



**Auditor of State
Betty Montgomery**

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the Butler County Regional Transit Authority, Butler County, Ohio (the Authority), as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Butler County Regional Transit Authority, Butler County, Ohio, as of December 31, 2005, and the respective changes in financial position and cash flows, thereof and 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 October 11, 2006, 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.

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

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

Betty Montgomery
Auditor of State

October 11, 2006

BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2005
(UNAUDITED)

As management of the Butler County Regional Transit Authority, Butler County, Ohio (the Authority), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

The Authority has net assets of \$3.2 million. These net assets result from the difference between total assets of \$3.3 million and total liabilities of \$.1 million.

Current assets of \$1.2 million primarily consist of non-restricted Cash and Cash Equivalents of \$.7 million; and Intergovernmental/Accounts Receivable of \$.4 million.

Current liabilities of \$.04 million primarily consist of Accounts Payable, Accrued Wages and related Payroll Accruals.

Basic Financial Statements and Presentation

Effective January 1, 2005, the Authority implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements and Managements Discussion and Analysis-for State and Local Government."

The financial statements presented by the Authority are the Balance Sheet, 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 Authority 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 Balance Sheet presents information on all the Authority'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 Authority 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 Authority'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 Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into three categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, and 3) Cash flows from capital and related financing activities.

Notes to the Financial Statements

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

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2005
(UNAUDITED)
(Continued)**

Net Assets

The largest portion of the Authority's net assets reflect investments in capital assets consisting of buses, an operating facility, and equipment less accumulated depreciation. The Authority uses these capital assets to provide public transportation services in Butler County, Ohio and limited close in surrounding areas. The table below provides a summary of the Authority's net assets:

**(Table 1)
Butler County Regional Transit Authority
Condensed Summary of Net Assets
For the Year Ended December 31, 2005**

Current Assets	\$ 1,229,146
Capital Assets (Net of Accumulated Depreciation)	<u>2,041,644</u>
Total Assets	<u>3,270,790</u>
Current Liabilities	<u>46,499</u>
Total Liabilities	<u>46,499</u>
Net Assets	
Invested in Capital Assets	2,041,644
Unrestricted	<u>1,182,647</u>
Total Net Assets	<u>\$ 3,270,790</u>

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 reflects the changes in net assets in 2005. Since the Authority did not prepare financial statements in this format for 2004 a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2005
(UNAUDITED)
(Continued)**

(Table 2)

**Butler County Regional Transit Authority
Condensed Summary of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2005**

Operating Revenues (Expenses)	
Operating Revenues	\$ 1,031,539
Operating Expenses - Net of Depreciation	(1,194,456)
Depreciation Expense	<u>(178,565)</u>
Operating Loss	<u>(341,482)</u>
Non-Operating Revenues	
Community Contributions	112,500
Loss From Sale of Capital Assets	(855,926)
Other Income	<u>7,962</u>
Total Non-Operating Revenues (Expenses)	<u>(735,464)</u>
Decrease in Net Assets During the Year	(1,076,946)
Net Assets, Beginning of Year (Restated, see Note 6)	<u>4,301,237</u>
Net Assets, End of Year	<u><u>\$ 3,224,291</u></u>

Financial Operating Results

Revenues - For purposes of this presentation the Authority groups its Revenues into the following categories:

Operating Revenues

Passenger Fares – Fixed Route – Fares paid by the public to ride the Hamilton City fixed routes. This service was discontinued in October 2005.

Passenger Fares – Demand Response – Fares paid by the public to ride the county wide curb to curb service. This service expanded in July 2005.

Non-Operating Revenues

Community Contributions – Service subsidy provided by governmental and community groups for the City of Hamilton fixed route service. This area has received lower contributions than in the past and the service was discontinued in late 2005.

