SPROUSE & ASSOCIATES

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS

YEARS ENDED DECEMBER 31, 1991 AND 1990

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

SPROUSE & ASSOCIATES

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Revenues, Expenses and Changes in Retained Earnings	3
Statements of Cash Flows	4
Notes to Financial Statements	5-17
AUDITORS' COMBINED REPORT ON THE INTERNAL CONTROL STRUCTURE	18-20
AUDITORS' COMPLIANCE REPORT BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	21
INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE	22
Schedule of Federal Financial Assistance	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

SPROUSE &
ASSOCIATES
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, 1991 and 1990, 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, 1991 and 1990 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Sprouse & Associates

March 2, 1992

FINANCIAL STATEMENTS

LIABILITIES AND FUND EQUITY

	1991	1990
CURRENT LIABILITIES		
Current installments of obligation under capital lease (Note 7)	$ 689,285	$ 609,693
Accounts payable, including retainages of $18,839 and $57,014 (Note 13)	4,146,503	3,301,463
Accrued payroll, accrued payroll taxes and withholdings	845,420	797,112
Accrued vacation and sick leave	1,043,840	856,306
Other current liabilities	28,004	12,788
Total Current Liabilities	6,753,052	5,577,362
DEFERRED GAIN (Note 7)	831,161	930,597
PAYABLE FROM RESTRICTED ASSETS		
Due to employees - retirement plan (Note 9)	2,734,724	1,916,056
OBLIGATION UNDER CAPITAL LEASE, less current installments (Note 7)	9,013,659	9,702,944
Total Liabilities	19,332,596	18,126,959
FUND EQUITY		
Contributed capital (Note 5)	41,424,407	42,528,879
Retained earnings		
Reserve for self-insurance (Note 4)	3,500,000	2,500,000
Reserve for operating contingency (Note 4)	3,000,000	2,718,399
Reserve for capital equipment replacement (Note 4)	8,500,000	6,900,000
Reserve for future public transportation		
Mobility Projects (Note 4)	2,900,000	5,000,000
Fixed guideway (Note 4)	5,000,000	-0-
Unreserved/undesignated	38,774,920	41,214,873
Total Retained Earnings	61,674,920	58,333,272
Total Fund Equity	103,099,327	100,862,151
TOTAL LIABILITIES AND FUND EQUITY	$122,431,923	$118,989,110

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

SPROUSE & ASSOCIATES

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990

	1991	1990
OPERATING REVENUES		
Passenger	$ 3,194,588	$ 33,474
Third party	3,255,366	3,207,622
Total Operating Revenues	6,449,954	3,241,096
OPERATING EXPENSES (Note 3)		
Labor	17,504,163	15,855,640
Fringe benefits	7,790,694	6,593,915
Services	2,535,778	2,050,255
Materials and supplies	4,275,876	3,850,796
Utilities	475,644	498,329
Casualty and liability	856,043	626,406
Taxes	419,181	371,768
Purchased transportation	7,292,034	7,043,777
Leases and rentals	159,772	217,319
Miscellaneous	727,699	546,757
Depreciation and amortization	5,924,871	5,297,909
Total Operating Expenses	47,961,755	42,952,871
OPERATING LOSS	(41,511,801)	(39,711,775)
NONOPERATING REVENUES (EXPENSES)		
Sales tax revenue	42,664,065	38,599,332
Federal/State grants	73,271	3,150,557
Other revenue (expenses)		
Interest revenue, net of interest expense	2,514,438	2,251,776
Gain (loss) on sale of assets, net	496,256	99,435
Public transportation Mobility Projects	(4,111,111)	(2,229,118)
Other revenue (expenses), net	186,696	92,640
Total Non-Operating Revenues	41,823,615	41,964,622
NET INCOME	311,814	2,252,847
ADD depreciation on fixed assets acquired by grants, entitlement and shared revenues externally restricted for capital acquisitions and construction that reduces contributed capital	3,029,834	2,621,793
Increase in Retained Earnings	3,341,648	4,874,640
RETAINED EARNINGS, Beginning	58,333,272	53,458,632
RETAINED EARNINGS, Ending	$61,674,920	$ 58,333,272

