

Garcia & Sprouse

**CAPITAL METROPOLITAN TRANSPORTATION
AUTHORITY**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

**YEARS ENDED DECEMBER 31, 1990
AND 1989**

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Revenues, Expenses and Changes in Retained Earnings	3
Statement of Cash Flows - Year Ended December 31, 1990	4
Statement of Cash Flows - Year Ended December 31, 1989	5
Notes to Financial Statements	6-15
AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	16-17
AUDITORS' COMPLIANCE REPORT BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	18
INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE	19
Schedule of Federal Financial Assistance	20
AUDITORS' REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE) BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT OF THE FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT	21-23
AUDITORS' SINGLE AUDIT REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS	24
AUDITORS' SINGLE AUDIT OPINION ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS	25
AUDITORS' SINGLE AUDIT REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS	26
Schedule of Findings and Questioned Costs	27

Garcia & Sprouse

Certified Public Accountants

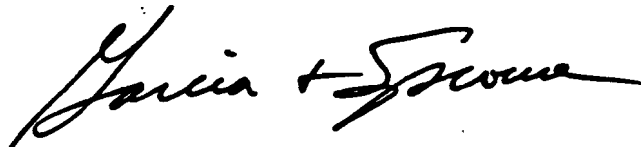
Board of Directors
Capital Metropolitan Transportation Authority
Austin, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the balance sheets of Capital Metropolitan Transportation Authority (Capital Metro) as of December 31, 1990 and 1989, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of Capital Metro management. 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 with generally accepted government auditing standards in accordance with OMB Circular A-128. 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 the 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, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Metropolitan Transportation Authority at December 31, 1990 and 1989 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



March 19, 1991

FINANCIAL STATEMENTS

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse

BALANCE SHEETS

DECEMBER 31, 1990 AND 1989

ASSETS

	<u>1990</u>	<u>1989</u>
CURRENT ASSETS		
Cash, including unrestricted investments of \$12,395,645 and \$6,282,975 (Note 2)	\$ 12,716,640	\$ 5,426,380
Receivables		
Federal/state grants receivable (Note 6)	594,466	652,377
Customers	294,396	281,135
Sales taxes (Note 11)	7,888,267	7,310,069
Current portion of note receivable (Note 8)	609,693	539,273
Inventory of parts and fuel	784,311	834,115
Prepaid expenses and other current assets	<u>598,706</u>	<u>407,750</u>
Total Current Assets	<u>23,486,479</u>	<u>15,451,099</u>
RESTRICTED ASSETS (Notes 2, 5, and 10)	<u>19,034,455</u>	<u>26,044,387</u>
PROPERTY AND EQUIPMENT (Note 12)		
Land and improvements	6,876,703	6,391,598
Buildings and improvements	21,707,329	21,418,248
Revenue vehicles	39,928,989	38,662,735
Non-revenue vehicles	389,446	375,057
Equipment	5,434,406	4,399,377
Passenger parking and stations	820,734	757,083
Leasehold improvements	<u>270,692</u>	<u>270,692</u>
	75,428,299	72,274,790
Less accumulated depreciation and amortization	<u>(17,831,435)</u>	<u>(12,909,924)</u>
	57,596,864	59,364,866
Construction in progress	<u>-0-</u>	<u>191,222</u>
Net Property and Equipment	<u>57,596,864</u>	<u>59,556,088</u>
NOTE RECEIVABLE, less current portion (Note 8)	9,702,944	10,312,637
RIGHT OF WAY (Note 6)	8,848,951	8,567,350
OTHER ASSETS (Note 7)	<u>319,417</u>	<u>396,235</u>
TOTAL ASSETS	<u>\$118,989,110</u>	<u>\$120,327,796</u>

