



TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Financial Statements

December 31, 1999 and 1998

(With Independent Auditors' Report Thereon)

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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The Board of Directors
Toledo Area Regional Transit Authority
Toledo, Ohio

We have reviewed the independent auditor's report of the Toledo Area Regional Transit Authority, Lucas County, prepared by KPMG 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 Toledo Area Regional Transit Authority is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

May 24, 2000



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Independent Auditors' Report on the Financial Statements

The Board of Trustees
Toledo Area Regional Transit Authority:

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

We conducted our audits 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 audits 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, the financial statements referred to above present fairly, in all material respects, the financial position of TARTA 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 generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2000 on our consideration of TARTA's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts, and grants.

KPMG LLP

March 31, 2000



TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Balance Sheets

December 31, 1999 and 1998

Assets	<u>1999</u>	<u>1998</u>
Current assets:		
Cash and cash equivalents (includes approximately \$2,640,755 and \$840,000 designated by the Board of Trustees for capital acquisitions in 1999 and 1998, respectively)	\$ 9,400,664	7,170,253
Property taxes receivable	10,718,400	10,593,000
Trade and other accounts receivable	1,325,298	529,633
Materials and supplies	656,838	629,255
Prepaid expenses and deposits	294,020	161,645
Total current assets	<u>22,395,220</u>	<u>19,083,786</u>
Restricted assets:		
Restricted for capital acquisitions – cash and cash equivalents	2,694	68,215
Property, buildings and equipment, net	14,843,624	17,499,013
Long-term investments (includes approximately \$1,423,845 and \$994,000 designated by the Board of Trustees for capital acquisitions in 1999 and 1998, respectively)	1,423,845	994,837
Other assets	<u>—</u>	<u>32,179</u>
Total assets	<u>\$ 38,665,383</u>	<u>37,678,030</u>
Liabilities and Capital		
Current liabilities:		
Accounts payable	265,183	242,651
Accrued payroll	488,796	518,957
Accrued workers' compensation insurance	370,754	726,913
Accrued employer's contribution to Public Employees Retirement System	200,392	193,860
Accrued claims	213,750	224,950
Other	88,195	75,432
Total current liabilities	<u>1,627,070</u>	<u>1,982,763</u>
Other liabilities:		
Deferred income	147,896	143,062
Total liabilities	<u>1,774,966</u>	<u>2,125,825</u>
Capital and accumulated earnings:		
Capital grants:		
Federal	14,647,485	17,059,211
State	383,094	638,224
Local	7,919	9,904
Private	5,749	6,449
Total capital grants	<u>15,044,247</u>	<u>17,713,788</u>
Accumulated earnings	<u>21,846,170</u>	<u>17,838,417</u>
Total capital and accumulated earnings	<u>36,890,417</u>	<u>35,552,205</u>
Total liabilities and capital	<u>\$ 38,665,383</u>	<u>37,678,030</u>

See accompanying notes to financial statements.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Revenues and Expenses

Years ended December 31, 1999 and 1998

	1999	1998
Operating revenues:		
Passenger fares	\$ 1,969,249	1,907,896
Toledo Board of Education contract	2,476,480	2,397,848
Charter service revenue	325,602	299,632
Auxiliary transportation revenue	186,300	177,495
	4,957,631	4,782,871
Operating expenses:		
Labor	9,074,124	8,928,127
Fringe benefits	3,233,710	3,599,152
Materials and supplies	2,144,082	1,860,379
Services	1,544,457	1,407,532
Taxes	244,521	243,940
Claims and insurance	209,928	204,095
Utilities	270,889	259,681
Miscellaneous	193,963	150,843
	16,915,674	16,653,749
Operating loss before depreciation and nonoperating revenues/expenses	(11,958,043)	(11,870,878)
Depreciation:		
On assets acquired with capital grants	2,972,345	3,241,813
On assets acquired with TARTA equity	239,872	260,725
	3,212,217	3,502,538
Operating loss before nonoperating revenues/expenses	(15,170,260)	(15,373,416)
Nonoperating revenues/expenses:		
Investment income	376,762	323,808
Nontransportation revenues	10,922	160,377
Experience refund and premium credit from the Ohio Bureau of Workers Compensation	766,352	511,000
Federal operating grants and reimbursements	3,195,977	2,222,653
State operating grants, reimbursements, and special fare assistance	1,171,891	1,703,322
Property taxes	10,657,538	10,197,140
Planning and noncapital improvement expense	—	(215,178)
Planning and noncapital improvement federal assistance	—	215,178
	16,179,442	15,118,300
Net income (loss)	\$ 1,009,182	(255,116)

