

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

AUDIT REPORT

For the Year Ended December 31, 2007

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Allen County Regional Transit Authority, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 29, 2008

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ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY
AUDIT REPORT
For the Year Ended December 31, 2007

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

Allen County Regional Transit Authority
200 E. High St.
Lima, Ohio 45801

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the Allen County Regional Transit Authority (the Authority), a component unit of Allen County, Ohio as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2007, and the changes in its financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2008 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, 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 on 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.

Management's Discussion and Analysis on pages 3 through 6 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.

August 31, 2008

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

As management of the Allen County Regional Transit Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2007.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3.0 million (net assets). Of this amount, \$.1 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Authority's net assets increased by \$71,016, or 2%.
- The Authority has current assets of \$.3 million and \$.16 million of current liabilities.
- The Authority has no long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial statements presented by the Authority are the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as a single enterprise fund with revenues recognized when earned and measurable. Expenses are recognized when they are incurred, not when paid. Capitalized assets are depreciated, except land, over their estimated useful lives.

The balance sheet presents the Authority's statement of financial position. GAAP allows the accounts of this statement to be presented in one of two ways:

$$\begin{aligned} \text{Assets} - \text{liabilities} &= \text{net assets (net asset approach)} \\ \text{Assets} &= \text{liabilities} + \text{net assets (balance sheet approach)} \end{aligned}$$

The resulting difference between assets and liabilities will be called net assets, no matter which approach is taken. Over time, increases and 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 in assets without a corresponding increase to liabilities also results in increased net assets.

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

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

The Statement of Cash Flows allows financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet obligations in a timely manner. The statement is classified into four categories:

- A. Cash flows from operating activities;
- B. Cash flows from non-capital financing activities;
- C. Cash flows from capital and related financing activities and;
- D. Cash flows from investing activities.

Notes to the Financial Statements

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

Condensed Summary of Net Assets:

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 283,511	\$ 247,921
Capital assets, net	\$ 2,963,566	\$ 2,918,452
Total Assets	<u>\$ 3,247,077</u>	<u>\$ 3,166,373</u>
Current liabilities	\$ 163,612	\$ 153,975
Total Liabilities	<u>\$ 163,612</u>	<u>\$ 153,975</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 2,963,566	\$ 2,918,452
Unrestricted	\$ 119,899	\$ 93,946
Total Net Assets	<u><u>\$ 3,083,465</u></u>	<u><u>\$ 3,012,398</u></u>

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

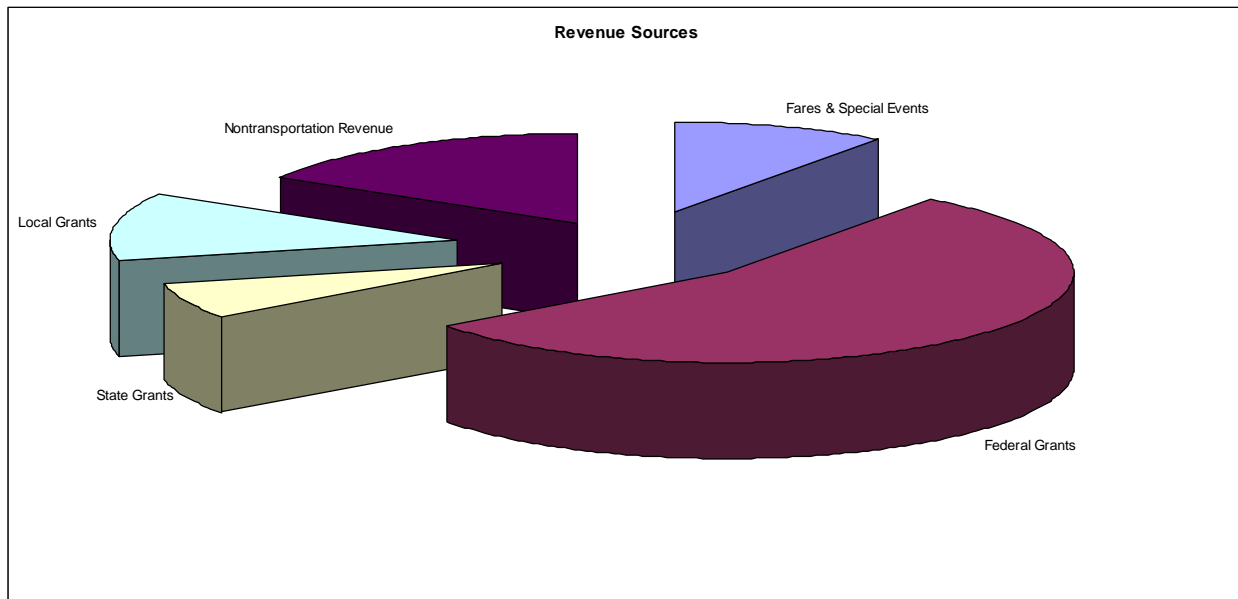
Several buses were disposed of during the year however, there was a net increase in capital assets due to the purchase of a new bus. Current liabilities remained approximately the same as last year.

