***KNOX COUNTY TRANSIT BOARD DBA KNOX AREA TRANSIT***
***KNOX COUNTY, OHIO***

**AUDIT REPORT**

**For the year ended December 31, 2013**

Charles E. Harris & Associates
certified public accountants & government consultants

# Dave Yost • Auditor of State

Board of Directors
Knox County Transit Board dba Knox Area Transit
25 Columbus Road
Mount Vernon, Ohio 43050

We have reviewed the *Independent Auditor's Report* of the Knox County Transit Board dba Knox Area Transit, Knox County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. 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 Knox County Transit Board dba Knox Area Transit is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

April 30, 2015

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***KNOX COUNTY TRANSIT BOARD DBA KNOX AREA TRANSIT***
**AUDIT REPORT**
**For the Year Ended December 31, 2013**

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## INDEPENDENT AUDITOR'S REPORT

Knox County Transit Board dba Knox Area Transit
Knox County
25 Columbus Road
Mount Vernon, Ohio 43050

To the Board of County Commissioners:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Knox County Transit Board dba Knox Area Transit, Knox County, Ohio (the Board), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Knox County Transit Board dba Knox Area Transit, Knox County, Ohio as of December 31, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Charles E. Harris & Associates

***Charles E. Harris & Associates, Inc.***
January 12, 2015

**KNOX COUNTY TRANSIT BOARD DBA KNOX AREA TRANSIT**
**KNOX COUNTY, OHIO**

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

The management's discussion and analysis of the Knox County Transit Board dba Knox Area Transit ("KAT") financial performance provides an overall review of KAT's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at KAT's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of KAT's financial performance.

## Financial Highlights

Key financial highlights for 2013 are as follows:

- KAT reported net position of $503,247 at December 31, 2013, which is a result of the difference between total assets of $643,173 and total liabilities of $139,926.

- KAT's current assets consist of unrestricted cash and cash equivalents of $106,208, accounts receivable of $34,363 and intergovernmental receivables of $47,456.

- KAT's current liabilities consist of accrued expenses of $54,457, accounts payable of $64,055 and intergovernmental payable of $21,414.

## Using the Basic Financial Statements

This annual report consists of the management's discussion and analyisis, the basic financial statements and the notes to the basic financial statements. The basic financial statements are organized so the reader can understand KAT's financial activities. The statement of net position and statement of revenues, expenses, and changes in net position provide information about the activities of KAT, including all short-term and long-term financial resources and obligations.

## Reporting KAT's Financial Activities

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

These statements look at all financial transactions and ask the question, "How did KAT do financially during 2013?" The statement of net position and the statement of revenues, expenses, and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report KAT's net position and change in net position. This change in net position is important because it tells the reader that, for KAT as a whole, the financial position of KAT has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how KAT finances and meets the cash flow needs of its operations. This statement is classified into four categories: 1) cash flows from operating activities, 2) cash flows from noncapital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities. The statement of cash flows can be found on page 9 of this report.

***Notes to the Basic Financial Statements***

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. These notes to the basic financial statements can be found on pages 10-16 of this report.

The table below provides a summary of KAT's net position at December 31, 2013 and December 31, 2012.

**Net Position**

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| Current assets | $ 188,027 | $ 272,533 |
| Capital assets, net | 455,146 | 601,386 |
| Total assets | 643,173 | 873,919 |
| **Liabilities** | | |
| Current liabilities | 139,926 | 254,492 |
| Total liabilities | 139,926 | 254,492 |
| **Net Position** | | |
| Investment in capital assets | 455,146 | 601,386 |
| Unrestricted | 48,101 | 18,041 |
| Total net position | $ 503,247 | $ 619,427 |

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, KAT's net position was $503,247.

At year end, capital assets, net of accumulated depreciation, represented 70.8% of total assets. Capital assets consisted of vehicles, office equipment, shop equipment, computer hardware/software, and leasehold improvements. There is no debt related to these capital assets. KAT uses these capital assets to provide public transportation services for Knox County and throughout Ohio. Consequently, these capital assets are not available to liquidate liabilities and are not available for future spending. KAT's investment in capital assets at December 31, 2013 was $455,146. The remaining balance of unrestricted net position of $48,101 may be used to meet KAT's ongoing obligations.