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

SPROUSE & ASSOCIATES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990

	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	$(41,511,801)	$(39,711,775)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization expense	5,949,871	5,310,430
Increase in customer receivables	(77,170)	(13,261)
Decrease in inventory	59,330	49,804
Increase in prepaid expenses and other current assets	(173,370)	(190,956)
Increase in accounts payable	840,089	570,632
Increase in accrued payroll, accrued payroll taxes and withholding	48,308	201,600
Increase in accrued vacation and sick leave	187,534	158,585
Increase (decrease) in other liabilities	15,216	(277,279)
Proceeds from Federal/State grants	77,612	3,150,557
Payments for public transportation mobility projects	(4,066,389)	(2,229,118)
NET CASH USED BY OPERATING ACTIVITIES	(38,650,770)	(32,980,781)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash receipts from sales taxes	42,052,668	38,021,134
Other cash receipts	186,696	185,728
Other cash disbursements	(38,667)	(16,272)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	42,200,697	38,190,590
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for interest	-0-	(404,828)
Proceeds from capital grants	2,192,695	4,406,161
Refunds of capital grants	-0-	(1,312,783)
Purchases of capital assets	(3,302,643)	(4,200,860)
Proceeds from sale of fixed assets	34,518	260,801
Payments to UMTA for their portion of proceeds from sales of fixed assets	(9,795)	(234,227)
Payments for retirement of certificates of participation	-0-	(6,595,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,085,225)	(8,080,736)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash receipts for interest	2,341,004	2,070,353
Transfers (to) from restricted assets, net	(5,781,601)	7,991,399
Proceeds from sale of investments, net of purchases	396,216	99,435
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(3,044,381)	10,161,187
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(579,679)	7,290,260
CASH AND CASH EQUIVALENTS, Beginning	12,716,640	5,426,380
CASH AND CASH EQUIVALENTS, Ending	$ 12,136,961	$ 12,716,640

NONCASH INVESTING, CAPITAL AND FINANCIAL ACTIVITIES

As a result of the sale/leaseback transaction described in Note 7, the note receivable and capital lease obligation were reduced by $609,693 and $539,273 for years 1991 and 1990, respectively.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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, 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.

Budgetary Process

The Capital Metro budget was approved by the Board of Directors for the years ended 1991 and 1990 on November 26, 1990 and November 25, 1989, respectively. The basis of accounting used for preparing the budget is the same as the basis used to record the results of actual transactions. Revisions to the budget are made at mid-year and are communicated to the Board of Directors, but do not require approval, unless the revisions exceed the total budgeted expenditures. Public hearings are held prior to adoption of the budget by the Board of Directors.

Inventory of Parts and Fuel

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

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

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. Capital Metro receives allocations from the State of Texas on a quarterly basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Absences which have been earned and vested but not paid, have been accrued in the accompanying financial statements.

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.

Reclassification of Account Balances

Certain amounts previously reported have been reclassified for presentation purposes.

NOTE 2: CASH AND INVESTMENTS

	December 31, 1991 Carrying Amount	December 31, 1990 Carrying Amount
Demand deposits	$ 180,148	$ 320,995
Time deposits	1,290,000	2,300,000
Total Deposits	1,470,148	2,620,995
Overnight Repurchase Agreements		
Securities held by dealer bank's trust department in Capital Metro's name	900,000	4,250,000
Other Investments		
U. S. Treasury Notes held by bank in safekeeping under Capital Metro's name	-0-	5,477,616
U. S. Treasury Strips held by bank in safekeeping under Capital Metro's name	-0-	3,064,064
Pooled share of U. S. Treasuries with financial institution held by bank in safekeeping under Capital Metro's name	237,090	-0-
Securities of government agencies and sponsored corporations	32,429,723	14,422,364
Total Investments	33,566,813	27,214,044
TOTAL CASH AND INVESTMENTS	35,036,961	29,835,039
Amounts classified as restricted assets (Note 5)	(22,900,000)	(17,118,399)
TOTAL UNRESTRICTED CASH AND INVESTMENTS	$12,136,961	$12,716,640

Deposits

At December 31, 1991, deposits with financial institutions were fully insured, or collateralized by securities held by a third party agent in Capital Metro's name.

At December 31, 1990, the carrying amount of Capital Metro's deposits with financial institutions was $2,620,995 and the bank balance was $2,867,741. The bank balance is categorized as follows:

Amount insured by FDIC	$1,969,497
Amount collateralized with securities held by the pledging financial institution's trust department in Capital Metro's name	860,931
Amount uncollateralized	37,313
Total Bank Balances	$2,867,741

NOTE 2: CASH AND INVESTMENTS (Continued)

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, as well as direct and indirect obligations of the United States of America. Investments are held in safekeeping in the name of Capital Metro.

Capital Metro's investments are stated at amortized cost.

