

# **Greene County Transit Board**

*Audited Financial Statements*

*For the year ended  
December 31, 2005*





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Greene County Transit Board  
245 Valley Road  
Xenia, Ohio 45385

We have reviewed the *Independent Auditors' Report* of the Greene County Transit Board, prepared by Rea & 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 Greene County Transit Board is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

August 2, 2006

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**Greene County  
Transit Board**

*Audited Financial Statements*

*For the year ended  
December 31, 2005*

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of Greene County Transit Board as of December 31, 2005. These financial statements are the responsibility of Greene County Transit Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Greene County Transit Board as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2006 on our consideration of Greene County Transit Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
February 10, 2006

This discussion and analysis of the Greene County Transit Board's financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2005, within the limitations of the Board's accrual basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

### **Highlights**

#### **Key highlights for 2005 are as follows:**

The Board's general receipts were approximately \$2.1 million for the most recent fiscal year and the breakdown of receipts is as follows:

- Federal, State and Local grants                      \$583 thousand
- Transit Fares and contract revenues                 \$1.5 million

Net assets of the Board decreased in 2005 by \$114,184, compared to an increase in net assets of \$646,698 from the prior year.

#### **Key highlights for 2004 are as follows:**

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

The Board's capital lease loan balance of \$664,942 was paid off during 2004. As a result of the capital lease pay-off, the Board has no remaining short or long-term debt.

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

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

Net assets of the Board increased in 2004 by \$646,698, a significant increase from the prior year.

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

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

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

The financial statements presented by the Board are the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Board is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

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

The Statement of Net Assets presents information on all the Board's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net assets, which indicate improved financial position.

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how the Board's net assets changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from federal, state and local governments.

The Statement of Cash Flows allows financial statement users to assess the Board's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into 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. The Federal and State grants received for capital assets are included in the increase in net assets section of the operating activities. The pay-off of the capital leases, occurring in 2004, is included in the capital and related financing activities category of the cash flow statement.

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

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



**Condensed Summary of Net Assets**

	<b>2005</b>	<b>2004</b>
Current assets	\$ 395,373	\$ 251,295
Capital assets, net	116,064	349,030
Other assets	3,500	3,500
Total assets	514,937	603,825
 Liabilities	 171,046	 145,749
 Net assets:		
Invested in Capital Assets	116,064	349,030
Unrestricted	227,827	109,046
Total net assets	\$ 343,891	\$ 458,076

By far, the largest portion of the Board's net assets reflects the current assets (e.g., cash and accounts receivable). This represents cash on hand and outstanding receivables for services rendered in 2005 and 2004. The decrease in Capital Assets in 2005 is due to the depreciation of the vehicles with no vehicles being replaced in 2005.

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

	<b>2005</b>	<b>2004</b>
Operating Revenues	\$ 1,534,701	\$ 1,527,582
Operating expenses excluding depreciation	(1,982,252)	(1,961,539)
Depreciation expense	(249,834)	(250,664)
Operating loss	(697,385)	(684,621)
 Non-operating revenues (expenses):		
Federal grants	486,382	1,135,515
State grants	96,818	213,186
Local grants	-	28,475
Interest expense	-	(45,857)
Total non-operating revenues – net	583,200	1,331,319
 Increase (decrease) in net assets	 (114,185)	 646,698
Net assets, beginning of year	458,076	(188,622)
Net assets, end of year	\$ 343,891	\$ 458,076

The Board's operating revenues increased by approximately \$7 thousand to \$1.53 million in 2005. This 1% increase resulted from increased passenger fares. In the public transportation industry there is a direct relationship between passenger rider levels and economic conditions. Operating expenses, excluding depreciation, increased by \$21 thousand as compared to the prior year, due in large part to increased maintenance expenses. Depreciation expense for 2005 was essentially the same as 2004 decreasing by \$830. The 2005 decrease in other non-operating revenues of \$748 thousand is related to the Federal and State grants received in 2004 which paid off the capital lease loans.

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

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

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

#### **Capital Assets**

The Board's investment in capital assets amounts to \$116 thousand and \$349 thousand, net of accumulated depreciation as of December 31, 2005 and 2004, respectively. Capital assets include transit buses, tools, office equipment and computer equipment.

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

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

The Board had no debt as of December 31, 2005 and 2004.

