



SOUTH EAST AREA TRANSIT AUTHORITY

SINGLE AUDIT

For the Year Ended December 31, 2002

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS





**Auditor of State
Betty Montgomery**

Board of Trustees
South East Area Transit Authority
375 Fairbanks Street
Zanesville, Ohio 43701-3043

We have reviewed the Independent Auditor's Report of the South East Area Transit Authority, Muskingum County, prepared by J. L. Uhrig and Associates, Inc., for the audit period January 1, 2002 to December 31, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 16, 2003

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SOUTH EAST AREA TRANSIT AUTHORITY

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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, 2002. 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 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 of America. 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, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 8, 2003 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.

Board of Trustees
South East Area Transit Authority
Independent Auditor's Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 8, 2003

SOUTH EAST AREA TRANSIT AUTHORITY

Balance Sheet

December 31, 2002

Assets:

Current Assets:

Cash and Cash Equivalents	\$273,663
Receivables:	
Accounts	95,940
Intergovernmental	160,496
Inventory	25,391
Prepaid Service Fee	4,051
Prepaid Insurance	600
<i>Total Current Assets</i>	<u>560,141</u>

Property, Facilities and Equipment:

Land	35,000
Buildings	670,697
Buses	1,686,387
Service and Staff Vehicles	73,249
Furniture, Fixtures and Equipment	450,731
Construction in Progress	1,177,085
Less: Accumulated Depreciation	(1,654,137)
<i>Total Property, Facilities and Equipment - Net</i>	<u>2,439,012</u>

Total Assets

\$2,999,153

Liabilities:

Current Liabilities:

Accounts Payable	\$34,545
Accrued Payroll	44,308
Accrued Payroll Taxes	6,496
Accrued Vacation	35,437
Other Current Liabilities	3,028
<i>Total Current Liabilities</i>	<u>123,814</u>

Equity:

Contributed Capital	1,055,932
Retained Earnings	1,819,407
<i>Total Equity</i>	<u>2,875,339</u>

Total Liabilities and Equity

\$2,999,153

See accompanying notes to the general purpose financial statements.

SOUTH EAST AREA TRANSIT AUTHORITY
Statement of Revenues, Expenses and Changes in Equity
For the Year Ended December 31, 2002

Operating Revenues:	
Full Adult Fares	\$117,240
Special Transit Fares	675,772
Charter Revenue	33,636
Advertising Revenue	28,300
Miscellaneous Income	90,486
<i>Total Operating Revenues</i>	<u>945,434</u>
Operating Expenses:	
Salaries	975,414
Fringe Benefits	408,884
Management Fees	159,364
Professional Services	42,827
Contract Services	19,564
Fuel and Lubrication	110,872
Tires	25,802
Parts and Supplies	122,773
Utilities	30,310
Insurance	71,213
Dues and Subscriptions	6,185
Travel and Meetings	8,610
Advertising	38,563
General Administrative Facilities	23,934
Miscellaneous Expense	4,512
Depreciation Expense	273,287
<i>Total Operating Expenses</i>	<u>2,322,114</u>
Operating Income (Loss)	(1,376,680)
Nonoperating Revenues:	
Federal Grants and Assistance	1,200,084
State Grants and Assistance	553,565
Local Grants and Assistance	310,667
Interest Income	4,043
<i>Total Nonoperating Revenues</i>	<u>2,068,359</u>
Net Income (Loss)	691,679
Addback of Depreciation Expense to Contributed Capital	<u>254,852</u>
Net Increase (Decrease) in Retained Earnings	946,531
Retained Earnings at Beginning of Year, As Restated	<u>872,876</u>
Retained Earnings at End of Year	<u>1,819,407</u>
Contributed Capital at Beginning of Year, As Restated	1,310,784
Depreciation on Assets Acquired with Contributed Capital	<u>(254,852)</u>
Contributed Capital at End of Year	<u>1,055,932</u>
Total Equity at End of Year	<u><u>\$2,875,339</u></u>

See accompanying notes to the general purpose financial statements.

