

***METRO REGIONAL
TRANSIT AUTHORITY***

*Single Audit
for the Year Ended
December 31, 2000*



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

We have reviewed the Independent Auditor's Report of the Metro Regional Transit Authority, Summit County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2000 to December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Metro Regional Transit Authority is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

July 12, 2001

This Page is Intentionally Left Blank.

METRO REGIONAL TRANSIT AUTHORITY

TABLE OF CONTENTS

	Page
FINANCIAL STATEMENTS:	
Independent Auditors' Report	1
Balance Sheets	2 - 3
Statements of Revenues, Expenses, and Changes in Equity	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12
SUPPLEMENTAL SCHEDULE:	
Schedule of Expenditures of Federal Awards	13
Note to Schedule of Expenditures of Federal Awards	14
REPORTS ON COMPLIANCE AND INTERNAL CONTROL:	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on the Audit Performed in Accordance with <i>Government Auditing Standards</i>	15
Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program	16-17
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	18
SCHEDULE OF PRIOR AUDIT FINDINGS	19

This Page is Intentionally Left Blank.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

We have audited the accompanying balance sheets of the Metro Regional Transit Authority (the "Authority") as of December 31, 2000 and 1999, and the related statements of revenues, expenses and changes in equity and of cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2000 is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2001, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

April 20, 2001

METRO REGIONAL TRANSIT AUTHORITY

BALANCE SHEETS DECEMBER 31, 2000 AND 1999

ASSETS	2000	1999
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 3,337,698	\$ 4,988,423
Investments (Note 2)	854,001	713,049
Receivables:		
Sales taxes	2,505,449	2,543,546
Federal operating assistance	-	16,176
State operating assistance	-	13,304
Trade and other	467,342	314,851
Materials and supplies inventory	348,127	409,995
Prepaid expenses	<u>1,578,416</u>	<u>17,844</u>
Total current assets	<u>9,091,033</u>	<u>9,017,188</u>
RESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	7,185	116,032
Federal capital assistance receivable	<u>59,979</u>	<u>130,400</u>
Total restricted assets	<u>67,164</u>	<u>246,432</u>
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	300,014	142,264
Land improvements	13,053,765	6,848,587
Buildings and improvements	9,762,258	9,756,565
Transportation equipment	37,761,180	38,093,521
Other equipment	<u>4,318,945</u>	<u>4,686,934</u>
Total	65,196,162	59,527,871
Less accumulated depreciation	<u>26,232,613</u>	<u>23,725,493</u>
Property, facilities and equipment - net	<u>38,963,549</u>	<u>35,802,378</u>
OTHER ASSETS:		
Notes receivable	35,000	40,000
Other assets	<u>30,341</u>	<u>35,469</u>
Total other assets	<u>65,341</u>	<u>75,469</u>
TOTAL ASSETS	<u>\$ 48,187,087</u>	<u>\$ 45,141,467</u>

(Continued)

METRO REGIONAL TRANSIT AUTHORITY

BALANCE SHEETS

DECEMBER 31, 2000 AND 1999

LIABILITIES AND EQUITY	2000	1999
CURRENT LIABILITIES:		
Bonds payable - current maturities (Note 3)	\$ 235,000	\$ 225,000
Accounts payable	524,579	417,922
Accrued payroll	1,088,551	1,047,341
Accrued payroll taxes	491,729	466,185
Other liabilities	<u>312,639</u>	<u>228,535</u>
Total current liabilities	<u>2,652,498</u>	<u>2,384,983</u>
NONCURRENT LIABILITIES:		
Bonds payable, less current maturities (Note 3)	1,765,000	2,000,000
Deferred capital grant	<u>105,036</u>	<u>104,460</u>
Total noncurrent liabilities	<u>1,870,036</u>	<u>2,104,460</u>
Total liabilities	<u>4,522,534</u>	<u>4,489,443</u>
EQUITY:		
Contributed capital:		
Federal grants	34,941,047	31,948,004
State grants	<u>1,757,417</u>	<u>1,758,398</u>
Total contributed capital	36,698,464	33,706,402
Retained earnings	<u>6,966,089</u>	<u>6,945,622</u>
Total equity	<u>43,664,553</u>	<u>40,652,024</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 48,187,087</u>	<u>\$ 45,141,467</u>

See notes to financial statements.