The table below shows the change in net position for 2013 and 2012.

**Change in Net Position**

| | 2013 | 2012 |
|---|---|---|
| **Operating Revenues (Expenses)** | | |
| Operating revenues | $ 363,860 | $ 351,338 |
| Operating expenses (excluding depreciation) | (1,197,909) | (1,353,056) |
| Depreciation | (188,916) | (176,257) |
| Operating loss | (1,022,965) | (1,177,975) |
| **Nonoperating Revenues** | | |
| Federal grants | 614,676 | 820,678 |
| State grants | 135,188 | 202,654 |
| Local grants | 43,250 | 110,351 |
| State elderly and disabled fare assistance | 73,073 | 52,000 |
| Investment income | 32 | 75 |
| Gain on sale/disposal of assets | 15,609 | 11,771 |
| Other nonoperating revenues | 24,957 | 34,394 |
| Total nonoperating revenues | 906,785 | 1,231,923 |
| Change in net position | (116,180) | 53,948 |
| Net position at beginning of year | 619,427 | 565,479 |
| Net position at end of year | $ 503,247 | $ 619,427 |

**Financial Operating Activities**

The most significant operating expenses for KAT are salaries and wages, employee benefits, vehicle expense and depreciation. These expenses account for 89.6% of the total operating expenses. Salaries and wages, which accounts for 46.9% of the total operating expenses, represents personnel costs associated with employees. Employee benefits, which accounts for 16.6% of the total operating expenses, represents costs associated with employee health insurance premiums and workers' compensation premiums paid by KAT. Vehicle expense, which accounts for 12.4% of the total operating expenses, represents costs associated with materials and supplies used for vehicle operations such as fuel, motor oils and tires for vehicles. Depreciation, which accounts for 13.6% of the total operating expenses, represents current year depreciation of capital assets.

Funding to cover the most significant operating expenses indicated above comes from passenger fares, including farebox revenue and special transit fees, as well as nonoperating revenues primarily in the form of federal, state and local grants. Farebox revenue in the amount of $120,381 represented 9.5% of overall revenues of $1,270,645. Special transit fees of $243,479 were received during the year, which amounted to 19.2% of KAT's overall revenues. During 2013, federal grants totaled $614,676, which represented 48.4% of overall revenues. Significant funding from state grants in the amount of $135,188 (10.6% of overall revenues) and state elderly and disabled fare assistance in the amount of $73,073 (5.8% of overall revenues) also helped cover the expenses of KAT.

KAT monitors its expenses and revenues closely to avoid major fluctuations.

## Capital Assets

At December 31, 2013, KAT had $455,146 (net of accumulated depreciation) invested in vehicles, office equipment, shop equipment, computer hardware/software and leasehold improvements. See Note 4 to the basic financial statements for more detail on capital assets.

## Debt Administration

As of December 31, 2013, KAT was not liable for any long-term obligations.

## Contingencies

As of December 31, 2013, KAT has complied with repayment arrangements as established with the Ohio Department of Transportation (ODOT) for the 2005-2009 audit findings recognized on April 6, 2011 in the amount of $64,240, and for a 2012 federal funding overpayment in the amount of $7,022. The repayment occurs in the form of deductions from KAT's federal grant allocation. The first deduction took effect in the first quarter of 2013 in the amount of $28,515. A second deduction occurred in the third quarter of 2013 in the amount of $21,333. The remaining balance will be deducted during 2015 in the following manner; $5,353 deducted in the first quarter, $5,353 deducted in the second quarter, $5,354 deducted in the third quarter and $5,354 deducted in the fourth quarter.

## Contacting KAT's Financial Management

This financial report is designed to provide our citizens, customers and creditors with a general overview of KAT's finances and to show KAT's accountability and transparency for the money it receives. Questions concerning any of the information in this report or requests for additional information should be addressed to: Jacqueline Myers, 117 East High Street, Mount Vernon, Ohio 43050.

