



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses and Change in Net Position.....	10
Statement of Cash Flows	11
Notes to the Basic Financial Statements	13
Schedule of Federal Awards Expenditures.....	21
Notes to the Schedule of Federal Awards Expenditures	22
Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by Government Auditing Standards	23
Independent Auditor's Report on Compliance with Requirements Applicable to The Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	25
Schedule of Findings.....	29
Schedule of Prior Audit Findings.....	34
Corrective Action Plan.....	35

This page intentionally left blank.



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 the Lima Allen County Regional Transit Authority, Allen County, Ohio (the LACRTA), as of and for the year ended December 31, 2014, 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, 2014, 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 November 10, 2015, 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 style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 10, 2015

This page intentionally left blank.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014. 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 \$5,290,022. The net position results from the difference between total assets of \$5,996,754 and total liabilities of \$706,732.
- Current assets of \$944,579 primarily consist of non-restricted Cash and Cash Equivalents of \$424,318 and Accounts Receivable of \$457,026.
- Current Liabilities of \$706,732 primarily consist of Accrued Payroll and Benefits of \$104,330, Accounts Payable of \$185,284 and deferred inflows of resources of \$410,197.

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 Change 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 Change 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, 2014
(UNAUDITED)
(Continued)**

Financial Analysis of LACRTA

Table 1 provides a summary of LACRTA's net position for 2014 and 2013:

**Table 1
Condensed Summary of Net Position**

	2014	Restated 2013
Assets:		
Current Assets	\$944,579	\$1,126,566
Capital Assets (Net of accumulated depreciation)	5,052,175	4,804,879
Total Assets	<u>5,996,754</u>	<u>5,931,445</u>
Liabilities:		
Current Liabilities	296,535	344,034
Deferred Inflows of Resources:		
Special Service Guarantee Revenue for the Next Fiscal year	410,197	404,239
Net Position:		
Net Investment in Capital Assets	5,052,175	4,822,311
Unrestricted Net Position	237,847	360,861
Total Net Position	<u>\$5,290,022</u>	<u>\$5,183,172</u>

The largest portion of LACRTA's net position reflects investment in capital assets consisting of vehicles, office equipment, shop equipment, computer hardware/software, land, and building and improvements. 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 Change in Net Position**

	2014	Restated 2013
Operating Revenues	\$790,802	\$777,298
Operating Expenses (Excluding Depreciation)	(3,145,724)	(3,101,341)
Depreciation Expense	(636,409)	(433,852)
Operating Loss	<u>(2,991,331)</u>	<u>(2,757,895)</u>
Non-Operating Revenues:		
Federal Grants	1,757,688	2,672,514
State Grants	166,598	261,113
Local Grants	620,479	118,377
Other Revenues	553,767	472,921
Other Expenses	(351)	(735)
Total Non-Operating Revenues/(Expenses)	<u>3,098,181</u>	<u>3,524,190</u>
Decrease/Increase in Net Position During Year	106,850	766,295
Net Position, Beginning of Year, Restated	5,183,172	4,416,877
Net Position, End of Year	<u>\$5,290,022</u>	<u>\$5,183,172</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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 94% of the total operating expenses. Labor, which accounts for 29% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 8% 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 17% of the total, represents current year depreciation less any disposals. Services, which accounts for 19% 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 21% 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 Passenger Fares 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 86% of the total combined revenues of \$3,889,334. Passenger Fares revenue for 2014 was \$167,954, and account for 5% of the total revenues. Special Service Guarantee revenue for 2014 was \$622,848, and accounts for 16% of the total revenue. Federal Grants and Assistance revenue for 2014 was \$1,757,688, and accounts for 45% of the total revenue. State Grants and Assistance revenue for 2014 was \$166,598 and accounts for 4% of total revenue. Local Grants and Assistance revenue for 2014 was \$620,479, and accounts for 16% of the total revenue. Fuel sales and Other Revenues make up the remaining 14% 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, 2014, amounts to \$5,052,175 (net of accumulated depreciation). This investment in capital assets includes Vehicles, Equipment, Buildings and Improvements, 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, 2014, 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.

