



METRO REGIONAL TRANSIT AUTHORITY

**Single Audit
for the Year Ended
December 31, 1999**

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**Single Audit
for the Year Ended
December 31, 1999**

METRO REGIONAL TRANSIT AUTHORITY

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Data Collection Form for Reporting on AUDITS OF STATES, LOCAL GOVERNMENTS AND NONPROFIT ORGANIZATIONS

Single Audit Clearinghouse 1201 E. 10th Street Jeffersonville, IN 47132

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations."

GENERAL INFORMATION (To be completed by auditee, except for Item 7)

1. Fiscal year ending date for this submission
2. Type of Circular A-133 audit
3. Audit period covered
4. Date received by federal clearinghouse
5. Employer Identification Number (EIN)

6. AUDITEE INFORMATION
a. Auditee name
b. Auditee address
c. Auditee contact
d. Auditee contact telephone
e. Auditee contact FAX
f. Auditee contact E-mail

7. AUDITOR INFORMATION (To be completed by auditor)
a. Auditor name
b. Auditor address
c. Auditor contact
d. Auditor contact telephone
e. Auditor contact FAX
f. Auditor contact E-mail

g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) Engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in Parts I, II and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of Certifying Official Date
Name/title of certifying official

g. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 5 and 6, was transferred from the auditor's report(s) for the period described in Part I, items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Part II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of Auditor Date
Name of Auditor

GENERAL INFORMATION - Continued

8. Indicate whether the auditee has either a federal cognizant or oversight agency for audit. (Mark (X) one box)
- 1 Cognizant agency 2 X Oversight agency
9. Name of federal cognizant or oversight agency for audit (Mark (X) one box)
- | | | | |
|--|--|---|---|
| 01 <input type="checkbox"/> African Development Foundation | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice Labor | 08 <input type="checkbox"/> Peace Corps |
| 02 <input type="checkbox"/> Agency for International Development | 34 <input type="checkbox"/> Federal Mediation and Conciliation Service | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 59 <input type="checkbox"/> Small Business Administration |
| 10 <input type="checkbox"/> Agriculture | 39 <input type="checkbox"/> General Services Administration | 89 <input type="checkbox"/> National Archives and Records Administration | 96 <input type="checkbox"/> Social Security Administration |
| 11 <input type="checkbox"/> Commerce | 93 <input type="checkbox"/> Health and Human Services | 05 <input type="checkbox"/> National Endowment for the Arts | 19 <input type="checkbox"/> State |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 14 <input type="checkbox"/> Housing and Urban Development | 06 <input type="checkbox"/> National Endowment for the Humanities | 20 X Transportation |
| 12 <input type="checkbox"/> Defense | 03 <input type="checkbox"/> Institute for Museum Services | 47 <input type="checkbox"/> National Science Foundation | 21 <input type="checkbox"/> Treasury |
| 84 <input type="checkbox"/> Education | 04 <input type="checkbox"/> Inter-American Foundation | 07 <input type="checkbox"/> Office of National Drug Control Policy | 82 <input type="checkbox"/> United States Information Agency |
| 81 <input type="checkbox"/> Energy | 15 <input type="checkbox"/> Interior | | 64 <input type="checkbox"/> Veterans Affairs |
| 66 <input type="checkbox"/> Environmental Protection Agency | | | <input type="checkbox"/> Other - Specify:
<div style="border: 1px solid black; width: 150px; height: 20px; margin-left: 100px;"></div> |

FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (X) one box)
- 1 X Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion
2. Is a "going concern" explanatory paragraph included in the audit report? 1 Yes 2 X No
3. Is a reportable condition disclosed? 1 Yes 2 X No - SKIP to Item 5
4. Is any reportable condition reported as a material weakness? 1 Yes 2 No
5. Is a material noncompliance disclosed? 1 Yes 2 X No

FEDERAL PROGRAMS (To be completed by auditor)

1. Type of audit report on major program compliance
- 1 X Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion
2. What is the dollar threshold to distinguish Type A and Type B programs § .520(b)?
- \$370,297
3. Did the auditee qualify as a low-risk auditee § .530?
- 1 X Yes 2 No
4. Are there any audit findings required to be reported under § .510(a)?
- 1 Yes 2 X No