#### **Requests for Information**

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

STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2005

ASSETS

CURRENT ASSETS:	
Cash	\$ 191,807
Receivables:	
Trade	146,910
Federal	36,896
State	14,888
Prepaid expenses	4,872
	<hr/>
Total current assets	395,373
CAPITAL ASSETS, net of accumulated depreciation	116,064
OTHER ASSETS	3,500
	<hr/>
Total assets	<u>\$ 514,937</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Trade payables	\$ 143,046
Accrued payroll and payroll liabilities	10,394
Accrued compensated absences	7,802
Accrued workers compensation	9,804
	<hr/>
Total current liabilities	171,046
NET ASSETS:	
Invested in capital assets	116,064
Unrestricted	227,827
	<hr/>
Total net assets	343,891
	<hr/>
Total liabilities and net assets	<u>\$ 514,937</u>

See notes to the financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2005

OPERATING REVENUES:	
Passenger fares	\$ 1,534,616
Other revenues	85
	<hr/>
Total operating revenues	1,534,701
OPERATING EXPENSES:	
Labor	183,336
Fringe benefits	83,878
Services	18,707
Materials and supplies	162,185
Utilities	8,939
Casualty and liability	612
Taxes	1,706
Purchased transportation service	1,507,302
Miscellaneous	6,124
Leases and rentals	9,463
	<hr/>
Total operating expenses	1,982,252
	<hr/>
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(447,551)
DEPRECIATION EXPENSE:	
On assets acquired with capital grants	231,016
On other assets	18,818
	<hr/>
Total depreciation expense	249,834
	<hr/>
OPERATING LOSS	(697,385)
NON-OPERATING REVENUES:	
Federal cash grants and reimbursements	486,382
State cash grants and reimbursements	96,818
	<hr/>
Total non-operating revenues	583,200
	<hr/>
DECREASE IN NET ASSETS	(114,185)
NET ASSETS, beginning of year	458,076
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NET ASSETS, end of year	\$ 343,891
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See notes to the financial statements.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from passengers	\$ 1,549,751
Other revenue	85
Cash payments to suppliers for goods and services	(1,693,322)
Cash payments to employees for services	(186,636)
Cash payments for employee benefits	(78,814)
	<hr/>
Net cash used by operating activities	(408,936)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Federal grants	486,740
State grants	86,154
	<hr/>
Net cash provided by non-capital financing activities	572,894
<b>CASH FLOWS FROM CAPITAL ACTIVITIES:</b>	
Payments for the purchase of capital assets	(16,868)
	<hr/>
Net cash used by capital activities	(16,868)
	<hr/>
Net increase in cash	147,090
CASH, beginning of year	44,717
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CASH, end of year	<u>\$ 191,807</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (697,385)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	249,834
(Increase) decrease in operating assets:	
Trade receivables	15,135
Prepaid expenses	(1,817)
Increase (decrease) in operating liabilities:	
Trade payables	13,729
Accrued payroll liabilities	11,568
	<hr/>
Total adjustments	288,449
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Net cash used by operating activities	<u>\$ (408,936)</u>
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See notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Greene County Transit Board (Board) was created January 1, 2004 pursuant to Sections 306.01 through 306.13 of the Ohio Revised Code for the purpose of providing public transportation in Greene County, Ohio. As a political subdivision it is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The Board is not subject to federal or state income taxes.

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

Reporting Entity

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

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

Basis of Accounting

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

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

The Board implemented in 2004 a financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended and interpreted. There was no effect on beginning fund balance as a result of this implementation.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivables are carried at the original invoice amount, less an estimate made for doubtful receivables, based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Recoveries of receivables previously written off are recorded when received.

Use of Estimates

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

Capital Assets

Capital assets are stated at historical cost. The cost of maintenance and repairs is charged to operations as incurred.

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

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

Net Assets

Net assets are displayed in two components as follows:

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

Classifications of Revenue

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

Recognition of Revenue and Receivables

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

Compensated Absences

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

## NOTE 2: CASH

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

Custodial credit risk is the risk that, in the event of a bank failure, the Board’s deposits may not be returned. All deposits are collateral's with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Board.