This page intentionally left blank.

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

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

Assets:

Current Assets:

Cash and Cash Equivalents	\$424,318
Accounts Receivable	457,026
Material and Supplies Inventory	63,235
Total Current Assets	944,579

Capital Assets:

Equipment	304,182
Vehicles	4,659,285
Computer Hardware/Software	310,330
Buildings & Improvements	3,571,479
Land	217,262
Total Capital Assets	9,062,538
Less: Accumulated Depreciation	(4,010,363)
Total Capital Assets, Net of Accumulated Depreciation	5,052,175
Total Assets	5,996,754

Liabilities:

Current Liabilities:

Accounts Payable	185,284
Accrued Payroll and Benefits	104,330
Other Payables	6,921
Total Current Liabilities	296,535

Deferred Inflows of Resources:

Special Service Guarantee Revenue for the Next Fiscal Year	410,197
Total Deferred Inflows of Resources	410,197

Net Position:

Net Investment in Capital Assets	5,052,175
Unrestricted	237,847
Total Net Position	\$5,290,022

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, 2014**

Operating Revenues:	
Passenger Fares	\$167,954
Special Service Guarantee	622,848
Total Operating Revenues	<u>790,802</u>
 Operating Expenses:	
Labor	1,091,611
Employee Benefits	318,055
Services	700,880
Materials and Supplies	794,060
Utilities	59,564
Insurance	129,516
Miscellaneous	52,038
Depreciation	636,409
Total Operating Expenses	<u>3,782,133</u>
 Operating Loss	 (2,991,331)
 Non-Operating Revenues / (Expenses):	
Interest Income	891
Interest Expense	(351)
Auxiliary Revenue	258
Non-Transportation Revenue	552,618
Federal Grants and Assistance	1,757,688
State Grants and Assistance	166,598
Local Grants and Assistance	620,479
Total Non-Operating Revenues / (Expenses)	<u>3,098,181</u>
 Increase in Net Position	 106,850
 Net Position at Beginning of Year, Restated	 <u>5,183,172</u>
 Net Position at End of Year	 <u><u>\$5,290,022</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, 2014**

Cash Flow from Operating Activities:	
Cash Received from Customers	\$796,760
Cash Payments to Suppliers for Goods and Services	(1,801,498)
Cash Payments to Employees for Services	(1,401,492)
Net Cash used for Operating Activities	<u>(2,406,230)</u>
 Cash Flow from Non-Capital Financing Activities:	
Receipts from Non-Capital State and Federal Grants	1,078,276
Receipts from Other Financing Activities	1,182,224
Net Cash Provided by Financing Activities	<u>2,260,500</u>
 Cash Flow from Capital and Related Financing Activities:	
Interest Expense	(351)
Receipts from Capital Grants	744,016
Purchase of Capital Assets	(883,705)
Net Cash Used for Financing Activities	<u>(140,040)</u>
 Cash flow from Investing Activities:	
Interest income	891
Net Cash Provided by Investing Activities	<u>891</u>
 Net Decrease in Cash	 (284,879)
 Cash, Beginning of Year	 <u>709,197</u>
 Cash, End of Year	 <u><u>424,318</u></u>
 Operating Loss	 (2,991,331)
 Adjustments:	
Depreciation	636,409
Change in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Materials and Supplies Inventory	(9,767)
Increase (Decrease) in Liabilities:	
Accounts Payable	(57,997)
Accrued Payroll and Benefits	8,174
Other Payables	2,324
Unearned Revenue	5,958
Total Adjustments	<u>(41,541)</u>
 Net Cash Used for Operating Activities	 <u><u>(\$2,406,230)</u></u>

This page intentionally left blank.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 for the purpose of exercising the rights and privileges 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.

