



**TOLEDO AREA REGIONAL
TRANSIT AUTHORITY**
Toledo, Ohio

FINANCIAL STATEMENTS
December 31, 2009 and 2008





Dave Yost • Auditor of State

Board of Trustees
Toledo Area Regional Transit Authority
1127 West Central Ave
P. O. Box 792
Toledo, Ohio 43697-0792

We have reviewed the *Independent Auditor's Report* of the Toledo Area Regional Transit Authority, Lucas County, prepared by Clifton Gunderson LLP, for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Finding for Recovery

Ohio Revised Code Section 9.03 states that "no governing body of a political subdivision shall use public funds to support or oppose the passage of a levy or bond issue." A "governing body" for these purposes means anybody corporate and politic, except a municipal corporation that has adopted a charter under Section 7 of Article XVIII of the Ohio Constitution, and except a county that has adopted a charter under Section 3 and 4 of Article X of the Ohio Constitution.

Citizens for TARTA is a Political Action Committee formed to raise funds and help finance TARTA levy campaigns.

In 2007, Citizens for TARTA borrowed, from TARTA, \$13,885, without interest, to assist with campaign costs. Citizens borrowed an additional \$53,000 in January 2008. As of December 31, 2009, the balance receivable (amount payable to TARTA) is \$66,885. No payments have been received from Citizens for TARTA. As stated above, a governing body is prohibited from using public funds to support or oppose the passage of a levy.

In accordance with the foregoing facts, and pursuant to ORC Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Citizens for TARTA in the amount of \$66,885, and in favor of TARTA.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or

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Re: Toledo Area Regional Transit Authority
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property are secondarily for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Therefore, because TARTA's Director, James Gee, approved the improper payments, James Gee and his bonding company, The Harford, are jointly and severally liable for the \$66,885.

James Gee will only be liable to the extent that payment is not received from Citizens for TARTA.

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

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

April 8, 2011

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Independent Auditor's Report

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

We have audited the accompanying balance sheets of the Toledo Area Regional Transit Authority (the Authority) as of December 31, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 8, 2011 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Toledo, Ohio
March 8, 2011

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2008**

As financial management of the Toledo Area Regional Transit Authority (the Authority), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2009 and 2008. 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 the financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights in 2009

- The Authority's total net assets increased \$2,119,000, or 9.4%, over the course of the year's operations.
- The Authority's operation expenses, excluding depreciation, in 2009 were \$788,000 less than in 2008. A decrease in hours of operation, reduction in routes and lower fuel costs contributed to this reduction.
- Operating revenues for the Authority of \$6,300,000 million in 2009 increased \$252,000 compared with 2008. Increases in Paratransit ridership and the Toledo Board of Education contract contributed to the increase.
- Property tax revenues of \$18,260,000 million (2.5 mils) were up \$215,000 compared to 2008. This tax represents 58.2% of all revenues received. Due to foreclosures and property devaluation, this amount is expected to decrease in 2010 by an estimated \$1.1 million.
- Total funding from the State of Ohio decreased by \$159,000.
- The Authority provided no charter services in 2009 in accordance with current federal regulations.
- The Authority has purchased or is committed to purchase the following revenue vehicles with funds received through the American Recovery and Reinvestment Act Program:
 - The purchase of full-size transit buses totaling \$5,415,000
 - The purchase of small Call-A-Ride buses totaling \$1,033,000
 - Purchased eleven Paratransit buses totaling \$823,000

Financial Highlights in 2008

- The Authority's total net assets decreased \$413,000, or 1.8%, over the course of the year's operations.
- The Authority's operation expenses, excluding depreciation, in 2008 were \$590,000 higher than in 2007. An increase in cost associated with fuel contributed to the increase.
- Operating revenues for the Authority of \$6.1 million in 2008 increased \$417,000 compared with 2007. Increases in Passenger fares and the Toledo Board of Education contract contributed to the increase.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2008**

Financial Highlights in 2008, Continued

- Property tax revenues of \$18.0 million (2.5 mils) were up \$3.0 million compared to 2007. This tax represents 59.8% of all revenues received. This increase is due to the passage of the 1.5 mil replacement levy.
- Total funding from the State of Ohio increased by \$9,000.
- The Authority provided no charter services in 2008 in accordance with current federal regulations.
- The Authority has committed to purchase the following revenue vehicles with funds received through the American Recovery and Reinvestment Act Program:
 - The purchase of 18 thirty-five foot buses totaling \$6,498,000
 - The purchase of 11 Paratransit buses totaling \$825,000
 - The purchase of 10 small Call-A-Ride buses totaling \$1,050,000

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which is comprised of the basic financial statements and the notes to financial statements. This report contains supplementary information concerning the Authority's net assets and changes in net assets in addition to the basic financial statements themselves.

Required Financial Statements

The financial statements of the Authority are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private-sector business.

The balance sheets present information on all the Authority's assets and liabilities, with the difference between the two amounts reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in increased net assets, which indicate improved financial position.

The statements of revenues, expenses and changes in net assets present information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., employee fringe benefits).

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to Financial Statements

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

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2008**

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of this year's activities?" The balance sheet and the statement of revenues, expenses and changes in net assets report information about the Authority's activities in a way that will help answer this question. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population decline or growth and new or changed governmental legislation.