(Concluded)

METRO REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
OPERATING REVENUES:		
Passenger fares	\$ 3,631,684	\$ 3,243,896
Charter revenue	187,804	163,555
Advertising and concessions	<u>422,413</u>	<u>308,153</u>
Total operating revenues	<u>4,241,901</u>	<u>3,715,604</u>
OPERATING EXPENSES:		
Labor	12,193,783	11,584,073
Fringe benefits (Note 4)	5,567,436	5,165,453
Materials and supplies	3,669,211	2,248,147
Services	1,217,946	966,990
Utilities	389,456	326,265
Casualty and liability	486,489	511,051
Taxes	198,378	197,641
Purchased transportation service	1,874,063	1,749,085
Miscellaneous	<u>439,113</u>	<u>343,876</u>
Total operating expenses excluding depreciation	<u>26,035,875</u>	<u>23,092,581</u>
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	<u>(21,793,974)</u>	<u>(19,376,977)</u>
DEPRECIATION EXPENSE:		
On assets acquired with capital grants	4,482,492	3,658,622
On other assets	<u>198,375</u>	<u>170,573</u>
Total depreciation expense	<u>4,680,867</u>	<u>3,829,195</u>
OPERATING LOSS	<u>(26,474,841)</u>	<u>(23,206,172)</u>
NON-OPERATING REVENUES (EXPENSES):		
Sales tax revenues	16,715,885	15,412,100
Federal operating grants and reimbursements (Note 6)	3,604,630	2,396,527
State operating grants, reimbursements and special fare assistance (Note 6)	2,045,497	1,974,543
Student fare and other assistance	1,073,168	939,624
Interest income	317,637	281,111
Interest expense	(143,500)	(155,719)
Cost of comprehensive transportation study	(1,649,238)	
Other	<u>48,737</u>	<u>81,979</u>
Total non-operating revenues - net	<u>22,012,816</u>	<u>20,930,165</u>
NET LOSS	<u>\$ (4,462,025)</u>	<u>\$ (2,276,007)</u>

See notes to financial statements.

(Continued)

METRO REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2000 AND 1999

	Contributed Capital		Retained Earnings	Total
	Federal Grants	State Grants		
BALANCES AT JANUARY 1, 1999	\$ 25,465,661	\$ 1,477,416	\$ 5,563,007	\$ 32,506,084
CAPITAL CONTRIBUTIONS	9,946,710	475,237		10,421,947
NET LOSS FOR 1999			(2,276,007)	(2,276,007)
DEPRECIATION ON ASSETS ACQUIRED WITH CAPITAL GRANTS	<u>(3,464,367)</u>	<u>(194,255)</u>	<u>3,658,622</u>	<u> </u>
BALANCES AT DECEMBER 31, 1999	31,948,004	1,758,398	6,945,622	40,652,024
CAPITAL CONTRIBUTIONS	7,339,044	135,510		7,474,554
NET LOSS FOR 2000			(4,462,025)	(4,462,025)
DEPRECIATION ON ASSETS ACQUIRED WITH CAPITAL GRANTS	<u>(4,346,001)</u>	<u>(136,491)</u>	<u>4,482,492</u>	<u> </u>
BALANCES AT DECEMBER 31, 2000	<u>\$ 34,941,047</u>	<u>\$ 1,757,417</u>	<u>\$ 6,966,089</u>	<u>\$ 43,664,553</u>

See notes to financial statements.

(Concluded)

METRO REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 4,089,410	\$ 3,817,031
Cash payments to suppliers for goods and services	(15,150,035)	(11,786,376)
Cash payments to employees for services	<u>(12,127,029)</u>	<u>(11,650,098)</u>
Net cash used in operating activities	<u>(23,187,654)</u>	<u>(19,619,443)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Sales taxes received	16,753,982	15,406,033
Operating grants and other assistance received	6,752,775	5,450,566
Comprehensive transportation study expenditures	(1,649,238)	
Principal paid on bonds	(225,000)	(210,000)
Interest paid on bonds	(143,500)	(155,719)
Other	<u>58,865</u>	<u>92,107</u>
Net cash provided by non-capital financing activities	<u>21,547,884</u>	<u>20,582,987</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	7,545,551	10,637,352
Acquisition and construction of fixed assets	<u>(7,842,038)</u>	<u>(10,591,506)</u>
Net cash (used in) provided by capital and related financing activities	<u>(296,487)</u>	<u>45,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash payments for investments - net	(140,952)	(23,623)
Interest received from investments	<u>317,637</u>	<u>281,111</u>
Net cash provided by investing activities	<u>176,685</u>	<u>257,488</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,759,572)	1,266,878
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,104,455</u>	<u>3,837,577</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,344,883</u>	<u>\$ 5,104,455</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$(26,474,841)	\$(23,206,172)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	4,680,867	3,829,195
Change in assets and liabilities:		
Accounts receivable-trade	(152,491)	101,427
Materials and supplies inventory	61,868	(166,513)
Prepaid expenses	(1,560,572)	(7,947)
Accounts payable	106,657	(64,070)
Accrued payroll	41,210	110,080
Accrued payroll taxes	25,544	(176,105)
Other current liabilities	<u>84,104</u>	<u>(39,338)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (23,187,654)</u>	<u>\$ (19,619,443)</u>

See notes to financial statements.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2000 AND 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization - Metro Regional Transit Authority ("Metro" or the "Authority") was created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code for the purpose of providing public transportation in Summit County, Ohio. As a political subdivision it is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The Authority is not subject to federal or state income taxes.

