

**RICHLAND COUNTY TRANSIT BOARD**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Richland County Transit Board  
35 North Park Street  
Mansfield, Ohio 44902

We have reviewed the *Independent Auditor's Report* of the Richland County Transit Board, Richland County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 to December 31, 2004. 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 Richland County Transit Board is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 21, 2005

**This Page is Intentionally Left Blank.**

**RICHLAND COUNTY TRANSIT BOARD  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

**TABLE OF CONTENTS**

Appointed Officials .....	i
<i>INDEPENDENT AUDITOR'S REPORT</i> .....	1
<i>Management's Discussion and Analysis</i> .....	3
<i>FINANCIAL STATEMENTS</i>	
Balance Sheet .....	6
Statement of Revenues, Expenses and Changes in Fund Equity .....	7
Statement of Cash Flows .....	8
Notes to the Financial Statements .....	9
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	13
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	15
Schedule of Expenditures of Federal Awards .....	17
Notes to the Schedule of Expenditures of Federal Awards .....	18
Schedule of Findings and Questioned Costs .....	19
Schedule of Prior Audit Findings .....	21

**This Page is Intentionally Left Blank.**

**RICHLAND COUNTY TRANSIT BOARD  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

**APPOINTED OFFICIALS**

<u>OFFICIAL</u>	<u>APPOINTED DATES</u>
Florentine Dearman - Chairperson	01/01/2004 – 12/31/2005
Kenneth Kreiger – Vice-Chairperson	01/01/2003 – 12/31/2005
Jeff Delianides - Secretary	01/01/2004 – 12/31/2005
Joseph Mudra	01/01/2002 – 12/31/2004
David Haring	01/01/2003 – 12/31/2005
Donald Mitchell	03/09/2004 – 12/31/2005
Scott Hazen	06/17/2004 – 10/21/2004
Ray Dixon	10/26/2004 – 12/31/2007

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Richland County Transit Board  
35 North Park Street  
Mansfield, Ohio 44902

We have audited the accompanying financial statements of the business-type activities of the Richland County Transit Board (the Transit Board), Mansfield, Ohio, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Transit Board'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Richland County Transit Board, as of December 31, 2004 and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2004, the Transit Board implemented a new financial reporting model, as required by provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosure".

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2005 on our consideration of the Transit 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



## **INDEPENDENT AUDITOR'S REPORT** (continued)

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 financial statements of the Transit Board. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

August 4, 2005

**Richland County Transit Board**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

The discussion and analysis of the Richland County Transit Board's (the "Board") financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should review the Notes to the Financial Statements and the financial statements to enhance their understanding of the Board's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- Net Assets decreased from \$3,399,074 to \$3,317,977.
- Contracts were entered into for the purchase of three (3) new vehicles.
- In 2004, expenses were reduced by \$129,485.
- In 2004, revenues increased by \$46,562.

**Using this Annual Financial Report**

This annual report consists of three parts, the Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial Statements. The Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

**Statement of Net Assets**

The Statement of Net Assets looks at how well the Board has performed financially from inception through December 31, 2004. This statement includes all of the assets, liabilities, and net asset balances using the accrual basis of accounting, which is the method used by most private-sector companies, and the method that is required by the Federal Transit Administration. This basis of accounting takes into account all revenues earned and expenses incurred during the accounting period, regardless of when the cash is received or expended.

The following schedule provides a summary of the Board's Statement of Net Assets for the fiscal years ended December 31, 2004 and December 31, 2003:

	2004	2003
<b>Assets</b>		
Current Assets	\$226,128	\$147,468
Noncurrent Assets	3,189,209	3,352,338
Total Assets	3,415,337	3,499,806
<b>Liabilities</b>		
Current Liabilities	97,360	100,732
<b>Net Assets</b>		
Unrestricted	\$3,317,977	\$3,399,074

## Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets reports operating and non-operating activities for the fiscal year ended December 31, 2004.