Regional Transit Authority's Net Assets

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|-------------------------------------|----------------------|----------------------|----------------------|
| ASSETS | | | |
| Current assets | \$ 29,099,832 | \$ 24,959,032 | \$ 25,664,928 |
| Restricted assets | 80,780 | 23,686 | 24,027 |
| Long-term investments | 798,691 | 803,620 | 769,495 |
| Capital assets, net | <u>15,358,506</u> | <u>18,064,141</u> | <u>18,682,286</u> |
| Total assets | <u>45,337,809</u> | <u>43,850,479</u> | <u>45,140,736</u> |
| LIABILITIES | | | |
| Current liabilities | 2,744,111 | 3,314,144 | 4,048,435 |
| Property taxes | 17,207,000 | 17,654,000 | 17,838,000 |
| Other deferred revenue | <u>697,711</u> | <u>307,754</u> | <u>267,021</u> |
| Total liabilities | <u>20,648,822</u> | <u>21,275,898</u> | <u>22,153,456</u> |
| NET ASSETS | | | |
| Invested in capital assets | 15,358,506 | 18,064,141 | 18,682,286 |
| Unrestricted | 9,249,701 | 4,486,754 | 4,280,967 |
| Restricted for capital acquisitions | <u>80,780</u> | <u>23,686</u> | <u>24,027</u> |
| Total net assets | <u>\$ 24,688,987</u> | <u>\$ 22,574,581</u> | <u>\$ 22,987,280</u> |

The largest portions of the Authority's net assets reflect investment in capital assets (e.g., diesel buses, operating facilities). The Authority uses these assets to provide public transportation service for the Cities of Toledo, Sylvania, Maumee, Perrysburg, and Rossford; the Townships of Sylvania and Spencer; and the Villages of Ottawa Hills and Waterville. These capital assets are not available to liquidate liabilities or other spending.

Year Ending December 31, 2009

Investment in capital assets decreased to \$15.4 million in 2009 from \$18.1 million in 2008, or 14.9%. This decrease was the result of the excess of depreciation expense over capital asset additions, as well as the removal of obsolete assets.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2008**

Financial Analysis of the Authority, Continued

Year Ending December 31, 2008

Investment in capital assets decreased to \$18.1 million in 2008 from \$18.7 million in 2007, or 3.3%. This decrease was the result of the excess of depreciation expense over capital asset.

Change in Net Assets

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|---------------------|
| Operating revenues | \$ 6,328,001 | \$ 6,075,596 | \$ 5,658,116 |
| Operating expenses, excluding depreciation | (27,531,866) | (28,319,613) | (27,729,972) |
| Depreciation expense | <u>(3,540,838)</u> | <u>(3,791,878)</u> | <u>(3,680,043)</u> |
| Operating loss | <u>(24,744,703)</u> | <u>(26,035,895)</u> | <u>(25,751,899)</u> |
| Nonoperating revenues (expenses): | | | |
| Property taxes | 18,255,216 | 18,040,538 | 15,018,267 |
| Federal operating and preventive maintenance grants | 6,055,919 | 5,031,258 | 4,928,261 |
| State operating and preventive maintenance grants | 543,611 | 706,989 | 698,298 |
| State special fare assistance | 143,268 | 139,355 | 138,737 |
| Investment income | 12,164 | 116,131 | 217,120 |
| Gain (loss) on disposal of capital assets | (755) | 146 | (6,117) |
| Nontransportation revenue | <u>13,972</u> | <u>80,958</u> | <u>107,906</u> |
| Total nonoperating revenues | <u>25,023,395</u> | <u>24,115,375</u> | <u>21,102,472</u> |
| Capital contributions | <u>1,835,714</u> | <u>1,507,821</u> | <u>-</u> |
| Increase (decrease) in net assets | 2,114,406 | (412,699) | (4,649,427) |
| Net assets: | | | |
| Beginning of year | <u>22,574,581</u> | <u>22,987,280</u> | <u>27,636,707</u> |
| End of year | <u>\$24,688,987</u> | <u>\$22,574,581</u> | <u>\$22,987,280</u> |

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2008**

Financial Analysis of the Authority, Continued

Year Ended December 31, 2009

The Authority's operating revenues for 2009 were up \$252,000 over 2008, or 4.2%. Ridership on line service amounted to 4.0 million in 2009, a decrease of 547,000 from 2008. In addition, miles of service of 4.3 million for fixed line service remained consistent with the prior year. Revenues from contract service to the Toledo Public Schools increased by \$147,000 or 4.6% in 2009. Operating expenses, excluding depreciation, decreased by \$788,000 or 2.8%, from 2008 primarily from the service cuts and the reduction in fuel costs. The 2009 nonoperating revenues of \$25.0 million were higher than revenues in 2008 due to revenue from a fuel grant.

Year Ended December 31, 2008

The Authority's operating revenues for 2008 were up \$417,000 over 2007, or 7.4%. Ridership on line service amounted to 4.6 million remaining consistent with 2007. In addition, miles of service of 4.3 million remained consistent with the prior year. Revenues from contract service to the Toledo Public Schools increased 5.6% in 2008. Operating expenses, excluding depreciation, increased by \$590,000 or 2.1%, from 2007 primarily from the escalation of fuel costs. The 2008 nonoperating revenues of \$24.1 million were higher than revenues in 2007 due to the replacement of the 1.5 mil levy at current property values.

Capital Contributions

Year Ended December 31, 2009

Capital contributions from federal and state agencies in 2009 were \$1.8 million. In 2009, the Authority purchased eleven air conditioned, low floor, lift equipped, paratransit buses at a total cost of \$823,000.

Capital Asset and Debt Administration

Capital Assets 2009

The Authority's investment in capital assets amounts to \$15.4 million, net of accumulated depreciation, as of December 31, 2009, a decrease of \$2.7 million or (15.0%) compared with 2008. Capital assets include land and land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year include the purchase of eleven paratransit buses for a total of \$823,000.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2008**

Capital Asset and Debt Administration, Continued

Capital Assets 2008

The Authority's investment in capital assets amounts to \$18.1 million, net of accumulated depreciation, as of December 31, 2008, a decrease of \$618,000 (3.3%) compared with 2007. Capital assets include land and land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year include the purchase of ten large transit busses for a total of \$2.9 million.

