

LORAIN COUNTY TRANSIT

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999



STATE OF OHIO
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Board of Trustees
Lorain County Transit
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We have reviewed the independent auditor's report of the Lorain County Transit, Lorain County, prepared by James G. Zupka, CPA, 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 Lorain County Transit is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 6, 2001

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LORAIN COUNTY TRANSIT
AUDIT REPORT
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Lorain County Transit
Elyria, Ohio

We have audited the accompanying financial statements of Lorain County Transit (the Transit), a component unit of Lorain County, Ohio, as of December 31, 2000 and 1999, and for the years then ended, as listed in the foregoing Table of Contents. These financial statements are the responsibility of the management of the Transit. Our responsibility is to express an opinion on these 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 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Transit, 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 generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Transit is dependent on Lorain County for operating and capital subsidies.

In accordance with Government Auditing Standards, we have also issued a report dated March 30, 2001 on our consideration of the Transit's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2000 and 1999 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 30, 2001

James G. Zupka
Certified Public Accountant

LORAIN COUNTY TRANSIT
BALANCE SHEET
DECEMBER 31, 2000 AND 1999

ASSETS

Current Assets

	2000	1999
Cash and Cash Equivalents	\$ 418,337	\$ 236,449
Receivables:		
Due from Federal Agencies	619,173	244,952
Due from State Agencies	116,949	154,944
Due from Local Agencies	208,836	55,161
Prepaid Insurance	5,066	2,628
Total Current Assets	1,368,361	694,134

Facilities and Equipment

Transportation Equipment	2,540,735	1,874,418
Facilities and Improvements	341,584	341,584
Office Furniture and Equipment	73,184	65,835
Total	2,955,503	2,281,837
Less: Accumulated Depreciation	1,043,993	936,881
Net Facilities and Equipment	1,911,510	1,344,956
Total Assets	\$3,279,871	\$2,039,090

LIABILITIES AND EQUITY

Liabilities

Accounts Payable	\$ 241,295	\$ 299,329
Deferred Revenue	2,924	2,160
Accrual Payroll and Related Benefits	58,784	46,271
Total Liabilities	303,003	347,760

Equity

Contributed Capital:		
Federal Grants	1,315,401	994,580
State and Local Grants	120,654	30,454
Total Contributed Capital	1,436,055	1,025,034
Retained Earnings	1,540,813	666,296
Total Equity	2,976,868	1,691,330
Total Liabilities and Equity	\$3,279,871	\$2,039,090

See accompanying notes to the financial statements.

LORAIN COUNTY TRANSIT
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

<u>OPERATING REVENUES</u>	<u>2000</u>	<u>1999</u>
Passenger Fares	\$ 148,550	\$ 177,981
Advertising Revenue	10,732	0
Other Revenue	8,885	4,687
Total Operating Revenues	<u>168,167</u>	<u>182,668</u>
<u>OPERATING EXPENSES EXCLUDING DEPRECIATION</u>		
Purchased Transportation	1,695,952	1,359,922
Administrative Salaries and Wages	213,337	148,758
Fringe Benefits	53,879	13,801
Materials and Supplies	20,602	11,088
Services	759,676	304,854
Tire Lease and Equipment Rental	29,712	15,397
Utilities	14,171	16,265
Casualty and Liability Insurance	6,376	3,600
Advertising	67,618	61,572
Miscellaneous	23,464	26,543
Total Operating Expenses Excluding Depreciation	<u>2,884,787</u>	<u>1,961,800</u>
Operating Loss Before Depreciation	<u>(2,716,620)</u>	<u>(1,779,132)</u>
Depreciation Expense (Note 1)	280,675	245,920
Operating Loss	<u>(2,997,295)</u>	<u>(2,025,052)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Federal Operating Grants and Reimbursements (Note 6)	1,362,198	1,297,158
State Operating Grants, Reimbursements, and Special Fare Assistance (Note 6)	266,806	414,434
Local Operating Grants and Reimbursements (Note 6)	1,934,744	439,857
Contributed Services	5,061	20,566
Interest Income	22,328	374
Net Total Operating Revenues	<u>3,591,137</u>	<u>2,172,389</u>
Net Income (Loss)	<u>\$ 593,842</u>	<u>\$ 147,337</u>

See accompanying notes to the financial statements.