LACRTA participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Ohio Transit Risk Pool – self-insurance pool

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 LACRTA'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 change 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 statement of net position. The statement of revenues, expenses and change 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period earned or incurred. The measurement focus is on determination of net income, financial position of cash flows. All transactions are reported in a single enterprise fund.

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 2014. 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	20 to 35 years
Equipment	5 years
Computer/Software	5 years
Vehicles	4 to 12 years

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 2014. 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 2014.

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, 2014 to properly reflect the balances of the fund after a prior period correction regarding the valuation of capital assets reflected in the financial statements as follows:

Net Position as of 12/31/13	\$5,197,497
Adjustment	<u>(14,325)</u>
Restated Net Position as of 12/31/13	<u>\$5,183,172</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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.

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 \$7,894 in un-deposited cash on hand which is included as part of "Cash and Cash Equivalents". The carrying amount of LACRTA deposits was \$424,318, which includes \$12,776 held by Ohio Transit Risk Pool, fiscal agent.

A. 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, none of the LACRTA's bank balance of \$469,744 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, 2014 is as follow:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

5. CAPITAL ASSETS (Continued)

Description:	Restated Balance 1/1/2014	Additions	Capital Disposal	Balance 12/31/2014
Buildings & Improvements	\$3,574,014		\$2,535	\$3,571,479
Land	217,262			217,262
Vehicles	3,799,095	\$860,190		4,659,285
Equipment	294,901	30,935	21,654	304,182
Computer Hardware/Software	310,993	2,286	2,949	310,330
Total Capital Assets	8,196,265	893,411	27,138	9,062,538
Less Accumulated Depreciation:				
Buildings & Improvements	1,515,624	105,778		1,621,402
Vehicles	1,628,083	469,029		2,097,112
Equipment	146,722	30,758		177,480
Computer Hardware/Software	83,525	30,844		114,369
Total Accumulated Depreciation	3,373,954	636,409		4,010,363
Total Capital Assets, Net	\$4,822,311	\$257,002	\$27,138	\$5,052,175

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 2014, member and employer contribution rates were consistent across all three plans.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

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

In 2014 member contribution rates for employees was 10%. The 2014 employer rate was 14% of covered payroll.

LACRTA's employer's contributions for the years ended December 31, 2014, 2013, 2012 were \$151,663, \$156,336 and \$157,572 respectively; 89% has been contributed for 2014 and 100% for 2013 and 2012.

All contributions were made for each of those fiscal year ends. For 2014, \$19,665 was unpaid as of December 31, 2014.

A. 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.

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 2014 was 14 percent, of which 1 percent was used to fund health care for the Traditional and Combined Plan.

The LACRTA's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$10,833, \$11,167, and \$66,428, respectively; 89 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

7. RISK MANAGEMENT

The Authority is a member of the Ohio Transit Risk Pool (OTRP), a self-insurance pool created under Chapter 2744 of the Ohio Revised Code. Through the pool, the Authority receives risk management services and property and casualty loss coverage in exchange for contributions paid. The OTRP members group self-insures the first \$250,000 of any qualified auto physical damage loss and the first \$100,000 of any qualified commercial property loss. Qualified casualty losses are group self-insured to \$1,000,000 subject to a \$1,000 per loss deductible. Per occurrence limits are maintained above the group self-insurance by OTRP equal to approximately \$200,000,000 for qualified property losses and \$10,000,000 for qualified casualty losses. Any underfunding of the plan's self-insured liabilities are shared pro-rata by the members based on pool contribution factors comprised of: service area population, FTE employees, number of vehicles, total property values, claims history and net operating expenses. All factors are single weighted except for claims history which is double weighted in the underwriting analysis.