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

Investments held by Capital Metro at December 31, 1991 are categorized as follows:

	CATEGORY				
	1	2	3	TOTAL	MARKET VALUE
Repurchase agreements	$ 900,000	$ -0-	$ -0-	$ 900,000	$ 900,000
Securities of Federal Agencies	32,429,723	-0-	-0-	32,429,723	32,767,841
	$33,329,723	$ -0-	$ -0-	33,329,723	33,667,841
Investment in pooled U.S. government securities				237,090	237,090
Total Investments				$33,566,813	$33,904,931

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments held by Capital Metro at December 31, 1990 are categorized as follows:

	CATEGORY				
	1	2	3	TOTAL	MARKET VALUE
U.S. Government securities	$ 8,541,680	$ -0-	$ -0-	$ 8,541,680	$ 8,541,680
Repurchase agreements	4,250,000	-0-	-0-	4,250,000	4,250,000
Securities of Federal Agencies	14,422,364	-0-	-0-	14,422,364	14,422,364
Total Investments	$27,214,044	$ -0-	$ -0-	$27,214,044	$27,214,044

NOTE 3: CONTRACT WITH MANAGEMENT LABOR SERVICES

Capital Metro contracted for operating personnel with Management Labor Services (MLS) for the period of April 1, 1989 through December 31, 1991. MLS is reimbursed monthly for payroll and fringe benefit costs associated with those personnel. The reimbursements to MLS were as follows:

	1991	1990
Transportation expenses	$11,572,304	$10,472,733
Maintenance expenses	4,084,798	3,652,706
General and administrative expenses	1,274,500	941,539
	$16,931,602	$15,066,978

Effective January 1, 1992, Capital Metro contracted with StarTran, Inc. (a nonprofit corporation) to employ and provide the drivers, mechanics, and administrative personnel necessary for Capital Metro's mass transit services. Under this contract Capital Metro agrees to provide facilities and reimburse StarTran for the costs related to these services.

NOTE 4: RESTRICTED ASSETS

Certain assets have been restricted through board directives or are restricted by trust agreements for specific uses. Such amounts consist of the following at December 31, 1991 and 1990:

	1991	1990
Reserve for self-insurance	$ 3,500,000	$ 2,500,000
Due to employees retirement plan (Note 9)	2,734,724	1,916,056
Reserve for operating contingency	3,000,000	2,718,399
Reserve for capital equipment replacement	8,500,000	6,900,000
Reserve for future public transportation		
Mobility Projects	2,900,000	5,000,000
Fixed guideway	5,000,000	-0-
TOTAL	$25,634,724	$19,034,455
Restricted assets consist of:		
Investments (Note 2)	$22,900,000	$17,118,399
Retirement plan money market funds	2,734,724	1,916,056
TOTAL RESTRICTED ASSETS	$25,634,724	$19,034,455

Retirement plan assets are held in trust and are invested in various funds, as directed by each individual employee.

NOTE 5: 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, 1991 and 1990, Capital Metro received grant funds totalling $1,932,867 and $3,164,762 respectively, related to capital improvement projects. Such amounts have been credited to contributed capital.

NOTE 6: 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 7: 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:

1992	$ 689,285
1993	779,276
1994	880,994
1995	996,061
Thereafter	6,357,328
	9,702,944
Current portion	(689,285)
Long-term portion	$ 9,013,659

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.

NOTE 7: LEASES (Continued)

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

	CAPITAL LEASES
1992	$ 1,847,943
1993	1,847,943
1994	1,847,943
1995	1,847,943
Thereafter	8,315,699
Total Minimum Lease Payments	15,707,471
Less Amounts Representing Interest at 12.3%	(6,004,527)
	9,702,944
Less Current Maturities	(689,285)
	$ 9,013,659

NOTE 8: COMMITMENTS

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.

In 1991, Capital Metro executed a three-year contract with Dave Transportation Services, Inc. (Dave Transportation) in which Dave Transportation will provide fixed route services on behalf of Capital Metro. The scope of these services includes the UT Campus and other such areas as designated by Capital Metro. Total estimated costs for the three-year period is $15,503,655, adjusted for variable items such as fuel and service hours.

As of December 31, 1991, Capital Metro has committed to fund certain public transportation mobility projects, the estimated cost of these projects is approximately $11.3 million.

All contracts with Capital Metro contain a termination for convenience clause, in which any contract may be terminated, in whole or in part, for the convenience of Capital Metro.

NOTE 8: COMMITMENTS (Continued)

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. On November 25, 1991, Capital Metro transferred ownership of certain securities to the City of Austin in satisfaction of this commitment.

