TOLEDO AREA REGIONAL TRANSIT AUTHORITY
Toledo, Ohio

FINANCIAL STATEMENTS
December 31, 2010 and 2009

Dave Yost • Auditor of State

Board of Trustees
Toledo Area Regional Transit Authority
1127 West Central Ave
P. O. Box 792
Toledo, Ohio 43697-0792

We have reviewed the *Independent Auditor's* Report of the Toledo Area Regional Transit Authority, Lucas County, prepared by Clifton Larson Allen LLP, for the audit period January 1, 2010 through December 31, 2010. 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 Toledo Area Regional Transit Authority is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

April 30, 2012

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

We have audited the accompanying balance sheets of the Toledo Area Regional Transit Authority (the Authority) as of December 31, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. 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 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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Authority as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years 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 a report dated March 8, 2012 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. The purpose of that report is 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Toledo, Ohio
March 8, 2012

As financial management of the Toledo Area Regional Transit Authority (the Authority), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2010 and 2009. 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 the financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights in 2010

- The Authority's total net assets increased $13,176,000, or 53%, over the course of the year's operations.

- The Authority's operation expenses, excluding depreciation, in 2010 were $3,022,000 less than in 2009. A decrease in hours of operation including school service, related supplies and materials and lower fuel costs contributed to this reduction.

- Operating revenues for the Authority of $5,869,000 million in 2010 decreased $459,000 compared with 2009. A decrease in the Toledo Board of Education contract contributed to the decrease.

- Property tax revenues of $17,346,000 million (2.5 mils) were down $909,000 compared to 2009. This tax represents 57% of all revenues received. This decrease was due to foreclosures and property devaluation

- Total funding from the State of Ohio increased by $240,000.

- The Authority provided no charter services in 2010 in accordance with current federal regulations.

Financial Highlights in 2009

- The Authority's total net assets increased $2,114,000, or 9%, over the course of the year's operations.

- The Authority's operation expenses, excluding depreciation, in 2009 were $788,000 less than in 2008. A decrease in hours of operation, reduction in routes and lower fuel costs contributed to this reduction.

- Operating revenues for the Authority of $6,300,000 million in 2009 increased $252,000 compared with 2008. Increases in Paratransit ridership and the Toledo Board of Education contract contributed to the increase.

Financial Highlights in 2009, Continued

- Property tax revenues of $18,255,000 million (2.5 mils) were up $215,000 compared to 2008. This tax represents 58.2% of all revenues received.

- Total funding from the State of Ohio decreased by $159,000.

- The Authority provided no charter services in 2009 in accordance with current federal regulations.

- The Authority has purchased or committed to purchase the following revenue vehicles with funds received through the American Recovery and Reinvestment Act Program:

    - The purchase of full-size transit buses totaling $5,415,000
    - The purchase of small Call-A-Ride buses totaling $1,033,000
    - Purchased eleven Paratransit buses totaling $823,000

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which is comprised of the basic financial statements and the notes to financial statements. This report contains supplementary information concerning the Authority's net assets and changes in net assets in addition to the basic financial statements themselves.

Required Financial Statements

The financial statements of the Authority are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private-sector business.

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

The statements of revenues, expenses and changes in net assets present information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., employee fringe benefits).

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to Financial Statements

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

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of this year's activities?" The balance sheet and the statement of revenues, expenses and changes in net assets report information about the Authority's activities in a way that will help answer this question. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population decline or growth and new or changed governmental legislation.

Regional Transit Authority's Net Assets

	2010	2009	2008
ASSETS			
Current assets	$ 33,658,875	$ 29,099,832	$ 24,959,032
Restricted assets	41,068	80,780	23,686
Long-term investments	801,483	798,691	803,620
Capital assets, net	25,198,381	15,358,506	18,064,141
Total assets	59,699,807	45,377,809	43,850,479
LIABILITIES			
Current liabilities	4,377,722	2,744,111	3,314,144
Property taxes	16,733,000	17,207,000	17,654,000
Other deferred revenue	723,984	697,711	307,754
Total liabilities	21,834,706	20,648,822	21,275,898
NET ASSETS			
Invested in capital assets	25,198,381	15,358,506	18,064,141
Unrestricted	12,625,652	9,249,701	4,486,754
Restricted for capital acquisitions	41,068	80,780	23,686
Total net assets	$ 37,865,101	$ 24,688,987	$ 22,574,581

The largest portions of the Authority's net assets reflect investment in capital assets (e.g., diesel buses, operating facilities). The Authority uses these assets to provide public transportation service for the Cities of Toledo, Sylvania, Maumee, Perrysburg, and Rossford; the Townships of Sylvania and Spencer; and the Villages of Ottawa Hills and Waterville. These capital assets are not available to liquidate liabilities or other spending.

Year Ending December 31, 2010

Investment in capital assets increased to $25.2 million in 2010 from $15.4 million in 2009, 64%. This increase was the result of transportation equipment vehicles and software purchases, as well as the removal of obsolete assets.

Financial Analysis of the Authority, Continued

Year Ending December 31, 2009

Investment in capital assets decreased to $15.4 million in 2009 from $18.1 million in 2008, or 15%. This decrease was the result of the excess of depreciation expense over capital asset additions, as well as the removal of obsolete assets.

