Allen County Regional Transit Authority

Allen County

Single Audit

January 1, 2010 Through December 31, 2010

Fiscal Year Audited Under GAGAS: 2010

bhs

Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639
9076 Ohio River Road, Wheelersburg, Ohio 45694 Phone: 740.876.9121 Fax: 800.210.2573
WWW.BHSCPAS.COM

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Allen County Regional Transit Authority, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2010. 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 Allen County Regional Transit Authority is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

June 29, 2011

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www. auditor.state.oh.us

This Page is Intentionally Left Blank.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

TABLE OF CONTENTS

Balestra, Harr & Scherer, CPAs, Inc.

Members American Institute of Certified Public Accountants
Members Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the business type activities of the Allen County Regional Transit Authority, Allen County, Ohio, (the Authority), as of and for the year ended December 31, 2010, as listed in the table of contents. 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 audit.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides 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 business-type activities of the Allen County Regional Transit Authority, Allen County, Ohio, as of December 31, 2010, and the changes in financial position and cash flows, thereof for the year 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 our report dated June 10, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

528 South West Street, P.O. Box 687, Piketon, OH 45661 | P:740.289.4131 | F:740.289.3639 |
9076 Ohio River Road, Wheelersburg, OH 45694 | P:740.876.9121 | F:800.210.2573 |

WWW.BHSCPAS.COM

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 Government 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.

We conducted our audit to opine on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Federal Awards Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Federal Awards Expenditures was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

June 10, 2011

Allen County Regional Transit Authority

Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

As management of the Allen County Regional Transit Authority (ACRTA), we offer readers of ACRTA basic financial statements this narrative overview and analysis of the financial activities of ACRTA for the year ended December 31, 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 financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- ACRTA has net assets of 4,397,880. These net assets result from the difference between total assets of $4,554,154 and total liabilities of $156,274.
- Current assets of $569,064 primarily consist of non-restricted Cash and Cash Equivalents of $379,652 and Accounts Receivable of $139,714.
- Current Liabilities of $156,274 consist of Accrued Payroll, Benefits, Withheld Payroll Taxes of $51,021, Accounts Payable of $30,658 and unearned revenue of $74,595.

Basic Financial Statements and Presentation

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

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

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

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

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

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of ACRTA

Table 1 provides a summary of ACRTA net assets for 2010 and 2009:

Table1

Condensed Summary of Net Assets

	2010	2009
Assts:		
Current Assets	$569,064	$374,615
Capital Assets (net of accumulated depreciation)	3,985,090	3,748,742
Total Assets	4,554,154	4,123,357
Liabilities:	156,274	135,763
Current Liabilities	156,274	135,763
Net Assets:		
Invested in capital Assets	3,985,090	3,748,742
Unrestricted Net Assets	412,790	238,852
Total Net Assets	$4,397,880	$3,987,594

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

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Assets

	2010	2009
Operating Revenues (Expenses):		
Operating Revenues	$269,360	$194,904
Operating Expenses(excluding depreciation)	(1,654,130)	(1,548,034)
Depreciation Expense	(278,772)	(272,408)
Operating Loss	(1,663,542)	(1,625,538)
Non Operating revenues:		
Federal Grants	1,457,715	1,970,809
State Grants	60,365	90,024
Local Grants	135,938	166,402
Other Revenues	419,810	329,837
Total Non-Operating revenues	2,073,828	2,557,072
Decrease/Increase in Net Assets During Year	410,286	931,534
Net Assets, beginning of Year	3,987,594	3,056,060
Net Assets, End of Year	$4,397,880	$3,987,594

Financial Operating Activities

The most significant operating expenses for ACRTA are Labor, Employee Benefits, Depreciation Expense, Vehicle Expense and Services, Materials and Supplies. These expenses account for 91% of the total operating expenses. Labor, which accounts for 28% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 9% of the total, represents costs associated with the health insurance premiums and workers compensation premiums paid by ACRTA covering its employees. Depreciation expense, which accounts for 14% of the total, represents current year depreciation less any disposals. Services Expense, which accounts for 16% of the total, represents costs associated with vehicle operations, auditing and legal fees and contract management and building services. Materials and supplies, which accounts for 24% of the total, represents costs associated with materials and supplies needed for vehicle maintenance as well as computer and office supplies.

