



**SOUTHWEST OHIO REGIONAL  
TRANSIT AUTHORITY**

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

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Board of Trustees  
Southwest Ohio Regional Transit Authority

We have reviewed the Independent Auditor's Report of the Southwest Ohio Regional Transit Authority, Hamilton 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 Southwest Ohio Regional Transit Authority is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

June 13, 2000

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Southwest Ohio Regional Transit Authority  
Cincinnati, Ohio

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

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 supplemental schedule of expenditures of federal awards for the year ended December 31, 1999 is presented for 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 March 31, 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. That 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*

March 31, 2000

Southwest Ohio Regional Transit Authority

**Balance Sheets**  
**as of December 31, 1999 and 1998**

<b>ASSETS</b>	<b>1999</b>	<b>1998</b>
<b>Current assets:</b>		
Cash and investments (Note 4)	\$30,106,781	\$23,688,600
Receivables:		
State assistance	3,429,133	—
Other	1,751,929	1,235,438
Inventory of materials and supplies	880,865	919,065
Prepaid expenses and other current assets	74,065	371,719
<b>Total current assets</b>	<u>36,242,773</u>	<u>26,214,822</u>
<b>Restricted assets:</b>		
Cash and cash equivalents (Note 4)	4,344,252	5,261,076
Receivables for capital assistance	436,655	586,832
<b>Total restricted assets</b>	<u>4,780,907</u>	<u>5,847,908</u>
<b>Property, facilities and equipment (Notes 5 and 7):</b>		
Land and buildings	12,187,192	10,576,854
Improvements	5,808,561	5,240,552
Revenue vehicles	84,147,850	78,610,520
Other equipment	21,214,861	17,976,176
<b>Total</b>	123,358,464	112,404,102
Less allowance for depreciation and amortization	<u>53,473,259</u>	<u>45,992,826</u>
<b>Property, facilities,     and equipment-net</b>	<u>69,885,205</u>	<u>66,411,276</u>
<b>Total assets</b>	<u>\$110,908,885</u>	<u>\$98,474,006</u>

(continued)

*The notes to the financial statements are an integral part of the financial statements.*

Southwest Ohio Regional Transit Authority

**Balance Sheets (continued)  
as of December 31, 1999 and 1998**

<b>LIABILITIES AND EQUITY</b>	<b>1999</b>	<b>1998</b>
<b>Current liabilities:</b>		
Accounts payable	\$1,970,496	\$1,632,008
Accrued payroll	567,076	453,757
Accrued payroll taxes and other benefits	4,099,981	3,953,281
Estimated claims payable (Note 9)	4,097,052	3,688,476
Other current liabilities	724,948	859,880
Advance from City of Cincinnati		
Income Tax-Transit Fund (Note 3)		
For current operations	1,919,350	1,028,793
For capital purposes	<u>21,061,448</u>	<u>9,823,963</u>
<b>Total current liabilities</b>	<u>34,440,351</u>	<u>21,440,158</u>
<b>Liabilities payable from restricted assets:</b>		
Capital expenditures payable	499,574	434,506
Deferred capital grants	4,045,620	5,177,689
Deferred assistance	<u>235,713</u>	<u>235,713</u>
<b>Total liabilities payable from             restricted assets</b>	<u>4,780,907</u>	<u>5,847,908</u>
<b>Other liabilities:</b>		
Capital lease obligation (Note 7)	1,376,358	1,376,358
Accrued pension cost (Note 8)	<u>426,063</u>	<u>673,305</u>
<b>Total other liabilities</b>	<u>1,802,421</u>	<u>2,049,663</u>
<b>Total liabilities</b>	<u>41,023,679</u>	<u>29,337,729</u>
<b>Equity:</b>		
Contributed capital - capital grants (Note 3)		
Federal	59,822,389	60,514,781
State	4,101,683	3,197,969
Local	<u>5,961,134</u>	<u>5,423,527</u>
<b>Total</b>	69,885,206	69,136,277
Retained earnings (Note 3)	<u>—</u>	<u>—</u>
<b>Total equity</b>	<u>69,885,206</u>	<u>69,136,277</u>
<b>Total liabilities and equity</b>	<u>\$110,908,885</u>	<u>\$98,474,006</u>

(concluded)

*The notes to the financial statements are an integral part of the financial statements.*