Change in Net Assets

	2010	2009	2008
Operating revenues	$ 5,868,690	$ 6,328,001	$ 6,075,596
Operating expenses, excluding depreciation	(24,510,289)	(27,531,866)	(28,319,613)
Depreciation expense	(3,904,975)	(3,540,838)	(3,791,878)
Operating loss	(22,546,574)	(24,744,703)	(26,035,895)
Nonoperating revenues (expenses):			
Property taxes	17,346,044	18,255,216	18,040,538
Federal operating and preventive maintenance grants	6,152,261	6,055,919	5,031,258
State operating and preventive maintenance grants	763,304	543,611	706,989
State special fare assistance	163,991	143,268	139,355
Investment income	21,182	12,164	116,131
Gain (loss) on disposal of capital assets	(87,510)	(755)	146
Nontransportation revenue	86,789	13,972	80,958
Total nonoperating revenues	24,446,061	25,023,395	24,115,375
Capital contributions	11,276,627	1,835,714	1,507,821
Increase (decrease) in net assets	13,176,114	2,114,406	(412,699)
Net assets:			
Beginning of year	24,688,987	22,574,581	22,987,280
End of year	$ 37,865,101	$ 24,688,987	$ 22,574,581

Financial Analysis of the Authority, Continued

Year Ended December 31, 2010

The Authority's operating revenues for 2010 were down $459,000 from 2009, or 7%. Ridership on line service amounted to 3.3 million in 2010, a decrease of 776,000 from 2009. In addition, miles of service of 3.5 million for fixed line service was down from the prior year. Paratransit revenues for 2010 were up by $590,000 from 2009. Revenues from contract service to the Toledo Public Schools decreased by $883,000 or 26% in 2010. Operating expenses, excluding depreciation, decreased by $3,021,000 or 11%, from 2009 primarily from the school service reduction and the reduction in fuel costs. The 2010 nonoperating revenues of $24.4 million were lower than revenues in 2009 due to reductions in property tax revenue.

Year Ended December 31, 2009

The Authority's operating revenues for 2009 were up $252,000 over 2008, or 4.2%. Ridership on line service amounted to 4.0 million in 2009, a decrease of 547,000 from 2008. In addition, miles of service of 4.3 million for fixed line service remained consistent with the prior year. Revenues from contract service to the Toledo Public Schools increased by $147,000 or 4.6% in 2009. Operating expenses, excluding depreciation, decreased by $788,000 or 2.8%, from 2008 primarily from the service cuts and the reduction in fuel costs. The 2009 nonoperating revenues of $25.0 million were higher than revenues in 2008 due to revenue from a fuel grant.

Capital Contributions

Year Ended December 31, 2010

Capital contributions from federal and state agencies in 2010 were $11.3 million. In 2010, the Authority purchased eighteen air conditioned, low floor, lift equipped fixed line buses at a total cost of $6,544,000, ten air conditioned, lift equipped call-a-ride buses at $1,039,000 and thirty-three engine rebuilds at a cost of $1,658,000.

Year Ended December 31, 2009

Capital contributions from federal and state agencies in 2009 were $1.8 million. In 2009, the Authority purchased eleven air conditioned, low floor, lift equipped, paratransit buses at a total cost of $823,000.

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets amounts to $25.2 million, net of accumulated depreciation, as of December 31, 2010, an increase of $9.8 million or 64% compared with 2009. Capital assets include land and land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year include the purchase of eighteen fixed line vehicles for a total of $6,544,000 and ten small fixed line vehicles for a total of $1,039,000. In addition, construction began on the new paratransit facility and there was $3.1 million in construction in progress at December 31, 2010.

Capital Asset and Debt Administration, Continued

Capital Assets 2009

The Authority's investment in capital assets amounts to $15.4 million, net of accumulated depreciation, as of December 31, 2009, a decrease of $2.7 million or 15.0% compared with 2008. Capital assets include land and land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year include the purchase of eleven paratransit buses for a total of $823,000.

Long-Term Debt

The Authority has no outstanding long-term debt as of December 31, 2010 and 2009.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Secretary/Treasurer
Toledo Area Regional Transit Authority
P.O. Box 792
Toledo, OH 43697-0792

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
BALANCE SHEETS
December 31, 2010 and 2009

ASSETS	2010	2009
CURRENT ASSETS		
Cash and cash equivalents (includes approximately $445,301 and $500,607 designated by the Board of Trustees for capital acquisitions in 2010 and 2009, respectively)	$ 9,848,309	$ 8,761,513
Property taxes receivable	16,733,000	17,207,000
Accounts receivable, net	5,917,536	1,941,100
Inventories	1,028,992	1,043,326
Prepaid expenses and deposits	131,038	146,893
Total current assets	33,658,875	29,099,832
OTHER ASSETS		
Restricted cash and cash equivalents for capital acquisitions	41,068	80,780
Capital assets not being depreciated	3,832,364	790,468
Capital assets being depreciated, net	21,366,017	14,568,038
Long-term investments (designated by the Board of Trustees for capital acquisitions)	801,483	798,691
TOTAL ASSETS	$ 59,699,807	$ 45,337,809
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 2,420,234	$ 774,315
Accrued payroll and vacation pay	853,765	790,933
Accrued workers' compensation insurance	264,307	297,292
Accrued employer's contribution to Public Employees Retirement System	336,202	221,843
Accrued claims, including self-insurance	471,600	624,960
Other	31,614	34,768
Total current liabilities	4,377,722	2,744,111
DEFERRED REVENUE		
Property taxes	16,733,000	17,207,000
Other	723,984	697,711
Total deferred revenue	17,456,984	17,904,711
Total liabilities	21,834,706	20,648,822
NET ASSETS		
Invested in capital assets	25,198,381	15,358,506
Unrestricted	12,625,652	9,249,701
Restricted for capital acquisitions	41,068	80,780
Total net assets	37,865,101	24,688,987
TOTAL LIABILITIES AND NET ASSETS	$ 59,699,807	$ 45,337,809