Long-Term Debt

The Authority has no outstanding long-term debt as of December 31, 2009 and 2008.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Secretary/Treasurer
Toledo Area Regional Transit Authority
P.O. Box 792
Toledo, OH 43697-0792

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
BALANCE SHEETS
December 31, 2009 and 2008**

| ASSETS | <u>2009</u> | <u>2008</u> |
|--|----------------------------|----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents (includes approximately \$500,607 and \$562,147 designated by the Board of Trustees for capital acquisitions in 2009 and 2008, respectively) | \$ 8,761,513 | \$ 4,405,835 |
| Property taxes receivable | 17,207,000 | 17,654,005 |
| Accounts receivable | 1,941,100 | 1,803,305 |
| Inventories | 1,043,326 | 993,148 |
| Prepaid expenses and deposits | <u>146,893</u> | <u>102,739</u> |
| Total current assets | <u>29,099,832</u> | <u>24,959,032</u> |
| OTHER ASSETS | | |
| Restricted cash and cash equivalents for capital acquisitions | 80,780 | 23,686 |
| Capital assets not being depreciated | 790,468 | 858,140 |
| Capital assets being depreciated, net | 14,568,038 | 17,206,001 |
| Long-term investments (designated by the Board of Trustees for capital acquisitions) | <u>798,691</u> | <u>803,620</u> |
| TOTAL ASSETS | <u>\$45,337,809</u> | <u>\$43,850,479</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 774,315 | \$ 925,969 |
| Accrued payroll and vacation pay | 790,933 | 903,736 |
| Accrued workers' compensation insurance | 297,292 | 253,359 |
| Accrued employer's contribution to Public Employees Retirement System | 221,843 | 200,711 |
| Accrued claims, including self-insurance | 624,960 | 559,914 |
| Other | <u>34,768</u> | <u>470,455</u> |
| Total current liabilities | <u>2,744,111</u> | <u>3,314,144</u> |
| DEFERRED REVENUE | | |
| Property taxes | 17,207,000 | 17,654,000 |
| Other | <u>697,711</u> | <u>307,754</u> |
| Total deferred revenue | <u>17,904,711</u> | <u>17,961,754</u> |
| Total liabilities | <u>20,648,822</u> | <u>21,275,898</u> |
| NET ASSETS | | |
| Invested in capital assets | 15,358,506 | 18,064,141 |
| Unrestricted | 9,249,701 | 4,486,754 |
| Restricted for capital acquisitions | <u>80,780</u> | <u>23,686</u> |
| Total net assets | <u>24,688,987</u> | <u>22,574,581</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$45,337,809</u> | <u>\$43,850,479</u> |

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| OPERATING REVENUES | | |
| Passenger fares | \$ 2,802,973 | \$ 2,647,655 |
| Toledo Board of Education and other contracts | 3,375,074 | 3,227,941 |
| Auxiliary transportation revenue | <u>149,954</u> | <u>200,000</u> |
| Total operating revenues | <u>6,328,001</u> | <u>6,075,596</u> |
| OPERATING EXPENSES | | |
| Labor | 13,420,614 | 12,436,784 |
| Fringe benefits | 5,342,537 | 4,441,928 |
| Materials and supplies | 3,616,101 | 3,234,446 |
| Services | 1,093,856 | 3,403,381 |
| Fuel | 2,824,170 | 3,706,979 |
| Taxes | 370,190 | 372,025 |
| Claims and insurance | 477,939 | 293,606 |
| Utilities | 362,422 | 399,882 |
| Miscellaneous | <u>24,037</u> | <u>30,582</u> |
| Total operating expenses | <u>27,531,866</u> | <u>28,319,613</u> |
| Operating loss before depreciation | (21,203,865) | (22,244,017) |
| DEPRECIATION | <u>3,540,838</u> | <u>3,791,878</u> |
| Operating loss | <u>(24,744,703)</u> | <u>(26,035,895)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Property taxes | 18,255,216 | 18,040,538 |
| Federal operating and preventive maintenance assistance | 6,055,919 | 5,031,258 |
| State operating and preventive maintenance grants and assistance | 686,879 | 846,344 |
| Investment income | 12,164 | 116,131 |
| Gain (loss) on disposal of capital assets | (755) | 146 |
| Nontransportation revenues | <u>13,972</u> | <u>80,958</u> |
| Total nonoperating revenues | <u>25,023,395</u> | <u>24,115,375</u> |
| Net gain (loss) before capital contributions | 278,692 | (1,920,520) |
| CAPITAL CONTRIBUTIONS | <u>1,835,714</u> | <u>1,507,821</u> |
| Increase (decrease) in net assets | 2,114,406 | (412,699) |
| NET ASSETS | | |
| Beginning of year | <u>22,574,581</u> | <u>22,987,280</u> |
| End of year | <u>\$24,688,987</u> | <u>\$22,574,581</u> |

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from fares and contracts | \$ 6,576,066 | \$ 5,232,290 |
| Payments to suppliers | (9,450,388) | (12,291,016) |
| Payments for labor and employee benefits | <u>(18,745,843)</u> | <u>(16,760,130)</u> |
| Net cash used in operating activities | <u>(21,620,165)</u> | <u>(23,818,856)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from: | | |
| Property taxes | 18,255,221 | 18,041,331 |
| Federal operating and preventive maintenance assistance | 6,055,919 | 5,031,258 |
| State operating and preventive maintenance grants and assistance | 691,381 | 836,035 |
| Nontransportation revenues | <u>13,972</u> | <u>80,958</u> |
| Net cash provided by noncapital financing activities | <u>25,016,493</u> | <u>23,989,582</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Expenditures for capital assets | (835,958) | (3,174,433) |
| Proceeds received on disposal of capital assets | - | 700 |
| Proceeds from capital contributions | <u>1,835,714</u> | <u>1,507,697</u> |
| Net cash used in capital and related financing activities | <u>999,756</u> | <u>(1,666,036)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of long-term investments | (359,730) | (774,667) |
| Sale/maturity of long-term investments | 286,467 | 740,542 |
| Interest on investments | <u>89,951</u> | <u>119,668</u> |
| Net cash provided by investing activities | <u>16,688</u> | <u>85,543</u> |
| Net increase (decrease) in cash and cash equivalents | 4,412,772 | (1,409,767) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | <u>4,429,521</u> | <u>5,839,288</u> |
| End of year | <u>\$ 8,842,293</u> | <u>\$ 4,429,521</u> |

