

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

**FINANCIAL STATEMENTS  
December 31, 2011 and 2010**





# Dave Yost • Auditor of State

Board of Trustees  
Toledo Area Regional Transit Authority  
1127 West Central Ave  
Toledo, Ohio 43697-0782

We have reviewed the *Independent Auditor's Report* of the Toledo Area Regional Transit Authority, Lucas County, prepared by CliftonLarsonAllen LLC, for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

July 19, 2012

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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, 2011 and 2010, 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, 2011 and 2010, 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 May 31, 2012 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.

Board of Trustees  
Toledo Area Regional Transit Authority

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

*CliftonLarsonAllen LLP*

Toledo, Ohio  
May 31, 2012



**TOLEDO AREA REGIONAL TRANSIT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011 and 2010**

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, 2011 and 2010. 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 2011**

- The Authority's total net assets increased \$8,098,000, or 21%, over the course of the year's operations.
- The Authority's operation expenses, excluding depreciation, in 2011 were \$1,628,000 or 7% more than in 2010. An increase in costs associated with increased paratransit ridership, hospitalization expense, and higher fuel costs contributed to this increase.
- Operating revenues for the Authority of \$5,405,000 in 2011 decreased \$464,000 compared with 2010. A decrease in the Toledo Board of Education contract and related pass purchases contributed to the decrease.
- Property tax revenues of \$16,732,000 (2.5 mills) were down \$614,000 compared to 2010. This tax represents 58% of all revenues received. This decrease was due to foreclosures, property devaluation and Homestead Act reduction.
- Total funding from the State of Ohio increased by \$121,000.
- The Authority provided no charter services in 2011 in accordance with current federal regulations.

**Financial Highlights in 2010**

- The Authority's total net assets increased \$13,176,000, or 53%, over the course of the year's operations.
- The Authority's operation expenses, excluding depreciation, in 2010 were \$3,022,000 less than in 2009. A decrease in hours of operation including school service, related supplies and materials and lower fuel costs contributed to this reduction.
- Operating revenues for the Authority of \$5,869,000 in 2010 decreased \$459,000 compared with 2009. A decrease in the Toledo Board of Education contract contributed to the decrease.
- Property tax revenues of \$17,346,000 (2.5 mills) were down \$909,000 compared to 2009. This tax represents 58% of all revenues received. This decrease was due to foreclosures and property devaluation.
- Total funding from the State of Ohio increased by \$240,000.
- The Authority provided no charter services in 2010 in accordance with current federal regulations.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011 and 2010**

**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, 2011 and 2010**

**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>2011</u>	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>			
Current assets	\$ 35,514,263	\$ 33,658,875	\$ 29,099,832
Restricted assets	108,729	41,068	80,780
Long-term investments	803,841	801,483	798,691
Capital assets, net	<u>33,478,193</u>	<u>25,198,381</u>	<u>15,358,506</u>
Total assets	<u>69,905,026</u>	<u>59,699,807</u>	<u>45,337,809</u>
<b>LIABILITIES</b>			
Current liabilities	6,915,135	4,377,722	2,744,111
Property taxes	16,733,000	16,733,000	17,207,000
Other deferred revenue	<u>293,411</u>	<u>723,984</u>	<u>697,711</u>
Total liabilities	<u>23,941,546</u>	<u>21,834,706</u>	<u>20,648,822</u>
<b>NET ASSETS</b>			
Invested in capital assets	33,478,193	25,198,381	15,358,506
Unrestricted	12,376,558	12,625,652	9,249,701
Restricted for capital acquisitions	<u>108,729</u>	<u>41,068</u>	<u>80,780</u>
Total net assets	<u>\$45,963,480</u>	<u>\$37,865,101</u>	<u>\$24,688,987</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, 2011*

Investment in capital assets increased to \$33.4 million in 2011 from \$25.2 million in 2010, 32%. This increase was the result of construction of the new TARPS facility (completed in 2012) and transportation equipment vehicles and software purchases.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011 and 2010**

**Financial Analysis of the Authority, Continued**

*Year Ending December 31, 2010*

Investment in capital assets increased to \$25.2 million in 2010 from \$15.4 million in 2009, 64%. This increase was the result of transportation equipment vehicles and software purchases, as well as the removal of obsolete assets.

