ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

SINGLE AUDIT

For the Year Ended December 31, 2012

Fiscal Year Audited Under GAGAS: 2012

Dave Yost • Auditor of State

Board of Trustees
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, 2012 through December 31, 2012. 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.

Dave Yost

Dave Yost
Auditor of State

August 26, 2013

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ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Allen County Regional Transit Authority, Allen County, Ohio, as of December 31, 2012, and respective changes in financial position and cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2012 the Allen County Regional Transit Authority adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,* No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

The accompanying Schedule of Federal Awards Expenditures presents additional analysis 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2013 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
June 5, 2013

Allen County Regional Transit Authority

Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

As management of the Allen County Regional Transit Authority (ACRTA), we offer readers of ACRTA's financial statements this narrative overview and analysis of the financial activities of ACRTA for the year ended December 31, 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Overview of Financial Highlights

- ACRTA has net position of 4,397,514. The net position result from the difference between total assets of $5,033,275 and total liabilities of $262,156 plus deferred inflows of resources of $373,605.
- Current assets of $1,148,367 primarily consist of non-restricted Cash and Cash Equivalents of $769,306 and Accounts Receivable of $320,258
- Current liabilities of $262,156 primarily consist of Accrued Payroll, Benefits, Withheld Payroll Taxes of $88,305 and Accounts Payable of $169,848.

Financial Statements and Presentation

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 Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. 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 Position* presents information on all of ACRTA assets, liabilities, and deferred inflows of resources with the difference between assets and liabilities plus deferred inflows of resources reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of ACRTA is improving or deteriorating. Net position increase when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities and/or deferred inflows of resources, results in increased net position, which indicate improved financial position.

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

The *Statement of Cash Flows* allows financial statement users to assess 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.

Notes to the Basic Financial Statements

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

Financial Analysis of ACRTA

Table 1 provides a summary of ACRTA net position for 2012 and 2011:

Table1

Condensed Summary of Net Position

	2012	2011
Assets:		
Current Assets	$1,148,367	$992,018
Capital Assets (net of accumulated depreciation)	$3,884,908	$3,755,291
Total Assets	$5,033,275	$4,747,309
Liabilities:	$262,156	$59,420
Current Liabilities	$262,156	$59,420
Deferred Inflows of Resources:	$373,605	$389,471
Special Service Guarantee Revenue for the next fiscal year	$373,605	$373,605
Net Position:		
Net Investment in Capital Assets	$3,884,908	$3,755,291
Unrestricted	$ 512,606	$543,126
Total Net Position	$4,397,514	$4,298,418

The largest portion of ACRTA net position reflect investment in capital assets consisting of land, buildings & improvements, vehicles, office equipment, shop equipment, and computer hardware/software. ACRTA uses these capital assets to provide public transportation services for Allen County; consequently, these assets are not available to liquidate liabilities or to cover other spending.

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Position

	2012	2011
Operating Revenues/(Expenses):		
Operating Revenues	$816,899	$453,466
Operating Expenses(excluding depreciation)	(3,056,390)	(2,003,457)
Depreciation Expense	(302,496)	(285,149)
Operating Loss	(2,541,987)	(1,835,140)
Non-Operating Revenues/(Expenses):		
Federal Grants	1,689,530	845,952
State Grants	299,006	104,881
Local Grants	111,606	206,083
Other Revenues	541,531	578,762
Other Expenses	(590)	0
Total Non-Operating Revenues/(Expenses)	2,641,083	1,735,678
Increase/(Decrease) in Net Position During Year	99,096	(99,462)
Net Position, Beginning of Year	4,298,418	4,397,880
Net Position, End of Year	$4,397,514	$4,298,418

Financial Operating Activities

The most significant operating expenses for ACRTA are Salary and Wages, Employee Benefits, Depreciation Expense, Vehicle Expense and Services, Materials and Supplies. These expenses account for 97% of the total operating expenses. Salary and Wages, which accounts for 32% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 10% 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 9% of the total, represents current year depreciation less any disposals. Service Expense, which accounts for 17% of the total, represents costs associated with vehicle operations, auditing and legal fees and contract management and building services. Materials and supplies, which accounts for 25% of the total, represents costs associated with materials and supplies needed for vehicle maintenance as well as computer and office supplies.