Funding for the most significant operating expenses indicated above is from Passenger fares including Special Transit Fees and Fare Box revenue, as well as Non-Operating Revenues in the form of Federal Grants, State Grants, State Elderly and Disabled Fare Assistance and Local Grants. These revenues account for 82% of the total combined revenues of $2,343,188. Fare box revenue for 2010 was $112,260, and accounts for 4.8% of the total revenues. Special Transit fees revenue for 2010 was $157,100, and accounts for 6.7% of the total revenue. Federal Grants revenue for 2010 was $1,457,715, and accounts for 62.2% of the total revenue. State Grants revenue for 2010 was $29,600 and accounts for 1.3% of total revenue State Elderly and Disabled Fare Assistance revenue for 2010 was $30,765, and accounts for 1.3% of the total revenue. Local Grants revenue for 2010 was $135,938, and accounts for 5.7% of the total revenue. Investment Income and Other Revenues make up the remaining 18% of total revenue.

ACRTA monitors its sources of revenues closely for fluctuations.

Capital Assets and Debt Administration

ACRTA investment in capital assets as of December 31, 2010, amounts to $3,985,090 (net of accumulated depreciation). This investment in capital assets includes Land, Buildings and Improvements, Vehicles, Office Equipment, Shop Equipment, and Computer Hardwar/Software.

Additional information concerning ACRTA capital assets can be found in Notes 2 and 5 of the Notes to the Basic Financial Statements.

As of December 31, 2010, ACRTA had no debt obligations.

Contacting ACRTA Financial Management

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

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

ASSETS	
Current Assets:	
Cash & Cash Equivalents	$ 379,652
Accounts Receivable	139,714
Material and supplies inventory	49,698
Total Current Assets	569,064
Capital Assets:	
Equipment	175,367
Vehicles	2,826,323
Computer Software	154,220
Buildings	3,520,106
Land	217,262
	6,893,278
Less: Accumulated Depreciation	(2,908,188)
Total Capital Assets, net of accumulated depreciation	3,985,090
Total Assets	$ 4,554,154
LIABILITES	
Current Liabilites	
Accounts Payable	$ 30,658
Accrued Payroll and benefits	51,021
Unearned Revenue	74,595
Total Current Liabilities	156,274
NET ASSETS	
Invested in capital assets	3,985,090
Unrestricted net assets	412,790
Total Net Assets	$ 4,397,880

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

Operating Revenues	
Passenger Fares	$ 112,260
Special Service Guarantee	157,100
Total Operating Revenues	269,360
Opererating Expenses	
Labor	543,522
Employee Benefits	171,743
Services	317,740
Materials and Supplies	449,198
Utilities	39,396
Insurance	69,285
Miscellaneous	63,246
Depreciation	278,772
Total Operating Expenses	1,932,902
Operating Loss	(1,663,542)
Nonoperating Revenues	
Interest Income	132
Auxiliary Revenue	1,375
Non-transportation Revenue	418,303
Federal Grants and Assistance	1,457,715
State Grants and Assistance	60,365
Local Grants and Assistance	135,938
Total Nonoperating Revenues	2,073,828
Increase/(Decrease) in Net Assets	410,286
Beginning Net Assets	3,987,594
Ending Net Assets	$ 4,397,880

