

LAKETRAN

SINGLE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Laketran
Grand River, Ohio

We have reviewed the *Independent Auditor's Report* of Laketrans, Lake County, prepared by James G. Zupka, C.P.A., Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Laketrans is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 11, 2005

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**LAKETRAN
SINGLE AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Laketran
Grand River, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Laketran, Ohio as of and for the year ended December 31, 2004, which collectively comprise Laketran, Ohio's basic financial statements and have issued our report thereon dated March 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Laketran, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laketran, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Laketran, Ohio in a separate letter dated March 18, 2005.

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

March 18, 2005

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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

Board of Trustees
Laketran
Grand River, Ohio

Compliance

We have audited the compliance of Laketran with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. Laketran, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Laketran, Ohio's management. Our responsibility is to express an opinion on Laketran, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Laketran, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Laketran, Ohio's compliance with those requirements.

In our opinion, Laketran, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Laketrans, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Laketrans, Ohio's internal control over compliance with requirements that could have a direct and material effect on its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Laketrans, Ohio as of and for the year ended December 31, 2004, and have issued our report thereon dated March 18, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Laketrans, Ohio's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

March 18, 2005

LAKETRAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR/ PASS-THROUGH GRANT/ PROGRAM TITLE	Federal CFDA Number	Grant Number	Grand Total
<u>U.S. Department of Transportation</u>			
<u>Federal Transit Cluster</u>			
Federal Transit Administration Capital Improvements Grants	20.500	OH-90-0462	\$ 935,669
Subtotal CFDA #20.500			<u>935,669</u>
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-90-0371	162,975
		OH-90-0398	77,765
		OH-90-0427	170,473
		OH-90-0461	<u>1,225,311</u>
Subtotal CFDA #20.507			<u>1,636,524</u>
Grand Total			<u>\$ 2,572,193</u>

LAKETRAN
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented as follows:

- As described in Note 2 of the financial statements, Laketran's accounts are maintained on the full accrual basis of accounting where revenues are recorded as earned and expenses are recognized when they are incurred.

LAKETRAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2004

1. Summary of Auditor's Results

2004(i)	Type of Financial Statement Opinion	Unqualified
2004(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2004(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2004(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2004(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2004(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2004(v)	Type of Major Programs' Compliance Opinion	Unqualified
2004(vi)	Are there any reportable findings under .510?	No
2004(vii)	Major Programs (list): Federal Transit Cluster: 20.500 - Federal Transit Administration Capital Improvements Grants 20.507 - Federal Transit Administration Capital and Operating Assistance Formula Grants	
2004(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: > All Others
2004 (ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LAKETRAN
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004**

No significant findings or questioned costs were included in the prior year's audit report.

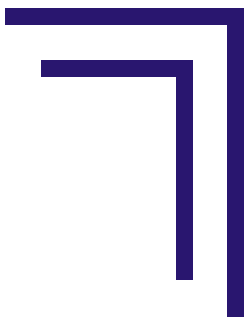
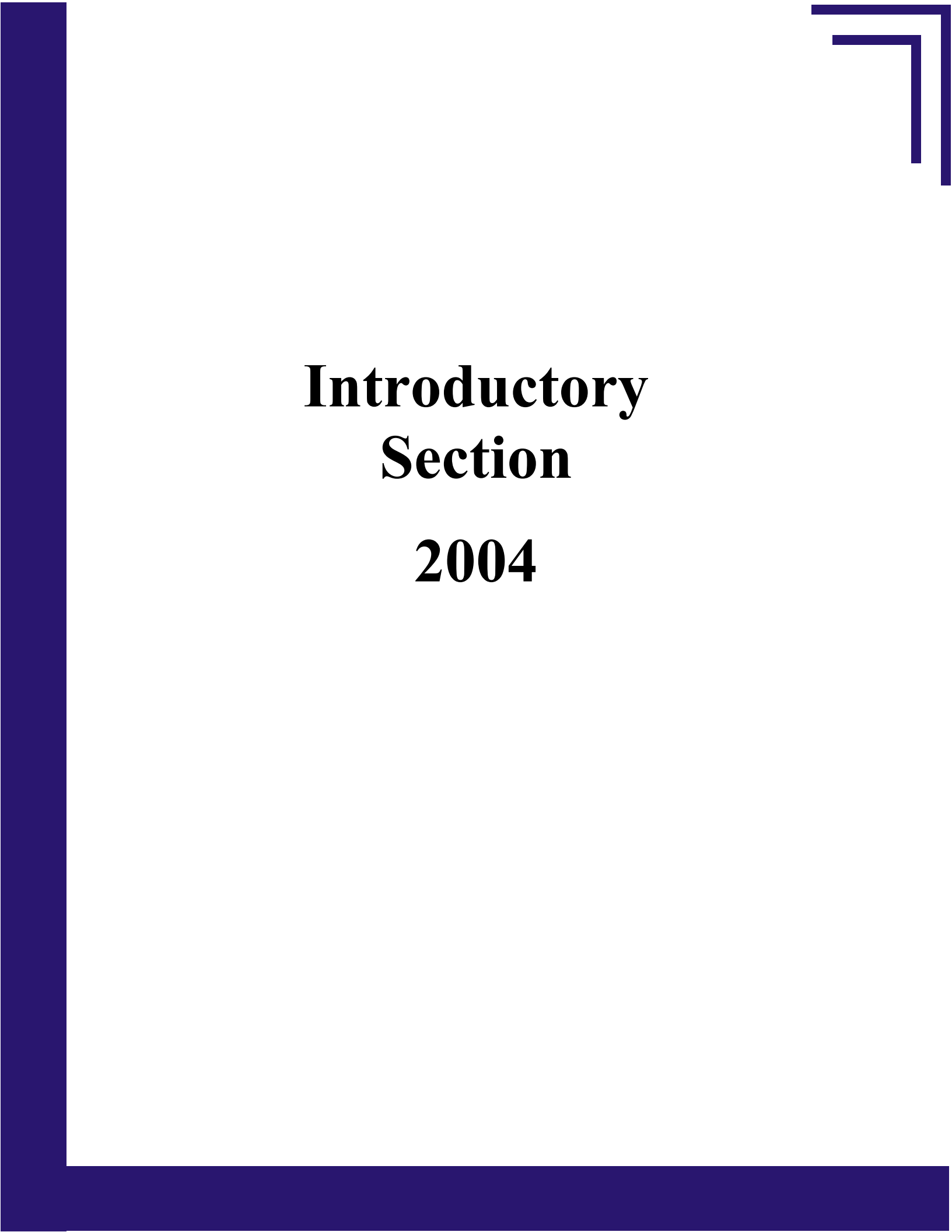
**Comprehensive
Annual Financial Report
For The Year Ended December 31, 2004**

LAKETRAN

LAKE COUNTY, OHIO

Dale Chample
President
Board of Trustees

Raymond Jurkowski
General Manager/
Secretary-Treasurer



**Introductory
Section
2004**

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LAKE COUNTY, OHIO

**Comprehensive
Annual Financial Report**

For The Year Ended December 31, 2004

LAKETRAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

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June 28, 2005

Mr. Dale A. Chample, President
Members, Board of Trustees of Laketrans
and Residents of Lake County

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Laketrans for the year ended December 31, 2004. This is the fourth such report issued by Laketrans. It has become the standard format used in presenting the results of Laketrans's operations, financial position, cash flows, and related statistical information.

Laketrans takes great pride in the fact that its three previous CAFRs earned the recognition of the Government Finance Officer's Association of the United States and Canada (GFOA) in the form of its Certificate of Achievement for Excellence in Financial Reporting. This award evidences the fact that those previous CAFRs complied with stringent GFOA standards for professional financial reporting.

Laketrans also submits its annual operating and capital budgets to the GFOA and has been doing so since 1998. All eight of these budget documents have won the Distinguished Budget Presentation Award, having satisfied the most stringent program criteria and proven its value as (1) a policy document, (2) an operations guide, (3) a financial plan, and (4) a communication device.