Southwest Ohio Regional Transit Authority

**Statements of Revenues, Expenses and Changes in Equity  
for the years ended December 31, 1999 and 1998**

	<b>1999</b>	<b>1998</b>
<b>Operating revenues:</b>		
Passenger fares for transit service	\$14,282,855	\$13,839,948
Special transit fares	528,375	328,506
Auxiliary transportation revenue	<u>572,506</u>	<u>606,366</u>
<b>Total</b>	<u>15,383,736</u>	<u>14,774,820</u>
 <b>Operating expenses other than depreciation:</b>		
Labor	31,992,297	30,551,966
Fringe benefits	12,703,822	12,710,993
Materials and supplies consumed	7,439,502	7,313,355
Services	2,611,856	2,552,504
Utilities	929,169	919,355
Casualty and liability	409,857	316,643
Taxes	824,618	776,060
Purchased transportation services	4,323,178	3,732,900
Leases and rentals	517,616	483,130
Miscellaneous	<u>1,081,775</u>	<u>1,180,816</u>
<b>Total</b>	<u>62,833,690</u>	<u>60,537,722</u>
 <b>Depreciation and Amortization (Note 5)</b>	<u>8,595,250</u>	<u>7,203,059</u>
<b>Total operating expenses</b>	<u>71,428,940</u>	<u>67,740,781</u>
 <b>Operating loss</b>	<u>(56,045,204)</u>	<u>(52,965,961)</u>
 <b>Non-operating revenues:</b>		
Federal operating grants and reimbursements (Note 6)	14,327,161	11,458,265
State operating grants, reimbursements and special fare assistance (Note 6)	4,715,673	6,855,517
Local operating grants and special fare assistance (Note 6)	4,027,698	3,595,545
Investment income	1,634,891	1,372,111
Non-transportation revenue	<u>288,212</u>	<u>296,205</u>
<b>Total</b>	<u>24,993,635</u>	<u>23,577,643</u>
 <b>Loss before operating assistance provided     by City of Cincinnati Income Tax-Transit Fund</b>	 (31,051,569)	 (29,388,318)
<b>Operating assistance from the City of Cincinnati     Income Tax-Transit Fund (Note 3)</b>	<u>22,456,319</u>	<u>22,185,259</u>
<b>Net loss</b>	<u>(8,595,250)</u>	<u>(7,203,059)</u>
<b>Effect of amortization of capital grants</b>	8,595,250	7,203,059
<b>Retained earnings—beginning of year</b>	—	—
<b>Retained earnings—end of year</b>	<u>\$ —</u>	<u>\$ —</u>

(continued)

*The notes to the financial statements are an integral part of the financial statements.*



Southwest Ohio Regional Transit Authority

**Statements of Revenues, Expenses and Changes in Equity (continued)  
for the years ended December 31, 1999 and 1998**

	1999	1998
<b>Contributed capital—beginning of year</b>		
Federal	\$60,514,781	\$53,816,963
State	3,197,969	3,184,361
Local	<u>5,423,527</u>	<u>3,425,115</u>
	<u>69,136,277</u>	<u>60,426,439</u>
<b>Capital grants earned</b>		
Federal	6,615,746	12,879,530
State	1,358,016	400,519
Local	<u>1,370,417</u>	<u>2,632,848</u>
	<u>9,344,179</u>	<u>15,912,897</u>
<b>Amortization of capital grants</b>		
Federal	(7,308,138)	(6,181,712)
State	(454,302)	(386,911)
Local	<u>(832,810)</u>	<u>(634,436)</u>
	<u>(8,595,250)</u>	<u>(7,203,059)</u>
<b>Contributed capital—end of year</b>		
Federal	59,822,389	60,514,781
State	4,101,683	3,197,969
Local	<u>5,961,134</u>	<u>5,423,527</u>
	<u>69,885,206</u>	<u>69,136,277</u>
<b>Equity—end of year</b>	<u>\$69,885,206</u>	<u>\$69,136,277</u>

(concluded)

*The notes to the financial statements are an integral part of the financial statements.*