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash Flow from Operating Activities		
Cash received from customers	$	286,289
Cash payments to suppliers for goods and services		(1,083,446)
Cash payments to employees for services		(540,019)
Net Cash Used for Operating Activities		(1,337,176)
Cash Flow from Noncapital Financing Activities		
Receipts from non-capital grants		2,073,696
Net Cash Provided by Noncapital Financing Activities		2,073,696
Cash Flow from Capital and Related Financing Activities		
Purchase of capital assets		(515,120)
Net Cash Used for Financing Activities		(515,120)
Cash Flow from Investing Activities		
Interest		132
Net Cash Provided by Investing Activities		132
Net Increase in Cash		221,532
Cash, Beginning of Year		158,120
Cash, End of Year	$	379,652
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	$	(1,663,542)
Adjustments:		
Depreciation		278,772
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assets:		
Accounts receivable		10,899
Materials and supplies inventory		16,184
Increase/(Decrease) in Liabilities:		
Accounts payable		10,978
Accrued payroll and benefits		3,503
Unearned revenue		6,030
Total Adjustments		326,366
Net Cash Used for Operating Activities	$	(1,337,176)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

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

Management believes the Financial Statements included in this report represent all of the funds of ACRTA over which they have the ability to exercise direct operating control. Based on the criteria established by GASB Statement No. 14, there are no component units to be included with the reporting entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

ACRTA' policy is to maintain an accounting record on the accrual basis of accounting whereby revenues and expenditures are recognized in the period, earned, or incurred. The measurement focus is on determination of net income, financial position of cash flows. All transactions are reported in a single enterprise fund.

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting, ACRTA follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Authority does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its financial statements.

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

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

Budgetary Accounting and Control

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

Cash and Cash Equivalents

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

Recognition of Receivables and Revenue

Passenger fares are recorded as revenue at the time services are provided and revenues pass through the fare box. Grants and assistance revenues are from reimbursable, no reimbursable and entitlement type grant programs. These grant programs involve transactions that are categorized as either government mandated or voluntary non-exchange transactions. Grant and assistance revenues from government mandated and voluntary non-exchange transaction are recorded as receivable and non-operating revenue when all eligibility requirements are met. Grants and assistance revenues received before the eligibility requirements are met are deferred.

Property and Equipment

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

Improvements	10 to 15 years
Equipment	5 to 12 years
Computer/Software	5 years

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

Fund Accounting

ACRTA maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipt and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts an accounting entity, which stands separate from the activities reported in other funds. Fund included in this report are enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that cost (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Compensated Absences

ACRTA employees are not permitted to carry over year-end vacation and personal/sick leave of absences. Unused vacation benefits are paid to the employee upon separation from ACRTA.

Use of Estimates

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

NOTE 3 – CASH AND INVESTMENTS

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

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

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

Deposits

At December 31, 2010, ACTRA had $1,050 in cash on hand. The carrying amount of ACRTA deposits was $378,602. As of December 31, 2010, $250,000 of ACRTA's bank balance was covered by federal depository insurance and the balance of $169,027 was collateralized by a collateral pool established by the financial institution.

Custodial risk is the risk that, in the event of bank failure, ACRTA 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 pledge 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 ACRTA.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105% of public monies on deposit at the institution. All deposits are collateralized with eligible securities in amounts equals to at least 105% of the carrying value of the deposits.

NOTE 4 – DEBT OBLIGATION

At the end of 2010, ACRTA had no debt. ACRTA at this time has not applied for a line of credit with any local bank.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 is as follows:

	Balance 1/1/2010	Additions	Capital Disposals	Balance 12/31/2010
Business Type Activities:				
Capital Assets not being Depreciated:				
Land	$217,262	$0	$0	$217,262
Total Capital Assets not being Depreciated	217,262	0	0	217,262
Capital Assets being Depreciated:				
Buildings & Improvements	3,297,851	222,255	0	3,520,106
Vehicles	2,639,513	186,810	0	2,826,323
Equipment	174,497	13,091	(12,221)	175,367
Computer Hardware/Software	80,143	92,964	(18,887)	154,220
Total Capital Assets being Depreciated	6,192,004	515,120	(31,108)	6,676,016
Less Accumulated Depreciation				
Buildings & Improvements	1,096,666	90,480	0	1,187,146
Vehicles	1,417,090	159,102	0	1,576,192
Equipment	130,433	14,417	0	144,850
Computer Hardware	16,335	0	(16,335)	0
Total Accumulated depreciation	2,660,524	263,999	(16,335)	2,908,188
Total Capital Assets being Depreciated, Net	3,531,480	251,121	(14,773)	3,767,828
Total Business Type Capital Assets, Net	$3,748,742	$251,121	($14,773)	$3,985,090

NOTE 6 – DEFINED BENEFIT PERSION PLAN AND POST EMPLOYMENT BENETITS

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

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

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

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

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

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

In 2010 member contribution rates for employees was 10%.