*Change in Net Assets*

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 5,404,628	\$ 5,868,690	\$ 6,328,001
Operating expenses, excluding depreciation	(26,138,638)	(24,510,289)	(27,531,866)
Depreciation expense	<u>(4,134,058)</u>	<u>(3,904,975)</u>	<u>(3,540,838)</u>
Operating loss	<u>(24,868,068)</u>	<u>(22,546,574)</u>	<u>(24,744,703)</u>
Nonoperating revenues (expenses):			
Property taxes	16,732,300	17,346,044	18,255,216
Federal operating and preventive maintenance grants	5,416,035	6,152,261	6,055,919
State operating and preventive maintenance grants	958,957	763,304	543,611
State special fare assistance	89,398	163,991	143,268
Investment income	11,149	21,182	12,164
Loss on disposal of capital assets	(33,626)	(87,510)	(755)
Nontransportation revenue	<u>21,374</u>	<u>86,789</u>	<u>13,972</u>
Total nonoperating revenues	<u>23,195,587</u>	<u>24,446,061</u>	<u>25,023,395</u>
Capital contributions	<u>9,770,860</u>	<u>11,276,627</u>	<u>1,835,714</u>
Increase in net assets	8,098,379	13,176,114	2,114,406
Net assets:			
Beginning of year	<u>37,865,101</u>	<u>24,688,987</u>	<u>22,574,581</u>
End of year	<u>\$45,963,480</u>	<u>\$37,865,101</u>	<u>\$24,688,987</u>

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011 and 2010**

**Financial Analysis of the Authority, Continued**

*Year Ended December 31, 2011*

The Authority's operating revenues for 2011 were down \$464,000 from 2010, or 8%. Ridership on line service amounted to 3.1 million in 2011, a decrease of 211,000 from 2010. In addition, miles of service of 3.4 million for fixed line service was down from the prior year. Paratransit revenues for 2011 were up by \$254,000 from 2010. Revenues from contract service to the Toledo Public Schools decreased by \$1,167,000 or 47% in 2011. Operating expenses, excluding depreciation, increased by \$1,628,000 or 7%, from 2010 primarily from expenses related to increased paratransit service, higher medical expense and the increase fuel costs. The 2011 nonoperating revenues of \$23.2 million were lower than revenues in 2010 due to reductions in property tax revenue and Federal operating and preventive maintenance revenue.

*Year Ended December 31, 2010*

The Authority's operating revenues for 2010 were down \$459,000 from 2009, or 7%. Ridership on line service amounted to 3.3 million in 2010, a decrease of 776,000 from 2009. In addition, miles of service of 3.5 million for fixed line service was down from the prior year. Paratransit revenues for 2010 were up by \$590,000 from 2009. Revenues from contract service to the Toledo Public Schools decreased by \$883,000 or 26% in 2010. Operating expenses, excluding depreciation, decreased by \$3,021,000 or 11%, from 2009 primarily from the school service reduction and the reduction in fuel costs. The 2010 nonoperating revenues of \$24.4 million were lower than revenues in 2009 due to reductions in property tax revenue.

**Capital Contributions**

*Year Ended December 31, 2011*

Capital contributions from federal and state agencies in 2011 were \$9.7 million. In 2011, the Authority purchased seven air conditioned, low floor, lift equipped paratransit buses at a total cost of \$572,000 and completed the transit station at the Huntington Center in conjunction with the City of Toledo at a total cost of \$2,500,000. The TARPS facility was nearly completed at December 31, 2011 and included in construction in progress. There were also 31 buses received at year end but not placed in service until 2012.

*Year Ended December 31, 2010*

Capital contributions from federal and state agencies in 2010 were \$11.3 million. In 2010, the Authority purchased eighteen air conditioned, low floor, lift equipped fixed line buses at a total cost of \$6,544,000, ten air conditioned, lift equipped call-a-ride buses at \$1,039,000 and thirty-three engine rebuilds at a cost of \$1,658,000.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011 and 2010**

**Capital Asset and Debt Administration**

*Capital Assets 2011*

The Authority's investment in capital assets amounts to \$33.4 million, net of accumulated depreciation, as of December 31, 2011, an increase of \$8.2 million or 33% compared with 2010. 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 seven paratransit vehicles for a total of \$572,000 and the completion of a transit station at the Huntington Center for a total of \$2,500,000. In addition, construction continued on the new TARPS paratransit facility and there was \$12.3 million in construction in progress at December 31, 2011.