5. Which federal agencies are required to receive the reporting package? (Mark (X) all that apply)
- | | | | |
|--|--|---|---|
| 01 <input type="checkbox"/> African Development Foundation | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice Labor | 08 <input type="checkbox"/> Peace Corps |
| 02 <input type="checkbox"/> Agency for International Development | 34 <input type="checkbox"/> Federal Mediation and Conciliation Service | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 59 <input type="checkbox"/> Small Business Administration |
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| 11 <input type="checkbox"/> Commerce | 93 <input type="checkbox"/> Health and Human Services | 05 <input type="checkbox"/> National Endowment for the Arts | 19 <input type="checkbox"/> State |
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| 84 <input type="checkbox"/> Education | 04 <input type="checkbox"/> Inter-American Foundation | 07 <input type="checkbox"/> Office of National Drug Control Policy | 82 <input type="checkbox"/> United States Information Agency |
| 81 <input type="checkbox"/> Energy | 15 <input type="checkbox"/> Interior | | 64 <input type="checkbox"/> Veterans Affairs |
| 66 <input type="checkbox"/> Environmental Protection Agency | | | 00 X None |
| | | | <input type="checkbox"/> Other - Specify:
<div style="border: 1px solid black; width: 150px; height: 20px; margin-left: 100px;"></div> |



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

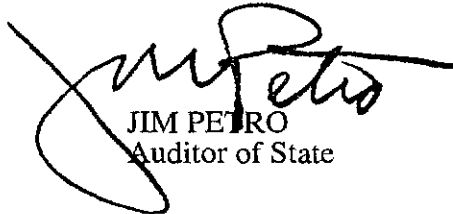
Telephone 614-466-4514
- 800-282-0370

Facsimile 614-728-7398

Board of Trustees
Metro Regional Transit Authority

We have reviewed the Independent Auditor's Report of the Metro Regional Transit Authority, Summit County, prepared by Deloitte & Touche LLP for the audit period January 1, 1999 through December 31, 1999. 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 Metro Regional Transit Authority is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

July 11, 2000



INDEPENDENT AUDITORS' REPORT

Deloitte & Touche LLP
127 Public Square
Suite 2500
Cleveland, Ohio 44114-1303

Telephone: (216) 589-1300
Facsimile: (216) 589-1369

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

We have audited the accompanying balance sheets of the Metro Regional Transit Authority (the "Authority") as of December 31, 1999 and 1998, and the related statements of revenues, expenses and changes in equity and of cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 1999 is presented for the purpose 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 basic financial statements. This schedule is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2000, 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 grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

April 7, 2000

METRO REGIONAL TRANSIT AUTHORITY

BALANCE SHEETS DECEMBER 31, 1999 AND 1998

ASSETS	1999	1998
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 4,988,423	\$ 3,753,191
Investments (Note 2)	713,049	689,426
Receivables:		
Sales taxes	2,543,546	2,537,479
Federal operating assistance	16,176	
State operating assistance	13,304	169,352
Trade and other	314,851	416,278
Materials and supplies inventory	409,995	243,482
Prepaid expenses	17,844	9,897
Total current assets	9,017,188	7,819,105
RESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	116,032	84,386
Federal capital assistance receivable	130,400	245,716
State capital assistance receivable		12,166
Total restricted assets	246,432	342,268
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	142,264	142,264
Land improvements	6,848,587	6,848,587
Buildings and improvements	9,756,565	9,705,840
Transportation equipment	38,093,521	30,168,484
Other equipment	4,686,934	4,174,124
Total	59,527,871	51,039,299
Less accumulated depreciation	23,725,493	21,999,232
Property, facilities and equipment - net	35,802,378	29,040,067
OTHER ASSETS:		
Notes receivable	40,000	45,000
Other assets	35,469	40,597
Total other assets	75,469	85,597
TOTAL ASSETS	\$ 45,141,467	\$ 37,287,037

(Continued)