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Passenger fares	$ 3,332,040	$ 2,802,973
Toledo Board of Education and other contracts	2,507,368	3,375,074
Auxiliary transportation revenue	29,282	149,954
Total operating revenues	5,868,690	6,328,001
OPERATING EXPENSES		
Labor	12,404,319	13,420,614
Fringe benefits	4,752,184	5,342,537
Materials and supplies	3,337,670	3,616,101
Services	533,874	643,420
Fuel	2,454,339	3,274,606
Taxes	305,657	370,190
Claims and insurance	353,485	477,939
Utilities	334,018	362,422
Miscellaneous	34,743	24,037
Total operating expenses	24,510,289	27,531,866
Operating loss before depreciation	(18,641,599)	(21,203,865)
DEPRECIATION	3,904,975	3,540,838
Operating loss	(22,546,574)	(24,744,703)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	17,346,044	18,255,216
Federal operating and preventive maintenance assistance	6,152,261	6,055,919
State operating and preventive maintenance grants and assistance	927,295	686,879
Investment income	21,182	12,164
Loss on disposal of capital assets	(87,510)	(755)
Nontransportation revenues	86,789	13,972
Total nonoperating revenues	24,446,061	25,023,395
Net gain before capital contributions	1,899,487	278,692
CAPITAL CONTRIBUTIONS	11,276,627	1,835,714
Increase in net assets	13,176,114	2,114,406
NET ASSETS		
Beginning of year	24,688,987	22,574,581
End of year	$ 37,865,101	$ 24,688,987

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from fares and contracts	$ 6,615,735	$ 6,576,066
Payments to suppliers	(5,680,832)	(9,450,388)
Payments for labor and employee benefits	(17,165,657)	(18,745,843)
Net cash used in operating activities	(16,230,754)	(21,620,165)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from:		
Property taxes	17,346,044	18,255,221
Federal operating and preventive maintenance assistance	1,576,178	6,055,919
State operating and preventive maintenance grants and assistance	804,861	691,381
Nontransportation revenues	86,789	13,972
Net cash provided by noncapital financing activities	19,813,872	25,016,493
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Expenditures for capital assets	(13,832,360)	(835,958)
Proceeds from capital contributions	11,276,627	1,835,714
Net cash provided by (used in) capital and related financing activities	(2,555,733)	999,756
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of long-term investments	(739,574)	(359,730)
Sale/maturity of long-term investments	706,281	286,467
Interest on investments	52,992	89,951
Net cash provided by investing activities	19,699	16,688
Net increase in cash and cash equivalents	1,017,084	4,412,772
CASH AND CASH EQUIVALENTS		
Beginning of year	8,842,293	4,429,521
End of year	$ 9,889,377	$ 8,842,293

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	2010	2009
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (22,546,574)	$ (24,744,703)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,904,975	3,540,838
Changes in assets and liabilities:		
Accounts receivable – trade and other	720,772	(141,892)
Inventories	14,334	(50,178)
Prepaid expenses and deposits	15,855	(44,154)
Accounts payable	1,645,919	(151,654)
Accrued liabilities and other	(12,308)	(418,379)
Deferred revenue	26,273	389,957
Net cash used in operating activities	$ (16,230,754)	$ (21,620,165)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Toledo Area Regional Transit Authority (Authority) was created as a regional transit authority pursuant to Sections 306.30 through 306.53, inclusive, of the Ohio Revised Code (ORC) for the purpose of providing public transportation in the Toledo regional area. The Authority is not subject to federal or state income taxes.

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* This Statement requires that financial statements of the reporting entity include all of the organizations, activities, functions, and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to impose a financial burden on the reporting entity. The Authority does not have financial accountability over any other entities.

The City of Toledo (City) is a related organization to the Authority as the Mayor of the City, with the approval of City Council, appoints a voting majority of the Authority's Board of Trustees. However, the financial statements of the Authority are not included within the City's "Reporting Entity" as the City cannot impose its will and there is no financial benefit or financial burden relationship between the City and the Authority.

A summary of significant accounting policies followed in the preparation of the accompanying financial statements of the Authority is presented below.

<u>Basis of Accounting</u>

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The accounts of the Authority, which are organized as an enterprise fund, are used to account for the Authority's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the Authority maintains its records on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses (including depreciation) of providing services to the public are accrued when incurred.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, grants and entitlements. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2010 that will be collected in 2011 are recorded as a receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use its first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting, Continued

The Authority accounts for its financial statements consistent with all applicable GASB pronouncements, as well as the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict those of GASB. The Authority has elected not to apply the provisions of the FASB statements and interpretations issued subsequent to November 30, 1989.

Use of Estimates in Preparing Financial Statements

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during each reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all investments (including restricted assets) with an initial maturity of three months or less at date of purchase to be cash equivalents for purposes of the statements of cash flows.

Inventories

Materials and supplies inventories are stated at the lower of cost or market value (net realizable value). Cost is determined using the average cost method.

Restricted Assets

Restricted cash and cash equivalents include funds received under various capital grants from local contributions that are restricted for capital expenditures.

Investments

Investments (including cash equivalents) are stated at fair value, which is based on quoted market prices. Any unrealized gains or losses are recognized as adjustments to investment income. The Authority's policy is to hold investment securities to their scheduled maturity date. All investments with a maturity beyond twelve months at date of purchase are classified as long-term.

