

# **Greene County Transit Board**

*Audited Financial Statements*

*For the year ended  
December 31, 2004*





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Greene County Transit Board  
245 Valley Road  
Xenia, Ohio 45285

We have reviewed the *Independent Auditor's Report* of the Greene County Transit Board, prepared by Rea & Associates, Inc., for the audit period January 1, 2004 through 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 Greene 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

December 27, 2005

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Greene County Transit Board  
Xenia, Ohio

We have audited the accompanying basic financial statements of the business-type activities of Greene County Transit Board as of December 31, 2004. These financial statements are the responsibility of Greene County 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.

As described in Note 1 to the basic financial statements, during 2004 Greene County Transit Board adopted Government Accounting and Standards Board (GASB) Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Greene County Transit Board as of December 31, 2004, and the results of its operations and its cash flows 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 September 23, 2005 on our consideration of Greene County 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 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, 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.

Our audit was conducted for the purpose of forming an opinion on the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
September 23, 2005

This discussion and analysis of the Greene County Transit Board's financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2004, within the limitations of the Board's accrual basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

### **Highlights**

Key highlights for 2004 are as follows:

The Board received Federal U.S. Department of Transportation grant funds of \$537,566 and State of Ohio Department of Transportation grant funds of \$105,812 to pay-off capital leases on tools and buses.

The Board's capital lease loan balance of \$664,942 was paid off during the current fiscal year. As a result of the capital lease pay-off, the Board has no remaining short or long-term debt.

The Board's general receipts were approximately \$2.9 million for the most recent fiscal year and the breakdown of receipts is as follows:

- Federal, State and Local grants                      \$1.4 million
- Transit Fares and contract revenues                \$1.5 million

Net assets of the Board increased by \$646,698, a significant increase from the prior year.

Effective January 1, 2004 the Board was converted to a *County Transit Board*. Prior to this change, the Board was named Greene County Coordinated Agency Transportation System, Inc. and was a non-profit corporation. As a result of the conversion, all equipment, assets, liabilities, contracts and agreements, finances, trade name and logo were transferred to the Greene County Transit Board.

### **Using the Basic Financial Statements**

This annual report includes the basic financial statements and accompanying notes prepared in accordance with the provisions of the of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended and interpreted.

### **Basic Financial Statements and Presentation**

The financial statements presented by the Board 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. The Board 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, except land, over their estimated useful lives.

The notes to the financial statements are an integral part of the Board-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

The Statement of Net Assets presents information on all the Board's 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 the Board 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 the Board's 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 the Board's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into two categories 1) Cash flows from operating activities, and 2) Cash flows from investing activities. The Federal and State grants received for capital assets is included in the increase in net assets section of the operating activities. The pay-off of the capital leases is included in the Financing activities of the cash flow statement.

### **Notes to the Financial Statement**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Condensed Summary of Net Assets**

	<u>2004</u>	<u>2003</u>
Current assets	\$ 251,295	\$ 264,663
Capital assets, net	349,030	598,183
Other assets	<u>3,500</u>	<u>3,500</u>
Total assets	603,825	866,346
Liabilities	<u>145,749</u>	<u>1,054,968</u>
Net assets:		
Invested in capital assets	349,030	598,183
Unrestricted	<u>109,046</u>	<u>(786,805)</u>
Total net assets	<u>\$ 458,076</u>	<u>\$ (188,622)</u>

By far, the largest portion of the Board's net assets reflects the investment in capital assets (e.g., line service and transit buses). The Board uses these capital assets to provide public transportation service for Greene County citizens. These assets are not available to liquidate liabilities or to cover other spending.

**Condensed Summary of Revenues, Expenses and Changes in Net Assets**

	<u>2004</u>	<u>2003</u>
Operating Revenues	\$ 1,527,582	\$ 1,515,694
Operating expenses excluding depreciation	(1,961,539)	(1,729,837)
Depreciation expense	<u>(250,664)</u>	<u>(250,409)</u>
Operating loss	(684,621)	(464,552)
Non-operating revenues (expenses):		
Federal grants	1,135,515	475,270
State grants	213,186	213,186
Local grants	28,475	-
Interest expense	<u>(45,857)</u>	<u>(80,931)</u>
Total non-operating revenues - net	1,331,319	607,525
Increase in net assets	646,698	142,973
Net assets, beginning of year	<u>(188,622)</u>	<u>(331,595)</u>
Net assets, end of year	<u>\$ 458,076</u>	<u>\$ (188,622)</u>

The Board's operating revenues increased by approximately \$12 thousand to \$1.52 million in 2004. This 1% increase resulted from increased passenger trips and associated passenger fares. In the public transportation industry there is a direct relationship between passenger rider levels and economic conditions. Operating expenses, excluding depreciation, increased by \$228 thousand as compared to the prior year, due in large part to increased maintenance expenses. Depreciation expense for 2004 was essentially the same as 2003 increasing by \$255.