Under Ohio law, the Authority is authorized to levy a sales and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .25 percent, .5 percent, 1 percent, or 1.5 percent if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and Summit County. During 1990, the voters of Summit County approved a .25 percent sales and use tax with no limit on its duration.

The Authority is managed by a 12-member Board of Trustees and provides virtually all mass transportation within Summit County.

Reporting Entity - The Authority has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board ("GASB") regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority has no component units nor is it considered a component unit of any other entity.

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization nor is any other organization accountable for Metro. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code.

Basis of Accounting - The Authority follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position and cash flows. All transactions are accounted for in a single enterprise fund.

In accordance with Statement No. 20 of the *GASB, 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 GASB.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity, at date of purchase, of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

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

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

Property, Facilities and Equipment - Property, facilities and equipment are stated at historical cost. The cost of maintenance and repairs is charged to operations as incurred.

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

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

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

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

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

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

The Federal Transit Administration (“FTA”) and the Ohio Department of Transportation (“ODOT”) provide financial assistance and make grants directly to the Authority for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenues over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and credited to contributed capital when the related qualified expenditures are incurred. Capital grants are amortized to retained earnings in the amount of the annual depreciation on assets acquired with capital grants. Capital grant funds received in advance of project costs being incurred are deferred.

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

2. DEPOSITS AND INVESTMENTS

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest in certificates of deposit, savings accounts, money market accounts, the State Treasurer’s investment pool (“STAROhio”), and obligations of the United States government and certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealers for a period not exceeding 30 days.

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

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

As of December 31, 2000, the Authority maintains unrestricted cash and cash equivalents of \$3,337,698, restricted cash and cash equivalents of \$7,185 and investments of \$854,001. The total cash, cash equivalents and investments of \$4,198,884 consist of \$2,064,883 in deposits and \$2,134,001 in investments.

Deposits

At December 31, 2000, the carrying amount of the Authority’s deposits was \$2,064,883 and the bank balance was \$2,202,518, \$200,000 of which was covered by the FDIC and \$2,002,518 of which was uninsured and uncollateralized as defined by the GASB. The uncollateralized deposits were, however, covered by a pledged collateral pool not held in the Authority’s name, as permitted under Ohio law.

Investments

The Authority’s investments are categorized below in accordance with the criteria established by the GASB to indicate the level of credit risk assumed as of December 31, 2000. Category 1 includes investments that are insured or registered, or for which the securities are held by the Authority or its agent in the Authority’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the Authority’s name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority’s name.

Description	Risk Category			Carrying/ Fair Value
	1	2	3	
Repurchase Agreements			\$ 1,280,000	\$ 1,280,000
U.S. Government Securities	\$ -	\$ 854,001		854,001
Totals	\$ -	\$ 854,001	\$ 1,280,000	\$ 2,134,001

3. DEBT

In June 1992, the Authority issued general obligation bonds, which are tax-exempt and have annual maturity dates through 2007. Bonds maturing on and after December 1, 2001 are subject to optional redemption by the Authority prior to maturity, beginning December 1, 2000. The outstanding bonds have varying interest rates of 5.4 percent to 6.8 percent.

A summary of the Authority’s future debt service requirements to retire the general obligation bonds as of December 31, 2000 is as follows:

Due In	Principal	Interest
2001	\$ 235,000	\$ 130,973
2002	250,000	116,520
2003	265,000	100,770
2004	285,000	83,678
2005	300,000	65,010
Thereafter	665,000	68,520
Total	\$ 2,000,000	\$ 565,471

4. EMPLOYEE RETIREMENT PLANS

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

Funding Policy - The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5 percent of their covered payroll to PERS. The 2000 employer contribution rate for local government employer units was 10.84 percent of covered payroll including 4.3 percent used to fund postretirement health care benefits. The 2000 rate reflected a temporary 20 percent rate rollback. The 1999 employer contribution rate for local government employer units was 13.55 percent of covered payroll including 4.2 percent 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, 2000, 1999 and 1998 were \$897,000, \$1,135,000 and \$1,108,000, respectively, equal to 100 percent of the required contribution in each year.

Health Care - PERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by PERS is considered an Other Postemployment Benefit (“OPEB”) as described in GASB Statement No. 12. A portion of each employer’s contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

The portion of the employer contribution rate used to fund health care for 2000 and 1999 was 4.3 percent and 4.2 percent, respectively, of covered payroll in each year. During 2000 and 1999, \$590,000 and \$510,000, respectively, of Metro’s total contribution to PERS was used for postretirement benefits. At December 31, 2000, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

OPEBs 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.

