

# **SPROUSE & WINN, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**CAPITAL METROPOLITAN TRANSPORTATION  
AUTHORITY**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORTS**

**YEARS ENDED DECEMBER 31, 1992  
AND 1991**

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# SPROUSE & WINN, L.L.P.

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, 1992 and 1991, 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; 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 Circular A-128 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, 1992 and 1991 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Sprouse & Winn, L.L.P.*

May 10, 1993

**FINANCIAL STATEMENTS**

LIABILITIES AND FUND EQUITY

	<u>1992</u>	<u>1991</u>
<b>CURRENT LIABILITIES</b>		
Current installments of obligation under capital lease (Note 7)	\$ 779,276	\$ 689,285
Accounts payable, including retainages of \$44,509 and \$18,839 (Note 12)	5,449,754	4,146,503
Accrued payroll, accrued payroll taxes and withholdings	516,821	845,420
Accrued vacation and sick leave	1,108,756	1,043,840
Other current liabilities	<u>49,369</u>	<u>28,004</u>
Total Current Liabilities	7,903,976	6,753,052
DEFERRED GAIN (Note 7)	731,726	831,161
<b>PAYABLE FROM RESTRICTED ASSETS</b>		
Due to employees - retirement plan (Notes 4 and 9)	3,218,333	2,734,724
<b>OBLIGATION UNDER CAPITAL LEASE, less current installments (Note 7)</b>	<u>8,234,383</u>	<u>9,013,659</u>
Total Liabilities	<u>20,088,418</u>	<u>19,332,596</u>
<b>FUND EQUITY</b>		
Contributed capital (Note 5)	<u>39,922,353</u>	<u>41,424,407</u>
Retained earnings		
Reserve for self-insurance (Note 4)	3,900,000	3,500,000
Reserve for operating contingency (Note 4)	2,306,625	3,000,000
Reserve for capital equipment replacement (Note 4)	6,700,000	8,500,000
Reserve for future public transportation Mobility Projects (Note 4)	4,900,000	2,900,000
Fixed guideway (Note 4)	5,000,000	5,000,000
Unreserved/undesignated	<u>43,018,723</u>	<u>38,774,920</u>
Total Retained Earnings	<u>65,825,348</u>	<u>61,674,920</u>
Total Fund Equity	<u>105,747,701</u>	<u>103,099,327</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$125,836,119</u>	<u>\$122,431,923</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

## CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN  
RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1992 AND 1991

	<u>1992</u>	<u>1991</u>
<b>OPERATING REVENUES</b>		
Passenger	\$ 3,021,446	\$ 3,194,588
Third party	<u>3,451,204</u>	<u>3,255,366</u>
<b>Total Operating Revenues</b>	<u>6,472,650</u> ✓	<u>6,449,954</u>
<b>OPERATING EXPENSES (Note 3)</b>		
Labor	17,920,976	17,504,163
Fringe benefits (Note 9)	9,194,508	7,790,694
Services	2,548,500	2,535,778
Materials and supplies	4,270,464	4,275,876
Utilities	465,360	475,644
Casualty and liability	992,708	856,043
Taxes	521,423	419,181
Purchased transportation	9,193,309	7,292,034
Leases and rentals	153,071	159,772
Miscellaneous	578,539	727,699
Depreciation and amortization (Note 6)	<u>5,840,947</u>	<u>5,924,871</u>
<b>Total Operating Expenses</b>	<u>51,679,805</u>	<u>47,961,755</u>
<b>OPERATING LOSS</b>	<u>(45,207,155)</u>	<u>(41,511,801)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Sales tax revenue	46,339,967	42,664,065
Federal/State grants	3,026,350	73,271
Interest revenue (Note 2), net of interest expense (Note 7)	2,554,175	2,514,438
Gain on sale of assets, net	860,776	496,256
Public transportation Mobility Projects	(5,824,708)	(4,111,111)
Other revenue, net	153,834	186,696
Preliminary light rail project	<u>(541,467)</u>	<u>-0-</u>
<b>Total Nonoperating Revenues</b>	<u>46,568,927</u>	<u>41,823,615</u>
<b>NET INCOME</b>	1,361,772	311,814
<b>ADD depreciation on fixed assets acquired by grants, entitlement and shared revenues externally restricted for capital acquisitions and construction that reduces contributed capital</b>	<u>2,788,656</u>	<u>3,029,834</u>
<b>Increase in Retained Earnings</b>	4,150,428	3,341,648
<b>RETAINED EARNINGS, Beginning</b>	<u>61,674,920</u>	<u>58,333,272</u>
<b>RETAINED EARNINGS, Ending</b>	<u>\$65,825,348</u>	<u>\$ 61,674,920</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

## CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1992 AND 1991

	<u>1992</u>	<u>1991</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$(45,207,155)	\$(41,511,801)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization expense	5,915,947	5,949,871
(Increase) decrease in customer receivables	32,610	(77,170)
(Increase) decrease in inventory	(13,273)	59,330
Increase in prepaid expenses and other current assets	(241,263)	(173,370)
Increase in accounts payable	1,303,251	840,089
Increase in accrued payroll, accrued payroll taxes and withholdings	(328,599)	48,308
Increase in accrued vacation and sick leave	64,916	187,534
Increase (decrease) in other liabilities	<u>21,365</u>	<u>15,216</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(38,452,201)</u>	<u>(34,661,993)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash receipts from sales taxes	45,060,827	42,052,668
Proceeds from noncapital Federal/State grants	3,020,105	77,612
Other cash receipts	180,809	186,696
Payments for public transportation mobility projects	(5,824,708)	(4,066,389)
Other cash disbursements	<u>(545,861)</u>	<u>(38,667)</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>41,891,172</u>	<u>38,211,920</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital grants	1,205,825	2,192,695
Purchases of capital assets	(2,177,524)	(3,302,643)
Proceeds from sale of fixed assets	205,861	34,518
Payments to UMTA for their portion of proceeds from sales of fixed assets	<u>(26,975)</u>	<u>(9,795)</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(792,813)</u>	<u>(1,085,225)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash receipts for interest	2,660,969	2,341,004
Transfers (to) from restricted assets, net	93,375	(5,781,601)
Proceeds from sale of investments, net of purchases	<u>788,214</u>	<u>396,216</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>3,542,558</u>	<u>(3,044,381)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6,188,716	(579,679)
CASH AND CASH EQUIVALENTS, Beginning	<u>12,136,961</u>	<u>12,716,640</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 18,325,677</u>	<u>\$ 12,136,961</u>

## 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 \$689,285 and \$609,693 for years 1992 and 1991, respectively. In addition, the deferred gain recognized in the sale/leaseback was amortized in the amount of \$99,435.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

## CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1992 AND 1991

## 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.

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 1992 and 1991 on November 25, 1991 and November 26, 1990, 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.

## CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

DECEMBER 31, 1992 AND 1991

## 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:

	<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

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.

## CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

DECEMBER 31, 1992 AND 1991

## 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 and the grantor retains a reversionary interest in the capital asset over estimated useful life of that asset.

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.

Federal/State 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, 1991.

Reclassification of Account Balances

Certain amounts previously reported have been reclassified for presentation purposes.

## CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

DECEMBER 31, 1992 AND 1991

## NOTE 2: CASH AND CASH EQUIVALENTS

	<u>December 31, 1992</u> <u>Carrying Amount</u>	<u>December 31, 1991</u> <u>Carrying Amount</u>
Demand deposits	\$ (123,099)	\$ 180,148
Time deposits	407,019	1,290,000
Total Deposits	<u>283,920</u>	<u>1,470,148</u>
 <u>Overnight Repurchase Agreements</u>		
Securities held by dealer bank's trust department in Capital Metro's name	600,000	900,000
 <u>Other Investments</u>		
Pooled share of U. S. Treasuries with financial institution held by bank in safekeeping under Capital Metro's name	-0-	237,090
Securities of government agencies and sponsored corporations	<u>40,248,382</u>	<u>32,429,723</u>
Total Investments	<u>40,848,382</u>	<u>33,566,813</u>
TOTAL CASH AND INVESTMENTS	41,132,302	35,036,961
Amounts classified as restricted assets (Note 4)	<u>(22,806,625)</u>	<u>(22,900,000)</u>
TOTAL UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$18,325,677</u>	<u>\$12,136,961</u>

Deposits

At December 31, 1992 and 1991, deposits with financial institutions were fully insured, or collateralized by securities held by a third party agent in Capital Metro's name.

