

RICHLAND COUNTY TRANSIT BOARD

RICHLAND COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2011

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Trustees
Richland County Transit Board
35 North Park Street
Mansfield, Ohio 44902

We have reviewed the *Independent Accountants' Report* of the Richland County Transit Board, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 Richland County Transit Board is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 23, 2012

This page intentionally left blank.

RICHLAND COUNTY TRANSIT BOARD
RICHLAND COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2011

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report	1-2
Management's Discussion and Analysis	3-7
Financial Statements	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-14
Schedule of Federal Award Expenditures	15
Notes to the Schedule of Federal Awards Expenditures	16
Independent Accountant's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17-18
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	19-20
Schedule of Findings	21-22
Schedule of Prior Audit Findings	23

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT ACCOUNTANTS' REPORT

**Richland County Transit Board
Richland County
35 North Park Street
Mansfield, OH 44902**

To the Board of Trustees:

We have audited the accompanying financial statements of the Richland County Transit Board, Richland County, Ohio (RCTB) as of and for the year ended December 31, 2011 as listed in the table of contents. These financial statements are the responsibility of RCTB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Richland County Transit Board, Richland County, Ohio, as of December 31, 2011, and the results of its operations and cash flows thereof 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 a report dated June 21, 2012, on our consideration of the RCTB's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the RCTB's basic financial statements taken as a whole. The schedule of federal awards expenditures provides additional information 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 awards 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. This statement was subject 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 to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

June 21, 2012

Richland County Transit Board
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The discussion and analysis of the Richland County Transit Board's (the "Board") financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should review the financial statements and the notes to the financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Total assets exceeded liabilities at the close of the most recent year by \$3,977,513 (net assets). Of this amount, \$62,076 (unrestricted net assets) may be used to meet ongoing obligations. Total net assets decreased by \$78,968 (2%).

Revenue received from local governments was only 79% of the amount that was budgeted for 2011, however, this shortfall was mitigated by State (ODOT) operating grant revenue received that was 146% of the amount budgeted. Revenue from contracts with local human service agencies was also increased in 2011, with 119% of the amount budgeted being received.

Total cash revenue exceeded expenses by \$6,880 for 2011, with revenue and expenses being increased by 105% and 104% of the budgeted amount for the year, respectively. Individual line item variances are demonstrated in the December 2011 Board report, which excludes the vehicle purchases that were made in 2011.

Refunds of prior years insurance premiums, totaling \$53,122, were received in 2011. This revenue was used to offset the current year insurance expenses, which reduced the FTA reimbursement for those expenses and the need for local matching funds for the insurance expenses. The refunds were expected, and the Board's relationship with the Ohio Transit Risk Pool for prior years losses and contributions paid is now closed.

The Board received \$225,000 in Federal funds, that were granted through a consolidated grant with ODOT, for the purchase of replacement vehicles. The Board also received \$65,579 directly from FTA for vehicle replacement. These funds were used to purchase four (4) small transit buses. Retiring the older vehicles results in reduced maintenance costs and improved fuel efficiency, which helps to reduce overall vehicle operation and repair expenses.

Using this Annual Financial Report

This annual report consists of three parts, the Management's Discussion and Analysis, the Financial Statements, and the Notes to the Financial Statements. The Financial Statements include a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.

RCTB
Management's Discussion and Analysis
For the Year Ended December 31, 2011

STATEMENT OF NET ASSETS

The Statement of Net Assets looks at how well the Board has performed financially from inception through December 31, 2011. This statement includes all of the assets, liabilities, and net asset balances using the accrual basis of accounting, which is the method used by most private-sector companies, and the method that is required by the Federal Transit Administration.

This basis of accounting takes into account all revenues earned and expenses incurred during the accounting period, regardless of when the cash is received or expended.

The following schedule provides a summary of the Board's Statement of Net Assets for the fiscal years ended December 31, 2011, and December 31, 2010:

Assets	2011	2010
Current Assets	\$ 193,815	\$ 203,796
Noncurrent Assets	<u>3,915,437</u>	<u>3,998,128</u>
Total Assets	\$4,109,252	\$ 4,201,924
Liabilities		
Current Liabilities	<u>\$ 131,739</u>	<u>\$ 145,443</u>
Net Assets		
Invested in Capital Assets	\$3,915,437	\$3,998,128
Unrestricted	<u>62,076</u>	<u>58,353</u>
Total Net Assets	<u>\$3,977,513</u>	<u>\$4,056,481</u>
Total Liabilities and Net Assets	<u>\$4,109,252</u>	<u>\$4,201,924</u>

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets reports operating and non-operating activities for the fiscal year ended December 31, 2011. The following schedule provides a summary of the Board's Statement of Revenues, Expenses, and Changes in Net Assets, for the fiscal years ended December 31, 2011, and December 31, 2010.

