



MUSKINGUM AUTHORITY OF PUBLIC TRANSIT

Single Audit

For the Year Ended December 31, 1999

J. L. UHRIG & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANT

78 North Plaza Blvd.
Chillicothe, Ohio 45601



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

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Board of Trustees
Muskingum Authority of Public Transit
375 Fairbanks Street
Zanesville, Ohio 43701

We have reviewed the independent auditor's report of the Muskingum Authority of Public Transit, Muskingum County, prepared by J.L. Uhrig & Associates, Certified Public Accountant, 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 Muskingum Authority of Public Transit is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

August 17, 2000

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
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For the Year Ended December 31, 1999

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Independent Auditor's Report

Board of Trustees
Muskingum Authority of Public Transit
375 Fairbanks Street
Zanesville, Ohio 43701

We have audited the accompanying general purpose financial statements of the Muskingum Authority of Public Transit (the Authority), a component unit of the City of Zanesville, Ohio, as of and for the year ended December 31, 1999. These general purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 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.

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

J. L. Uhrig & Associates

J. L. UHRIG & ASSOCIATES
Certified Public Accountant

July 7, 2000

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
(A Component Unit of the Primary Government of the City of Zanesville)
Balance Sheet
December 31, 1999

Assets:

Current Assets:

Cash and Cash Equivalents	\$36,794
Accounts Receivable	111,632
Inventory	43,984
Prepaid Service Fee	7,235
Prepaid Insurance	10,245
<i>Total Current Assets</i>	209,890

Property, Facilities and Equipment:

Land	35,000
Buildings	690,275
Buses	749,715
Service and Staff Vehicles	53,577
Furniture, Fixtures and Equipment	198,878
Less: Accumulated Depreciation	(1,067,628)
<i>Total Property, Facilities and Equipment - Net</i>	659,817

Total Assets \$869,707

Liabilities:

Current Liabilities:

Accounts Payable	\$32,847
Accrued Payroll	25,984
Accrued Payroll Taxes	18,773
Accrued Vacation	24,446
Other Current Liabilities	2,274
<i>Total Current Liabilities</i>	104,324

Long-Term Liabilities:

Deferred Revenue	143,139
<i>Total Liabilities</i>	247,463

Equity:

Contributed Capital	646,893
Retained Earnings	(24,649)
<i>Total Equity</i>	622,244

Total Liabilities and Equity \$869,707

See accompanying notes to the general purpose financial statements.

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
(A Component Unit of the Primary Government of the City of Zanesville)
Statement of Revenues and Expenses
For the Year Ended December 31, 1999

Revenues:

Full Adult Fares	\$65,327
Elderly & Handicapped Fares	13,392
Student Fares	10,663
Special Transit Fares	291,569
Coordination Fares	73,543
Charter Revenue	41,567
Advertising Revenue	26,980
Maintenance Services	6,330
Interest Income	1,481
Miscellaneous Income	13,690
Federal Operating Assistance	316,556
Federal Coordination Assistance	22,624
State Operating Assistance	204,024
State Coordination Assistance	49,875
State Elderly and Handicapped Program	25,784
Local Operating Assistance	325,196
In-Kind Services	3,492
	1,492,093
<i>Total Revenues</i>	1,492,093

Expenses:

General and Administrative Expenses:

Salaries	702,854
Fringe Benefits	227,170
Management Fees	80,047
Professional Services	22,844
Temporary Help	5,957
Contract Services	9,831
Fuel and Lubrication	77,495
Tires	3,155
Parts and Supplies	116,285
Utilities	28,660
Insurance	37,995
Dues and Subscriptions	5,137
Travel and Meetings	26,532
Advertising	40,428
Passenger Revenue Vehicles	32,741
General Administrative Facilities	25,244
In-Kind Expense	5,674
Miscellaneous Expense	12,894
	1,460,943

Total General & Administrative Expenses 1,460,943

Depreciation Expense 190,397

Total Expenses 1,651,340

Net Income (Loss) (\$159,247)

See accompanying notes to the general purpose financial statements. (continued)

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
(A Component Unit of the Primary Government of the City of Zanesville)
Statement of Revenues and Expenses
For the Year Ended December 31, 1999

Distribution of Net Income (Loss):

Net Income (Loss)	(\$159,247)
Transfer of Depreciation and Other Costs to Contributed Capital	<u>190,397</u>
<i>Net Income (Loss) Transferred to Retained Earnings</i>	<u><u>\$31,150</u></u>

See accompanying notes to the general purpose financial statements.