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008**

| | <u>2009</u> | <u>2008</u> |
|--|------------------------|------------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES | | |
| Operating loss | \$ (24,744,703) | \$ (26,035,895) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 3,540,838 | 3,791,878 |
| Changes in assets and liabilities: | | |
| Accounts receivable – trade and other | (141,892) | (884,039) |
| Inventories | (50,178) | (61,852) |
| Prepaid expenses and deposits | (44,154) | 64,610 |
| Accounts payable | (151,654) | (1,246,049) |
| Accrued liabilities and other | (418,379) | 511,758 |
| Deferred revenue | <u>389,957</u> | <u>40,733</u> |
| Net cash used in operating activities | <u>\$ (21,620,165)</u> | <u>\$ (23,818,856)</u> |

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Toledo Area Regional Transit Authority (Authority) was created as a regional transit authority pursuant to Sections 306.30 through 306.53, inclusive, of the Ohio Revised Code (ORC) for the purpose of providing public transportation in the Toledo regional area. The Authority is not subject to federal or state income taxes.

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement requires that financial statements of the reporting entity include all of the organizations, activities, functions, and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to impose a financial burden on the reporting entity. The Authority does not have financial accountability over any other entities.

The City of Toledo (City) is a related organization to the Authority as the Mayor of the City, with the approval of City Council, appoints a voting majority of the Authority's Board of Trustees. However, the financial statements of the Authority are not included within the City's "Reporting Entity" as the City cannot impose its will and there is no financial benefit or financial burden relationship between the City and the Authority.

As of October 1, 2008, the Authority assumed direct management of the Paratransit division, which had previously been outsourced to a third-party since inception.

A summary of significant accounting policies followed in the preparation of the accompanying financial statements of the Authority is presented below.

Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The accounts of the Authority, which are organized as an enterprise fund, are used to account for the Authority's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the Authority maintains its records on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses (including depreciation) of providing services to the public are accrued when incurred.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, grants and entitlements. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2009 that will be collected in 2010 are recorded as a receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting, Continued

The Authority accounts for its financial statements consistent with all applicable GASB pronouncements, as well as the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict those of GASB. The Authority has elected not to apply the provisions of the FASB statements and interpretations issued subsequent to November 30, 1989.

Use of Estimates in Preparing Financial Statements

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during each reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all investments (including restricted assets) with an initial maturity of three months or less at date of purchase to be cash equivalents for purposes of the statements of cash flows.

Inventories

Materials and supplies inventories are stated at the lower of cost or market value (net realizable value). Cost is determined using the average cost method.

Restricted Assets

Restricted cash and cash equivalents include funds received under various capital grants from local contributions that are restricted for capital expenditures.

Investments

Investments (including cash equivalents) are stated at fair value, which is based on quoted market prices. Any unrealized gains or losses are recognized as adjustments to investment income. The Authority's policy is to hold investment securities to their scheduled maturity date. All investments with a maturity beyond twelve months at date of purchase are classified as long-term.

The Authority can invest funds in STAROhio, an investment pool managed by the State Treasurer's office that allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price at which the investment could be sold.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, buildings and equipment, are recorded at cost. The Authority defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of a year. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|--|---------------|
| Buildings | 30 – 40 years |
| Land improvements | 5 – 10 years |
| Transportation equipment | 10 years |
| Transit stations | 20 years |
| Transit shelters | 5 years |
| Software | 3 years |
| Other (primarily service equipment, furniture and fixtures, and computers and computer equipment) | 5 – 10 years |

Accounting for Impairment of Long-Lived Assets

The Authority reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Compensated Absences

The liability for compensated absences consists of unpaid, accumulated annual vacation pay. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The Authority provides sick and accident pay to its full-time union employees. Employee sick and accident pay is recorded as an expense when paid and does not carry over from year to year.

Budgets and Budgetary Accounting

In accordance with Section 5705 of the ORC, an annual budget of revenues, expenses, and capital expenditures is prepared under the accrual basis of accounting, in accordance with GAAP. The budget is adopted by resolution of the board of trustees. The Authority, operating as an enterprise fund, utilizes such budget and related budgetary accounting to ensure that: (1) service objectives are attained; (2) expenditures are properly controlled; and (3) adequate resources will be available to finance current operations and meet capital outlay requirements.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting, Continued

Because the Authority's revenues and expenses may fluctuate with changing service delivery levels, a flexible rather than fixed-dollar budget is utilized to permit budgetary revision based upon changing fare revenue, levels of service, and cost of operations at specific service levels. Actual results of operations are compared to the final, revised budget of the Authority for the year.

The Authority had no expenditures in excess of appropriations at the legal level of appropriation for the years ended December 31, 2009 and 2008.

Net Assets

Equity is displayed in three components as follows:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

Passenger Fares

Passenger fares are recorded as revenue at the time services are performed.

Federal and State Operating and Preventive Maintenance Assistance Funds

Federal and state operating and preventive maintenance assistance funds to be received by the Authority under the Urban Mass Transportation Assistance Act of 1964, as amended, and under the Ohio Public Mass Transportation Grant Program are recorded and reflected in income in the period to which they are applicable.

Capital Contributions

Federal and state capital grants for the acquisition of property and equipment are recorded as the costs are incurred. Capital acquisitions for which grant funds have not been received from Federal Transit Authority (FTA) or Ohio Department of Transportation (ODOT) are recorded as capital grants receivable.

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating. Operating revenues include activities that have the characteristics of exchange transactions, including passenger fares and special transit fares. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as property tax proceeds and most federal, state and local grants and contracts.

NOTE 2 - CASH AND INVESTMENTS

The provisions of the ORC govern the investment and deposit of the Authority's monies. In accordance with these provisions, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio), and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository institution for a period not exceeding 30 days. At the time of making an investment, the Authority's Treasurer must reasonably expect that the investment can be held until maturity. To the extent possible, the Treasurer will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the Treasurer will not directly invest in securities maturing more than five years from the settlement date of purchase.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit with the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instrument, contract, 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"). The Authority is also prohibited from investing in reverse repurchase agreements.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Interest rate risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy requires all investments must mature within five years from their original purchase date.