**KNOX COUNTY TRANSIT BOARD DBA KNOX AREA TRANSIT**
**KNOX COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2013

| | | |
|---|---|---|
| **ASSETS:** | | |
| **Current assets:** | | |
| Cash and cash equivalents . . . . . . . . | $ | 106,208 |
| Accounts receivable . . . . . . . . . . . . | | 34,363 |
| Intergovernmental receivable . . . . . . . | | 47,456 |
| **Total current assets** | | 188,027 |
| | | |
| **Capital assets:** | | |
| Vehicles . . . . . . . . . . . . . . . . . . . | | 1,026,654 |
| Office equipment . . . . . . . . . . . . . | | 21,107 |
| Shop equipment . . . . . . . . . . . . . . | | 192,174 |
| Computer hardware/software . . . . . . . | | 128,629 |
| Leasehold improvements . . . . . . . . . | | 517,050 |
| | | 1,885,614 |
| Less: accumulated depreciation . . . . . . | | (1,430,468) |
| **Total capital assets, net** | | 455,146 |
| | | |
| **Total assets** | | 643,173 |
| | | |
| **LIABILITIES AND NET POSITION:** | | |
| **Liabilities:** | | |
| Accrued expenses . . . . . . . . . . . . . | | 54,457 |
| Accounts payable . . . . . . . . . . . . . | | 64,055 |
| Intergovernmental payable . . . . . . . . | | 21,414 |
| **Total liabilities** | | 139,926 |
| | | |
| **Net position:** | | |
| Investment in capital assets . . . . . . . . | | 455,146 |
| Unrestricted . . . . . . . . . . . . . . . . | | 48,101 |
| **Total net position** | $ | 503,247 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KNOX COUNTY TRANSIT BOARD DBA KNOX AREA TRANSIT**
**KNOX COUNTY, OHIO**

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

| | | |
|---|---|---|
| **Operating revenues:** | | |
| Farebox revenue . . . . . . . . . . . . . . . | $ | 120,381 |
| Special transit fees . . . . . . . . . . . . . | | 243,479 |
| **Total operating revenues** | | 363,860 |
| **Operating expenses:** | | |
| Salaries and wages. . . . . . . . . . . . . . | | 651,094 |
| Employee benefits. . . . . . . . . . . . . . | | 229,756 |
| Professional services. . . . . . . . . . . . . | | 51,374 |
| Contract maintenance. . . . . . . . . . . . | | 10,469 |
| Vehicle expense . . . . . . . . . . . . . . . | | 172,513 |
| Material and supplies . . . . . . . . . . . . | | 32,273 |
| Utilities . . . . . . . . . . . . . . . . . . . | | 21,132 |
| Insurance . . . . . . . . . . . . . . . . . . | | 21,784 |
| Other expense . . . . . . . . . . . . . . . . | | 7,514 |
| Depreciation . . . . . . . . . . . . . . . . . | | 188,916 |
| **Total operating expenses** | | 1,386,825 |
| **Operating loss** | | (1,022,965) |
| **Nonoperating revenues:** | | |
| Federal grants . . . . . . . . . . . . . . . . | | 614,676 |
| State grants . . . . . . . . . . . . . . . . . | | 135,188 |
| Local grants . . . . . . . . . . . . . . . . . | | 43,250 |
| State elderly and disabled fare assistance . . | | 73,073 |
| Investment income . . . . . . . . . . . . . | | 32 |
| Gain on sale of assets . . . . . . . . . . . . | | 15,609 |
| Other nonoperating revenues. . . . . . . . | | 24,957 |
| **Total nonoperating revenues** | | 906,785 |
| **Change in net position** | | (116,180) |
| **Net position at beginning of year** | | 619,427 |
| **Net position at end of year** | $ | 503,247 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KNOX COUNTY TRANSIT BOARD DBA KNOX AREA TRANSIT**
**KNOX COUNTY, OHIO**