Southwest Ohio Regional Transit Authority

**Statements of Cash Flows  
for the years ended December 31, 1999 and 1998**

	1999	1998
<b>Cash flows from operating activities:</b>		
Operating loss	\$(56,045,204)	\$(52,965,961)
Adjustments to reconcile to net cash used in operating activities		
Depreciation and amortization expense	8,595,250	7,203,059
Other	288,212	296,205
Effect of changes in assets and liabilities:		
Other receivables	(516,491)	(229,725)
Inventory	38,200	(78,501)
Prepaid expenses and other current assets	297,654	489,398
Accounts payable	338,488	(418,554)
Accrued payroll and related payroll taxes and other benefits	260,019	347,515
Estimated claims payable	408,576	637,951
Other liabilities	<u>(382,174)</u>	<u>19,691</u>
<b>Total adjustments</b>	<u>9,327,734</u>	<u>8,267,039</u>
<b>Net cash used in operating activities</b>	<u>(46,717,470)</u>	<u>(44,698,922)</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfer from City of Cincinnati Income Tax-Transit Fund	34,584,361	29,473,377
Other local operating assistance received	4,027,698	3,595,545
Federal operating and other assistance received	14,327,161	11,458,265
State operating and other assistance received	<u>1,286,540</u>	<u>8,635,440</u>
<b>Net cash provided by noncapital     financing activities</b>	<u>54,225,760</u>	<u>53,162,627</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital grants and other assistance received	8,383,887	13,261,741
Acquisition of fixed assets	<u>(12,025,711)</u>	<u>(14,805,111)</u>
<b>Net cash used in capital and related     financing activities</b>	<u>(3,641,824)</u>	<u>(1,543,370)</u>
<b>Cash flows from investing activities:</b>		
Net cash payments for investments	(10,322,579)	(14,376,937)
Income received from investments	<u>1,874,730</u>	<u>1,372,111</u>
<b>Net cash used in investing activities</b>	<u>(8,447,849)</u>	<u>(13,004,826)</u>
<b>Net decrease in cash and cash equivalents</b>	(4,581,383)	(6,084,491)
<b>Cash and cash equivalents, beginning of year</b>	<u>8,925,635</u>	<u>15,010,126</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$4,344,252</u>	<u>\$ 8,925,635</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
<b>Capital lease executed for revenue equipment</b>	<u>\$ —</u>	<u>\$ 1,376,358</u>

The notes to the financial statements are an integral part of the financial statements.

Southwest Ohio Regional Transit Authority

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998**

**1. Organization and Reporting Entity**

**A. Organization**

The Southwest Ohio Regional Transit Authority ("SORTA" or the "Authority") is responsible for the operation of the Greater Cincinnati public transit system. SORTA is organized under Sections 306.30 through 306.53 of the Ohio Revised Code and is not subject to income taxes. SORTA, which is the policy-making body for the transit system known as Metro, operates under an agreement with the City of Cincinnati (the "City") (see Note 3).

**B. Reporting Entity**

The Authority has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board 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 the City of Cincinnati or Hamilton County, Ohio. The Authority is, however, considered to be a related organization to the City of Cincinnati and Hamilton County by virtue of the City/SORTA agreement (see Note 3) and the fact that SORTA's Board of Trustees is appointed by the Hamilton County Board of Commissioners.

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 the City or Hamilton County accountable for SORTA. 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.

**2. Summary of Significant Accounting Policies**

**A. Basis of Accounting**

The accompanying financial statements were prepared in accordance with generally accepted accounting principles which require the accrual basis of accounting. Under this basis of accounting, revenues and expenses are recognized in the period earned or incurred. 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.

The measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, accountability, and the calculation of amounts due under the City/SORTA agreement (See Note 3).

**Notes to Financial Statements**  
**for the years ended December 31, 1999 and 1998 (continued)**

**B. Grants and Assistance**

Federal, state, and local grants for the acquisition of property, facilities, and equipment (capital grants) are held as restricted assets and as deferred capital grants until the expenditures are incurred. Such grants are credited to capital as the related expenditures are incurred. Capital grants are amortized to retained earnings in the amount of the annual depreciation on assets acquired with capital grants. Grants for operating assistance are generally recorded as revenue in the period to which the grant applies.

**C. Passenger Fares**

Passenger fares are recorded as revenue at the time services are performed and revenues pass through the farebox.

**D. 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 of three months or less when purchased to be cash equivalents.

**E. Investments**

The Authority's investments (including cash equivalents) are recorded at fair value except that short-term, highly liquid debt investments, with a remaining maturity at time of purchase of one year or less are reported at amortized cost.

*The Authority has invested funds in the State Treasury Asset Reserve of Ohio ("STAROhio"). STAROhio is an investment pool managed by the State Treasurer's office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price at which the investment could be sold.*

**F. Inventory of Materials and Supplies**

Materials and supplies are stated at cost, which is determined using the average cost method.