*Capital Assets 2010*

The Authority's investment in capital assets amounts to \$25.2 million, net of accumulated depreciation, as of December 31, 2010, an increase of \$9.8 million or 64% compared with 2009. 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 eighteen fixed line vehicles for a total of \$6,544,000 and ten small fixed line vehicles for a total of \$1,039,000. In addition, construction began on the new paratransit facility and there was \$3.1 million in construction in progress at December 31, 2010.

**Long-Term Debt**

The Authority has no outstanding long-term debt as of December 31, 2011 and 2010.

**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, 2011 and 2010**

<b>ASSETS</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (includes approximately \$279,355 and \$445,301 designated by the Board of Trustees for capital acquisitions in 2011 and 2010, respectively)	\$ 12,351,054	\$ 9,848,309
Property taxes receivable	16,733,000	16,733,000
Accounts receivable, net	5,103,900	5,917,536
Inventories	1,202,080	1,028,992
Prepaid expenses and deposits	<u>124,229</u>	<u>131,038</u>
Total current assets	<u>35,514,263</u>	<u>33,658,875</u>
<b>OTHER ASSETS</b>		
Restricted cash and cash equivalents for capital acquisitions	108,729	41,068
Capital assets not being depreciated	13,080,003	3,832,364
Capital assets being depreciated, net	20,398,190	21,366,017
Long-term investments (designated by the Board of Trustees for capital acquisitions)	<u>803,841</u>	<u>801,483</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 69,905,026</u></b>	<b><u>\$ 59,699,807</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,902,430	\$ 2,420,234
Accrued payroll and vacation pay	915,482	853,765
Accrued workers' compensation insurance	-	264,307
Accrued employer's contribution to Public Employees Retirement System	318,384	336,202
Accrued claims, including self-insurance	707,809	471,600
Other	<u>71,030</u>	<u>31,614</u>
Total current liabilities	<u>6,915,135</u>	<u>4,377,722</u>
<b>DEFERRED REVENUE</b>		
Property taxes	16,733,000	16,733,000
Other	<u>293,411</u>	<u>723,984</u>
Total deferred revenue	<u>17,026,411</u>	<u>17,456,984</u>
Total liabilities	<u>23,941,546</u>	<u>21,834,706</u>
<b>NET ASSETS</b>		
Invested in capital assets	33,478,193	25,198,381
Unrestricted	12,376,558	12,625,652
Restricted for capital acquisitions	<u>108,729</u>	<u>41,068</u>
Total net assets	<u>45,963,480</u>	<u>37,865,101</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 69,905,026</u></b>	<b><u>\$ 59,699,807</u></b>