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
(A Component Unit of the Primary Government of the City of Zanesville)
Statement of Changes in Equity
For the Year Ended December 31, 1999

	Contributed Capital	Retained Earnings	Total Equity
<i>Balance at December 31, 1998</i>	\$681,498	(\$55,799)	\$625,699
Depreciation of Assets Acquired with Capital Grant Funds and Other Nonexpendable Section 18 Monies (Note 1)	(190,397)	0	(190,397)
<i>Contributed Capital:</i>			
Federal	78,077	0	78,077
State	16,791	0	16,791
Local Match	60,924	0	60,924
Net Income (Loss) Transferred to Retained Earnings	<u>0</u>	<u>31,150</u>	<u>31,150</u>
<i>Balance at December 31, 1999</i>	<u><u>\$646,893</u></u>	<u><u>(\$24,649)</u></u>	<u><u>\$622,244</u></u>

See accompanying notes to the general purpose financial statements.

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
(A Component Unit of the Primary Government of the City of Zanesville)
Statement of Cash Flows
For the Year Ended December 31, 1999

Cash Flows from Operating Activities:

Fares and Charters	\$414,900
Advertising	26,980
Maintenance Services	6,330
Interest Received	1,481
Operating Assistance	851,046
Miscellaneous Receipts	115,465
Operating and Administrative Expenses	<u>(1,474,167)</u>

Net Cash from Operating Activities (57,965)

Cash Flows from Capital and Related Financing Activities:

Proceeds from Capital Grants	155,792
Payments for the Purchase of Property, Facilities & Equipment	<u>(105,533)</u>

Net Cash from Capital and Related Financing Activities 50,259

Net Increase (Decrease) in Cash and Cash Equivalents (7,706)

Cash and Cash Equivalents, Beginning of Year 44,500

Cash and Cash Equivalents, End of Year \$36,794

Reconciliation of Net Income (Loss) to Net Cash
from Operating Activities:

Net Income (Loss) (\$159,247)

Adjustments to Reconcile Net Income (Loss) to Net Cash
from Operating Activities:

Depreciation Expense	190,397
(Increase) Decrease in Accounts Receivable	(81,161)
(Increase) Decrease in Prepaid Service Fee & Insurance	(9,333)
(Increase) Decrease in Inventories	(4,649)
Increase (Decrease) in Accounts Payable	(572)
Increase (Decrease) in Accrued Liabilities	5,854
Increase (Decrease) in Other Liabilities	(4,524)
Increase (Decrease) in Deferred Revenues	<u>5,270</u>

Total Adjustments 101,282

Net Cash from Operating Activities (\$57,965)

See accompanying notes to the general purpose financial statements.

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Muskingum Authority of Public Transit (the Authority) is organized as a regional transit authority in accordance with the provisions of the Ohio Revised Code Sections 306.30 to 306.54, inclusive, and, as such, is not subject to state or federal income taxes. It is a political subdivision of the State of Ohio which serves the Zanesville, Muskingum County and South East Ohio area.

The Authority is considered a component unit of the City of Zanesville as defined in GASB Statement No. 14.

Funding

In addition to revenue earned from fares, the Authority also receives financial assistance from federal, state and local sources. Federal and state assistance is provided in the form of operating and capital assistance grants issued in accordance with the Federal Transit Authority (FTA), as amended, and administered by the Ohio Department of Transportation (ODOT). Specific grants utilized by the Authority during the year ended December 31, 1999, include: Section 18 FTA operating assistance grant; Ohio Elderly and Handicapped Transit Fare Assistance grant; Section 18 FTA capital assistance grant, federal and state coordination grants. Local assistance is provided by the City of Zanesville based on a percentage of the federal and state operating and capital assistance applied for.

Basis of Accounting

The accounts of the Authority are maintained on the accrual basis. Revenue is recorded when earned and expenses are recorded when the corresponding liabilities are incurred.

Fund Type

Enterprise Funds - These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Authority applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements used on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid financial instruments with a maturity of three (3) months or less to be cash equivalents.

Fixed Assets and Depreciation Expense

Fixed assets are recorded at cost and depreciated over estimated useful lives utilizing the straight line method. In accordance with the National Council on Government Accounting Statement No. 2, depreciation on assets acquired with federal, state, and/or local financial assistance is recorded as a transfer to the contributed capital account.

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

Estimates

In preparing financial statements in conformity with GAAP, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2 - CASH AND INVESTMENTS

Legal Requirements

Statutes require the classification of cash into three categories. Category 1 is active, cash required for immediate use. Such funds must be maintained either as cash in the treasury or in depository accounts payable on demand.

Category 2 is inactive, cash not required for use within a two year period. Inactive funds may only be used to purchase investments which mature or are redeemable within two years from the date of purchase.