**G. Restricted Assets**

Restricted assets consist of funds received under various capital grants from the Federal Transit Administration ("FTA"), the Ohio Department of Transportation ("ODOT"), and the local matching share received from the City Income Tax-Transit Fund. These assets are restricted for capital and other project expenditures.

Southwest Ohio Regional Transit Authority

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998 (continued)**

**H. Property and Depreciation**

Property, facilities, and equipment are stated at cost and include expenditures which substantially increase the useful lives of existing assets. Maintenance parts are expensed when placed in service. Routine maintenance and repairs are expensed as incurred.

Assets acquired with capital grants or under capital lease are also included in property, facilities, and equipment, and depreciation/amortization of the cost of those assets is included in the Statements of Revenues, Expenses and Changes in Equity.

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

<b>Description</b>	<b>Years</b>
Land improvements	15
Revenue vehicles	4-12
Other equipment	3-10

**I. Claims**

As described in Note 9, SORTA is self-insured for public liability, personal injury, third-party property damage, and workers' compensation claims. SORTA recognizes a liability for such claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The liability recorded includes the estimated incremental expenses to be incurred to settle the claims, including legal fees. Claims liabilities are based on evaluations of individual claims and a review of experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The claims liabilities represent the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. Estimated future recoveries on settled and unsettled claims, such as subrogations, if any, are evaluated in terms of their estimated realizable value and deducted from the liability for unpaid claims. Any adjustments resulting from the actual settlement of the claims are reflected in earnings at the time the adjustments are determined.

**J. Compensated Absences**

Vacation pay is accrued and charged to expense as earned. Because rights to sick pay do not vest, SORTA recognizes such costs when they are incurred.

Southwest Ohio Regional Transit Authority

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998 (continued)**

**K. Budgetary Accounting and Control**

SORTA's annual budget, as provided by law, is prepared on the accrual basis of accounting. The budget includes amounts for current year revenues and expenses as well as new capital projects.

The Authority maintains budgetary control by not permitting total operating expenses and expenditures for individual capital projects to exceed their respective appropriations without approval by the Board of Trustees. No budget amendments were passed for 1999 and 1998. All appropriations lapse at year end.

**3. Federal Grants and Local Reimbursements**

SORTA receives operating and capital assistance from the U.S. Department of Transportation under the Urban Mass Transportation Act of 1964 ("the Act"), as amended. Among other requirements of the Act, state and local governments must provide a proportionate share of funds and/or support (as defined by the Federal Transit Administration guidelines) for operating and capital assistance.

In addition to Federal and state operating and capital assistance, funding is also provided by a portion of the City income tax approved by the residents of the City and designated for transit operations. Operating assistance provided from the City Income Tax-Transit Fund represents SORTA's net loss before such assistance, excluding depreciation/amortization and losses on the disposal of assets purchased with capital grants. Any portion unremitted for the year is recorded as a receivable. Any overadvanced amount for the year is recorded as an advance from the City Income Tax-Transit Fund or as deferred capital grants representing the Authority's matching local share requirements under the Act.

An agreement between the City and SORTA requires the City to maintain a transit fund into which the proceeds of the income tax designated for transit operations are deposited. This fund provides all necessary local (other than operating revenues) operating and capital assistance to SORTA. The agreement also contains certain provisions regarding service standards and fares. This agreement is of indefinite duration but may be terminated by providing 180 days written notice to the other party. If terminated, the City will assume all outstanding commitments that SORTA incurred in carrying out the agreement.

**4. Cash and Investments**

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code and the Authority's established policies. Accordingly, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is also permitted to invest its monies 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 for a period not exceeding thirty days with banks located within the State of Ohio with which the Authority has signed a Master Repurchase Agreement.

Southwest Ohio Regional Transit Authority

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998 (continued)**

At the time of making an investment, the Authority's Treasurer must reasonably expect that the investment can be held until maturity. To the extent possible, the Treasurer will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the Treasurer will not directly invest in securities maturing more than five years from the settlement date of purchase. The average weighted maturity of all securities cannot exceed two years.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), may pledge a pool of government securities valued at least 110% of the total value of public monies on deposit at the institution, or may deposit surety company bonds which when executed shall be for an amount in excess of collateral requirements. 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 must 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 security for public deposits and investments to 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 instrument, 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 restricted cash and cash equivalents of \$4,344,252, and unrestricted investments of \$30,106,781. The total cash, cash equivalents and investments of \$34,451,033 consists of \$1,003,754 in deposits and \$33,447,279 in investments.