At December 31, 2005, the carrying amount of the Board’s deposits was \$191,807 and the bank balance was \$192,460. Of the bank balance, \$100,000 was covered by federal depository insurance and \$92,460 was uninsured and collateralized with securities held by the pledging institution’s trust department not in the Board’s name.



NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 is as follows:

	Balance 01/01/2005	Additions	Disposals	Balance 12/31/05
Transportation equipment	\$ 1,107,738	\$ -	\$ -	\$ 1,107,738
Computer equipment	98,688	4,181	-	102,869
Furniture and fixtures	12,218	-	-	12,218
Tools	54,654	12,687	-	67,341
Total capital assets being depreciated	<u>\$ 1,273,298</u>	<u>\$ 16,868</u>	<u>\$ -</u>	<u>\$ 1,290,166</u>
Less: accumulated depreciation:	12/31/2004	Expense	12/31/2005	Net Book Value
Transportation equipment	\$ 812,340	\$ 221,547	\$ 1,033,887	\$ 73,851
Computer equipment	80,579	17,073	97,652	5,217
Furniture and fixtures	5,877	1,745	7,622	4,596
Tools	25,472	9,469	34,941	32,400
Total accumulated depreciation, depreciation expense and net book value	<u>\$ 924,268</u>	<u>\$ 249,834</u>	<u>\$ 1,174,102</u>	<u>\$ 116,064</u>

NOTE 4: PURCHASED TRANSPORTATION SERVICES

During 2005, the Board had a contract with a local transportation company to provide transit services within Greene County for elderly and handicapped persons. Expenses under this contract amounted to \$1,507,302 for the year ended December 31, 2005. All passenger fares related to these transit services are collected by the Transit Board and recorded as revenue.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 5: EMPLOYEE RETIREMENT PLANS

The Board contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

PERS administers three separate pension plans as described below:

1. The traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by PERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement and public safety.

The 2005 employer contribution rate for state employers was 13.31% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Board's required contributions to PERS for the years ended December 31, 2005 and 2004 totaled \$30,384 and \$20,094, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 6: POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits through Public Employees Retirement System of Ohio (System), the System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by state statute. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2005 employer contribution rate for state employers was 13.31% of covered payroll; 4.00% was the portion that was used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2004, include a return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually plus an additional factor ranging from 1% to 6% for the next 8 years. Health care costs were assumed to increase at 4% in year 9 and beyond.

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

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively. As of December 31, 2004, the unaudited estimated net assets available for future OPEB payments were \$10.8 billion. The number of active contributing participants was 376,109.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: FEDERAL AND STATE GRANTS, REIMBURSEMENTS

Grants and reimbursements in the statement of revenues and expenses for the year ended December 31, 2005 consist of the following:

FEDERAL:	
FTA Maintenance and Other Assistance	\$ 489,858
Total	<u>\$ 489,858</u>
STATE:	
ODOT Maintenance and Other Assistance	\$ 96,818
Total	<u>\$ 96,818</u>

NOTE 8: RISK MANAGEMENT

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

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

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

NOTE 9: LEASE OBLIGATIONS

Operating Lease

Greene County Transit Board has entered into a contract with MV transportation, Inc. which includes an agreement to lease facilities where the vehicle maintenance garage is located. The original lease term containing five separate one-year renewal options expired on December 31, 2005. The annual base rent starting in 2001 was \$42,000 payable in monthly installments of \$3,500 with an escalation clause of 3% per year. Total rent expense was \$46,830 for the year ended December 31, 2005.

The logo for Rea & Associates, Inc. features a teal-colored graphic on the left side, consisting of a vertical bar and a curved shape. To the right of this graphic, the company name "Rea & Associates, Inc." is written in a large, black, serif font. Below the company name, the text "ACCOUNTANTS AND BUSINESS CONSULTANTS" is written in a smaller, black, all-caps, serif font, separated from the name by a thin horizontal line.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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

We have audited the business type activities of Greene County Transit Board as of and for the year ended December 31, 2005 which collectively comprise the Greene County Transit Board's basic financial statements, and have issued our report thereon dated February 10, 2006, which includes implementation of a new reporting model described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greene County Transit Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of Greene County Transit Board in a separate letter dated February 10, 2006.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greene County Transit Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
February 10, 2006



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**GREENE COUNTY TRANSIT BOARD**

**GREENE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 15, 2006**