

RICHLAND COUNTY TRANSIT BOARD
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

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, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 28, 2007

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**RICHLAND COUNTY TRANSIT BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Richland County Transit Board
Richland County

We have audited the accompanying financial statements of the Richland County Transit Board (the Transit Board), Mansfield, Ohio, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Transit Board's management. Our responsibility is to express opinions 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Richland County Transit Board, as of December 31, 2006, and the respective changes in financial position, and, where applicable, the 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 July 27, 2007, on our consideration of the Transit Board's internal control over financial reporting and on 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 considered in assessing the results of our audit.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was conducted 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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

July 27, 2007

Richland County Transit Board
Management Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Management's Discussion and Analysis of the Richland County Transit Board's (the Transit Board) financial performance provides an overall review of the Transit Board's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the Transit 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 Transit Board's financial performance.

Financial Highlights

There were cost increases in 2006 in nearly all areas of the operations and maintenance of the transit system. Of particular note was a major increase in insurance expenses, with those expenses now being paid directly by the Transit Board instead of by the private operator. Increased expenses are also a result of increased maintenance expenses due to the aging of both the bus fleet and the support vehicles, and of the buildings and grounds. Fringe benefits, fuel and utility expenses also had a significant increase in 2006.

One small transit vehicle was procured in 2006.

The coordination activities had increases in both expenses and revenue, as most expenses for this activity are reimbursed by the requesting agency or person.

Nearly all areas of revenue were increased in 2006, with the federal funds, excluding vehicle purchase reimbursement, being based upon the increased expense reimbursements. The federal funds shown in this report include \$383,843 and \$60,594 in vehicle purchase reimbursement finding in 2005 and 2006 respectively. Local matching funds were also significantly increased.

Using this Annual Financial Report

This annual report consists of three parts, the Management 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 and 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 Transit Board has performed financially from inception through December 31, 2006. 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.

Richland County Transit Board
Management Discussion and Analysis
For the Year Ended December 31, 2006

The following schedule provides a summary of the Transit Board's Statement of Net Assets for the years ended December 31, 2005, and December 31, 2006:

Assets	<u>2005</u>	<u>2006</u>
Current Assets	\$207,478	\$144,966
Noncurrent Assets	<u>3,361,349</u>	<u>3,216,118</u>
Total Assets	<u>3,568,827</u>	<u>3,361,084</u>
Liabilities		
Current Liabilities	<u>171,410</u>	<u>92,661</u>
Net Assets		
Unrestricted	<u>\$3,397,417</u>	<u>\$3,268,423</u>

Statement of Revenues and Expenses

The Statement of Revenues, Expenses, and Changes in Net Assets reports operating and non-operating activities for the year ended December 31, 2006.

The following schedule provides a summary of the Transit Board's Statement of Revenues, Expenses, and Changes in Net Assets for the years ended December 31, 2005, and December 31, 2006:

Revenues	<u>2005</u>	<u>2006</u>
Federal	\$1,115,700	\$863,967
State	91,460	175,720
Local Governments	185,739	278,943
Coordinating Revenue	184,604	222,349
Lease Revenue	11,926	14,457
Transit System Revenue	<u>225,929</u>	<u>210,651</u>
Total Revenues	<u>1,815,358</u>	<u>1,766,087</u>
Expenses		
Purchased Services	1,119,863	1,211,624
Coordinating & RCT Extra	180,699	221,562
Board Members Compensation	8,616	6,793
Professional Services	6,090	5,496
Equipment and Supplies	8,168	10,069
Depreciation	203,182	211,175
Fuel	119,361	146,410
Insurance	0	67,840
Miscellaneous	12,821	14,112
Loss on Disposal of Capital Assets	<u>14,824</u>	<u>0</u>
Total Expenses	<u>1,673,624</u>	<u>1,895,081</u>

Richland County Transit Board
Management Discussion and Analysis
For the Year Ended December 31, 2006

	<u>2005</u>	<u>2006</u>
Net Assets - Beginning	\$3,255,683	\$3,397,417
Net Assets - Ending	<u>3,397,417</u>	<u>3,268,423</u>
Change in Net Assets	<u>\$141,734</u>	<u>(\$128,994)</u>

Explanation of Variances in Revenues and Expenses

Total Federal grant revenue for 2006 was \$37,000 more than the amount budgeted due to increased expenses that were reimbursed.