The unrestricted net assets, \$119,899, may be used to meet the Authority's ongoing obligations to citizens and creditors. The Authority did not have any external restrictions placed on its net assets at this year- end.

At the end of the current year, the Authority is able to report positive balances in both of its net asset classifications.

The Authority's net assets increased by \$71,067 during the current year. This increase represents the degree to which operating revenues and nonoperating revenues exceeded expenses. Key elements of these changes in net assets are as follows:

	<u>2007</u>	<u>2006</u>
Total Operating Revenues	\$ 153,399	\$ 147,530
Total Operating Expenses	<u>1,448,326</u>	<u>1,542,983</u>
Operating Loss	(1,294,927)	(1,395,453)
Total Other Revenue	<u>1,365,994</u>	<u>1,084,383</u>
Revenue Over (Under) Expenses	71,067	(311,070)
Net Assets-Beginning, Restated	<u>3,012,398</u>	<u>3,323,468</u>
Net Assets-Ending	<u>\$3,083,465</u>	<u>\$3,012,398</u>



**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

The Authority's reliance upon grant revenues is demonstrated by the graph above indicating 74% of total revenues are from federal, state and local grants.

Capital Assets

The Authority's investment in capital assets as of December 31, 2007, amounts to \$2,963,566 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles. Total dispositions for the current year were \$549,795 and depreciation was \$195,932. Detailed information regarding capital asset activity is included in the Note 6 to the basic financial statements.

Debt

The Authority had no debt at December 31, 2007.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the Executive Director, Allen County Regional Transit Authority, 200 E. High Street, Lima, Ohio 45801.

**Allen County Regional Transit Authority
Allen County
Statement of Net Assets
December 31, 2007**

ASSETS:

Current Assets:

Cash	\$ 115,862
Accounts receivable	89,465
Material and supplies inventory	<u>78,184</u>

Total current assets	<u>283,511</u>
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Capital Assets:

Property, facilities, and equipment	5,702,235
Less: accumulated depreciation	<u>(2,738,669)</u>

Total capital assets	<u>2,963,566</u>
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Total assets	<u>3,247,077</u>
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LIABILITIES:

Current Liabilities:

Accounts payable	37,827
Accrued payroll and benefits	39,943
Unearned revenue	<u>85,842</u>

Total Current Liabilities	<u>163,612</u>
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NET ASSETS

Invested in capital assets	2,963,566
Unrestricted	<u>119,899</u>

Total Net Assets	<u>\$ 3,083,465</u>
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The accompanying notes are an integral part of these financial statements.