The Authority continues to carry commercial insurance for all risks of loss, including Workers' Compensation, Employee Health and Accident Insurance, Comprehensive General Liability, Automobile Liability, Errors and Omissions, and Employee Benefits Liability, Commercial Property, Auto Physical Damage, Bonds and Crime.

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, 2014, 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, 2014 consisted of accounts (billings) and intergovernmental grants. All receivables are considered collectible in full.

This page intentionally left blank.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Sub-Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Transit Services Programs Cluster:			
New Freedom Program	20.521	NF-4002-044-141	\$125,100
Job Access and Reverse Commute Program	20.516	JARC-4002-095-141	282,855
Total Transit Services Program Cluster			<u>407,955</u>
Urban Transit Program:			
Highway Planning and Construction	20.205	OH-95-X050	4,875
Highway Planning and Construction	20.205	OH-95-X077	30,163
Total Urban Transit Program			<u>35,038</u>
Total Passed Through Ohio Department of Transportation			<u>442,993</u>
Direct from U.S. Department of Transportation			
Federal Transit Formula Grants	20.507	OH-90-X781	445,967
Federal Transit Formula Grants	20.507	OH-90-X800	912,384
Federal Transit Formula Grants	20.507	OH-95-X138	333,000
Federal Transit Formula Grants	20.507	OH-95-X133	58,288
Federal Transit Formula Grants	20.507	OH-95-X098	12,540
Federal Transit Formula Grants	20.507	OH-90-X479	2,422
Total Federal Transit Formula Grants			<u>1,764,601</u>
Total U.S. Department of Transportation			<u>2,207,594</u>
Total Federal Awards Expenditures			<u><u>\$2,207,594</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, 2014**

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, 2014, and the related notes to the financial statements, which collectively comprise the LACRTA's basic financial statements and have issued our report thereon dated November 10, 2015.

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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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. We consider findings 2014-001 through 2014-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-004 described in the accompanying schedule of findings to be a significant deficiency.

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*.

LACRTA's Response to Findings

The LACRTA's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the LACRTA's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State
Columbus, Ohio

November 10, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 The 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 the Lima Allen County Regional Transit Authority's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the LACRTA's major federal program.

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 the LACRTA'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 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 program. However, our audit does not provide a legal determination of the LACRTA's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2014-005. The finding did not require us to modify our compliance opinion on the major federal program.

The LACRTA's response to our noncompliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the LACRTA's response and, accordingly, we express no opinion on it.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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's 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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2015-005 to be a material weakness.

The LACRTA's response to our internal control over compliance finding is described in the accompanying schedule of findings and or corrective action plan. We did not audit the LACRTA's response and, accordingly, we express no opinion on it.

Lima Allen County Regional Transit Authority
Allen County
Independent Auditor's Report on Compliance with Requirements
Applicable to The Major Federal Program and on Internal Control
Over Compliance Required by OMB Circular A-133
Page 2

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

November 10, 2015

This page intentionally left blank.

ALLEN COUNTY RTA
ALLEN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014

1. SUMMARY OF AUDITOR'S RESULTS
--

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

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

FINDING NUMBER 2014-001

Proper Recording of Inventory Activity

MATERIAL WEAKNESS

The Lima Allen County Regional Transit Authority (LACRTA) maintains an inventory count report for vehicle repair/parts inventory and electronic read outs for the fuel. This information is used to adjust the materials and supplies inventory accounts in the accounting system.

The fuel usage and vehicle repair expenses for October through December 2014 were not properly reported in the LACRTA's Quickbook accounts for materials and supplies inventory for \$169,283 and \$13,126 respectively causing an overstatement of the materials and supplies inventory line item in the financial statements of \$182,409.

Procedures were not in place to provide for the appropriate reporting of inventory activity. The failure to reconcile the amounts reported in the accounting system to the LACRTA's inventory counts could lead to a material misstatement of the materials and supplies inventory line item on the financial statements. The financial statements have been adjusted for this activity.