See accompanying notes to financial statements.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Changes in Capital and Accumulated Earnings

Years ended December 31, 1999 and 1998

	Capital Grants				Accumulated earnings	Total
	Federal	State	Local	Private		
Balances at December 31, 1997	\$ 15,311,154	924,151	11,889	7,149	14,834,286	31,088,629
Capital funding – federal grants	4,718,692	—	—	—	—	4,718,692
Disposal of Capital Assets, net	(17,434)	—	—	—	17,434	—
Net loss	—	—	—	—	(255,116)	(255,116)
Amortization of capital grants – transfer to accumulated earnings of an amount equal to the depreciation on assets acquired with capital grants	(2,953,201)	(285,927)	(1,985)	(700)	3,241,813	—
Balances at December 31, 1998	17,059,211	638,224	9,904	6,449	17,838,417	35,552,205
Capital funding – federal grants	329,030	—	—	—	—	329,030
Disposal of Capital Assets, net	(26,226)	—	—	—	26,226	—
Net income	—	—	—	—	1,009,182	1,009,182
Amortization of capital grants – transfer to accumulated earnings of an amount equal to the depreciation on assets acquired with capital grants	(2,714,530)	(255,130)	(1,985)	(700)	2,972,345	—
Balances at December 31, 1999	\$ 14,647,485	383,094	7,919	5,749	21,846,170	36,890,417

See accompanying notes to financial statements.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

Years ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Operating loss before nonoperating revenues/expenses	\$ (15,170,260)	(15,373,416)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	3,244,396	3,534,719
Allowance for doubtful accounts	14,613	2,456
Loss on disposal	33,871	19,752
Changes in operating assets and liabilities which increase (decrease) cash provided by operating activities:		
Trade and other accounts receivable	(366)	105,196
Materials and supplies	(27,583)	(150,090)
Prepaid expenses and deposits	(132,375)	19,920
Accounts payable	22,532	34,468
Accrued liabilities and other	(378,225)	204,183
Deferred income	4,834	(3,657)
Net cash used in operating activities	(12,388,563)	(11,606,469)
Cash flows from noncapital financing activities:		
Proceeds from:		
Property taxes	10,532,138	10,416,140
Federal operating grants and reimbursements	3,195,977	2,222,653
State operating grants, reimbursements, and special fare assistance	405,091	2,891,032
Nontransportation revenues	777,274	671,377
Noncapital improvement receipts	—	215,178
Noncapital improvement disbursements	—	(215,178)
Net cash provided by noncapital financing activities	14,910,480	16,201,202
Cash flows from capital and related financing activities:		
Expenditures for property, buildings and equipment	(590,699)	(4,676,590)
Proceeds from capital funding:		
Federal grants	329,030	4,718,692
Net cash provided by (used in) capital and related financing activities	(261,669)	42,102
Cash flows from investing activities:		
Purchase of investment	(1,423,845)	(994,837)
Sale/maturity of investment	994,837	605,586
Interest on investments	333,650	323,781
Net cash used in investing activities	(95,358)	(65,470)
Net increase in cash and cash equivalents	2,164,890	4,571,365
Cash and cash equivalents at beginning of year	7,238,468	2,667,103
Cash and cash equivalents at end of year	\$ 9,403,358	7,238,468
Supplemental Information:		
Noncash activities:		
Bureau of Workers' Compensation credit	\$ 215,000	—

See accompanying notes to financial statements.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A summary of accounting policies followed in the preparation of the accompanying financial statements of the Toledo Area Regional Transit Authority (TARTA) is presented below:

(a) *The Entity*

TARTA was created as a regional transit authority pursuant to Sections 306.30 through 306.53, inclusive, of the Ohio Revised Code (ORC) for the purpose of providing public transportation in the Toledo regional area. TARTA is not subject to federal or state income taxes.

