



Dave Yost • Auditor of State

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Lima Allen County Regional Transit Authority, Allen County, Ohio (the LACRTA), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the LACRTA'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 LACRTA'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 LACRTA'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lima Allen County Regional Transit Authority, Allen County, Ohio, as of December 31, 2013, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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.

Supplementary and Other Information

Our audit was conducted to opine on the LACRTA's basic financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2014, on our consideration of the LACRTA'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 LACRTA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2014

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**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

As management of the Lima Allen County Regional Transit Authority (LACRTA), we offer readers of LACRTA's basic financial statements this narrative overview and analysis of the financial activities of LACRTA for the year ended December 31, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Overview of Financial Highlights

- LACRTA has net position of \$5,197,497. The net position results from the difference between total assets of \$5,945,770 and total liabilities of \$748,273.
- Current assets of \$1,126,566 primarily consist of non-restricted Cash and Cash Equivalents of \$709,197 and Accounts Receivable of \$363,901.
- Current Liabilities of \$ 748,273 primarily consist of Accrued Payroll and Benefits of \$96,156, Accounts Payable of \$243,281 and deferred inflows of resources of \$404,239.

Basic Financial Statements and Presentation

LACRTA complies with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", and Statement No. 38, "Certain Financial Statement Disclosures".

The financial statements presented by LACRTA are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. LACRTA is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated over their estimated useful lives.

The *Statement of Net Position* presents information on all of LACRTA assets and liabilities and deferred inflows of resources, with the difference between the assets and liabilities plus deferred inflows of resources reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of LACRTA is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities and/or deferred inflows of resources results in increased net position, which indicates improved financial position.

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

The *Statement of Cash Flows* allows financial statement users to assess LACRTA's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

Notes to the 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.

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

Financial Analysis of LACRTA

Table 1 provides a summary of LACRTA's net position for 2013 and 2012:

**Table 1
Condensed Summary of Net Position**

	2013	Restated 2012
Assets:		
Current Assets	\$1,126,566	\$1,167,730
Capital Assets (net of accumulated depreciation)	4,819,204	3,884,908
Total Assets	5,945,770	5,052,638
Liabilities:		
Current Liabilities	344,034	262,156
Deferred Inflows of Resources:		
Special Service Guarantee Revenue for the Next Fiscal Year	404,239	373,605
Net Position:		
Net Investment in Capital Assets	4,819,204	3,884,908
Unrestricted Net Position	378,293	531,969
Total Net Position	\$5,197,497	\$4,416,877

The largest portion of LACRTA's net position reflects investment in capital assets consisting of vehicles, office equipment, shop equipment, computer hardware/software. LACRTA uses these capital assets to provide public transportation services for Allen County; consequently, these assets are not available to liquidate liabilities or to cover other spending.

**Table 2
Condensed Summary of Revenues, Expenses and Changes in Net Position**

	2013	2012 (Restated)
Operating Revenues	\$777,298	\$816,899
Operating Expenses (Excluding Depreciation)	(3,087,016)	(3,037,027)
Depreciation Expense	(433,852)	(302,496)
Operating Loss	(2,743,570)	(2,522,624)
Non-Operating Revenues:		
Federal Grants	2,672,514	1,689,530
State Grants	261,113	299,006
Local Grants	118,377	111,606
Other Revenues	472,921	541,531
Other Expenses	(735)	(590)
Total Non-Operating Revenues/(Expenses)	3,524,190	2,641,083
Decrease/Increase in Net Position During Year	780,620	118,459
Net Position, Beginning of Year	4,416,877	4,298,418
Net Position, End of Year	\$5,197,497	\$4,416,877

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)
(Continued)**

Financial Operating Activities

The most significant operating expenses for LACRTA are Labor, Employee Benefits, Depreciation Expense, Services, and Materials and Supplies. These expenses account for 93% of the total operating expenses. Labor, which accounts for 32% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 9% of the total, represents costs associated with the health insurance premiums and workers compensation premiums paid by LACRTA covering its employees. Depreciation expense, which accounts for 12% of the total, represents current year depreciation less any disposals. Services, which accounts for 17% of the total, represents costs associated with vehicle operations, auditing and legal fees and contract management and building services. Materials and supplies, which accounts for 23% of the total, represents costs associated with materials and supplies needed for vehicle maintenance as well as computer and office supplies.