**Allen County Regional Transit Authority
Allen County
Statement of Revenues, Expenses and Changes in Net Assets
For the year ended December 31, 2007**

OPERATING REVENUES:

Passenger Fares	\$ 111,159
Special Event and Special Service Guarantee	42,240
	<hr/>
Total Operating Revenues	153,399

OPERATING EXPENSES:

Labor	499,473
Fringe Benefits	187,479
Services	202,638
Materials and Supplies	215,507
Claims and insurance net of settlements	73,475
Utilities	48,697
Miscellaneous	25,125
Depreciation	195,932
	<hr/>
Total Operating Expenses	1,448,326
	<hr/>
Operating Loss	(1,294,927)

NONOPERATING REVENUES:

Interest Income	408
Nontransportation Revenue	249,118
Federal Grants and Assistance	832,900
State Grants and Assistance	100,388
Local Grants and Assistance	183,180
	<hr/>
Total Nonoperating Revenue	1,365,994
	<hr/>
Excess of Revenues Over (Under) Expenses	71,067
	<hr/>
Net assets-January 1-Restated	3,012,398
	<hr/>
Net assets-December 31	\$ 3,083,465

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

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY
Statement of Cash Flows
For the year ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 153,399
Nontransportation revenue	242,654
Cash payments to suppliers for goods and services	(493,547)
Cash payments to employees for services	(499,473)
Cash payments for employee benefits	(201,477)
Cash payments for casualty and liability	(73,475)
Net cash used in operations	<u>(871,919)</u>

**CASH FLOWS FROM NON-CAPITAL
FINANCING ACTIVITIES:**

Federal grants	255,708
State grants	107,193
Local grants	233,180
Net cash provided by non-capital financing activities	<u>596,081</u>

**CASH FLOW FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Federal capital grants	454,387
Purchase of equipment	(241,046)
Disposition of property, facilities, and equipment	9,000
Net cash used by capital and related financing activities	<u>222,341</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest	<u>408</u>
Net Increase (Decrease) in cash	(53,089)
Cash-January 1	<u>168,951</u>
Cash-December 31	<u>\$ 115,862</u>

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

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY
Statement of Cash Flows- (continued)
For the year ended December 31, 2007

**Reconciliation of Operating Loss to Net
Cash Used In Operating Activities:**

Operating Loss	\$ (1,294,927)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	195,932
Nontransportation revenue	249,118
Changes in Assets and Liabilities:	
(Increase) in Materials and Supplies Inventory	(33,139)
Increase in Customer Accounts Receivable	2,536
(Disposition) of property, facilities, and equipment	(9,000)
Increase in Accounts Payable	31,559
Decrease in Accrued Wages and Benefits	(13,998)
Total Adjustments	<u>423,008</u>
Net Cash Used in Operating Activities	<u><u>\$ (871,919)</u></u>

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Allen County Regional Transit Authority was created pursuant to Section 306.01 through 306.13 of the Ohio Revised Code for the purpose of providing public transportation in Allen County, Ohio. As a political subdivision, it is distinct from and is not an agency of, the State of Ohio or any other local government unit. The Authority is not subject to federal or state income taxes.

A five-member board that is appointed by the Allen County Board of Commissioners manages the Authority.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority has the ability to exercise direct operating control.

B. REPORTING ENTITY

In evaluating how to define the Authority for financial reporting purposes, management has considered all agencies, departments and organizations making up the Allen County Regional Transit Authority (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." The Authority has no component units. However, the Authority is considered a component unit of Allen County (the "County") by virtue of the fact that the Authority's Board is appointed by the Allen County Board of Commissioners and the County's ability to impose its will on the Authority. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organizations.

C. BASIS OF ACCOUNTING

The Authority follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position, and cash flows. All transactions are accounted for in a single enterprise fund.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES-(continued)

In accordance with Statement No. 20 of the *Governmental Accounting Standards Board Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected not to apply the provisions of the statements and interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

D. CASH AND CASH EQUIVALENTS

The Authority considers highly liquid investments, with an original maturity of three months or less, to be cash equivalents. Investment procedures are restricted by the provisions of the Ohio Revised Code.