Intergovernmental Funding Agreement – This represents Urbanized Federal Funds, which are allocated to BCRTA who in turn passes them on to the Southwest Ohio Regional Transit Authority (SORTA) who then operates park-n-ride express service from Butler County to Downtown Cincinnati. The funds reported are the “gross” funds allocated to BCRTA and has decreased due to the decline in service over the past few years, which is a driver in the federal funding formula.

BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2005
(UNAUDITED)
(Continued)

Rental of Vehicles – Surplus vehicles were leased to the Greater Cleveland Regional Transit Authority (GCRTA) for all of 2004 and part of 2005. GCRTA purchased these vehicles in March of 2005 by exercising a purchase clause of the lease agreement.

Gain on Sale of Assets – Sale of surplus vehicles discussed above.

Other Income – Misc. refunds and credits

Operating Expenses - For purposes of this presentation the Authority groups its Operating Expenses into the following categories:

Labor and Fringe Benefits - These personnel costs accounted for approximately 32.6% of the Authority operating expenses (excluding depreciation) in 2005.

Contract Services - Items under this category include Attorney, Audit, and Transit Management Fees as well as misc. professional services.

Materials and Supplies - These costs have increased from prior years mainly due to higher fuel costs and the net expansion of service. In addition the aging fleet requires a higher level of parts to keep it in good working order.

Utilities - These costs increased due to higher natural gas prices. Other items charged here include electric, water, and communication services.

Casualty and Liability - BCRTA is a member of the Ohio Transit Risk Pool, which sets premiums based on service factors, and claims experience.

Purchased Transportation – This represents the cost of the park-n-ride service operated by SORTA for BCRTA and discussed under Intergovernmental Funding in the revenue section.

Other - This category summarizes various expenses not included in other expense categories.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2005
(UNAUDITED)
(Continued)**

Capital Assets – At the end of fiscal year 2005 the Authority had \$2,041,644 invested in land, operating facility, and vehicles. Table 3 shows fiscal year 2005 balances:

(Table 3)

Statement of Capital Assets

Class

Non-Depreciable Capital Assets

Land	\$ 300,000
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Depreciable Capital Assets

Operating Facility	1,776,655
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Vehicles	<u>1,149,381</u>
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Total Depreciable Capital Assets	2,926,036
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Total Cost	<u>\$ 3,226,036</u>
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Accumulated Depreciation

Operating Facility	\$ (325,719)
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Vehicles	<u>(858,673)</u>
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Total Depreciation	<u>\$ (1,184,392)</u>
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Net Value	<u>\$ 2,041,644</u>
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Depreciation – This category includes depreciation on all capital assets, except land.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Finance Manager, Butler County Regional Transit Authority, 3045 Moser Court, Hamilton, Ohio 45011.

**Butler County Regional Transit Authority
Statement of Net Assets
For the Year Ended December 31, 2005**

Assets

Current Assets

Cash on Deposit	\$764,818
Intergovernmental Receivable	456,855
Accounts Receivable	7,473
Total Current Assets	<u>1,229,146</u>

Property, Facilities and Equipment

Land - Non Depreciable	300,000
Operating Facility	1,776,655
Vehicles	1,149,381
Subtotal	<u>3,226,036</u>
Less Accumulated Depreciation	<u>(1,184,392)</u>
Total Property, Facility and Equipment	<u>2,041,644</u>

Total Assets	<u><u>\$3,270,790</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$12,827
Accrued Payroll & Benefits	33,672
Total Current Liabilities	<u>46,499</u>

Net Assets

Invested in Capital Assets	2,041,644
Unrestricted	1,182,647
Total Net Assets	<u>3,224,291</u>

Total Liabilities and Net Assets	<u><u>\$3,270,790</u></u>
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See Accompanying Notes to Financial Statements

Butler County Regional Transit Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2005