The Authority can invest funds in STAROhio, an investment pool managed by the State Treasurer's office that allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price at which the investment could be sold.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, buildings and equipment, are recorded at cost. The Authority defines capital assets as assets with an initial individual cost of more than $500 and an estimated useful life in excess of a year. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30 – 40 years
Land improvements	5 – 10 years
Transportation equipment	10 years
Transit stations	20 years
Transit shelters	5 years
Software	3 years
Other (primarily service equipment, furniture and fixtures, and computers and computer equipment)	5 – 10 years

Accounting for Impairment of Long-Lived Assets

The Authority reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Compensated Absences

The liability for compensated absences consists of unpaid, accumulated annual vacation pay. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The Authority provides sick and accident pay to its full-time union employees. Employee sick and accident pay is recorded as an expense when paid and does not carry over from year to year.

Budgets and Budgetary Accounting

In accordance with Section 5705 of the ORC, an annual budget of revenues, expenses, and capital expenditures is prepared under the accrual basis of accounting, in accordance with GAAP. The budget is adopted by resolution of the board of trustees. The Authority, operating as an enterprise fund, utilizes such budget and related budgetary accounting to ensure that: (1) service objectives are attained; (2) expenditures are properly controlled; and (3) adequate resources will be available to finance current operations and meet capital outlay requirements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting, Continued

Because the Authority's revenues and expenses may fluctuate with changing service delivery levels, a flexible rather than fixed-dollar budget is utilized to permit budgetary revision based upon changing fare revenue, levels of service, and cost of operations at specific service levels. Actual results of operations are compared to the final, revised budget of the Authority for the year.

The Authority had no expenditures in excess of appropriations at the legal level of appropriation for the years ended December 31, 2010 and 2009.

Net Assets

Equity is displayed in three components as follows:

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

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

Passenger Fares

Passenger fares are recorded as revenue at the time services are performed.

Federal and State Operating and Preventive Maintenance Assistance Funds

Federal and state operating and preventive maintenance assistance funds to be received by the Authority under the Urban Mass Transportation Assistance Act of 1964, as amended, and under the Ohio Public Mass Transportation Grant Program are recorded and reflected in income in the period to which they are applicable.

Capital Contributions

Federal and state capital grants for the acquisition of property and equipment are recorded as the costs are incurred. Capital acquisitions for which grant funds have not been received from Federal Transit Authority (FTA) or Ohio Department of Transportation (ODOT) are recorded as capital grants receivable.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating. Operating revenues include activities that have the characteristics of exchange transactions, including passenger fares and special transit fares. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as property tax proceeds and most federal, state and local grants and contracts.

Reclassifications

Certain reclassifications of the 2009 amounts have been made to conform to the 2010 presentation.

NOTE 2 - CASH AND INVESTMENTS

The provisions of the ORC govern the investment and deposit of the Authority's monies. In accordance with these provisions, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio), and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository institution for a period not exceeding 30 days. At the time of making an investment, the Authority's Treasurer must reasonably expect that the investment can be held until maturity. To the extent possible, the Treasurer will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the Treasurer will not directly invest in securities maturing more than five years from the settlement date of purchase.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit with the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State low does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instrument, contract, 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"). The Authority is also prohibited from investing in reverse repurchase agreements.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Interest rate risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy requires all investments must mature within five years from their original purchase date.

Concentration of credit and custodial credit risk

The Authority places no limit on the amount that may be invested in any one issuer. Presently, all investments are U.S. Treasury and governmental agency securities. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does have a deposit policy for custodial credit risk.

Deposits

Information regarding the Authority's deposits at December 31, 2010 and 2009 is as follows:

	2010	2009
Book/carrying value of deposits	$ 9,889,377	$ 8,842,293
Bank balance:		
Covered by federal depository insurance	$ 789,388	$ 939,374
Uncollateralized as defined by the GASB	9,326,970	8,403,463
Total bank balance	$ 10,116,358	$ 9,342,837

The uncollateralized deposits at December 31, 2010 and 2009, were, however, covered by pledged collateral pools as discussed above.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Long-Term Investments

As of December 31, 2010 and 2009, the Authority had the following long-term investments:

Description	Maturity	Fair value
2010		
U.S. Treasury	March – September 2011	$ 219,154
U.S. Treasury	February – September 2012	179,745
U.S. Treasury	February – August 2013	402,584
Total		$ 801,483
2009		
U.S. Treasury	April – July 2010	$ 227,686
U.S. Treasury	June – September 2011	281,260
U.S. Treasury	September 2012	289,745
Total		$ 798,691

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Federal and state operating and preventive maintenance assistance	$ 5,044,626	$ 346,110
Trade and other	885,600	1,588,371
Interest	5,310	6,619
	5,935,536	1,941,100
Less allowance for doubtful receivables	18,000	-
Total accounts receivable, net	$ 5,917,536	$ 1,941,100

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2010 and 2009 was as follows:

	2010			
	Balance January 1, 2010	Additions	Deductions	Balance December 31, 2010
Capital assets not being depreciated:				
Land	$ 743,224	$ -	$ -	$ 743,224
Construction in progress	47,244	3,089,140	47,244	3,089,140
Total capital assets not being depreciated	790,468	3,089,140	47,244	3,832,364
Capital assets being depreciated:				
Buildings	7,162,589	129,153	33,490	7,258,252
Land improvements	1,564,362	1,343	-	1,565,705
Transit stations	4,867,413	2,602	-	4,870,015
Transportation equipment	46,451,222	9,241,814	467,524	55,225,512
Other equipment (primarily service equipment, furniture and fixtures, computers and computer equipment, software and transit shelters)	8,003,755	1,417,278	189,034	9,231,999
Total capital assets being depreciated	68,049,341	10,792,190	690,048	78,151,483
Less accumulated depreciation:				
Buildings	5,367,800	266,280	71,853	5,562,227
Land improvements	1,550,050	2,726	-	1,552,776
Transit stations	2,734,993	167,377	-	2,902,370
Transportation equipment	37,022,116	2,848,835	351,481	39,519,470
Other equipment	6,806,344	619,757	177,478	7,248,623
Total accumulated depreciation	53,481,303	3,904,975	600,812	56,785,466
Total capital assets being depreciated, net	14,568,038	6,887,215	89,236	21,366,017
Total capital assets, net	$ 15,358,506	$ 9,976,355	$ 136,480	$ 25,198,381

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	2009			
	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009
Capital assets not being depreciated:				
Land	$ 743,224	$ -	$ -	$ 743,224
Construction in progress	114,916	47,244	114,916	47,244
Total capital assets not being depreciated	858,140	47,244	114,916	790,468
Capital assets being depreciated:				
Buildings	7,149,731	12,858	-	7,162,589
Land improvements	1,564,362	-	-	1,564,362
Transit stations	4,867,413	-	-	4,867,413
Transportation equipment	45,675,894	823,241	47,913	46,451,222
Other equipment (primarily service equipment, furniture and fixtures, computers and computer equipment, software and transit shelters)	7,960,091	88,616	44,952	8,003,755
Total capital assets being depreciated	67,217,491	924,715	92,865	68,049,341
Less accumulated depreciation:				
Buildings	5,055,375	312,425	-	5,367,800
Land improvements	1,547,336	2,714	-	1,550,050
Transit stations	2,567,638	167,355	-	2,734,993
Transportation equipment	34,466,584	2,603,445	47,913	37,022,116
Other equipment	6,374,557	475,983	44,196	6,806,344
Total accumulated depreciation	50,011,490	3,561,922	92,109	53,481,303
Total capital assets being depreciated, net	17,206,001	(2,637,207)	756	14,568,038
Total capital assets, net	$ 18,064,141	$(2,589,963)	$ 115,672	$ 15,358,506

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the ORC assigns the authority to establish and amend benefit provisions to the OPERS Board of Trustees (Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-PERS (7377).

OPERS administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP and CO Plans. Members of the MD Plan do not quality for ancillary benefits, including post-employment healthcare coverage.

Funding Policy

The Ohio Revised Code provides statutory authority for employee and employer contributions. In 2010 and 2009, employees other than law enforcement personnel were required to contribute 10.0% of their covered payroll to OPERS. The 2010 and 2009 employer contribution rates for local government employer units were 14.0% of covered payroll including 5.5% from January 1 through February 28, 2010 and 5% from March 1 through December 31, 2010 and 7.0% from January 1 through March 31, 2009 and 5.5% from March 1 through December 31, 2009 that is used to fund postretirement health care benefits. The Authority’s total contributions to OPERS for pension benefits (excluding the amount relating to postretirement health care benefits discussed in Note 6) for the years ended December 31, 2010 and 2009 were $1,109,000 and $1,092,000, respectively, equal to 100% of the required contribution for each year.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Benefits Provided Through OPERS

The Authority provides health care benefits as a post-employment benefit (as defined by GASB Statement No. 45) through its contributions to OPERS. In addition to the pension benefit previously described, OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the TP and CO Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1 (800) 222-PERS (7377).

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. For the Authority, 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010 of covered payroll were the portions of the 14.0% total contribution rate for 2010 that was used to fund health care, and 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009 of covered payroll was the portion of the 14.0% total contribution rate for 2009 that was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

OPEB provided through OPERS are advance-funded on an actuarially determined basis. The Authority’s total contributions to OPERS for postretirement health care benefit for the years ended December 31, 2010 and 2009 were $632,000 and $790,000, respectively, equal to 100% of the required contribution for each year.

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

NOTE 7 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Authority participates in the Ohio Transit Risk Pool, Inc. (OTRP) formerly the Ohio Transit Insurance Pool (OTIP) related to its general liability risk. A provision with respect to claims is accrued in the period in which accidents occur or in the incidence of loss is determined, based upon management's estimate of the ultimate liability.

Any underfunding of the plan's liabilities is shared by the members on a pro rata basis based on pool contribution factors composed of: population, full-time employees, vehicles, property values, budget, net operating expenses and claims history (double weighted). This can result in future refund or return of prior years' surplus.

As required by state law, the Authority is registered and insured through the State of Ohio Bureau of Workers' Compensation for injuries to its employees.

The Authority provides hospitalization and medical benefits coverage to all of its full-time employees. The Authority is self-insured, with certain stop-loss coverage, for hospitalization and medical benefits coverage and expense totaled approximately $2.7 million in 2010, $3.0 million in 2009 and $2.3 million in 2008. In addition, the Authority provides life insurance coverage to all full-time employees.