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, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Passenger fares	\$ 3,950,640	\$ 3,332,040
Toledo Board of Education and other contracts	1,340,642	2,507,368
Auxiliary transportation revenue	<u>113,346</u>	<u>29,282</u>
Total operating revenues	<u>5,404,628</u>	<u>5,868,690</u>
<b>OPERATING EXPENSES</b>		
Labor	12,716,998	12,404,319
Fringe benefits	5,077,863	4,752,184
Materials and supplies	3,518,220	3,337,670
Services	589,966	533,874
Fuel	3,013,797	2,454,339
Taxes	289,455	305,657
Claims and insurance	559,223	353,485
Utilities	354,494	334,018
Miscellaneous	<u>18,622</u>	<u>34,743</u>
Total operating expenses	<u>26,138,638</u>	<u>24,510,289</u>
Operating loss before depreciation	(20,734,010)	(18,641,599)
<b>DEPRECIATION</b>	<u>4,134,058</u>	<u>3,904,975</u>
Operating loss	<u>(24,868,068)</u>	<u>(22,546,574)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Property taxes	16,732,300	17,346,044
Federal operating and preventive maintenance assistance	5,416,035	6,152,261
State operating and preventive maintenance grants and assistance	1,048,355	927,295
Investment income	11,149	21,182
Loss on disposal of capital assets	(33,626)	(87,510)
Nontransportation revenues	<u>21,374</u>	<u>86,789</u>
Total nonoperating revenues	<u>23,195,587</u>	<u>24,446,061</u>
Net gain (loss) before capital contributions	(1,672,481)	1,899,487
<b>CAPITAL CONTRIBUTIONS</b>	<u>9,770,860</u>	<u>11,276,627</u>
Increase in net assets	8,098,379	13,176,114
<b>NET ASSETS</b>		
Beginning of year	<u>37,865,101</u>	<u>24,688,987</u>
End of year	<u>\$45,963,480</u>	<u>\$37,865,101</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, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from fares and contracts	\$ 1,893,253	\$ 6,615,735
Payments to suppliers	(5,988,446)	(5,680,832)
Payments for labor and employee benefits	<u>(17,779,058)</u>	<u>(17,165,657)</u>
Net cash used in operating activities	<u>(21,874,251)</u>	<u>(16,230,754)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from:		
Property taxes	16,732,300	17,346,044
Federal operating and preventive maintenance assistance	9,992,118	1,576,178
State operating and preventive maintenance grants and assistance	366,298	804,861
Nontransportation revenues	<u>21,374</u>	<u>86,789</u>
Net cash provided by noncapital financing activities	<u>27,112,090</u>	<u>19,813,872</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Expenditures for capital assets	(12,479,442)	(13,832,360)
Proceeds from capital contributions	9,770,860	11,276,627
Proceeds from sale of capital assets	<u>31,946</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(2,676,636)</u>	<u>(2,555,733)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of long-term investments	(343,201)	(739,574)
Sale/maturity of long-term investments	325,673	706,281
Interest on investments	<u>26,731</u>	<u>52,992</u>
Net cash provided by investing activities	<u>9,203</u>	<u>19,699</u>
Net increase in cash and cash equivalents	2,570,406	1,047,084
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>9,889,377</u>	<u>8,842,293</u>
End of year	<u>\$ 12,459,783</u>	<u>\$ 9,889,377</u>

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (24,868,068)	\$ (22,546,574)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	4,134,058	3,904,975
Changes in assets and liabilities:		
Accounts receivable – trade and other	(3,080,802)	720,772
Inventories	(173,088)	14,334
Prepaid expenses and deposits	6,809	15,855
Accounts payable	2,482,196	1,645,919
Accrued liabilities and other	55,217	(12,308)
Deferred revenue	<u>(430,573)</u>	<u>26,273</u>
Net cash used in operating activities	<u>\$ (21,874,251)</u>	<u>\$ (16,230,754)</u>

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

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**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.

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 2011 that will be collected in 2012 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, 2011 and 2010**

**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, 2011 and 2010**

**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, 2011 and 2010**

**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, 2011 and 2010.

**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, 2011 and 2010**

**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, 2011 and 2010**

**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, 2011 and 2010 is as follows:

	<b><u>2011</u></b>	<b><u>2010</u></b>
Book/carrying value of deposits	<u>\$ 12,459,783</u>	<u>\$ 9,889,377</u>
Bank balance:		
Covered by federal depository insurance	\$ 963,438	\$ 789,388
Uncollateralized as defined by the GASB	<u>11,673,092</u>	<u>9,326,970</u>
<b>Total bank balance</b>	<b><u>\$ 12,636,530</u></b>	<b><u>\$ 10,116,358</u></b>

The uncollateralized deposits at December 31, 2011 and 2010, were, however, covered by pledged collateral pools as discussed above.



**TOLEDO AREA REGIONAL TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Long-Term Investments**

As of December 31, 2011 and 2010, the Authority had the following long-term investments:

<u>Description</u>	<u>Maturity</u>	<u>Fair value</u>
<u>2011</u>		
U.S. Treasury	July – September 2012	\$ 126,543
U.S. Treasury	February – August 2013	495,677
U.S. Treasury	February 2014	122,466
U.S. Treasury	January 2015	<u>59,155</u>
<b>Total</b>		<b><u>\$ 803,841</u></b>
<u>2010</u>		
U.S. Treasury	March – September 2011	\$ 219,154
U.S. Treasury	February – September 2012	179,745
U.S. Treasury	February – August 2013	<u>402,584</u>
<b>Total</b>		<b><u>\$ 801,483</u></b>

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Federal and state operating and preventive maintenance assistance	\$ 1,150,600	\$ 5,044,626
Capital grants	2,025,250	-
Trade and other	1,941,152	885,600
Interest	<u>4,898</u>	<u>5,310</u>
	5,121,900	5,935,536
Less allowance for doubtful receivables	<u>18,000</u>	<u>18,000</u>
<b>Total accounts receivable, net</b>	<b><u>\$ 5,103,900</u></b>	<b><u>\$ 5,917,536</u></b>