Category 3 is interim, cash which is not needed for immediate use but which will be needed before the current depository agreement expires. Interim funds may only be invested or deposited in the following securities:

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

Cash and cash equivalents at December 31, 1999 consisted entirely of Category 1 (active) funds and were deposited as follows:

Demand Deposits	<u><u>\$36,794</u></u>
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The bank balances at December 31, 1999, were:

Demand Deposits	<u><u>\$82,395</u></u>
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Insurance provided by the Federal Deposit Insurance Corporation at year end was:

Demand Deposits	<u><u>\$82,395</u></u>
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The Authority held no investments at December 31, 1999.

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 1999 consisted of the following amounts:

Operating Accounts Receivable	\$89,245
Capital Grant Receivable	22,387
	\$111,632
	\$111,632

An allowance for uncollectible accounts receivable is not considered necessary.

NOTE 4 - INVENTORY

Inventory consists of fuel and spare parts used in the maintenance of the Authority's buses and is stated at the lower of the cost or market. The Authority attempts to maintain the minimum stock of parts necessary to meet its daily needs. Stock is replenished on a daily basis, as necessary.

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at December 31, 1999 consisted of the following amounts:

Operating Accounts Payable	\$32,847
	\$32,847

NOTE 6 - DEFERRED REVENUE

In accordance with generally accepted accounting principles, revenue is recorded when earned (qualified expenses are incurred). Certain entities provided funding to the Authority based on a percentage of federal grants applied for, thus funds were received for which no qualified expenses had been incurred. These funds are recorded as deferred revenue. Deferred revenue is recorded as revenue on a first-in first-out basis. The following is the detail of deferred revenue as of December 31, 1999:

Entity	Balance 12-31-98	1999 Additions (Recognition of Deferred Revenue)	Balance 12-31-99
State of Ohio	\$18,120	\$5,849	\$23,969
City of Zanesville E/D	2,840	0	2,840
City of Zanesville	103,943	(692)	103,251
City of South Zanesville	4,008	58	4,066
Muskingum County	8,958	55	9,013
Totals	\$137,869	\$5,270	\$143,139

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 7 - CONTRIBUTED CAPITAL

In accordance with the National Council of Governmental Accounting (NCGA) Statement No. 2, resources provided to finance only capital expenditures are recorded as contributed capital. Additions to contributed capital for the year ended December 31, 1999 are detailed in the Statement of Changes in Equity.

NOTE 8 - PENSION OBLIGATIONS

Public Employees Retirement System

Plan Description: The Muskingum Authority of Public Transit contributes to 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. Benefits are established and amended by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone, publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Funding Policy: Plan members are required to contribute 8.5% of their annual covered salary and the Authority is required to contribute 13.55%. The Ohio Revised Code provides statutory authority for employee and employer contribution rates. The Authority's required contributions to PERS for the years ending December 31, 1999, 1998 and 1997 were \$99,218, \$70,470 and \$53,481, respectively; 85.9% has been contributed for 1999 and 100% for years 1998 and 1997. Of the 1999 amount, \$13,971 was unpaid at December 31, 1999 and is recorded as a liability.

Postemployment Benefits: PERS also provides postemployment health care benefits to age and service retirees with ten (10) or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care which is considered an Other Postemployment Benefit (OPEB). The Ohio Revised Code provides statutory authority for employer contributions and requires public employers to fund postretirement health care through their contributions to PERS. Of the 13.55% employer contribution rate for the Authority, 4.2% was used to fund health care for the year 1999 which amounted to \$26,423. Through the contributions of employers and the investment earnings thereon, the amount allocated to retiree health care is expected to be sufficient to maintain the program indefinitely.

During 1999, the expenditures for OPEB were \$523,599,349. As of December 31, 1999 the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641 and the number of recipients eligible for OPEB payments were 118,062. During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. This was effective January 1, 1998 and under this new method employer contributions equal to 4.2% of member covered payroll are used to fund health care expense. Under the prior method, accrued liabilities and normal cost rates were determined for retirees health care coverage.

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

NOTE 9 - COMPENSATED ABSENCES

GASB Statement No. 16 establishes criteria for compensated absences. Compensated absences for vacation leave and benefits with similar characteristics should be recorded as a liability when earned by employees if the following conditions are satisfied:

1. The compensated absence is earned on the basis of services already performed by employees.
2. It is probable that the compensated absence will be paid in a future period.

The Authority records compensated absences for vacation leave in accordance with GASB Statement No. 16. However, since accrued sick leave is not paid upon termination, no liability is recorded.

NOTE 10 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Authority to concentrations of credit risk consist principally of accounts receivable. Concentrations of credit risk with respect to receivables are limited due to the large number of customers comprising the Authority's customer base. As of December 31, 1999, the Authority had no significant concentrations of credit risk.

NOTE 11 - RISK MANAGEMENT

The Authority carried commercial insurance for all risks of loss including workers' compensation, property insurance and bonding. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 12 - CONTINGENCIES

The Authority receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of this support, if such were to occur, would have a material effect on the Authority's programs and activities.