LORAIN COUNTY TRANSIT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	<u>Contributed Capital</u>			<u>Total</u>
	<u>Federal Grants</u>	<u>State and Local Grants</u>	<u>Retained Earnings</u>	
Balance - December 31, 1998	\$ 1,123,969	\$ 159,937	\$ 273,039	\$ 1,556,945
Capital Contributions - 1999	388,544	0	0	388,544
Net Profit for 1999	0	0	147,337	147,337
Depreciation on Fixed Assets Acquired with Capital Grants - 1999	(196,736)	(49,184)	245,920	0
Disposal of Facilities and Equipment Acquired with Capital Grants - 1999	(321,197)	(80,299)	0	(401,496)
Balance - December 31, 1999	<u>\$ 994,580</u>	<u>\$ 30,454</u>	<u>\$ 666,296</u>	<u>\$ 1,691,330</u>
Capital Contributions - 2000	\$ 684,211	\$ 181,048	\$ 0	\$ 865,259
Net Profit for 2000	0	0	593,842	593,842
Depreciation on Fixed Assets Acquired with Capital Grants - 2000	(224,540)	(56,135)	280,675	0
Disposal of Facilities and Equipment Acquired with Capital Grants - 2000	(138,850)	(34,713)	0	(173,563)
Balance - December 31, 2000	<u>\$ 1,315,401</u>	<u>\$ 120,654</u>	<u>\$1,540,813</u>	<u>\$ 2,976,868</u>

See accompanying notes to the financial statements.

LORAIN COUNTY TRANSIT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

<u>OPERATING ACTIVITIES</u>	<u>2000</u>	<u>1999</u>
Cash Received from Customers	\$ 145,348	\$ 209,628
Cash Payments to Suppliers for Goods and Services	(2,803,072)	(1,767,812)
Cash Payments to Employees for Services	(254,703)	(156,590)
Net Cash Used in Operating Activities	<u>(2,912,427)</u>	<u>(1,714,774)</u>
<u>NONCAPITAL FINANCING ACTIVITIES</u>		
Operating and Planning Grants Received	2,134,174	1,228,339
Capital Grants Financing Operating Activities	937,813	607,606
Net Cash Provided by Noncapital Financing Activities	<u>3,071,987</u>	<u>1,835,945</u>
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received:		
Federal	684,211	388,544
State and Local	182,598	0
Capital Expenditures	(866,809)	(388,544)
Net Cash Provided by Capital and Related Financing Activities	<u>0</u>	<u>0</u>
<u>INVESTING ACTIVITIES</u>		
Interest Received from Investments	22,328	374
Net Increase (Decrease) in Cash and Cash Equivalents	<u>181,888</u>	<u>121,545</u>
Cash and Cash Equivalents, Beginning of Year	236,449	114,904
Cash and Cash Equivalents, End of Year	<u>\$ 418,337</u>	<u>\$ 236,449</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</u>		
Operating Loss	\$ (2,997,295)	\$ (2,025,052)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	280,675	245,920
Contributed Services	5,061	20,566
Changes in Assets and Liabilities:		
Due from Local Agencies	(153,675)	26,960
Accounts Payable and Deferred Revenue	(57,268)	13,491
Accrued Payroll and Related Benefits	12,513	5,969
Prior Period Adjustment	0	0
Other Current Assets/Liabilities	(2,438)	(2,628)
Net Cash Used in Operating Activities	<u>\$ (2,912,427)</u>	<u>\$ (1,714,774)</u>

See accompanying notes to the financial statements.

LORAIN COUNTY TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 1: **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Organization

Lorain County Transit (the “Transit”) was created pursuant to Section 306.01 through 306.13 of the Ohio Revised Code for the purpose of providing public transportation in Lorain 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 Transit is not subject to federal or state income taxes.

The Transit is managed by a seven-member Board of Trustees and provides virtually all public transportation within Lorain County.

Operations

Lorain County Transit has no dedicated local funding source. The Transit received local operating subsidies from Lorain County of \$1,616,794 and \$276,568 for years 2000 and 1999, respectively. The Transit is dependant on Lorain County for operating and capital subsidies. Management plans to continue requesting annual subsidies from Lorain County until such time as a dedicated local funding source is obtained (e.g., sales tax levy).

Reporting Entity

The Transit has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Transit. Under the criteria specified in Statement No. 14, the Transit has no component units. The Transit is, however, considered to be a component unit of Lorain County (the “County”) by virtue of the fact that the Transit’s Board of Trustees is appointed by the Lorain County Board of Commissioners and the County’s ability to impose its will on the Transit. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Transit is not financially accountable for any other organizations.

Basis of Accounting

The Transit 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.