This report contains the basic financial statements, management's discussion and analysis (MD&A), and statistical data that provide full disclosure of all of the material financial operations of Laketrans. The basic financial statements, MD&A, and statistical information are the representation of Laketrans's management, which bears the responsibility for their accuracy, completeness, and fairness. In conformance with generally accepted accounting principles, this report was developed on the accrual basis of accounting, treating Laketrans as a single enterprise fund. This CAFR is indicative of Laketrans's commitment to provide accurate, concise, and high quality financial information to the residents of Lake County and other interested parties.



The CAFR is divided into three sections as follows:

The **INTRODUCTORY SECTION** contains a title page, a table of contents, this letter of transmittal, the Laketran organization chart, a listing of the members of the Board of Trustees and management of Laketran, and a map of municipalities in Lake County.

The **FINANCIAL SECTION** contains the Independent Auditors' Report, management's discussion and analysis, the basic financial statements, and the notes to the basic financial statements. (The notes to the financial statements are an integral part of the basic financial statements).

The **STATISTICAL SECTION** provides financial, economic and demographic information that is useful for indicating trends for comparative fiscal periods.

REPORTING ENTITY

Laketran is an independent political subdivision of the State of Ohio. It was created on December 23, 1974 by resolution of the Board of County Commissioners of Lake County, Ohio. Contract operations at Laketran began in 1977 using vehicles owned by STS (Special Transportation Services). On July 1, 1985, Laketran began direct operations when it placed its first two buses into service on Route 1. Either directly or through contracts with local service providers, Laketran provides virtually all public transportation services within Lake County. Laketran is a multimodal system, delivering paratransit and motor bus services.

A nine member Board of Trustees (Board) establishes policy and sets direction for the management of Laketran. All members are appointed by the County Commissioners. Board members serve overlapping three year terms. Under the provisions of GASB Statement No. 14, Laketran is considered to be a jointly governed organization.

Responsibility for the line administration rests with the General Manager/Secretary-Treasurer. He supervises six managers assigned to three departments as follows:

Administration:

- Controller
- Director of Development
- Human Resources Manager
- Public Relations/Marketing Director

Maintenance:

- Maintenance Supervisor

Operations:

- Operations Manager

An organization chart, which depicts these relationships, follows later in this introductory section.

In 2004, Laketran had 156 full-time equivalent employees. The system delivered 845,532 revenue miles of motor bus service and 2,417,107 revenue miles of directly operated paratransit service. The service fleet was composed of 46 motor bus coaches and 74 paratransit buses.

ECONOMIC CONDITION AND OUTLOOK

Laketran's service area is contiguous with the boundaries of Lake County, Ohio. The County includes eighteen municipalities (cities and villages) and five townships. The seat of the County government is in the city of Painesville. Lake County measures 228.2 square miles making it, geographically, the smallest county in Ohio. The 2000 population was 227,511 which ranked 11th out of 88 counties.

About 76 percent of Lake County's work force has been consistently employed in either the areas of manufacturing or trade/services. The trend is gradually shifting away from manufacturing and toward trade/services. The following data shows the percent of total Lake County employment in each segment over a five year period.

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Manufacturing	29.3	28.5	27.7	27.0	25.8
Trade/Services	46.8	48.0	48.7	49.8	50.3
Government	11.2	11.0	11.1	11.8	12.2
	87.3	87.5	87.5	88.6	88.3

The above represents about 88 percent of Lake County employment. The remaining 12 percent is concentrated in the areas of construction, financial service, transportation, utilities, and "all other".

The County's employment has remained fairly steady from 1997-2001, experiencing a growth of 5.1 percent during that period:

1997	97,404
1998	99,402
1999	101,110
2000	101,664
2001	102,354

Unemployment in Lake County, in 2002, was 6.1 percent, up from a five year low of 3.6 percent set in 2000. However, total active businesses reached a five-year high in 2002 of 5,639.

Note: All statistics in this section were obtained from the Ohio Department of Development and are the latest available at the time this document was published.

CURRENT YEAR REVIEW

During the year 2004, Laketran received the following national and state awards:

Financial Reporting

- The Distinguished Budget Presentation Award for the 2004 operating and capital budget from the GFOA.

Advertising

- First place radio/public service announcement - Summer Dime Days 2003.
- First place promotional material - Kids Activity Book.
- First place Public Awareness Campaign - Dial-a-Ride.

Note: All awards sponsored by the American Public Transportation Association (APTA).

During 2004, directly operated Dial-a-Ride ridership increased 7.2 percent and motor bus service increased 9.0 percent. Ridership figures and percentage increases/(decreases) over the prior year, for the past ten years, are as follows:

1995: 616,188	4.6%	2000: 905,084	7.1%
1996: 674,768	9.5%	2001: 961,331	6.2%
1997: 730,848	8.3%	2002: 957,120	(0.4%)
1998: 785,491	7.5%	2003: 947,609	(1.0%)
1999: 845,279	7.6%	2004: 1,018,742	7.5%

As part of an ongoing commitment to provide the best and safest overall service to the residents of Lake County, Laketrans has **1)** a regular vehicle maintenance program and **2)** a regular and systematic program for removing old buses from service and replacing them with new buses, in accordance with Federal Transit Administration (FTA) guidelines. During 2004, fifteen high mileage demand response vehicles were taken out of service. Eighteen new vehicles were purchased to replace them. The total cost of these eighteen vehicles was \$1,160,262. Laketrans operates one of the largest directly operated Dial-A-Ride services in the United States. The fleet consists of seventy-four buses.

In late 2004, Laketrans began a program to completely refurbish its fleet of twelve New Flyer 35' CNG powered buses. These buses will undergo a complete top to bottom inspection, and work is done as needed, to return the buses to "like new" condition. Total cost of the project is expected to be \$2,080,000.

Design work began on facility improvements to the Laketrans headquarters during 2004. A building addition will contain a larger driver's room and dispatch center. It will be located adjacent to the garage entrance and exit. Another building addition will expand the parts room in the maintenance department. Additionally, improvements will be made to the maintenance department, farebox room, and administrative offices. Total cost of the project is expected to be \$3,675,000.

The passenger information program began in 2004 and is expected to continue until 2008. This involves installing ride guides at many bus stops along Laketrans' local fixed route system. Ride guide will be affixed to bus stop sign poles and contain such valuable passenger information as bus schedules, maps of the various routes, fares, how to contact Laketrans, etc. Remaining costs from 2005-2008 are expected to be \$520,000.

Eastlake Ballpark Service (Route 14), started in 2004, is expected to cost \$125,000 in 2005 and is a capital project because these operating costs will be reimbursed with Federal CMAQ funds.

FUTURE PLANS

Laketrans currently has a capital improvement plan in place through the year 2009. This plan was developed to provide for the future transportation needs of all Lake County residents and includes:

- **Paratransit Buses:** Up to 90 small (seating capacity 11 to 13) and large (seating capacity 15 to 17) vehicles will be purchased over the next five years. Most are expected to replace older, high mileage vehicles scheduled to be taken out of service. Some may serve as fleet additions if fewer vehicles are disposed of than are purchased. This decision will be made annually based on demand for additional service and budget constraints. Total cost is expected to be \$6,211,689.
- **Purchase Commuter Buses:** Eight 40' commuter buses are scheduled to be purchased during 2006 in order to begin commuter express service to University Circle. Total cost is expected to be \$3,468,000.
- **Replace 12 35' Low Floor Motor Buses:** The entire fleet of New Flyer CNG powered buses is scheduled for replacement in 2009. Total cost is expected to be \$4,374,576.
- **Fleet Rebuild of 14 40' Motor Coach Industries Motor Buses:** These buses are approaching the halfway point in their useful lives and need major work in order to remain in service until 2010. This work, scheduled to begin 2005, is expected to cost \$2,550,000.
- **Transit Centers:** These are structures providing shelter for passengers at strategic points such as the start/end of one or more routes. Passengers can wait for and transfer between buses with minimal exposure to harsh weather conditions. Comfortable seating is also provided. Construction from 2005-2009 is expected to cost \$1,315,875.
- **Bus Shelters and Benches:** Additional bus shelters are to be constructed over the next five years at selected bus stops. They will provide seating and protection from harsh weather conditions while people wait for buses. At other stops, new benches are to be installed for rider comfort. Purchase and installation costs from 2005-2009 are expected to be \$125,000.
- **Upgrade MDT/AVL System:** Mobile data terminals are computer terminals installed in Dial-a-Ride buses. They enable drivers to enter their detailed route log directly into the computer system and will replace a manual system that requires the entry of all data twice. The automatic vehicle locator system enables on-screen vehicle location. Any Laketrans vehicle location can be pinpointed without the need for radio communication between dispatchers and drivers. This makes back-up route coverage for Dial-a-Ride service much more efficient in the event of schedule changes and vehicle breakdowns. This upgrade, scheduled for 2005 and 2006, is expected to cost \$3,452,625.
- **Facility Repair:** Miscellaneous facility repairs are expected to cost \$1,320,000 from 2005-2009.
- **Expand Market Street Park-n-Ride lot:** This parking lot, nearly filled to capacity every day, is scheduled for expansion in 2006. Total cost of this project is expected to be \$616,000.