LIABILITIES AND FUND EQUITY

	<u>1990</u>	<u>1989</u>
CURRENT LIABILITIES		
Current installments of certificates of participation (Note 4)	\$ -0-	\$ 6,595,000
Current installments of obligation under capital lease (Note 8)	609,693	539,273
Accounts payable	3,244,449	2,673,817
Accrued payroll, accrued payroll taxes and withholdings	797,112	595,512
Accrued vacation and sick leave	856,306	697,721
Deferred grant revenue	-0-	129,295
Other current liabilities	<u>69,802</u>	<u>347,081</u>
Total Current Liabilities	5,577,362	11,577,699
DEFERRED GAIN (Note 8)	930,597	1,030,031
PAYABLE FROM RESTRICTED ASSETS		
Due to employees - retirement plan (Note 10)	1,916,056	1,520,840
LIABILITY UNDER CAPITAL LEASE, less current installments (Note 8)	<u>9,702,944</u>	<u>10,312,637</u>
Total Liabilities	<u>18,126,959</u>	<u>24,441,207</u>
FUND EQUITY		
Contributed capital (Note 6)	<u>42,528,879</u>	<u>42,427,957</u>
Retained earnings		
Reserve for retirement of certificates of participation (Notes 4 and 5)	-0-	2,835,000
Reserve for self-insurance (Note 5)	2,500,000	2,000,000
Reserve debt service coverage (Note 5)	-0-	8,000,000
Reserve for operating contingency (Note 5)	2,718,399	2,624,002
Reserve for capital equipment replacement (Note 5)	6,900,000	4,000,000
Reserve for future public transportation mobility project (Note 5)	5,000,000	5,000,000
Unreserved/undesignated	<u>41,214,873</u>	<u>28,999,630</u>
Total Retained Earnings	58,333,272	53,458,632
Total Fund Equity	100,862,151	95,886,589
COMMITMENTS AND CONTINGENCIES (Notes 3, 8, 9, 10 and 13)	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$118,989,110</u>	<u>\$120,327,796</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse **STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

FOR THE YEARS ENDED DECEMBER 31, 1990 AND 1989

	<u>1990</u>	<u>1989</u>
OPERATING REVENUES		
Passenger	\$ 33,474	\$ 2,595,538
Third party	<u>3,207,622</u>	<u>3,229,868</u>
Total Operating Revenues	<u>3,241,096</u>	<u>5,825,406</u>
OPERATING EXPENSES (Note 3)		
Labor	15,855,640	15,426,300
Fringe benefits	6,593,915	5,678,239
Services	2,050,255	2,236,237
Materials and supplies	3,850,796	3,364,365
Utilities	498,329	394,103
Casualty and liability	626,406	1,142,652
Taxes	371,768	352,079
Purchased transportation	7,043,777	5,989,981
Leases and rentals	217,319	267,178
Miscellaneous	546,757	38,596
Depreciation and amortization	<u>5,297,909</u>	<u>4,259,683</u>
Total Operating Expenses	<u>42,952,871</u>	<u>39,149,413</u>
OPERATING LOSS	<u>(39,711,775)</u>	<u>(33,324,007)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue (Note 11)	38,599,332	37,434,492
Federal/State grants	3,150,557	215,761
Other revenue (expenses)		
Interest revenue, net of interest expense	1,665,525	2,095,211
Other revenue (expenses), net	<u>(1,450,792)</u>	<u>(2,118,984)</u>
Total Non-Operating Revenues	<u>41,964,622</u>	<u>37,626,480</u>
NET INCOME	2,252,847	4,302,473
ADD depreciation on fixed assets acquired by grants, entitlement and shared revenues externally restricted for capital acquisitions and construction that reduces contributed capital	<u>2,621,793</u>	<u>1,770,745</u>
Increase in Retained Earnings	<u>4,874,640</u>	<u>6,073,218</u>
RETAINED EARNINGS, Beginning	<u>53,458,632</u>	<u>47,385,414</u>
RETAINED EARNINGS, Ending	<u>\$ 58,333,272</u>	<u>\$ 53,458,632</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1990

CASH FLOWS FROM OPERATING ACTIVITIES

Operating loss	\$ (39,711,775)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization expense	5,310,430
Increase in customer receivables	(13,261)
Decrease in inventory	49,804
Increase in prepaid expenses and other current assets	(190,956)
Increase in accounts payable	570,632
Increase in accrued payroll, accrued payroll taxes and withholding	201,600
Increase in accrued vacation and sick leave	158,585
Decrease in other liabilities	(277,279)
Proceeds from Federal/State grants	✓ 3,150,557
Payments for public transportation mobility projects	<u>(2,229,118)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES (32,980,781)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash receipts from sales taxes	✓ 38,021,134
Other cash receipts	185,728
Other cash disbursements	<u>(16,272)</u>

NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES 38,190,590

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash paid for interest	✓ 404,828
Proceeds from capital grants	✓ 4,406,161
Refunds of capital grants	(1,312,783)
Purchases of capital assets	✓ 4,200,860
Proceeds from sale of fixed assets	✓ 360,236
Payments to UMTA for their portion of proceeds from sales of fixed assets	(234,227)
Payments for retirement of certificates of participation	<u>(6,595,000)</u>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (7,981,301)

CASH FLOWS FROM INVESTING ACTIVITIES

Cash receipts for interest	✓ 2,070,353
Transfers from restricted assets	<u>✓ 7,991,399</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES 10,061,752

NET INCREASE IN CASH AND CASH EQUIVALENTS 7,290,260

CASH AND CASH EQUIVALENTS, Beginning 5,426,380

CASH AND CASH EQUIVALENTS, Ending \$ 12,716,640

NONCASH INVESTING, CAPITAL AND FINANCIAL ACTIVITIES

As a result of the sale/leaseback transaction described in Note 8, the note receivable and capital lease obligation were reduced by \$539,273.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1989