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. This statement requires that financial statements of the reporting entity include all of the organizations, activities, functions, and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. TARTA does not have financial accountability over any other entities.

The City of Toledo (the City) is a related organization to TARTA as the Mayor of the City, with the approval of City Council, appoints a voting majority of TARTA's Board. However, the financial statements of TARTA are not included within the City's "Reporting Entity" as the City cannot impose its will and there is no financial benefit or financial burden relationship between the City and TARTA.

(b) *Basis of Accounting*

The accounting policies of TARTA conform to generally accepted accounting principles as applicable to governmental entities. The accounts of TARTA, which are organized as an enterprise fund, are used to account for TARTA's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, TARTA maintains its records on the accrual basis of accounting. Revenue from operations, investments, and other sources are recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, TARTA follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

(c) *Operating Grants, Reimbursements and Special Fare Assistance*

Operating grants, reimbursements, and special fare assistance are included in revenue in the period to which the grant, reimbursement, and special fare assistance applies.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

(d) Capital Grants

TARTA receives contributed capital funds from the Federal Transit Administration (FTA), Ohio Department of Transportation (ODOT), local and private sources. Federal, state, local and private grants for the acquisition of property, buildings and equipment are credited to capital as the related expenditures are incurred. Capital grants are amortized to accumulated earnings in the amount of the annual depreciation on assets acquired with capital grants. Project costs are generally shared anywhere from 80% to 100% for federal and 0% to 10% for state, with the remaining share covered by TARTA or local sources.

(e) Passenger Fares

Passenger fares are recorded as revenue at the time services are performed and revenues are collected through fareboxes.

(f) Materials and Supplies

Materials and supplies are stated at average cost which is not in excess of market.

(g) Restricted Assets

Restricted cash and cash equivalents include funds received under various capital grants from the ODOT and the FTA that are restricted for capital expenditures.

(h) Investments

Effective January 1, 1998, the Authority adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Pursuant to Statement No. 31, at December 31, 1998, investments are carried at fair value, which is based on quoted market prices. Any unrealized gains or losses are recognized as adjustments to investment income. Implementing Statement No. 31 did not have a material effect on the accompanying financial statements. The Authority's policy is to hold investment securities to their scheduled maturity date.

(i) Property and Depreciation

Property, buildings and equipment are recorded at cost. Depreciation is charged to expense over the estimated useful lives of the assets and is determined using the straight-line method. Expenditures for maintenance and repairs, which do not materially extend the useful life of the asset, are charged to expense. Proceeds or gains on disposal of property, buildings and equipment purchased with capital grant funds are transferred to the operating fund if less than \$5,000. If the proceeds or gains are greater than \$5,000, the proceeds are, at the discretion of the grantor, either refunded to the grantor or applied against specified grants. Accordingly, such gains or losses are credited or charged to capital grants received.

The estimated useful lives used in computing depreciation and amortization are as follows:

Buildings	30-40 years
Land improvements	10 years
Transportation equipment	10 years
Transit stations	20 years
Transit shelters	5 years
Other	<u>5-10 years</u>

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

(j) *Compensated Absences*

Compensated absences are accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation pay is accrued and reflected as a liability when earned. TARTA provides sick and accident pay to its full-time union employees. Employee sick and accident pay is recorded as an expense when paid and does not carry over from year to year.

(k) *Budgets and Budgetary Accounting*

In accordance with Section 5705 of the ORC, an annual budget of revenues, expenses, and capital expenditures is prepared under the accrual basis of accounting, consistent with generally accepted accounting principles (GAAP). The budget is adopted by resolution of the Board of Trustees. TARTA, operating as an enterprise fund, utilizes such budget and related budgetary accounting to ensure that: (1) service objectives are attained; (2) expenditures are properly controlled; and (3) adequate resources will be available to finance current operations and meet capital outlay requirements.