SOUTH EAST AREA TRANSIT AUTHORITY

Statement of Cash Flows

For the Year Ended December 31, 2002

Cash Flows from Operating Activities:

Cash Received from Fares and Charters	\$820,356
Cash Received from Advertising	28,300
Cash Received from Other Receipts	90,486
Cash Payments for Operating and Administrative Expenses	(2,068,457)
Net Cash from Operating Activities	<u>(1,129,315)</u>

Cash Flows from Noncapital Financing Activities:

Proceeds from Noncapital Grants and Assistance	1,081,526
Net Cash from Noncapital Financing Activities	<u>1,081,526</u>

Cash Flows from Capital and Related Financing Activities:

Proceeds from Capital Grants and Assistance	853,828
Payments for the Purchase of Property, Facilities & Equipment	(866,560)
Net Cash from Capital and Related Financing Activities	<u>(12,732)</u>

Cash Flows from Investing Activities:

Cash Received from Interest	4,043
Net Cash from Investing Activities	<u>4,043</u>

Net Increase (Decrease) in Cash and Cash Equivalents (56,478)

Cash and Cash Equivalents, Beginning of Year 330,141

Cash and Cash Equivalents, End of Year \$273,663

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

Operating Income (Loss) (\$1,376,680)

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

Depreciation Expense 273,287

Changes in Assets and Liabilities:

(Increase) Decrease in Accounts Receivable (6,292)

(Increase) Decrease in Prepaid Service Fee & Insurance (1,122)

(Increase) Decrease in Inventories (988)

Increase (Decrease) in Accounts Payable (19,132)

Increase (Decrease) in Accrued Liabilities 2,471

Increase (Decrease) in Other Liabilities (859)

Total Adjustments 247,365

Net Cash from Operating Activities (\$1,129,315)

See accompanying notes to the general purpose financial statements.

SOUTH EAST AREA TRANSIT AUTHORITY
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 1 - DESCRIPTION OF THE AUTHORITY AND REPORTING ENTITY

Description of the Authority

The South East Area Transit Authority (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 2002, the Authority had 45 full-time equivalent employees. Approximately 77% of the Authority’s employees at December 31, 2002 are subject to a collective bargaining agreement expiring on March 31, 2003.

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 possibility 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.

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

SOUTH EAST AREA TRANSIT AUTHORITY
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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 .

Recognition of Receivables and Revenue

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

Grants and assistance revenues are received from reimbursable, nonreimbursable, and entitlement type grant programs. These grant programs involve transactions that are categorized as either government-mandated or voluntary nonexchange transactions. Grants and assistance revenues from government-mandated and voluntary nonexchange transactions are recorded as a receivable and nonoperating revenue when all eligibility requirements are met. Grants and assistance revenues received before the eligibility requirements are met are deferred.

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:

<u>Description</u>	<u>Years</u>
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.

SOUTH EAST AREA TRANSIT AUTHORITY
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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

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

The Authority previously implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". GASB Statement No. 33 establishes accounting and financial reporting guidelines about how and when to report the results of nonexchange transactions. GASB Statement No. 36 is a modification to the provisions of GASB Statement No. 33 for certain specific nonexchange revenues. In 2001, the Authority recorded capital grants as contributed capital, however, these GASB statements require such transactions to be recorded as revenue. As a result, a prior period adjustment has been made to restate \$468,580 of contributed capital to revenue. This adjustment had the effect of increasing retained earnings from the previous balance of \$404,296 to the restated balance of \$872,876, while decreasing contributed capital from the previous balance of \$1,779,364 to the restated balance of \$1,310,784.

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.

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.

SOUTH EAST AREA TRANSIT AUTHORITY
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 4 - CASH AND INVESTMENTS - (Continued)

Deposits

The carrying amount of the Authority's deposits was \$273,663 at December 31, 2002 with a \$308,507 bank balance. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance of \$208,507 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, 2002.

NOTE 5 - ACCOUNTS RECEIVABLE

Receivables at December 31, 2002 consisted of accounts (billings for user charges services) and intergovernmental grants. All receivables are considered collectible in full therefore, an allowance for uncollectible accounts receivable is not considered necessary.

A summary of the principal items of intergovernmental receivables at December 31, 2002 consisted of the following amounts:

Federal Operating Assistance Receivable	\$69,516
Federal Capital Grant Receivable	90,980
Total	<u>\$160,496</u>

NOTE 6 - CONSTRUCTION IN PROGRESS

The construction in progress of \$1,177,085 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 March, 2003 at an estimated cost of \$1.3 million, which will be funded through federal and state capital assistance.