*RCTB
Management's Discussion and Analysis
For the Year Ended December 31, 2011*

Revenues	2011	2010
Federal	\$ 944,628	\$2,109,825
State	252,062	219,902
Local Governments	176,445	157,336
Lease Revenue	10,189	15,802
Transit System Revenue	341,218	274,061
Capital Contributions	290,579	
Expense Reimbursement	<u>-0-</u>	<u>14,339</u>
Total Revenues	<u>\$ 2,015,121</u>	<u>\$2,791,265</u>

Expenses	2011	2010
Purchased Services	\$1,377,482	\$1,341,910
Board Member Compensation	7,422	8,046
Professional Services	8,596	8,338
Equipment and Supplies	18,948	15,935
Depreciation	326,154	311,950
Fuel	219,954	167,246
Insurance	75,367	58,443
Miscellaneous	13,000	15,770
Loss on disposal of capital assets	44,866	
Bad Debt write off	<u>2,300</u>	<u>150</u>
TOTAL Expenses	<u>\$2,094,089</u>	<u>\$1,927,789</u>

Change in Net Assets (78,968) 863,476

Net Assets - Beginning \$4,056,481 \$3,193,005
 Net Assets - Ending \$3,977,513 \$4,056,481

Revenue Variances

In 2010 the revenue from Federal grants included \$1,233,024 in American Recovery and Reinvestment Act funds that were used to fund the purchase of vehicles. In 2011, Federal grant funds received for vehicle replacement totaled only \$65,579. Though this report does not itemize the Federal grant funds, revenue for operating and planning were increased in 2011, by 11.7%, and 10.1%, based on increased expenses in these activities.

State funds received in 2011 were 116.9% increased over 2010, due mainly to a one-time vehicle replacement grant in the amount of \$225,000 being received in 2011. The \$225,000 was Federal funding that was passed through the State, with ODOT making the payment to the RCTB.

Local entity funds were increased by 12.2% in 2011, with the individual increases and decreases being illustrated in the December, 2011, RCTB Financial Report.

RCTB

*Management's Discussion and Analysis
For the Year Ended December 31, 2011*

Lease revenue was decreased by 35.5% in 2011 as the vending company is no longer under a lease agreement, and is instead paying commission on sales.

The total transit system generated revenue was increased by 27.7% in 2011 in comparison to 2010. Within the transit system revenue total, as noted in the 2010 report, much of the revenue that was previously accounted for as "local special fare assistance" is now "contract transit service". This change occurred mid-way through 2010, and the changes in these two lines are also apparent in 2011. The "other operator revenue" line is greatly decreased, as there was a reduction in new buses being brought to Mansfield for exterior custom design work, prior to which these buses were being washed at the bus washing facility. The refund of prior years insurance premiums, as already mentioned in this report, is included in this line.

The fares from the Shelby Taxi service, which are retained by the City of Shelby, decreased by 51.9%, as the trips for a large portion of the users of that service are now being sponsored by the Area Agency on Aging in a lump sum payment.

The expense reimbursement received in 2010 was a one-time settlement of expenses reimbursed by an insurance company from a not at fault accident. No similar revenue was received in 2011.

Expense Variances

Equipment and supplies expenses were increased by 19% over the amount expended in 2010, due to the purchase of new telephone and security equipment in 2011.

Fuel expenses were increased in 2011 by 31.5% more than in 2010, and totaled 122% of the amount that was budgeted for fuel.

In comparing the insurance expenses of 2011 to that of 2010, it should be noted that the payment made in January of 2010 was adjusted to reflect an overpayment in July of 2009. This resulted in the 2011 expenses being increased by 29% over what was expended in 2010 for insurance.

The miscellaneous expense line, which is reduced by 18% from 2010 to 2011, includes operating and maintenance expenses that are incurred at the Stanton Transit Center. There were repair expenses in 2010 that were not incurred in 2011, resulting in the reduction.

Though the percent change of bad debt expense is high, the actual dollar value of change is only \$2,150. This amount represents prior lease payments owed, for which the vending operator was forgiven, as the new agreement is for commission payments instead of a lease agreement, as was previously mentioned.

STATEMENT OF CASH FLOW

The revenues and expenses of the Board are deposited into, and paid from, the accounts of the Richland County Treasurer's office.