Changes in the accrued claims liability, including both general liability and medical, for the years ended December 31, 2010, 2009 and 2008 are as follows:

	2010	**2009**	**2008**
January 1, liability	$ 624,960	$ 559,914	$ 615,005
Current year claims and changes in estimates	2,518,221	3,100,725	2,296,692
Claim payments	(2,671,581)	(3,035,679)	(2,351,783)
December 31, liability	$ 471,600	$ 624,960	$ 559,914

NOTE 8 - PROPERTY TAX REVENUES

The Authority is subsidized by two annual property tax levies consisting of a 1.0 mill levy in effect through 2020 and a 1.5 mill levy in effect through 2017. Revenues generated from the 1.0 mill and 1.5 mill levies are based on property valuations conducted in 2001 and 2007, respectively, for property located within the Authority's operating district. Property tax revenue may be used for operating or capital purposes. In November 2007, voters in the nine community transit districts approved a 1.5 mill replacement levy which was effective January 2008. In November 2010, voters approved a ten year 1.0 mill renewal levy.

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property located in the Authority's operating district. Lucas and Wood Counties collect all property taxes on behalf of the Authority. Due and collections dates as established by Lucas and Wood Counties, are February and July of the subsequent year.

Real property and tangible personal property taxes collected during fiscal year 2010 and 2009 had a lien and levy date of December 2009 and 2008, respectively.

On the March 6, 2012 ballot, voters in the City of Perrysburg decided to opt out of transit service provided by the Authority. This is expected to reduce annual property tax revenue by an estimated $1.2 to $1.4 million beginning in calendar 2013.

NOTE 9 - GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Federal operating and preventive maintenance assistance consist of the following for the years ended December 31, 2010 and 2009:

	2010	2009
FTA operating assistance	$ 665,780	$ 641,490
FTA short-range planning and marketing	72,356	134,208
FTA preventive maintenance assistance	5,248,927	4,336,000
FTA bio fuel grant	165,198	944,221
Total	$ 6,152,261	$ 6,055,919

State operating and preventive maintenance grants and special fare assistance consist of the following for the years ended December 31, 2010 and 2009:

	2010	2009
ODOT operating assistance	$ 468,543	$ 196,922
State fuel tax reimbursement	294,761	346,689
State elderly and handicapped	163,991	143,268
Total	$ 927,295	$ 686,879

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Authority has cancellable operating leases executed in one-year intervals for revenue vehicle tire utilization. Total rental expense for all operating leases amounted to approximately $162,800 and $175,800 for the years ended December 31, 2010 and 2009, respectively.

Litigation

The Authority has been named in various public liability and property damage claims and suits. The ultimate outcome of these claims and suits cannot be determined. However, it is the opinion of management that any resulting liability to the Authority in excess of that provided in the accompanying balance sheets, and which is not covered by insurance, would not be material to the financial statements.

Grants

Under the terms of the Authority's various capital and operating grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At December 31, 2010 and 2009, there were no material questioned costs that had not been resolved with the federal or state agencies. Questioned costs could still be identified during audits to be conducted in the future. Management of the Authority believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayments under the above grants.

FTA grant stipulations also require the grantee to retain assets acquired by FTA funds for the full estimated asset useful life (as determined by the FTA). If this provision is not met, the grantee must refund FTA's un-depreciated basis in assets disposed.

New Facility

During 2010, the Authority began construction of a new facility for the Toledo Area Regional Paratransit Service (TARPS) operation. The total cost of the facility is budgeted to be $7.5 million with a planned completion date of February 2012.

Union Contracts

The Authority's three union contracts, which covers drivers, mechanics, administrative and TARPS employees, expired in the fall of 2010. The Authority and the three unions have reached agreement and the Authority and unions have entered into new contracts during 2011.

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY
Toledo, Ohio

REPORTS ISSUED PURSUANT TO THE OMB CIRCULAR A-133
December 31, 2010

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

We have audited the financial statements of Toledo Area Regional Transit Authority (the Authority) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in Item 2010-1 in the accompanying schedule of findings and questioned costs and responses to be a material weakness in internal control over financial reporting.

The Board of Trustees
Toledo Area Regional Transit Authority

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. We consider the deficiency described in Item 2010-2 in the accompanying schedule of findings and questioned costs and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Item 2010-3.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 8, 2012.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of Authority management, Board of Trustees, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Toledo, Ohio
March 8, 2012

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Independent Auditor's Report on Compliance with Requirements that Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

Compliance

We have audited the compliance of Toledo Area Regional Transit Authority (the Authority) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Toledo Area Regional Transit 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 could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 2010-5 and 2010-6.

The Board of Trustees
Toledo Area Regional Transit Authority

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-4 and 2010-6 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less than severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Board of Trustees
Toledo Area Regional Transit Authority

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Authority as of and for the year ended December 31, 2010, and have issued our report thereon dated March 8, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Toledo, Ohio
March 8, 2012

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2010

Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA number	Grant number	Federal expenditures
U. S. Department of Transportation:			
Federal Transit Administration (FTA)			
Federal Transit Cluster:			
Received directly from FTA:			
Capital investment grants	20.500	OH-04-0050	$ 2,007,694
Capital investment grants	20.500	OH-15-X001	213,787
Capital investment grants	20.500	OH-04-0040	978,874
Capital investment grants	20.500	OH-03-0268	303,898
Subtotal CFDA 20.500			3,504,253
Formula grants – ARRA	20.507	OH-96-X019	7,671,884
Formula grants	20.507	OH-90-X690	947,103
Formula grants	20.507	OH-90-X609	143,747
Formula grants	20.507	OH-90-X586	80,018
Formula grants	20.507	OH-90-X426	28,544
Formula grants	20.507	OH-90-X670	7,655
Formula grants	20.507	OH-90-X536	3,857
Formula grants	20.507	OH-90-X501	1,350
Subtotal CFDA 20.507			8,884,158
Total Federal Transit Cluster			12,388,411
U. S. Department of Transportation:			
Federal Transit Administration (FTA)			
Transit Services Program Cluster:			
Received directly from FTA:			
Job Access – Reverse Commute	20.516	OH-37-X047	89,211
New Freedom Program	20.521	OH-57-X024	187,100
Total Transit Services Cluster			276,311
Passed through the Ohio Department of Transportation:			
Highway Planning and Construction:			
Diesel Emissions Reduction Grant	20.205	-	1,330,280
Fuel Initiative Grant:			
2009 expenditures	20.205	-	944,221
2010 expenditures	20.205	-	165,198
Subtotal CFDA 20.205			2,439,699
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 15,104,421

This schedule should be read only in connection with the accompanying notes to the schedule.