Procedures should be implemented to provide that LACRTA record fuel usage monthly and vehicle repairs/parts usage periodically in the Quickbooks accounting system and reconcile to the inventory counts and supporting documentation to the accounting system to determine adjustments necessary and change to the accounting system accordingly to properly reflect activity.

Official's Response:

Finance Director started in July 2014 and was not made aware of how usage was being tracked. Since this has been brought to her attention, steps will be taken to correct this issue for 2015.

FINDING NUMBER 2014-002

Statement of Cash Flows

MATERIAL WEAKNESS

GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust

The Lima Allen County Regional Transit Authority (LACRTA) Statement of Cash Flows (the Statement) included transactions in inappropriate classifications and the cash balance (ending) reported in the Statement did not agree to the LACRTA's actual cash balances.

The following audit adjustments were necessary to properly present the Statement:

- Increase in Net Cash used for Operating Activities of \$202,489
- Increase in Net Cash Provided by Non-Capital Financing Activities of \$246,110
- Increase in Net Cash Used for Capital and Related Financing Activities of \$21,416

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

**FINDING NUMBER 2014-002
(Continued)**

Official's Response:

GASB Statement No 9 will be reviewed to help properly prepare the Cash Flow statement.

FINDING NUMBER 2014-003

Classification of Financial Activity

MATERIAL WEAKNESS

The Lima/ Allen County Regional Transit Authority (LACRTA) should have procedures and controls in place to help assure that all financial transactions are correctly recorded in the Quickbooks system and financial statements according to Generally Accepted Accounting Principles (GAAP) in order to assist in the effective management and reporting of financial resources.

The below errors were identified in the recording of daily financial activity:

- November 2014 Federal Transit Authority grant of \$147,674 was earned but not received in 2014 and not posted as Federal Grants and Assistance revenue and accounts receivable as required by GAAP.
- December 2014 Federal Transit Authority grant of \$91,481 was earned but not received in 2014 and not posted as Federal Grants and Assistance revenue and accounts receivable as required by GAAP.
- Prepaid revenue of \$500,000 from the Allen County Board of Developmental Disabilities was incorrectly posted as Federal Grants and Assistance revenue instead of a deferred inflow of resources.
- Fourth quarter 2014 New Freedom grant for \$31,477 was earned but not received in 2014 was not posted as Federal Grants and Assistance revenue and accounts receivable as required by GAAP.
- Fourth quarter 2014 Jobs Access and Reverse Commute Program (JARC) grant for \$51,150 earned but not received in 2014 was not posted as Federal Grants and Assistance revenue and accounts receivable as required by GAAP.
- Allen County Board of Developmental Disabilities July revenue earned was incorrectly posted twice as \$30,321 deferred inflow of resources, \$18,938 Special Service Guarantee revenue, and \$11,383 Federal Grants and Assistance revenue.
- Revenue earned from the Allen County Board of Developmental Disabilities for September through December 2014 was not properly posted as a reduction of deferred inflow of resources for \$165,002, and an increase of \$111,171 in Special Service Guarantee revenue, and a decrease of \$53,831 in service expenditures.

The failure to correctly classify financial activity in the Quickbooks system and financial statements may impact the user's understanding of the financial operations, the LACRTA's ability to make sound financial decisions and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner.

The accompanying financial statements have been adjusted to correctly classify these transactions.

The LACRTA should review the Auditor of State Bulletins, GASB 34, and other resources available for guidance in an effort to correctly classify revenues, expenditures, and fund balances according to GAAP.

**FINDING NUMBER 2014-003
(Continued)**

Official's Response:

Guidance will be reviewed to ensure the financials are prepared in accordance with GAAP.