The following schedule provides a summary of the Board's Statement of Revenues, Expenses and Changes in Net Assets fiscal years ended December 31, 2004, and December 31, 2003:

	2004	2003
<b>Revenues</b>		
Federal	\$690,970	\$724,039
State	172,691	136,175
Local Governments	180,632	157,647
Coordinating Revenue	124,694	93,873
Lease Revenue	9,676	17,090
Transit System Revenue	258,969	262,246
Total Revenues	<u>1,437,632</u>	<u>1,391,070</u>
<b>Expenses</b>		
Purchased Services	1,087,918	1,204,070
Coordinating	115,438	73,925
Board Member Compensation	7,363	8,030
Professional Services	7,588	6,228
Equipment and Supplies	9,411	32,219
Depreciation	175,797	188,933
Fuel	84,117	70,535
Miscellaneous	29,654	64,274
Loss on Disposal of Equipment	1,443	0
Total Expenses	<u>1,518,729</u>	<u>1,648,214</u>
(Decrease) in Net Assets	(81,097)	(257,144)
Net Assets - Beginning	3,399,074	3,656,218
Net Assets - Ending	<u><u>\$3,317,977</u></u>	<u><u>\$3,399,074</u></u>

## Financial Analysis

While the Board ended both 2003 and 2004 with a decrease in net assets, the amount of decrease was significantly reduced from 2003 to 2004. The transit service being provided was reduced mid-way through 2003 when it was realized that an operating deficit was occurring. The depreciation of operating equipment and real property is a factor when reporting the net assets.

Current assets for 2004 include funds that were earned, but not yet received from the Federal Transit Administration (FTA). The delay in the receipt of those funds was due to a delay by the FTA in the processing of a necessary grant amendment.

Federal funds earned in 2004 were decreased from 2003 due to the reduction in operating expenses. Operations were reduced due to the reduction in local funds over the period of 2002 and 2003, as required to match federal funds earned.

While this report shows an increase in local government funds from 2003 to 2004, to have a true understanding of the current status of local funding, it is necessary to note that the amount of local funds received in 2002 was \$242,216. The service reductions that occurred in 2003, were a result of this change in level of local funding. The Board continues to seek additional sources of local funds so that available federal funds can be accessed.

State funds were increased due to a change in the calculation method for the Ohio Department of Transportation's Elderly and Disabled Fare assistance program.

### **Capital Assets**

As of December 31, 2004, the Board had capital assets of \$3,189,209 invested in real property, including the bus garage and transit center, rolling stock, operating equipment, furniture, tools and other items. This is a decrease of \$162,129 over December 31, 2003, which is due to depreciating the assets over their estimated life. Additional information regarding capital assets is included in the Notes to the Financial Statements.

### **Current Financial Issues**

Continued funding uncertainty at the State and Local level make year to year planning and budgeting difficult. The receipt of federally appropriated funds requires an assurance of local matching funds.

The aging of the rolling stock would indicate the need to budget for future capital replacement. However, currently, all local matching funds are needed to maintain the basic service that is being provided.

### **Contacting the Transit Board**

This financial report is designed to provide a general overview of the Transit Board's finances and to show the Transit Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ms. Kathy Wigton, Fiscal Officer, Richland County Transit Board, 35 North Park Street, Mansfield, Ohio, 44902, 419-774-6396.

**Richland County Transit Board**  
**Statement of Net Assets**  
**December 31, 2004**

---

Assets

Current Assets:

Cash in Richland County Treasury	\$1,213
Undeposited Funds	2,603
Accounts Receivable	222,312

Noncurrent Assets:

Capital Assets (Net, Where Applicable, of Accumulated Depreciation)	<u>3,189,209</u>
--	------------------

Total Assets	<u>3,415,337</u>
--------------	------------------

Liabilities

Current Liabilities:

Accounts Payable	<u>97,360</u>
------------------	---------------

Total Liabilities	<u>97,360</u>
-------------------	---------------

Net Assets

Unrestricted	<u><u>\$3,317,977</u></u>
--------------	---------------------------