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

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Cash received from customers | $ 366,032 |
| Cash payments for employee services and benefits. | (958,710) |
| Cash payments to suppliers for goods and services. | (353,765) |
| Net cash used in operating activities | (946,443) |
| **Cash flows from noncapital financing activities:** | |
| Cash received from federal, state and local grants. | 843,979 |
| Cash received from other revenues. | 24,957 |
| Net cash provided by noncapital financing activities. | 868,936 |
| **Cash flows from capital and related financing activities:** | |
| Purchase of capital assets: | |
| Vehicles. | (42,675) |
| Gain on sale of assets. | 15,609 |
| Net cash used in capital and related financing activities. | (27,066) |
| **Cash flows from investing activities:** | |
| Investment income. | 32 |
| Net cash provided by investing activities | 32 |
| **Net decrease in cash and cash equivalents** | (104,541) |
| **Cash and cash equivalents at beginning of year** | 210,749 |
| **Cash and cash equivalents at end of year** | $ 106,208 |
| **Reconciliation of operating loss to net cash used in operating activities:** | |
| **Operating loss** | $ (1,022,965) |
| **Adjustments:** | |
| Depreciation | 188,916 |
| **Changes in assets and liabilities:** | |
| Decrease in accounts receivable. | 2,172 |
| Increase in accounts payable. | 6,120 |
| (Decrease) in accrued expenses. | (77,860) |
| (Decrease) in intergovernmental payable. | (42,826) |
| Net cash used in operating activities | $ (946,443) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The Knox County Transit Board dba Knox Area Transit ("KAT") is a body politic and corporate of the State of Ohio, established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. KAT is a Knox County entity, and the KAT Board of Directors is appointed by the Knox County Board of Commissioners, with an appointed Administrator/Fiscal Officer handling the daily operations. KAT provides transportation services mainly in Knox County, to include but not limited to, the disadvantaged, elderly and riders who use mobility devices.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", KAT is not considered part of any other financial reporting entity. There are no agencies or organizations for which KAT is considered the primary government. Accordingly, KAT is the sole organization of the reporting entity. Management believes the basic financial statements included in this report represent all of the funds of KAT over which it has the ability to exercise direct operating control.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of KAT's accounting policies are described below.

### A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private-sector business enterprises and focuses on the determination of operating income, changes in net position, overall financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting", KAT follows GASB guidance as applicable to proprietary funds.

KAT also complies with the provisions of GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".

KAT will continue applying all applicable pronouncements issued by the GASB.

### B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows reflects how KAT finances and meets its cash flow needs. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for enterprise reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

***Deferred Inflows of Resources and Deferred Outflows of Resources***

A deferred inflow of resources is an acquisition of net position by KAT that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by KAT that is applicable to a future reporting period. KAT had no deferred inflows of resources or deferred outflows of resources at December 31, 2013.

**C. Budgetary Accounting and Control**

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

**D. Cash and Cash Equivalents**

Cash and cash equivalents consist of funds deposited in checking and savings accounts and are stated at cost, which approximates fair value. Cash and cash equivalents represent the funds that are used for general operations. For purposes of the statement of cash flows, KAT considers all highly liquid instruments with maturities of three months or less at the time they are purchased to be cash equivalents. Investment income earned by KAT totaled $32 for the year ended December 31, 2013.

**E. Recognition of Receivables and Revenue**

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

**F. Noncurrent Assets**

The capitalized property and equipment items maintained by KAT are recorded at cost. KAT has a $5,000 capitalization threshold. Current year depreciation expense totaled $188,916, which was determined using the straight-line method over the following estimated useful lives of KAT's capital assets:

| | |
|---|---|
| Improvements | 15 years |
| Equipment and vehicles | 5 -7 years |
| Computers/software | 5 years |

When capital assets acquired with capital grants are disposed of, KAT is required to notify the granting agency for permission to dispose. If vehicles or equipment are not past their useful lives and are approved to be disposed, a proportional amount of the proceeds or fair market value, if any, of such property may be used to acquire like-kind replacements or remitted back to the granting agency. If vehicles or equipment are past their useful lives, the proceeds from the disposed property will be re-invested and used as a local match for future capital purchases.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

### G. Compensated Absences

KAT accrues vacation benefits as earned by its full-time employees. Employees are encouraged to use their vacation throughout the year so as to not accumulate more than they earn annually. Unused vacation benefits are paid to employees upon separation from KAT according to the Knox County Policy Manual, which outlines that employees are not to receive vacation benefits in excess of eighty (80) hours unless prior permission from the Appointing Authority is obtained.