METRO REGIONAL TRANSIT AUTHORITY

BALANCE SHEETS DECEMBER 31, 1999 AND 1998

LIABILITIES AND EQUITY	1999	1998
CURRENT LIABILITIES:		
Bonds payable - current maturities (Note 3)	\$ 225,000	\$ 210,000
Accounts payable	417,922	481,992
Accrued payroll	1,047,341	937,261
Accrued payroll taxes	466,185	642,290
Other liabilities	228,535	267,873
Total current liabilities	2,384,983	2,539,416
NONCURRENT LIABILITIES:		
Bonds payable, less current maturities (Note 3)	2,000,000	2,225,000
Deferred capital grant	104,460	16,537
Total noncurrent liabilities	2,104,460	2,241,537
Total liabilities	4,489,443	4,780,953
EQUITY:		
Contributed capital:		
Federal grants	31,948,004	25,465,661
State grants	1,758,398	1,477,416
Total contributed capital	33,706,402	26,943,077
Retained earnings	6,945,622	5,563,007
Total equity	40,652,024	32,506,084
TOTAL LIABILITIES AND EQUITY	\$ 45,141,467	\$ 37,287,037

See notes to financial statements.

(Concluded)

METRO REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
OPERATING REVENUES:		
Passenger fares	\$ 3,243,896	\$ 3,340,399
Charter revenue	163,555	136,014
Advertising and concessions	308,153	245,316
Total operating revenues	<u>3,715,604</u>	<u>3,721,729</u>
OPERATING EXPENSES:		
Labor	11,584,073	11,083,258
Fringe benefits (Note 4)	5,165,453	4,182,037
Materials and supplies	2,248,147	2,530,456
Services	966,990	843,704
Utilities	326,265	276,068
Casualty and liability	511,051	501,281
Taxes	197,641	254,155
Purchased transportation service	1,749,085	1,706,943
Miscellaneous	343,876	333,455
Total operating expenses excluding depreciation	<u>23,092,581</u>	<u>21,711,357</u>
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	<u>(19,376,977)</u>	<u>(17,989,628)</u>
DEPRECIATION EXPENSE:		
On assets acquired with capital grants	3,658,622	2,737,113
On other assets	170,573	379,852
Total depreciation expense	<u>3,829,195</u>	<u>3,116,965</u>
OPERATING LOSS	<u>(23,206,172)</u>	<u>(21,106,593)</u>
NON-OPERATING REVENUES (EXPENSES):		
Sales tax revenues	15,412,100	14,951,742
Federal operating grants and reimbursements (Note 6)	2,396,527	2,908,789
State operating grants, reimbursements and special fare assistance (Note 6)	1,974,543	1,870,897
Student fare and other assistance	939,624	888,391
Interest income	281,111	206,100
Interest expense	(155,719)	(166,997)
Other	81,979	107,305
Total non-operating revenues - net	<u>20,930,165</u>	<u>20,766,227</u>
NET LOSS	<u>\$ (2,276,007)</u>	<u>\$ (340,366)</u>

See notes to financial statements.

(Continued)

METRO REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 1999 AND 1998

	Contributed Capital		Retained Earnings	Total
	Federal Grants	State Grants		
BALANCES AT JANUARY 1, 1998	\$14,728,419	\$1,291,577	\$ 3,166,260	\$19,186,256
CAPITAL CONTRIBUTIONS	13,319,616	340,578		13,660,194
NET LOSS FOR 1998			(340,366)	(340,366)
DEPRECIATION ON ASSETS ACQUIRED WITH CAPITAL GRANTS	<u>(2,582,374)</u>	<u>(154,739)</u>	<u>2,737,113</u>	<u> </u>
BALANCES AT DECEMBER 31, 1998	25,465,661	1,477,416	5,563,007	32,506,084
CAPITAL CONTRIBUTIONS	9,946,710	475,237		10,421,947
NET LOSS FOR 1999			(2,276,007)	(2,276,007)
DEPRECIATION ON ASSETS ACQUIRED WITH CAPITAL GRANTS	<u>(3,464,367)</u>	<u>(194,255)</u>	<u>3,658,622</u>	<u> </u>
BALANCES AT DECEMBER 31, 1999	<u>\$31,948,004</u>	<u>\$1,758,398</u>	<u>\$ 6,945,622</u>	<u>\$40,652,024</u>

See notes to financial statements.