Funding for the most significant operating expenses indicated above is from Special Transit Fees and Fare Box revenue, as well as Non-Operating Revenues in the form of Federal Grants, State Elderly and Disabled Fare Assistance and Local agreements. These revenues account for 83% of the total combined revenues of $3,458,572. Fare box revenue for 2012 was $152,362, and account for 4% of the total revenues. Special Transit fees revenue for 2012 was $664,537, and accounts for 19% of the total revenue. Federal Grants revenue for 2012 was $1,689,530, and accounts for 49% of the total revenue. State Grants revenue for 2012 was $299,006 and accounts for 8% of total revenue. Local Grants revenue for 2012 was $111,606, and accounts for 3% of the total revenue. Fuel sales, local subsidy and Other Revenues make up the remaining 17% 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, 2012, amounts to $3,884,908 (net of accumulated depreciation). This investment in capital assets includes Land, Buildings & Improvements, Vehicles, Office Equipment, Shop Equipment, and Computer Hardware/Software.

Additional information concerning ACRTA capital assets can be found in Note 5 of the Notes to the Basic Financial Statements.

As of December 31, 2012, 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 Rosann Christian, Executive Director, Allen County Regional Transit Authority, 200 East High Street, Lima, Ohio.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS		
Current Assets:		
Cash & Cash Equivalents	$	769,306
Accounts Receivable		320,258
Material and supplies inventory		58,803
Total Current Assets		1,148,367
Capital Assets:		
Equipment		175,367
Vehicles		2,875,821
Computer Hardware/Software		229,135
Buildings		3,574,014
Land		217,262
		7,071,599
Less: Accumulated Depreciation		(3,186,691)
Total Capital Assets, net of accumulated depreciation		3,884,908
Total Assets	$	5,033,275
LIABILITES		
Current Liabilites		
Accounts Payable	$	169,848
Accrued Payroll and benefits		88,305
Other Payables		4,003
Total Current Liabilities		262,156
Deferred Inflows of Resources		
Special Service Guarentee Revenue for the next fiscal year		373,605
Total Deferred Inflows of Resources		373,605
NET POSITION		
Net investment in capital assets		3,884,908
Unrestricted		512,606
Total Net Position	$	4,397,514

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

Operating Revenues	
Passenger Fares	$ 152,362
Special Service Guarantee	664,537
Total Operating Revenues	816,899
Opererating Expenses	
Labor	1,072,286
Employee Benefits	342,352
Services	570,469
Materials and Supplies	848,327
Utilities	57,697
Insurance	96,135
Miscellaneous	69,124
Depreciation	302,496
Total Operating Expenses	3,358,886
Operating Loss	(2,541,987)
Nonoperating Revenues/(Expenses)	
Interest Income	195
Interest Expense	(590)
Auxiliary Revenue	86,702
Non-transportation Revenue	454,634
Federal Grants and Assistance	1,689,530
State Grants and Assistance	299,006
Local Grants and Assistance	111,606
Total Nonoperating Revenues/(Expenses)	2,641,083
Increase in Net Position	99,096
Net Position at Beginning of Year	4,298,418
Net Position at End of Year	$ 4,397,514

THE NOTES TO THE BASIC FINANCIAL STATEMENTS 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, 2012

Cash Flow from Operating Activities		
Cash received from customers	$	801,033
Cash payments to suppliers for goods and services		(1,489,112)
Cash payments to employees for services		(1,355,772)
Net Cash Used for Operating Activities		(2,043,851)
Cash Flow from Noncapital Financing Activities		
Receipts from non-capital grants		2,658,893
Net Cash Provided by Noncapital Financing Activities		2,658,893
Cash Flow from Capital and Related Financing Activities		
Interest expense		(590)
Purchase of capital assets		(432,112)
Net Cash Used for Financing Activities		(432,702)
Cash Flow from Investing Activities		
Interest income		195
Net Cash Provided by Investing Activities		195
Net Increase in Cash		182,535
Cash, Beginning of Year		586,771
Cash, End of Year	$	769,306
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	$	(2,541,987)
Adjustments:		
Depreciation		302,496
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assets:		
Materials and supplies inventory		8,770
Increase/(Decrease) in Liabilities:		
Accounts payable		140,766
Accrued payroll and benefits		58,866
Other Payables		3,104
Unearned revenue		(15,866)
Total Adjustments		498,136
Net Cash Used for Operating Activities	$	(2,043,851)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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. ACRTA operates under a Board of Directors with an appointed Executive Director handling the daily operations. The ACRTA provided transportation services to the residents of Lima/Allen County, to include but not limited to the general population, elderly, and handicapped riders.