Because TARTA's revenues and expenses may fluctuate with changing service delivery levels, a flexible- rather than fixed-dollar budget is utilized to permit budgetary revision based upon changing fare revenue, levels of service, and cost of operations at specific service levels. Actual results of operations are compared to the final, revised budget of TARTA for the year.

(l) *Cash Equivalents*

For purposes of the statements of cash flows, TARTA considers all investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

(m) *Use of Estimates*

The accounting and reporting policies of TARTA conform to GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) *Cash and Investments*

The provisions of the ORC govern the investment and deposit of TARTA monies. In accordance with these provisions, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit TARTA to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio), and obligations of the United States government or certain agencies thereof. TARTA may also enter into repurchase agreements with any eligible depository institution for a period not exceeding 30 days.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

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 Savings Association Insurance Fund (SAIF), or may pledge a pool of government securities valued at least 110% of the total value of public monies on deposit with 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 government and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require that security for public deposits and investments be maintained in the name of TARTA.

(a) Deposits

Information regarding TARTA's deposits is as follows as of December 31:

	1999	1998
Book/carrying value of deposits	\$ 9,403,358	7,238,468
Bank balance:		
Covered by federal depository insurance	815,104	615,128
Uncollateralized as defined by the GASB	7,878,556	7,209,349
	\$ 8,693,660	7,824,477

The uncollateralized deposits at December 31, 1999 and 1998, were, however, covered by pledged collateral pools as discussed above.

(b) Investments and Other Deposits

TARTA's investments are detailed below and categorized in accordance with the criteria established by the GASB to give an indication of the level of risk assumed as of December 31, 1999 and 1998. Category 1 includes investments that are insured or registered or for which the securities are held by TARTA or its agent in TARTA's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in TARTA'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 TARTA's name. Deposits and equities in pools of funds managed by other governmental units are not categorized.

Description	Category			Carrying Amount/ Fair Value
	1	2	3	
As of December 31, 1999:				
U.S. Treasuries	\$ —	—	1,423,845	\$ 1,423,845
As of December 31, 1998:				
U.S. Treasuries	\$ —	—	994,837	\$ 994,837

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

(3) Property Tax Revenues

TARTA is subsidized by two annual property tax levies consisting of a 1.0 mill levy in effect through 2001 and a 1.5 mill levy in effect through 2008. Revenues generated from the 1.0 mill and 1.5 mill levies are based on property valuations conducted in 1971 and 1997, respectively, for property located within TARTA's operating district. Property tax revenue may be used for operating or capital purposes.

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property located in TARTA's operating district. Lucas and Wood Counties collect all property taxes on behalf of TARTA. Due and collection dates, as established by Lucas and Wood Counties, were February 1999 and July 1999, for those taxes due during 1999.

Real property and tangible personal property taxes collected during fiscal year 1999 had a lien and levy date of December 1998.

(4) Property, Buildings and Equipment

Property, buildings and equipment were comprised of the following at December 31:

	1999	1998
Land	\$ 743,224	743,224
Buildings and improvements	7,598,340	7,529,017
Transit stations	3,026,490	2,988,755
Transportation equipment	30,853,869	34,661,433
Other equipment	4,985,854	4,827,098
Work in progress	67,629	—
	47,275,406	50,749,527
Accumulated depreciation	<u>(32,431,782)</u>	<u>(33,250,514)</u>
	<u>\$ 14,843,624</u>	<u>17,499,013</u>

Work in progress in the represents buses purchased in 2000, for which costs were incurred December 31, 1999. The remaining costs for the purchase of the buses were \$569,000, funded by a federal capital grant.