Funding for the most significant operating expenses indicated above is from Special Service Guarantee and Fare Box revenue, as well as Non-Operating Revenues in the form of Federal Grants and Assistance, State Grants and Assistance and Local Grants and Assistance. These revenues account for 89% of the total combined revenues of \$4,302,223. Fare box revenue for 2013 was \$159,430, and account for 4% of the total revenues. Special Service Guarantee revenue for 2013 was \$617,868, and accounts for 14% of the total revenue. Federal Grants and Assistance revenue for 2013 was \$2,672,514, and accounts for 62% of the total revenue. State Grants and Assistance revenue for 2013 was \$261,113 and accounts for 6% of total revenue. Local Grants and Assistance revenue for 2013 was \$118,377, and accounts for 3% of the total revenue. Fuel sales and Other Revenues make up the remaining 11% of total revenue.

LACRTA monitors its sources of revenues closely for fluctuations.

Capital Assets and Debt Administration

LACRTA investment in capital assets as of December 31, 2013, amounts to \$4,819,204 (net of accumulated depreciation). This investment in capital assets includes Vehicles, Equipment, Buildings, Land, and Computer Hardware/Software.

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

As of December 31, 2013, LACRTA had no debt obligations.

Contacting LACRTA Financial Management

This financial report is designed to provide our citizens, customers, and creditors, with a general overview of LACRTA finances and to show LACRTA accountability for the money it receives. Questions concerning the information in this report or to request additional information should be directed to Shelia Schmitt, Executive Director, Lima Allen County Regional Transit Authority, 200 East High Street, Lima, Ohio 45801.

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**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

Assets:

Current Assets:

Cash and Cash Equivalents	\$709,197
Accounts Receivable	363,901
Material and Supplies Inventory	<u>53,468</u>
Total Current Assets	<u>1,126,566</u>

Capital Assets:

Equipment	175,367
Vehicles	3,799,095
Computer Hardware/Software	431,125
Buildings & Improvements	3,574,014
Land	<u>217,262</u>
Total Capital Assets	8,196,863
Less: Accumulated Depreciation	<u>(3,377,659)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>4,819,204</u>
Total Assets	<u><u>5,945,770</u></u>

Liabilities:

Current Liabilities:

Accounts Payable	243,281
Accrued Payroll and Benefits	96,156
Other Payables	<u>4,597</u>
Total Current Liabilities	<u>344,034</u>

Deferred Inflows of Resources:

Special Service Guarantee Revenue for the Next Fiscal Year	<u>404,239</u>
Total Deferred Inflows of Resources	<u>404,239</u>

Net Position:

Net Investment in Capital Assets	4,819,204
Unrestricted	<u>378,293</u>
Total Net Position	<u><u>\$5,197,497</u></u>

See accompanying notes to the basic financial statements.

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013**

Operating Revenues:	
Passenger Fares	\$159,430
Special Service Guarantee	617,868
Total Operating Revenues	<u>777,298</u>
Operating Expenses:	
Labor	1,114,074
Employee Benefits	322,716
Services	588,356
Materials and Supplies	800,538
Utilities	49,376
Insurance	123,495
Miscellaneous	88,461
Depreciation	433,852
Total Operating Expenses	<u>3,520,868</u>
Operating Loss	(2,743,570)
Non-Operating Revenues / (Expenses):	
Interest Income	653
Interest Expense	(735)
Auxiliary Revenue	1,040
Non-Transportation Revenue	471,228
Federal Grants and Assistance	2,672,514
State Grants and Assistance	261,113
Local Grants and Assistance	118,377
Total Non-Operating Revenues / (Expenses)	<u>3,524,190</u>
Increase in Net Position	780,620
Net Position at Beginning of Year, Restated	<u>4,416,877</u>
Net Position at End of Year	<u><u>\$5,197,497</u></u>

See accompanying notes to the basic financial statements.