E. PROPERTY, FACILITIES AND EQUIPMENT

Property, facilities and equipment are stated at historical cost. The costs of normal maintenance and repairs are charged to operations as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

<u>Description</u>	<u>Years</u>
Transportation Equipment	5-12
Other Equipment	5-10
Facilities	20-35

F. MATERIALS AND SUPPLIES

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

G. ACCUMULATED UNPAID VACATION AND PERSONAL LEAVE

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

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES-(continued)

H. GRANTS

Grants are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable.

I. BUDGETARY ACCOUNTING CONTROL

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

J. USE OF ESTIMATES

The accounting and reporting policies of Allen RTA conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

K. NET ASSETS

Equity is displayed in three components as follows:

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

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The Authority does not have restricted net assets at December 31, 2007.

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

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES-(continued)

L. NONEXCHANGE TRANSACTIONS

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

2. CASH AND INVESTMENTS

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, 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, commercial paper, savings accounts, money market accounts, the State Treasurer's Asset Reserve 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 or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. The Authority is prohibited from investing in derivatives and reversed repurchase agreements.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Financial Manager by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the Authority's deposits was \$115,862, and the bank balance was \$111,109. Of the bank balance, \$100,000 was covered by federal depository insurance and the balance was collateralized by a collateral pool established by the financial institution.

The Authority had no investments at December 31, 2007.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

3. DEFINED BENEFIT PENSION PLAN

The employees of the Authority are covered by the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan.
2. 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 Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system 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 members, 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 members of the Traditional Plan 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. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)-222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD and CO).

The 2007 member contribution rate for employees was 9.5% of covered payroll. The 2007 employer contribution rate for the Authority was 13.85% of covered payroll. The Authority's contributions for the years ending December 31, 2007, 2006, and 2005 were \$76,427, \$90,085, and \$81,178, respectively. The full amount has been contributed for 2006 and 2007. 90% has been contributed for 2007 with the remainder being reported as a liability.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

4. POSTEMPLOYMENT BENEFITS

OPERS also provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. As required by state statute, a portion of each employer's contribution to OPERS (see note 7) is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 contribution rate was 13.85% of covered payroll and included a portion (5.0% for January 1 thru June 30, 2007 and 6% for July 1 thru December 31, 2007) that was used to fund healthcare. The Authority's 2007 contribution for post-employment benefits was \$30,350.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

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

Summary of assumptions

Actuarial Review – The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2006.

Funding Method – The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of the unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2006 was 6.5%.

Active Employee Total Payroll – An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

4. POSTEMPLOYMENT BENEFITS – (continued)

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 5% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4.0% (the projected wage inflation rate).

OPEBs are advanced funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension Plan and Combined Plans at December 31, 2006 was 374,979. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2006 was \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability at December 31, 2006, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

5. DEBT

The Authority had no debt at year-end December 31, 2007.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

6. PROPERTY, FACILITIES AND EQUIPMENT

Capital asset activity for the year ended December 31, 2007 is as follows:

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Capital Assets Not Being Depreciated:				
Land & Improvements	\$ 217,262	\$ -	\$ -	\$ 217,262
Capital Assets Being Depreciated:				
Building & Improvements	3,294,756	-	-	3,294,756
Vehicles	2,335,282	241,046	549,795	2,026,533
Equipment & Other	163,684	-	-	163,684
Total Capital Assets Being Depreciated	5,793,722	241,046	549,795	5,484,973
Less Accumulated Depreciation:				
Buildings & Improvements	968,858	69,080	-	1,037,938
Vehicles	2,001,963	117,363	549,795	1,569,531
Equipment & Other	121,711	9,489	-	131,200
Total Accumulated Depreciation	3,092,532	195,932	549,795	2,738,669
Total Capital Assets Being Depreciated, Net	2,701,190	45,114	-	2,746,304
Total Capital Assets	\$2,918,452	\$ 45,114	\$ -	\$ 2,963,566

7. RISK MANAGEMENT

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

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

8. CONTINGENCIES

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

Pursuant to an agreement with the Petroleum Underground Storage Tank Release Compensation Board (the Board), the Authority maintained a irrevocable standby letter of credit with the Huntington National Bank in the amount of \$22,000 in favor of the Board to cover the deductible amount of the Authority's coverage for and underground storage tank.