(5) Risk Management

TARTA is exposed to various risks of loss related to torts, theft or destruction of assets, errors or omissions, injuries to employees, and natural disasters. As required by state law, TARTA is registered and insured through the State of Ohio Bureau of Workers' Compensation for injuries to its employees. TARTA has insurance for general liability claims from \$250,000 per claim up to \$10 million. A provision with respect to claims on either side of this range is accrued in the period in which accidents occur or the incidence of loss is determined, based upon management's estimate of the ultimate liability.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

TARTA provides hospitalization and medical benefits coverage to all of its full-time employees either under professionally administered self-insured plan or HMO provider contracts. Expenses associated with these benefits totaled approximately \$1.5 million and \$1.5 million in 1999 and 1998, respectively. In addition, TARTA provides life insurance coverage to all full-time employees. Expense associated with this benefit totaled approximately \$53,000 in 1999 and \$61,000 in 1998. The self-insurance plan has a stop loss of \$75,000 per individual.

In 1990, TARTA retired its future liability to pay premiums relating to the life insurance plan for its retired employees via a \$321,800 lump-sum payment to a third party. This prepayment is being amortized on a straight-line basis over 10 years, the period of expected economic benefit.

The general liability and hospitalization claims liability was calculated by reviewing claim lag reports and consulting with TARTA's attorneys. Changes in the accrued general liability and hospitalization claims liability in 1999 and 1998 are as follows:

	<u>Beginning of year liability</u>	<u>Current year claims changes in estimates</u>	<u>Claim payments</u>	<u>End of liability</u>
1999	\$ 224,950	1,553,183	1,564,383	213,750
1998	\$ 359,100	1,487,696	1,621,846	224,950

TARTA has been named in various public liability and property damage claims and suits. The ultimate outcome of these claims and suits cannot be determined; however, it is the opinion of management that any resulting liability to TARTA in excess of that provided in the accompanying balance sheets, and which is not covered by insurance, would not be material to the financial statements.

(6) Defined Benefit Pension Plan

(a) Plan Description

TARTA contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer public employee retirement system. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. PERS issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215, or by calling 614-466-2085 or 1-800-222-PERS (7377).

(b) Funding Policy

Plan members are required to contribute 8.5% of their annual covered salary, and TARTA is required to contribute an actuarially determined rate. The current rate is 13.55% of annual covered payroll. The contribution requirements of plan members and TARTA are established and may be amended by the PERS Board of Trustees. TARTA's contributions to PERS for the years ending December 31, 1999, 1998 and 1997 were \$1,226,603, \$1,204,207 and \$1,162,000, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

(7) Other Postemployment Benefits

PERS also provides postemployment 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 retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. As required by state statute, a portion of each employer's contribution to PERS (see note 6) is set aside for the funding of the postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. TARTA's contributions actually made to fund postemployment benefits was approximately \$380,000 in 1999 and \$375,000 in 1998.

Other postemployment benefits (OPEB) are financed through employer contributions and investment earnings thereon (i.e. pay as you go). 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.

Expenditures for OPEB for PERS as a whole during 1999 were \$523,599,349; as of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, PERS 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.

(8) Contingencies

Under the terms of the Authority's various capital and operating grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At December 31, 1999, there were no material questioned costs that had not been resolved with the FTA or ODOT. Questioned costs could still be identified during audits to be conducted in the future. Management of TARTA believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayments under the above grants.

(9) Grants, Reimbursements and Special Fare Assistance – Detail

Federal operating grants and reimbursements consist of the following at December 31:

	1999	1998
FTA operating assistance	\$ 507,688	408,488
FTA short-range planning and marketing	128,289	124,565
FTA noncapital improvement assistance	2,560,000	1,689,600
Total	\$ 3,195,977	2,222,653

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

State operating grants, reimbursements, and special fare assistance consist of the following at December 31:

	<u>1999</u>	<u>1998</u>
ODOT operating assistance	\$ 766,800	1,300,000
State fuel tax reimbursement	233,409	232,870
State elderly and handicapped	<u>171,682</u>	<u>170,452</u>
Total	<u>\$ 1,171,891</u>	<u>1,703,322</u>

(10) Operating Leases

TARTA has cancelable operating leases executed in one-year intervals for revenue vehicle tire utilization. Total rental expense for all operating leases amounted to approximately \$104,000 and \$128,000 for the years ended December 31, 1999 and 1998, respectively.



