

ALLEN COUNTY REGIONAL
TRANSIT AUTHORITY

AUDITED FINANCIAL STATEMENTS
AND AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 1998

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
DECEMBER 31, 1998

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Appointed Officials	1
Administrative Personnel	2
Independent Auditors' Report	3
Financial Statements:	
Balance Sheet	4
Statement of Revenues and Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Supplemental Data - Schedule of Federal Awards	15
Status of Prior Audit Citations and Recommendations	16
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	17
Report on Compliance with Requirements Applicable To Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	19
Schedule of Findings and Questioned Costs	21
General Comments	23

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
240 NORTH CENTRAL AVENUE
LIMA, OHIO 45801
DECEMBER 31, 1998

APPOINTED OFFICIALS

OFFICIAL

APPOINTED DATES

Transit Authority Board

John A. Robenalt
Board President

11/25/96 - 11/25/99

George Jefferson
Board Vice President

12/31/96 - 12/31/99

James Countryman
Board Member

1/01/97 - 12/31/99

Mel Fuhrman
Board Member

11/25/96 - 11/25/99

Dr. Chris Crawford
Board Member

01/01/95 - 12/31/98

Legal Counsel

William G. Kendall
317 North Elizabeth
Lima, Ohio 45801

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
240 NORTH CENTRAL AVENUE
LIMA, OHIO 45801
DECEMBER 31, 1998

ADMINISTRATIVE PERSONNEL

<u>NAME/TITLE</u>	<u>CONTRACT PERIOD</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
<u>DIRECTOR</u>				
Carole Grapner	Indefinite	(A)	\$10,000	1/1/98-12/31/01
<u>FINANCIAL MANAGER</u>				
Lynn Cary	Indefinite	(A)	\$10,000	1/1/98-12/31/01

(A) The Hartford - Blanket Dishonesty Bond



STATE OF OHIO
OFFICE OF THE AUDITOR

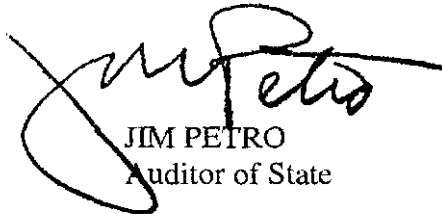
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

Allen County Regional Transit Authority
Lima, Oh 45801

We have reviewed the Independent Auditor's Report of the Allen County Regional Transit Authority, prepared by Guillan & Company, for the audit period January 1, 1998 to December 31, 1998. 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 Allen County Regional Transit Authority is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

December 27, 1999

Guillan & Company

CERTIFIED PUBLIC ACCOUNTANT
Wales Office Building
2137 Wales Ave. N.W. • Massillon, Ohio 44646
Telephone (330) 837-0046
FAX (330) 837-1563

Independent Auditor's Report

Allen County Regional Transit Authority
Lima, Ohio 45801

We have audited the accompanying general-purpose financial statements of the Allen County Regional Transit Authority, as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Allen County Regional Transit Authority, as of December 31, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 4, 1999 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

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

August 4, 1999

Guillan & Company

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

BALANCE SHEET
DECEMBER 31, 1998

ASSETS:

Current Assets:

Cash	\$ 120,390
Receivables:	
Federal Assistance	114,508
State Assistance	42,720
Other	71,034
Prepays	2,933
Material and Supplies Inventory	<u>106,277</u>
Total Current Assets:	457,862

Property, Facilities, and Equipment	4,687,466
Less: Accumulated Depreciation	<u>(2,075,185)</u>
Net Property, Facilities, and Equipment	<u>2,612,281</u>

TOTAL ASSETS **\$ 3,070,143**

The accompanying notes are an integral part of these financial statements.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

BALANCE SHEET
DECEMBER 31, 1998
(Continued)

LIABILITIES AND FUND BALANCE:

Current Liabilities:

Accounts Payable	\$ 62,939
Accrued Payroll and Benefits	<u>2,404</u>
Total Liabilities	<u>65,343</u>

Fund Balance:

Investment in Transit Property	2,612,281
Accumulated Earnings	<u>392,519</u>
Total Fund Balance	<u>3,004,800</u>

TOTAL LIABILITIES AND FUND BALANCE **\$ 3,070,143**

The accompanying notes are an integral part of these financial statements.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1998

OPERATING REVENUES:

Passenger Fares	\$ 94,066
Charter Service Revenue	31,598
	<hr/>
Total Revenues	125,664

OPERATING EXPENSES:

Labor	514,648
Fringe Benefits	106,527
Services	92,319
Materials and Supplies	53,549
Utilities	27,110
Insurance	71,558
Depreciation	256,686
Miscellaneous	68,815
	<hr/>

Total Operating Expenses	1,191,212
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Excess of Operating Expenses Over Operating Revenue (1,065,548)