Management believes there are no pending claims or lawsuits.

9. PRIOR PERIOD ADJUSTMENT

The beginning net asset balance was restated due to an accounting error related to depreciation expense for a prior period.

Net Assets December 31,2006	\$2,916,295
Adjustment for Depreciation	<u>96,103</u>
Net Assets January 1, 2007	<u><u>\$3,012,398</u></u>

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

Federal Grantor/Title Grantor Number/Program Title	CFDA #	Grant #	Federal Expenditures
<u>U.S. Department of Transportation</u>			
<i>Federal Transit Administration (FTA)</i>			
<i>Federal Transit Cluster</i>			
<i>Received Directly from FTA:</i>			
<i>Operating, Planning, and Capital Formula Grants:</i>			
<i>Urbanized Area Formula Program</i>	20.507	OH-90-X583-00	<u>\$832,900</u>
Total U.S. Department of Transportation			<u>\$832,900</u>
Total Federal Expenditures			<u>\$832,900</u>

See accompanying notes to schedule of expenditures of federal awards.

Allen County Regional Transit Authority
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

1. Significant Accounting Policies

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

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of the business-type activities of the Allen County Regional Transit Authority (the Authority) as of and for the year ended December 31, 2007, and have issued our report thereon dated August 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-ACRTA-01 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

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, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Charles E. Harris and Associates, Inc.

August 31, 2008

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Trustees:

Compliance

We have audited the compliance of the Allen County Regional Transit Authority (the Authority) with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. The Authority's major federal program is 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 its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Charles E. Harris & Associates, Inc.

August 31, 2008

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2007**

Schedule of Findings and Questioned Costs

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements.
2. One significant deficiency in internal control over financial reporting was identified during the audit of the financial statements of the Authority (2007-ACRTA-01). This significant deficiency was identified as a material weakness.
3. No instances of noncompliance material to the financial statements of the Authority were identified during the audit.
4. No material weaknesses in internal control over major programs were identified.
5. No significant deficiencies in internal control over major programs that were not considered material weaknesses were identified.
6. The auditor's report on compliance for the major federal award program for the Authority expresses an unqualified opinion.
7. No findings required to be reported under Section .510(a) of OMB Circular A-133.
8. The program tested as a major program was Federal Transit Administration Cluster: CFDA #20.507.
9. The dollar threshold for distinguishing Type A and Type B programs was \$300,000.
10. The Authority was not determined to be a low-risk auditee.

B. Findings-Financial Statement Audit

2007-ACRTA-01- Error in Carrying Value of Capital Assets

Criteria

Proper internal control provides for the prevention or detection of material misstatement of the financial statements in a timely manner.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2007

B. Findings-Financial Statement Audit- (continued)

2007-ACRTA-01- Error in Carrying Value of Capital Assets – (continued)

Condition

Management discovered an error in a spreadsheet used to calculate depreciation and accumulated depreciation. The error resulted in the accumulated depreciation account being overstated in the amount of \$96,103 prior to 2007.

Effect

Capital assets and net assets invested in capital assets were understated by \$96,103.

Recommendation

We recommend that spreadsheet formulas be reviewed and approved. We further recommend that all spreadsheets utilize the “highlight changes” tool that is built into the software.

Managements Response

Management indicated that the error was recorded under prior management and that the current management discovered the error and has already implemented the recommended changes.

C. Findings and Questioned Costs- Federal Transit Cluster, CFDA #20.507.

None

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
 ALLEN COUNTY, OHIO
 For the Year Ended December 31, 2007**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
06-ACRTA-01	Financial statements materially misstated due to posting errors	Yes	Corrected



Mary Taylor, CPA
Auditor of State

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2008**