



**Auditor of State
Betty Montgomery**

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Butler County Regional Transit Authority
Butler County
3045 Moser Court
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited the accompanying financial statements of The Butler County Regional Transit Authority, Butler County, Ohio (the Authority), as of and for the year ended December 31, 2003. 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 *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.

As discussed in Note 1, the Commission prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the Authority as of December 31, 2003, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2004 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 grants. 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.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 13, 2004

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2003**

Cash Receipts:	
Intergovernmental - Federal	\$571,898
Intergovernmental - Local	387,509
Charges for Services	1,520
Other Receipts	<u>110,585</u>
Total Cash Receipts	<u>1,071,512</u>
Cash Disbursements:	
Current:	
Salaries and Benefits	793,127
Supplies and Materials	20,547
Professional Services	149,865
Other Disbursements	<u>214,918</u>
Total Cash Disbursements	<u>1,178,457</u>
Total Receipts Under Disbursements	<u>(106,945)</u>
Fund Cash Balances, January 1	<u>329,471</u>
Fund Cash Balances, December 31	<u><u>\$222,526</u></u>

The notes to the financial statements are an integral part of this statement.

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**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Butler County Regional Transit Authority, Butler County, Ohio (the Authority), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a nine member Board, appointed by the Board of County Commissioners of Butler County. The Authority is responsible for the safe and efficient operation and maintenance of regional transportation.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Budgetary Process

The Ohio Revised Code requires a budget to be completed annually and approved by the Board of Trustees by July 15 of the preceding year.

1. Appropriations

Budgetary expenditures (that is disbursements and encumbrances) may not exceed appropriations at the function level or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be appropriated. The authority did not encumber all commitments required by Ohio Law. However, there were no encumbrances outstanding at December 31, 2003.

A summary of 2003 budgetary activity appears in Note 3.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fiscal Agent

The Butler County Auditor is the Authority's fiscal agent. The County maintains Authority funds in the County's cash pool as an agency fund.

E. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Authority.

2. EQUITY IN CASH AND DEPOSITS

Butler County maintains a cash pool for all of its funds, including those of the Authority. The Ohio Revised Code prescribes allowable deposits. The Authority's carrying amount of cash on deposit at December 31, 2003 was \$222,526.

Butler County is responsible for maintaining adequate depository collateral for all funds in the County's pooled cash and depository accounts.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts		
<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
<u>\$1,224,125</u>	<u>\$1,071,512</u>	<u>(\$152,613)</u>
2003 Budgeted vs. Actual Budgetary Basis Expenditures		
<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>\$1,224,125</u>	<u>\$1,178,457</u>	<u>\$45,668</u>

The Authority did not certify the availability of funds for certain commitments in 2003.

4. DEBT

The Authority had no outstanding debt at December 31, 2003.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

5. RETIREMENT SYSTEMS

The Authority's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, PERS members contributed 8.5% of their gross salaries. The Authority contributed an amount equal to 13.55 % of participants' gross salaries. The Authority has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors and omission and employment related matters, injuries to employees and employee theft and fraud. The Authority joined together with certain other transit authorities in the State of Ohio to form the Ohio Transit Insurance Pool Association, Inc. (OTIP). OTIP is a joint self-insurance pool pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for member transit agencies. The Authority pays an annual premium to OTIP for its general coverage and makes quarterly payments into a loss and administration fund pursuant to OTIP's bylaws. The Agreement of Formation of the OTIP provides that OTIP will be self-sustaining through member premiums and will reinsure through commercial companies for property damage and claims in excess of \$100,000 and all liability claims in excess of \$250,000 for each occurrence. The Authority is responsible for the first \$1,000 of any claim or occurrence and amounts in excess of \$10 million for liability claims.

7. SUBSEQUENT EVENT

The operations of the Authority were ceased on December 20, 2002, and all personnel involved in the daily operations were laid off. The Authority entered into new contracts for services and resumed operations on October 14, 2003. The Authority contracted with the City of Hamilton to provide 4 shuttle services 3 days a week. Also, the Authority, entered into a contract on April 23, 2003 with the Southwest Ohio Regional Transit Authority (SORTA). In this agreement, SORTA agreed to accept all of the Authority's federal funds in exchange for two express park-and-ride services between West Chester and Cincinnati. The agreement states that SORTA will refund all funds not used for the park and ride services. The Authority received \$244,532 from SORTA during 2003.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Butler County Regional Transit Authority
Butler County
3045 Moser Court
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited the financial statements of the Butler County Regional Transit Authority, Butler County, Ohio (the Authority), as of and for the year ended December 31, 2003, and have issued our report thereon dated October 13, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2003-001.

We also noted an immaterial instance of noncompliance that we have reported to management of the Authority in a separate letter dated October 13, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-001.

A material weakness is a condition in which the design or operation on one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated October 13, 2004.

This report is intended solely for the information and use of management, Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 13, 2004

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Material Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides for two exceptions to the above requirement:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

- B. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Contrary to the above requirement, the Authority did not properly certify the availability of funds for 53% of transactions tested. The Authority does not utilize "Then and Now Certificates" and therefore the exception to the requirement did not apply.

Failure to certify the availability of funds and encumber appropriations can result in overspending and negative cash balances. Therefore, we recommend the Authority obtain approved purchase orders, which contain the Fiscal Officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

The Butler County Auditors office is the fiscal agent for the Regional Transit Authority and processes all disbursements.

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**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Ohio Rev. Code §5705.41(D) was cited for not properly certifying funds.	No	Reissued as finding 2003-001.



**Auditor of State
Betty Montgomery**

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**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
OTTAWA 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
NOVEMBER 18, 2004**