The 2004 increase in other non-operating revenues of \$724 thousand is related to the Federal and State grants received which paid off the capital lease loans.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The Board's investment in capital assets amounts to \$349 thousand, net of accumulated depreciation as of December 31, 2004. Capital assets include transit buses, tools, office and computer equipment.

Additional information on capital asset activity can be found in the notes to the financial statements.

#### **Long-term Debt**

The Board has no debt at December 31, 2004.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Richard Schultze, Executive Director, Greene County Transit Board, 245 Valley Road, Xenia, OH 45385.

STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2004

ASSETS

CURRENT ASSETS:

Cash	\$ 44,717
Receivables:	
Trade, net of allowance of \$13,467	162,045
Federal	37,254
State	4,224
Prepaid expenses	3,055
	<hr/>
Total current assets	251,295

CAPITAL ASSETS, net	349,030
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OTHER ASSETS	3,500
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Total assets	<hr/> <hr/> \$ 603,825
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LIABILITIES AND NET ASSETS

LIABILITIES:

Trade payables	\$ 129,317
Accrued payroll liabilities	12,813
Accrued pension	3,619
	<hr/>
Total liabilities	145,749

NET ASSETS:

Invested in capital assets	349,030
Unrestricted	109,046
	<hr/>
Total net assets	458,076

Total liabilities and net assets	<hr/> <hr/> \$ 603,825
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See notes to the financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004

OPERATING REVENUES:	
Passenger fares	\$ 1,521,365
Other revenues	6,217
	<hr/>
Total operating revenues	1,527,582
OPERATING EXPENSES:	
Labor	134,695
Fringe benefits	51,998
Services	24,140
Materials and supplies	128,482
Utilities	9,697
Casualty and liability	583
Purchased transportation service	1,577,066
Leases and rentals	14,289
Miscellaneous	20,589
	<hr/>
Total operating expenses	1,961,539
	<hr/>
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(433,957)
DEPRECIATION EXPENSE:	
On assets acquired with capital grants	229,357
On other assets	21,307
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Total depreciation expense	250,664
	<hr/>
OPERATING LOSS	(684,621)
NON-OPERATING REVENUES (EXPENSES):	
Federal cash grants and reimbursements	597,949
Federal cash grants for lease buy-outs	537,566
State cash grants and reimbursements	107,374
State cash grants for lease buy-outs	105,812
Local cash grants and reimbursements	28,475
Interest expense	(45,857)
	<hr/>
Total non-operating revenues - net	1,331,319
INCREASE IN NET ASSETS	646,698
NET ASSETS, beginning of year	(188,622)
	<hr/>
NET ASSETS, end of year	<u>\$ 458,076</u>

See notes to the financial statements.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from passengers	\$ 1,537,965
Other revenue	6,217
Cash payments to suppliers for goods and services	(1,971,607)
Cash payments to employees for services	(121,882)
Cash payments for employee benefits	(48,379)
	<hr/>
Net cash used by operating activities	(597,686)
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Federal grants	560,695
State grants	103,150
Local grants	28,475
	<hr/>
Net cash provided by non-capital financing activities	692,320
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Federal grants	537,566
State grants	105,812
Payments for the purchase of capital assets	(1,511)
Principal payments under capital lease obligations	(664,942)
Interest paid on capital leases	(108,429)
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Net cash used by capital and related financing activities	(131,504)
	<hr/>
Net decrease in cash	(36,870)
CASH, beginning of year	81,587
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CASH, end of year	\$ 44,717
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<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (684,621)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	250,664
Bad debt expense	13,467
(Increase) decrease in operating assets:	
Trade receivables	3,132
Prepaid expenses	1,377
Increase (decrease) in operating liabilities:	
Trade payables	(195,750)
Accrued payroll liabilities	12,813
Accrued expenses	1,232
	<hr/>
Total adjustments	86,935
	<hr/>
Net cash used by operating activities	\$ (597,686)
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See notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Greene County Transit Board (Board) was created pursuant to Sections 306.01 through 306.13 of the Ohio Revised Code for the purpose of providing public transportation in Greene County, Ohio. As a political subdivision it is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The Board is not subject to federal or state income taxes.