**TOLEDO AREA REGIONAL
TRANSIT AUTHORITY (TARTA)**

A-133 Reports

Year ended December 31, 1999

(With Independent Auditor's Report Thereon)

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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**Independent Auditors' Report on Compliance and on
Internal Control over Financial Reporting Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

The Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio:

and

The Honorable Jim Petro
Auditor of State:

We have audited the financial statements of the Toledo Area Regional Transit Authority (TARTA) as of and for the year ended December 31, 1999, and have issued our report thereon dated March 31, 2000. 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 TARTA'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*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered TARTA'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 March 31, 2000.



This report is intended solely for the information and use of TARTA's management, the Ohio Auditor of State, 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.

KPMG LLP

March 31, 2000



Two Nationwide Plaza
Columbus, OH 43215

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**Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major Program, Internal Control Over
Compliance In Accordance With OMB Circular A-133 and
Schedule of Expenditures of Federal Awards**

The Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio:

and

The Honorable Jim Petro
Auditor of State:

Compliance

We have audited the compliance of Toledo Area Regional Transit Authority (TARTA) 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, 1999. TARTA'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 TARTA's management. Our responsibility is to express an opinion on TARTA'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 TARTA'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 TARTA's compliance with those requirements.

In our opinion, TARTA 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 TARTA 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 TARTA'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 weaknesses 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of TARTA as of and for the year ended December 31, 1999, and have issued our report thereon dated March 31, 2000. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of TARTA's management, the Ohio Auditor of State, 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.

KPMG LLP

March 31, 2000

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

December 31, 1999

U.S. Department of Transportation	CFDA number	Grant number	Federal grant award	Cash balance December 31, 1998	January 1 through December 31, 1999					Cash balance December 31, 1999	
					Federal grant receipts	Local share	Total received	Federal expenditures	Local expenditures		Total expenditures
Federal Transit Administration (FTA)											
Federal Transit Cluster:											
Received directly from FTA:											
Capital and planning	20.500	OH-90-0252	1,515,000	—	85,250	5,341	90,591	85,250	5,341	90,591	—
Capital and planning	20.500	OH-90-0220	2,167,000	1	185,446	(2,304)	183,142	185,447	(2,304)	183,143	—
Capital and planning	20.500	OH-90-0202	1,295,000	(9)	115,414	—	115,414	115,414	—	115,414	(9)
Capital assistance	20.500	OH-90-0178	3,114,456	2,703	—	—	—	—	—	—	2,703
Capital assistance	20.500	OH-90-0215	1,460,000	65,521	31,067	—	31,067	96,589	—	96,589	(1)
Capital assistance	20.500	OH-90-0300	1,945,600	(1)	109,874	27,469	137,343	109,874	27,468	137,342	—
Capital assistance	20.500	OH-90-0320	6,346,180	—	3,001,576	4,349	3,005,925	3,001,576	4,349	3,005,925	—
Capital assistance	20.500	OH-90-0279	2,364,000	—	54,575	4,037	58,612	54,575	4,036	58,611	1
Total			\$ 20,207,236	68,215	3,583,202	38,892	3,622,094	3,648,725	38,890	3,687,615	2,694

See accompanying notes to Schedule of Expenditures of Federal Awards.

See accompanying independent auditors' report.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 1999

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of TARTA. TARTA'S reporting entity is defined in note 1 to TARTA's financial statements.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting.

(3) Relationship of Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

Year ended December 31, 1999

(1) Summary of Auditors' Results:

- | | |
|--|--|
| (a) The type of report issued on the basic financial statements: | <i>Unqualified opinion</i> |
| (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: | <i>None Reported</i> |
| Material weaknesses: | <i>None</i> |
| (c) Noncompliance which is material to the financial statements: | <i>None</i> |
| (d) Reportable conditions in internal control over major programs: | <i>None Reported</i> |
| Material weaknesses: | <i>None</i> |
| (e) The type of report issued on compliance for major programs | <i>Unqualified opinion</i> |
| (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: | <i>None</i> |
| (g) Major programs: | <i>Federal Transit Cluster
(CFDA # 20.500)</i> |
| (h) Dollar threshold used to distinguish between Type A and Type B programs: | <i>\$300,000</i> |
| (i) Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: | <i>Yes</i> |