For financial reporting purposes, the ACRTA's basic financial statements include all funds, agencies, boards, commissions, and departments for which the ACRTA is financially accountable. Financial accountability, as defined by the GASB, exists if the ACRTA appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the ACRTA. The ACRTA may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the ACRTA. The ACRTA also took into consideration other organizations for which the nature and significance of their relationship with the ACRTA are such that exclusion would cause the ACRTA's basic financial statements to be misleading or incomplete. The ACRTA has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

ACRTA's policy is to maintain an 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 of cash flows. All transactions are reported in a single enterprise fund.

The financial statements of the ACRTA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the ACRTA's accounting policies are described below.

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 Directors.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Receivables and Revenue

Passenger fares are recorded as revenue at the time services are provided and revenues pass through the fare box. Grants and assistance revenues are from reimbursable, no reimbursable and entitlement type grant programs. These grant programs involve transactions that are categorized as either government mandated or voluntary non-exchange transactions. Grant and assistance revenues from government mandated and voluntary non-exchange transaction are recorded as receivable and non-operating revenue when all eligibility requirements are met.

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the ACRTA that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the ACRTA that is applicable to a future reporting period. The ACRTA had no deferred outflows of resources for 2012. Grants and assistance revenues received before the eligibility requirements are met have been recorded as deferred inflows of resources.

Property and Equipment

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

Improvements	10 to 15 years
Equipment	5 to 12 years
Computer/Software	5 years
Vehicles	5 to 12 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.

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. Fund included in this report are enterprise funds. 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.

Compensated Absences

ACRTA employees are permitted to carry one week of PTO time over year-end. Unused accrued PTO benefits are paid to the employee upon separation from ACRTA.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The ACRTA did not have any outstanding borrowings as noted above for 2012. Net Position is reported as restricted when there are limitations imposed on their use either by enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The ACRTA did not have any restricted net position for 2012.

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 Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2012, the ACRTA has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989, FASB and AICPA Pronouncements,* No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989.

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on ACRTA's net position. The implementation of GASB Statement No. 63 has changed the presentation of ACRTA's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

NOTE 4 – 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 Treasure's investment pool (STAR Ohio) and obligation 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.

Deposits

At December 31, 2012, ACRTA had $4,181 in cash on hand. The carrying amount of ACRTA deposits was $765,125. As of December 31, 2012, the entire balance of deposits was covered by FDIC.

Custodial risk is the risk that, in the event of bank failure, ACRTA deposits may not be returned. All deposits are 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.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105% of public monies on deposit at the institution. All deposits are collateralized with eligible securities in amounts equals to at least 105% of the carrying value of the deposits.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 is as follows:

Description	Balance 1/1/2012*	Additions	Disposals	Balance 12/31/2012
Capital Assets not being Depreciated:				
Land	$217,262	$0	$0	$217,262
Total Capital Assets not being Depreciated	217,262	0	0	217,262
Capital Assets being Depreciated:				
Buildings & Improvements	3,574,014	0	0	3,574,014
Vehicles	2,826,323	358,639	309,141	2,875,821
Equipment	175,367	0	0	175,367
Computer Hardware/Software	155,662	73,473	0	229,135
Total Capital Assets being Depreciated	6,731,366	432,112	309,141	6,854,337
Less Accumulated Depreciation:				
Buildings & Improvements	1,292,252	106,599	0	1,398,851
Vehicles	1,728,895	168,558	309,141	1,588,312
Equipment	138,102	8,746	0	146,848
Computer Hardware/Software	34,087	18,593	0	52,680
Total Accumulated depreciation	3,193,336	302,496	309,141	3,186,691
Total Capital Assets, Net	$3,755,292	$129,616	$0	$3,884,908

*Certain reclassifications were made to accumulated depreciation which had no net effect on the financial statements.

