

SINGLE AUDIT

For the Year Ended December 31, 2000

J. L. Uhrig & Associates, Inc.

CERTIFIED PUBLIC ACCOUNTANT

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South East Area Transit Authority 375 Fairbanks Street Zanesville, Ohio 43701

We have reviewed the Independent Auditor's Report of the South East Area Transit Authority, Muskingum County, prepared by J.L. Uhrig & Associates, Inc., for the audit period January 1, 2000 through 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 South East Area Transit Authority is responsible for compliance with these laws and regulations.

JIM PETRO Auditor of State

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J. L. Uhrig & Associates, Inc.

Certified Public Accountant

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Independent Auditor's Report

Board of Trustees South East Area Transit Authority 375 Fairbanks Street Zanesville, Ohio 43701

We have audited the accompanying general purpose financial statements of the South East Area Transit Authority (the Authority), a component unit of the City of Zanesville, Ohio, as of and for the year ended December 31, 2000. These general purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2000, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 26, 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. 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 when considering the results of our audit.

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

1. L. Uhrig & Associates, Inc.

J. L. UHRIG & ASSOCIATES, INC. Certified Public Accountant

February 26, 2001

Balance Sheet December 31, 2000

Assets:	
Current Assets:	
Cash and Cash Equivalents	\$35,785
Accounts Receivable	176,811
Inventory	19,514
Prepaid Service Fee	13,216
Prepaid Insurance	550
Total Current Assets	245,876
Property, Facilities and Equipment:	
Land	35,000
Buildings	670,697
Buses	1,328,984
Service and Staff Vehicles	73,249
Furniture, Fixtures and Equipment	442,299
Construction in Progress	345,707
Less: Accumulated Depreciation	(1,257,157)
Total Property, Facilities and Equipment - Net	1,638,779
Total Assets	\$1,884,655
Liabilities:	
Current Liabilities:	
Accounts Payable	\$30,781
Accrued Payroll	32,944
Accrued Payroll Taxes	8,149
Accrued Vacation	25,738
Other Current Liabilities	2,556
Total Current Liabilities	100,168
Long-Term Liabilities:	
Deferred Revenue	38,360
Total Liabilities	138,528
Equity:	
Contributed Capital	1,574,087
Retained Earnings	172,040
Total Equity	1,746,127
Total Liabilities and Equity	\$1,884,655_

See accompanying notes to the general purpose financial statements.

Statement of Revenues, Expenses and Changes in Equity For the Year Ended December 31, 2000

Operating Revenues:	
Full Adult Fares	\$111,551
Special Transit Fares	667,668
Charter Revenue	41,617
Advertising Revenue	26,775
Miscellaneous Income	32,809
Total Operating Revenues	880,420
Operating Expenses:	
Salaries	863,840
Fringe Benefits	291,607
Management Fees	129,071
Professional Services	24,845
Temporary Help	6,015
Contract Services	18,142
Fuel and Lubrication	134,258
Tires	18,867
Parts and Supplies	163,850
Utilities	30,971
Insurance	31,331
Dues and Subscriptions	4,011
Travel and Meetings	27,845
Advertising	40,196
Passenger Revenue Vehicles	25,102
General Administrative Facilities	27,371
Miscellaneous Expense	19,069
Depreciation Expense	194,278
Total Operating Expenses	2,050,669
Operating Income (Loss)	(1,170,249)
Nonoperating Revenues (Expenses):	
Federal Operating Grants and Assistance	469,737
State Operating Grants and Assistance	314,563
Local Operating Grants and Assistance	258,500
Interest Income	2,813
Total Nonoperating Revenue (Expenses)	1,045,613
Net Income (Loss)	(124,636)
Addback of Depreciation Expense to Contributed Capital	194,278_
Net Increase (Decrease) in Retained Earnings	69,642
Retained Earnings at Beginning of Year, As Restated	102,398
Retained Earnings at End of Year	172,040
	Continued

Statement of Revenues, Expenses and Changes in Equity For the Year Ended December 31, 2000

Contributed Capital at Beginning of Year	646,893
Contributed Capital:	
Federal Capital Grants	922,844
State Capital Grants	148,628
Local Capital Grants	50,000
Depreciation on Assets Acquired with Contributed Capital	(194,278)
Contributed Capital at End of Year	1,574,087
Total Equity at End of Year	\$1,746,127

See accompanying notes to the general purpose financial statements.