**A. Deposits**

At December 31, 1999, the carrying amount of the Authority's deposits was \$1,003,754 and the bank balance was \$3,073,133 (primarily consisting of certificates of deposit). All of the bank balance was covered by federal depository insurance or surety bonds provided by a commercial insurance company.

**B. Investments**

The Authority's investments are detailed below and are categorized 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 for which the securities are held by the Authority or its agent in the Authority'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 the Authority's name. Category 3 includes

Southwest Ohio Regional Transit Authority

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998 (continued)**

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	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreements	\$ 2,100,000	\$ —	\$ —	\$ 2,100,000	\$ 2,100,000
U.S. Government securities	28,707,851	—	—	28,707,851	28,840,534
STAROhio				<u>2,639,428</u>	<u>2,639,428</u>
Total				<u>\$33,447,279</u>	<u>\$33,579,962</u>

The Authority's investment in STAROhio has not been categorized as to credit risk because it represents an investment pool that is not evidenced by securities that exist in physical or book entry form.

The Authority's deposits and investments are included in the accompanying balance sheets under the captions "Cash and cash equivalents" and "Investments".

**5. Property, Facilities, and Equipment**

Prior to 1986, under terms of the operating agreement with the City, SORTA agreed to operate transportation equipment and certain operating facilities which had been purchased by the City primarily under FTA and ODOT capital grants.

During 1986, the City transferred the title to existing transit system physical assets, except for real estate, construction projects and certain assets which had been conveyed to a bank under a sale and leaseback arrangement.

If the assets not conveyed by the City in 1986 (real estate, construction projects, and certain other assets having an estimated aggregate cost of approximately \$28.3 million at December 31, 1999) had been owned by SORTA, the provision for depreciation for the years ended December 31, 1999 and 1998 would have increased approximately \$650,000 in each year.

In case of termination of the City/SORTA operating agreement, all assets operated by SORTA for the City are to be returned to the City.



Southwest Ohio Regional Transit Authority

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998 (continued)**

**6. Grants, Reimbursements, and Special Fare Assistance**

Grants, reimbursements, and special fare assistance included in the Statements of Revenues and Expenses and Changes in Equity for the years ended December 31, 1999 and 1998 consist of the following:

	1999	1998
<b>Federal:</b>		
FTA-Operating Assistance	—	\$377,148
FTA-Planning Assistance	\$50,259	58,424
Federal Highway Administration Surface Transportation Program	1,457,590	248,737
Federal Highway Administration Congestion Mitigation Air Quality Program	—	117,166
Federal Emergency Management Agency	—	4,754
FTA-Maintenance and Other Assistance	<u>12,819,312</u>	<u>10,652,036</u>
Total	<u>\$14,327,161</u>	<u>\$11,458,265</u>
<b>State:</b>		
ODOT-Operating Assistance	—	\$3,245,356
ODOT-Elderly and Handicapped Grant	\$321,845	315,032
ODOT-Fuel Tax Reimbursement	761,369	725,470
ODOT-Maintenance and Other Assistance	<u>3,632,459</u>	<u>2,569,659</u>
Total	<u>\$4,715,673</u>	<u>\$6,855,517</u>
<b>Local:</b>		
Cincinnati Board of Education Contract	\$3,563,701	\$3,356,278
Hamilton County	338,603	204,246
Butler County	2,753	—
Warren County	100,193	9,517
Deerfield Township	11,224	12,752
City of Mason	<u>11,224</u>	<u>12,752</u>
Total	<u>\$4,027,698</u>	<u>\$3,595,545</u>

**7. Lease Commitments**

SORTA leases its administrative offices under lease agreements which are accounted for as operating leases. Rent expense under these leases, which includes certain short-term leases, was approximately \$274,000 in 1999 and \$302,000 in 1998. At December 31, 1999, the minimum future payments under leases with terms extending beyond one year are as follows:

Southwest Ohio Regional Transit Authority

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998 (continued)**

<u>Year</u>	<u>Amount</u>
2000	\$245,432
2001	253,797
2002	256,660
2003	235,821
2004	245,032
Thereafter	<u>1,235,122</u>
Total	<u>\$ 2,471,864</u>

SORTA also leases six revenue vehicles under a master lease-purchase agreement. Based on the terms of the agreement, it has been classified as a capital lease. The capitalized cost and accumulated amortization recorded for these vehicles amounted to \$1,376,358 and \$172,045 respectively, at December 31, 1999.