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	<u>\$ 4,302,473</u>
Adjustments to reconcile net income to net cash provided by operating activities	
Decrease in receivables	3,034,681
Increase in inventory	(59,591)
Decrease in prepaid expenses and other current assets	125,902
Decrease in accounts payable	(2,314,962)
Increase in payroll payable	63,011
Decrease in vacation and sick leave payable	(92,439)
Increase in other current liabilities	106,753
Increase deferred grant revenue	129,295
Depreciation and amortization expense	4,259,683
Deferred gain on sale of fixed assets	<u>(99,435)</u>
Total Adjustments	<u>5,152,898</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>9,455,371</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash paid to purchase fixed assets - non-grant	(31,976)
Cash paid to purchase fixed assets - capital grant	(24,191,929)
Cash receipts from sale of fixed assets	19,355
Cash transferred from reserve accounts	<u>375,998</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(23,828,552)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash receipts from capital grants	19,661,323
Cash paid on certificates of participation	(3,505,000)
Cash paid to refund portion of contributed capital to UMTA	<u>-0-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>16,156,323</u>
NET INCREASE IN CASH EQUIVALENTS	<u>1,783,142</u>
CASH AND CASH EQUIVALENTS BALANCE, Beginning	<u>3,643,238</u>
CASH AND CASH EQUIVALENTS BALANCE, Ending	<u>\$ 5,426,380</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Garcia & Sprouse

DECEMBER 31, 1990 AND 1989

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Capital Metropolitan Transportation Authority (Capital Metro) is a corporate body and political subdivision of the State of Texas. Capital Metro was established by a referendum on January 19, 1985 to provide mass transportation service to the greater Austin metropolitan area. Capital Metro commenced operation on July 1, 1985.

This report includes the financial statements of Capital Metro. The criteria for including activities of Capital Metro in preparing its financial statements is in conformity with the Governmental Accounting Standards Board. Control by or dependence on Capital Metro was determined on the basis of budget adoption, taxing authority, authority to establish rates, obligation to fund any deficits that may occur, funding and selection of governing authority, funding and other evidence of financial independence and ability to exercise oversight responsibility.

Capital Metro operates under the direction of a board of directors in the public transportation services business segment. There are no other entities who exercise oversight responsibility over Capital Metro.

Basis of Accounting

Capital Metro records its financial transactions and prepares its financial statements on the accrual basis, whereby revenues and expenses are recognized in the period earned or incurred (similar to an enterprise fund). The measurement focus is upon capital maintenance and determination of net income, financial position and changes in financial position.

Inventory of Parts and Fuel

Parts and fuel inventory are stated at the lower of cost (weighted average method) or market.

Property and Equipment

Property and equipment are recorded at cost and are depreciated over their useful lives using the straight-line method as follows:

	<u>Estimated Useful Lives</u>
Buildings	40 years
Revenue equipment	3-12 years
Other equipment	3-10 years
Office furniture and fixtures	3-10 years

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse **NOTES TO FINANCIAL STATEMENTS (Continued)**

DECEMBER 31, 1990 AND 1989

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Property and equipment held under capital leases are stated at the lower of the present value of minimum lease payments at the beginning of the lease term or fair value at the inception of the lease. Amortization on these assets is calculated on the straight-line method over the shorter of the lease term or the estimated useful life of the assets.

Depreciation on and retirement of the portion of the cost of assets attributable to federal and state capital grants and to assets contributed to Capital Metro by the City of Austin are annually transferred to the respective contributed capital balance from undesignated retained earnings.

Expenditures for renewals and betterments which increase property lives are capitalized, and maintenance and repair costs are charged to operations as incurred.

Revenue Recognition

Operating Revenue - Passenger fares and charter revenues are recorded as revenue when the ticket is redeemed, regardless of when the ticket is sold.

Sales Tax Revenue - Sales tax revenue is accrued on a monthly basis. Actual collections of such revenues from the State of Texas normally take 60-150 days.

Deferred Revenue

Revenues applicable to future periods which are collected in the current period are recorded as deferred revenue.

Capital Improvement Grants

Capital Metro funds its capital improvements with sales tax monies, federal grants from the Urban Mass Transportation Administration (UMTA) and state matching funds. Funds for capital improvements received from federal/state grants are credited to contributed capital.

Compensated Absences

Substantially all employees receive compensation for vacations, holidays, illness and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation which has been earned and vested but not paid, has been accrued in the accompanying financial statements.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse **NOTES TO FINANCIAL STATEMENTS (Continued)**

DECEMBER 31, 1990 AND 1989

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Assistance Grants

Capital Metro receives certain other technical assistance and training grants. Such operating assistance grants are credited to income when earned.