OTHER REVENUES:

Interest Income	1,532
Nontransportation Revenue	38,100
Federal Grants and Assistance	2,204,728
State Grants and Assistance	360,320
Local Grants and Assistance	247,535
	<hr/>

Total Other Revenue	2,852,215
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Net Revenues Over Expenses 1,786,667

Fund Balance - January 1, 1998 1,218,133

Fund Balance - December 31, 1998 \$ 3,004,800

The accompanying notes are an integral part of these financial statements.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998

Cash Flows from Operating Activities:

Excess of Operating Expenses over Operating Revenues	\$ (1,065,548)
Add: Depreciation	256,686
Nontransportation Revenue	38,100
Federal Grants and Assistance	2,204,728
State Grants and Assistance	360,320
Local Grants and Assistance	247,535

(Increase)/Decrease in Current Assets:

Federal Assistance Receivable	(55,839)
State Assistance Receivable	(11,175)
Other Receivables	(38,443)
Prepays	(2,933)
Materials and Supplies Inventory	(45,793)

Increase/(Decrease) in Current Liabilities:

Accounts Payable	31,000
Accrued Payroll and Benefits	(13,821)
Accrued Worker's Compensation	(7,816)

Net Cash from Operating Activities 1,897,001

Cash Flows from Capital Financing Activities:

 Capital Expenditures (1,802,817)

Cash Flows from Investing Activities:

 Interest Income 1,532

Net Increase in Cash 95,716

Cash - January 1, 1998 24,674

Cash - December 31, 1998 \$ 120,390

The accompanying notes are an integral part of these financial statements.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Allen County Regional Transit Authority was created pursuant to Sections 306.30 through 306.53, inclusive of the Ohio Revised Code, for the purpose of providing public transportation in the Allen County metropolitan area. The Transit Authority operates under an appointed Board (5 members) that is responsible for the provision of public transportation to residents of the Transit Authority.

Management believes the financial statements included in this report represent all of the funds of the Transit Authority over which the Transit Authority has the ability to exercise *direct operating control*.

B. BASIS OF ACCOUNTING

The Transit Authority prepares its financial statements on an accrual basis of accounting, consequently, certain revenues and the related assets are recognized when earned, and expenditures are recognized when the obligation is incurred.

C. CASH AND INVESTMENTS

Legal Requirements

Statutes require the classification of money held by the Transit Authority into three categories.

Category 1 consists of "active" money, money which is required to be kept in a "cash" or "near-cash" status for immediate use by the Transit Authority. Such money must be maintained either as cash in the Transit Authority treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" money, money which is not required for use within the current two-year period of designation of depositories. Inactive money may be deposited or invested only as certificates of deposits maturing not later than the end of the current period of designation of depositories.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. CASH AND INVESTMENTS (Continued)

Category 3 consists of "interim" money, money which is not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim money may be invested or deposited in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim money;
5. Bonds and other obligations of the State of Ohio, and;

Deposits

At year end, the carrying amount of the Allen County Regional Transit Authority's deposits were \$120,390 and the bank balance was \$202,734. The entire bank balance was covered by federal depository insurance.

D. GRANTS

Federal, state, and local grants for acquisition of property, facilities, and equipment are credited to capital as the related expenditures are incurred. Grants for operating assistance are included in revenue in the period to which the grant applies.

E. CAPITALIZATION AND DEPRECIATION

Property, facilities, and equipment are stated at cost and include expenditures which substantially increase the useful life of existing assets. Routine maintenance and repairs are expensed as incurred.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CAPITALIZATION AND DEPRECIATION (Continued)

Depreciation is computed using the straight line method over the estimated useful lives of the respective assets. Assets acquired with capital expenditures are included in property, facilities, and equipment and depreciation on those assets is included in the statement of revenues and expenses.

F. MATERIALS AND SUPPLIES

Materials and supplies are stated at the lower of cost or market. Cost is determined on the first-in, first-out basis. The costs of inventory items are recorded as expenses when used.

G. ACCUMULATED UNPAID VACATION AND PERSONAL LEAVE

Employees of the Transit Authority are not permitted to carry over year end vacation and personal leave balances. Vacation pay is charged to expense when used.

H. INTERGOVERNMENTAL REVENUES

Grants are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable.

2. PUBLIC EMPLOYEES RETIREMENT SYSTEMS

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the Transit Board is required to contribute 13.55%. The Transit Board's contributions to the plan for the years ending December 31, 1996, 1997, and 1998, were \$51,746, \$58,190, and \$66,110 respectively, equal to the required contributions for the year.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

(Continued)

3. POST-EMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credits. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on the authority granted by State statute. The employer contribution rate was 13.55 percent for 1998; 5.11 percent was the portion that was used to fund health care in 1998.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 7.75 percent, active employee payroll increases of 5.25 percent for inflation and between zero and 5.10 percent increase on additional annual pay increases. Health care premiums were assumed to increase 5.25 percent annually.

