

***RICHLAND COUNTY TRANSIT BOARD***

**RICHLAND COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2012**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Richland County Transit Board, Richland County, prepared by Charles E. Harris & Associates, 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 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

July 10, 2013

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**RICHLAND COUNTY TRANSIT BOARD**  
**RICHLAND COUNTY, OHIO**  
**Audit Report**  
**For the Year Ended December 31, 2012**

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

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## **INDEPENDENT AUDITOR'S REPORT**

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Richland County Transit Board, Richland County, Ohio (the Board), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Board'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 Board'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 Board'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 financial position of the Richland County Transit Board, Richland County, Ohio, as of December 31, 2012, and the changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 6 to the financial statements, during 2012, the Board adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The implementation of these Standards had no effect on the prior year Net Position. Our opinion is not modified with respect to this matter.

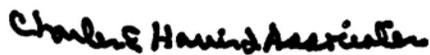
***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2013, on our consideration of the Board'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
June 7, 2013

**Richland County Transit Board**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*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, 2012. 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 \$3,618,204 (net position). Of this amount, \$28,921 (unrestricted net position) may be used to meet ongoing obligations. Total net position decreased by \$359,309 (9%). This decrease is primarily due to the depreciation of fixed assets.

State and local government funds are both used to match Federal grants. Though the State funding was decreased in 2012, the local government funds increased.

**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 Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows.

**STATEMENT OF NET POSITION**

The Statement of Net Position looks at how well the Board has performed financially from inception through December 31, 2012. This statement includes all of the assets, liabilities, and net position 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 Position for the fiscal years ended December 31, 2012, and December 31, 2011:

*Richland County Transit Board  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012*

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Current Assets	\$ 169,704	\$ 193,815
Noncurrent Assets	<u>3,589,283</u>	<u>3,915,437</u>
Total Assets	\$ <u>3,758,987</u>	\$ <u>4,109,252</u>
<b>Liabilities</b>		
Current Liabilities	\$ <u>140,783</u>	\$ <u>131,739</u>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 3,589,283	\$ 3,915,437
Unrestricted	<u>28,921</u>	<u>62,076</u>
Total Net Position	\$ <u>3,618,204</u>	\$ <u>3,977,513</u>

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The Statement of Revenues, Expenses, and Changes in Net Position reports operating and non-operating activities for the fiscal year ended December 31, 2012. The following schedule provides a summary of the Board's Statement of Revenues, Expenses, and Changes in Net Position, for the fiscal years ended December 31, 2012, and December 31, 2011.

<b>Revenues</b>	<b>2012</b>	<b>2011</b>
Federal	\$1,234,445	\$944,628
State	188,452	252,062
Local Governments	67,738	176,445
Lease Revenue	10,125	10,189
Transit System Revenue	298,112	341,218
Capital Contributions	-0-	290,579
Expense Reimbursement	<u>275</u>	<u>-0-</u>
Total Revenues	\$ <u>1,799,147</u>	\$ <u>2,015,121</u>

*Richland County Transit Board  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012*

<b>Expenses</b>	<b>2012</b>	<b>2011</b>
Purchased Services	\$1,442,221	\$1,377,482
Board Member Compensation	8,070	7,422
Professional Services	8,484	8,596
Equipment and Supplies	34,376	18,948
Depreciation	326,154	326,154
Fuel	232,237	219,954
Insurance	82,817	75,367
Miscellaneous	24,097	13,000
Loss on disposal of capital assets	-0-	44,866
Bad Debt write off	-0-	2,300
Total Expenses	<u>\$2,158,456</u>	<u>\$2,094,089</u>
<b>Change in Net Position</b>	(359,309)	(78,968)
Net Position - Beginning	<u>\$3,977,513</u>	<u>\$4,056,481</u>
Net Position - Ending	<u>\$3,618,204</u>	<u>\$3,977,513</u>

**Revenue Variances**

Federal funds received in 2012 were 31% higher than the amount received in 2011. This is primarily due to a one-time program through which 80% reimbursement was allowed for a portion of the annual fuel expenses, rather than the usual 50% reimbursement. Also, certain federal funds that were passed through local governments were reclassified to the federal line.

State funds received in 2012 were 25% less than in 2011. In 2011 the Ohio Department of Transportation was able to provide one-time support for capitalized maintenance and ADA related expenses in addition to the usual operating assistance. The 2012 decrease was expected.

Local entity funds decreased by 62% in 2012. Because of the additional State funds received in 2011, some local funds were deferred to be used for matching in 2012. In 2012, additional funding was received from North Central State College, and new funding source Pioneer Career and Technology Center, to support additional transit service to the City of Shelby. Offsetting this was the reclassification of federal revenues above.