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

(3) Findings and Questioned Costs Relating to Federal Awards

None.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Federal Transit Administration

Urbanized Area Formula Statistics Summary

December 31, 1999

(With Independent Auditors' Report Thereon)



Two Nationwide Plaza
Columbus, OH 43215

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Independent Auditors' Report

To the Board of Trustees
Toledo Area Regional Transit Authority:

We understand that the Toledo Area Regional Transit Authority (TARTA) is eligible to receive Urbanized Area Formula grants of the Federal Transit Act, as amended, and in connection therewith, TARTA is required to report certain information to the Federal Transit Administration (FTA).

The FTA has established the following standards with regard to the data reported to it in the Urbanized Area Formula Statistics Form (901) of TARTA's annual National Transit Database (NTD) report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following the FTA's receipt of the NTD report. The data are fully documented and securely stored.
- A system of internal controls is in place to ensure the accuracy of the data collection process and that the recording system and reported comments are not altered.
- The data collection methods are those suggested by the FTA or meet FTA requirements.
- The deadhead miles, computed as the difference between the reported actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
- Data are consistent with prior reporting periods and other facts known about TARTA's operations.

We have applied the procedures in Exhibit A-1 of the FTA *1999 Reporting Manual*, as summarized in the Attachment, to the data contained in the accompanying Urbanized Area Formula Statistics Form (901) for the fiscal year ended December 31, 1999. Such procedures, which were agreed to and specified by FTA and were agreed to by TARTA, were applied to assist you in evaluating whether TARTA complied with the standards described in the second paragraph of this report and that the information included in the NTD report Urbanized Area Formula Statistics Form (901) for the fiscal year ended December 31, 1999 is presented in conformity with the requirements of the *Urban Mass Transportation Industry Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *1999 Reporting Manual*. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose. This report is intended



solely for your information and FTA and should not be used by those who did not participate in determining the procedures.

The procedures were applied separately to each of the information systems used to develop the reported vehicle revenue miles, fixed guideway directional route miles, passenger miles, and operating expenses of TARTA for the fiscal year ended December 31, 1999 for each of the following modes:

- Motor Bus—directly operated
- Demand Response—purchased transportation

The following information and finding came to our attention in 1999 and 1998 as a result of performing the procedures described in the Attachment to this report:

Verification and Approval of the Section 9 Data Process

During our testing, we noted that there are no internal control procedures requiring that parties independently review Section 9-related source documents or evidence their review and approval by signing such documents.

The agreed-upon procedures are substantially less in scope than an examination, the objective of which is an expression of an opinion on the Urbanized Area Formula Statistics Form (901). Accordingly, we do not express such an opinion. Also, we do not express an opinion on TARTA's system of internal control taken as a whole. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report relates only to the information described above and does not extend to TARTA's financial statements taken as a whole, or the forms in TARTA's NTD report, other than the Urbanized Area Formula Statistics Form (901), for any date or period.

This report is intended solely for the information and use of TARTA's management, the Ohio Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 31, 2000

SECTION 9 CERTIFICATION – AGREED-UPON PROCEDURES

1. Obtained and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the Section 15 requirements and definitions set forth in 49CFR, Part 630, Federal Register, January 15, 1993 and as prescribed in the *1999 Reporting Manual*.
2. Discussed the procedures (written or informal) with the personnel assigned responsibility of supervising the preparation and maintenance of Section 15 data to determine:
 - The extent to which TARTA followed the procedures on a continuous basis, and
 - Whether they believe such procedures result in accumulation and reporting of data consistent with the Section 15 definitions and requirements set forth in 49CFR, Part 630, *Federal Register*, January 15, 1993, and as prescribed in the *1999 Reporting Manual*.
3. Inquired of the same person concerning the retention policy that is followed by TARTA with respect to source documents supporting the Section 15 data reported on the Section 9 Statistics Form (901).
4. Based on a description of TARTA's procedures obtained in Items 1 and 2 above, identified all the source documents which are to be retained by TARTA for a minimum of three years.

