating Revenues	$172,722	$153,399
Operating Expenses(excluding depreciation)	1,249,235	1,252,394
Depreciation Expense	209,598	195,932
Operating Loss	(1,286,111)	(1,294,927)
Non Operating revenues:		
Federal Grants and assistance	840,047	832,900
State Grants and assistance	95,346	100,388
Local Grants and assistance	186,406	183,180
Other Revenues	136,907	249,526
Total Non-Operating revenues	1,258,706	1,365,994
(Decrease)/Increase in Net Assets During Year	(27,405)	71,067
Net Assets, beginning of Year	3,083,465	3,012,398
Net Assets, End of Year	$3,056,060	$3,083,465

Financial Operating Activities

The most significant operating expenses for ACRTA are Labor, Employee Benefits, Depreciation, Services, and Materials and Supplies. These expenses account for 89% of the total operating expenses. Labor, which accounts for 34% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 11% of the total, represents costs associated with the health insurance premiums and workers compensation premiums paid by ACRTA covering its employees. Depreciation expense, which accounts for 14% of the total, represents current year depreciation. Services, account for 22% of the total expenditures. Materials and Supplies, which accounts for 8% of the total, represents costs associated with materials and supplies needed for vehicle maintenance as well as computer and office supplies and insurance.

Funding for the most significant operating expenses indicated above is from Passenger fares including Special service gurantee, and Passenger fares, as well as Non-Operating Revenues in the form of Federal Grants and assistance, State Grants and assistance, and Local Grants and assistance. These revenues account for 88% of the total combined revenues of $1,431,428. Passenger fare revenue for 2008 was $103,161, and accounts for 7% of the total revenues. Special service gurantee revenue for 2008 was $69,561, and accounts for 5% of the total revenue. Federal Grants and assistance revenue for 2008 was $840,047, and accounts for 59% of the total revenue. State Grants and assistance revenue for 2008 was $95,346, and accounts for 6% of the total revenue. Local Grants revenue for 2008 was $186,406, and accounts for 13% of the total revenue. Interest Income and non transportation revenue make up the remaining 12% of total revenue.

ACRTA monitors its sources of revenues closely for fluctuations.

Capital Assets and Debt Administration

ACRTA investment in capital assets as of December 31, 2008, amounts to $2,905,285 (net of accumulated depreciation). This investment in capital assets includes Vehicles, Equipment, Building, Computer Software, and Land.

Additional information concerning ACRTA capital assets can be found in Note 4 of the Notes to the Basic Financial Statements.

As of December 31, 2008, ACRTA had no debt obligations.

Contacting ACRTA Financial Management

This financial report is designed to provide our citizens, customers, and creditors, with a general overview of ACRTA finances and to show ACRTA accountability for the money it receives. Questions concerning the information in this report or to request additional information to Gary Kitchin, Executive Director, Allen County Regional Transit Authority, 200 East High Street, Lima, Ohio.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

ASSETS	
Current Assets:	
Cash & Cash Equivalents	$ 126,830
Accounts Receivable	169,726
Material and supplies inventory	35,201
Total Current Assets	331,757
Capital Assets:	
Equipment	157,193
Vehicles	2,147,513
Computer Software	17,296
Buildings	3,314,288
Land	217,262
	5,853,552
Less: Accumulated Depreciation	(2,948,267)
Total Capital Assets, net of accumulated depreciation	2,905,285
Total Assets	3,237,042
LIABILITES	
Current Liabilites	
Accounts Payable	39,666
Accrued Payroll and benefits	42,472
Unearned Revenue	98,844
Total Current Liabilities	180,982
NET ASSETS	
Invested in capital assets	2,905,285
Unrestricted net assets	150,775
Total Net Assets	$ 3,056,060

The accompanying notes are an integral part of these financial statements.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