Statement of Cash Flows For the Year Ended December 31, 2000

Cash Flows from Operating Activities:	
Cash Received from Fares and Charters	\$755,657
Cash Received from Advertising	26,775
Cash Received from Other Receipts	32,809
Cash Payments for Operating and Administrative Expenses	(1,832,363)
Net Cash from Operating Activities	(1,017,122)
Cash Flows from Noncapital Financing Activities:	
Proceeds from Operating Grants and Assistance	1,065,068_
Net Cash from Noncapital Financing Activities	1,065,068
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Capital Grants	1,121,472
Payments for the Purchase of Property, Facilities & Equipment	(1,173,240)
Net Cash from Capital and Related Financing Activities	(51,768)
Cash Flows from Investing Activities:	
Cash Received from Interest	2,813
Net Cash from Investing Activities	2,813
Net Increase (Decrease) in Cash and Cash Equivalents	(1,009)
Cash and Cash Equivalents, Beginning of Year	36,794
Cash and Cash Equivalents, End of Year	\$35,785
Reconciliation of Operating Income (Loss) to Net Cash	
from Operating Activities:	
Operating Income (Loss)	(\$1,170,249)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
from Operating Activities:	
Depreciation Expense	194,278
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(65,179)
(Increase) Decrease in Prepaid Service Fee & Insurance	3,714
(Increase) Decrease in Inventories	24,470
	(2,066)
Increase (Decrease) in Accounts Payable	
Increase (Decrease) in Accounts Payable Increase (Decrease) in Accrued Liabilities	(2,372)
Increase (Decrease) in Accounts Payable Increase (Decrease) in Accrued Liabilities Increase (Decrease) in Other Liabilities	(2,372) 282
Increase (Decrease) in Accounts Payable Increase (Decrease) in Accrued Liabilities	(2,372)

See accompanying notes to the general purpose financial statements.

NOTE 1 - DESCRIPTION OF THE AUTHORITY AND REPORTING ENTITY

Description of the Authority

The South East Area Transit Authority (formerly Muskingum Authority of Public Transit and hereinafter referred to as the "Authority") was created pursuant to Sections 306.30 through 306.54 of the Ohio Revised Code for the purpose of providing public transportation in the City of Zanesville, Muskingum County, City of Cambridge and Guernsey County, as well as the south east Ohio area. The Authority is an independent political subdivision of the State of Ohio and thus is not subject to federal or state income taxes.

In 2000, the Authority had 42 full-time equivalent employees. Approximately 57% of the Authority's employees at December 31, 2000 are subject to a collective bargaining agreement expiring on March 31, 2003. The Authority delivered 921,074 miles of bus service within the Muskingum County, Guernsey County and the south east area of Ohio.

Description of the Reporting Entity

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

Under the provisions of GASB Statement No. 14, the Authority is considered to be a component unit of the City of Zanesville. The Authority is managed by a ten member Board of Trustees, who establishes policies and sets direction for the management of the Authority. Six of the members are appointed by the Mayor of Zanesville with the consent of City Council, two members are appointed by the Muskingum County Commissioners, and the remaining two members are appointed by the Guernsey County Commissioners and the Mayor of South Zanesville. Board members serve overlapping three-year terms.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Authority's accounting policies are described below.

Basis of Accounting

The accompanying financial statements have been prepared on 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.

SOUTH EAST AREA TRANSIT AUTHORITY Notes to the General Purpose Financial Statements

For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Budgetary Accounting and Control

The Authority's annual budget is prepared on the accrual basis of accounting as permitted by law. The Authority maintains budgetary control by not permitting total expenditures to exceed total appropriations without approval of the Board of Trustees.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in checking accounts and are stated at cost, which approximates market value. Cash and cash equivalents represent the funds that are used for the general operations. For purposes of the statement of cash flows, the Authority considers all highly liquid instruments with a maturity of three months or less at the time they are purchased to be cash and cash equivalents .

Inventory of Materials and Supplies

Inventory items are stated at the lower of the cost or market. Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

Property and Depreciation

Property, facilities and equipment are stated at historical cost. The cost of normal maintenance and repairs are charged to operations as incurred. Improvements and interest are capitalized and depreciated over the remaining useful lives of the related properties. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Description	Years
Buildings	20
Transportation Vehicles	15
Furniture and Fixtures	3 - 15
Other Equipment	5 - 15

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

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Recognition of Revenue and Receivables

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

The federal and state governments, through 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 and capital grant assistance is also provided by various local governments. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenues over the entitlement periods. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded and credited to contributed capital when the related qualified expenditures are incurred.

Compensated Absences

The Authority accrues vacation benefits as earned by its employees. Unused vacation benefits are paid to the employee upon separation from the Authority. Vacation days are limited to a maximum of twenty days. Unused sick leave benefits lapse upon an employee's separation from the Authority.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - PRIOR PERIOD ADJUSTMENT

During the previous year, the Authority misstated deferred revenue. This misstatement caused the Authority's retained earnings to be understated by \$127,047 at December 31, 1999. The adjustment from this misstatement required an increase in retained earnings of \$127,047 to \$102,398, and a decrease in deferred revenue of \$127,047 to \$16,092 as of January 1, 2000.