Full-time and part-time employees accrue sick leave while employed at KAT. Upon retirement only, and in addition to having ten (10) years of public service, employees are paid 25% of the value of their accumulated unused sick leave credit at the time of departure (at a maximum of 960 hours accumulated, 240 hours paid). Severance payments are determined by the employees' regular rate of pay. The vesting method is utilized in determining the liability for sick leave.

### H. Use of Estimates

The preparation of the basic financial statements is in conformity with accounting principles generally accepted in the United States of America (GAAP), which requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

### I. Operating and Nonoperating Revenues

Operating revenues are those revenues that are generated directly from the primary activities of an entity. For KAT, these revenues are primarily charges for transportation services. Nonoperating revenues are primarily related to grants and assistance revenues from federal, state and local sources.

### J. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those capital assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

KAT applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## NOTE 3 - DEPOSITS AND INVESTMENTS

At December 31, 2013, the carrying amount of KAT's deposits was $106,208. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, all of KAT's bank balance of $88,305 was covered by the Federal Deposit Insurance Corporation (FDIC), and therefore was not subject to custodial credit risk.

## NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, KAT's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of KAT. KAT has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject KAT to a successful claim by the FDIC.

## NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 is as follows:

| Description | Balance at 1/1/2013 | Capital Assets Additions | Capital Assets Disposals | Balance at 12/31/2013 |
|---|---|---|---|---|
| Vehicles | $ 1,044,079 | $ 42,675 | $ (60,100) | $ 1,026,654 |
| Office equipment | 21,107 | - | - | 21,107 |
| Shop equipment | 192,174 | - | - | 192,174 |
| Computer hardware/software | 149,362 | - | (20,733) | 128,629 |
| Leasehold improvements | 517,050 | - | - | 517,050 |
| Total capital assets | 1,923,772 | 42,675 | (80,833) | 1,885,614 |
| Less: accumulated depreciation | | | | |
| Vehicles | (511,228) | (179,358) | 60,100 | (630,486) |
| Office equipment | (15,483) | (1,249) | - | (16,732) |
| Shop equipment | (192,174) | - | - | (192,174) |
| Computer hardware/software | (145,923) | (1,376) | 20,733 | (126,566) |
| Leasehold improvements | (457,577) | (6,933) | - | (464,510) |
| Total accumulated depreciation | (1,322,385) | (188,916) | 80,833 | (1,430,468) |
| Total capital assets, net | $ 601,387 | $ (146,241) | $ - | $ 455,146 |

## NOTE 5 - PENSION PLANS

Plan Description - KAT participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is 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 Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and contribution rates were consistent across all three plans. The 2013 member contribution rates were 10.00% for members. KAT's contribution rate for 2013 was 14.00% of covered payroll.

KAT's contribution rate for pension benefits for members in the Traditional Plan for 2013 was 13.00%. KAT's contribution rate for pension benefits for members in the Combined Plan for 2013 was 13.00%. KAT's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were $90,420, $68,783, and $69,117, respectively; 88.28% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 pension liability has been reported as accrued expenses on the basic financial statements. Contributions to the member-directed plan for 2013 were $1,427 made by KAT and $1,019 made by the plan members. All KAT contributions have been paid as required by OPERS.

## NOTE 6 - POSTRETIREMENT BENEFIT PLANS

Plan Description - 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 Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

## NOTE 6 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, local government employers contributed 14.00% of covered payroll. Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2013 was 1.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2013 was 1.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

KAT's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were $6,952, $27,438, and $27,811, respectively; 88.28% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 post-employment health care benefits liability has been reported as accrued expenses on the basic financial statements. All KAT contributions have been paid as required by OPERS.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

## NOTE 7 - RISK MANAGEMENT

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

## NOTE 8 - CONTINGENCIES

### A. Litigation

At December 31, 2013, KAT was not involved in any pending litigation that would potentially have a material adverse effect on KAT's financial position.

### B. Grants

KAT received financial assistance from federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of KAT. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of KAT at December 31, 2013.

## NOTE 9 - CHANGES IN ACCOUNTING PRINCIPLES

For 2013, KAT has implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34" and GASB Statement No. 66, "Technical Corrections-2012 - an Amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the basic financial statements of KAT.