Operating Revenues	
Passenger Fares	$ 103,161
Special Service Gurantee	69,561
Total Operating Revenues	172,722
Opererating Expenses	
Labor	496,111
Employee Benefits	165,076
Services	325,247
Materials and Supplies	109,440
Utilities	56,898
Insurance	64,154
Miscellaneous	32,309
Depreciation	209,598
Total Operating Expenses	1,458,833
Operating Loss	(1,286,111)
Nonoperating Revenues	
Interest Income	231
Nontransportation Revenue	136,676
Federal Grants and Assistance	840,047
State Grants and Assistance	95,346
Local Grants and Assistance	186,406
Total Nonoperating Revenues	1,258,706
Increase/(Decrease) in Net Assets	(27,405)
Beginning Net Assets	3,083,465
Ending Net Assets	$ 3,056,060

The accompanying notes are an integral part of these financial statements.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Flow from Operating Activities		
Cash received from customers	$	164,940
Cash payments to suppliers for goods and services		(466,070)
Cash payments to employees for services		(496,111)
Cash payments for employee benefits		(162,547)
Cash payments for casualty and liability		(64,154)
Net Cash Used for Operating Activities		(1,023,942)
Cash Flow from Noncapital Financing Activities		
Nontransportation revenue		136,676
Federal grants		352,171
State grants		95,346
Local grants		186,406
Net Cash Provided by Noncapital Financing Activities		770,599
Cash Flow from Capital and Related Financing Activities		
Federal capital grants		415,397
Purchase of equipment		(151,317)
Net Cash Provided by Financing Activities		264,080
Cash Flow from Investing Activities		
Interest		231
Net Cash Provided by Investing Activities		231
Net Increase in Cash		10,968
Cash, Beginning of Year		115,862
Cash, End of Year		126,830
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss		(1,286,111)
Adjustments:		
Depreciation		209,598
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assets:		
Accounts receivable		(7,782)
Materials and supplies inventory		42,983
Increase/(Decrease) in Liabilities:		
Accounts payable		1,839
Accrued payroll and benefits		2,529
Unearned revenue		13,002
Total Adjustments		262,169
Net Cash Used for Operating Activities	$	(1,023,942)

The accompanying notes are an integral part of these financial statements.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO
Notes to the Financial Statements
For the Year Ended December 3, 2008

NOTE 1 – Description of Reporting Entity

Description of the Reporting Entity

The Allen County Regional Transit Authority (ACRTA) is a body politic of the State of Ohio, established to the purpose of exercising the rights and privileges of conveyed to it by the constitution and laws of the State of Ohio. The ACRTA was created pursuant to section 306.01 through 306.13 of the Ohio Revised Code for the purpose of producing public transportation in Allen County, Ohio. ACRTA operates under a Board of Directors with an appointed Executive Director handling the daily operations. ACRTA provided transportation services to the residents of Lima/Allen County, to include but not limited to the general population, elderly, and handicapped riders.

Management believes the Financial Statements included in this report represent all of the funds of ACRTA over which they have the ability to exercise direct operating control. Based on the criteria established by GASB Statement No. 14, there are no component units to be included with the reporting entity. However, the Authority is considered a component unit of Allen County (the "County") by virtue of the fact that the Authority's Board is appointed by the Allen County Board of Commissioners and the County's ability to impose its will on the Authority. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organizations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

ACRTA' policy is to maintain it accounting record on the accrual basis of accounting whereby revenues and expenditures are recognized in the period, earned, or incurred. The measurement focus is on determination of net income, financial position, and cash flows. All transactions are reported in a single enterprise fund.

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting, ACRTA follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. ACRTA has elected not to apply FASB guidance issued after November 30, 1989.

ACRTA complies with the provisions of GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

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

Budgetary Accounting and Control

ACRTA's annual budget is prepared on the accrual basis of accounting as permitted by law. ACRTA maintains budgetary control by not permitting total expenditures to exceed total appropriations without approval of the Board of Trustees.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in checking accounts and are stated at cost, which approximates market value. Cash and cash equivalents represent the funds that are used for general operations. For purposes of the statement of cash flows, ACRTA considers all highly liquid instruments with maturity of three months or less at the time they are purchased to be cash equivalents. Investment procedures are restricted by the provisions of the Ohio Revised Code**.**

Operating Revenues and Expenses

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

Property, Facilities and Equipment

Property, Facilities and Equipment are recorded at cost. Current year depreciation expense is $209,598 and recorded using the straight –line method over the estimated useful lives of the assets as follows.