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

**Richland County Transit Board**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended December 31, 2004**

---

Operating Revenues	
Federal	\$690,970
State	172,691
Local Government	180,632
Coordinating Revenue	124,694
Lease Revenue	9,676
Transit System Revenue:	
Farebox Receipts	113,165
Local Special Fare Assistance	130,206
Advertising	9,600
Miscellaneous	5,998
	<hr/>
Total Operating Revenues	1,437,632
	<hr/>
Operating Expenses	
Purchased Services:	
System Operators - TMR	1,028,152
Richland County Regional Planning Commission	59,766
Coordinating	115,438
Board Members Compensation	7,363
Professional Services	7,588
Equipment and Supplies	9,411
Depreciation	175,797
Fuel	84,117
Miscellaneous	29,654
	<hr/>
Total Operating Expenses	1,517,286
	<hr/>
Operating (Loss)	(79,654)
	<hr/>
Nonoperating Expenses	
Loss on Disposal of Capital Assets	(1,443)
	<hr/>
Change in Net Assets	(81,097)
	<hr/>
Net Assets Beginning of Year (Restated, See Note 6)	3,399,074
	<hr/>
Net Assets End of Year	<u>\$3,317,977</u>

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

**Richland County Transit Board**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2004**

---

Cash Flow from Operating Activities

Cash Received From Customers	\$268,644
Cash Received From Operating Grants	1,092,687
Cash Paid for Purchased Services	(1,122,022)
Cash Paid to Board Members	(7,363)
Cash Paid to Suppliers	<u>(215,476)</u>
Net Cash Provided by Operating Activities	<u>16,470</u>

Cash Flow from Capital and Related Financing Activities

Acquisition of Capital Assets	<u>(14,110)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(14,110)</u>

Net Increase in Cash	2,360
Cash Beginning of Year	<u>1,456</u>
Cash End of Year	<u><u>\$3,816</u></u>

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating Loss	<u>(79,655)</u>
----------------	-----------------

Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities

Depreciation Expense	<u>175,797</u>
----------------------	----------------

Change in Operating Assets and Liabilities

(Increase) in Accounts Receivable	(76,300)
(Decrease) in Accounts Payable	<u>(3,372)</u>

Total Adjustments	<u>(79,672)</u>
-------------------	-----------------

Net Cash Provided by Operating Activities	<u><u>\$16,470</u></u>
---	------------------------

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

**RICHLAND COUNTY TRANSIT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Richland County Transit Board (the Transit Board) was organized in 1977 under Section 306 of the Ohio Revised Code to operate a transit system. The Transit Board provides public transportation services in the Richland County Metropolitan area. The Transit Board operates under an appointed Board (seven members) that is responsible for the provisions of public transportation.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity", the Transit Board is not considered part of the Richland County financial reporting entity. There are no agencies or organizations for which the Transit Board is considered the primary government. Accordingly, the Transit Board is the sole organization of the reporting entity.

The Transit Board maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Transit Board and, accordingly, these financial statements do not present the financial position or results of operations of Richland County.

The Transit Board has no employees. A management team through a contract with First Transit operates the transit system. The general manager, assistant general manager and the maintenance director are all employees of First Transit. First Transit is paid a flat monthly fee for these services, per a five-year contract. The bus drivers, mechanics, office and cleaning people are all employees of the sub-corporation of First Transit, Transit Management of Richland. The Transit Board pays Transit Management of Richland monthly for all costs incurred. The Richland County Regional Planning Commission provides fiscal and secretarial support to the Transit Board. The Planning Commission bills the Transit Board monthly for services provided.

The Board members of the Transit Board are compensated for each monthly meeting that they attend. They are paid through the Richland County payroll system.