(Concluded)

METRO REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 3,817,031	\$ 3,576,458
Cash payments to suppliers for goods and services	(11,786,376)	(10,874,943)
Cash payments to employees for services	(11,650,098)	(11,155,683)
Net cash used in operating activities	<u>(19,619,443)</u>	<u>(18,454,168)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Sales taxes received	15,406,033	14,405,535
Operating grants and other assistance received	5,450,566	6,035,424
Principal paid on bonds	(210,000)	(200,000)
Interest paid on bonds	(155,719)	(166,997)
Other	92,107	118,559
Net cash provided by non-capital financing activities	<u>20,582,987</u>	<u>20,192,521</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	10,637,352	13,453,541
Acquisition and construction of fixed assets	(10,591,506)	(13,714,009)
Net cash provided by (used in) capital and related financing activities	<u>45,846</u>	<u>(260,468)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash payments for investments - net	(23,623)	(146,754)
Interest received from investments	281,111	206,100
Net cash provided by investing activities	<u>257,488</u>	<u>59,346</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,266,878	1,537,231
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,837,577</u>	<u>2,300,346</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,104,455</u>	<u>\$ 3,837,577</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$(23,206,172)	\$(21,106,593)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,829,195	3,116,965
Change in assets and liabilities:		
Accounts receivable-trade	101,427	(145,271)
Materials and supplies inventory	(166,513)	39,504
Prepaid expenses	(7,947)	9,641
Accounts payable	(64,070)	(4,706)
Accrued payroll	110,080	76,770
Accrued payroll taxes	(176,105)	(149,195)
Other current liabilities	(39,338)	(291,283)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$(19,619,443)</u>	<u>\$(18,454,168)</u>

See notes to financial statements.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1999 AND 1998

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization - Metro Regional Transit Authority ("Metro" or the "Authority") was created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code for the purpose of providing public transportation in Summit 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 Authority is not subject to federal or state income taxes.

Under Ohio law, the Authority is authorized to levy a sales and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of 0.25%, 0.5%, 1%, or 1.5% if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and Summit County. During 1990, the voters of Summit County approved a .25% sales and use tax with no limit on its duration.

The Authority is managed by a twelve-member Board of Trustees and provides virtually all mass transportation within Summit County.

Reporting Entity - The Authority 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 Authority. Under the criteria specified in Statement No. 14, the Authority 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 Authority is not financially accountable for any other organization nor is any other organization accountable for Metro. 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 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 Governmental Accounting Standards Board, "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. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

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 is not in excess of their market value.

Investments - The Authority's investments are stated at fair value.

Materials and Supplies Inventory - Materials and supplies inventory is stated at cost (average cost method). Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

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

Description	Years
Buildings and improvements	20-40
Land improvements	20
Transportation equipment	5-15
Other equipment	3-15

Depreciation recognized on assets acquired or constructed through grants externally restricted for capital acquisitions is closed to the appropriate contributed capital account. Net income (loss) adjusted by the amount of depreciation on fixed assets acquired in this manner is closed to retained earnings.

Restricted Assets - Restricted assets consist of monies and other resources, the use of which is legally restricted for capital acquisition and construction and debt service.

Recognition of Revenue, Receivables and Deferred Revenues - Passenger fares are recorded as revenue at the time services are performed.

Sales tax revenues are recognized in the month collected by the State of Ohio.

The Federal Transit Administration ("FTA") and the Ohio Department of Transportation ("ODOT") provide financial assistance and make grants 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 revenues over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and credited to contributed capital when the related qualified expenditures are incurred. Capital grant funds received in advance of project costs being incurred are deferred.

Compensated Absences - The Authority accrues vacation as earned by its employees. Because rights to sick pay do not vest, Metro recognizes such costs when they are incurred.

2. DEPOSITS AND INVESTMENTS

The investment and deposit of Authority 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 Authority 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 Authority may also enter into repurchase agreements with any eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or may pledge a pool of government securities that have a face value that is at least 110% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security for public deposits and investments be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instruments, contract, or obligation itself (commonly known as a "derivative"). The Authority is also prohibited from investing in reverse repurchase agreements.

As of December 31, 1999, the Authority maintains unrestricted cash and cash equivalents of \$4,988,423, restricted cash and cash equivalents of \$116,032 and investments of \$713,049. The total cash, cash equivalents and investments of \$5,817,504 consist of \$2,019,455 in deposits and \$3,798,049 in investments.