Local government funds were increased to assist with the unexpected increase in insurance expenses.

Local agency fare assistance is reduced, and local government and agency local share is increased, because some funds that were previously recorded as agency fare assistance are now able to be included in the local matching funds from local governments and agencies.

Unexpected increased insurance expenses were incurred. All insurance expenses are not paid directly by the Transit Board, rather than by the private operator, in an attempt to avoid any similar occurrence in the future.

Coordination revenue and expenses are increased from what was budgeted due to increased usage. Since this is basically a “pass-through” program, with no actual Board funds being expended, this does not effect the financial status of the Transit Board.

Services purchased from Richland County Regional Planning Commission were higher than what was budgeted for 2006 due to increased requests for activities, such as extra meetings and Board work sessions, increased details on monthly financial reports, and a “transportation summit” with local human service agencies.

Capital Assets

As of December 31, 2006, the Transit Board had capital assets of \$3,216,118 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 \$145,231 over December 31, 2005, attributed primarily to depreciation. As noted in the financial highlights, one additional bus was procured in 2006.

Statement of Cash Flow

The revenues and expenses of the Transit Board are deposited into, and paid from, the accounts of the Richland County Treasurer’s office.

Richland County Transit Board
Management Discussion and Analysis
For the Year Ended December 31, 2006

Included here is a summary of the cash flow activity for the year ending December 31, 2006.

Beginning Balance	\$16,104
Receipts	1,824,998
Disbursements	<u>(1,828,599)</u>
Ending Balance	<u>\$12,503</u>

Cash that is maintained in the accounts of the operations contractor, Transit Management of Richland (TMR), is also the property of the Transit Board. On December 31, 2006, TMR was in possession of \$70,843 in Transit Board funds.

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 and the garage/administration facility 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.

Should there be a significant increase in local funding, the Transit Board would consider restoring hourly service on all routes and some level of Saturday service.

Richland County Transit Board
Statement of Net Assets
December 31, 2006

Assets

Current Assets:

Cash in Richland County Treasury	\$12,503
Accounts Receivable	132,463

Noncurrent Assets:

Capital Assets (Net, Where Applicable, of Accumulated Depreciation)	<u>3,216,118</u>
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Total Assets	<u>\$3,361,084</u>
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Liabilities

Current Liabilities:

Accounts Payable	<u>\$92,661</u>
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Total Liabilities	<u>92,661</u>
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Net Assets

Unrestricted	<u>\$3,268,423</u>
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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, 2006

Operating Revenues	
Federal	\$863,967
State	175,720
Local Government	278,943
Coordinating Revenue	222,349
Lease Revenue	14,457
Transit System Revenue:	
Farebox Receipts	116,018
Local Special Fare Assistance	50,955
Miscellaneous	<u>43,678</u>
Total Operating Revenues	<u>1,766,087</u>
Operating Expenses	
Purchased Services	1,211,624
Coordinating & RCT Extra	221,562
Board Members Compensation	6,793
Professional Services	5,496
Equipment and Supplies	10,069
Depreciation	211,175
Fuel	146,410
Insurance	67,840
Miscellaneous	<u>14,112</u>
Total Operating Expenses	<u>1,895,081</u>
Change in Net Assets	(128,994)
Net Assets Beginning of Year	<u>3,397,417</u>
Net Assets End of Year	<u><u>\$3,268,423</u></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, 2006

Cash Flow from Operating Activities

Cash Received From Customers	\$225,109
Cash Received From Operating Grants	1,599,889
Cash Paid for Purchased Services	(1,294,794)
Cash Paid to Board Members	(6,793)
Cash Paid to Suppliers	<u>(461,067)</u>