The Board is managed by a seven-member Board of Trustees and provides mass transportation within Greene County.

Reporting Entity

The Board has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board ("GASB") regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Board. Under the criteria specified in Statement No. 14, the Board has no component units nor is it considered a component unit of any other entity.

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Board is not financially accountable for any other organization nor is any other organization accountable to the Board. This is evidenced by the fact that the Board is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code.

Basis of Accounting

The Board follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position and cash flows. All transactions are accounted for in a single enterprise fund.

In accordance with Statement No. 20 of the GASB, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the Board has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board has implemented a financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, as amended and interpreted. There was no effect on beginning fund balance as a result of this implementation.

The Board will continue applying all applicable pronouncements issued by the GASB.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Board considers all highly liquid investments (including restricted assets) with a maturity, at date of purchase, of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, at and during the reported period. Actual results could differ from those estimates.

Property, Facilities and Equipment

Property, facilities and equipment are stated at historical cost. The cost of maintenance and repairs is charged to operations as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

<u>Description</u>	<u>Years</u>
Transportation equipment	5
Other equipment	5-7

Net Assets

Net assets are displayed in two components as follows:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets.”

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classifications of Revenue

The Board has classified its revenues as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as federal and state grants not based on passenger fares.

Recognition of Revenue and Receivables

The Federal Transit Administration (“FTA”) and the Ohio Department of Transportation (“ODOT”) provide financial assistance and make grants directly to the Board for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenue over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as revenue when the expenditure has been made and the revenue is available. Capital grant funds received in advance of project costs being incurred are deferred.

Compensated Absences

The Board accrues vacation as earned by its employees. Because rights to sick pay do not vest, Transit Board recognizes such costs when they are incurred.

## NOTE 2: CASH

The investment and deposit of Board monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Board to invest in certificates of deposit, savings accounts, money market accounts, the State Treasurer’s investment pool (“STAROhio”), and obligations of the United States government and certain agencies thereof. The Board may also enter into repurchase agreements with an eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealer for a period not exceeding 30 days.

As of December 31, 2004, the Board maintains unrestricted cash of \$44,717, which was covered by the FDIC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 is as follows:

	Balance <u>01/01/04</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/04</u>
Transportation equipment	\$ 1,107,738	\$ -	\$ -	\$ 1,107,738
Computer equipment	97,177	1,511	-	98,688
Furniture and fixtures	12,218	-	-	12,218
Tools	<u>54,654</u>	<u>-</u>	<u>-</u>	<u>54,654</u>
Total capital assets being depreciated	<u>\$ 1,271,787</u>	<u>\$ 1,511</u>	<u>\$ -</u>	<u>\$ 1,273,298</u>
Less accumulated depreciation:	<u>01/01/04</u>	<u>Additions</u>	<u>12/31/04</u>	Net Book <u>Value</u>
Transportation equipment	\$ 590,791	\$ 221,549	\$ 812,340	\$ 295,398
Computer equipment	61,017	19,562	80,579	18,109
Furniture and fixtures	4,132	1,745	5,877	6,341
Tools	<u>17,664</u>	<u>7,808</u>	<u>25,472</u>	<u>29,182</u>
Total capital assets being depreciated	<u>\$ 673,604</u>	<u>\$ 250,664</u>	<u>\$ 924,268</u>	<u>\$ 349,030</u>

NOTE 4: PURCHASED TRANSPORTATION SERVICES

During 2004, the Board has a contract with a local transportation company to provide transit services within Greene County for elderly and handicapped persons. Expenses under this contract amounted to \$1,569,161 for the year ended December 31, 2004. All passenger fares related to these transit services are collected by the Transit Board and recorded as revenue.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: EMPLOYEE RETIREMENT PLANS

Plan Description – All employees of the Board are required to be members of the Ohio Public Employees Retirement System (“OPERS”), a cost-sharing, multiple-employer pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefit to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Funding Policy - The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5 percent of their covered payroll to OPERS. The 2004 employer contribution rate for local government units was 13.55 percent of covered payroll. The Board's total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the year ended December 31, 2004 was \$20,094, equal to 100 percent of the required contribution for the year.

Other Post employment Benefits Provided Through OPERS - In addition to the pension benefits described previously, OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Post employment Benefit ("OPEB") 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.