Operating Revenues	
Passenger Fares - Fixed Route	\$ 9,288
Passenger Fares - Demand Response	24,168
Intergovernmental Funding Agreement	998,083
Total Operating Revenues	<u>1,031,539</u>
Operating Expenses	
Labor	270,770
Fringe Benefits	118,960
Contract Services	95,185
Materials & Supplies	70,619
Utilities	37,262
Casualty & Liability Insurance	27,316
Purchased Transportation	568,818
Depreciation Expense	178,565
Other	5,526
Total Operating Expenses	<u>1,373,021</u>
Operating Loss	(341,482)
Non-Operating Revenues (Expenses)	
Community Contributions	112,500
Rental of Vehicles	4,000
Loss on Sale of Capital Assets	(855,926)
Other Income	3,962
Total Non-Operating Revenue	<u>(735,464)</u>
Net Loss	(1,076,946)
Net Assets, Beginning of Year (Restated, see Note 6)	<u>4,301,237</u>
Net Assets, End of Year	<u><u>\$ 3,224,291</u></u>

See Accompanying Notes to Financial Statements

Butler County Regional Transit Authority
Statement of Cash Flows
For the Year Ended December 31, 2005

Operating Activities	
Cash Received From Customers	\$ 28,269
Cash Payments - Suppliers for Goods & Services	(273,660)
Cash Payments - Employees for Wages & Fringes	(379,071)
Net Cash Used	<u>(624,462)</u>
Non-Capital Financing Activities	
Community Contributions Received	125,000
Intergovernmental Funding Received	671,344
Other	21,675
Net Cash Provided	<u>818,019</u>
Capital and Related Financing Activities	
Proceeds from Disposal of Fixed Assets	<u>85,418</u>
Net Cash Provided	85,418
Net Increase in Cash & Equivalents	278,975
Cash & Equivalents - Beginning of Year	<u>485,843</u>
Cash & Equivalents - End of Year	<u><u>\$ 764,818</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (341,482)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation	178,565
Changes in Assets & Liabilities	
Accounts/Intergovernmental Receivables Affecting Operating Income	(469,662)
Accounts Payable	4,958
Accrued Payroll & Benefits	10,659
Other Non-Current Liabilities	(7,500)
Net Cash Used in Operating Activities	<u><u>\$ (624,462)</u></u>

See Accompanying Notes to Financial Statements

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Entity – The Butler County Regional Transit Authority (BCRTA, 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. It was created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code. 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 Authority is not subject to federal or state income taxes.

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 within Butler County.

Reporting Entity - The Authority complies with 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 Authority. Under the criteria specified in Statement No. 14, the Authority has no component units. The Authority is, however, considered to be a related organization of Butler County by virtue of the fact that BCRTA's Board of Trustees is appointed by the County Commissioners and the County's ability to impose its will on the Authority.

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

Basis of Accounting – The Authority's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows. The Authority 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 Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989.

Non-exchange Transactions - The Authority complies with the provisions of Statement No. 33 of the Governmental Accounting Standards Board (GASB) regarding the Accounting and Financial Reporting for Non-exchange Transactions. This statement requires that capital contributions be recognized as revenue. No capital contributions were received and no related revenue was recognized as revenue in the Statement of Revenues, Expenses and changes in Net Assets for the Authority.

Effective January 1, 2005, the Authority has implemented the provisions of GASB Statement No. 34, Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments.

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

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiscal Agent – The Butler County Auditor serves as the Authority’s fiscal agent. The County maintains Authority funds in the County’s cash pool as an agency fund.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Authority 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.

Investments - The Butler County Auditor’s office maintains all of the Authority’s funds, no interest is credited to the Authority from these funds.

Materials and Supplies Inventory - Materials and supplies (including fuel) are purchased as needed and no parts or fuel inventory are maintained.

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 - 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>
Building and improvements	20-40
Land improvements	20
Transportation equipment	5-12
Other equipment	3-15

Net Assets - Equity 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, net of related debt.

Operating Revenues and Expenses

The Authority has classified its revenues as either operating or non-operating. Operating revenues are those revenues that are generated directly from the primary activities. Operating expenses are necessary cost incurred to provide the good or service that is the primary activity of the Authority. Revenues and expenses not meeting this definition are reported as non-operating.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenue and Receivables

The Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT) provide financial assistance and make allocations directly to the Authority 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.

