

RICHLAND COUNTY TRANSIT BOARD
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Richland County Transit Board, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Richland County Transit Board is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

September 27, 2006

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**RICHLAND COUNTY TRANSIT BOARD
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Richland County Transit Board (the Transit Board), Mansfield, Ohio, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Transit Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Richland County Transit Board, as of December 31, 2005 and the respective changes in financial position and the 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 July 21, 2006 on our consideration of the Transit Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic 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 consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and is not a required part of the financial statements of the Transit Board. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

July 21, 2006

Richland County Transit Board
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The discussion and analysis of the Richland County Transit Board's (the "Board") financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should review the Notes to the Financial Statements and the financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

State funding available in 2005 was reduced by over \$22,000 from what was expected when the 2005 budget was developed.

The Board was able to procure funding for the purchase of three (3) replacement vehicles using 100% federal funds – requiring no local cash match.

Fuel expenditures totaled 140% of the amount budgeted.

Some local agency funds were provided to assist with the local share requirement.

Using this Annual Financial Report

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

Statement of Net Assets

The Statement of Net Assets looks at how well the Board has performed financially from inception through December 31, 2005. This statement includes all of the assets, liabilities, and net asset balances using the accrual basis of accounting, which is the method used by most private-sector companies, and the method that is required by the Federal Transit Administration. This basis of accounting takes into account all revenues earned and expenses incurred during the accounting period, regardless of when the cash is received or expended.

The following schedule provides a summary of the Board's Statement of Net Assets for the fiscal years ended December 31, 2005 and December 31, 2004:

Richland County Transit Board*Management's Discussion and Analysis**For the Year Ended December 31, 2005*

	<u>2005</u>	<u>2004</u>
Assets		
Current Assets	\$207,478	\$225,524
Noncurrent Assets	<u>3,361,349</u>	<u>3,192,759</u>
Total Assets	<u>3,568,827</u>	<u>3,418,283</u>
Liabilities		
Current Liabilities	<u>171,410</u>	<u>162,600</u>
Net Assets		
Unrestricted	<u>\$3,397,417</u>	<u>\$3,255,683</u>

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets reports operating and non-operating activities for the fiscal year ended December 31, 2005.

The following schedule provides a summary of the Board's Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended December 31, 2005, and December 31, 2004:

	<u>2005</u>	<u>2004</u>
Revenues		
Federal	\$1,056,327	\$690,970
State	150,833	172,691
Local Governments	185,739	180,632
Coordinating Revenue	184,604	124,694
Lease Revenue	11,926	9,676
Transit System Revenue	225,929	259,119
Total Revenues	<u>1,815,358</u>	<u>1,437,782</u>
Expenses		
Purchased Services	1,119,863	1,153,158
Coordinating & RCT Extra	180,699	115,438
Board Member Compensation	8,616	7,363
Professional Services	6,090	7,588
Equipment and Supplies	8,168	9,411
Depreciation	203,182	175,797
Fuel	119,361	84,117
Miscellaneous	12,821	29,654
Total	<u>\$1,658,800</u>	<u>\$1,582,526</u>

Richland County Transit Board

*Management's Discussion and Analysis
For the Year Ended December 31, 2005*

Explanation of Variances in Revenues and Expenses

Federal Revenue - \$383,843 was received for the purchase of three new vehicles in 2005.

Coordinating Revenue and Coordinating and RCT Extra Expense – these are basically a “pass through” revenue and expense based on usage. An increase in one causes an increase in the other. There has been an increase in local human service agency participation in the coordination project causing both the revenue and expenses to increase.

Fuel Expense – This increase reflects the dramatic increase that has occurred in fuel cost per gallon. The system is not able to reduce this cost and continue to operate the current schedule.

Capital Assets

As of December 31, 2005, the Board had capital assets of \$3,361,349 invested in real property, including the bus garage and transit center, rolling stock, operating equipment, furniture, tools and other items. This is an increase of \$172,140 over December 31, 2004. As noted in the financial highlights, three additional buses were procured in 2005.

Statement of Cash Flow

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

Included here is a summary of the cash flow activity for the year ending December 31, 2005.

Beginning Balance	\$ 3,816
Receipts	\$1,846,446
Disbursements	\$1,834,158
Ending Balance	\$ 16,104

Current Financial Issues

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

The aging of the rolling stock would indicate the need to budget for future capital replacement. However, currently, all local matching funds are needed to maintain the basic service that is being provided. The Board has approval for the use of \$440,000 in federal funds to be used to purchase two (2) replacement 30 foot buses. Currently, these funds are not able to be accessed due to the lack of local matching funds. The local matching funds that are needed total \$110,000.

Richland County Transit Board
Statement of Net Assets
December 31, 2005

Assets

Current Assets:

Cash in Richland County Treasury \$16,104

Accounts Receivable 191,374

Noncurrent Assets:

Capital Assets (Net, Where Applicable, of
Accumulated Depreciation) 3,361,349

Total Assets 3,568,827

Liabilities

Current Liabilities:

Accounts Payable 171,410

Total Liabilities 171,410

Net Assets

Unrestricted \$3,397,417

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, 2005

Operating Revenues	
Federal	\$1,115,700
State	91,460
Local Government	185,739
Coordinating Revenue	184,604
Lease Revenue	11,926
Transit System Revenue:	
Farebox Receipts	115,194
Local Special Fare Assistance	69,277
Miscellaneous	41,458
	<hr/>
Total Operating Revenues	1,815,358
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Operating Expenses	
Purchased Services	1,119,863
Coordinating & RCT Extra	180,699
Board Members Compensation	8,616
Professional Services	6,090
Equipment and Supplies	8,168
Depreciation	203,182
Fuel	119,361
Miscellaneous	12,821
	<hr/>
Total Operating Expenses	1,658,800
	<hr/>
Operating Gain	156,558
	<hr/>
Nonoperating Expenses	
Loss on Disposal of Capital Assets	(14,824)
	<hr/>
Change in Net Assets	141,734
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Net Assets Beginning of Year (Restated see Note 6)	3,255,683
	<hr/>
Net Assets End of Year	\$3,397,417
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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, 2005