NOTE 4 - CASH AND INVESTMENTS

The investments and deposits of the Authority are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Authority to invest in monies in certificates of deposits, saving accounts, money market accounts, the State Treasurer's investment pool (STAROhio) and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository 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 with a market value equal to 105% of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security maintained for public deposits and investments be held in the Authority's name.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2000

NOTE 4 - CASH AND INVESTMENTS - (Continued)

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.

Deposits

The carrying amount of the Authority's deposit was \$35,785 at December 31, 2000 with a \$101,604 bank balance. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance of \$1,604 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board (GASB). The uncollateralized deposits were, however, covered by the financial institutions' risk pool for public deposits as governed by the Ohio Revised Code Section 135.

Investments

Investments are categorized into three (3) credit risk categories to give an indication of the level of risk assumed by the Authority at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agents in the Authority's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name.

The Authority held no investments at December 31, 2000.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2000 consisted of the following amounts:

Operating Accounts Receivable	\$169,699
Capital Grant Receivable	7,112
	\$176,811

An allowance for uncollectible accounts receivable is not considered necessary.

NOTE 6 - CONSTRUCTION IN PROGRESS

The construction in progress of \$345,707 is for a transit facility being developed in the vicinity of Main and Third Avenues in Zanesville, Ohio. The project is scheduled for completion by November, 2002 at an estimated cost of \$1.1 million, which will be funded primarily through federal and state capital assistance.

NOTE 7- <u>DEFERRED REVENUE</u>

In accordance with generally accepted accounting principles, revenue is recorded when earned (qualified expenses are incurred). Certain entities provided funding to the Authority based on a percentage of federal grants applied for, thus funds were received for which no qualified expenses had been incurred. These funds are recorded as deferred revenue. Deferred revenue is recorded as revenue on a first-in first-out basis. The following is the detail of deferred revenue as of December 31, 2000:

Entity	Restated Balance 12-31-99	2000 Additions (Recognition of Deferred Revenue)	2000 Deductions (Recognition of Qualified Expenses)	Balance 12-31-00
Muskingum County Job and Family Services	\$16,092	\$70,000	(\$51,092)	\$35,000
Zanesville City School District	0	2,000	(800)	1,200
Muskingum County Family and Children First	0	37,500	(35,340)	2,160
	\$16,092	\$109,500	(\$87,232)	\$38,360

NOTE 8- CONTRIBUTED CAPITAL

In accordance with the National Council of Governmental Accounting (NCGA) Statement No. 2, resources provided to finance only capital expenditures are recorded as contributed capital. Additions to contributed capital for the year ended December 31, 2000 are detailed in the statement of revenues, expenses and changes in equity.

NOTE 9 - PENSION OBLIGATIONS

Public Employees Retirement System

<u>Plan Description</u>: 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, publicly available annual financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to 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).

NOTE 9 - PENSION OBLIGATIONS - (Continued)

<u>Funding Policy</u>: The Ohio Revised Code provides statutory authority for employee and employer contribution rates to PERS. The contribution requirements of the plan members and the commission are established and may be amended by the Public Employees Retirement Board. The 2000 contribution rate for employees was 8.5% of qualifying gross wages. The Public Employees Retirement Board instituted a temporary employer contribution rate rollback for 2000. The 2000 contribution rate for local government employers was rolled back by 20%, from 13.55% to 10.84% of covered payroll. Of the employer contribution rate, 6.54% was the portion that was used to fund the pension benefit obligation. The Authority's required contributions to PERS for the years ending December 31, 2000, 1999 and 1998 were \$96,797, \$99,218 and \$70,470, respectively; each equal to their required contributions for each year.

<u>Postemployment Benefits</u>: In addition to the pension benefits described previously, PERS provides postretirement health care coverage to age and service retirants with ten (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. Other postemployment benefits are advance-funded on an actuarially determined basis. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2000 contribution rate for local government employers was temporarily rolled back by 20%, from 13.55% to 10.84% of covered payroll. Of the employer contribution rate, 4.30% was the portion that was used to fund health care. The portion of the Authority's contributions that was used to fund other postemployment benefits for the year ended December 31, 2000 amounted to \$38,397.

The Ohio Revised Code provides statutory authority for public employers to fund postemployment health care through their contributions to the PERS of Ohio. Other postemployment benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

As of December 31, 1999 the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million and the number of recipients eligible for OPEB payments were 401,339. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$12,473.6 million and \$1,668.1 million, respectively.