The agreement calls for semi-annual payments of interest with the entire principal balance due April 29, 2003. Future minimum lease payments under the capital leases are as follows:

<u>Year</u>	<u>Amount</u>
2000	\$ 67,744
2001	67,744
2002	67,744
2003	<u>1,410,231</u>
Total minimum lease payments	1,613,463
Less amount representing interest	<u>237,105</u>
Present value of net minimum lease payments	<u>\$1,376,358</u>

**8. Retirement Benefits**

**A. Public Employees Retirement System of Ohio**

**Plan Description.** Effective July 1, 1991, 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).

Southwest Ohio Regional Transit Authority

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998 (continued)**

**Funding Policy.** The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees other than law enforcement personnel are required to contribute 8.5% of their covered payroll to PERS. The 1999 and 1998 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 \$3,257,000, \$3,106,000, and \$2,673,000, respectively, equal to 100% of the required contribution for each year.

**B. Private Pension Plans**

**Plan Description.** Certain retirees (60 at January 1, 2000) continue to participate in the private pension plans which originated under the privately owned transit system (Cincinnati Transit, Inc.) acquired by the City in 1973. SORTA administers these single-employer, defined benefit pension plans and is reimbursed by the City for the costs of the plans (Note 3). The pension costs of the private plans are expected to decline in future years. The private pension plans do not issue stand alone financial reports.

**Funding policy.** SORTA has elected to pay benefits when due. As a result, the net pension obligation calculated below has not been discounted to take into consideration interest on contributions.

**Annual Pension Cost and Net Pension Obligation.** SORTA's annual pension cost and net pension obligation pertaining to the private pension plans as of and for the years ended December 31, 1999, 1998 and 1997 were determined using the unit credit actuarial cost method as follows:

	1999	1998	1997
Annual required contribution	—	—	—
Interest on net pension obligation	—	—	—
Actuarial adjustment to net pension obligation	<u>\$(142,444)</u>	<u>—</u>	<u>\$ 29,090</u>
Annual pension cost	(142,444)	—	29,090
Contribution/benefit payments made	<u>(104,798)</u>	<u>\$(125,657)</u>	<u>(152,489)</u>
Decrease in net pension obligation	(247,242)	(125,657)	(123,399)
Net pension obligation beginning of year	<u>673,305</u>	<u>798,962</u>	<u>922,361</u>
Net pension obligation end of year	<u>\$426,063</u>	<u>\$673,305</u>	<u>\$ 798,962</u>
Percentage of annual pension cost contributed	<u>—</u>	<u>—</u>	<u>524%</u>

Southwest Ohio Regional Transit Authority

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998 (continued)**

The net pension obligation was actuarially determined using a mortality assumption obtained from the Unisex Pension Table for 1984 and the 1999 and 1998 amounts are recognized as non-current liabilities on the accompanying balance sheets. Because future benefit increases are not assured and are not expected to be material, this factor was not considered in the determination of the net pension obligation and annual pension cost.

**C. Other Postemployment Benefits**

**Benefits Provided Through PERS.** In addition to the pension benefits described previously, PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides 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 percent of covered payroll. During 1999 and 1998, \$1,463,000 and \$1,395,000, respectively, of SORTA'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 \$524 million. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9.9 billion. The number of PERS benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

**Other Benefits Provided.** In addition to the other postemployment benefits provided by PERS, SORTA also provides postemployment health care benefits to former employees of Cincinnati Transit, Inc., who do not qualify for PERS health care benefits, and a \$1,500 life insurance benefit to each retired hourly employee. The life insurance benefits are provided through group insurance arrangements which are funded by SORTA through payment of monthly insurance premiums. The health care benefits were previously provided by group insurance arrangements which were funded by SORTA through payment of monthly insurance premiums. Effective March 1, 1997, SORTA became self-insured for such health care benefits. As of December 31, 1999, 14 individuals were receiving health care benefits and 283 individuals were eligible to receive life insurance benefits.