Concentration of credit and custodial credit risk

The Authority places no limit on the amount that may be invested in any one issuer. Presently, all investments are U.S. Treasury and governmental agency securities. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does have a deposit policy for custodial credit risk.

Deposits

Information regarding the Authority's deposits at December 31, 2009 and 2008 is as follows:

| | <u>2009</u> | <u>2008</u> |
|---|----------------------------|----------------------------|
| Book/carrying value of deposits | <u>\$ 8,842,293</u> | <u>\$ 4,429,521</u> |
| Bank balance: | | |
| Covered by federal depository insurance | \$ 939,374 | \$ 845,654 |
| Uncollateralized as defined by the GASB | <u>8,403,463</u> | <u>3,755,496</u> |
| Total bank balance | <u>\$ 9,342,837</u> | <u>\$ 4,601,150</u> |

The uncollateralized deposits at December 31, 2009 and 2008, were, however, covered by pledged collateral pools as discussed above.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Long-Term Investments

As of December 31, 2009 and 2008, the Authority had the following long-term investments:

| <u>Description</u> | <u>Maturity</u> | <u>Fair value</u> |
|--------------------|-----------------------|--------------------------|
| <u>2009</u> | | |
| U.S. Treasury | April – July 2010 | \$ 227,686 |
| U.S. Treasury | June – September 2011 | 281,260 |
| U.S. Treasury | September 2012 | <u>289,745</u> |
| Total | | <u>\$ 798,691</u> |
| <u>2008</u> | | |
| U.S. Treasury | May – August 2009 | \$ 107,177 |
| U.S. Treasury | March – July 2010 | 470,311 |
| U.S. Treasury | June – September 2011 | <u>226,132</u> |
| Total | | <u>\$ 803,620</u> |

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2009 and 2008 consisted of the following:

| | <u>2009</u> | <u>2008</u> |
|---|----------------------------|----------------------------|
| State operating and preventive maintenance assistance | \$ 346,110 | \$ 350,611 |
| Trade and other | 1,588,371 | 1,446,480 |
| Interest | <u>6,619</u> | <u>6,214</u> |
| Total accounts receivable | <u>\$ 1,941,100</u> | <u>\$ 1,803,305</u> |

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2009 and 2008 was as follows:

| | <u>2009</u> | | | |
|---|--|----------------------|-------------------|--|
| | <u>Balance</u> <u>January 1,</u> <u>2009</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>December 31,</u> <u>2009</u> |
| Capital assets not being depreciated: | | | | |
| Land | \$ 743,224 | \$ - | \$ - | \$ 743,224 |
| Construction in progress | <u>114,916</u> | <u>47,244</u> | <u>114,916</u> | <u>47,244</u> |
| Total capital assets not being depreciated | <u>858,140</u> | <u>47,244</u> | <u>114,916</u> | <u>790,468</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 7,149,731 | 12,858 | - | 7,162,589 |
| Land improvements | 1,564,362 | - | - | 1,564,362 |
| Transit stations | 4,867,413 | - | - | 4,867,413 |
| Transportation equipment | 45,675,894 | 823,241 | 47,913 | 46,451,222 |
| Other equipment (primarily service equipment, furniture and fixtures, computers and computer equipment, software and transit shelters) | <u>7,960,091</u> | <u>88,816</u> | <u>44,952</u> | <u>8,003,755</u> |
| Total capital assets being depreciated | <u>67,217,491</u> | <u>924,715</u> | <u>92,865</u> | <u>68,049,341</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 5,055,375 | 312,425 | - | 5,367,800 |
| Land improvements | 1,547,336 | 2,714 | - | 1,550,050 |
| Transit stations | 2,567,638 | 167,355 | - | 2,734,993 |
| Transportation equipment | 34,466,584 | 2,603,445 | 47,913 | 37,022,116 |
| Other equipment | <u>6,374,557</u> | <u>475,983</u> | <u>44,196</u> | <u>6,806,344</u> |
| Total accumulated depreciation | <u>50,011,490</u> | <u>3,561,922</u> | <u>92,109</u> | <u>53,481,303</u> |
| Total capital assets being depreciated, net | <u>17,206,001</u> | <u>(2,637,207)</u> | <u>756</u> | <u>14,568,038</u> |
| Total capital assets, net | <u>\$ 18,064,141</u> | <u>\$(2,589,963)</u> | <u>\$ 115,672</u> | <u>\$ 15,358,506</u> |

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 4 - CAPITAL ASSETS (CONTINUED)

| | 2008 | | | |
|---|-------------------------------|---------------------|-------------------|---------------------------------|
| | Balance January 1, 2008 | Additions | Deductions | Balance December 31, 2008 |
| Capital assets not being depreciated: | | | | |
| Land | \$ 743,224 | \$ - | \$ - | \$ 743,224 |
| Construction in progress | <u>339,599</u> | <u>114,916</u> | <u>339,599</u> | <u>114,916</u> |
| Total capital assets not being depreciated | <u>1,082,823</u> | <u>114,916</u> | <u>339,599</u> | <u>858,140</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 7,126,291 | 23,440 | - | 7,149,731 |
| Land improvements | 1,564,362 | - | - | 1,564,362 |
| Transit stations | 4,867,413 | - | - | 4,867,413 |
| Transportation equipment | 42,535,699 | 3,239,000 | 98,805 | 45,675,894 |
| Other equipment (primarily service equipment, furniture and fixtures, computers and computer equipment, software and transit shelters) | <u>7,831,636</u> | <u>136,938</u> | <u>8,483</u> | <u>7,960,091</u> |
| Total capital assets being depreciated | <u>63,925,401</u> | <u>3,399,378</u> | <u>107,288</u> | <u>67,217,491</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 4,791,912 | 263,463 | - | 5,055,375 |
| Land improvements | 1,544,621 | 2,715 | - | 1,547,336 |
| Transit stations | 2,400,283 | 167,355 | - | 2,567,638 |
| Transportation equipment | 31,724,033 | 2,841,355 | 98,804 | 34,466,584 |
| Other equipment | <u>5,865,089</u> | <u>516,990</u> | <u>7,522</u> | <u>6,374,557</u> |
| Total accumulated depreciation | <u>46,325,938</u> | <u>3,791,878</u> | <u>106,326</u> | <u>50,011,490</u> |
| Total capital assets being depreciated, net | <u>17,599,463</u> | <u>(392,500)</u> | <u>962</u> | <u>17,206,001</u> |
| Total capital assets, net | <u>\$ 18,682,286</u> | <u>\$ (277,584)</u> | <u>\$ 340,561</u> | <u>\$ 18,064,141</u> |