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 METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

DECEMBER 31, 1992 AND 1991

## NOTE 2: CASH AND INVESTMENTS (Continued)

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, 1992 are categorized as follows:

	CATEGORY			TOTAL	MARKET VALUE
	1	2	3		
Repurchase agreements	\$ 600,000	\$ -0-	\$ -0-	\$ 600,000	\$ 600,000
Securities of Federal Agencies	<u>40,248,382</u>	<u>-0-</u>	<u>-0-</u>	<u>40,248,382</u>	<u>40,650,483</u>
Total Investments	<u>\$40,848,382</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$40,848,382</u>	<u>\$41,250,483</u>

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

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

## CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

DECEMBER 31, 1992 AND 1991

## NOTE 3: CONTRACT WITH STARTRAN, INC. AND MANAGEMENT LABOR SERVICES

Capital Metro contracted for operating personnel with StarTran, Inc. (StarTran) for the year ended December 31, 1992 and Management Labor Services (MLS) for the year ended December 31, 1991. Both StarTran and MLS were reimbursed monthly for payroll and fringe benefit costs associated with those personnel. The reimbursements to StarTran and MLS were as follows:

	<u>1992</u>	<u>1991</u>
Transportation expenses	\$13,571,509	\$11,572,304
Maintenance expenses	4,581,245	4,084,798
General and administrative expenses	<u>3,242,377</u>	<u>1,274,500</u>
	<u>\$21,395,131</u>	<u>\$16,931,602</u>

## 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, 1992 and 1991:

	<u>1992</u>	<u>1991</u>
Reserve for self-insurance	\$ 3,900,000	\$ 3,500,000
Due to employees retirement plan (Note 9)	3,218,333	2,734,724
Reserve for operating contingency	2,306,625	3,000,000
Reserve for capital equipment replacement	6,700,000	8,500,000
Reserve for future public transportation Mobility Projects	4,900,000	2,900,000
Fixed guideway	<u>5,000,000</u>	<u>5,000,000</u>
TOTAL	<u>\$26,024,958</u>	<u>\$25,634,724</u>
Restricted assets consist of:		
Investments (Note 2)	\$22,806,625	\$22,900,000
Retirement plan money market funds (Note 9)	<u>3,218,333</u>	<u>2,734,724</u>
TOTAL RESTRICTED ASSETS	<u>\$26,024,958</u>	<u>\$25,634,724</u>

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

DECEMBER 31, 1992 AND 1991

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, 1992 and 1991, Capital Metro received grant funds totalling \$1,205,825 and \$1,932,867 respectively, related to capital improvement projects. Such amounts have been credited to contributed capital.

NOTE 6: OTHER ASSETS

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. The unamortized balance is included in other assets in the accompanying financial statements.

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:

1993	\$ 779,276
1994	880,994
1995	996,061
1996	1,126,079
Thereafter	<u>5,231,249</u>
	9,013,659
Current portion	<u>(779,276)</u>
Long-term portion	<u>\$ 8,234,383</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.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

DECEMBER 31, 1992 AND 1991

NOTE 7: LEASES (Continued)

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

	CAPITAL LEASES
1993	\$ 1,847,943
1994	1,847,943
1995	1,847,943
1996	1,847,943
Thereafter	6,467,756
Total Minimum Lease Payments	13,859,528
Less Amounts Representing Interest at 12.3%	(4,845,869)
	9,013,659
Less Current Maturities	(779,276)
	\$ 8,234,383

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.