Cash that is maintained in the accounts of the operations contractor, Transit Management of Richland (TMR), by contract, is also the property of the Board. These accounts are maintained for the purpose of day to day operation of the transit system, including paying payroll and the purchasing of parts, supplies, purchased maintenance, and other expenses of the transit system. The daily farebox receipts and other incidental income are deposited into the TMR account. On December 31, 2011, TMR was in possession of \$35,259 in Board funds. This is included in the cash flow summary and in the current assets of the Board.

Below is a summary of the cash flow activity for the year ending December 31, 2011.

	Richland County Treasury	Transit Management of Richland
Beginning Balance	\$ 11,188	\$ 36,095
Receipts	\$ 1,947,406	\$ 996,683
Disbursements	\$ 1,909,370	\$ 997,519
Ending Balance	\$ 49,224	\$ 35,259

Capital Assets

As of December 31, 2011, the Board had capital assets of \$3,915,437 invested in real property, including the bus garage and transit center, rolling stock, operating equipment, furniture, tools, and other items. This is a decrease of \$82,691 over December 31, 2010. Though additional vehicles were purchased, the operating equipment depreciation expenses was increased by 18% due to the prior year purchase of four (4) large transit buses.

Other Current Financial Items of Interest

Continued funding uncertainty at the State and local level make year to year planning and budgeting difficult. The use of Federal funds requires local matching funds.

The volatility of fuel prices continues to be a concern. This expense accounted for 13% of the Board's expenses in 2011.

Should there be an increase in funding, the Board would consider restoring hourly service on all routes and some level of Saturday service.

RICHLAND COUNTY TRANSIT BOARD
RICHLAND COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	2011
<u>CURRENT ASSETS</u>	
Cash in TMR	\$35,259
Cash with Richland County Treasurer	49,224
Accounts Receivable	109,332
TOTAL CURRENT ASSETS	193,815
 <u>CAPITAL ASSETS</u>	
Nondepreciable Capital Assets	1,052,683
Depreciable Capital Assets, Net	2,862,754
TOTAL ASSETS	\$4,109,252
 <u>CURRENT LIABILITIES</u>	
Accounts Payable	\$131,739
TOTAL CURRENT LIABILITIES	131,739
 <u>NET ASSETS</u>	
Invested in Capital Assets	3,915,437
Unrestricted	62,076
TOTAL NET ASSETS	3,977,513
TOTAL LIABILITIES AND NET ASSETS	\$4,109,252

The notes to the financial statements are an integral part of these statements.

**RICHLAND COUNTY TRANSIT BOARD
 RICHLAND COUNTY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011
<u>OPERATING REVENUES:</u>	
Federal	\$944,628
State	252,062
Local Government	176,445
Lease Revenue	10,189
Transit System Revenue:	
Farebox Receipts	136,696
Local Special Fare Assistance	14,513
Contract Transit Service	101,485
Fares Retained by Provider	1,781
Miscellaneous	86,743
 TOTAL OPERATING REVENUES	 1,724,542
<u>OPERATING EXPENSES:</u>	
Purchased Services	1,377,482
Board Members Compensation	7,422
Professional Services	8,596
Equipment and Supplies	18,948
Depreciation	326,154
Fuel	219,954
Insurance	75,367
Miscellaneous	13,000
Bad Debt Write Off	2,300
 TOTAL OPERATING EXPENSES	 2,049,223
 OPERATING INCOME (LOSS)	 (324,681)
<u>NON-OPERATING REVENUES (EXPENSES):</u>	
Gain (Loss) on Disposal of Capital Assets	(44,866)
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 (44,866)
 INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	 (369,547)
Capital Contributions	290,579
Changes in Net Assets	(78,968)
Net Assets (Deficit) Beginning of Year	4,056,481
Net Assets (Deficit) End of Year	\$3,977,513

The notes to the financial statements are an integral part of these statements.

**RICHLAND COUNTY TRANSIT BOARD
RICHLAND COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 2011**

	2011
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 398,589
Cash Received from Operating Grants	1,369,997
Cash Paid for Purchased Services	(1,391,186)
Cash Paid to Board Members	(7,422)
Cash Paid to Suppliers	(335,865)
<i>Net cash provided/(used) for operating activities</i>	\$ 34,113
Cash Flows from Capital and Related Financing Activities:	
Capital Grants Received	\$ 290,579
Sale of Capital Assets	10,386
Purchases of Equipment	(297,877)
<i>Net cash provided/(used) for capital and related financing activities</i>	\$ 3,088
Net increase in cash and cash equivalents	37,201
<i>Cash and cash equivalents, January 1,</i>	\$ 47,282
<i>Cash and cash equivalents, December 31,</i>	\$ 84,483
Reconciliation of Operating Income (loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (324,681)
Adjustments:	
Depreciation expense	326,154
(Increase)/Decrease in Assets:	
Accounts Receivable	47,182
Increase/(decrease) in liabilities:	
Accounts Payable	(14,542)
Total Adjustments	358,794
<i>Net cash provided/(used) for operating activities</i>	\$ 34,113

The notes to the financial statements are an integral part of these statements.