The accompanying financial statements have been designed to facilitate an understanding of the financial position and results of operations of the Transit Board. The financial information contained in these statements is the responsibility of the Transit Board.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

In accordance with generally accepted accounting principles for governmental entities such as the Transit Board, an enterprise fund is used to account for operations since they are financed and operated in a manner similar to a private business enterprise. The Transit Board applies all applicable pronouncements from the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 unless the pronouncements conflict with or contradict GASB pronouncements. The Transit Board has elected not to follow subsequent FASB guidance. The Transit Board prepares its financial statements on the accrual basis of accounting, using a flow of economic resources measurement focus. Revenue is recognized in the period earned and expenses are recognized in the period incurred. Operating revenues consist of farebox receipts and operating grants. Operating expenses include purchased services, professional services, supplies, fuel costs and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Assets are recorded at the time there is a right, now or in the future, for their receipt and liabilities are recorded when they are incurred.



**RICHLAND COUNTY TRANSIT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Cash Deposits**

The Transit Board deposits all receipts in the Richland County Treasury. The County Treasurer maintains a cash and investment pool used for all County and Transit Board funds. The Transit Board has no other cash deposits or investments and does not receive interest income on its cash balances held in the County Treasury.

Pursuant to Section 135.181, Ohio Revised Code, the County's deposits are covered by collateral held by third party trustees in collateral pools securing all public funds on deposit with specific depository institutions. In accordance with GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements", all deposits are classified as to risk.

The following risk categories most typically used are:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

The Transit Board's deposits with Richland County are classified in Category 3. Richland County's deposits of the Transit Board's funds are held by third party trustees pursuant to Section 135.181, Ohio Revised Code in collateral pools securing all public monies on deposit with specific depository institutions.

**C. Investments**

The Ohio Revised Code does not provide the Transit Board the power to make or hold investments other than the deposits in the Richland County Treasury explained above.

**D. Property and Equipment**

Property and equipment items are stated at cost and are depreciated on the straight line method over their estimated useful lives that range from five to forty years. Donated property and equipment is recorded at fair market value on the date donated. Upon sale or disposition of furniture and equipment, the cost and related depreciation are removed from the accounts and any gain or loss is recognized.

**RICHLAND COUNTY TRANSIT BOARD  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

E. Cash Equivalents

For the purposes of the statement of cash flows, the Transit Board considers all cash held by the Richland County Treasury to be cash equivalents since they are available to the Transit Board upon demand.

**NOTE 3 – PROPERTY AND EQUIPMENT**

The following schedule reflects changes in property and equipment:

	Assets			Balance 12/31/2004
	Balance 12/31/2003	Additions	Deletions	
Land	\$1,052,683	\$0	\$0	\$1,052,683
Building	2,480,625	0	0	2,480,625
Office Equipment	71,698	9,610	(7,868)	73,440
Operating Equipment	1,906,356	4,500	(2,620)	1,908,236
Total	<u>\$5,511,362</u>	<u>\$14,110</u>	<u>(\$10,488)</u>	<u>\$5,514,984</u>

  

	Accumulated Depreciation			Balance 12/31/2004
	Balance 12/31/2003	Additions	Deletions	
Building	(\$965,462)	(\$82,687)	\$0	(\$1,048,149)
Office Equipment	(65,568)	(3,535)	6,687	(62,416)
Operating Equipment	(1,127,994)	(89,574)	2,358	(1,215,210)
Total	<u>(\$2,159,024)</u>	<u>(\$175,796)</u>	<u>\$9,045</u>	<u>(\$2,325,775)</u>

  

Total Property and Equipment (Net Where Applicable of Accumulated Depreciation)	<u>\$3,352,338</u>	<u>\$3,189,209</u>
---	--------------------	--------------------

**NOTE 4 – RISK MANAGEMENT**

The Transit Board is a member of the Ohio Transit Risk Pool, a self insurance pool created under Chapter 2744 of the Ohio Revised Code. There have been no significant reductions in insurance coverage from the prior period and settlement. Costs have not exceeded insurance coverage in any of the past three years.