NOTE 9: 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 mandatory and 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. During the years ended December 31, 1991 and 1990, Capital Metro's contributions amounted to $303,251 and $249,138, which was 5.5% and 5.0% of its covered payroll, respectively. Employees' actual contributions amounted to $263,471 and $222,405 for the years ended December 31, 1991 and 1990, which was 4.8% and 4.5% of its covered payroll, 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 $286,281 and $264,836 for the years ended December 31, 1991 and 1990, respectively. This plan is accounted for and reported under a separate financial report; therefore, all additional disclosures have been omitted to avoid duplication.

As discussed in Note 3, Capital Metro contracted with StarTran, Inc. to provide operating personnel for Capital Metro's mass transit service effective January 1, 1992. As a result of this contract, some Capital Metro employees are now employed by StarTran, Inc. New retirement plans were formed. The new plans are similar to the plans mentioned above, with the exception of Capital Metro employees' contribution is no longer mandatory.

NOTE 10: PROPERTY AND EQUIPMENT

The changes in the components of property and equipment are summarized as follows:

	FOR THE YEAR ENDED DECEMBER 31, 1991				
	1990	ADDITIONS	DELETIONS	RECLASSIFICATION	1991
Land and improvements	$ 6,876,703	$1,384,413	$ -0-	$(51,333)	$ 8,209,783
Buildings and improvements	21,707,329	102,444	-0-	-0-	21,809,773
Revenue vehicles	39,928,989	568,137	-0-	-0-	40,497,126
Nonrevenue vehicles	389,445	39,069	15,137	-0-	413,377
Equipment	5,434,407	747,676	-0-	-0-	6,182,083
Passenger parking and stations	820,734	6,029	39,736	-0-	787,027
Leasehold improvements	270,692	-0-	-0-	-0-	270,692
Construction in progress	-0-	225,608	-0-	-0-	225,608
	$75,428,299	$3,073,376	$54,873	$(51,333)	$78,395,469

	FOR THE YEAR ENDED DECEMBER 31, 1990				
	1989	ADDITIONS	DELETIONS	RECLASSIFICATION	1990
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
Nonrevenue 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	191,222	215,475	-0-	(406,697)	-0-
	$72,466,012	$3,919,259	$956,972	$ -0-	$75,428,299

NOTE 11: CONTINGENT LIABILITY

Various claims have been asserted against Capital Metro ranging from $35,000 to $610,000. These claims stem from personal injuries involving Capital Metro property.

Capital Metro maintains that they have no liability for payment of personal injuries to the plaintiffs and plans to vigorously defend all allegations.

NOTE 12: SUBSEQUENT EVENT

On February 24, 1992, the Board of Directors committed approximately $1.2 million to be used for the implementation of the Phase Two Light Rail Program.

NOTE 13: SELF-INSURANCE

Capital Metro is self-insured for automobile and general liability claims. When a general claim is manifested against Capital Metro, an estimate of ultimate probable loss is made and a liability is incurred, reflecting this claim. Worker's compensation claims are reserved and paid in accordance with the provisions of the Texas Worker's Compensation Act; claims that can be reasonably estimated and probable are accrued. Such amounts are included in accounts payable.

The self-insurance retention levels as of December 31, 1991 are as follows:

1. Automobile and general liability: Fully self-insured
2. Worker's compensation: $300,000 per occurrence

The self-insurance retention levels as of December 31, 1990 are as follows:

1. Automobile and general liability: Fully self-insured
2. Worker's compensation: $350,000 per occurrence

NOTE 13: SELF-INSURANCE (Continued)

Changes in claims liability amounts are as follows:

GENERAL LIABILITY CLAIMS

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
For the year ended:				
December 31, 1990	$352,515	$ 415,522	$ 375,247	$392,790
December 31, 1991	$392,790	$ 739,514	$ 631,021	$501,283

WORKER'S COMPENSATION CLAIMS

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
For the year ended:				
December 31, 1990	$430,600	$1,168,171	$ 974,122	$624,649
December 31, 1991	$624,649	$1,202,206	$1,054,881	$771,974

SPROUSE &
ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Capital Metropolitan Transportation Authority
Austin, Texas

AUDITORS' COMBINED REPORT ON THE INTERNAL CONTROL STRUCTURE

We have audited the financial statements of Capital Metropolitan Transportation Authority (Capital Metro) as of and for the year ended December 31, 1991, and have issued our report thereon dated March 2, 1992.

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 (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Capital Metro complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit of the financial statements of Capital Metro for the year ended December 31, 1991, 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 on its compliance with requirements applicable to major federal financial assistance programs and not to provide assurance on the internal control system.

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 and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance 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.