NOTE 6 – DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

The Ohio Public Employees Retirements System (OPERS) has provided the following information to LACRTA 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 2010, member and employer contribution rates were consistent across all three plans.

In 2011 and 2012, the member contribution rate for employees was 10%. The employer rate was 14% of covered payroll.

ACRTA's contributions, representing 100% of employers contributions for the years ended December 31, 2012, 2011, 2010 were $157,572, $90,271 and $81,514, respectively.

For 2012, $15,621 was unpaid as of December 31, 2012. All contributions were made for fiscal years ending December 31, 2011 and 2010.

Postemployment Benefits

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.

NOTE 6 – DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS (CONTINUED)

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 (OPERB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of Postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2012, the local government employers units, contributed at a rate of 14% of covered payroll.

For 2012 and 2011, the employer contributions allocated to the Traditional plan were 4.0% and 6.05% for the Combined Plan.

The employer contributions that were used to fund post-employment benefits were $66,428 for 2012, $37,963 for 2011, and $27,208 for 2010, which equal the required contributions for each year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

NOTE 7 – RISK MANAGEMENT

ACRTA is exposed to various risk of loss related to torts, theft of, damaged to, and destruction of assets flood and earthquake; errors and omission; employment related matters; inquires to employees; and employee theft and fraud. ARCTA maintains comprehensive insurance coverage with carriers for health, real property, buildings, building contents and vehicles. Vehicle policies included liability coverage for bodily injury and property damage. ACRTA continues to carry commercial insurance for all other risks of loss, including worker's compensation. There was no significant reduction in insurance coverage and no settlements exceeded insurance coverage during the past three years.

NOTE 8 – CONTINGENCIES

In the normal course of operations, ACRTA may be subject to litigation and claims. At December 31, 2012, ACRTA was involved in no such matters. ACRTA receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of local government support, which took place in January 1, 2009, had a material effect on ACRTA's programs. In an effort to make improvements, ACRTA has sought contracting opportunities through coordination efforts with local human service agencies. In 2011, ACRTA partnered with Allen County Board of Developmental Disabilities (ACBDD), for ACRTA to do more of ACBDD's transportation runs. This revenue stream has allowed for restoration of services and expansion of other services. At the end of 2011, ACRTA added a new route and expanded their hours of service. Opening an hour earlier and running service on Saturdays. During 2012, ACRTA expanded their hours again to run service until 10:15 at night.

NOTE 9 – ACCOUNTS RECEIVABLE

Receivables at December 31, 2012 consisted of accounts (billings) and intergovernmental grants. The ACRTA wrote off $485 in bad debt in 2012. All other receivables are considered collectible in full.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/ SUB-GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Ohio Department ofTransportation			
Federal Transit Formula Grant	20.507	SUA0002050101	$ 145,664
Transit Services Program Cluster:			
New Freedom Program	20.521	NF4002044121	106,757
Job Access-Reverse Commute	20.516	JARC4002079121	181,827
Total Transit Services Program Cluster			288,584
Total Passed Through Ohio Department of Transportation			434,248
Direct from the Federal Government			
Federal Transit Formula Grant - ARRA	20.507	NA	200,384
Federal Transit Formula Grant	20.507	NA	1,247,440
Total Federal Transit Formula Grant			1,447,824
Total U. S. Department of Transportation			1,447,824
Total Federal Financial Awards Expenditures			$ 1,882,072

NA - Not Available

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

Note A - This schedule was prepared on an accrual basis of accounting

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the Unities States and the Comptroller General of the United States' *Government Auditing Standards,* the financial statements of the business-type activities of the Allen County Regional Transit Authority, Allen County, Ohio, (the Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 5, 2013, wherein we noted the Authority implemented Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,* No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
June 5, 2013

Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Allen County Regional Transit Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Allen County Regional Transit Authority's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Allen County Regional Transit Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

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

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

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

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
June 5, 2013

1. 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 control deficiencies in reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control 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 Formula Grant (ARRA), CFDA #20.507 Federal Transit Formula Grant, 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?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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
SEPTEMBER 5, 2013

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