Deposits

At December 31, 1999, the carrying amount of the Authority's deposits was \$2,019,455 and the bank balance was \$2,038,304, \$1,165,072 of which was covered by the FDIC and \$873,232 of which was uninsured and uncollateralized as defined by the GASB. The uncollateralized deposits were, however, covered by a pledged collateral pool not held in the Authority's name, as permitted under Ohio law.

Investments

The Authority's investments are categorized below in accordance with the criteria established by the GASB to indicate the level of credit risk assumed as of December 31, 1999. Category 1 includes investments that are insured or registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name.

Description	Risk Category			Carrying/Fair Value
	1	2	3	
Repurchase Agreements			\$ 3,085,000	\$ 3,085,000
U.S. Government Securities	\$ -	\$ 713,049		713,049
Totals	\$ -	\$ 713,049	\$ 3,085,000	\$ 3,798,049

3. DEBT

In June 1992, the Authority issued general obligation bonds, which are tax-exempt and have annual maturity dates through 2007. Bonds maturing on and after December 1, 2001 are subject to optional redemption by the Authority prior to maturity, beginning December 1, 2000. The outstanding bonds have varying interest rates of 5.40% to 6.80%.

A summary of the Authority's future debt service requirements to retire the general obligation bonds as of December 31, 1999 is as follows:

Due In	Principal	Interest
2000	\$ 225,000	\$ 144,473
2001	235,000	130,973
2002	250,000	116,520
2003	265,000	100,770
2004	285,000	83,678
Thereafter	<u>965,000</u>	<u>133,530</u>
Total	<u>\$2,225,000</u>	<u>\$ 709,944</u>

4. EMPLOYEE RETIREMENT PLANS

Public Employees Retirement System of Ohio

Plan Description - All employees of the Authority are required to be members of the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Funding Policy - The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5% of their covered payroll to PERS. The 1999 employer contribution rate for local government employer units was 13.55% of covered payroll including 4.2% that is used to fund postretirement health care benefits. The Authority's total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 1999, 1998 and 1997 were \$1,135,000, \$1,108,000 and \$1,021,000, respectively, equal to 100% of the required contribution in each year.

Health Care - PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by PERS 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. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

The portion of the employer contribution rate used to fund health care for 1999 and 1998 was 4.2% of covered payroll in each year. During 1999 and 1998, \$510,000 and \$498,000, respectively, of Metro's total contribution to PERS was used for postretirement benefits. At December 31, 1999, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Total PERS expenditures for OPEB during 1999 were approximately \$524 million. As of December 31, 1998 (latest information available), the unaudited estimated net assets available for future OPEB payments were approximately \$9.9 billion. The number of PERS benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

Predecessor Transit Company Pension Plan

The Authority is also making payments to qualifying retirees for service rendered to a predecessor transit company. This liability was not funded by the predecessor transit company and the remaining liability has not been funded by Metro. The unfunded liability for future benefits under the predecessor transit company has not been determined. All employees eligible for benefits under this plan are retired. Expense under this arrangement charged to operations for the years ended December 31, 1999 and 1998 was approximately \$7,400 and \$13,000, respectively. These payments were made to three participants in 1999 and 1998.

5. CONTINGENCIES

Federal and State Grants - Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 1999, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority's management, no material grant expenditures will be disallowed.

Contract Disputes and Legal Processing - The Authority has been named as a defendant in a number of contract disputes and other legal proceedings. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management that the ultimate outcome is not expected to have a material effect on the Authority's financial position.

6. FEDERAL AND STATE GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Grants, reimbursements and special fare assistance in the statements of revenues and expenses for the years ended December 31, consist of the following:

	1999	1998
FEDERAL:		
FTA Operating Assistance	\$ 21,901	\$ 183,097
FTA Planning Grants	213,914	262,014
FTA Maintenance and Other Assistance	<u>2,160,712</u>	<u>2,463,678</u>
Total	<u>\$2,396,527</u>	<u>\$2,908,789</u>
STATE:		
ODOT Maintenance and Other Assistance	\$1,577,844	\$1,299,029
ODOT Elderly Fare Assistance	211,412	210,597
ODOT Fuel Tax Reimbursement	185,287	244,928
ODOT Other Assistance	<u> </u>	<u>116,343</u>
Total	<u>\$1,974,543</u>	<u>\$1,870,897</u>

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors and omissions, employment related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994, the Authority joined together with certain other transit authorities in the state to form the Ohio Transit Insurance Pool Association, Inc. (OTIP), a joint self insurance pool pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for eight member transit agencies. The Authority pays an annual premium to OTIP for its general insurance coverage and quarterly pays into a loss and administration fund pursuant to its bylaws. The Agreement of Formation of OTIP provides that OTIP will be self-sustaining through member premiums and will reinsure through commercial companies for property damage and claims in excess of \$100,000 and all liability claims in excess of \$250,000 for each insured occurrence. The Authority is responsible for the first \$1,000 of any claim or occurrence and amounts in excess of \$25 million for liability claims.