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:

Accounting Applications
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

General Requirements
1. Political activity
2. Davis-Bacon Act
3. Civil rights
4. Cash management
5. Federal financial reports
6. Allowable costs/cost principles
7. Drug-free workplace
8. Administrative requirements

Specific Requirements
1. Allowability
2. Matching
3. Reporting
4. Claims for reimbursement

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.

During the year ended December 31, 1991, Capital Metro expended 96% of its total federal financial assistance under major federal financial assistance programs.

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

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for reimbursements and amounts claimed for matching that are applicable to each of Capital Metro's major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

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 or that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

We also noted other matters involving the internal control structure and its operations that we have reported to the management of Capital Metro in a separate letter dated March 2, 1992.

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

Sprouse + Associates

March 2, 1992

SPROUSE &
ASSOCIATES
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, 1991 and have issued our report thereon dated March 2, 1992.

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, the Board of Directors, and the Urban Mass Transportation Administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Sprouse & Associates

March 2, 1992

SPROUSE &
ASSOCIATES
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, 1991, and have issued our report thereon dated March 2, 1992. 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.

Sprouse & Associates

March 2, 1992

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 1991

FEDERAL GRANT PROGRAM TITLE	CFDA NUMBER	GRANT NUMBER	TOTAL	PROGRAM OR ACTUAL AMOUNT FEDERAL	STATE	LOCAL	ACCRUED (DEFERRED) REVENUE AT 12-31-90	1991 FEDERAL RECEIPTS	1991 DISBURSEMENTS	ACCRUED (DEFERRED) REVENUE AT 12-31-91
Urban Mass Transportation Administration (UMTA)										
Direct Programs:										
UMTA Section 3:	20.500	TX-03-0066-01	$ 1,863,639	$ 1,490,911	$242,273	$ -0-	$ 15,864	$ 15,864	$ -0-	$ -0-
Capital Improvement Grants		TX-03-4503	125,000	125,000	-0-	-0-	-0-	-0-	-0-	-0-
UMTA 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-
UMTA Section 8:	20.505	TX-08-0279	152,000	121,600	-0-	30,400	8,000	47,415	39,415	-0-
Technical Studies Grants		TX-08-0281	124,760	99,808	-0-	24,952	-0-	10,974	14,633	3,659
UMTA Section 9:	20.507	TX-90-0030	1,778,999	1,423,199	231,270	124,530	2,376	1,101,522	1,099,146	-0-
Capital Assistance Grants		TX-90-0041	2,638,530	2,110,824	343,009	184,697	-0-	65,509	68,467	2,958
		TX-90-0070	4,290,336	3,432,269	-0-	858,067	-0-	-0-	-0-	-0-
		TX-90-0081	1,298,268	1,038,615	-0-	259,653	-0-	-0-	-0-	-0-
		TX-90-0091	4,305,111	3,444,089	-0-	861,022	112,299	146,894	201,373	166,778
		TX-90-0141	4,661,800	3,729,440	-0-	932,360	-0-	-0-	-0-	-0-
		TX-90-0151	4,661,794	2,826,426	-0-	1,835,368	31,267	110,168	141,781	62,880
		TX-90-0184	5,475,965	3,516,771	-0-	1,959,194	424,660	584,516	237,398	77,542
		TX-90-0212	10,151,007	8,120,805	-0-	2,030,202	-0-	32,511	53,942	21,431
UMTA Section 9:	20.507	TX-90-4030	5,624,600	1,907,909	-0-	3,716,691	-0-	-0-	-0-	-0-
Operating Assistance Grants		TX-90-4041	6,499,350	1,717,118	-0-	4,782,232	-0-	-0-	-0-	-0-
UMTA Section 10: Managerial Training Grants	20.503	TX-10-0105	74,000	37,000	-0-	37,000	-0-	19,223	19,223	-0-
TOTALS							$594,466	$2,134,596	$1,875,378	$335,248

SEE INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

SPROUSE &
ASSOCIATES
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, 1991:

General Requirements

Political activity
Davis-Bacon Act
Civil rights
Cash management
Federal financial reports
Allowable costs/cost principles
Drug-free workplace
Administrative requirements

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, the Board of Directors, and the Urban Mass Transportation Administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Sprouse & Associates

March 2, 1992

SPROUSE &
ASSOCIATES
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; reporting; and claims for reimbursement 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, 1991. 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, 1991.

Sprouse & Associates

March 2, 1992

SPROUSE &
ASSOCIATES
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 1991 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, 1991.

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, the Board of Directors, and the Urban Mass Transportation Administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Sprouse + Associates

March 2, 1992

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

SPROUSE & ASSOCIATES

SCHEDULE OF FINDINGS AND
QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 1991

FINDINGS

None

QUESTIONED COSTS

None