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2011 and 2010 was as follows:

	<u>2011</u>			
	<u>Balance</u> <u>January 1,</u> <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31,</u> <u>2011</u>
Capital assets not being depreciated:				
Land	\$ 743,224	\$ -	\$ -	\$ 743,224
Construction in progress	<u>3,089,140</u>	<u>9,290,452</u>	<u>42,813</u>	<u>12,336,779</u>
Total capital assets not being depreciated	<u>3,832,364</u>	<u>9,290,452</u>	<u>42,813</u>	<u>13,080,003</u>
Capital assets being depreciated:				
Buildings	7,258,252	-	-	7,258,252
Land improvements	1,565,705	-	-	1,565,705
Transit stations	4,870,015	2,502,423	-	7,372,438
Transportation equipment	55,225,512	571,643	2,429,515	53,367,640
Other equipment (primarily service equipment, furniture and fixtures, computers and computer equipment, software and transit shelters)	<u>9,231,999</u>	<u>157,737</u>	<u>29,001</u>	<u>9,360,735</u>
Total capital assets being depreciated	<u>78,151,483</u>	<u>3,231,803</u>	<u>2,458,516</u>	<u>78,924,770</u>
Less accumulated depreciation:				
Buildings	5,562,227	245,609	-	5,807,836
Land improvements	1,552,776	2,791	-	1,555,567
Transit stations	2,902,370	219,921	-	3,122,291
Transportation equipment	39,519,470	2,995,853	2,363,943	40,151,380
Other equipment	<u>7,248,623</u>	<u>669,884</u>	<u>29,001</u>	<u>7,889,506</u>
Total accumulated depreciation	<u>56,785,466</u>	<u>4,134,058</u>	<u>2,392,944</u>	<u>58,526,580</u>
Total capital assets being depreciated, net	<u>21,366,017</u>	<u>(902,255)</u>	<u>65,572</u>	<u>20,398,190</u>
<b>Total capital assets, net</b>	<u>\$ 25,198,381</u>	<u>\$ 8,388,197</u>	<u>\$ 108,385</u>	<u>\$ 33,478,193</u>

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	<u>2010</u>			
	<u>Balance</u> <u>January 1,</u> <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31,</u> <u>2010</u>
Capital assets not being depreciated:				
Land	\$ 743,224	\$ -	\$ -	\$ 743,224
Construction in progress	<u>47,244</u>	<u>3,089,140</u>	<u>47,244</u>	<u>3,089,140</u>
Total capital assets not being depreciated	<u>790,468</u>	<u>3,089,140</u>	<u>47,244</u>	<u>3,832,364</u>
Capital assets being depreciated:				
Buildings	7,162,589	129,153	33,490	7,258,252
Land improvements	1,564,362	1,343	-	1,565,705
Transit stations	4,867,413	2,602	-	4,870,015
Transportation equipment	46,451,222	9,241,814	467,524	55,225,512
Other equipment (primarily service equipment, furniture and fixtures, computers and computer equipment, software and transit shelters)	<u>8,003,755</u>	<u>1,417,278</u>	<u>189,034</u>	<u>9,231,999</u>
Total capital assets being depreciated	<u>68,049,341</u>	<u>10,792,190</u>	<u>690,048</u>	<u>78,151,483</u>
Less accumulated depreciation:				
Buildings	5,367,800	266,280	71,853	5,562,227
Land improvements	1,550,050	2,726	-	1,552,776
Transit stations	2,734,993	167,377	-	2,902,370
Transportation equipment	37,022,116	2,848,835	351,481	39,519,470
Other equipment	<u>6,806,344</u>	<u>619,757</u>	<u>177,478</u>	<u>7,248,623</u>
Total accumulated depreciation	<u>53,481,303</u>	<u>3,904,975</u>	<u>600,812</u>	<u>56,785,466</u>
Total capital assets being depreciated, net	<u>14,568,038</u>	<u>6,887,215</u>	<u>89,236</u>	<u>21,366,017</u>
<b>Total capital assets, net</b>	<u>\$ 15,358,506</u>	<u>\$ 9,976,355</u>	<u>\$ 136,480</u>	<u>\$ 25,198,381</u>

