



**Auditor of State
Betty Montgomery**

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

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**Auditor of State
Betty Montgomery**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Betty Montgomery
Auditor of State

July 13, 2005

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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, 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Authority to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Authority has elected not to reformat its statements. Since this Authority does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2004 for the year then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Butler County Regional Transit Authority, Butler County, as of December 31, 2004 and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Authority to include Management's Discussion and Analysis for the year ended December 31, 2004. The Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

July 13, 2005

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004**

Cash Receipts:

Intergovernmental - Federal	\$24,602
Intergovernmental - Local and State	714,967
Charges for Services	73,500
Lease Receipts	44,000
Other Receipts	<u>3,871</u>

Total Cash Receipts 860,940

Cash Disbursements:

Current:

Salaries and Benefits	373,068
Supplies and Materials	80,301
Professional Services	76,945
Other Disbursements	<u>67,310</u>

Total Cash Disbursements 597,624

Total Receipts Over Disbursements 263,316

Fund Cash Balances, January 1 222,526

Fund Cash Balances, December 31 **\$485,842**

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, 2004**

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. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for the Authority's cash. The County's cash and investment pool holds the Authority's assets, valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

The Authority uses fund accounting to segregate cash and investments. The Authority has a General Fund which accounts for all the financial resources except those restricted by law or contract.

E. 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.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2004.

A summary of 2004 budgetary activity appears in Note 3.

F. 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.

G. 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.

H. 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, 2004 was \$485,842.

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, 2004 follows:

2004 Budgeted vs. Actual Receipts		
<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
\$900,000	\$860,940	(\$39,060)

2004 Budgeted vs. Actual Budgetary Basis Expenditures		
<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$900,000	\$597,624	\$302,376

The Authority did not certify the availability of funds for certain commitments in 2004.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. INTERGOVERNMENTAL RECEIPTS

The Authority received significant Intergovernmental receipts for the 2004 fiscal year from the Southwest Ohio Regional Transit Authority (SORTA) in Hamilton county. The Authority entered into an agreement with SORTA where they 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 the SORTA will refund all funds not used for the park and ride services. SORTA submits all federal grant requests. The Authority received \$700,867 from SORTA during 2004.

5. CHARGES FOR SERVICES RECEIPTS

The Authority also received charges for service receipts for the 2004 fiscal year from the City of Hamilton. The Authority contracts with the City of Hamilton to provide 4 shuttle services 3 days a week. The Authority received \$73,500 from the City of Hamilton during 2004.

6. LEASE RECEIPTS

During 2004, the Authority contracted with the Greater Cleveland Regional Transit Authority (GCRTA) to lease eight 1999 Orion II buses for the year. The GCRTA paid the Authority a total of \$44,000 for the use of its buses during the year. In March 2005, the Authority sold the eight leased buses to the GCRTA for \$85,418.

7. MANAGEMENT SERVICES

In 2004, the Authority contracted with the Lakatos Group to provide management services. Specifically, the Lakatos group is providing the services of the Executive Director. The Director works for the Board of Trustees and oversees the day to day operations as well as directing the strategic planning of the organization. The Executive Director also serves as the liaison to local, state and federal officials.

8. RETIREMENT SYSTEMS

The Authority's employees belong to the Public Employees Retirement System (PERS) of Ohio.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Authority contributed an amount equal to 13.55% of participants' gross salaries for 2004. The Authority has paid all contributions required through December 31, 2004.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

9. 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.

The Pool covers the following risks:

- General liability and casualty;
- Public official's liability; and
- Vehicle.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of November 30, 2004:

	<u>2004</u>
Total Assets	\$7,081,945
Actuarial liabilities	5,768,392

November 30, 2004 was the latest information available.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, 2004, and have issued our report thereon dated July 13, 2005, wherein we noted the Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Authority's management dated July 13, 2005, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards*.

Butler County Regional Transit Authority
Butler County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for 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

July 13, 2005

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

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 obtain certification from their fiscal officer recording the availability of funds for 40% of transactions tested. The Authority does not utilize "Then and Now Certificates" until October 2004.

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 (the County Auditor) that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

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**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Rev. Code §5705.41(D) was cited for not properly certifying funds.	No	Reissued as finding 2004-001.



**Auditor of State
Betty Montgomery**

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BUTLER COUNTY REGIONAL TRANSIT AUTHORITY

BUTLER 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
AUGUST 4, 2005**