Statement of Cash Flows

Capital Metro considers all unrestricted investments to be cash equivalents for purposes of the Statement of Cash Flows. Capital Metro has adopted GASB Statement 9 on reporting of cash flows of governmental entities that use proprietary fund accounting, effective for the year ended December 31, 1990. Capital Metro has opted not to restate the December 31, 1989 cash flows statement.

NOTE 2: CASH AND INVESTMENTS

Capital Metro is authorized to invest in various "approved securities" as outlined in Vernon's Revised Civil Statutes of the State of Texas. These securities include repurchase agreements, and certificates of deposit provided they are secured by collateral pledged directly to Capital Metro and direct obligations of the United States of America and its agencies. Investments are held in safekeeping in the name of Capital Metro.

Capital Metro's investments at December 31, 1990 and 1989 are shown below. Investments are stated at amortized cost which approximates market value.

	<u>December 31, 1990</u>	<u>December 31, 1989</u>
	<u>Carrying Amount</u>	<u>Carrying Amount</u>
<u>Time deposits</u>	\$ 2,300,000	\$ 4,665,000
<u>Overnight Repurchase Agreements</u>		
Securities held by dealer bank's trust department in Capital Metro's name	4,250,000	3,500,000
<u>Other Investments</u>		
U.S. Treasury Notes held by bank in safekeeping under Capital Metro's name	5,477,616	3,999,611
U.S. Treasury Strips held by bank in safekeeping under Capital Metro's name	3,064,064	3,293,455
Securities of government agencies and sponsored corporations	<u>14,422,364</u>	<u>15,283,911</u>

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse **NOTES TO FINANCIAL STATEMENTS (Continued)**

DECEMBER 31, 1990 AND 1989

NOTE 2: CASH AND INVESTMENTS (Continued)

	<u>December 31, 1990</u>	<u>December 31, 1989</u>
	<u>Carrying Amount</u>	<u>Carrying Amount</u>
TOTAL INVESTMENTS	29,514,044	30,741,977
Amounts classified as restricted assets (Note 5)	<u>(17,118,372)</u>	<u>(24,452,002)</u>
TOTAL UNRESTRICTED INVESTMENTS	\$ 12,395,645	\$ 6,289,975

The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

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

	<u>CATEGORY</u>		
	<u>1</u>	<u>2</u>	<u>3</u>
U.S. Government securities	\$ 8,541,680	\$ -0-	\$ -0-
Securities of Federal Agencies	18,672,364	-0-	-0-
Certificates of deposit	<u>2,300,000</u>	<u>-0-</u>	<u>-0-</u>
Total Investments	\$ 29,514,044	\$ -0-	\$ -0-

On December 31, 1990, Capital Metro had uncollateralized funds of \$37,313.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse **NOTES TO FINANCIAL STATEMENTS (Continued)**

DECEMBER 31, 1990 AND 1989

NOTE 3: CONTRACTS WITH AMERICAN TRANSIT CORPORATION AND MANAGEMENT LABOR SERVICES

Capital Metro contracted for operating personnel with American Transit Corporation (ATC) for the period of January 1 through March 31, 1989 and with Management Labor Services (MLS) for the period of April 1, 1989 through December 31, 1990. ATC and MLS are reimbursed monthly for payroll and fringe benefit costs associated with those personnel. The reimbursements to ATC and MLS were as follows:

	<u>1990</u>	<u>1989</u>
Transportation expenses	\$10,472,733	\$10,410,381
Maintenance expenses	3,652,706	3,546,138
General and administrative expenses	<u>941,539</u>	<u>930,280</u>
	<u>\$15,066,978</u>	<u>\$14,886,799</u>

NOTE 4: CERTIFICATES OF PARTICIPATION

On December 23, 1985, Capital Metro issued a series of Certificates of Participation (the Certificates) in connection with the lease-purchase of 100 buses and related equipment. The Certificates, secured by the buses and related equipment, bear interest at 5.75% to 7.5% and were due as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1990	<u>\$6,595,000</u>	<u>\$425,438</u>	<u>\$7,020,438</u>

Principal and interest relating to these certificates of participation were paid in full in December 1990.

Proceeds from the sale of the Certificates were restricted to the reserve fund, debt issuance costs and expenditures for the acquisition of additional buses and related capital equipment (Note 5). A majority of the buses and related capital equipment were purchased by Capital Metro in 1986.