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash Flow from Operating Activities:	
Cash Received from Customers	\$807,932
Cash Payments to Suppliers for Goods and Services	(1,570,864)
Cash Payments to Employees for Services	(1,428,939)
Net Cash used for Operating Activities	<u>(2,191,871)</u>
 Cash Flow from Non-Capital Financing Activities:	
Receipts from Non-Capital State and Federal Grants	1,510,331
Receipts from Other Financing Activities	639,708
Net Cash Provided by Financing Activities	<u>2,150,039</u>
 Cash Flow from Capital and Related Financing Activities:	
Interest Expense	(735)
Receipts from Capital Grants	1,330,590
Purchase of Capital assets	(1,368,148)
Net Cash Used for Financing Activities	<u>(38,293)</u>
 Cash flow from Investing Activities:	
Interest income	653
Net Cash Provided by Investing Activities	<u>653</u>
Net Decrease in Cash	(79,472)
Cash, Beginning of Year (Restated)	<u>788,669</u>
Cash, End of Year	<u><u>709,197</u></u>
Operating Loss	(2,743,570)
 Adjustments:	
Depreciation	433,852
Change in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Materials and Supplies Inventory	5,335
Increase (Decrease) in Liabilities:	
Accounts Payable	73,432
Accrued Payroll and Benefits	7,851
Other Payables	594
Unearned Revenue	30,635
Total Adjustments	<u>112,512</u>
Net Cash Used for Operating Activities	<u><u>(\$2,191,871)</u></u>

See accompanying notes to the basic financial statements.

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**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. DESCRIPTION OF REPORTING ENTITY

Description of the Reporting Entity

The Lima Allen County Regional Transit Authority (LACRTA) is a body politic of the State of Ohio, established to the purpose of exercising the rights and privileges of conveyed to it by the constitution and laws of the State of Ohio. LACRTA operates under a Board of Directors with an appointed Executive Director handling the daily operations. The LACRTA provided transportation services to the residents of Lima/Allen County, to include but not limited to the general population, elderly, and handicapped riders.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The LACRTA's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The LACRTA uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the LACRTA finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The LACRTA's financial statements are prepared using the accrual basis of accounting whereby revenues and expenditures are recognized in the

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Accounting and Control

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

E. Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in checking accounts and are stated at cost, which approximates market value. Cash and cash equivalents represent the funds that are used for general operations. For purposes of the statement of cash flows, LACRTA considers all highly liquid instruments with maturity of three months or less at the time they are purchased to be cash equivalents.

F. Recognition of Receivables and Revenue

Passenger fares are recorded as revenue at the time services are provided and revenues pass through the fare box. Grants and assistance revenues are from reimbursable, non-reimbursable and entitlement type grant programs. These grant programs involve transactions that are categorized as either government mandated or voluntary non-exchange transactions. Grant and assistance revenues from government mandated and voluntary non-exchange transaction are recorded as receivable and non-operating revenue when all eligibility requirements are met. Grants and assistance revenues received before the eligibility requirements are met are deferred inflows of resources.

G. Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by the LACRTA that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the LACRTA that is applicable to a future reporting period. The LACRTA had no deferred outflows of resources for 2013. Grants and assistance revenues received before the eligibility requirements are met have been recorded as deferred inflows of resources.

H. Property and Equipment

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

Buildings and Improvements	5 to 35 years
Equipment	5 to 10 years
Computer/Software	5 years
Vehicles	5 to 12 years

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

I. Material and Supplies Inventory

Inventory consists of two types of fuel for sale buses and for sale to other local entities and is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when sold or used.