The transit system generated revenue was decreased by 15% in 2012 in comparison to 2011. The decrease in the total is due to refunds of prior year's insurance premiums which were received in 2011. When these refunds are removed, the total of the remaining revenue sources, including contract revenue and farebox receipts is increased in 2012 when compared to 2011.

There were no Capital Contributions in 2012, and no expense reimbursements in 2011, resulting in both of these lines showing 100% change, however, neither of these variances were unexpected, or effected the operations of the transit system.

**Expense Variances**

Equipment and supplies expenses were increased by 71.5% over the amount expended in 2011, due to the purchase of a new two-way radio system for all vehicles and base locations. This was expected and was completed in order to comply with Federal narrow-banding requirements.

Fuel expenses were increased in 2012 by 5.6% more than in 2011, which was a less dramatic increase than in the prior year.

Insurance expenses increased by nearly 10% due to the increased value of the operating vehicle fleet, as a result of a significant number of vehicles being replaced in 2010 and 2011.

The miscellaneous expense line, which is increased by 85.3% from 2011 to 2012, includes operating and maintenance expenses that are incurred at the Stanton Transit Center. There were two significant repair expenses in 2012 that were not incurred in 2011; these being painting and concrete driveway repair.

There were no bad debt write offs in 2012, making this expense 100% less than 2011.

**STATEMENT OF CASH FLOWS**

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, 2012, TMR was in possession of \$34,612 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, 2012.

	Richland County Treasury	Transit Management of Richland
Beginning Balance	\$ 49,224	\$ 35,259
Receipts	\$ 1,652,197	\$ 1,154,683
Disbursements	\$ 1,696,552	\$ 1,155,330
Ending Balance	\$ 4,869	\$ 34,612

**Capital Assets**

As of December 31, 2012, the Board had capital assets of \$3,589,283 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 \$326,154 from December 31, 2011. No capital assets were purchased in 2012. As noted previously, this decrease is a result of standard annual depreciation.

**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 11% of the Board's expenses in 2012.

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 POSITION**  
**DECEMBER 31, 2012**

	2012
<b><u>CURRENT ASSETS</u></b>	
Cash in TMR	\$34,612
Cash with Richland County Treasurer	4,869
Accounts Receivable	130,223
<b>TOTAL CURRENT ASSETS</b>	<b>169,704</b>
 <b><u>CAPITAL ASSETS</u></b>	
Nondepreciable Capital Assets	1,052,683
Depreciable Capital Assets, Net	2,536,600
<b>TOTAL ASSETS</b>	<b>\$3,758,987</b>
 <b><u>CURRENT LIABILITIES</u></b>	
Accounts Payable	\$140,783
<b>TOTAL CURRENT LIABILITIES</b>	<b>140,783</b>
 <b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	3,589,283
Unrestricted	28,921
<b>TOTAL NET POSITION</b>	<b>\$3,618,204</b>

*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 NET POSITION  
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>
<b><u>OPERATING REVENUES:</u></b>	
Lease Revenue	\$10,125
Transit System Revenue:	
Farebox Receipts	141,688
Local Special Fare Assistance	10,219
Contract Transit Service	117,649
Fares Retained by Provider	882
Miscellaneous	27,949
<b>TOTAL OPERATING REVENUES</b>	<b>308,512</b>
<b><u>OPERATING EXPENSES:</u></b>	
Purchased Services	1,442,221
Board Members Compensation	8,070
Professional Services	8,484
Equipment and Supplies	34,376
Fuel	232,237
Insurance	82,817
Miscellaneous	24,097
<b>TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION</b>	<b>1,832,302</b>
<b>OPERATING INCOME (LOSS) BEFORE DEPRECIATION</b>	<b>(1,523,790)</b>
Depreciation Expense	326,154
<b>TOTAL OPERATING EXPENSES</b>	<b>2,158,456</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,849,944)</b>
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>	
Federal	1,234,445
State	188,452
Local Government	67,738
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>1,490,635</b>
<b>Changes in Net Position</b>	<b>(359,309)</b>
<b>Net Position Beginning of Year</b>	<b>3,977,513</b>
<b>Net Position End of Year</b>	<b>\$3,618,204</b>