The 2010 employer rate was 14% of covered payroll.

ACRTA's contributions, representing 100% of employers contributions for the years ended December 31, 2010, 2009, 2008 were $81,514, $78,149 and $75,224 respectively.

All contributions were made for each of those fiscal year ends. For 2010, $6,109 was unpaid as of December 31, 2010.

Postemployment Benefits

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

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

In order to qualify for post-retirement health care coverage, age-and –service retirees under the Traditional Pension and Combined Plans must have 10 years or more of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPERB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of Postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2010, the local government employers units, contributed at a rate of 14% of covered payroll.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

NOTE 7 – RISK MANAGEMENT

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

Note 8 – CONTINGENCIES

In the normal course of operations, ACRTA may be subject to litigation and claims. At December 31, 2010, ACRTA was involved in no such matters. ACRTA receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of local government support, which took place in January 1, 2009, has a material effect on ACRTA's programs and activities in calendar year 2010.

NOTE 9 – ACCOUNTS RECEIVABLE

Receivables at December 31, 2010 consisted of accounts (billings) and intergovernmental grants. The ACRTA wrote off $8,044 in bad debt in 2010. All other receivables are considered collectible in full.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR/ SUB-GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transit Cluster:			
Passed Through Ohio Department ofTransportation			
Federal Transit Capital Investment Grant	20.500	NF4002031092	$ 41,123
Total Federal Transit Capital Investment Grant			41,123
Direct from the Federal Government			
Federal Transit Formula Grant - ARRA	20.507	NA	601,439
Federal Transit Formula Grant	20.507	NA	914,500
Total Federal Transit Formula Grant			1,515,939
Total Federal Transit Cluster			1,557,062
Total U. S. Department of Transportation			1,557,062
Total Federal Financial Awards Expenditures			$ 1,557,062

NA - Not Available

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

Note A - This schedule was prepared on an accrual basis of accounting

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited the financial statements of the business-type activities of the Allen County Regional Transit Authority, Allen County, Ohio, (the Authority), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.*

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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Authority'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, providing an opinion 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.*

528 South West Street, P.O. Box 687, Piketon, OH 45661 | P:740.289.4131 | F:740.289.3639 |
9076 Ohio River Road, Wheelersburg, OH 45694 | P:740.876.9121 | F:800.210.2573 |

WWW.BHSCPAS.COM

We intend this report solely for the information and use of management, Board of Trustees, federal awarding agencies, pass-through entities, and others within the Authority. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
June 10, 2011

**Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133**

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

Compliance

We have audited the compliance of the Allen County Regional Transit Authority, Allen County, Ohio, (the Authority), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Allen County Regional Transit Authority's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying Schedule of Findings indentifies the Authority's major federal programs. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. 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 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Allen County Regional Transit Authority complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The Authority's management 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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

528 South West Street, P.O. Box 687, Piketon, OH 45661 | P:740.289.4131 | F:740.289.3639 |
9076 Ohio River Road, Wheelersburg, OH 45694 | P:740.876.9121 | F:800.210.2573 |

WWW.BHSCPAS.COM

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, others within the Authority, Board of Trustees, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
June 10, 2011

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2010

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Federal Transit Cluster: Federal Transit Capital Investment Grant, CFDA #20.500 Federal Transit Formula Grant (ARRA), CFDA #20.507 Federal Transit Formula Grant, CFDA #20.507
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2010

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

None Noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted

Dave Yost · Auditor of State

ALLEN REGIONAL TRANSIT AUTHORITY

ALLEN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 14, 2011