- **Professional Services:** Costs of engineering and design on miscellaneous projects is expected to cost up to \$700,000 from 2005-2009.
- **Miscellaneous Shop and Office Equipment:** This category includes maintenance equipment necessary to maintain all buses in the fleet, as well proper maintenance of the Laketrans facility. Also included in this category is computer hardware, software, and such other office equipment necessary for Laketrans employees to do their jobs in an efficient and timely manner. Total cost is expected to be \$500,000 from 2005-2009.
- **Software and Equipment Upgrades:** Keeping up with technology is often mandatory when software manufacturer upgrades require new operating systems and more powerful hardware in which to operate. Total cost is expected to be \$210,000 from 2005-2009.
- **University Circle Service:** This commuter express service, scheduled to begin in 2006, is expected to cost \$375,000 from 2006-2008. This is listed as a capital project because these operating costs will be reimbursed with federal CMAQ funds.
- **Development of a new Strategic Plan:** Laketrans has not revised its strategic plan in nearly ten years. This is defined as a capital project because it will derive multi-year benefits. Total cost is expected to be \$100,000 in 2005.

FINANCIAL INFORMATION

Internal Control

Laketrans is responsible for establishing and maintaining an internal control system designed to ensure that its assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from its implementation. The valuation of costs and benefits requires estimates and judgments by management. Laketrans's management believes its internal controls are adequate.

Basis of Accounting

Laketrans's accounting records are maintained on the accrual basis. The activities are reported through the use of a single enterprise fund.

Budgetary Control

Laketrans prepares its annual operating budget and capital budget on the accrual basis of accounting. Department heads submit their budget proposals to the accounting department who assembles the budget. A draft budget is submitted to the Committee of the Whole, comprised of the entire Board. Any proposed changes made by the Committee of the Whole are included in a second draft budget. Once all changes are agreed upon, a final budget is presented to the Board at a public meeting. After a period of open discussion, the annual operating budget is adopted.

Budgetary control is maintained at the department level. It is the responsibility of each department to administer its operations in such a manner as to ensure that the use of funds is consistent with the goals and programs authorized by the Board of Trustees. Laketran also maintains an encumbrance accounting system for budgetary control. Unencumbered appropriations lapse at year end. Encumbered appropriation balances are carried forward to the succeeding year and need not be reauthorized.

The only encumbered appropriation balances carried forward to the succeeding year are for pending capital purchases. It is not uncommon for capital purchases to extend beyond the year in which they are authorized by the Board. Lead times to receive new buses and normal construction schedules are examples of two items that can take many months from Board approval to completion.

Retirement Plan

Employees of Laketran are covered under the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer pension plan (including disability and health care benefits).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees covered by OPERS contribute 8.50 percent wages subject to OPERS and Laketran contributes 13.55 percent (actuarially established for OPERS) of the same base.

Note: Very limited compensation is not subject to OPERS. Examples are 1) the lump sum distribution of any accrued vacation, sick, and holiday pay due an employee upon termination or retirement, 2) annual shoe allowances paid to eligible employees and, 3) annual attendance and safety awards paid to eligible employees.

OPERS also provides post-retirement healthcare coverage to those employees who retire with ten or more years of qualifying Ohio service credit as well as healthcare coverage disability recipients and primary survivor recipients. A portion of each employer's contribution to OPERS is set aside to fund these benefits.

Debt

Laketran has never had any debt.

Cash Management

Laketran pursues an aggressive cash management and investment program in order to achieve a reasonable financial return on all available funds. Cash balances are invested at the best interest rates available in the money markets within the constraints imposed by Laketran's Investment Policy and the Ohio Revised Code. In accordance with these provisions, only commercial and savings banks located in Ohio are eligible to hold public deposits.

The provisions also permit Laketran to invest in certificates of deposit, savings accounts, money market accounts, the State Treasurers Asset Reserve (STAROhio), commercial paper, and obligations of the United States Government or certain agencies and instrumentalities thereof. Laketran may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days.

Laketrans investment portfolio at December 31, 2004 is distributed as follows:

U.S. Government Securities	65.2%
Money Market Savings	33.2%
Depository Account	<u>1.6%</u>
	100.0%

Risk Management

Laketrans is a member of the Ohio Transit Risk Pool (OTRP). OTRP provides coverage for all property, casualty, and liability risks on a "three tier" basis as follows:

1. Each member reimburses the pool for payments made against applicable deductibles. Deductibles for vehicle damage are \$1,000, \$5,000, or \$25,000 per incident, depending on the size of the member. Laketrans is considered a medium sized member and has a \$5,000 deductible for vehicle damage. All other deductibles are \$1,000.
2. The pool pays losses in excess of deductible limits up to \$100,000.
3. OTRP purchases insurance to cover losses in excess of \$100,000.

Workers' Compensation

Laketrans is a member of a workers' compensation group. This has resulted in significant savings on premiums.

OTHER INFORMATION

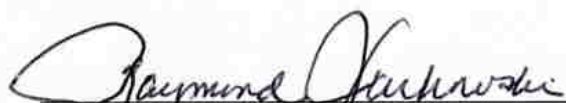
Independent Audit

The Laketrans independent audit was conducted by James G. Zupka, CPA, Inc., who has issued an unqualified audit report on the financial statements.

Laketrans also participates in the federal single audit program, which consists of a single audit of all federally funded programs administered by Laketrans. As a requirement for continued funding eligibility, participation in the single audit program is mandatory for most local governments, including Laketrans.

ACKNOWLEDGMENT

This report is prepared in collaboration with James G. Zupka, CPA, Inc. Special thanks to their staff for their valuable contributions to this document.