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs of Toledo Area Regional Transit Authority (the Authority).

NOTE 2 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 – FUEL INITIATIVE GRANT

The 2009 expenditures for the fuel initiative grant were erroneously omitted from the 2009 Schedule of Expenditures of Federal Awards (Schedule). The 2009 expenditures, amounting to $944,221, have been included in the 2010 Schedule and the funds have been tested as a major program in connection with the 2010 audit.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	X yes	____ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	X yes	____ none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	X yes	____ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ yes	X none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	X yes	____ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.500 , 20.507 and 20.205	Federal Transit Cluster and Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: $ 453,133

Auditee qualified as low-risk auditee?	____ yes	X no

Section II – Financial Statement Findings

Reference 2010-1 – Segregation of Duties

Criteria

Segregation of duties is a key component of internal controls.

Condition

The Authority has inadequate segregation of duties. Presently, the Comptroller reviews purchase orders (to verify availability of funds), approves disbursement vouchers, has the ability to record cash disbursements and also has check signing authority. In addition, the Comptroller has the ability and authority to receive mail (deposits), make deposits, make bank transfers, opens bank statements and reviews bank reconciliations.

Effect

This condition increases the possibility that an irregularity (or error) may not be prevented or detected in a timely manner.

Recommendation

Inadequate segregation of duties is not uncommon in small organizations. With a limited number of individuals to share responsibilities for access to assets and accounting, it is sometimes difficult to mitigate the control weaknesses caused by a lack of segregation of duties. It is rarely practical to hire additional employees just to improve internal controls. However, there are usually compensating procedures that can be implemented, either by managers directly, or by other employees. We also recommend certain of the Comptroller approvals noted above be reassigned to other personnel. When performed by other employees, it is especially important for those employees to be adequately trained and supervised. Even then, override by supervisory employees may be possible.

Section II – Financial Statement Findings

Reference 2010-1 – Segregation of Duties, Continued

Authority's Response and Planned Corrective Action

The Comptroller serves as the System Administrator for the Financial Ledger System. In this capacity the ability to be able to record cash disbursements and record deposits is critical, however, it should be noted that this duty is not performed unless in an emergency, as it is assigned to other staff members. In addition, the general ledger system itself has an audit function to track transactions in the system and who performed the task, which is only accessible by the Director of Information Systems. Signature changes relating to approving disbursement vouchers were instituted after the 2006 audit and management has continued to review current assignment of responsibilities to address the segregation of disbursement signing issue. In relation to the bank transfers, the transfer accounts are hard coded into the on-line bank transfer system, which would make it difficult to transfer funds anywhere but established venues and the Authority's accounts. The process of opening mail has been segregated to the Administrative Manager. The Financial Analyst posts cash, reconciles payroll, and performs payroll tax transfers and payment requests. The bookkeeper reconciles bank accounts. Beginning in June 2011, the dock-link program went live. Only items scanned into the system are able to be uploaded into accounts payable for payment. This process is completed by a clerk who does not have access to enter items into the accounts payable system. New system implementations and newly created positions in 2012 will enable the Authority to further segregate duties as well as institute additional compensating controls. However, due to virtue of staff size and staff technical abilities, there will be some areas of lack of segregation of control that will not be able to be avoided. Below are processes and dates of implementation:

- 2011 – Doc-link went live. All invoices and items for payment must be scanned into the system in order to reach the general ledger. Segregation of scanning, processing and uploading into ledger along with electronic invoice approval.

- 2012 – General Manager signs off on monthly disbursements listings.

- 2012 – Segregation of cash posting and deposit preparation.

Section II – Financial Statement Findings, Continued

Reference 2010-2 – Accounting Policies and Procedures Manual

Criteria

An accounting policies and procedures manual will help ensure Authority transactions are recorded in a consistent manner.

Condition

The Authority presently does have policies and procedures but has not documented them in a formal accounting policies and procedures manual.

Effect

The lack of an accounting policies and procedures manual increases the possibility of misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that could result in inaccurate or untimely accounting records.

Recommendation

While the accounting department is fairly small, written procedures, instructions and duty assignments will prevent or reduce the likelihood of the effects mentioned above. A well devised accounting manual can also help ensure all similar transactions are treated consistently, accounting principles in use are proper, and records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and allow management to delegate some accounting functions to other employees. It will take some time and effort to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures, management might identify procedures to eliminate or improve, making the system more efficient and effective.

Authority's Response and Planned Corrective Action

Currently there are flowcharts which document the activity and account flow for accounts payable and accounts receivable. There has been cross training and further task documentation related to functions within the Authority. A complete task documentation and procedure listing has been created for the bookkeeper position. A complete task documentation and procedures listing is underway for the revenue processor position. With the system changes that have been made in the past few years, as well as recent staff changes, processes have been reviewed and retooled as the systems are implemented and tasks are reassigned and restructured. Preliminary procedures and processes have been outlined for the new systems, however, until the processes are deemed best practice and staff assignments are fully determined it is not practical to create a complete manual.