For each type of source document, selected the months of January, March and November and observed that each type of source document exists for each of these periods.
5. Discussed the system of internal controls with the person responsible for supervising and maintaining the Section 15 data. Inquired whether individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy and reasonableness and how often such reviews are performed.
6. Reviewed source documents and ascertained whether supervisor's signatures were present as required by the system of internal controls.
7. Obtained the worksheets utilized by TARTA to prepare the final data which are transcribed on to the Section 9 Statistics Form 901. Compared the periodic data included on the worksheets to the periodic summaries prepared by TARTA. Tested the arithmetical accuracy of the summarizations.
8. Discussed TARTA's procedures for accumulating and recording passenger mile data in accordance with Section 15 requirements with TARTA's staff, noting that TARTA uses an estimate of passenger miles based on statistical sampling meeting the FTA's 95% confidence and 10% precision requirements.
9. Discussed with TARTA's staff TARTA's eligibility to conduct statistical sampling for passenger mile data every third year. Determined whether TARTA meets one of the three criteria which allow reporters to conduct statistical samples for accumulating passenger mile data every third year rather than annually for demand responsive service. Specifically, service is purchased from a contractor operating fewer than 100 revenue vehicles in annual maximum revenue service, and is included in TARTA's Section 15 report. However, TARTA has elected to conduct statistical samples on an annual basis.
10. Obtained a description of the sampling procedures for estimation of passenger mile data used by TARTA. Obtained a copy of TARTA's working papers or methodology used to select the actual sample of runs for recording passenger mile data. Determined that the methodology used to select specific runs from the universe resulted in a random selection of runs. If a selected sample run was missed, determined that a replacement sample run was randomly selected. Confirmed that TARTA followed the stated sampling procedure.

11. Selected a random sample of the source documents for accumulating passenger mile data and determined that they are complete (all required data are recorded and that the computations are accurate). Selected a random sample of the accumulation periods and recomputed the accumulations for each of the selected periods. Tested the arithmetical accuracy of the summarization.
12. Discussed the procedures for systematic exclusion of charter, school bus and other ineligible vehicle miles from the calculation of vehicle revenue miles with TARTA staff and determined that stated procedures are followed.
13. For vehicle revenue mile data, documented the collection and recording methodology and determined that deadhead miles are systematically excluded from the computation.
14. Discussed the measurement of fixed guideway directional route miles with the person responsible for reporting the Section 15 data and determined that the mileage is computed in accordance with the FTA's definitions of fixed guideway and directional route miles.
15. Compared operating expenses with audited financial data, after reconciling items are removed, noting that the amounts agreed.
16. Noted that TARTA purchases transportation services and inquired of the personnel responsible for reporting the Section 15 data regarding the disposition of purchased transportation generated fare revenues. Specifically, determined purchased transportation fare revenues are retained by the contract service provider. Obtained documentation of the retained fare revenue amounts as reported by the contract service provider and agreed the total to retained fare revenues reported on Form 002.
17. Obtained a copy of the purchased transportation contract and determined that the contract (1) specified the specific mass transportation services to be provided by the contractor, (2) specified the monetary consideration obligated by TARTA, (3) specified the period covered by the contract and that this period is the same as, or a portion of, the period covered by TARTA's Section 15 Report, and (4) was signed by representatives of both parties to the contract. Inquired of the person responsible for maintaining the Section 15 data regarding the retention of the executed contract, and determined that copies of the contracts are retained for three years.
18. Compared the data reported on the Section 9 Statistics Form 901 to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. Noted that the motor bus passenger miles, vehicle revenue miles and operating expense did not increase or decrease by more than 10%.

Noted that the passenger miles for demand response service did not increase or decrease by more than 10%. Vehicle revenue miles and operating expense increased approximately 10% and 11%, respectively, for demand response service. Management has informed us that this change is due to planned increase in service provided in order to meet standards established by the Americans with Disabilities Act.

19. The following 1999 *Reporting Manual Section 9* test procedures were not applicable to TARTA and, therefore, were not performed:
 - Reporting Manual Section 9 Data Certification Procedures "n," "r," "v" and "x."



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

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS 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: JUNE 1, 2000