The reserve for certificate of participation retirement, as well as interest earned on the reserve account, were restricted to retirement of the certificates of participation and related interest at December 31, 1989.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse **NOTES TO FINANCIAL STATEMENTS (Continued)**

DECEMBER 31, 1990 AND 1989

NOTE 5: RESTRICTED ASSETS

Portions of fund equity have been reserved through board directives for specific uses. Fund equity reserves at December 31, 1990 and 1989 consist of:

	<u>1990</u>	<u>1989</u>
Reserve for certificates of participation retirement (Note 4)	\$ -0-	\$ 2,835,000
Earned interest-reserve for certificates of participation retirement (Note 4)	-0-	64,545
Reserve for self-insurance	2,500,000	2,000,000
Retirement plan assets (Note 10)	1,916,056	1,520,840
Reserve for debt service coverage	-0-	8,000,000
Reserve for operating contingency	2,718,399	2,624,002
Reserve for capital equipment replacement	6,900,000	4,000,000
Reserve for future public transportation mobility project	<u>5,000,000</u>	<u>5,000,000</u>
TOTAL RESERVED FUNDS	<u>\$19,034,455</u>	<u>\$26,044,387</u>
Restricted assets relating to the reserved funds consist of:		
Investments (Note 2)	\$17,118,399	\$24,459,002
Retirement plan money market funds	1,916,056	1,520,840
Certificates of participation money market	<u>-0-</u>	<u>64,545</u>
	<u>\$19,034,455</u>	<u>\$26,044,387</u>

The reserve for certificates of participation retirement and the reserve for self-insurance are secured by various obligations of municipalities and the Federal government.

Retirement plan assets are held in trust and consist principally of bank money market funds.

NOTE 6: GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

Capital Metro has entered into several contracts with the federal government under the Urban Mass Transportation Act of 1964 (UMTA), as amended, whereby Capital Metro receives financial assistance of generally 80% of the cost of certain capital improvement projects. The State of Texas also provides matching funds of up to 13% of the total cost on certain grants. For the years ended December 31, 1990 and 1989, Capital Metro received grant funds totalling \$3,164,762 and \$19,021,005 respectively, related to capital improvement projects. Such amounts have been credited to contributed capital.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1990 AND 1989

NOTE 6: GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS (Continued)

Under such grants, Capital Metro purchased right-of-way property for a light rail development project. Should this right-of-way not be used for its intended purpose, UMTA may require Capital Metro to refund the 80% portion of the purchase price which was funded by UMTA.

NOTE 7: CITY OF AUSTIN

During Capital Metro's inception, a transition agreement with the City of Austin was entered into to develop a street repair program. In 1987, a joint transportation program was developed which included street repairs/construction and maintenance, and transit capital improvement. Under the terms of the program, Capital Metro paid the City of Austin approximately \$875,000 in 1988. Of this amount, \$419,000 was capitalized and will be amortized over 15 years, the remainder was charged to operations in 1987.

NOTE 8: LEASES

In December, 1986, Capital Metro sold certain revenue equipment with a book value of \$13,471,142 in a sales/leaseback transaction. In consideration for the sale of the equipment, Capital Metro received cash of \$1,342,371 and a note receivable for \$12,124,028. The note receivable bears interest at 12.3% and is due as follows:

1991	\$	609,693
1992		689,285
1993		779,276
1994		831,636
Thereafter		<u>7,402,747</u>
		10,312,637
Current portion		<u>(609,693)</u>
Long-term portion	\$	<u>9,702,944</u>

The lease has a term of 162 months and has been accounted for as a capital lease. The transaction resulted in a gain of \$1,342,371 which has been deferred and is being amortized over the remaining useful life of the equipment.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

Garcia & Sprouse

DECEMBER 31, 1990 AND 1989

NOTE 8: LEASES (Continued)

Future minimum lease payments under the terms of the foregoing agreement are as follows:

	<u>CAPITAL LEASES</u>
1991	\$ 1,847,943
1992	1,847,943
1993	1,847,943
1994	1,847,943
Thereafter	<u>10,163,642</u>
Total Minimum Lease Payments	17,555,414
Less Amounts Representing Interest at 12.3%	<u>(7,242,777)</u>
	10,312,637
Less Current Maturities	<u>(609,693)</u>
	<u>\$ 9,702,944</u>

NOTE 9: COMMITMENTS

Capital Metro has outstanding contracts for construction projects and other services totalling approximately \$2,393,248 as of December 31, 1990. This amount includes both client construction contracts as well as contracts for professional services related to the construction project.

In 1989, Capital Metro executed a five year contract with the University of Texas (UT) to provide bus service to UT students. Over the term of the contract, Capital Metro will receive \$15,925,200 from UT, adjusted for variable items such as fuel and service hours.