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the ORC assigns the authority to establish and amend benefit provisions to the OPERS Board of Trustees (Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 1-800-222-PERS (7377).

OPERS administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP and CO Plans. Members of the MD Plan do not qualify for ancillary benefits, including post-employment healthcare coverage.

Funding Policy

The Ohio Revised Code provides statutory authority for employee and employer contributions. In 2009 and 2008, employees other than law enforcement personnel were required to contribute 10.0% of their covered payroll to OPERS. The 2009 and 2008 employer contribution rates for local government employer units were 14.0% of covered payroll including 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009 and 7.0% in 2008 that is used to fund postretirement health care benefits. The Authority's total contributions to OPERS for pension benefits (excluding the amount relating to postretirement health care benefits) for the years ended December 31, 2009, 2008 and 2007 were \$1,882,000, \$1,768,000, and \$1,712,000, respectively, equal to 100% of the required contribution for each year.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Benefits Provided Through OPERS

The Authority provides health care benefits as a post-employment benefit (as defined by GASB Statements No. 12 and No. 45) through its contributions to OPERS. In addition to the pension benefit described in Note 8A, OPERS provides postretirement health care benefits to qualifying members of both the TP and CO Plans; however, health care benefits are not statutorily guaranteed. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for postretirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by OPERS is considered an Other Post-Employment Benefit ("OPEB") as described in GASB Statements No. 12 and 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. For the Authority, 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009 of covered payroll were the portions of the 14.0% total contribution rate for 2009 that was used to fund health care, and 7.0% of covered payroll was the portion of the 14.0% total contribution rate for 2008 that was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Summary of Assumptions

- *Actuarial Review* – The assumptions and calculations below were based on the OPERS' latest actuarial review performed as of December 31, 2008.
- *Funding Method* – An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.
- *Assets Valuation Method* – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of the unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.
- *Investment Return* – The investment assumption rate for 2008 was 6.5%.
- *Active Employee Total Payroll* – An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%.
- *Health Care* – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 3% for the next six years. In subsequent years (seven and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB provided through OPERS are advance-funded on an actuarially determined basis. The total number of active contributing participants in the TP and CO Plans was 357,584 and 356,388 at December 31, 2009 and 2008, respectively. The Authority's contributions to OPERS for other post-employment benefits for the years ended December 31, 2009 and 2008 were equal to 100% of the required contributions for each year. The actuarial value of OPERS' net assets available for OPEB at December 31, 2008 was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.6 billion and \$18.9 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2008, January 1, 2007 and January 1, 2006, which will allow additional funds to be allocated to the health care plan.

NOTE 7 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Authority participates in the Ohio Transit Risk Pool, Inc. (OTRP) formerly the Ohio Transit Insurance Pool (OTIP) related to its general liability risk. A provision with respect to claims is accrued in the period in which accidents occur or in the incidence of loss is determined, based upon management's estimate of the ultimate liability.

Any underfunding of the plan's liabilities is shared by the members on a pro rata basis based on pool contribution factors composed of: population, full-time employees, vehicles, property values, budget, net operating expenses and claims history (double weighted). This can result in future refund or return of prior years' surplus.

As required by state law, the Authority is registered and insured through the State of Ohio Bureau of Workers' Compensation for injuries to its employees.

The Authority provides hospitalization and medical benefits coverage to all of its full-time employees. The Authority is self-insured, with certain stop-loss coverage, for hospitalization and medical benefits coverage and expense totaled approximately \$3.0 million in 2009 and \$2.3 million in 2008 and 2007. In addition, the Authority provides life insurance coverage to all full-time employees.

Changes in the accrued claims liability, including both general liability and medical, for the years ended December 31, 2009, 2008 and 2007 are as follows:

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--|--------------------|--------------------|--------------------|
| January 1, liability | \$ 559,914 | \$ 615,005 | \$ 722,125 |
| Current year claims and changes in estimates | 3,100,725 | 2,296,692 | 2,308,755 |
| Claim payments | <u>(3,035,679)</u> | <u>(2,351,783)</u> | <u>(2,415,875)</u> |
| December 31, liability | <u>\$ 624,960</u> | <u>\$ 559,914</u> | <u>\$ 615,005</u> |

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 8 - PROPERTY TAX REVENUES

The Authority is subsidized by two annual property tax levies consisting of a 1.0 mill levy in effect through 2011 and a 1.5 mill levy in effect through 2017. Revenues generated from the 1.0 mill and 1.5 mill levies are based on property valuations conducted in 2001 and 2007, respectively, for property located within the Authority's operating district. Property tax revenue may be used for operating or capital purposes. In November 2007, voters in the nine community transit districts approved a 1.5 mill replacement levy which was effective January 2008. In November 2010, voters approved a ten year 1.0 mill renewal levy.

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property located in the Authority's operating district. Lucas and Wood Counties collect all property taxes on behalf of the Authority. Due and collections dates as established by Lucas and Wood Counties, are February and July of the subsequent year.

Real property and tangible personal property taxes collected during fiscal year 2009 and 2008 had a lien and levy date of December 2008 and 2007, respectively.