**RICHLAND COUNTY TRANSIT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

**NOTE 5 – CONTINGENCIES**

- A. Federal and State grants are subject to review and audit by the grantor agencies or their designees. Such audits could lead to requests for reimbursement to the grantor agency for expenses disallowed under terms of the grant. There are no such claims pending and no known situations which would lead to such a claim. In addition, based upon prior experience and audit results, management believes that such disallowance's, if any, would be immaterial.
  
- B. In the normal course of its business activities, the Transit Board may become subject to claims and litigation relating to contracts, employment or other matters. In the opinion of management, the resolution of any such claims pending would not likely have a material impact on the Transit Board's financial position.

**NOTE 6 – RESTATEMENT OF PRIOR YEAR RETAINED EARNINGS**

Amounts reported as due to the third party operator at December 31, 2003 were incorrect and have been eliminated. A capital asset purchased in 2003 was not recorded on the capital asset listing as of December 31, 2003. The adjustments had the following effect on Net Assets:

Net Assets as Stated at December 31, 2003	\$3,379,788
Due to Third Party Operator	\$6,846
Unrecorded Capital Asset	<u>12,440</u>
Retained Earnings as Restated at January 1, 2004	<u><u>\$3,399,074</u></u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Richland County Transit Board  
35 North Park Street  
Mansfield, Ohio 44902

We have audited the financial statements of the business-type activities of the Richland County Transit Board (the Transit Board), as of and for the year ended December 31, 2004, and have issued our report thereon dated August 4, 2005, wherein we noted the adopted Government Accounting Standard's Board (GASB) Statements No. 34, 37 and 38. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Transit Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by the employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the Transit Board in a separate letter dated August 4, 2005.

Compliance

As part of obtaining reasonable assurance about whether the Transit Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Transit Board in a separate letter dated August 4, 2005.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS** (continued)

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

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

August 4, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Trustees  
Richland County Transit Board  
35 North Park Street  
Mansfield, Ohio 44902

Compliance

We have audited the compliance of the Richland County Transit Board (the Transit Board) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. The Transit Board's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Transit Board's management. Our responsibility is to express an opinion on the Transit Board's compliance based on our audit.

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

In our opinion the Richland County Transit Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the Transit Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Transit Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*** (continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

August 4, 2005

**Richland County Transit Board  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2004**

---

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements
<b><u>U.S. Department of Transportation</u></b>			
Federal Transit-Formula Grants	20.507	----	
Operating Assistance		OH-90-X439-00	\$50,594
Metropolitan Planning		OH-90-X439-00	13,315
Capital		OH-90-X439-00	<u>27,822</u>
			<u>91,731</u>
Operating Assistance		OH-90-X469-00	221,483
Metropolitan Planning		OH-90-X469-00	122,503
Capital		OH-90-X469-00	<u>234,608</u>
			<u>578,594</u>
Total Federal Expenditures			<u><u>\$670,325</u></u>

The accompanying notes to this Schedule are an integral part of this Schedule.



**RICHLAND COUNTY TRANSIT BOARD**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Transit Board's federal award program. The Schedule has been prepared on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**RICHLAND COUNTY TRANSIT BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 §505**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of auditor's report issued on the general purpose financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the general purpose financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the general purpose financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the general purpose financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

**RICHLAND COUNTY TRANSIT BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)**

(d)(1)(vii)	Major Program:	Federal Transit Formula Grants, 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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**RICHLAND COUNTY TRANSIT BOARD**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)**

Finding Number	<u>Finding Summary</u>	Fully <u>Corrected</u>	Not Corrected, Partially Corrected, Significantly Different Corrective Action <u>Taken, or Finding No Longer Valid; Explain</u>
2002-03	Matching requirements were not met resulting in excess reimbursement to the Transit Board	Yes	Finding no longer valid.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**RICHLAND COUNTY TRANSIT BOARD**

**RICHLAND 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  
OCTOBER 4, 2005**