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

K. Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The LACRTA did not have any outstanding borrowings as noted above for 2013. Net Position is reported as restricted when there are limitations imposed on their use either by enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The LACRTA did not have any restricted net position for 2013.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the LACRTA, these revenues are passenger fares and special service guarantee. Operating expenses are the necessary costs incurred to provide the services that are the primary activity. All revenue and expenses not meeting these definitions are reported as non-operating.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. RESTATEMENT OF NET POSITION

The LACRTA restated the net position as of January 1, 2013 to properly reflect the balances of the fund after a prior period correction as follows:

Net Position as of 12/31/12	\$4,397,514
Adjustment	<u>19,363</u>
Restated Net Position as of 12/31/12	<u><u>\$4,416,877</u></u>

4. CASH AND INVESTMENTS

The provisions of the Ohio Revised Code govern the investments and deposits of LACRTA. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit LACRTA to invest its monies in certificates of deposits, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio) and obligation of the United States government or certain agencies thereof. LACRTA may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

4. CASH AND INVESTMENTS (Continued)

Repurchase agreements are to be secured by the specific government securities upon which the repurchase agreements are based. These securities must be an obligation of or guaranteed by the United States and mature or be redeemable within five years of the related repurchase agreement. The market value of the securities subject to repurchase agreements must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security be maintained for public deposits and investments be held in LACRTA's name.

LACRTA is prohibited from investing in any financial instruments, contracts, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). LACRTA is also prohibited from investing in reverse repurchase agreement.

At year end, LACRTA had \$5,561 in un-deposited cash on hand which is included as part of "Cash and Cash Equivalents". The carrying amount of LACRTA deposits was \$709,197.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the LACRTA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$285,165 of the LACRTA's bank balance of \$785,165 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of LACRTA.

The LACRTA has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with LACRTA or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 is as follow.

Description	Balance 1/1/2013	Additions	Capital Disposals	Balance 12/31/2013
Buildings & Improvements	\$3,574,014			\$3,574,014
Land	217,262			217,262
Vehicles	2,875,821	\$1,166,158	\$242,884	3,799,095
Equipment	175,367			175,367
Computer Hardware/Software	229,135	201,990		431,125
Total Capital Assets	\$7,071,599	\$1,368,148	\$242,884	\$8,196,863
Less Accumulated Depreciation:				
Buildings & Improvements	1,398,851	106,601		1,505,452
Vehicles	1,588,312	282,655	242,884	1,628,083
Equipment	146,848	32,345		179,193
Computer Hardware	52,680	12,251		64,931
Total Accumulated Depreciation	3,186,691	433,852	242,884	3,377,659
Total Capital Assets, Net	\$3,884,908	934,296	\$0	4,819,204

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

The Ohio Public Employees Retirements System (OPERS) has provided the following information to LACRTA in order to assist them in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* (Statement No. 27), OPERS administers three separate pension plans as described below.

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

OPERS provide retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to member of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC).

OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614 222 5601 or 800 222 7377).

The ORC provides statutory authority for members and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans.

In 2013 member contribution rates for employees was 10%.

The 2013 employer rate was 14% of covered payroll.

LACRTA's employer's contributions for the years ended December 31, 2013, 2012, 2011 were \$156,336, \$157,572 and \$90,271 respectively; 93% has been contributed for 2013 and 100% for 2012 and 2011.

All contributions were made for each of those fiscal year ends. For 2013, \$11,622 was unpaid as of December 31, 2013.

Post-employment Benefits

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member – Directed Plan - a defined contribution plan; and the Combined Plan – a cost sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS (Continued)

OPERS provide retirement, disability, and survivor benefits as well as post-retirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health coverage.

In order to qualify for post-retirement health care coverage, age-and –service retirees under the Traditional Pension and Combined Plans must have 10 years or more of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPERB) as described in GASB Statement No. 45.

A portion of each employer's contribution to OPERS is set aside for the funding of Postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions.

The LACRTA's contribution rate for 2013 was 14 percent, of which 1 percent was used to fund health care for the Traditional and Combined Plan.