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**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 (614) 222-5601 or 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 2011 and 2010, employees other than law enforcement personnel were required to contribute 10.0% of their covered payroll to OPERS. The 2011 and 2010 employer contribution rates for local government employer units were 14.0% of covered payroll including 4% for calendar year 2011 and 5.5% from January 1 through February 28, 2010 and 5% from March 1 through December 31, 2010 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 discussed in Note 6) for the years ended December 31, 2011 and 2010 were 1,270,000 and \$1,109,000, respectively, equal to 100% of the required contribution for each year.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS**

***Benefits Provided Through OPERS***

The Authority provides health care benefits as a post-employment benefit (as defined by GASB Statement No. 45) through its contributions to OPERS. In addition to the pension benefit previously described, OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the TP and CO Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. 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 (614) 222-5601 or 1 (800) 222-PERS (7377).

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. For the Authority, 4.0% for calendar year 2011 of covered payroll was the portion of the 14.0% total contribution rate for 2011 that was used to fund health care and 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010 of covered payroll was the portion of the 14.0% total contribution rate for 2010 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.

OPEB provided through OPERS are advance-funded on an actuarially determined basis. The Authority's total contributions to OPERS for postretirement health care benefit for the years ended December 31, 2011 and 2010 were \$508,000 and \$632,000, respectively, equal to 100% of the required contribution for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 - RISK MANAGEMENT**

***Property and Liability***

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.

***Health Insurance***

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 \$2.9 million in 2011, \$2.7 million in 2010 and \$3.0 million in 2009. In addition, the Authority provides life insurance coverage to all full-time employees.

***Workers' Compensation***

Effective January 1, 2011, the Authority has elected to take advantage of the workers' compensation plan offered by the State of Ohio. This plan, called retrospective rating, allows the Authority to pay a fraction of the premium it would pay as an experience-rated risk.

Retrospective rating constitutes a step closer to self-insurance. In the retrospective rating plan, the Authority agrees to assume a portion of the risk in return for a possible reduction in premiums. The greater the percentage of the risk the Authority assumes, the greater the potential reduction in the premium. If the Authority's loss experience is better than predicted by the experience-rating system, its premium obligation will be less than what it would have paid under experience rating. If its experience is worse than predicted, its premium obligation will be more than it would have been assessed under experience rating, limited to a maximum premium. The Authority has assumed the risk of individual claims up to a maximum of \$100,000.

The Authority has agreed to pay all claims up to a maximum of 150% of what the Authority would have paid had the Authority remained an experience-rated risk. Claims exceeding these limits will be paid by the State. Each year, the Authority pays the State a "minimum premium" for retaining the risk of having to pay claims which exceed the Authority's maximum claim limits. Ten years after each year the Authority elected the retrospective plan for workers' compensation, the Authority settles up for the reserve on any claims that are still open. The accrued claims liability amounted to \$205,000 at December 31, 2011.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 - RISK MANAGEMENT (CONTINUED)**

Changes in the accrued claims liability, including general liability, medical, and workers' compensation, for the years ended December 31, 2011, 2010 and 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>January 1, liability</b>	\$ 471,600	\$ 624,960	\$ 559,914
Current year claims and changes in estimates	3,173,003	2,518,221	3,100,725
Claim payments	<u>(2,936,794)</u>	<u>(2,671,581)</u>	<u>(3,035,679)</u>
<b>December 31, liability</b>	<u>\$ 707,809</u>	<u>\$ 471,600</u>	<u>\$ 624,960</u>

**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 2020 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 2011 and 2010 had a lien and levy date of December 2010 and 2009, respectively.

On the March 6, 2012 ballot, voters in the City of Perrysburg decided to opt out of transit service provided by the Authority. This is expected to reduce annual property tax revenue by an estimated \$1.2 to \$1.4 million beginning in calendar 2013.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY  
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**NOTE 9 - GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE**

Federal operating and preventive maintenance assistance consist of the following for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
FTA preventive maintenance assistance	\$ 4,181,382	\$ 5,248,927
FTA bio fuel grant	1,234,653	165,198
FTA operating assistance	-	665,780
FTA short-range planning and marketing	<u>-</u>	<u>72,356</u>
<b>Total</b>	<b><u>\$ 5,416,035</u></b>	<b><u>\$ 6,152,261</u></b>

State operating and preventive maintenance grants and special fare assistance consist of the following for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
ODOT operating assistance	\$ 682,057	\$ 468,543
State fuel tax reimbursement	276,900	294,761
State elderly and handicapped	<u>89,398</u>	<u>163,991</u>
<b>Total</b>	<b><u>\$ 1,048,355</u></b>	<b><u>\$ 927,295</u></b>

**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 \$228,800 and \$162,800 for the years ended December 31, 2011 and 2010, 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.