NOTE 9 - GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Federal operating and preventive maintenance assistance consist of the following for the years ended December 31, 2009 and 2008:

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| FTA operating assistance | \$ 641,490 | \$ 609,600 |
| FTA short-range planning and marketing | 134,208 | 132,658 |
| FTA preventive maintenance assistance | 4,336,000 | 4,289,000 |
| FTA bio fuel grant | <u>944,221</u> | <u>-</u> |
| Total | <u>\$ 6,055,919</u> | <u>\$ 5,031,258</u> |

State operating and preventive maintenance grants and special fare assistance consist of the following for the years ended December 31, 2009 and 2008:

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|-------------------|-------------------|
| ODOT operating assistance | \$ 196,922 | \$ 349,611 |
| State fuel tax reimbursement | 346,689 | 357,378 |
| State elderly and handicapped | <u>143,268</u> | <u>139,355</u> |
| Total | <u>\$ 686,879</u> | <u>\$ 846,344</u> |

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Authority has cancellable operating leases executed in one-year intervals for revenue vehicle tire utilization. Total rental expense for all operating leases amounted to approximately \$175,800 and \$154,500 for the years ended December 31, 2009 and 2008, respectively.

Litigation

The Authority has been named in various public liability and property damage claims and suits. The ultimate outcome of these claims and suits cannot be determined. However, it is the opinion of management that any resulting liability to the Authority in excess of that provided in the accompanying balance sheets, and which is not covered by insurance, would not be material to the financial statements.

Grants

Under the terms of the Authority's various capital and operating grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At December 31, 2009 and 2008, there were no material questioned costs that had not been resolved with the federal or state agencies. Questioned costs could still be identified during audits to be conducted in the future. Management of the Authority believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayments under the above grants.

FTA grant stipulations also require the grantee to retain assets acquired by FTA funds for the full estimated asset useful life (as determined by the FTA). If this provision is not met, the grantee must refund FTA's un-depreciated basis in assets disposed.

New Facility

During 2010, the Authority began construction of a new facility for the Toledo Area Regional Paratransit Service (TARPS) operation. The total cost of the facility is budgeted to be \$8.5 million with a planned completion date of August 2011.

Union Contracts

The Authority's three union contracts, which covers drivers, mechanics, administrative and TARPS employees, expired in the fall of 2010. The Authority and unions are currently in negotiations.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

During June 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" (Statement No. 51). Statement No. 51 establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. Statement No. 51 will not be effective for the Authority until the year ended December 31, 2010, and as such, the Authority has not determined the impact that Statement No. 51 will have on its financial statements.

During June 2008, the GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (Statement No. 53). Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Common types of derivative instruments used by governments include, among others, forward contracts and futures contracts. Statement No. 53 will not be effective for the Authority until the year ended December 31, 2010, and as such, the Authority has not determined the impact that Statement No. 53 will have on its financial statements.

This information is an integral part of the accompanying financial statements.



**TOLEDO AREA REGIONAL
TRANSIT AUTHORITY**
Toledo, Ohio

**REPORTS ISSUED PURSUANT TO
THE OMB CIRCULAR A-133**
December 31, 2009

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**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

The Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

We have audited the financial statements of Toledo Area Regional Transit Authority (the Authority) as of and for the year ended December 31, 2009, and have issued our report thereon dated March 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Item 2009-1 in the accompanying schedule of findings and questioned costs and responses to be a material weakness in internal control over financial reporting.

The Board of Trustees
Toledo Area Regional Transit Authority

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 the deficiency described in Item 2009-2 in the accompanying schedule of findings and questioned costs and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 8, 2011.

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

This report is intended solely for the information and use of Authority management, Board of Trustees, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Toledo, Ohio
March 8, 2011

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

The Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

Compliance

We have audited the compliance of Toledo Area Regional Transit Authority (the Authority) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Toledo Area Regional Transit Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 2009-3 and 2009-4.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We consider deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2009-4 to be a material weakness. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Authority as of and for the year ended December 31, 2009, and have issued our report thereon dated March 8, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Clifton Henderson LLP

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009**

| <u>Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal CFDA number</u> | <u>Grant number</u> | <u>Federal expenditures</u> |
|---|------------------------------------|-------------------------|---------------------------------|
| U. S. Department of Transportation: | | | |
| Federal Transit Administration (FTA) | | | |
| Federal Transit Cluster: | | | |
| Received directly from FTA: | | | |
| Capital investment grants | 20.500 | OH-15-X001 | \$ 92,606 |
| Capital investment grants | 20.500 | OH-03-0268 | <u>69,323</u> |
| Subtotal CFDA 20.500 | | | <u>161,929</u> |
| Formula grants | 20.507 | OH-90-X670 | 4,977,490 |
| Formula grants – ARRA | 20.507 | OH-96-X019 | 823,240 |
| Formula grants | 20.507 | OH-90-X586 | 536,278 |
| Formula grants | 20.507 | OH-90-X536 | 468,006 |
| Formula grants | 20.507 | OH-90-X609 | 385,734 |
| Formula grants | 20.507 | OH-90-X394 | 163,752 |
| Formula grants | 20.507 | OH-90-X456 | 37,622 |
| Formula grants | 20.507 | OH-90-X426 | 8,510 |
| Formula grants | 20.507 | OH-90-X501 | <u>934</u> |
| Subtotal CFDA 20.507 | | | <u>7,401,566</u> |
| Total Federal Transit Cluster | | | <u>7,563,495</u> |
| U. S. Department of Transportation: | | | |
| Federal Transit Administration (FTA) | | | |
| Transit Services Program Cluster: | | | |
| Received directly from FTA: | | | |
| Job Access – Reverse Commuter | 20.516 | OH-37-X047 | 130,349 |
| New Freedom Projects | 20.521 | OH-57-X009 | <u>9,387</u> |
| Total Transit Services Cluster | | | <u>139,736</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 7,703,231</u> |

This schedule should be read only in connection with
the accompanying notes to the schedule.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs of Toledo Area Regional Transit Authority (the Authority).