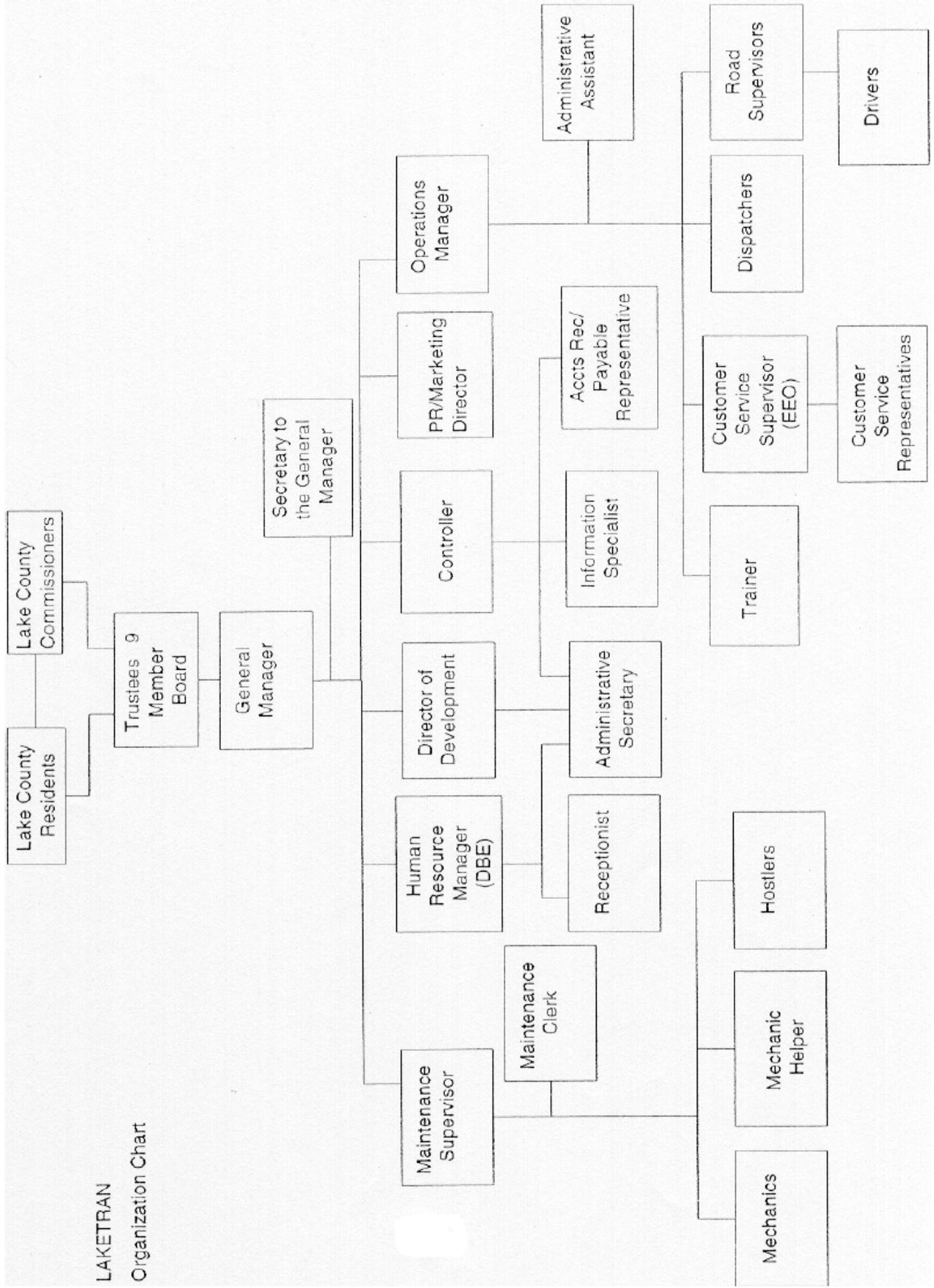


Raymond Jurkowski
General Manager/Secretary-Treasurer



William J. Hamilton
Controller and
Certified Public Finance Officer

LAKETRAN
Organization Chart



LAKETRAN

BOARD OF TRUSTEES AND MANAGEMENT

As of December 31, 2004

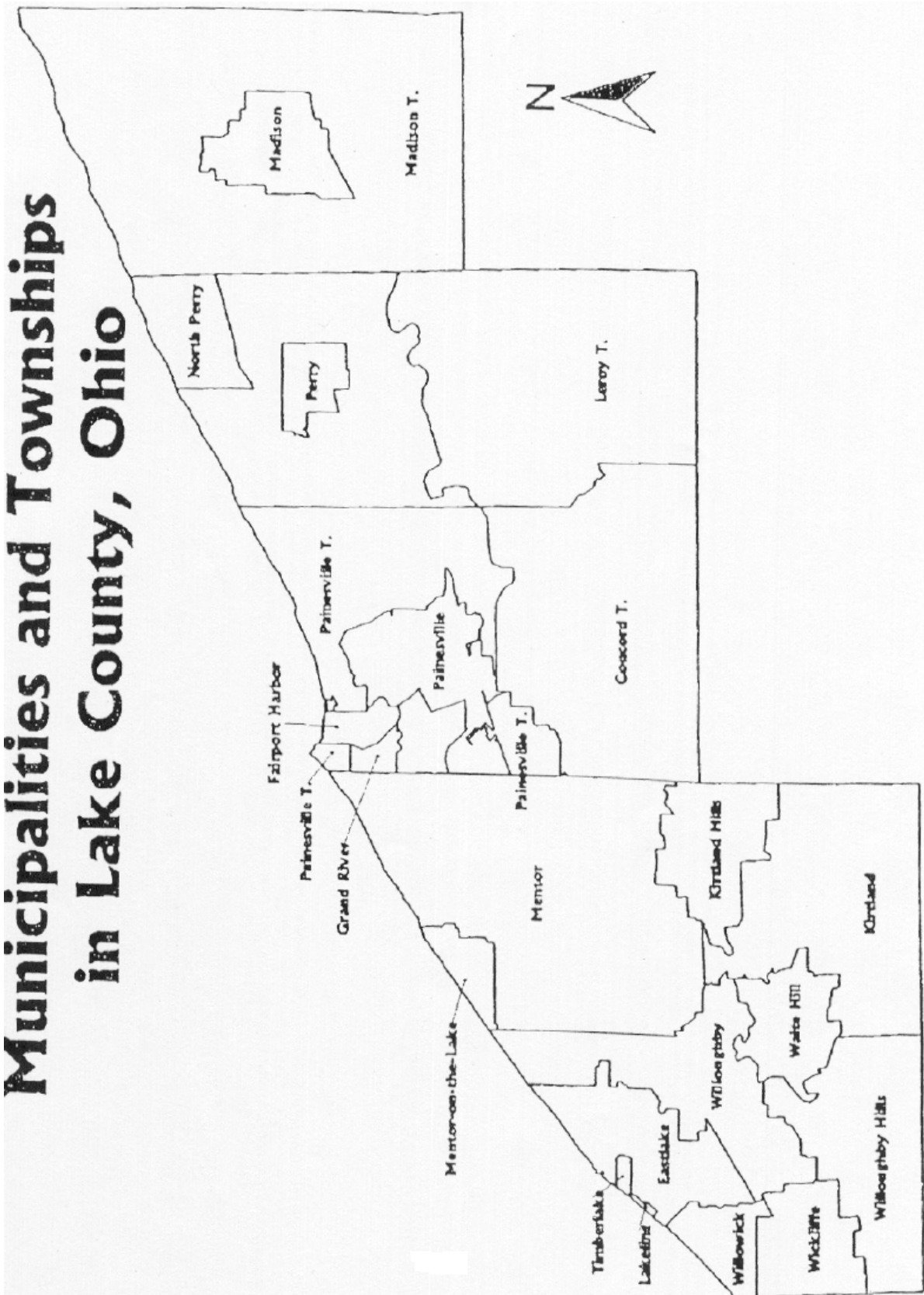
Board of Trustees

Chairman	Dale A. Chample
Vice-Chairman	Judy L. Colgrove
Trustees	Henry W. Centa Jeanette Crislip J. Terrill Dillard Donna P. McNamee Edward J. Podojil John Redmond Harry G. Waterman

Management

General Manager and Secretary-Treasurer	Raymond Jurkowski
Operations Manager	Andrew A. Altenweg
Director of Development	Dale Madison
Controller	William J. Hamilton
Human Resources Manager	Maureen D. Bierer
P/R and Marketing Director	Jessie M. Baginski
Maintenance Supervisor	Gary L. May

Municipalities and Townships in Lake County, Ohio



LAKETRA



Financial Section

2004

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Laketran
Grand River, Ohio

We have audited the accompanying basic financial statements of Laketran, Ohio, as of December 31, 2004 and 2003, and for the years then ended, as listed in the table of contents. These basic financial statements are the responsibility of the management of Laketran, Ohio's. Our responsibility is to express opinions on these basic financial statements based on our audit.