**TOLEDO AREA REGIONAL TRANSIT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**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, 2011 and 2010, 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 approximately \$10 million and the new facility was opened in February 2012.

**Union Contracts**

The Authority's three union contracts, which cover drivers, mechanics, administrative and TARPS employees, expired in the fall of 2010. The Authority and two of the unions have reached agreement and the Authority and unions have entered into new contracts during 2011. One union and the Authority are currently in negotiations.

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

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

**REPORTS ISSUED PURSUANT TO  
THE OMB CIRCULAR A-133  
December 31, 2011**

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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, 2011, and have issued our report thereon dated May 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Authority is responsible for establishing and maintaining effective 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, 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 deficiency described in Item 2011-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

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 2011-2 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 did not disclose 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 May 31, 2012.

The Authority's responses 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 responses and, accordingly, we express no opinion on the responses.

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.

*CliftonLarsonAllen LLP*

Toledo, Ohio  
May 31, 2012



**Independent Auditor's Report on Compliance with Requirements that  
Could Have A Direct and Material Effect on 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 could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2011. 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 could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2011. 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 is described in the accompanying schedule of findings and questioned costs as Items 2011-3 and 2011-4.

## **Internal Control Over Compliance**

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 to determine the 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 Authority'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2011-4 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 than 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, 2011, and have issued our report thereon dated May 31, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Authority's responses 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 responses and, accordingly, we express no opinion on the responses.

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.

*CliftonLarsonAllen LLP*

Toledo, Ohio  
May 31, 2012

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2011**

<b><u>Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title</u></b>	<b><u>Federal CFDA number</u></b>	<b><u>Grant number</u></b>	<b><u>Federal expenditures</u></b>
U. S. Department of Transportation:			
Federal Transit Administration (FTA)			
Federal Transit Cluster:			
Received directly from FTA:			
Capital investment grants	20.500	OH-04-0050	\$ 5,080,930
Capital investment grants	20.500	OH-04-0058	1,425,000
Capital investment grants	20.500	OH-04-0076	2,801,888
Capital investment grants	20.500	OH-03-0268	<u>96,383</u>
Subtotal CFDA 20.500			<u>9,404,201</u>
Formula grants – ARRA	20.507	OH-96-X019	4,389
Formula grants	20.507	OH-90-X690	4,363,044
Formula grants	20.507	OH-90-X609	55,353
Formula grants	20.507	OH-90-0456	200,521
Formula grants	20.507	OH-90-X426	770
Formula grants	20.507	OH-90-X670	354,433
Formula grants	20.507	OH-90-X394	68,401
Formula grants	20.507	OH-90-X730	4,181,382
Formula grants	20.507	OH-95-X032	300,000
Formula grants	20.507	OH-95-X055	<u>934,653</u>
Subtotal CFDA 20.507			<u>10,462,946</u>
Total Federal Transit Cluster			<u>19,867,147</u>
U. S. Department of Transportation:			
Federal Transit Administration (FTA)			
Transit Services Program Cluster:			
Received directly from FTA:			
Job Access – Reverse			
Commute	20.516	OH-37-X082	8,705
	20.516	OH-37-X047	80,440
	20.516	OH-37-X061	<u>15,991</u>
Total Transit Services Cluster			<u>105,136</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><b>\$ 19,972,283</b></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, 2011**

**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>
<u>20.500 and 20.507</u>	<u>Federal Transit Cluster</u>

Dollar threshold used to distinguish between type A and type B programs: \$ 599,168

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 2011-1 – Segregation of Duties**

**Criteria**

Segregation of duties is a key component of internal controls.