Transportation	5 to 12 years
Other Equipment	5 to 10 years
Facilities	20 to 35 years

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

Materials and Supplies

Materials and supplies are stated at the lower cost or market. Cost is determined on the first-in, first-out (FIFO) basis. The costs of inventory items are recorded as expenses when used.

Accumulated Unpaid Vacation and Personal Leave

Employees of the Authority are not permitted to carry over year-end vacation and personal/sick leave balances. Vacation pay is charged to expense when used.

Fund Accounting

ACRTA maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipt and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts an accounting entity, which stands separate from the activities reported in other funds. The only fund included in this report is a single enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that cost (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Use of Estimates

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

Net Assets

Equity is displayed in three components as follows:

Invested in Capital assets, Net of Related Debt- This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted- This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The Authority does not have restricted net assets at December 31, 2008.

Unrestricted- This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Non-Exchange Transactions

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, primarily include grants for operation assistance as well as the acquisition of property, facilities and equipment. Substantially all of the Authority's grants are reimbursement-type grants, which are recorded as revenue in the period the related expenditures are incurred. Any grants received in advance of the period in which the related expenditures are incurred are recorded as unearned revenue.

NOTE 3 – CASH AND INVESTMENTS

The provisions of the Ohio Revised Code govern the investments and deposits of ACRTA. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit ACRTA to invest its monies in certificates of deposits, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. ACRTA may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

Repurchase agreements are to be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligation of or guaranteed by the United States and mature or be redeemable within five years of the related repurchase agreement. The market value of the securities subject to repurchase agreements must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security be maintained for public deposits and investments be held in ACRTA's name.

ACRTA is prohibited from investing in any financial instruments, contracts, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). ACRTA is also prohibited from investing in reverse repurchase agreement. The Authority had no investments at December 31, 2008.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2008

Deposits

At December 31, 2008, carrying amount of ACRTA deposits was $126,830. As of December 31, 2008 all of ACRTA's bank balance of $139,195 was covered by federal depository insurance.

Custodial risk is the risk that, in the event of bank failure, ACRTA deposits may not be returned. All deposits are either covered by FDIC or collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledge as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of ACRTA. The ACRTA is not subject to custodial credit risk at 12/31/08.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 is as follows:

	Balance at 1/1/2008	Additions	Disposals	Balance at 12/31/2008
Capital Assets Not Being Depriciated:				
Land & Improvements	$ 217,262	$ -	$ -	$ 217,262
Capital Assets Being Depreciated:				
Buildings & Improvements	3,294,756	19,532	-	3,314,288
Vehicles	2,026,533	120,980	-	2,147,513
Equipment	146,388	10,805	-	157,193
Computer Hardware/Software	17,296	-	-	17,296
Total Capital Assets Being Depriciated	5,484,973	151,317	-	5,636,290
Less Accumulated Depreciation:				
Buildings & Improvements	1,037,938	75,323	-	1,113,261
Vehicles	1,569,531	128,635	-	1,698,166
Equipment	121,530	2,533	-	124,063
Computer Hardware/Software	9,670	3,107	-	12,777
Total Accumulated Depriciation	2,738,669	209,598	-	2,948,267
Total Capital Assets Being Depreciated, Net	2,746,304	(58,281)	-	2,688,023
Total Capital Assets	$ 2,963,566	$ (58,281)	$ -	$ 2,905,285

NOTE 5 – DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

The Ohio Public Employees Retirements System (OPERS) has provided the following information to ACRTA in order to assist them in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* (Statement No. 27), OPERS administers three separate pension plans as described below.

1) The Traditional Pension Plan – a cost sharing multiple employer defined benefit pension plan.
2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employers contributions vest over five years at 20% per year).
   Under the Member – Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3) The Combined Plan (CO) – cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to member of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC).

OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614-222-5601 or 800-222-7377).

The ORC provides statutory authority for members and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans.