LORAIN COUNTY TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(CONTINUED)

NOTE 1: **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Accounting (Continued)

In accordance with Statement No. 20 of the Governmental Accounting Standards Board *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Transit has elected not to apply the provisions of the statements and interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Transit will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

Cash and Investments

The Transit considers highly liquid investments, with an original maturity of three months or less, to be cash equivalents. Investments with an original maturity of three months or more are disclosed as investments.

As a governmental entity other than an external investment pool in accordance with GASB 31, the Transit's investments are stated at market value, except for interest-earnings investment contracts and money market investments that have maturity of one year or less at the time of purchase.

Equipment and Depreciation

Equipment is stated at historical cost. The costs of normal maintenance and repairs are charged to operations as incurred.

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>
Transportation Equipment	6-10
Other Equipment	10
Facilities	25

Depreciation recognized on assets acquired or constructed through grants externally restricted for capital acquisitions are 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.

LORAIN COUNTY TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(CONTINUED)

NOTE 1: **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Recognition of Revenue, Receivables, and Deferred Revenues

Passenger fares are recorded as revenue at the time services are performed.

The Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT) provide financial assistance and make grants directly to the Transit 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 received in advance of project costs being incurred are deferred. Subsidies from various local governments/agencies are recognized when received.

Contributed Services

The Transit records the fair value of contributed services as both operating expense and nonoperating revenue in the statement of revenues and expenses.

Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation time is accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date.

LORAIN COUNTY TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

Ohio law requires the classification of funds held by the Transit into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “cash equivalent” status for immediate use by the Transit. Such funds must be maintained either as cash in the Transit treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Interim deposits in eligible institution applying for interim funds;
5. Bonds and other obligations of the State of Ohio;

LORAIN COUNTY TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
7. The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Transit places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3 "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits

- | | |
|------------|--|
| Category 1 | Insured or collateralized with securities held by the Transit or by its agent in the Transit's name. |
| Category 2 | Collateralized with securities held by the pledging financial institution's trust department or agent in the Transit's name. |
| Category 3 | Uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Transit's name. |

LORAIN COUNTY TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Investments

- Category 1 Insured or registered, or securities held by the Transit or its agent in the Transit's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Transit's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Transit's name.

Deposits

All deposits are carried at cost. At year end, the carrying amount of the Transit's deposits were \$418,337 and \$236,449 at December 31, 2000 and 1999, respectively, with bank balances of \$425,399 and \$506,987. Of the bank balances, \$160,029 and \$118,117 was covered by Federal Depository Insurance in 2000 and 1999, respectively. The remaining amount of \$265,370 and \$388,870 for 2000 and 1999, respectively, was classified as risk category 3.

The Transit did not have any investments during 2000 and 1999.

NOTE 3: **DEFINED BENEFIT PENSION PLAN**

Effective July 1, 1991, all employees of the Transit are required to be members of the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer pension plan.

Public Employees Retirement System

The following information was provided by PERS of Ohio to assist the Transit in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*.

LORAIN COUNTY TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(CONTINUED)

NOTE 3: **DEFINED BENEFIT PENSION PLAN** (Continued)

Public Employees Retirement System (Continued)

The Lorain County Transit contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. 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 for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20 percent for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84 percent of covered payroll, 6.54 percent to fund the pension and 4.3 percent to fund health care. The 1999 and 1998 employer contribution rates were 13.55 percent. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The Transit's contributions to the PERS of Ohio for the years ending December 31, 2000, 1999, and 1998 were \$17,990, \$17,923, and \$20,247, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3 percent of covered payroll, which amounted to \$9,101.

LORAIN COUNTY TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(CONTINUED)

NOTE 3: **DEFINED BENEFIT PENSION PLAN** (Continued)

Public Employees Retirement System (Continued)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. 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. All investments are carried at market value. 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. The investment assumption rate for 1999 was 7.75 percent. 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 to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 1999 was \$10,805.5 million. 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 4: **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. Questioned costs could be identified during audits to be conducted in the future. In the opinion of the Transit's management, no material grant expenditures will be disallowed.