**Condition**

The Authority has 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 also 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**

New system implementations and newly created positions in 2012 will enable the Authority to further segregate duties 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. Below are processes and dates of implementation:

- 2011 – Doc-link went live. All invoices and items for payment must be scanned into the system in order to reach the general ledger. Segregation of scanning, processing and uploading into ledger along with electronic invoice approval.
- 2012 – General Manager signs off on monthly disbursements listings.
- 2012 – Segregation of cash posting and deposit preparation.
- 2012 - Segregation of task and reconciliation process.

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

**Section II – Financial Statement Findings, Continued**

**Reference 2011-2 – 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 it was not completely documented at the end of 2011. A policy and procedures manual has been created in 2012, however, it will not be completed until all processes are deemed best practices by management.

**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. There has been cross training and further task documentation related to functions within the Authority. A complete task documentation and procedure listing has been created for the bookkeeper position. A task documentation and procedures listing is complete for the revenue processor position. With the system changes that have been made in the past few years, as well as recent staff changes, processes have been reviewed and retooled as the systems are implemented and tasks are reassigned and restructured. Preliminary procedures and processes have been outlined for the new systems, however, until the processes are deemed best practice and staff assignments are fully determined it is not practical to create a complete manual.

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

**Section III – Federal Award Findings and Questioned Costs**

**Reference 2011-3– Equipment and Real Property Management**

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

**Criteria**

For grantees with 50 or more fixed route buses, a reasonable spare ratio should not exceed 20% of the vehicles operated in maximum service according to FTA C9030.1C. Maximum service means the revenue vehicle count during the peak season of the year, on the week and day that maximum services are provided.

**Condition**

The spare bus ratio computes to 29% which is in excess of 20% maximum permitted ratio.

**Questioned Costs**

None.

**Effect**

The Authority is not in compliance with FTA requirements.

**Authority's Response and Planned Corrective Action**

Currently TARTA has eighteen vehicles that are considered on hold-pending disposal. They are not being considered as pending disposal at this time due to Toledo Public Schools (TPS) placing a levy on the ballot in November, which if successful will reinstate some school transportation with TARTA. In addition, the provision inserted into Ohio's biennial budget bill last year allows communities to opt out or opt into the system for an established time period. In the event a community opts into the system during this period or if school service is increased in the fall the vehicles will be necessary. Therefore, TARTA is holding these vehicles as on hold-pending disposal status. If TPS does not succeed on the ballot and/or no one opts in to the system, disposal of these vehicles will occur. It should be noted that if the surplus was calculated not including the on hold – pending disposal vehicles, the percentage of surplus vehicles would be below the allowed surplus percentage.

**Reference 2011-4 – Other**

All Federal Grants  
See Finding 2011-1.

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

**Reference 2010-1 – Segregation of Duties**

Segregation of duties is a key component of internal controls. 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 2011-1.

**Reference 2010-2 – 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 have policies and procedures but has not documented them in a formal accounting policies and procedures manual.

**Status**

This finding has not been corrected. See Finding 2011-2.

**Reference 2010-3 – Noncompliance Citation**

**Criteria**

According to the Ohio Revised Code, Section 9.03, no governing body of a political subdivision shall use public funds to support or oppose the passage of levy or bond issue. The Authority created an organization, Citizens for TARTA, as a political action committee. The Authority loaned Citizens for TARTA a total of \$66,885, which is recorded as a receivable on the Authority's December 31, 2010 balance sheet.

**Status**

The funds have been fully repaid to the Authority in June 2011. This finding has been corrected.



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

**Reference 2010-4 – Schedule of Expenditures of Federal Awards**

All Federal Grants

The Schedule of Expenditures of Federal Awards (SEFA) should accurately capture current year expenditures for all federal grants and awards. The schedule of expenditures of federal awards did not accurately state program expenditures for various programs as summarized below:

- Fuel Initiative Grant (CFDA 20.205): Expenditures were not properly reported on the SEFA in the correct year causing an understatement of \$1,109,419.
- Capital Investment Grants (CFDA 20.500): Expenditures were not properly reported on the SEFA in the correct year causing an understatement of \$1,032,964.

**Status**

This finding has been corrected.

**Reference 2010-5 – Reporting**

All Federal Grants

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. The reporting package, which includes the single audit reports, was not submitted to the Federal Audit Clearinghouse until March 2012.

**Status**

This finding has been corrected.

**Reference 2010-6 – Other**

All Federal Grants

See Finding 2010-1 above.

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# 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  
AUGUST 02, 2012