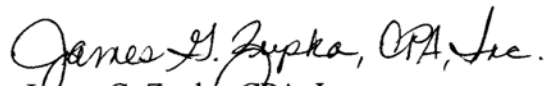
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Laketran, Ohio, as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2005 on our consideration of Laketran, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laketran, Ohio's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


James G. Zupka, CPA, Inc.
Certified Public Accountants

March 18, 2005

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2004

As management of Laketran, we offer readers of Laketran's financial statements this narrative overview and analysis of the financial activities of Laketran for the fiscal years ended December 31, 2004 and 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 10 of this report.

FINANCIAL HIGHLIGHTS

- Laketran's net assets decreased as a result of current year operations by \$1,918,172 or 4.3 percent.
- Operating expenses, exclusive of depreciation, were \$10,452,691 in 2004 compared to \$9,954,703 in 2003. This is an increase of 4.9 percent.
- Net capital assets were \$25,793,484 at December 31, 2004 compared to \$27,780,052 at December 31, 2003. This is a decrease of 7.2 percent. This decrease is due to the fact that depreciation expense plus asset disposals (which decrease net capital assets) exceeded acquisitions (which increase net capital assets). Such a decrease is not uncommon in years when the purchase of Dial-a-Ride buses is the largest capital acquisition during the year.
- Cash and cash equivalents were \$5,107,759 at December 31, 2004 compared to \$5,376,955 at December 31, 2003. This is a decrease of 5.0 percent.
- Investments at fair value, other than those included in cash and cash equivalents, were \$9,551,658 at December 31, 2004 compared to \$10,145,569 at December 31, 2003. This is a decrease of 5.9 percent.

NOTE: The new transportation bill has been delayed in Congress. Approximately \$650,000 in federal capitalized maintenance has not yet been received due to this delay. Had these funds have received, the previous two bullet points would only be down an average of 1.4 percent each.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Laketran's basic financial statements. Laketran's basic financial statements are comprised of four components: **1)** Statements of Net Assets, **2)** Statements of Revenues, Expenses, and Changes in Net Assets, **3)** Statements of Cash Flows, and **4)** Notes to the Basic Financial Statements. The Statements of Net Assets and Statements of Revenue, Expenses, and Changes in Net Assets (pages 25 and 26) provide information about the activities of Laketran and present a longer-term view of its finances. Our analysis of Laketran as a whole begins on page 25.

**LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

One of the most important questions asked about Laketran's finances is, "Is Laketran better off or worse off as a result of the year's activities?" The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows report information about Laketran and its activities in a way that helps answer this question. These statements are prepared on the accrual basis of accounting. Revenues are recorded when earned as opposed to received and expenses are recorded when incurred as opposed to paid.

The basic financial statements report Laketran's net assets and changes in them. Laketran's net assets are the difference between assets (what the citizens own) and liabilities (what the citizens owe) as one way to measure Laketran's financial health or financial position. Over time, increases or decreases in Laketran's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors need to be considered such as the condition of Laketran's capital assets (property, equipment, vehicles, etc.).

Laketran only engages in business type activities. The sole purpose of Laketran is to provide public transportation services to the citizens of Lake County. A bus fare is charged each rider to help cover a portion of expenses.

Laketran's total assets changed from a year ago. At December 31, 2004 they were \$45,768,096. At December 31, 2003 they were \$46,663,769. This is an decrease of 1.9 percent.

Table 1 - Net Assets

	2004	2003
Assets		
Current Assets	\$ 17,622,023	\$ 17,714,137
Restricted Assets	9,277	9,392
Other Assets	2,343,312	1,160,188
Capital Assets	<u>25,793,484</u>	<u>27,780,052</u>
Total Assets	<u>45,768,096</u>	<u>46,663,769</u>
Liabilities		
Current Liabilities	1,090,626	1,251,251
Other Liabilities	<u>2,343,312</u>	<u>1,160,188</u>
Total Liabilities	<u>3,433,938</u>	<u>2,411,439</u>
Net Assets		
Invested in Capital Assets, Net of Debt	25,793,484	27,780,052
Unrestricted	<u>16,540,674</u>	<u>16,472,278</u>
Total Net Assets	<u>\$ 42,334,158</u>	<u>\$ 44,252,330</u>

Laketran's net assets were \$42,334,158 at December 31, 2004 compared to \$44,252,330 at December 31, 2003. This is a 4.3 percent decrease. Unrestricted net assets were \$16,540,674 at December 31, 2004 compared to \$16,472,278 at December 31, 2003. This is a 0.4 percent increase. The investment in capital assets, net of related debt, was \$25,793,484 at December 31, 2004 compared to \$27,780,052 at December 31, 2003. This is a 7.2 percent decrease. These changes are analyzed beneath the Schedule of Changes in Assets below.

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

The following financial ratios should be used to assess the financial stability of Laketran over a period of five years.

The ratios of working capital and days cash and investments in reserve demonstrate the ability to finance operations with cash.

FINANCIAL RATIOS

Working capital is the amount by which current assets exceeds current liabilities:

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$16,531,397	\$16,462,886	\$17,276,981	\$17,011,930	\$17,228,048

The Current Ratio, which compares current assets to current liabilities, is an indicator of the ability to pay current obligations.

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
16.16	14.16	12.56	15.96	20.32

Days Cash and Investments in Reserve represents the number of days normal operations could continue with no revenue collection.

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
512	569	644	658	740

Liabilities to Net Assets indicates the extent of borrowing.

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
8.1%	5.4%	8.0%	2.6%	2.5%

Note: Laketran has never incurred debt by borrowing (issuing bonds, obtaining a bank loan, etc.). The "borrowing" in the ratio above is solely a result of unpaid liabilities at year end. These consist of 1) payments due vendors, 2) accrued payroll liabilities, and 3) deferred revenue (2003-2004). Deferred revenue consists of capital grant funding not yet eligible to be received.

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Table 2 - Changes in Net Assets

	2004	2003
Revenues:		
Passenger Fares	\$ 822,817	\$ 761,657
Auxiliary Transportation Rev.	59,125	55,235
Sales Tax Revenue	7,637,134	7,440,528
Federal Grants and Reimbursements	2,572,192	5,505,997
State Grants, Reimbursements Special Fare Assistance	738,609	1,090,699
Interest Income	295,111	323,731
Net Increase/(Decrease) in Fair Value of Investments	(128,814)	(86,703)
Non-Transportation Revenues	28,425	6,322
Gain/(Loss) Disposal of Assets	61,909	0
Total Revenues	<u>12,086,508</u>	<u>15,097,466</u>
Expenses By Type:		
Administration	1,991,654	1,756,838
Maintenance	1,335,482	1,469,280
Operations	<u>7,125,555</u>	<u>6,728,585</u>
Total Operating Expenses Other Than Depreciation	10,452,691	9,954,703
Depreciation	<u>3,551,989</u>	<u>3,295,466</u>
Total Operating Expenses	<u>14,004,680</u>	<u>13,250,169</u>
Increase/(Decrease) In Net Assets	<u>\$ (1,918,172)</u>	<u>\$ 1,847,297</u>

Significant items contributing to the decrease in net assets are as follows:

- Federal and state grant reimbursements decreased by 49.8 percent due to significantly decreased capital spending. Grant funds are all received on a reimbursement basis. Fluctuations in capital spending from one year to the next can cause significant variances in grant revenue.
- Depreciation expense, a non-cash expense, greatly exceeded the investment in new capital assets. This reduced investment results in less grant reimbursement income. Note: These first two bullet points typically have minimal impact on the change in unrestricted cash reserves since the majority of capital investment is reimbursed via federal and state grants.
- Sales tax revenues, Laketran's largest source of revenue, increased a modest 2.6 percent.
- Investment income decreased 8.8 percent while Laketran's investment portfolio decreased by 5.6 percent during the year. It should be noted that \$650,000 in grant reimbursements have been delayed due to debate in Congress over the transportation bill. Had these been received, the investment portfolio would have decreased by only 1.4 percent.
- Operating expenses, excluding depreciation, increased a net 5.0 percent.

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

- Significant changes in operating expenses are:
 1. Workers' compensation premiums increased 29.1 percent.
 2. Property and casualty insurance increased 39.2 percent.
 3. Fuel and oil costs increased 25.8 percent primarily due to rising prices. Part of the increase can be attributed to a 4 percent increase in total vehicle miles.