NOTE 6: FEDERAL AND STATE GRANTS, REIMBURSEMENTS

Grants and reimbursements in the statement of revenues and expenses for the year ended December 31, consist of the following:

	<u>2004</u>
FEDERAL:	
FTA Maintenance and Other Assistance	\$ 597,949
FTA Capital Contribution	<u>537,566</u>
Total	<u>\$ 1,135,515</u>
STATE:	
ODOT Maintenance and Other Assistance	\$ 107,374
ODOT Capital Contribution	<u>105,812</u>
Total	<u>\$ 213,186</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquakes, errors, and omissions, employment related matters, injuries to employees and employee theft and fraud.

The Board carries liability insurance for its transit equipment. The insurance coverage has a combined single limit of \$5,000,000 for qualified property losses.

The Board continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past fiscal year.

NOTE 8: LEASE OBLIGATIONS

Operating lease

Greene County Transit Board has entered into a contract with MV transportation, Inc. which includes an agreement to lease facilities where the vehicle maintenance garage is located. The original lease term expires on December 31, 2005 and contains five separate one year renewal options. The annual base rent is \$42,000 payable in monthly installments of \$3,500 with an escalation clause of 3% per year. Total rent expense was \$45,895 for the year ended December 31, 2004. The minimum operating lease payments for 2005 are \$47,272.

Capital leases

Greene County Transit Board was the lessee of transit vehicles and tool equipment under two capital lease agreements, which were to expire in May 2007 and July 2008, respectively. The capital leases were paid off July 2004. The capital leases were originally recorded at the present value of the future minimum lease payments with effective nominal interest rates of 9% for the tools and 10% for the transit vehicles. The interest expense on the capital leases totaled \$45,857 for the year ended December 31, 2004.

The following is a summary of the capital lease liabilities and related expense for the year ended December 31, 2004:

	Balance <u>01/01/04</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/04</u>
Transit vehicles lease	\$ 624,172	\$ -	\$ (624,172)	\$ -
Tools lease	40,768	-	(40,768)	-
Accrued interest	62,572	-	(62,572)	-
Interest expense	-	45,857	(45,857)	-
Total	<u>\$ 727,512</u>	<u>\$ 45,857</u>	<u>\$ (773,369)</u>	<u>\$ -</u>

*We're Ready For Your Future*

INDEPENDENT AUDITORS' 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

To the Board of Trustees  
Greene County Transit Board  
Xenia, Ohio

We have audited the business type activities of Greene County Transit Board as of and for the year ended December 31, 2004 which collectively comprise the Greene County Transit Board's basic financial statements, and have issued our report thereon dated September 23, 2005, which includes implementation of a new reporting model described in Note 1. 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 Greene County 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 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 over financial reporting 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 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of Greene County Transit Board in a separate letter dated September 23, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greene County 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*.

This report is intended solely for the information and use of Board of Trustees, management, federal awarding agencies, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
September 23, 2005

*We're Ready For Your Future*

## INDEPENDENT AUDITOR'S 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  
Greene County Transit Board  
Xenia, Ohio

### Compliance

We have audited the compliance of Greene County 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 each of its major federal programs for the year ended December 31, 2004. Greene County Transit Board's major federal programs are 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 each of its major federal programs is the responsibility of Greene County Transit Board's management. Our responsibility is to express an opinion on Greene County 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 Greene County 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 Greene County Transit Board's compliance with those requirements.

In our opinion, Greene 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 Greene County 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 Greene County 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.

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 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 Board of Trustees, management, federal awarding agencies, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
September 23, 2005

## GREENE COUNTY TRANSIT BOARD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
<b>U.S. Department of Transportation</b> (Passed through Ohio Department of Transportation):				
Urbanized Area Formula Program	20.507	OH-18- 4022	\$ 14,138	\$ -
Urbanized Area Formula Program	20.507	OH-90- X451	575,969	557,061
Urbanized Area Formula Program	20.507	OH-90- X460	428,154	428,154
Capital Program Grant	20.500	OH-03- 0252	80,000	80,000
<b>Total Federal Financial Assistance</b>			<u>\$ 1,098,261</u>	<u>\$ 1,065,215</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2004

**1. SUMMARY OF AUDITORS' RESULTS**

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Formula Grants for Other than Urbanized Areas 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?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

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**GREENE COUNTY TRANSIT BOARD**

**GREENE 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  
DECEMBER 30, 2005**