The Airport Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$11,167, \$66,428, and \$37,963, respectively; 93 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

7. RISK MANAGEMENT

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

8. CONTINGENCIES

In the normal course of operations, LACRTA may be subject to litigation and claims. At December 31, 2013, LACRTA was involved in no such matters. LACRTA receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of local government support, which took place in January 1, 2009, had a material effect on LACRTA's programs. In an effort to make improvements, LACRTA has sought contracting opportunities through coordination efforts with local human service agencies. In mid-2011 LACRTA with ACBDD partnered, with LACRTA to do more of DD's transportation. This revenue stream has allowed for restoration of services and expansion of other services. At the end of 2011 LACRTA added a new route and expanded their hours of service. Opening an hour earlier and running service on Saturdays. The beginning of 2012 LACRTA expanded their hours again to run service until 10:15 at night.

9. ACCOUNTS RECEIVABLE

Receivables at December 31, 2013 consisted of accounts (billings) and intergovernmental grants. The LACRTA wrote off \$29,638 in bad debt in 2013. All other receivables are considered collectible in full.

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/ Sub- Grantor/ Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S.DEPARTMENT OF TRANSPORTATION			
<i>Passed Through the Ohio Department of Transportation</i>			
Transit Services Programs Cluster:			
New Freedom Program	20.521	NF-4002-031-131	\$129,935
Job Access and Reverse Commute Program	20.516	JARC-4002-079-131	303,570
Total Transit Services Program Cluster			<u>433,505</u>
 <i>Direct from the Federal Government:</i>			
Federal Transit_Formula Grants	20.507	OH-90-X741	232,502
Federal Transit_Formula Grants	20.507	OH-90-X781	815,274
Federal Transit_Formula Grar - CMAQ	20.507	OH-95-X133	769,712
Federal Transit_Formula Grar - CMAQ	20.507	OH-95-X098	367,460
Federal Transit_Formula Grar - CMAQ	20.507	OH-95-X207	58,702
Federal Transit_Formula Grar - CMAQ	20.507	OH-90-X479	121,021
Total Federal Transit_Formula Grants			<u>2,364,671</u>
 Total U.S. Department of Transportation / Federal Awards Expenditures			<u><u>\$2,798,176</u></u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Lima Allen County Regional Transit Authority's (the LACRTA's) federal award programs' disbursements. The schedule has been prepared on an accrual basis.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the LACRTA to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The LACRTA has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Lima Allen County Regional Transit Authority, Allen County, (the LACRTA) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the LACRTA's basic financial statements and have issued our report thereon dated September 18, 2011 .

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the LACRTA'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 LACRTA's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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 LACRTA'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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the LACRTA'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 LACRTA's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the LACRTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2014



Dave Yost • Auditor of State

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

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Lima Allen County Regional Transit Authority's (the LACRTA) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Lima Allen County Regional Transit Authority's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the LACRTA's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the LACRTA's compliance for each of the LACRTA's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the LACRTA'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 LACRTA's major programs. However, our audit does not provide a legal determination of the LACRTA's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lima Allen County Regional Transit Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The LACRTA'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 LACRTA'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 LACRTA'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.



Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2014

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Transit Services Programs Cluster: CFDA# 20.516 - Job Access and Reverse Commute Program CFDA# 20.521 - New Freedom Program CFDA #20.507 Federal Transit_Formula Grants
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING 2013-001

Material Weakness – Cash Flow Statement

GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting requires a statement of cash flows as part of a full set of financial statements for governmental entities that use proprietary fund accounting.

This Statement identifies the proper classifications of cash flows as operating, noncapital financing, capital and related financing, or investing activities and provides definitions of each category.

The LACRTA's Statement of Cash Flows (the Statement) included transactions in inappropriate cash flow classifications, included mathematical errors and the cash balances (beginning and ending) reported in the Statement did not agree to the LACRTA's actual cash balances. Audit adjustments were necessary to properly present the Statement.

The LACRTA should review and implement the requirements of GASB Statement No. 9 to properly prepare the Statement of Cash Flows at year end.

Official's Response:

We did not receive a response from the officials.

3. FINDINGS FOR FEDERAL AWARDS

None



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LIMA 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
OCTOBER 9, 2014**