Cash Flow from Operating Activities

Cash Received From Customers	\$237,855
Cash Received From Operating Grants	1,608,591
Cash Paid for Purchased Services	(1,096,994)
Cash Paid to Board Members	(8,616)
Cash Paid to Suppliers	<u>(341,198)</u>

Net Cash Provided by Operating Activities	<u>399,638</u>
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Cash Flow from Capital and Related Financing Activities

Acquisition of Capital Assets	<u>(387,350)</u>
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Net Cash Used by Capital and Related Financing Activities	<u>(387,350)</u>
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Net Increase in Cash	12,288
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Cash Beginning of Year	<u>3,816</u>
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Cash End of Year	<u><u>\$16,104</u></u>
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Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating Gain	<u>156,558</u>
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Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities

Depreciation Expense	<u>203,182</u>
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Change in Operating Assets and Liabilities

(Decrease) in Accounts Receivable	31,088
(Increase) in Accounts Payable	<u>8,810</u>

Total Adjustments	<u>39,898</u>
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Net Cash Provided by Operating Activities	<u><u>\$399,638</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 FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

**RICHLAND COUNTY TRANSIT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Property and Equipment

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

RICHLAND COUNTY TRANSIT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash Equivalents

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

NOTE 3 – PROPERTY AND EQUIPMENT

The following schedule reflects changes in property and equipment:

	<u>Assets</u>			Balance 12/31/2005
	Balance 12/31/2004	Additions	Deletions	
Land	\$1,052,683	\$0	\$0	\$1,052,683
Building	2,480,625	0	0	2,480,625
Office Equipment	73,440	2,753	0	76,193
Operating Equipment	1,908,236	387,393	(176,372)	2,119,257
Total	<u>\$5,514,984</u>	<u>\$390,146</u>	<u>(\$176,372)</u>	<u>\$5,728,758</u>

	<u>Accumulated Depreciation</u>			Balance 12/31/2005
	Balance 12/31/2004	Additions	Deletions	
Building	(\$1,048,149)	(\$82,688)	\$0	(\$1,130,837)
Office Equipment	(62,416)	(4,276)	0	(66,692)
Operating Equipment	(1,215,210)	(116,218)	161,548	(1,169,880)
Total	<u>(\$2,325,775)</u>	<u>(\$203,182)</u>	<u>\$161,548</u>	<u>(\$2,367,409)</u>

Total Property and Equipment (Net Where Applicable of Accumulated Depreciation)	<u>\$3,189,209</u>	<u>\$3,361,349</u>
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NOTE 4 – RISK MANAGEMENT

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

RICHLAND COUNTY TRANSIT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

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.

NOTE 6 – RESTATEMENT OF PRIOR YEAR NET ASSETS

At December 31, 2004, the Transit Board had accounts payable, accounts receivable, undeposited funds and capital assets that were not properly recorded. The adjustments had the following effect on Net Assets:

Net Assets as Stated at December 31, 2004	\$3,317,977
Unrecorded Accounts Payable	(65,240)
Unrecorded Accounts Receivable	150
Unrecorded Undeposited Funds	(754)
Unrecorded Fixed Asset	3,550
Retained Earnings as Restated at January 1, 2005	<u><u>\$3,255,683</u></u>

**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
35 North Park Street
Mansfield, Ohio 44902

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, 2005, and have issued our report thereon dated July 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Transit Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Transit Board, in a separate letter dated July 21, 2006.

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

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

July 21, 2006

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

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

Compliance

We have audited the compliance of the Richland County Transit Board (the Transit Board) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The Transit Board's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Transit Board's management. Our responsibility is to express an opinion on the Transit Board's compliance based on our audit.

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

In our opinion the Richland County Transit Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

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

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

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

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

July 21, 2006

Richland County Transit Board
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

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	\$246,200
Metropolitan Planning	20.507	OH-90-X492	102,735
Other Capital Items (Bus)	20.507	OH-90-X492	239,027
Bus: Support Equipment and Facilities	20.507	OH-90-X492	145
Operating Assistance	20.507	OH-90-X469	100,097
Other Capital Items (Bus)	20.507	OH-90-X469	32,952
Metropolitan Planning	20.507	OH-90-X469	10,701
Bus - Rolling Stock	20.507	OH-90-X478	191,500
Bus - Rolling Stock	20.507	OH-90-X439	32,843
Total Federal Transit - Formula Grants			956,200
Federal Transit - Capital Investment Grants			
Bus - Rolling Stock	20.500	OH-03-0249	159,500
Total Federal Expenditures			\$1,115,700

RICHLAND COUNTY TRANSIT BOARD

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

RICHLAND COUNTY TRANSIT BOARD

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

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

RICHLAND COUNTY TRANSIT BOARD

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

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

(d)(1)(vii)	Major Program:	Federal Transit Cluster: Federal Transit-Formula Grants, CFDA #29.507 and Federal Transit-Capital Investment Grants, CFDA #20.500
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
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800-282-0370

Facsimile 614-466-4490

RICHLAND COUNTY TRANSIT BOARD

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 10, 2006**