The OPEB is advanced-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 1999 actuarial computations (latest available) were as follows:

Funding Method. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

Investment Return. The investment return assumption rate for 1999 was 7.75 percent.

Active Employee Total Payroll. An annual increase of 4.75 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed from .54 percent to 5.1 percent.

Health Care. Health care costs were assumed to increase 4.75 percent.

At December 31, 1999 (latest information available), there were 401,339 active participants contributing to the Plan. The Authority's actuarially required OPEB contribution for 1999 equaled the amount contributed to PERS by Metro. In addition, at December 31, 1999, the actuarial value of the Plan's net assets available for OPEB approximated \$10.8 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12.5 billion and \$1.7 billion, respectively.

5. CONTINGENCIES

Federal and State Grants - Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2000, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority's management, no material grant expenditures will be disallowed.

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

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

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

	2000	1999
FEDERAL:		
FTA Maintenance and Other Assistance	\$3,436,576	\$2,160,712
FTA Operating Assistance	-	21,901
FTA Planning Grants	<u>168,054</u>	<u>213,914</u>
Total	<u>\$3,604,630</u>	<u>\$2,396,527</u>
STATE:		
ODOT Maintenance and Other Assistance	\$1,632,418	\$1,577,844
ODOT Elderly Fare Assistance	215,416	211,412
ODOT Fuel Tax Reimbursement	180,034	185,287
ODOT Other Assistance	<u>17,629</u>	<u>-</u>
Total	<u>\$2,045,497</u>	<u>\$1,974,543</u>

7. RISK MANAGEMENT

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

The Authority continues to carry commercial insurance for all other risks of loss, including workers’ compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. NEW ACCOUNTING STANDARDS

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

* * * * *

METRO REGIONAL TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2000

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Grant Number	Grant Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transit Cluster			
Direct Program:			
Federal Transit Administration - Capital and Operating Assistance Formula Grants			
	20.507	OH-90-X246	\$ 15,454
		OH-90-X262	42,854
		OH-90-X243	72,162
		OH-90-X294	12,500
		OH-90-X213	57,530
		OH-03-0170	1,016,023
		OH-90-X325	1,243,640
		OH-90-X303	227,071
		OH-90-X352	1,658,695
		OH-03-0166	4,478,966
		OH-90-X142	992,500
		OH-90-X247	1,000,000
		OH-90-X323	5,892
		OH-90-X352	57,656
		OH-90-X180	9,134
		OH-37-0002	<u>114,675</u>
Total CFDA #20.507			<u>11,004,752</u>
Total U.S. Department of Transportation - Federal Transit Cluster			<u>11,004,752</u>
Total Expenditures of Federal Awards			<u><u>\$ 11,004,752</u></u>

See note to Schedule of Expenditures of Federal Awards.

METRO REGIONAL TRANSIT AUTHORITY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2000

1. BASIS OF PRESENTATION

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

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

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

We have audited the financial statements of the Metro Regional Transit Authority (the "Authority") as of and for the year ended December 31, 2000, and have issued our report thereon dated April 20, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated April 20, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated April 20, 2001.

This report is intended solely for the information and use of the Board of Trustees, Authority management, federal awarding agencies 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

April 20, 2001



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

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

Compliance

We have audited the compliance of the Metro Regional Transit Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2000. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2000.

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 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

April 20, 2001

METRO REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2000

PART I - SUMMARY OF AUDITORS' RESULTS

- Type of Report issued on the Financial Statements as of and for the Year Ended December 31, 2000 - Unqualified
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements - N/A (None reported)
- Noncompliance Noted that is Material to the Financial Statements of the Authority - None
- Reportable Conditions in Internal Control Over Major Federal Financial Assistance Programs Disclosed by the Audit of the Financial Statements - N/A (None reported)
- Type of Report Issued on Compliance for Major Federal Financial Assistance Programs - Unqualified
- The audit disclosed no audit findings, which are required to be reported by OMB Circular A-133.
- Major Federal Financial Assistance Programs Identified for the Year Ended December 31, 2000:
 - Federal Transit Cluster
 - CFDA #20.507 Federal Transit Administration Capital and Operating Assistance Formula Grants
- Dollar Threshold Used to Distinguish Between Type A and Type B Programs as those terms are defined in OMB Circular A-133 - \$330,143
- The Authority is considered to be a Low Risk Auditee as defined under OMB Circular A-133.

PART II - FINANCIAL STATEMENT FINDINGS SECTION

None

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

None

METRO REGIONAL TRANSIT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 2000

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

METRO REGIONAL TRANSIT AUTHORITY

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 31, 2001**