Section II – Financial Statement Findings, Continued

Reference 2010-3 – Noncompliance Citation

Criteria

According to the Ohio Revised Code, Section 9.03, no governing body of a political subdivision shall use public funds to support or oppose the passage of levy or bond issue.

Condition

The Authority created an organization, Citizens for TARTA, as a political action committee. The Authority loaned Citizens for TARTA a total of $66,885, which is recorded as a receivable on the Authority's December 31, 2010 balance sheet.

Questioned Costs

None.

Effect

The Authority is not in compliance with the Ohio Revised Code as of December 31, 2010.

Recommendation

Citizens for TARTA must repay the funds back to the Authority.

Authority's Response and Planned Corrective Action

The funds have been fully repaid to the Authority in June 2011.

Section III – Federal Award Findings and Questioned Costs

Reference 2010-4 – Schedule of Expenditures of Federal Awards

All Federal Grants

Criteria

The Schedule of Expenditures of Federal Awards (SEFA) should accurately capture current year expenditures for all federal grants and awards.

Condition

The schedule of expenditures of federal awards did not accurately state program expenditures for various programs as summarized below:

- Fuel Initiative Grant (CFDA 20.205): Expenditures were not properly reported on the SEFA in the correct year causing an understatement of $1,109,419.
- Capital Investment Grants (CFDA 20.500): Expenditures were not properly reported on the SEFA in the correct year causing an understatement of $1,032,964.

Questioned Costs

None

Effect

An accurate schedule of expenditures of federal awards is essential for ensuring the Authority's compliance with federal grant requirements. In addition, the determination of major programs to be audited in the annual OMB Circular A-133 audit could be adversely effected and lead to the erroneous inclusion or exclusion of a major program.

Recommendation

We recommend that authority management implement preparation and review procedures to ensure the accuracy and completeness of the schedule of expenditures of federal awards. Procedures should include communication and training if necessary to the different departments to ensure proper reporting of federal expenditures. In addition, management should establish general ledger accounts to separately classify federal and non-federal matching dollars when applicable.

Authority's Response

The grants that do not fall under the standard ECHO draw procedures have now been added to the forms and spreadsheets utilized to prepare the reports. In this way all grant funding will be included properly.

Section III – Federal Award Findings and Questioned Costs, Continued

Reference 2010-5 – Reporting

All Federal Grants

Criteria

The Yellow Book and OMB Circular A-133 require the auditee to submit the audit reports to appropriate government officials and organizations no later than nine months after the audit period without obtaining an extension from the cognizant or oversight agency. The issuance was delayed due to implementation of a new payroll system and other operational commitments.

Condition

The reporting package, which includes the single audit reports, was not submitted to the Federal Audit Clearinghouse until March 2012.

Questioned Costs

None.

Effect

The Authority is not in compliance with reporting requirements.

Authority's Response and Planned Corrective Action

In terms of staffing, we have filled our vacant positions created by staff departures and retirements and continue to adjust the individual job duties and work assignments to reflect how the nature of the jobs themselves have changed due to computerization and the different skill sets of the employees. For computerization, the major finance systems are in place, which involved implementing or upgrading system software which strongly impacted the finance and payroll systems. We will be upgrading our purchasing and inventory system, adding enhancements to the document management software and the time and attendance of software, but the installations have been moved to take place later this year so as not to impact the audit.

Additionally, we have taken steps to improve the communication between Authority staff and the auditing firm. When possible, we are sending documents electronically to track the request for and receipt of information. When auditors are onsite, we will be using a form to essentially sign out documents so we can track to clarify the flow of information for both sides.

Furthermore, an Audit Committee is currently being established to review and oversee the audit process. The Audit Committee will consist of two Board members, two Authority staff members and two members of the community. Beginning with the 2011 audit to be completed in the Spring of 2012, the Audit Committee will meet with the independent auditing firm throughout the audit process.

Reference 2010-6 – Other

All Federal Grants

See Finding 2010-1 above.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SUMMARY OF PRIOR AUDIT FINDINGS

Reference 2009-1 – Segregation of Duties

Segregation of duties is a key component of internal controls. The Authority has an inadequate segregation of duties. Presently, the Comptroller reviews purchase orders (to verify availability of funds), approves disbursement vouchers, has the ability to record cash disbursements and also has check signing authority. In addition, the Comptroller has the ability and authority to receive mail (deposits), make deposits, make bank transfers, opens bank statements and reviews bank reconciliations.

Status

This finding has not been corrected. See Finding 2010-1.

Reference 2009-2 – Accounting Policies and Procedures Manual

An accounting policies and procedures manual will help ensure Authority transactions are recorded in a consistent manner. The Authority presently does have policies and procedures but has not documented them in a formal accounting policies and procedures manual.

Status

This finding has not been corrected. See Finding 2010-2.

Reference 2009-3 – Reporting

The Yellow Book and OMB Circular A-133 require the auditee to submit the audit reports to appropriate government officials and organizations no later than nine months after the audit period without obtaining an extension from the cognizant or oversight agency. The issuance was delayed due to implementation of a new payroll system and other operational commitments. The reporting package, which includes the single audit reports, was not submitted to the Federal Audit Clearinghouse until March 2011.

Status

This finding has not been corrected. See Finding 2010-5.

Reference 2009-4 – Other

Grant from the U.S. Department of Transportation
Federal Transit Cluster
CFDA 20.500 and 20.507

See Finding 2009-1 above.

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

LUCAS 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
MAY 10, 2012

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