NOTE 2 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

This information is an integral part of the accompanying schedule.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------------|--|
| 20.500 and 20.507 | Federal Transit Cluster |

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

Section II—Financial Statement Findings

Reference 2009-1 – Segregation of Duties

Criteria

Segregation of duties is a key component of internal controls.

Condition

The Authority has an inadequate segregation of duties. Presently, the Comptroller reviews purchase orders (to verify availability of funds), approves disbursement vouchers, has the ability to record cash disbursements and also has check signing authority. In addition, the Comptroller has the ability and authority to receive mail (deposits), make deposits, make bank transfers, opens bank statements and reviews bank reconciliations.

Effect

This condition increases the possibility that an irregularity (or error) may not be prevented or detected in a timely manner.

Recommendation

Inadequate segregation of duties is not uncommon in small organizations. With a limited number of individuals to share responsibilities for access to assets and accounting, it is sometimes difficult to mitigate the control weaknesses caused by a lack of segregation of duties. It is rarely practical to hire additional employees just to improve internal controls. However, there are usually compensating procedures that can be implemented, either by managers directly, or by other employees. We recommend certain of the Comptroller approvals noted above be reassigned to other personnel. When performed by other employees, it is especially important for those employees to be adequately trained and supervised. Even then, override by supervisory employees may be possible.

Authority's Response and Planned Corrective Action

The Comptroller serves as the Systems Administrator for the Financial Ledger System. In this capacity the ability to be able to record cash disbursements and record deposits is critical, however, it should be noted that this duty is not performed unless in an emergency, as it is assigned to other staff members. In addition the general ledger system itself has an audit function to track transactions in the system and who performed the task, which is only accessible by the Director of Information Systems. Signature changes relating to approving disbursement vouchers were instituted after the 2006 audit and management has continued to review current assignment of responsibilities to address the segregation of disbursement signing issue. In relation to the bank transfers, the transfer accounts are hard coded into the on-line bank transfer system, which would make it difficult to transfer funds anywhere but TARTA's accounts. The process of opening bank statements has been segregated to the General Manager's Administrative Assistant. The Authority has hired a Financial Analyst. The Financial Analyst posts cash, reconciles payroll, some bank reconciliations and performs payroll tax transfers and payment requests. The Financial Analyst position as well as new system implementations, will enable the authority to segregate duties to a greater extent as well as institute additional compensating controls. However, due to virtue of staff size and staff technical abilities there will be some areas of lack of segregation of control that will not be able to be avoided.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

Section II—Financial Statement Findings, Continued

Reference 2009-2 – Accounting Policies and Procedures Manual

Criteria

An accounting policies and procedures manual will help ensure Authority transactions are recorded in a consistent manner.

Condition

The Authority presently does have policies and procedures but has not documented them in a formal accounting policies and procedures manual.

Effect

The lack of an accounting policies and procedures manual increases the possibility of misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that could result in inaccurate or untimely accounting records.

Recommendation

While the accounting department is fairly small, written procedures, instructions and duty assignments will prevent or reduce the likelihood of the effects mentioned above. A well devised accounting manual can also help ensure all similar transactions are treated consistently, accounting principles in use are proper, and records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and allow management to delegate some accounting functions to other employees. It will take some time and effort to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures, management might identify procedures to eliminate or improve, making the system more efficient and effective.

Authority's Response and Planned Corrective Action

Currently there are flowcharts which document the activity and account flow for Accounts Payable and Accounts Receivable. Preliminary work has been done on detailing tasks performed by staff members as well as standardizing reconciliation formats. There has been cross training and further task documentation related to functions within the Authority. Procedures have been created in flowchart as well as in a narrative function. As the new payroll system is implemented during 2011 this process will be fully documented. There will be staffing changes during 2011 at which time policies and procedures will be further expanded upon.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

Section II—Financial Statement Findings, Continued

Reference 2009-3 – Reporting

Criteria

The Yellow Book and OMB Circular A-133 require the auditee to submit the audit reports to appropriate government officials and organizations no later than nine months after the audit period without obtaining an extension from the cognizant or oversight agency. The issuance was delayed due to implementation of a new payroll system and other operational commitments.

Condition

The reporting package, which includes the single audit reports, was not submitted to the Federal Audit Clearinghouse until March 2011.

Questioned Costs

None.

Effect

The Authority is not in compliance with reporting requirements.

Authority's Response and Planned Corrective Action

With the new position of Financial Analyst, the newly installed payroll software as well as newly established monthly reconciliation and reporting assignments, timeliness should not be an issue in the future.

Section III – Federal Award findings and Questioned Costs

Reference 2009-4 – Other

Grant from the U.S. Department of Transportation
Federal Transit Cluster
CFDA 20.500 and 20.507

See finding 2009-1 in Section II – Financial Statement Findings.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SUMMARY OF PRIOR AUDIT FINDINGS**

Reference 2008-1 – Segregation of Duties

Segregation of duties is a key component of internal controls. The Authority has an inadequate segregation of duties. Presently, the Comptroller reviews purchase orders (to verify availability of funds), approves disbursement vouchers, has the ability to record cash disbursements and also has check signing authority. In addition, the Comptroller has the ability and authority to receive mail (deposits), make deposits, make bank transfers, opens bank statements and reviews bank reconciliations.

Status

This finding has not been corrected. See Finding 2009-1.

Reference 2008-2 – Accounting Policies and Procedures Manual

An accounting policies and procedures manual will help ensure Authority transactions are recorded in a consistent manner. The Authority presently does not have an accounting policies and procedures manual.

Status

This finding has not been corrected. See Finding 2009-2.

Reference 2008-3 – Other

Grant from the U.S. Department of Transportation
Federal Transit Cluster
CFDA 20.500 and 20.507

See finding 2008-1 above.



Dave Yost • Auditor of State

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

LUCAS 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
MAY 5, 2011