NOTE 10 - COMPENSATED ABSENCES

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

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

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

NOTE 11 - GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Grants, reimbursements and special fare assistance in the statement of revenues, expenses and changes in equity for the year ended December 31, consist of the following:

<u>Federal</u> :	
FTA Operating Assistance	\$469,737
<u>State</u> :	
ODOT Operating Assistance	\$290,068
ODOT Elderly Fare Assistance	24,495
Total	\$314,563
<u>Local</u> :	
City of Cambridge	\$62,000
City of Zanesville	155,000
Village of South Zanesville	4,000
Muskingum County	37,500
Total	\$258,500

NOTE 12 - 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 omission, employment related matters, injuries to employees and employee theft and fraud. The Authority joined together with certain other transit authorities in the State to form the Ohio Transit Insurance Pool Association, Inc. (OTIP). OTIP is 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 ten member transit agencies. The Authority pays an annual premium to OTIP for its general insurance coverage and makes quarterly payments into a loss and administration fund pursuant to OTIP's bylaws. The Agreement of Formation of the 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 \$10 million for liability claims.

NOTE 12 - RISK MANAGEMENT - (Continued)

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.

NOTE 13 - CONTINGENCIES

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

Schedule of Federal Awards Expenditures For the Year Ended December 31, 2000

Federal Grantor / Pass through Grantor / Program Title	Pass through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u> Passed through Ohio Department of Transportation:			
Federal Transit Capital Assistance Formula Grant Federal Transit Capital Assistance Formula Grant Federal Transit Operating Assistance Formula Grant Federal Transit Operating Assistance Formula Grant	OH-18-X015 OH-18-X017 OH-18-X018 OH-18-X019	20.507 20.507 20.507 20.507	\$42,280 571,589 481,140 228,111 1,323,120
Job Access and Reverse Commute Total U.S. Department of Transportation Total Federal Awards Expenditures	OH-18-X019	20.516	33,812 1,356,932 \$1,356,932

Note 1 - Significant Accounting Policies

The Authority prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

Note 2 - Matching Requirements

The Authority is required to contribute non-federal funds (matching funds) to support federally funded programs. The Authority has complied with the matching requirements. The expenditure of non-federal matching funds is not included in this schedule.

J. L. Uhrig & Associates, Inc.

Certified Public Accountant

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

Board of Trustees South East Area Transit Authority 375 Fairbanks Street Zanesville, Ohio 43701

We have audited the financial statements of the South East Area Transit Authority (the Authority), as of and for the year ended December 31, 2000, and have issued our report thereon dated February 26, 2001. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2000-01.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2000-02.

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

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

We noted other matters involving the internal control over financial reporting that we have reported to the management of the Authority in a separate letter dated February 26, 2001.

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

1. L. Uhriq & Associates, Inc.

J. L. UHRIG & ASSOCIATES, INC. Certified Public Accountant

February 26, 2001

J. L. Uhrig & Associates, Inc.

Certified Public Accountant

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

Board of Trustees South East Area Transit Authority 375 Fairbanks Street Zanesville, Ohio 43701

Compliance

We have audited the compliance of South East Area 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, 2000. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

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

Board of Trustees South East Area Transit Authority Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

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

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

1. L. Uhriq & Associates, Inc.

J. L. UHRIG & ASSOCIATES, INC. Certified Public Accountant

February 26, 2001

Status of Prior Audit Findings, Citations and Reportable Conditions For the Year Ended December 31, 2000

Findings for Recovery	<u>Status</u>	Explanation if Not Fully Implemented
There were no findings for recovery issued in the prior audit.	N/A	N/A
<u>Citations</u>		
There were no citations issued in the prior audit.	N/A	N/A
Reportable Conditions		
A reportable condition was issued in the prior audit that vehicle operators would occasionally use money bags instead of fareboxes for bus fare collections.	The installation of fareboxes into the buses was completed in August 2000.	N/A
A reportable condition was issued in the prior audit that certain accounting duties were not segregated due to the limited size of the accounting staff.	No significant change.	Board of Trustees involvement is still being considered.

SOUTH EAST AREA TRANSIT AUTHORITY Schedule of Findings and Questioned Costs For the Year Ended December 31, 2000

A. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number	2000-01
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Bidding Procedures for Contracts over \$25,000

Section 306.43, Ohio Revised Code, in summary, states that when an expenditure is expected to exceed \$25,000, such expenditure shall be made through full and open competition by the use of competitive procedures. The Authority purchased two buses from a manufacturer for \$250,752 each, but used the pooled purchases consortium contract of an out-of-state transit authority to purchase these buses, rather than bid these bus purchases out themselves.

Management Response: Unaware that they had to bid out the purchases rather than utilize a pooled purchases consortium contract of an out-of-state transit authority that had already bid out the purchases.

SOUTH EAST AREA TRANSIT AUTHORITY Schedule of Findings and Questioned Costs For the Year Ended December 31, 2000

Finding Number	2000-02

Segregation of Accounting Duties

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

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

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.



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SOUTH EAST AREA TRANSIT AUTHORITY MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED APRIL 17, 2001