Effective January 1, 1993, Capital Metro executed a five-year contract with Greater Austin Transportation Company, Inc. (Greater Austin) in which Greater Austin will perform fixed route van and teleride services. Total estimated costs for the five year period is \$13,822,302 adjusted for variable items such as fuel and service hours.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

DECEMBER 31, 1992 AND 1991

## NOTE 8: COMMITMENTS (Continued)

As of December 31, 1992, Capital Metro has committed to fund certain public transportation mobility projects, the estimated cost of these projects is approximately \$10.4 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 9: RETIREMENT PLAN

Capital Metro's employees are covered by a defined contribution pension plan that qualifies under the Internal Revenue Code Section 401(k). The plan covers substantially all employees with over six months of experience. Employee contributions were mandatory for year ended December 31, 1991 and are no longer mandatory for year ended December 31, 1992. 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. During the years ended December 31, 1992 and 1991, Capital Metro's contributions amounted to \$163,236 and \$303,251, which was 5.8% and 5.5% of its covered payroll, respectively. Employees' actual contributions amounted to \$137,835 and \$263,471 for the years ended December 31, 1992 and 1991, which was 4.9% and 4.8% of its covered payroll, respectively.

All StarTran (Note 3) employees are covered either by a contributory defined benefit plan or a defined contribution pension plan. The defined benefit plan covers substantially all transportation and maintenance 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 \$340,655 and \$286,281 for the years ended December 31, 1992 and 1991, respectively. This plan is accounted for and reported under a separate financial report; therefore, all additional disclosures have been omitted to avoid duplication.

Substantially all administrative StarTran employees are covered by a defined contribution plan identical to Capital Metro's employees as mentioned above. During the year ended December 31, 1992, Capital Metro's contributions to this plan amounted to \$148,068.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

DECEMBER 31, 1992 AND 1991

NOTE 10: PROPERTY AND EQUIPMENT

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

	FOR THE YEAR ENDED DECEMBER 31, 1992				1992
	1991	ADDITIONS	DELETIONS	RECLASSI- FICATION	
Land and improvements	\$ 8,209,783	\$ -0-	\$ -0-	\$ -0-	\$ 8,209,783
Buildings and improvements	21,809,773	112,520	9,892	-0-	21,912,401
Revenue vehicles	40,497,126	113,412	309,338	-0-	40,301,200
Nonrevenue vehicles	413,377	300,094	35,070	-0-	678,401
Equipment	6,182,083	345,482	721,774	-0-	5,805,791
Passenger parking and stations	787,027	353,616	552,947	662,989	1,250,685
Leasehold improvements	270,692	-0-	-0-	-0-	270,692
Construction in progress	225,608	952,404	-0-	(662,989)	515,023
	<u>\$78,395,469</u>	<u>\$2,177,528</u>	<u>\$1,629,021</u>	<u>\$ -0-</u>	<u>\$78,943,976</u>
	FOR THE YEAR ENDED DECEMBER 31, 1991				1991
	1990	ADDITIONS	DELETIONS	RECLASSI- FICATION	
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
	<u>\$75,428,299</u>	<u>\$3,073,376</u>	<u>\$54,873</u>	<u>\$(51,333)</u>	<u>\$78,395,469</u>

## CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

DECEMBER 31, 1992 AND 1991

## NOTE 11: CONTINGENT LIABILITY

Various claims have been asserted against Capital Metro 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. As discussed in Note 12, Capital Metro has estimated the probable loss from such asserted claims and a liability has been incurred and is reflected in the financial statements.