NOTE 5: **GRANTS, REIMBURSEMENTS, AND SPECIAL FARE ASSISTANCE**

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

LORAIN COUNTY TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(CONTINUED)

NOTE 5: **GRANTS, REIMBURSEMENTS, AND SPECIAL FARE ASSISTANCE**
(Continued)

	<u>2000</u>	<u>1999</u>
<u>Federal</u>		
FTA Operating Assistance	\$ 434,880	\$ 455,413
FTA Planning Grants	136,177	109,136
FTA Capital Grants Reimbursing Operating Expenses	791,141	732,609
Total	<u>\$1,362,198</u>	<u>\$1,297,158</u>
<u>State</u>		
ODOT Operating Assistance	\$ 33,206	\$ 169,186
ODOT Planning Assistance	17,022	11,486
ODOT Elderly Fare Assistance	69,906	66,807
ODOT Capital Grants Reimbursing Operating Expenses	143,402	166,955
ODOT Capital Assistance	3,270	0
Total	<u>\$ 266,806</u>	<u>\$ 414,434</u>
<u>Local</u>		
Operating Assistance and Reimbursements	\$1,934,744	\$ 439,857
Total	<u>\$1,934,744</u>	<u>\$ 439,857</u>

NOTE 6: **RISK MANAGEMENT**

The Transit is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God. Commercial insurance has been obtained through Schlather Insurance Agency, Inc. to cover damage or destruction to the Transit's property and for public liability, personal injury, and third-party property damage claims.

Employee health care benefits are provided under a group insurance arrangement and the Transit is insured through the State of Ohio for workers' compensation benefits.

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

The Transit's umbrella liability is protected by State Auto Insurance Company with a \$1,000,000 single occurrence and \$2,000,000 in aggregate limit. Vehicles are covered by State Auto Insurance Company and have a \$250 deductible for comprehensive collision. Automobile liability has a \$1,000,000 combined single limit of liability.

LORAIN COUNTY TRANSIT
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2000

Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grant Number	Grant Expenditures
<u>U.S. Department of Transportation</u>			
<u>Federal Transit Cluster</u>			
Federal Transit Administration			
Capital, Operating, and Planning Assistance			
Formula Grants:			
Capital Equipment Purchases	20.507		
		OH-05-0075	\$ 7,971
		OH-90-0278	2,119
		OH-90-0296	0
		OH-90-0318	0
		OH-90-0333	0
		OH-90-0357	329,742
		OH-90-0018	26,159
Capital Assistance from Operations		OH-90-0296	95,236
		OH-90-0318	280,405
		OH-90-0333	245,224
		OH-90-0357	170,276
Operating Assistance		OH-90-4296	100
		OH-90-4333	389,190
		OH-90-4357	45,590
Planning Assistance		OH-90-2333	125,773
		OH-90-2357	10,404
Discretionary Grant:			
Capital Equipment Purchases		SUA-0047-175-991	318,220
Total CFDA 20.207			<u>2,046,409</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,046,409</u></u>

See note to Supplemental Schedule of Expenditures of Federal Awards.

LORAIN COUNTY TRANSIT
NOTE TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Supplemental Schedule of Expenditures of Federal Awards reflects the expenditures of the Lorain County Transit under programs financed by the U.S. Government for the years ended December 31, 2000 and 1999. The schedule has been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED UPON AN AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Lorain County Transit
Elyria, Ohio

We have audited the financial statements of the Lorain County Transit (the Transit), a component unit of Lorain County, Ohio, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 30, 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 Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards,

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Transit'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 structure and its operation that we have reported to the management of the Transit in a separate letter dated March 30, 2001.

This report is intended for the information and use of the audit committee, members of Board, 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.

March 30, 2001

James G. Zupka
Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Lorain County Transit
Elyria, Ohio

Compliance

We have audited the compliance of the Lorain County Transit (the Transit), a component unit of Lorain County, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The Transit'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 Transit's management. Our responsibility is to express an opinion on the Transit's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted 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 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 Transit'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 Transit's compliance with those requirements.

In our opinion, the Transit complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the Transit 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 Transit'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.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Transit in a separate letter dated March 30, 2001.

This report is intended for the information and use of the audit committee, members of the Board, 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.

March 30, 2001

James G. Zupka
Certified Public Accountant

LORAIN COUNTY TRANSIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
TWELVE MONTHS ENDED DECEMBER 31, 2000

1. **SUMMARY OF AUDITOR'S RESULTS**

2000(i)	Type of Financial Statement Opinion	Unqualified
2000(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2000(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2000(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2000(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2000(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2000(v)	Type of Major Programs' Compliance Opinion	Unqualified
2000(iv)	Are there any reportable findings under &.510?	No
2000(vii)	Major Programs (list):	Federal Transit Cluster and Federal Transit Administration, Capital Operating and Planning Assistance Formula Grant (CFDA #20.507)
2000(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: > all others
2000(ix)	Low Risk Auditee?	Yes

LORAIN COUNTY TRANSIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
TWELVE MONTHS ENDED DECEMBER 31, 2000

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

None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LORAIN COUNTY TRANSIT

LORAIN 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
JUNE 14, 2001**