FINDING NUMBER 2014-004

Written Policy and Procedures for Approval of Pay Rates and Benefits and Employing Personnel

SIGNIFICANT DEFICIENCY

The Lima Allen County Regional Transit Authority (LACRTA) should have procedures in place to ensure that all employee payments, benefits, hiring, and termination are appropriately authorized. The formal written policy in place did not give the Executive Director the authority to approve pay rates and hiring. The Executive Director's job description stated "Involved in hiring practices, termination proceedings, performance reviews, and supervision of all personnel requirements". The Executive Director approved all employee pay rates, and hirings and terminations for the Lima Allen County Regional Transit Authority (LACRTA) and there were no formal Board approvals noted in the minutes.

The Board meeting minutes on January 22, 2014 authorized the interim executive director to make a job offer to his preferred candidate for maintenance director at a salary of \$39,500; however, per the salary schedule for 2014, the maintenance director was paid \$40,000. A contract or other documentation was not available to support an approval of the salary amount paid to the maintenance director and nothing was noted in the minutes to support the increase in the amount to be offered.

The LACRTA did not have a formal written policy for longevity pay in place; however, several LACRTA employees received longevity pay during 2014.

LACRTA did not have formal policies or procedures in place to govern the rate approvals, including longevity pay, and the hiring and termination of employees to include Board approval. The lack of formal written policies that require Board approval could result in an employee not being paid the proper rate or employees not receiving consistent benefits. The lack of formal written policies could also result in possible litigation for unlawful firings and/or terminations.

Procedures should be implemented to provide that the Board approve an annual salary schedule and any additional pay increases/decreases throughout the year. Also, the Board should approval a formal written policy on hiring and termination policies, longevity pay and procedures that would include the Executive Director's specific duties and the Board's approval.

Official's Response:

The Board does and has in the past approved the budget which includes any planned increases in pay to the employees. The ACRTA does have a policy that gives the Executive Director the authority to terminate an employee. ACRTA also has a hiring policy. The salary schedules and longevity pay are part of the Union Contract, which is to be approved or disapproved by the Board. The policies will be updated to reflect Board approvals and additional authority of the Executive Director.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2014-005

Federal Schedule Presentation

NONCOMPLIANCE AND MATERIAL WEAKNESS

OMB Circular A-133 Subpart C, § 300(a) states the Lima Allen County Regional Transit Authority (LACRTA) shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. **OMB Circular A-133, Subpart C, § 300(d)**, requires the LACRTA to prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with Section 310. LACRTA prepared a schedule of Federal award expenditures; however, the following errors were identified:

- 1) The Federal Transit Formula Grants expenditures for grants numbers OH-90-X800 and OH-90-X781 were understated in the amounts of \$231,122 and \$8,033, respectively;
- 2) \$35,038 of Urban Transit Program expenditures were not included on the federal schedule

The Schedule of Federal Award Expenditures has been adjusted to correct these errors.

The failure to correctly report grants and activity on the Schedule may result in material misstatement of the Schedule. A materially misstated Schedule may result in follow-up action being taken by the grantor agency.

Prior to finalizing the Schedule of Federal Award Expenditures, a review should be performed to help assure accuracy.

Official's Response:

Steps are being taken to ensure the proper presentation of the Schedule of Federal Award Expenditures.

LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material Weakness – Cash Flow Statement	No	Repeated in Finding 2014-002

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	A reconciliation between the fuel reports and Preventive Maintenance Reports and Quick Books will be performed at the end of the year.	12/31/15	Patricia Stein Finance Director
2014-002	GASB Statement No 9 will be reviewed to properly prepare the Cash Flow Statements	12/31/15	Patricia Stein Finance Director
2014-003	The classifications for 2015 have already been corrected.	11/18/15	Patricia Stein Finance Director
2014-004	Policies will be developed and implemented	12/31/15	Shelia Schmitt Executive Director
2014-005	Procedures will be implemented to ensure all Federal Awards are included on the Federal Schedule	12/31/15	Patricia Stein Executive Director

This page intentionally left blank.



Dave Yost • Auditor of State

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
JANUARY 5, 2016**