## NOTE 12: SELF-INSURANCE

Capital Metro was self-insured for automobile and general liability claims during the year ended December 31, 1991. When a general claim was manifested against Capital Metro, an estimate of ultimate probable loss was made and a liability was incurred, reflecting this claim. Effective January 1, 1992, Capital Metro obtained insurance coverage for automobile and general liability claims incurred in the year ended December 31, 1992. 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, 1992 are as follows:

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

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

## CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

DECEMBER 31, 1992 AND 1991

## NOTE 12: SELF-INSURANCE (Continued)

Changes in claims liability amounts are as follows:

GENERAL LIABILITY CLAIMS

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and/or Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
For the year ended:				
December 31, 1991	<u>\$392,790</u>	<u>\$ 739,514</u>	<u>\$ 631,021</u>	<u>\$501,283</u>
December 31, 1992	<u>\$501,283</u>	<u>\$ 63,256</u>	<u>\$ 293,987</u>	<u>\$270,552</u>

WORKER'S COMPENSATION CLAIMS

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and/or Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
For the year ended:				
December 31, 1991	<u>\$624,649</u>	<u>\$1,202,206</u>	<u>\$1,054,881</u>	<u>\$771,974</u>
December 31, 1992	<u>\$771,974</u>	<u>\$1,852,471</u>	<u>\$1,648,481</u>	<u>\$975,964</u>

# SPROUSE & WINN, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Capital Metropolitan Transportation Authority  
Austin, Texas

## INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

We have audited the financial statements of Capital Metropolitan Transportation Authority (Capital Metro) as of and for the year ended December 31, 1992, and have issued our report thereon dated May 10, 1993.

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, 1992, 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 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. 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.

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

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.

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 condition in which the design or operation of one or more of the 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.

However, we 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 May 10, 1993.

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

*Sprouse & Winn, L.L.P.*

May 10, 1993

# SPROUSE & WINN, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Capital Metropolitan Transportation Authority  
Austin, Texas

INDEPENDENT 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, 1992 and have issued our report thereon dated May 10, 1993.

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. Accordingly, we do not express such an opinion.

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. However, the results of our procedures disclosed immaterial instances of noncompliance with those provisions, which are described in the accompanying Schedule of Findings and Questioned Costs.

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

*Sprouse & Winn, L.L.P.*

May 10, 1993

# SPROUSE & WINN, L.L.P.

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, 1992, and have issued our report thereon dated May 10, 1993. 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 & Winn, L.L.P.*

May 10, 1993

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 1992

SPROUSE & WINN, L.L.P.

FEDERAL GRANT PROGRAM TITLE	CFDA NUMBER	GRANT NUMBER	TOTAL	PROGRAM OR ACTUAL AMOUNT			(DEFERRED) REVENUE AT	GRANT RECEIPTS	GRANT DISBURSEMENTS	(DEFERRED) REVENUE AT
				FEDERAL	STATE	LOCAL	12-31-91			12-31-92
<b>Federal Transit Administration (FTA)</b>										
FTA Section 3: Capital Improvement Grants	20.500	TX-03-4503 TX-03-0144	\$ 125,000 5,142,275	\$ 125,000 4,113,820	\$ -0- -0-	\$ -0- 1,028,455	\$ -0- -0-	\$ -0- 2,051	\$ 18,470 58,928	\$ 18,470 56,877
FTA Section 8: Technical Studies Grants	20.505	TX-08-0279 TX-08-0281	152,000 124,760	121,600 99,808	-0- -0-	30,400 24,952	-0- 3,659	-0- 3,659	2,587 3,658	2,587 3,658
FTA Section 9: Capital Assistance Grants	20.507*	TX-90-0041-02 TX-90-0091-03 TX-90-0151-01 TX-90-0184 TX-90-0212 TX-90-0241	2,638,530 4,305,111 4,661,794 5,475,965 10,151,007 9,593,880	2,110,824 3,444,089 2,826,426 3,516,771 8,120,805 5,875,104	343,009 -0- 214,729 83,957 -0- -0-	184,697 861,022 1,620,639 1,875,237 2,030,202 3,718,776	2,958 166,778 62,880 77,542 21,431 -0-	317,117 289,076 112,716 101,715 302,721 3,076,770	314,518 354,098 49,836 27,053 341,691 3,204,108	359 231,800 -0- 2,880 60,401 127,338
FTA Section 9: Operating Assistance Grants	20.507*	TX-90-4041	6,499,350	1,717,118	-0-	4,782,232	-0-	-0-	-0-	-0-
FTA Section 10: Managerial Training Grants	20.503	TX-10-0105	74,000	37,000	-0-	37,000	-0-	20,105	20,105	-0-
<b>TOTALS</b>			<b><u>\$48,943,672</u></b>	<b><u>\$32,108,365</u></b>	<b><u>\$641,695</u></b>	<b><u>\$16,193,612</u></b>	<b><u>\$335,248</u></b>	<b><u>\$4,225,930</u></b>	<b><u>\$4,395,052</u></b>	<b><u>\$504,370</u></b>

\*Major program as defined by OMB Circular A-128.