Note: The above three items comprise 13.3 percent of total operating expenses but also represents 67.0 percent of the total increase in operating expenses, excluding depreciation from 2003 to 2004.

Table 3 - Changes in Cash Flows

	<u>2004</u>	<u>2003</u>
Net Cash used for Operating Activities	\$(9,775,531)	\$(9,396,275)
Net Cash Provided by Noncapital Financing Activities	8,985,346	9,006,239
Net Cash Used by Capital and Related Financing Activities	(229,739)	(1,055,172)
Net Cash Used by Investment Activities	<u>750,728</u>	<u>1,321,285</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>\$ (269,196)</u>	<u>\$ (123,923)</u>

Net cash used for operating activities increased 4.0 percent. This increase is mainly attributed to the significant changes in operating expenses listed above.

Net cash provided by noncapital financing activities decreased .23 percent. This decrease is attributed to a 20.0 percent increase in federal grants and reimbursements received. This consists of capitalized maintenance and CMAQ funding for the Route 14 start up. At the same time, state grants decreased 23.2 percent. The combined federal and state grant reimbursements increased 25.4 percent.

Net cash used by capital and related financing activities decreased 78.2 percent. This was caused by significantly lower capital spending in 2004 compared to 2003.

Net cash used by investment activities decreased 43.2 percent. This was primarily caused by the fact that \$650,000 in capitalized maintenance was delayed by Congress until 2005, due to ongoing debates over the transportation bill.

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

BUDGETARY HIGHLIGHTS

Table 4 - Analysis of Significant Budget Variations

	Original Budget 2004	Revised Budget 2004	Actual 2004	Variance Favorable/ (Unfavorable)
<u>Operating Revenues</u>				
Passenger Fares	\$ 827,900	\$ 827,900	\$ 822,817	\$ (5,083)
Auxiliary Transportation Revenues	58,000	58,000	59,125	1,125
Total Operating Revenues	885,900	885,900	881,942	(3,958)
<u>Operating Expenses Other Than Depreciation</u>				
Labor	5,339,352	5,339,352	4,846,414	492,938
Fringe Benefits	2,016,167	2,016,167	2,517,417	(501,250)
Services	566,855	566,855	609,115	(42,260)
Supplies	1,271,000	1,271,000	1,143,187	127,813
Utilities	189,300	189,300	155,817	33,483
Claims and Insurance	502,500	502,500	518,412	(15,912)
Purchased Transportation	224,344	224,344	208,593	15,751
Miscellaneous	326,175	326,175	453,736	(127,561)
Total Operating Expenses Other Than Depreciation	10,435,693	10,435,693	10,452,691	(16,998)
Depreciation	3,430,000	3,430,000	3,551,989	(121,989)
Total Operating Expenses	13,865,693	13,865,693	14,004,680	(138,987)
Net Operating Loss	<u>\$(12,979,793)</u>	<u>\$(12,979,793)</u>	<u>\$(13,122,738)</u>	<u>\$ (142,945)</u>
<u>Non-Operating Revenues/(Expenses)</u>				
Sales Tax Revenue	\$ 7,585,000	\$ 7,585,000	\$ 7,637,134	\$ 52,134
Federal Grants and Reimbursements	1,133,333	1,133,333	1,468,880	335,547
State Grants, Reimbursements, and Special Fare Assistance	551,460	551,460	568,148	16,688
Interest Income	275,000	275,000	295,111	20,111
Net Increase/(Decrease) in Fair Value of Investments	0	0	(128,814)	(128,814)
Gain/(Loss) on Disposal of Capital Assets	0	0	61,909	61,909
Non-Transportation Revenues	0	0	28,425	28,425
Total Non-Operating Revenues/(Expenses)	\$ 9,544,793	\$ 9,544,793	\$ 9,930,793	\$ 386,000

Laketrans is very dependent upon two sources of revenue as follows:

1. Sales tax comprised 63.2 percent of total revenue, inclusive of capital grant reimbursements. Sales tax proceeds increased 2.6 percent from 2003. This is considered a modest increase.
2. Federal and state grant reimbursements comprised 27.4 percent of total revenue. It should be noted that actual amounts vary greatly from budgeted amounts. One year's actual proceeds do not relate at all to the prior years. Additionally, neither the federal or state government give any indication as to how much should be budgeted. The budget ends up being a "best estimate".

**LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Services exceeded the budget due to higher than expected professional services, especially in the area of computer/network services. During 2004, major network upgrades were made. The Trapeze scheduling software was upgraded from DOS to Windows. Additionally, multiple file servers were added to the network and various reports were written for the scheduling software in order to accommodate reporting requirements.

Miscellaneous expenses were 34.9 percent over budget for two reasons:

- Training and education expenses were higher than expected, especially due to a greatly increased interest in Board members' desire to attend APTA conferences for transit training.
- Advertising expenses to launch new Route 14 commuter express service from the Eastlake Stadium were higher than expected.

A full 86.9 percent of the non-operating income favorable balance is attributable to federal capitalized maintenance being significantly higher than anticipated. These are funds that can be transferred back and forth between capital grant reimbursements and capitalized maintenance. Therefore, it is difficult to budget this until all needs are known.

Non-operating income shows an over budget amount of \$(128,814). This is due to a non-cash transaction which is required each year. It simply restates investments from cost to fair value. It does not represent any actual loss since Laketrans has always held investments to call or maturity. At this point, the full value of investments are due plus any accrued interest.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2004, Laketrans had \$25,793,484 invested in a broad range of capital assets including land, buildings, equipment, office furniture/fixtures/equipment, parking lots, communication equipment, and vehicles. This amount represents a net decrease of \$1,986,567 or 7.2 percent from 2003.

Table 5 - Capital Assets at Year End

	<u>2004</u>	<u>2003</u>
Land	\$ 2,442,643	\$ 2,442,643
Buildings	11,378,675	11,378,675
Transportation Vehicles and Equipment	28,962,599	29,382,971
Furniture, Vehicles, and Equipment	742,814	522,325
Construction In Progress	<u>102,373</u>	<u>202,470</u>
	43,629,104	43,929,084
Less: Accumulated Depreciation	<u>17,835,620</u>	<u>16,149,032</u>
Total Capital Assets, Net	<u><u>\$25,793,484</u></u>	<u><u>\$27,780,052</u></u>

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

All capital assets are depreciated using the straight line method of depreciation. Vehicles useful lives are either four or twelve years as specified in Federal Transit Administration regulations. All other useful lives range from five to thirty years, depending on the nature of the asset. Laketrans owns one building which is being depreciated over a period of thirty years.

DISCUSSION OF CURRENTLY KNOWN FACTS

Exclusive of capital grant reimbursements, Laketrans has experienced relatively flat revenues since 2000. Capital grant reimbursements can be very volatile from one year to the next because they are based upon the availability of governmental funds for capital purchases rather than bus operations.

During 2004, while revenues have been relatively flat, property and casualty insurance costs have increased 39.2 percent, fuel costs have increased 25.8 percent, and workers' compensation costs have increased 29.1 percent. Everything possible is being done to control costs and remain within the budget without reducing service.

Laketrans began commuter express service from the Eastlake Stadium in April 2004. This route will be operated with CMAQ funding for three years.

During November 2003, Lake County voters overwhelmingly approved the 1/4 percent sales tax which provides Laketrans with a majority of its funding. This levy was approved by a margin of 67 percent for and 33 percent against. The old levy expired July 31, 2004 and the new levy took effect on August 1, 2004.