**Richland County Transit Board
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2011**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Richland County Transit Board (the Transit Board) was organized in 1977 under Section 306 of the Ohio Revised Code to operate a transit system. The Transit Board provides public transportation services in the Richland County Metropolitan area. The Transit Board operates under an appointed Board (seven members) that is responsible for the provisions of public transportation.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity", the Transit Board is not considered part of the Richland County financial reporting entity. There are no agencies or organizations for which the Transit Board is considered the primary government. Accordingly, the Transit Board is the sole organization of the reporting entity.

The Transit Board maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Transit Board and, accordingly, these financial statements do not present the financial position or results of operations of Richland County.

The Transit Board has no employees. A management team through a contract with First Transit operates the transit system. The general manager and the maintenance director are employees of First Transit. First Transit is paid a flat monthly fee for these services, per a five-year contract. The bus drivers, mechanics, office and cleaning people are all employees of the sub-corporation of First Transit, Transit Management of Richland. The Transit Board pays Transit Management of Richland monthly for all costs incurred. The Richland County Regional Planning Commission provides fiscal and secretarial support to the Transit Board. The Planning Commission bills the Transit Board monthly for services provided.

The Board members of the Transit Board are compensated for each monthly meeting that they attend. They are paid through the Richland County payroll system.

The accompanying financial statements have been designed to facilitate an understanding of the financial position and results of operations of the Transit Board. The financial information contained in these statements is the responsibility of the Transit Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

In accordance with generally accepted accounting principles for governmental entities such as the Transit Board, an enterprise fund is used to account for operations since they are financed and operated in a manner similar to a private business enterprise. The Transit Board applies all applicable pronouncements from the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 unless the pronouncements conflict with or contradict GASB pronouncements. The Transit Board has elected not to follow subsequent FASB guidance. The Transit Board prepares its financial statements on the accrual basis of accounting, using a flow of economic resources measurement focus. Revenue is recognized in the period earned and expenses are recognized in the period incurred. Operating revenues consist of farebox receipts and operating grants. Operating expenses include purchased services, professional services, supplies, fuel costs and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Assets are recorded at the time there is a right, now or in the future, for their receipt and liabilities are recorded when they are incurred.

**Richland County Transit Board
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Cash Deposits

The Transit Board deposits all receipts in the Richland County Treasury and TMR bank account. The County Treasurer and TMR maintains cash and investment pools used for all County and Transit Board funds. The Transit Board has no other cash deposits or investments and does not receive interest income on its cash balances held in the County Treasury or with TMR. At year-end, the carrying amount of RCTB's deposits with the Richland County Auditor was \$49,224 and at TMR was \$35,259. The Richland County Auditor and TMR, as the fiscal agents for RCTB are responsible for maintaining adequate depository collateral for all funds in their respective cash and deposits accounts. All deposits were covered by FDIC at year-end.

C. Investments

The Ohio Revised Code does not provide the Transit Board the power to make or hold investments other than the deposits in the Richland County Treasury.

D. Capital Assets

Capital assets are stated at cost and are depreciated on the straight line method over their estimated useful lives that range from five to forty years. Donated property and equipment is recorded at fair market value on the date donated. Upon sale or disposition of furniture and equipment, the cost and related depreciation are removed from the accounts and any gain or loss is recognized.

E. Cash Equivalents

For the purposes of the statement of cash flows, the Transit Board considers all cash held by the Richland County Treasury and TMR to be cash equivalents since they are available to the Transit Board upon demand.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Transit Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Richland County Transit Board
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2011

NOTE 3 – CAPITAL ASSETS

The following schedule reflects changes in property and equipment:

Description	<u>1/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2011</u>
Capital assets not being depreciated:				
Land	\$ 1,052,683	\$ -	\$ -	\$ 1,052,683
Capital assets being depreciated:				
Building & building improvements	2,480,625	-	-	2,480,625
Office Equipment	76,123	-	-	76,123
Operating Equipment	<u>3,420,949</u>	<u>297,877</u>	<u>(549,791)</u>	<u>3,169,035</u>
Total capital assets being depreciated	<u>5,977,697</u>	<u>297,877</u>	<u>(549,791)</u>	<u>5,725,783</u>
Total Capital Assets	<u>7,030,380</u>	<u>297,877</u>	<u>(549,791)</u>	<u>6,778,466</u>
Less accumulated depreciation:				
Building & building improvements	(1,544,273)	(82,688)	-	(1,626,961)
Office Equipment	(75,184)	(237)	-	(75,421)
Operating Equipment	<u>(1,412,795)</u>	<u>(243,230)</u>	<u>495,378</u>	<u>(1,160,647)</u>
Total accumulated depreciation	<u>(3,032,252)</u>	<u>(326,155)</u>	<u>495,378</u>	<u>(2,863,029)</u>
Total capital assets being depreciated, net	<u>2,945,445</u>	<u>(28,278)</u>	<u>(54,413)</u>	<u>2,862,754</u>
Total capital assets, net	<u>\$ 3,998,128</u>	<u>\$ (28,278)</u>	<u>\$ (54,413)</u>	<u>\$ 3,915,437</u>

NOTE 4 – RISK MANAGEMENT

The Transit Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries and natural disasters. The Transit Board contracts with private carriers for coverage. Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Richland County Transit Board
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2011**

NOTE 5 – CONTINGENCIES

Federal and State grants are subject to review and audit by the grantor agencies or their designees. Such audits could lead to requests for reimbursement to the grantor agency for expenses disallowed under terms of the grant. There are no such claims pending and no known situations which would lead to such a claim. In addition, based upon prior experience and audit results, management believes that such disallowances, if any, would be immaterial.

Richland County Transit Board
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2011

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Federal Transit Administration			
Federal Transit Cluster:			
Federal Transit Formula Grant	OH-90-X680	20.507	\$ 477,847
Federal Transit Formula Grant	OH-90-X729	20.507	466,781
Federal Transit Formula Grant	OH-04-0073	20.507	65,579
Federal Transit Capital Investment Grant	OH-90-X079	20.500	<u>225,000</u>
Total Federal Transit Cluster			<u>1,235,207</u>
Total Department of Transportation			1,235,207
<u>U.S. Department of Housing and Urban Development</u>			
Pass through Richland County			
Community Development Block Grants	B-F-11-1CM-1	14.218	25,864
Pass through City of Mansfield			
Community Development Block Grants	B-10-MC39-0017	14.218	38,540
Community Development Block Grants	B-11-MC39-0017	14.218	<u>56,060</u>
Total Department of Housing and Urban Development			<u>120,464</u>
Total Expenditures of Federal Awards			<u>\$ 1,355,671</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

RICHLAND COUNTY TRANSIT BOARD
Richland County
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2011

1. **Significant Accounting Policies**

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

2. **Matching Requirements**

Certain federal programs require that the Board contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on this schedule.

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Richland County Transit Board
Richland County
35 North Park Street
Mansfield, OH 44902

To the Board of Trustees:

We have audited the financial statements of the Richland County Transit Board, Richland County, Ohio (the RCTB) as of and for the year ended December 31, 2011 and have issued our report thereon dated June 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the RCTB'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 opining on the effectiveness of the RCTB's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the RCTB's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the RCTB's financial statements will not be prevented or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the RCTB'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, 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 we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees, federal awarding agencies and pass-through entities, and others within the RCTB. We intend it for no one other than these specified parties.

Charles E. Harris and Associates

Charles E. Harris and Associates, Inc.

June 21, 2012

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Richland County Transit Board
Richland County
35 North Park Street
Mansfield, OH 44902

To the Board of Trustees:

Compliance

We have audited the compliance of the Richland County Transit Board, Richland County, Ohio (RCTB), with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the RCTB's major federal program for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the RCTB's major federal program. The RCTB's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the RCTB's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to 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 that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the RCTB's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the RCTB's compliance with these requirements.

In our opinion, the RCTB complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The RCTB's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the RCTB's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the RCTB'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 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.

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 deficiencies, 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.

We intend this report solely for the information and use of the audit committee, management, the Board of Trustees, others within the entity, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

June 21, 2012

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**RICHLAND COUNTY TRANSIT BOARD
RICHLAND COUNTY
December 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Federal Transit Formula Grants, CFDA#20.507 Federal Transit Cap Invest Grant CFDA #20.500
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS - (continued)
OMB CIRCULAR A-133 SECTION .505

RICHLAND COUNTY TRANSIT BOARD
RICHLAND COUNTY
December 31, 2011

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**RICHLAND COUNTY TRANSIT BOARD
RICHLAND COUNTY
December 31, 2011**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending December 31, 2010, reported no material citations or recommendations.

This page intentionally left blank.



Dave Yost • Auditor of State

RICHLAND COUNTY TRANSIT BOARD

RICHLAND 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 4, 2012**