Short-term securities consisting of commercial paper and U.S. Treasury obligations are carried at cost. Equity securities, fixed income investments, and investments in real estate are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Expenditures for Other Postemployment Benefits (OPEB) during 1998 were \$393,559,827. As of December 31, 1998, the estimated net assets available for future OPEB payments were \$8,292,570,002. The number of benefit recipients eligible for OPEB at December 31, 1998 was 113,906.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

(Continued)

4. PROPERTY, FACILITIES, AND EQUIPMENT

The following schedule reflects changes in the Transit Authority's tangible operating property reflected in the financial statements.

ASSETS

	<u>Balance</u> <u>12/31/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/98</u>
Land and Improvements	\$ 204,257	\$ -	\$ -	\$ 204,257
Building and Improvements	611,497	731,072	-	1,342,568
Equipment	293,627	4,392	31,382	266,637
Construction in Progress	42,533	-	42,533	-
Vehicles	<u>1,769,840</u>	<u>1,114,485</u>	<u>10,321</u>	<u>2,874,004</u>
Totals	<u>\$ 2,829,321</u>	<u>\$ 1,849,949</u>	<u>\$ 84,234</u>	<u>\$ 4,687,466</u>

ACCUMULATED DEPRECIATION

	<u>Balance</u> <u>12/31/97</u>	<u>Current</u> <u>Provisions</u>	<u>Balance</u> <u>12/31/98</u>	<u>Report Value</u> <u>12/31/98</u>
Land and Improvements	\$ -	\$ -	\$ -	\$ -
Building and Improvements	(365,584)	(33,012)	-	(398,596)
Equipment	(220,913)	(9,583)	26,324	(204,172)
Construction in Progress	-	-	-	-
Vehicles	<u>(1,268,646)</u>	<u>(214,091)</u>	<u>10,321</u>	<u>1,472,417</u>
Totals	<u>\$(1,855,144)</u>	<u>\$(256,687)</u>	<u>\$ 36,645</u>	<u>\$(2,075,185)</u>

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

(Continued)

5. LEASE AGREEMENTS

The Allen County Regional Transit Authority is involved in two types of lease agreements, one of which individuals lease garage space for storage. The other one is with the Area Agency on Aging. The Council has a one year lease with Allen County Regional Transit Authority to use the buses on weekends. This lease automatically renews annually unless cancelled by either party.

6. RISK MANAGEMENT

The Allen County Transit Authority is a member of the Ohio Transit Insurance Pool (OTIP), a self-insurance pool created under Chapter 2744 of the Ohio Revised Code. All the coverage appears to be adequate. Membership in the pool has allowed the RTA to reduce insurance expenses.

7. CONTINGENCIES

The Transit Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these grants requires compliance with terms and conditions specified in the grant agreements. These grants are subject to audit by the grantor agencies and any disallowed claims resulting from these audits could become a liability of the Transit Authority and may have a material adverse effect on the overall financial position of the Transit Authority as of December 31, 1998

8. LEGAL COMPLIANCE

Pursuant to Section 117.11 of the Ohio Revised Code, we have performed tests of compliance with various provisions of local, state, and/or federal laws as appropriate. The results of these tests are included in a separate part of this report.

9. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The Allen County Regional Transit Authority has completed an inventory of computer systems and other equipment necessary to conduct Transit Authority's operations and has identified such systems as being financial reporting and payroll.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

(Continued)

9. YEAR 2000 ISSUE (Continued)

The financial reporting and the payroll system has been remediated by Soft line Systems, Inc. ACTRA has a compliance letter on file from Soft Line Systems, Inc. ensuring Year 2000 compliance.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determined until the Year 2000 and thereafter. Management cannot assure that the Transit Authority is or will be Year 2000 ready, that the Transit Authority's remediation efforts will be successful in whole or in part, or that parties with whom the Transit Authority does business will be Year 2000 ready.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

<u>Federal Grantor/ Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Project</u>	<u>Program Award Amount</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Ohio Department of Transportation			
Urban Mass Transportation Administration	20.507		
Operating Grant		OH-90-4307	\$ 357,000
Total Operating Grants			
Planning Grant		OH-90-2307	61,600
Total Planning Grants			
Capital Grant		OH-90-0307	111,300
		OH-90-0244	116,095
		OH-90-0196	220,000
		OH-90-0286	1,408,500
Total Capital Grants			
Total U.S. Department of Transportation			
Total Federal Financial Assistance (A)			

(A) Schedule is presented on a cash basis. Federal Financial Assistance is determined to be on a first-in, first-out basis.