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.

8. NEW ACCOUNTING STANDARDS

The Government Accounting Standards Board has issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. These statements establish accounting standards for non-exchange transactions such as sales taxes, grants and other assistance provided to the Authority by other governmental units and revise accounting and reporting standards for general purpose external financial reporting by governmental units. Statement No. 33 is effective for the Authority's year ending December 31, 2001 and Statement No. 34 is effective for the year ending December 31, 2003. The Authority has not completed an analysis of the impact of these two statements on its reported financial condition and results of operations.

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METRO REGIONAL TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 1999

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Grant Number	Grant Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transit Cluster			
Direct Program:			
Federal Transit Administration - Capital and Operating Assistance Formula Grants			
	20.507	OH-90-X246	\$ 161,503
		OH-90-X262	170,406
		OH-90-X243	2,703
		OH-90-0161	17,155
		OH-90-X213	57,007
		OH-90-X281	1,642,350
		OH-03-0170	301,647
		OH-90-X325	3,928,615
		OH-90-X303	711,293
		OH-90-X315	316,656
		OH-03-0166	11,326
		OH-03-0165	3,780,000
		OH-03-0169	1,226,400
		OH-37-0002	16,176
			<u>12,343,237</u>
Total CFDA #20.507			<u>12,343,237</u>
Total U.S. Department of Transportation - Federal Transit Cluster			<u>12,343,237</u>
Total Expenditures of Federal Awards			<u>\$12,343,237</u>

See note to Schedule of Expenditures of Federal Awards.

METRO REGIONAL TRANSIT AUTHORITY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 1999

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Metro Regional Transit Authority and is presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

We have audited the financial statements of the Metro Regional Transit Authority (the "Authority") as of and for the year ended December 31, 1999, and have issued our report thereon dated April 7, 2000. 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.

Compliance

As part of obtaining reasonable assurance about whether the 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 of noncompliance that we have reported to management of the Authority in a separate letter dated April 7, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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. 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 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. 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 we have reported to management of the Authority in a separate letter dated April 7, 2000.

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

Deloitte + Touche LLP
April 7, 2000

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM**

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

Compliance

We have audited the compliance of the Metro Regional Transit Authority (the "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 its major federal program for the year ended December 31, 1999. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance 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; 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 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 Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

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

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

Deloitte + Touche LLP

April 7, 2000

METRO REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 1999

PART I - SUMMARY OF AUDITORS' RESULTS

- Type of Report issued on the Financial Statements as of and for the Year Ended December 31, 1999 - Unqualified
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements - N/A (None reported)
- Noncompliance Noted that is Material to the Financial Statements of the Authority - None
- Reportable Conditions in Internal Control Over Major Federal Financial Assistance Programs Disclosed by the Audit of the Financial Statements - N/A (None reported)
- Type of Report Issued on Compliance for Major Federal Financial Assistance Programs - Unqualified
- The audit disclosed no audit findings, which are required to be reported by OMB Circular A-133.
- Major Federal Financial Assistance Programs Identified for the Year Ended December 31, 1999:
 - Federal Transit Cluster
 - CFDA #20.507 Federal Transit Administration Capital and Operating Assistance Formula Grants
- Dollar Threshold Used to Distinguish Between Type A and Type B Programs as those terms are defined in OMB Circular A-133 - \$370,297
- The Authority is considered to be a Low Risk Auditee as defined under OMB Circular A-133.

PART II - FINANCIAL STATEMENT FINDINGS SECTION

None

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

None

METRO REGIONAL TRANSIT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 1999

There were no comments on internal control and legal compliance included in the prior year reports.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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METRO REGIONAL TRANSIT AUTHORITY

SUMMIT 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: AUG 15 2000