In 1990, Capital Metro committed funds, not to exceed \$2,300,000, to the City of Austin for the construction of transit related facilities at the Austin Convention Center.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

Garcia & Sprouse

DECEMBER 31, 1990 AND 1989

NOTE 10: RETIREMENT PLAN

Capital Metro's employees are covered by a defined contribution pension plan that is intended to qualify under Internal Revenue Code Section 401(k). The plan covers substantially all employees with over six months of experience. Employee contributions are made through direct salary reductions and are matched by Capital Metro up to 2.5% of compensation. Additionally, Capital Metro makes contributions of 3.5% (subject to annual revision from 0% to 10%) of compensation. This contribution vests to the employee over a seven year period. Pension expense for the years ended December 31, 1990 and 1989 under the plan was approximately \$249,138 and \$216,000, respectively.

All Management Labor Services (Note 3) employees are covered by a MLS contributory defined benefit plan. The plan covers substantially all employees with over one year of service. Employee contributions are made through direct salary deductions. Capital Metro's weekly contributions to the plan are based upon 2.75% of the top operator's hourly wage, multiplied by 40 hours and by the aggregate number of eligible employees. The contribution vests to the employee over a ten year period. Contributions by Capital Metro totalled approximately \$264,836 and \$256,000 for the years ended December 31, 1990 and 1989, respectively.

NOTE 11: REVENUE FROM SALES TAX

The Board of Directors voted to expand the base of the sales tax to include telephone services, effective July 1, 1989.

Beginning with the fourth quarter of 1989, sales tax revenue distributions from the State of Texas were made on a quarterly basis. Due to the passage of House Bill 1279, Capital Metro will receive allocations from the State of Texas each March, June, September, and December.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

Garcia & Sprouse

DECEMBER 31, 1990 AND 1989

NOTE 12: PROPERTY AND EQUIPMENT

The following table summarizes the changes in the components of property and equipment for the year ended December 31, 1990:

	<u>1989</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>RECLASSI- FICATION</u>	<u>1990</u>
Land and improvements	\$ 6,391,598	\$ 538,529	\$ 53,424	\$ -0-	\$ 6,876,703
Buildings and improvements	21,418,248	36,861	31,756	283,976	21,707,329
Revenue vehicles	38,662,735	2,053,297	787,043	-0-	39,928,989
Non-revenue vehicles	375,057	14,388	-0-	-0-	389,445
Equipment	4,399,377	1,045,841	84,749	73,938	5,434,407
Passenger parking and stations	757,083	14,868	-0-	48,783	820,734
Leasehold improvements	270,692	-0-	-0-	-0-	270,692
Construction in progress	<u>191,222</u>	<u>215,475</u>	<u>-0-</u>	<u>(406,697)</u>	<u>-0-</u>
	<u>\$72,466,012</u>	<u>\$3,919,259</u>	<u>\$956,972</u>	<u>\$ -0-</u>	<u>\$75,428,299</u>

NOTE 13: CONTINGENT LIABILITY

Various claims have been asserted against the Authority ranging from \$340,000 to \$415,000. These claims stem from personal injuries involving Authority property.

The Authority feels they have no liability for payment of personal injuries to the plaintiffs and plans to vigorously defend all allegations.

Garcia & Sprouse

Certified Public Accountants

Board of Directors
Capital Metropolitan Transportation Authority
Austin, Texas

AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Capital Metropolitan Transportation Authority (Capital Metro) as of and for the year ended December 31, 1990, and have issued our report thereon dated March 19, 1991.

We conducted our audit in accordance with generally accepted auditing standards and 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.

In planning and performing our audit of the financial statements of Capital Metro for the year ended December 31, 1990, we considered its internal control structure 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 structure.

The management of Capital Metro is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Garcia & Sprouse

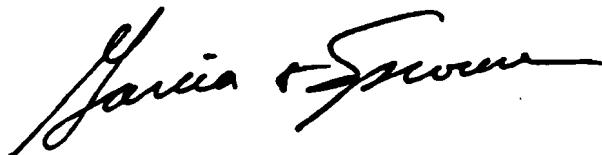
Board of Directors
Capital Metropolitan Transportation Authority
Auditors' Report on Internal Control Structure (continued)
Page two

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

1. General ledger control
2. Receivables
3. Cash receipts
4. Accounts payable
5. Cash disbursements
6. Payroll
7. Property and equipment
8. Inventory
9. Investments
10. Budgets and planning

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk. This report is intended for the information of management, and the Board of Directors. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.