<u>Accrued Revenue at 1/1/98</u>	<u>Cash Receipts</u>	<u>Total Revenues Recognized</u>	<u>Disbursements</u>	<u>Accrued Revenue at 12/31/98</u>
<u>\$ -</u>	<u>\$ 280,197</u>	<u>\$ 370,510</u>	<u>\$ 370,510</u>	<u>\$ 90,313</u>
-	280,197	370,510	370,510	90,313
<u>-</u>	<u>37,405</u>	<u>61,600</u>	<u>61,600</u>	<u>24,195</u>
-	37,405	61,600	61,600	24,195
-	101,202	101,202	101,202	-
-	324,586	324,586	324,586	-
28,269	220,000	191,731	191,731	-
<u>-</u>	<u>1,155,099</u>	<u>1,155,099</u>	<u>1,155,099</u>	<u>-</u>
28,269	1,800,887	1,772,618	1,772,618	-
<u>28,269</u>	<u>2,118,489</u>	<u>2,204,728</u>	<u>2,204,728</u>	<u>114,508</u>
<u>\$ 28,269</u>	<u>\$ 2,118,489</u>	<u>\$ 2,204,728</u>	<u>\$ 2,204,728</u>	<u>\$ 114,508</u>

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO

STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS

The prior audit report for the period ending December 31, 1997 included various citations and recommendations. Each of these citations and recommendations have either been satisfied or corrected, or are reflected in the appropriate section of this report. Such citations and recommendations are denoted by an asterisk.

Guillan & Company

CERTIFIED PUBLIC ACCOUNTANT
Wales Office Building
2137 Wales Ave. N.W. • Massillon, Ohio 44646
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FAX (330) 837-1563

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

Allen County Regional Transit Authority
Lima, Ohio 45801

We have audited the financial statements of the Allen County Regional Transit Authority as of and for the year ended December 31, 1998, and have issued our report thereon dated August 4, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances on noncompliance that we have reported to management of the Transit Authority in a separate letter dated August 4, 1999.

Internal Control Over Financial Reporting

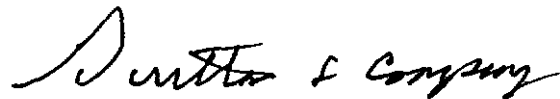
In planning and performing our audit, we considered the Transit Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect The Transit Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as items 98-1 and 98-2.

**Allen County Regional Transit Authority
Lima, Ohio**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Transit Authority in a separate letter dated August 4, 1999.

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

August 4, 1999

A handwritten signature in cursive script, appearing to read "Arthur J. Conroy".

Guillan & Company

CERTIFIED PUBLIC ACCOUNTANT

Wales Office Building

2137 Wales Ave. N.W. • Massillon, Ohio 44646

Telephone (330) 837-0046

FAX (330) 837-1563

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

Allen County Regional Transit Authority
Lima, Ohio 45801

Compliance

We have audited the compliance of the Allen County Regional Transit Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1998. The Transit Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Allen County Regional Transit Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

**Allen County Regional Transit Authority
Lima, Ohio**

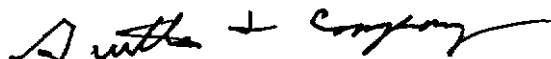
Internal Control Over Compliance

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

Our consideration of the internal control over 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 condition in which the design or operation of one or more in the internal control components does not reduce to a relatively low level the risk that misstatements 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.

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

August 4, 1999



ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
LIMA, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Allen County Regional Transit Authority.
2. Two reportable condition was disclosed during the audit of the financial statements of the Allen County Regional Transit Authority.
3. No instances of noncompliance material to the financial statements of the Allen County Regional Transit Authority were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Allen County Regional Transit Authority expresses an unqualified opinion.
6. No audit findings relative to the major programs for the Allen County Regional Transit Authority were disclosed during the audit.
7. The programs tested as major included: Urban Mass Transportation Association (20.507)
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Allen County Regional Transit Authority was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

98-1 Sick and Vacation Leave *

The results of testing over sick and vacation leave revealed that adequate documentation was not available for the sick and vacation days taken. The employee history records were not always complete and they did not match the employee request forms. This weakness could result in disputes between employee and employer as to the amount of leave time used and available.

To improve controls in this area, we recommend that the employer enforce upon the employee the need to correctly complete the request forms and that the employer post the leave to the history records in a timely manner so as to avoid any confusion.

**Allen County Regional Transit Authority
Lima, Ohio**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

98-2

During testing of payroll it was noted that incorrect numbers were used to complete reports submitted to the Public Employees Retirement System(PERS). The Transit Authority is working with PERS to have the overpayments credited to future payments.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

none



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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REGIONAL TRANSIT AUTHORITY

ALLEN 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.

By: *Susan Babbitt*

Date: JANUARY 11, 2000