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 2012**

	<b>2012</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 308,512
Cash Paid for Purchased Services	(1,433,177)
Cash Paid to Board Members	(8,070)
Cash Paid to Suppliers	(382,011)
<b><i>Net cash provided/(used) for operating activities</i></b>	<b>\$ (1,514,746)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Cash Received from Operating Grants	\$ 1,469,744
<b><i>Net cash provided/(used) for non-capital financing activities</i></b>	<b>\$ 1,469,744</b>
<b>Net increase in cash and cash equivalents</b>	<b>(45,002)</b>
<b><i>Cash and cash equivalents, January 1,</i></b>	<b>\$ 84,483</b>
<b><i>Cash and cash equivalents, December 31,</i></b>	<b>\$ 39,481</b>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided By (Used For) Operating Activities</b>	
<b>Operating Income (Loss)</b>	<b>\$ (1,849,944)</b>
<b>Adjustments to reconcile Operating Loss to Net Cash Used for Operating Activities:</b>	
Depreciation expense	326,154
Increase/(decrease) in liabilities: Accounts Payable	9,044
<b>Total Adjustments</b>	<b>335,198</b>
<b><i>Net cash provided/(used) for operating activities</i></b>	<b>\$ (1,514,746)</b>

*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, 2012**

**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, Inc., 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. On a monthly basis, the Transit Board reimburses Transit Management of Richland for all net 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. Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Transit Board follows GASB guidance as applicable to enterprise funds. The Transit Board will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

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 primarily of receipts from farebox and contracted services. Operating expenses include purchased services, professional services, supplies, fuel and insurance costs, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating 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, 2012**

**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 \$4,869 and at TMR was \$34,612. 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 Position**

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Transit Board applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Net investment in capital assets consists of capital assets less accumulated depreciation.

**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, 2012**

**NOTE 3 – CAPITAL ASSETS**

The following schedule reflects changes in property and equipment:

Description	Balance 1/1/2012	Increases	Decreases	Balance 12/31/2012
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	76,124	-	(5,257)	70,867
Operating Equipment	3,169,034	-	(383)	3,168,651
Total capital assets being depreciated	5,725,783	-	(5,640)	5,720,142
Total Capital Assets	6,778,466	-	(5,640)	6,772,826
Less accumulated depreciation:				
Building & building improvements	(1,626,962)	(82,687)	-	(1,709,649)
Office Equipment	(75,421)	(237)	5,257	(70,401)
Operating Equipment	(1,160,646)	(243,230)	383	(1,403,493)
Total accumulated depreciation	(2,863,029)	(326,154)	5,640	(3,183,542)
Total capital assets being depreciated, net	2,862,754	(326,154)	-	2,536,600
Total capital assets, net	\$ 3,915,437	\$ (326,154)	\$ -	\$ 3,589,283

**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, 2012**

**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.

**NOTE 6 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2012, the Transit Board has implemented Governmental Accounting Standard Board (GASB) Statement 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. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Transit Board's 2012 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this statement did not result in any change in the Transit Board's financial statements.

**Richland County Transit Board**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2012**

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Transportation:</u></b>			
<b>Federal Transit Administration:</b>			
<b>Direct Program:</b>			
<b>Federal Transit Cluster:</b>			
Federal Transit Formula Grant	OH-90-X729	20.507	\$ 490,691
Federal Transit Formula Grant	OH-90-X740	20.507	577,751
<b>Total Federal Transit Cluster</b>			<b>1,068,442</b>
<b>Total Department of Transportation</b>			<b>\$ 1,068,442</b>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
<b>Pass through Richland County:</b>			
Community Development Block Grants	B-F-11-1CM-1	14.218	\$ 112,517
<b>Pass through City of Mansfield:</b>			
Community Development Block Grants	B-11-MC39-0017	14.218	23,940
Community Development Block Grants	B-12-MC39-0017	14.218	29,546
<b>Total Department of Housing and Urban Development</b>			<b>166,003</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,234,445</b>

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, 2012**

**1. Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Board'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.

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

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INDEPENDENT AUDITORS' 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Richland County Transit Board, Richland County, (the Board) as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2013.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Board'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 Board'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 Board'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 Board'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 Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
June 7, 2013

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INDEPENDENT AUDITOR'S 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:

***Report on Compliance for Each Major Federal Program***

We have audited the Richland County Transit Board's (the Board) 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 the Richland County Transit Board's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Board's major federal program.

***Management's Responsibility***

The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on the Board's compliance for the Board's major federal program 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 Board'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 Board's major program. However, our audit does not provide a legal determination of the Board's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Richland County Transit Board complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

### ***Report on Internal Control Over Compliance***

The Board'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 Board'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 Board'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.

### ***Report on Schedule of Federal Awards Expenditures***

We have also audited the financial statements of the Richland County Transit Board, Richland County as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated June 7, 2013. We conducted our audit to opine on the Board's basic financial statements. 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 basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management 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 schedule 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 schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Charles E. Harris & Associates, Inc.**  
June 7, 2013

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

**RICHLAND COUNTY TRANSIT BOARD  
RICHLAND COUNTY  
December 31, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(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>	Unmodified
(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
(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

**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, 2012**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending December 31, 2011, reported no material citations or recommendations.



# 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  
JULY 23, 2013**