SOUTH EAST AREA TRANSIT AUTHORITY
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 7 - DEFINED BENEFIT PENSION PLANS

The employees of the Authority are covered by the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple employer defined benefit pension plan. OPERS provides basic retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. OPERS issues a stand-alone publicly available annual financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The contribution requirements of the plan members and the commission are established and may be amended by the OPERS Board. The 2002 contribution rate for employees was 8.5% of qualifying gross wages. The 2002 contribution rate for local government employers was 13.55% of covered payroll. The Authority's contributions to the OPERS for the years ended December 31, 2002, 2001 and 2000 were \$129,168, \$129,504 and \$96,797, respectively; 100% has been contributed for year 2001 and 2000, and 92% has been contributed for 2002. Of the 2002 amount, \$9,791 was unpaid at December 31, 2002 and is recorded as a liability.

NOTE 8 - POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described above, the OPERS provides postemployment health care coverage to age and service retirants with ten (10) or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an other postemployment benefit as described in GASB Statement No. 12. Other postemployment benefits are advance-funded on an actuarially determined basis. A portion of each employer's contribution to the OPERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 contribution rate for local government employers 13.55% of covered payroll. Of the employer contribution rate, 5.0% 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, 2002 amounted to \$47,663.

The Ohio Revised Code provides statutory authority for public employers to fund postemployment health care through their contributions to the OPERS. 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, 2001 the actuarial value of net assets available for other postemployment benefits payments was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively. The number of active contributing participants at December 31, 2001 was 402,041.

NOTE 9 - COMPENSATED ABSENCES

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

SOUTH EAST AREA TRANSIT AUTHORITY
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 9 - COMPENSATED ABSENCES-(Continued)

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 10 - 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, 2002 consist of the following:

Federal:

FTA Capital Assistance	\$721,429
FTA Operating Assistance	478,655
Total	<u>\$1,200,084</u>

State:

ODOT Capital Assistance	\$204,964
ODOT Operating Assistance	336,448
ODOT Elderly Fare Assistance	12,153
Total	<u>\$553,565</u>

Local:

City of Cambridge	\$31,167
City of Zanesville	165,900
Village of South Zanesville	4,000
Village of Byesville	6,000
Guernsey County	66,100
Muskingum County	37,500
Total	<u>\$310,667</u>

SOUTH EAST AREA TRANSIT AUTHORITY
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 11 - 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 \$250,000 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.

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 12 - CONTINGENCIES

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

SOUTH EAST AREA TRANSIT AUTHORITY
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2002

Federal Grantor / Pass through Grantor / Program Title	Pass through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>			
<i>Passed through Ohio Department of Transportation:</i>			
Federal Transit Capital Assistance Formula Grant	OH-18-X015	20.507	\$12,360
Federal Transit Capital Assistance Formula Grant	OH-18-X019	20.507	639,877
Federal Transit Capital Assistance Formula Grant	OH-18-X021	20.507	17,999
Federal Transit Operating Assistance Formula Grant	OH-18-X021	20.507	462,459
			<u>1,132,695</u>
Job Access and Reverse Commute	OH-37-4015	20.516	101,636
<i>Total U.S. Department of Transportation</i>			<u>1,234,331</u>
<i>Total Federal Awards Expenditures</i>			<u>\$1,234,331</u>

Note 1 - Significant Accounting Policies

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

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.

**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, 2002, and have issued our report thereon dated May 8, 2003. 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 of America.

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 an instance on noncompliance that we have reported to the management of the Authority in a separate letter dated May 8, 2003.

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 certain matters involving the internal control over financial reporting that we have reported to the management of the Authority in a separate letter dated May 8, 2003.

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

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

J. L. Uhrig and Associates, I nc.

J. L. UHRIG AND ASSOCIATES, INC.

May 8, 2003

**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, 2002. 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 auditing standards generally accepted in the United States of America; 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, 2002.

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.

J. L. Uhrig and Associates, I nc.

J. L. UHRIG AND ASSOCIATES, INC.

May 8, 2003

SOUTH EAST AREA TRANSIT AUTHORITY
Status of Prior Audit Findings, Citations and Reportable Conditions
For the Year Ended December 31, 2002

<u>Findings for Recovery</u>	<u>Status</u>	<u>Explanation if Not Fully Implemented</u>
There were no findings for recovery issued in the prior audit.	N/A	N/A
 <u>Citations</u>		
There were no citations issued in the prior audit.	N/A	N/A
 <u>Reportable Conditions</u>		
A reportable condition was issued in the prior audit that certain accounting duties were not segregated due to the limited size of the accounting staff.	Corrected	N/A

SOUTH EAST AREA TRANSIT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2002

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 weaknesses reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
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**

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.



**Auditor of State
Betty Montgomery**

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 7, 2003**