When assets acquired with capital grants funds are disposed of, the Authority is required to notify the granting federal agency. A proportional amount of the proceeds or fair market value, if any, of such property and equipment may be used to acquire like-kind replacement vehicles or remitted to the granting federal agency.

Compensated Absences - The Authority accrues vacation, eligible sick pay, and other compensated absences as earned by its Employees based upon the policies of Butler County Ohio, the Authority's Fiscal Agent. Vacation and compensatory benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable the Authority will compensate employees for the benefits through time off or some other means. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments.

2. EQUITY IN CASH AND DEPOSITS

Butler County, the Authority's fiscal agent, maintains a cash pool for all 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, 2005 was \$764,818.

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

3. EMPLOYEE RETIREMENT PLANS

Ohio Public Employees Retirement System

The BCRTA participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

3. EMPLOYEE RETIREMENT PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The RTA's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$28,680, \$26,355, and \$16,728 respectively; 91.9 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$28,680 made by the RTA and \$25,527 made by the plan members.

Post-employment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual BCRTA contributions for 2005 which were used to fund post-employment benefits were \$12,001. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

3. EMPLOYEE RETIREMENT PLANS (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

4. MANAGEMENT SERVICES

In 2004 the Authority contracted with the Lakatos Group to provide management services. Specifically, the Lakatos Group is providing the services of 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.

5. RISK MANAGEMENT

The Authority participates in the Ohio Transit Insurance Pool Association, Inc. (OTIP), renamed in 2002 as Ohio Transit Risk Pool Association, (OTRP), related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. Any underfunding of the plans liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

The Authority 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 in any of the past three fiscal years.

6. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF PRIOR YEAR NET ASSETS

For fiscal year 2005, the BCRTA implemented generally accepted accounting principles and GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments. GASB 34 creates new basic financial statements for reporting the Authority's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of Accounting. Table 8 shows adjusted 2004 numbers.

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

**6. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF PRIOR YEAR NET ASSETS
(Continued)**

Fund Cash Balance , December 31, 2004	\$	485,842
Accounts Receivable		727,434
Capital Assets		3,161,553
Accounts Payable		(7,869)
Payroll Payable		(23,013)
Insurance Payable		(42,710)
		(42,710)
Adjusted Fund Balance, December 31, 2004	\$	4,301,237

7. CAPTIAL ASSETS

Class	2004	Additions	Deletions	2005
Non-Depreciable Capital Assets				
Land	\$ 300,000	\$ -	\$ -	\$ 300,000
Depreciable Capital Assets				
Operating Facility	1,776,655	-	-	1,776,655
Vehicles	2,810,573	-	(1,661,192)	1,149,381
Total Depreciable Capital Assets	4,587,228	-	(1,661,192)	2,926,036
Total Cost	<u>\$ 4,887,228</u>	<u>\$ -</u>	<u>\$ (1,661,192)</u>	<u>\$ 3,226,036</u>
Accumulated Depreciation				
Operating Facility	(254,653)	(71,066)	-	(325,719)
Vehicles	(1,471,022)	(107,499)	719,848	(858,673)
Total Depreciation	<u>\$ (1,725,675)</u>	<u>\$ (178,565)</u>	<u>\$ 719,848</u>	<u>\$ (1,184,392)</u>
Net Value	<u>\$ 3,161,553</u>			<u>\$ 2,041,644</u>



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 business-type activities of the Butler County Regional Transit Authority, Butler County, Ohio (the Authority), as of and for the year ended December 31, 2005 and have issued our report thereon dated October 11, 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 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.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Authority's management dated October 11, 2006, we reported a matter related to noncompliance we deemed immaterial.

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 the audit committee, 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

October 11, 2006

**BUTLER COUNTY REGIONAL TRANSIT AUTHORITY
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

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



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

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
NOVEMBER 9, 2006**