March 19, 1991

Garcia & Sprouse

Certified Public Accountants

Board of Directors
Capital Metropolitan Transportation Authority
Austin, Texas

AUDITORS' COMPLIANCE REPORT BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

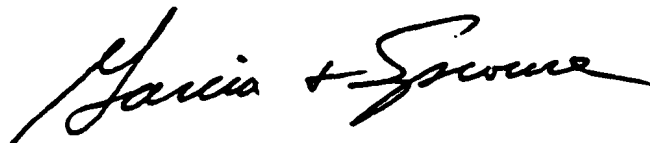
We have audited the financial statements of Capital Metropolitan Transportation Authority (Capital Metro) as of and for the year ended December 31, 1990 and have issued our report thereon dated March 19, 1991.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts, and grants applicable to Capital Metro is the responsibility of Capital Metro management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Capital Metro's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Capital Metro complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Capital Metro had not complied, in all material respects, with those provisions.

This report is intended for the information of the audit committee, management, and the Board of Directors. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



March 19, 1991

Garcia & Sprouse

Certified Public Accountants

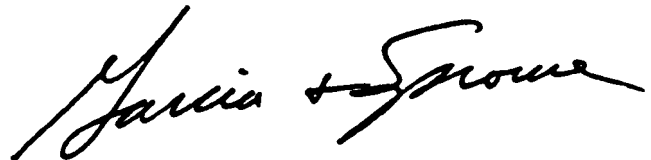
Board of Directors
Capital Metropolitan Transportation Authority
Austin, Texas

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

We have audited the financial statements of Capital Metropolitan Transportation Authority, for the year ended December 31, 1990, and have issued our report thereon dated March 19, 1991. These financial statements are the responsibility of the management of Capital Metropolitan Transportation Authority. 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 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.

Our audit was made for the purpose of forming an opinion on the financial statements of Capital Metropolitan Transportation Authority taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



March 19, 1991

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 1990

Garcia & Sprouse

FEDERAL GRANT PROGRAM TITLE	CFDA NUMBER	GRANT NUMBER	TOTAL	PROGRAM OR ACTUAL AMOUNT			ACCRUED (DEFERRED) REVENUE AT 12-31-89	1990 FEDERAL RECEIPTS	1990 DISBURSEMENTS	ADJUSTMENTS (1)	ACCRUED (DEFERRED) REVENUE AT 12-31-90
				FEDERAL	STATE	LOCAL					
UNTA Section 3: Capital Improvement Grants	20.500	TX-03-0066	\$ 1,863,639	\$ 1,490,911	\$242,273	\$ 130,455	\$ -0-	\$ 330,879	\$ 351,030	\$ (4,287)	\$ 15,864
		TX-03-0104	14,459,817	10,121,872	-0-	4,337,945	90,492	90,492	-0-	-0-	-0-
		TX-03-0113	13,647,109	10,235,332	-0-	3,411,777	(71,398)	(73,817)	-0-	(2,419)	-0-
UNTA Section 5: Capital Improvement Grants	20.500	TX-05-0130-01	13,133,700	10,506,960	-0-	2,626,740	-0-	-0-	-0-	-0-	-0-
UNTA Section 8: Technical Studies Grants	20.505	TX-08-0262	295,000	266,000	-0-	29,000	-0-	50,253	50,253	-0-	-0-
		TX-08-0279	152,000	121,600	-0-	30,400	-0-	-0-	8,000	-0-	8,000
		TX-08-0281	124,760	99,808	-0-	24,952	-0-	-0-	-0-	-0-	-0-
UNTA Section 9: Capital Assistance Grants	20.507	TX-90-0030	1,778,999	1,423,199	231,270	124,530	-0-	1,107,586	1,109,962	-0-	2,376
		TX-90-0041	2,638,530	2,110,824	343,009	184,697	-0-	43,739	43,739	-0-	-0-
		TX-90-0070	4,290,336	3,432,269	-0-	858,067	(57,897)	440,038	440,038	57,897	-0-
		TX-90-0081	1,298,268	1,038,615	-0-	259,653	-0-	-0-	-0-	-0-	-0-
		TX-90-0091	4,305,111	3,444,089	-0-	861,022	159,808	531,279	556,566	(72,796)	112,299
		TX-90-0141	4,661,800	3,729,440	-0-	932,360	402,077	251,616	251,616	(402,077)	-0-
		TX-90-0151	4,661,794	2,826,426	-0-	1,835,368	-0-	2,124,606	2,155,873	-0-	31,267
		TX-90-0184	5,475,965	3,516,771	-0-	1,959,194	-0-	2,068,747	2,493,407	-0-	424,660
UNTA Section 9: Operating Assistance Grants	20.507	TX-90-4030	5,626,600	1,907,909	-0-	3,716,691	-0-	-0-	-0-	-0-	-0-
		TX-90-4041	6,499,350	1,717,118	-0-	4,782,232	-0-	-0-	-0-	-0-	-0-
UNTA Section 10: Managerial Training Grants	20.503	TX-10-0105	74,000	37,000	-0-	37,000	-0-	-0-	-0-	-0-	-0-
TOTALS							<u>9523,002</u>	<u>96,965,418</u>	<u>97,460,486</u>	<u>9(423,682)</u>	<u>9294,466</u>

(1) Adjustments primarily relate to overstatement of cash disbursements because of inclusion of accounts payable at December 31, 1989.