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
(A Component Unit of the Primary Government of the City of Zanesville)
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 1999

Federal Grantor / Pass through Grantor / Program Title	Pass through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>			
<i>Passed through Ohio Department of Transportation:</i>			
Federal Transit Capital Assistance Formula Grant	OH-18-X015	20.507	\$6,990
Federal Transit Capital Assistance Formula Grant	OH-18-X017	20.507	99,691
Federal Transit Operating Assistance Formula Grant	OH-18-X017	20.507	283,953
Federal Transit Operating Assistance Formula Grant	CRD-4060-099-991	20.507	22,624
Total U.S. Department of Transportation			<u>413,258</u>
Total Federal Awards Expenditures			<u><u>\$413,258</u></u>

Note 1 - Significant Accounting Policies

The Authority prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

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

Board of Trustees
Muskingum Authority of Public Transit
375 Fairbanks Street
Zanesville, Ohio 43701

We have audited the financial statements of the Muskingum Authority of Public Transit (the Authority), as of and for the year ended December 31, 1999, and have issued our report thereon dated July 7, 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 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*.

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. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1999-110130-001 and 1999-110130-002.

Board of Trustees
Muskingum Authority of Public Transit
Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the Authority in a separate letter dated July 7, 2000.

This report is intended for the information and use of the Board of Trustees, management, 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.

J. L. Uhrig & Associates

J. L. UHRIG & ASSOCIATES
Certified Public Accountant

July 7, 2000

**Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133**

Board of Trustees
Muskingum Authority of Public Transit
375 Fairbanks Street
Zanesville, Ohio 43701

Compliance

We have audited the compliance of Muskingum Authority of Public Transit (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 each of its major federal programs for the year ended December 31, 1999. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority'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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 programs 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.

Board of Trustees
Muskingum Authority of Public Transit
Report on Compliance with Requirements Applicable to Each Major
Program and 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 for the information and use of the Board of Trustees, management, 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.

J. L. Uhrig & Associates

J. L. UHRIG & ASSOCIATES
Certified Public Accountant

July 7, 2000

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
Status of Prior Audit Findings, Citations and Reportable Conditions
For the Year Ended December 31, 1999

<u>Findings for Recovery</u>	<u>Status</u>	<u>Explanation if Not Fully Implemented</u>
There were no findings for recovery issued in the prior audit.	N/A	N/A
 <u>Citations</u> 		
There were no citations issued in the prior audit.	N/A	N/A
 <u>Reportable Conditions</u> 		
A reportable condition was issued in the prior audit that vehicle operators would occasionally use money bags instead of fareboxes for bus fare collections.	The installation of fareboxes into the buses is partially complete.	New fareboxes were ordered for all buses but were not delivered until 2000.
A reportable condition was issued in the prior audit that certain accounting duties were not segregated due to the limited size of the accounting staff.	No significant change.	Board of Trustees involvement is still being considered.
A reportable condition was issued in the prior audit that worker's compensation was underpaid.	These payments were made in July 1999.	N/A

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 1999

A. SUMMARY OF AUDITOR'S RESULTS

1. <i>Type of Financial Statement Opinion</i>	Unqualified
2. <i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3. <i>Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
4. <i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	No
5. <i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6. <i>Were there any other reportable internal control weaknesses reported for major federal programs?</i>	No
7. <i>Type of Major Programs' Compliance Opinion</i>	Unqualified
8. <i>Are there any reportable findings under § .510?</i>	No
9. <i>Major Programs (list):</i>	Federal Transit - Capital and Operating Assistance Formula Grants - CFDA #20.507
10. <i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Other Programs
11. <i>Low Risk Auditee?</i>	Yes

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

<i>Finding Number</i>	1999-110130-001
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Use of Money Bags

Vehicle operators occasionally use money bags instead of the fareboxes resulting in a lack of accountability. The Authority should mandate that fareboxes be used by all vehicle operators in all vehicles in order to increase accountability over farebox revenue.

Management response: New fareboxes have been ordered for all buses. Installation will continue in 2000 until all buses have fareboxes.

MUSKINGUM AUTHORITY OF PUBLIC TRANSIT
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 1999

<i>Finding Number</i>	1999-110130-002
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Segregation of Accounting Duties

A proper segregation of accounting duties does not exist within the Authority. Due to the lack of available funding to increase administrative staff, the present weakness in segregation of accounting duties would be minimized by the Board of Trustees taking a more active role in the day-to-day activities of the Authority.

Management Response: The involvement of the Board of Trustees is still be considered.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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There were no findings and questioned costs for federal awards.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MUSKINGUM AUTHORITY OF PUBLIC TRANSIT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 21, 2000**