Net Cash Provided by Operating Activities	<u>62,344</u>
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Cash Flow from Capital and Related Financing Activities

Acquisition of Capital Assets	<u>(65,945)</u>
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Net Cash Used by Capital and Related Financing Activities	<u>(65,945)</u>
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Net Decrease in Cash	(3,601)
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Cash Beginning of Year	<u>16,104</u>
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Cash End of Year	<u><u>\$12,503</u></u>
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Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating Loss	<u>(\$128,994)</u>
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Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities

Depreciation Expense	<u>211,175</u>
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Change in Operating Assets and Liabilities

Decrease in Accounts Receivable	58,912
(Decrease) in Accounts Payable	<u>(78,749)</u>

Total Adjustments	<u>(19,837)</u>
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Net Cash Provided by Operating Activities	<u><u>\$62,344</u></u>
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The accompanying notes are an integral part of the financial statements.

RICHLAND COUNTY TRANSIT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

**RICHLAND COUNTY TRANSIT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Capital Assets

Capital assets 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 YEAR ENDED DECEMBER 31, 2006**

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 – CAPITAL ASSETS

The following schedule reflects changes in property and equipment:

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
Capital Assets, Not Being Depreciated:				
Land	\$1,052,683	\$0	\$0	\$1,052,683
Capital Assets, Being Depreciated:				
Building	2,480,625			2,480,625
Office Equipment	76,193			76,193
Operating Equipment	2,119,257	65,944	0	2,185,201
Total Capital Assets				
Being Depreciated	4,676,075	65,944	0	4,742,019
Total Capital Assets	5,728,758	65,944	0	5,794,702
Less Accumulated Depreciation For:				
Buildings	(1,130,837)	(82,687)	0	(1,213,524)
Office Equipment	(66,692)	(4,276)	0	(70,968)
Operating Equipment	(1,169,880)	(124,212)	0	(1,294,092)
Total Accumulated Depreciation	(2,367,409)	(211,175)	0	(2,578,584)
Capital Assets, Net	\$3,361,349	(\$145,231)	\$0	\$3,216,118

NOTE 4 – RISK MANAGEMENT

The Transit Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries and natural disasters. The Transit Board contracts with private carriers for coverage. Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. 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 YEAR ENDED DECEMBER 31, 2006

NOTE 5 – CONTINGENCIES

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.

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

Board of Trustees
Richland County Transit Board
Richland County

We have audited the accompanying financial statements of the Richland County Transit Board (the Transit Board), as of and for the year ended December 31, 2006, and have issued our report thereon dated July 27, 2007. 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 opinions on the financial statements and not to provide an opinion 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Transit Board, in a separate letter dated July 27, 2007.

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

July 27, 2007

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

Board of Trustees
Richland County Transit Board
Richland County

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, 2006. The Transit Board's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. 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, 2006.

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 ON 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 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 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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

July 27, 2007

Richland County Transit Board
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Federal Transit Cluster:			
Federal Transit - Formula Grants			
Operating Assistance	20.507	OH-90-X492	\$51,912
Metropolitan Planning	20.507	OH-90-X492	29,265
Other Capital Items (Bus)	20.507	OH-90-X492	94,596
Bus: Support Equipment and Facilities	20.507	OH-90-X492	1,992
Operating Assistance	20.507	OH-90-X469	324,371
Other Capital Items (Bus)	20.507	OH-90-X469	203,748
Metropolitan Planning	20.507	OH-90-X469	97,399
Bus - Rolling Stock	20.507	OH-90-X478	54,437
Bus - Rolling Stock	20.507	OH-90-X439	6,157
Total Federal Transit - Formula Grants			\$863,877

RICHLAND COUNTY TRANSIT BOARD

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2006

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
OMB CIRCULAR A-133 §505**

FOR THE YEAR ENDED DECEMBER 31, 2006

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
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

(d)(1)(vii)	Major Program:	Federal Transit Cluster: Federal Transit-Formula Grants, CFDA #29.507
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

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 11, 2007**