In 2008 member contribution rates for employees was 10%.

The 2008 employer rate was 14% of covered payroll.

ACRTA's contributions for the years ended December 31, 2008, 2007, 2006 were $75,224, $76,427, and $90,085 respectively.

All contributions were made for 2006 and 2007 fiscal year end. For 2008, $6,212 was unpaid as of December 31, 2008 and is recorded as a liability at year end.

Postemployment Benefits

A. Plan Description

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

OPERS provides retirement, disability, and survivor benefits as well as post retirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health coverage.

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate or 14.00% of covered payroll, and public safety and law enforcement employers contributed at 17.40%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not made contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. Information from employer's record

The rates stated in Section B, above, are the contractually required contribution rates for OPERS. As part of this disclosure, it will be necessary for the employer to disclose the employer contributions actually made to fund post-employment benefits. The portion of the Authority's contributions for 2008 that were used to fund post employment benefits is $37,612.

Postemployment Benefits (continued)

D. OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004m was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 6 – RISK MANAGEMENT

The Authority is a member of the Ohio Transit Risk Pool (OTRP), formerly the Ohio Transit Insurance Pool (OTIP), a self-insurance pool created under Chapter 2744 of the Ohio Revised Code. The Authority has the following insurance coverage: Comprehensive General Liability, Automobile Liability, Errors and Omissions, and Employee Benefits Liability. There has not been a reduction in coverage from the prior year and claims have not exceeded the coverage in any of the past three years. The Authority pays the State Worker's Compensation System a premium based on a rate per $100 of salaries.

NOTE 7 – CONTINGENCIES

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these grants requires compliance with terms and conditions specified in the grant agreements. Theses grants are subject to audit by the grantor agencies and disallowed claims resulting from these audits could become a liability of the Authority.

Management believes there are no pending claims or lawsuits.

NOTE 8 – ACCOUNTS RECEIVABLE

Receivables at December 31, 2008 consisted of accounts (billings) and intergovernmental grants. All receivables are considered collectible in full.

NOTE 9- CHANGES IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2008, the ACRTA implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 50, Pension Disclosures. These statements addresses how state and local governments should account and disclose their costs and obligations related to pension plans, postemployment healthcare and other non-pension benefits. The implementation had no effect to the ACRTA's financial statements.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/Title Grantor Number/\Program Title	Grant Number	CFDA Number	Expenditures
U.S. Department of Transportation			
Federal Transit Administration (FTA)			
Federal Transit Cluster			
Received Directly from FTA:			
Operating, Planning, and Capital Formula Grants:			
Urbanized Area Formula Program	OH-90-X583-00	20.507	840,047
Total U.S. Department of Transportation			840,047
Total Federal Awards Expenditures			$ 840,047

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the Authority's federal award program. The schedule has been prepared on the accrual basis of accounting.

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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
Allen County Regional Transit Authority
200 East High Street
Lima, Ohio 45801

We have audited the accompanying financial statements of the business-type activities of Allen County Regional Transit Authority (the Authority), Allen County, as of and for the year ended December 31, 2008, and have issued our report thereon dated June 30, 2009 in which we indicate that the Authority implemented GASB Statements No. 50 and No. 45. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Authority's management in a separate letter dated June 30, 2009.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management, members of the Board, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2009

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Trustees
Allen County Regional Transit Authority
200 East High Street
Lima, Ohio 45801

Compliance

We have audited the compliance of the Allen County Regional Transit Authority, (the Authority), Allen County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Internal Control Over Compliance (Continued)

A control deficiency in the Authority's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

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

This report is intended solely for the information and use of management, members of the Board, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2009

Allen County Regional Transit Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended December 31, 2008

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Federal Transit Administration Cluster: Urbanized Area Formula Program CFDA #20.507
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Allen County Regional Transit Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended December 31, 2008

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

None Noted

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (B)
FOR THE YEAR ENDED DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain**
2007-ACRTA-01	Material Weakness: Error in Carrying Value of Capital Assets	Yes	

Mary Taylor, CPA
Auditor of State

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 27, 2009

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