SEE INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Garcia & Sprouse

Certified Public Accountants

Board of Directors
Capital Metropolitan Transportation Authority
Austin, Texas

AUDITORS' REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)
BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT
OF THE FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS
REQUIRED BY THE SINGLE AUDIT ACT

We have audited the financial statements of Capital Metropolitan Transportation Authority (Capital Metro), for the year ended December 31, 1990, and have issued our report thereon dated March 19, 1991. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984, and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

<u>Accounting</u>	<u>Administrative</u>	<u>Specific Requirements</u>
General Ledger Control	Political Activity	Allowability
Cash Receipts	Davis-Bacon Act	Matching
Cash Disbursements	Civil Rights	Reporting
Property and Equipment	Cash Management	Claims for
	Federal Financial	Reimbursement
	Reports	

The management of Capital Metro is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Board of Directors
Capital Metropolitan Transportation Authority
Auditors' Report on Internal Controls (Accounting and Administrative)
Page two

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1990, Capital Metro expended 99 percent of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of Capital Metro, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of Capital Metro did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of Capital Metro. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Capital Metro. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of Capital Metro.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

Garcia & Sprouse

Board of Directors
Capital Metropolitan Transportation Authority
Auditors' Report on Internal Control (Accounting and Administrative)
Page three

However, our study and evaluation and our audit disclosed no conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.

This report is intended solely for the use of management and the Board of Directors and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by Capital Metro, is a matter of public record.

A handwritten signature in cursive script, reading "Garcia & Sprouse".

March 19, 1991

Garcia & Sprouse

Certified Public Accountants

Board of Directors
Capital Metropolitan Transportation Authority
Austin, Texas

**AUDITORS' SINGLE AUDIT REPORT ON COMPLIANCE WITH
THE GENERAL REQUIREMENTS APPLICABLE TO
MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

We have applied procedures to test the compliance of Capital Metropolitan Transportation Authority (Capital Metro) with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended December 31, 1990:

General Requirements

Political Activity
Davis-Bacon Act
Civil Rights
Cash Management
Federal Financial Reports

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the compliance of Capital Metro with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Capital Metro has not complied, in all material respects, with those requirements.

This report is intended for the information of the audit committee, management, and the Board of Directors. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



March 19, 1991

Garcia & Sprouse

Certified Public Accountants

Board of Directors
Capital Metropolitan Transportation Authority
Austin, Texas

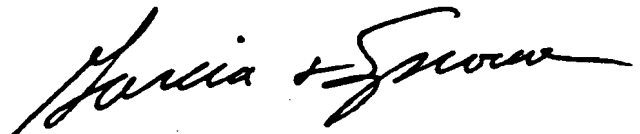
**AUDITORS' SINGLE AUDIT OPINION ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

We have audited the compliance of Capital Metropolitan Transportation Authority (Capital Metro) with the requirements governing types of services allowed or unallowed; matching, or level of effort; reporting; treatment of dispositions of assets; claims for reimbursement; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended December 31, 1990. The management of Capital Metro is responsible for the compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the compliance of Capital Metro with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Capital Metro complied in all material respects, with the requirements governing types of services allowed or unallowed; matching, or level of effort; reporting; treatment of dispositions of assets; claims for reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended December 31, 1990.



March 19, 1991

Garcia & Sprouse

Certified Public Accountants

Board of Directors
Capital Metropolitan Transportation Authority
Austin, Texas

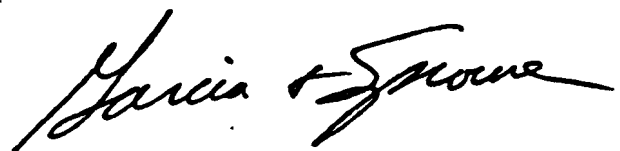
**AUDITORS' SINGLE AUDIT REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL
ASSISTANCE PROGRAM TRANSACTIONS**

In connection with our audit of the 1990 financial statements of Capital Metropolitan Transportation Authority (Capital Metro) and with our study and evaluation of the internal control systems Capital Metro used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, Audits of State and Local Governments, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended December 31, 1990.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; matching or level of effort; reporting; and claims for reimbursements that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the compliance of Capital Metro with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Capital Metro, had not complied, in all material respects, with those requirements.

This report is intended for the information of the audit committee, management, and the Board of Directors. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



March 19, 1991

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Garcia & Sprouse **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED DECEMBER 31, 1990

FINDINGS

None

QUESTIONED COSTS

None