SEE INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

# SPROUSE & WINN, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Capital Metropolitan Transportation Authority  
Austin, Texas

## INDEPENDENT AUDITORS' SINGLE AUDIT REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

We have audited the financial statements of Capital Metropolitan Transportation Authority (Capital Metro) as of and for the year ended December 31, 1992, and have issued our report thereon dated May 10, 1993. We have also audited the compliance of Capital Metro with requirements applicable to federal financial assistance programs and have issued our report thereon dated May 10, 1993.

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, 1992, 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 to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated May 10, 1993.

Board of Directors  
Capital Metropolitan Transportation Authority  
Page two

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, 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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Applications

1. General ledger control
2. Receivables
3. Cash receipts
4. Accounts payable
5. Cash disbursements
6. Property and equipment

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

Board of Directors  
Capital Metropolitan Transportation Authority  
Page three

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, 1992, Capital Metro expended 98% of its total federal financial assistance under major federal financial assistance programs.

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.

Our consideration of the internal control structure and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a 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 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we 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 May 10, 1993.

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

*Sprouse & Winn, L.L.P.*

May 10, 1993

# SPROUSE & WINN, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Capital Metropolitan Transportation Authority  
Austin, Texas

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

We have audited the financial statements of Capital Metropolitan Transportation Authority (Capital Metro) as of and for the year ended December 31, 1992, and have issued our report thereon dated May 10, 1993.

We have applied procedures to test the compliance of Capital Metro with the following requirements applicable to each of its federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended December 31, 1992.

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. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.

Board of Directors  
Capital Metropolitan Transportation Authority  
Page two

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

May 10, 1993

*Sprouse + Winn, L.L.P.*

# SPROUSE & WINN, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Capital Metropolitan Transportation Authority  
Austin, Texas

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

We have audited the financial statements of Capital Metropolitan Transportation Authority (Capital Metro) as of and for the year ended December 31, 1992, and have issued our report thereon dated May 10, 1993.

We have also audited the compliance of Capital Metro with the requirements governing types of services allowed or unallowed; matching; reporting; treatment of dispositions of assets; 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, 1992. 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 of compliance with those requirements 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 immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance informing our opinion on compliance, which is expressed in the following paragraph.

Board of Directors  
Capital Metropolitan Transportation Authority  
Page two

In our opinion, Capital Metro complied in all material respects, with the requirements governing types of services allowed or unallowed; matching; 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, 1992.

*Sprouse & Winn, L.L.P.*

May 10, 1993

# SPROUSE & WINN, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Capital Metropolitan Transportation Authority  
Austin, Texas

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

We have audited the financial statements of Capital Metropolitan Transportation Authority (Capital Metro) as of and for the year ended December 31, 1992, and have issued our report thereon dated May 10, 1993.

In connection with our audit of the 1992 financial statements of Capital Metro and with our consideration 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, 1992.

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. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.

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

*Sprouse & Winn, L.L.P.*

May 10, 1993

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 1992

FINDINGS

1. Capital Metro is required to file Form SF-269, Financial Status Report, on a quarterly basis for each open grant. The due date for filing those reports is the last day of the month following the end of the quarter. Capital Metro filed these forms after the due date for both the third and fourth quarter of 1992.
2. Grant disbursements were reported for Section 8 grants on the first and second quarter Financial Status Reports. However, those funds have not been drawn down or requested from the Federal Transit Administration.

QUESTIONED COSTS

None