GASB Statement No. 66 improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements; GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements". The implementation of GASB Statement No. 66 did not have an effect on the basic financial statements of KAT.

## NOTE 10 - SIGNIFICANT SUBSEQUENT EVENT

Effective April 1, 2014, the Knox County Transit Board has been dissolved and the operations of KAT are under the control of the Knox County Board of Commissioners. The Knox County Auditor will serve as the fiscal officer with the County's Department of Job and Family Services providing some accounting and administrative functions.

**KNOX COUNTY TRANSIT BOARD DBA KNOX AREA TRANSIT**
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2013

| Federal Grantor/Pass through Grantor Program Title | Pass through Entity Number | CFDA Number | Program Expenditures |
|---|---|---|---|
| ***U.S. Department of Transportation*** | | | |
| *Passed-through the Ohio Department of Transportation:* | | | |
| Formulas Grants for Other than Urbanized Areas - Operating | RPT-4042-030-131 | 20.509 | $ 496,896 |
| Formulas Grants for Other than Urbanized Areas - Capital | RPT-0042-033-132 | 20.509 | 38,656 |
| Formulas Grants for Other than Urbanized Areas - Capitalized Maintenance | RPT-0042-033-132 | 20.509 | 97,501 |
| **Total Federal Awards Expenditures** | | | **$ 633,053** |

See accompanying Notes to the Schedule of Federal Awards Expenditures

**Knox County Transit Board dba Knox Area Transit**
**Notes to the Schedule of Federal Awards Expenditures**
**For the Year Ended December 31, 2013**

**1. Significant Accounting Policies**

The accompanying schedule of Federal Awards Expenditures is a summary of the activity of the Knox County Transit Board dba Knox Area Transit's federal award programs. The schedule has been prepared on the accrual basis of accounting.

**2. Matching Requirements**

Knox County Transit Board dba Knox Area Transit is required to contribute non-federal funds (matching funds) to support federally funded programs. Knox County Transit Board dba Knox Area Transit has complied with the matching requirements. The expenditure of non-federal funds is not included on this schedule.

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

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

Knox County Transit Board dba Knox Area Transit
Knox County
25 Columbus Road
Mount Vernon, Ohio 43050

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Knox County Transit Board dba Knox Area Transit, Knox County, (the Board) as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2015.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-KAT-001 through 2013-KAT-003 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Responses to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E. Harris & Associates

***Charles E. Harris & Associates, Inc.***
January 12, 2015

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Knox County Transit Board dba Knox Area Transit
Knox County
25 Columbus Road
Mount Vernon, Ohio 43050

To the Board of County Commissioners:

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to opine on the Board's compliance for the Board's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Board's major program. However, our audit does not provide a legal determination of the Board's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Knox County Transit Board dba Knox Area Transit complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

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

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-KAT-004 to be a material weakness.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

***Charles E. Harris & Associates, Inc.***
January 12, 2015

## SCHEDULE OF FINDINGS
### *OMB CIRCULAR A-133 SECTION .505*
### December 31, 2013

### 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| (d)(1)(i) | *Type of Financial Statement Opinion* | Unmodified |
| (d)(1)(ii) | *Were there any material control weaknesses reported at the financial statement level (GAGAS)?* | Yes |
| (d)(1)(ii) | *Were there any significant deficiencies reported at the financial statement level statement level (GAGAS)?* | No |
| (d)(1)(iii) | *Was there any reported material non-compliance at the financial statement level (GAGAS)?* | No |
| (d)(1)(iv) | *Were there any material internal control weaknesses reported for major federal programs?* | No |
| (d)(1)(iv) | *Were there any significant deficiencies reported for major federal programs?* | No |
| (d)(1)(v) | *Type of Major Program's Compliance Opinion* | Unmodified |
| (d)(1)(vi) | *Are there any reportable findings under Section .510* | Yes |
| (d)(1)(vii) | *Major Programs:* | Formula Grants for Other Than Urbanized Areas - CFDA #20.509 |
| (d)(1)(viii) | *Dollar Threshold: Type A\B Programs* | Type A: > $300,000<br>Type B: all others |
| (d)(1)(ix) | *Low Risk Auditee?* | No |

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

**Finding 2013-KAT-001 – Material Weakness**

Bank Reconciliation

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. During 2013, the Board did not resolve various differences between the adjusted bank balance and the balance reflected within the Board's accounting records.