LAKETRAN
STATEMENTS OF NET ASSETS
DECEMBER 31, 2004 AND 2003

	2004	2003
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 5,098,482	\$ 5,367,563
Investments	9,551,658	10,145,569
Receivables:		
Federal Grants	742,520	7,601
State Grants	203,435	203,437
Trade	57,765	86,353
Sales Tax	1,227,996	1,245,672
Fuel Tax Refund	0	0
Accrued Interest	59,636	50,156
Materials and Supplies	680,531	595,605
Prepaid Expenses	0	12,181
Total Current Assets	17,622,023	17,714,137
Restricted Assets:		
Cash and Cash Equivalents	9,277	9,392
Other Assets:		
Grants Receivable:		
Federal Grants	2,343,312	1,160,188
Capital Assets, net	25,793,484	27,780,052
TOTAL ASSETS	\$ 45,768,096	\$ 46,663,769
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 157,592	\$ 469,058
Capital Leases Payable	10,576	0
Accrued Payroll and Benefits	821,648	625,871
Accrued Pension	0	146,930
Accrued OTRP Special Assessments	91,533	0
Payable from Restricted Assets:		
Retainage Payable	9,277	9,392
Total Current Liabilities	1,090,626	1,251,251
Other Liabilities:		
Deferred Revenue	2,343,312	1,160,188
Total Liabilities	3,433,938	2,411,439
<u>Net Assets</u>		
Invested in Capital Assets	25,793,484	27,780,052
Unrestricted	16,540,674	16,472,278
Total Net Assets	42,334,158	44,252,330
TOTAL LIABILITIES AND NET ASSETS	\$ 45,768,096	\$ 46,663,769

See accompanying notes to the basic financial statements.

LAKETRAN
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
DECEMBER 31, 2004 AND 2003

	2004	2003
<u>Operating Revenues</u>		
Passenger Fares for Transit Service	\$ 812,657	\$ 751,056
Special Transit Fares	10,160	10,601
Auxiliary Transportation Revenue	59,125	55,235
Total Operating Revenues	881,942	816,892
<u>Operating Expenses Other Than Depreciation</u>		
Labor	4,846,414	4,443,650
Fringe Benefits	2,517,417	2,449,787
Services	609,115	654,579
Fuel and Lubricants	668,839	531,737
Materials and Supplies	474,348	556,373
Utilities	155,817	152,147
Claims and Insurance	518,412	372,329
Purchased Transportation	208,593	253,288
Miscellaneous	453,736	540,813
Total Operating Expenses Other Than Depreciation	10,452,691	9,954,703
Depreciation	3,551,989	3,295,466
Total Operating Expenses	14,004,680	13,250,169
Operating Loss	(13,122,738)	(12,433,277)
<u>Non-Operating Revenues and Expenses</u>		
Sales Tax Revenue	7,637,134	7,440,528
Federal Grants and Reimbursements	1,468,880	884,993
State Grants, Reimbursements, and Special Fare Assistance	568,148	740,021
Interest Income	295,111	323,731
Net Increase in Fair Value of Investments	(128,814)	(86,703)
Gain/(Loss) on Disposal of Fixed Assets	61,909	0
Non-Transportation Revenues	28,425	6,322
Total Non-Operating Revenues and Expenses	9,930,793	9,308,892
Loss before Capital Contributions	(3,191,945)	(3,124,385)
<u>Capital Funding</u>		
Federal Grants and Reimbursements	1,103,312	4,621,004
State Grants and Reimbursements	170,461	350,678
Total Capital Funding	1,273,773	4,971,682
Increase (Decrease) in Net Assets	(1,918,172)	1,847,297
Total Net Assets, Beginning of Year	44,252,330	42,405,033
Total Net Assets, End of Year	\$ 42,334,158	\$ 44,252,330

See accompanying notes to the basic financial statements.

LAKETRAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 910,530	\$ 776,853
Cash Payments for Goods and Services	(3,371,077)	(2,910,284)
Cash Payments for Employees' Services	(7,314,984)	(7,262,844)
Net Cash Used for Operating Activities	(9,775,531)	(9,396,275)
<u>Cash Flows from Noncapital Financing Activities</u>		
Sales Tax Received	7,654,810	7,374,211
Operating Grants Received	1,302,111	1,625,706
Non-Transportation Revenue	28,425	6,322
Net Cash Provided by Noncapital Financing Activities	8,985,346	9,006,239
<u>Cash Flows from Capital and Related Financing Activities</u>		
Capital Grants Received	1,273,773	4,971,682
Acquisition and Construction of Capital Assets	(1,584,366)	(6,026,854)
Net Proceeds from Sale of Assets	80,854	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(229,739)	(1,055,172)
<u>Cash Flows from Investing Activities</u>		
Interest Received	285,631	333,475
Purchase of Investment Securities	0	(11,158,034)
Proceeds from Maturities of Investments	465,097	12,145,844
Net Cash Provided (Used) by Investment Activities	750,728	1,321,285
Net Increase (Decrease) in Cash and Cash Equivalents	(269,196)	(123,923)
Cash and Cash Equivalents at Beginning of Year	5,376,955	5,500,878
Cash and Cash Equivalents at End of Year	\$ 5,107,759	\$ 5,376,955
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>		
Operating Loss	\$(13,122,738)	\$(12,433,277)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation	3,551,989	3,295,466
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Trade Accounts Receivable	28,588	(40,039)
Materials and Supplies	(84,926)	(41,871)
Fuel Tax Refund		20,326
Prepaid Expenses	12,181	11,919
Increase (Decrease) in:		
Accounts Payable	(311,466)	160,638
Accrued Payroll and Benefits	195,777	(90,043)
Accrued Pension and Other Payables	(44,936)	(279,394)
Total Adjustments	3,347,207	3,037,002
Net Cash Used for Operating Activities	\$ (9,775,531)	\$ (9,396,275)

See accompanying notes to the basic financial statements.

Schedule of Noncash Investing Capital and Financing Activities - The net change in the fair value of investments was \$(128,814) and \$(86,703) as of December 31, 2004 and 2003, respectively.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

NOTE 1: **ORGANIZATION**

Laketran was formed as the public agency responsible for public transportation in Lake County. Laketran is a political subdivision of the State of Ohio and was organized as a regional transit authority in accordance with the provisions of the Ohio Revised Code Sections 306.30 through 306.71, inclusive. Therefore, Laketran is not subject to federal, state, or local income taxes.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies

The financial statements of Laketran have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Laketran has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. Laketran will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board. The more significant of Laketran's accounting policies are described below.

Financial Reporting Entity

For financial reporting purposes, all departments and operations for which Laketran is financially accountable are included in the reporting entity. Financial accountability was evaluated based on consideration of financial interdependency, appointment of voting majority, and imposition of will. No governmental units other than Laketran itself are included in the reporting entity. There are no component units based on the consideration above.

Under the guidelines of GASB Statement No. 14, Laketran is a jointly governed organization. All nine members of its Board are appointed by the Lake County Board of Commissioners. The Lake County Board of Commissioners did not provide any support or have any significant financial transactions with Laketran during 2004 or 2003.

Basis of Presentation

Laketran's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation (Continued)

Laketran uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of Laketran are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how Laketran finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Laketran's enterprise fund are charges to customers for passenger fare for transit services. Operating expenses for enterprise funds include the cost of transit services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

For the purposes of the statement of cash flows, Laketran considers all highly liquid investments with an initial maturity date of three months or less to be cash equivalents.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash, Cash Equivalents, and Investments (Continued)

The carrying amount of cash equivalents and investments is fair value. The net change in fair value of investments is recorded on the Statements of Revenues, Expenses, and Changes in Net Assets, and includes the unrealized and realized gains and losses on investments.

Inventory

Inventory of replacement vehicle parts are stated at the lower of cost or market using the average cost method.

Capital Assets and Depreciation

Property, facilities, and equipment are stated at cost. Donated property is capitalized at estimated fair value at the date donated.

Depreciation on all assets is computed on the straight line method based on the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Buildings	30
Building Improvements	10
Equipment	5-10
Furniture and Fixtures	5-10
Parking Lots and Bus Shelters	10
Communication System	15
Vehicles	4-12

Cost of property retired and the related depreciation are removed from the asset account and accumulated depreciation account, respectively.

Compensated Absences

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

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Compensated Absences (Continued)

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. For 2004 and 2003, there was no debt related to capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2004 and 2003, there were no restricted net assets.