Southwest Ohio Regional Transit Authority

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998 (continued)**

SORTA has recorded the following accrued liabilities on its balance sheet for these postemployment benefits at December 31:

	<u>1999</u>	<u>1998</u>
Health care benefits	\$ 75,995	\$181,080
Life insurance benefits	\$221,606	\$218,705

These liabilities represent the present value of the estimated future health care benefits and life insurance premiums that are expected to be paid for retirees who were eligible for benefits as of each of the dates indicated. The liability for life insurance benefits includes a provision for estimated amounts which will be paid for existing employees. These liabilities were determined based on the following assumptions:

	1999	1998
Medical inflation assumptions	**	**
Future annual increases in life insurance premiums	2.00%	2.00%
Remaining life expectancy*	Individually Determined	
Medical		
Life	14.6 yrs.	14.6 yrs.
Interest factor	6.00%	6.00%

\* Based on U.S. National Center for Health Statistics, Vital Statistics of the U.S. 1994 (most recent available).

\*\* 8% in 2000, decreasing to 5% in 2006 and thereafter.

The total expense recognized by the Authority for postemployment benefits not provided under PERS was less than \$30,000 for each of the years ended December 31, 1999 and 1998, respectively.

**9. Risk Management**

SORTA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Blanket insurance coverage has been obtained to cover damage or destruction to the Authority's property and SORTA is self-insured for public liability, personal injury, and third-party property damage claims. In addition, the City of Cincinnati has appropriated \$2,000,000 of funds held in the City Income Tax-Transit Fund (see Note 3). These funds may be used to fund individual claims against SORTA to the extent that each claim is in excess of \$100,000 per incident. Claims expense and a liability are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Employee health care benefits are provided under a group insurance arrangement and, on January 1, 1995, the Authority became self-insured for workers' compensation benefits. Prior to 1995, SORTA was insured through the State of Ohio for workers' compensation

Southwest Ohio Regional Transit Authority

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998 (continued)**

benefits. The State of Ohio Bureau of Workers' Compensation continues to be liable for all claims prior to January 1, 1995. As shown below, the estimated amount due for workers' compensation claims is included in the accrual for estimated claims payable. SORTA carries liability insurance to cover any workers' compensation claim in excess of \$250,000. *The workers' compensation liability includes an amount for claims that may have been incurred but not reported.* The claims liability has been calculated on an actuarial basis considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic factors. Unpaid workers' compensation claims are discounted at 6%.

The changes in the liabilities for self-insured risks for the years ended December 31, 1999 and 1998 are as follows:

	<u>Workers' Compensation</u>	<u>Public Liability and Property Damage</u>	<u>Total</u>
Balance January 1, 1998	\$ 2,526,080	\$ 524,445	\$ 3,050,525
Claims net of changes in estimates	921,010	322,243	1,243,253
Payments	<u>(277,994)</u>	<u>(327,308)</u>	<u>(605,302)</u>
Balance December 31, 1998	3,169,096	519,380	3,688,476
Claims net of changes in estimates	584,903	547,874	1,132,777
Payments	<u>(340,947)</u>	<u>(383,254)</u>	<u>(724,201)</u>
Balance December 31, 1999	<u>\$ 3,413,052</u>	<u>\$ 684,000</u>	<u>\$ 4,097,052</u>

The liabilities above represent the Authority's best estimates based upon available information.

Settled claims have not exceeded the Authority's commercial insurance coverage for any of the past three years.

**10. Contingencies and Commitments**

**A. Litigation and Claims**

It is the Authority's policy, within certain limits (see Note 9), to act as self-insurer for certain insurable risks consisting primarily of public liability, property damage, and workers' compensation. At December 31, 1999, SORTA had been named in various public liability and property damage claims and suits along with certain environmental matters, some of which seek significant damages. *The ultimate outcome of those matters cannot be determined;* however, it is the opinion of management that any resulting liability to the Authority in excess of the amount provided for in the accompanying balance sheets, and which is not covered by insurance, will not have a material adverse effect on the Authority's financial position.

**Notes to Financial Statements  
for the years ended December 31, 1999 and 1998 (continued)**

**B. Federal and State Grants**

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

**C. Outstanding Commitments**

The Authority has outstanding commitments to purchase revenue vehicles at December 31, 1999 of \$2.8 million. These contracts are being financed primarily through federal grant programs.

**11. New Accounting Standards**

The Governmental 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 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.