Without complete and accurate monthly bank reconciliations, the Board's internal control is weakened, which could hinder the detection of errors or irregularities by the Board's management in a timely manner.

The Board should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month, and management should sign and date the bank reconciliations to indicate that they have been reviewed.

**Finding 2013-KAT-002 – Material Weakness**

During the audit of the Board's financial records for the year ended December 31, 2013, we noted numerous transactions incorrectly recorded. The financial statements and Board's records have been adjusted and reclassified to present the accounting information correctly. We noted material adjustments to intergovernmental receivables, intergovernmental revenues, accounts payable and capital assets.

We recommend the Board use more caution to ensure all activities of the Board are recorded accurately. Management can use various reference materials, such as Governmental Accounting Standards Board statements. Also, management can contact either an independent accounting firm or the Auditor of State for guidance.

**SCHEDULE OF FINDINGS – (CONTINUED)**
**OMB CIRCULAR A-133 SECTION .505**
**December 31, 2013**

## 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (CONTINUED)

### Finding 2013-KAT-003 – Material Weakness

Capital Assets Management System

A capital asset management system ensures that policies and procedures are in place to safeguard assets and maintain the integrity of financial statement information. During the testing of the capital assets, it was noted that the Board's capital asset listing was incomplete. The listing failed to include the necessary information to ensure the accuracy of capital assets. Some assets failed to include a description, acquisition date or cost. Also, we noted the Board has not performed a capital asset valuation for numerous years. Finally, we noted several adjustments to the existing capital asset ledger that were made to the financial statements.

Performing a valuation for capital assets aids in determining the physical presence of assets recorded in the Board's records, in accounting for property disposals, substantiates insurance claims for lost or damaged items and aids in providing controls to safeguard the assets.

We recommend that the Board coordinate its effort to maintain a complete and accurate inventory of capital assets throughout the Board by strengthening and monitoring the implementation of its policies and procedures which address: 1) authorizing asset additions and disposals; 2) reporting to the Fiscal Officer (for updating Board-wide records) and 3) tagging asset purchases. We also recommend that the Board perform a valuation for capital assets and generate a complete and accurate list of capital assets in Board's custody.

## 3. FINDINGS FOR FEDERAL AWARDS

### Finding 2013-KAT-004 – Material Weakness

OMB Circular A-133 states that it is management's responsibility to prepare an accurate Schedule of Federal Awards Expenditures. The requirement to present a schedule of expenditures of federal awards means that the recipient has to identify all of its federal programs (direct and indirect, major and nonmajor) and related awards expended, including separately identifying expenditures of Recovery Act awards.

The Board's internal control procedures did not identify various errors within the Schedule of Federal Awards Expenditures. These errors were detected and corrected during the audit process.

We recommend that the Board implement additional procedures to identify federal grants and include them on the annual schedule of federal awards expenditures. Management should contact the various granting agencies and request documentation for all grant activity with the Board.

## 3. FINDINGS FOR FEDERAL AWARDS – (Continued)

Management's Response:

The Board has since assigned administrative and fiscal oversight and management to Knox County Department of Job & Family Services who work directly with the Knox County Auditor's office and Knox County Treasurer's office to ensure sound fiscal processes and procedures are implemented. The newly assigned fiscal officer has significant governmental accounting experience and its currently working through these findings. In the outlined transition, monumental changes have already been made to rectify weaknesses, correct errors and ensure accuracy in the accounting for Knox Area Transit now and in the future.

**KNOX COUNTY TRANSIT BOARD DBA KNOX AREA TRANSIT**
**KNOX COUNTY, OHIO**

## SCHEDULE OF PRIOR AUDIT FINGINGS

The prior audit report, for the year ending December 31, 2012, reported no material citations or recommendations.

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**KNOX AREA TRANSIT AUTHORITY**

**KNOX 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 12, 2015**