Southwest Ohio Regional Transit Authority

**Supplemental Schedule of Expenditures of Federal Awards  
for the year ended December 31, 1999**

<b>Federal Grantor/Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal and Pass-through Grant Number</b>	<b>Grant Expenditures</b>
<b>U.S. Department Of Transportation</b>			
Federal Transit Cluster			
Direct Programs:			
Federal Transit Administration-Capital and Operating Assistance Formula Grants	20.507	OH-90-X152 OH-90-X176 OH-90-X203 OH-90-X233 OH-90-X265 OH-90-X276 OH-90-X308 OH-90-X319	\$ 94,865 575,519 165,853 1,223,636 1,163,336 1,521,579 1,114,655 <u>11,623,205</u>
<b>Total CFDA #20.507</b>			<u>17,482,648</u>
Passed-through the Ohio Department of Transportation-Federal Transit Administration- Capital Improvements Grant	20.500	OH-03-0164 OH-03-0169	40,918 <u>1,979,579</u>
<b>Total CFDA #20.500</b>			<u>2,020,497</u>
<b>Total-U.S. Department of Transportation-Federal Transit Cluster</b>			<u>19,503,145</u>
<b>U.S. Department of Transportation</b>			
Passed-through the Ohio Department of Transportation-Federal Highway Administration- Highway Planning and Construction Grants	20.205	9168	<u>1,457,590</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$20,960,735</u>

*See note to the Supplemental Schedule of Expenditures of Federal Awards*



Southwest Ohio Regional Transit Authority

**Note to the Supplemental Schedule of Expenditures of Federal Awards  
for the year ended December 31, 1999**

**1. Basis of Presentation**

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the Southwest Ohio Regional Transit Authority under programs financed by the U.S. government for the year ended December 31, 1999. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations", using the accrual basis of accounting in accordance with generally accepted accounting principles.

For purposes of the Schedule, federal awards include the following:

- Direct federal awards
- *Pass-through funds received from non-federal organizations made under Federally sponsored programs conducted by those 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  
Southwest Ohio Regional Transit Authority  
Cincinnati, Ohio

We have audited the financial statements of the Southwest Ohio Regional Transit Authority (the "Authority") 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 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. 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 misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, Authority management, federal awarding agencies, state funding agencies, pass-through entities and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

March 31, 2000

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

Board of Trustees  
Southwest Ohio Regional Transit Authority  
Cincinnati, Ohio

**Compliance**

We have audited the compliance of the Southwest Ohio 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 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 auditors' 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 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 each of 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.

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, federal awarding agencies, state funding agencies, pass-through entities and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

March 31, 2000

Southwest Ohio Regional Transit Authority

**Schedule of Findings and Questioned Costs  
for the Year Ended December 31, 1999**

**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 did not disclose any audit findings which are required to be reported under section .510(a) of OMB Circular A-133.
- Major Federal Financial Assistance Programs Identified for the Year Ended December 31, 1999:
  - Federal Transit Cluster:
    - CFDA #20.500 Federal Transit Capital Improvement Grants
    - CFDA #20.507 Federal Transit Capital and Operating Assistance Formula Grants
    - CFDA #20.205 Federal Highway Planning and Construction Grants
  - Dollar Threshold Used to Distinguish Between Type A and Type B Programs—\$628,822
  - The Authority is considered to be a Low Risk Auditee as defined under OMB Circular A-133.

**Findings Related to the Financial Statements that are Required to be Reported Under *Government Auditing Standards***

None

**Findings and Questioned Costs Relating to Federal Awards**

None

Southwest Ohio Regional Transit Authority

**Status of Prior Year Comments on Internal Control and Legal Compliance  
for the year ended December 31, 1999**

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

Southwest Ohio Regional Transit Authority

**Authority Officials  
as of December 31, 1999**

<b>BOARD OF TRUSTEES</b>	
President	Edward J. Babbitt
Vice President	Diane F. Price
Trustees	Peter D. Gomsak, Jr. Richard M. Haines Robert L. Harris Edwin J. Rigaud Donald L. Schott Elizabeth A. Stivers Timothy R. Williams

<b>ADMINISTRATION</b>	
General Manager	Paul Jablonski
Assistant General Manager – Administration	Barry E. Frank
Assistant General Manager – Operations	Michael L. Brown
Secretary-Treasurer	Robert J. Kaufman



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
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Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY  
HAMILTON 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 27, 2000