Recognition of Revenue, Receivables, and Deferred Revenues

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

The Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT) provide financial assistance and make grants directly to Laketrans for acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenues over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and credited to revenue when the related qualified expenditures are incurred. Capital grants received in advance of project costs being incurred are deferred. Subsidies from various local governments/agencies are recognized when received.

Investment Policy

State statutes and Board resolutions authorize Laketrans's investments. Laketrans is authorized to invest in U.S. Treasury securities and obligations of Federal government agencies or instrumentalities, collateralized repurchase agreements, certificates of deposit, and the State Treasurer's Asset Reserve (STAROhio) investment pool.

Reclassifications

Certain amounts included in the 2004 financial statements have been reclassified to conform to the 2003 presentation.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003
(CONTINUED)

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Multiple financial institution collateral pools that insure public deposits must maintain collateral amounts in excess of 110 percent of deposits. The collateral pledged in connection with Laketran's deposits is held in the name of the financial institution holding Laketran's deposits.

At December 31, 2004 and 2003, the carrying amount of Laketran's cash deposits were \$5,105,581 and \$5,374,789, respectively, and the bank balances were \$5,398,235 and \$5,569,948, respectively. Deposits totaling \$200,000 and \$109,392 were covered by Federal depository insurance at December 31, 2004 and 2003, respectively. The remaining deposits of \$5,198,235 and \$5,460,556, respectively, were covered by collateral pools held in the name of the financial institutions.

Cash and cash equivalents also included petty cash and undeposited cash of \$1,256 and \$1,256 at December 31, 2004 and December 31, 2003, respectively.

Investment Pool

At December 31, 2004 and 2003, Laketran had \$922 and \$910, respectively, invested in the State Treasurer's Asset Reserve (STAROhio). STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price (a constant price of \$1.00 per share), which is the price the investment could be sold for on December 31, 2004 and 2003, respectively. These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Investments

During 1998, Laketran adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and Eternal Investment Pools*, which provides for accounting for investments with maturities greater than one year at fair value. As of December 31, 2004 and December 31, 2003, Laketran's investments were:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>December 31, 2004</u>			
U.S. Government and Agency Securities	\$ 9,680,472	\$ 9,551,658	\$ (128,814)
<u>December 31, 2003</u>			
U.S. Government and Agency Securities	\$ 10,232,272	\$ 10,145,569	\$ (86,703)

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

Laketrans investments are detailed below and are categorized to give an indication of the level of credit risk assumed at year end. Category 1 includes investments that are insured or registered, or for which the securities are held by Laketrans or its agent in Laketrans name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in Laketrans name. Category 3 includes uninsured or unregistered investments for which securities are held by the counterparty or by its trust department or agent, but not in Laketrans name. Balances with STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Description	<u>Risk Category</u>			Fair Value/ Carrying Value
	1	2	3	
<u>December 31, 2004</u>				
U.S. Government and Agency Securities			\$ 9,551,658	\$ 9,551,658
Investment in State Treasurer's Investment Pool (STAROhio)			0	922
Total			<u>\$ 9,551,658</u>	<u>\$ 9,552,580</u>
<u>December 31, 2003</u>				
U.S. Government and Agency Securities			\$ 10,145,569	\$ 10,145,569
Investment in State Treasurer's Investment Pool (STAROhio)			0	910
Total			<u>\$ 10,145,569</u>	<u>\$ 10,146,479</u>

NOTE 4: **RESTRICTED ASSETS**

Restricted asset deposits consist of the following:

Escrow Retainage

Laketrans maintains funds in escrow for retainages payable on construction contracts. The balances in escrow at December 31, 2004 and 2003 were \$9,277 and \$9,392, respectively.

NOTE 5: **GRANT ASSISTANCE**

Federal Grant

Preventive maintenance operating expenses became eligible for federal capital assistance under the Department of Transportation's 1998 appropriations act. Revenues are recognized in the year earned, which is the year in which eligible expenses are incurred. For the years ended December 31, 2004 and 2003, Laketrans recognized \$1,468,880 and \$884,993, respectively. In addition, Laketrans recognized capital grants reimbursements as revenue in 2004 and 2003 of \$1,103,312 and \$4,621,004, respectively. For the first time during 2004, Laketrans received federal CMAQ funding to help fund new service. The amount received was \$75,000.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003
(CONTINUED)

NOTE 5: **GRANT ASSISTANCE** (Continued)

State Grant

The Ohio Department of Transportation typically enacts very similar regulations to those of the U.S. Department of Transportation. Preventive maintenance operating expenses are eligible for state capital assistance with certain restrictions which depend upon availability of federal funds. For the years ended December 31, 2004 and 2003, Laketran recognized revenue of \$161,275 and \$381,776, respectively. In addition, Laketran recognized capital grant reimbursements as revenue in 2004 and 2003 of \$170,461 and \$350,678, respectively.

State of Ohio Elderly and Disabled Transit Fare Assistance

The State of Ohio provides a grant each year to help defray the high costs of transporting Lake County residents who are elderly or have disabilities. For the years ended December 31, 2004 and 2003, Laketran received \$406,873 and \$358,244, respectively.

NOTE 6: **OTHER REVENUE**

In November 2003, the Lake County electorate voted to continue a levy of one-quarter of one percent sales tax, which shall be in effect for ten years beginning July 1, 2004, to provide local funding for all transit purposes for the years 2004 through 2014.

For the years ended December 31, 2004 and 2003, sales tax revenues totaled \$7,637,134 and \$7,440,528, respectively. Laketran records sales tax revenues and receivables as the sales taxes are earned, which is the year in which the related exchange transaction is incurred.

NOTE 7: **PENSION PLAN**

Ohio Public Employees Retirement System

Laketran participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed Plan.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003
(CONTINUED)

NOTE 7: **PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. Laketrans contribution rate for pension benefits for 2004 was 8.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Laketrans required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$724,279, \$683,893, and \$640,406, respectively; 86.86 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member directed plan for 2004 were \$9,548 made by Laketrans and \$5,989 made by the plan members.

NOTE 8: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employers contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local employer contribution rate was 13.55 percent of covered payroll, 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003
(CONTINUED)

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$213,807. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 9: **COMPENSATED ABSENCES**

Employees of Laketran earn vacation and sick leave at various rates under Laketran policy. In case of death, termination, or retirement, an employee or their estate is paid for portions of these benefits. Laketran records a liability for vacation, holiday, and sick hours earned but not used at year-end at the employees' current wage rate. Laketran's obligations for these amounts at December 31, 2004 and 2003 amounted to approximately \$491,471 and \$439,518, respectively.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003
(CONTINUED)

NOTE 10: VOLUNTARY RETIREMENT INCENTIVE PLAN

On March 25, 2002, Laketran's Board of Trustees adopted a resolution establishing a voluntary retirement incentive plan for eligible employees of Laketran, per Ohio Revised Code Section 145.297. The plan was approved by the Ohio Public Employees Retirement System (OPERS). Under the plan, Laketran will purchase up to two years of additional service credit for eligible employees. The plan was offered to the top 10 percent of Laketran's OPERS-covered employees based on total service credit with OPERS on July 1, 2002. The effective date of the plan is July 1, 2002 and terminated on June 30, 2004.

No expenses were recognized during 2004 as all expenses were accrued prior to that. At the plan's termination, about \$98,000 remained accrued. \$91,533 of this accrual was transferred to an accrual for two installments of an OTRP assessment discussed in Note 11.

NOTE 11: RISK MANAGEMENT

Laketran is a member of the Ohio Transit Risk Pool Association, Inc. (OTRP). OTRP is a joint self-insurance pool pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for 10 member transit agencies. Laketran pays an annual premium to OTRP for its general insurance coverage and pays quarterly into a loss and administration fund pursuant to its bylaws. The Agreement of Formation provides that OTRP will be self-sustaining through member premiums and will reinsure through commercial companies for property damage and claims in excess of \$100,000 and casualty losses in excess of \$250,000 for each insured occurrence. Laketran has a \$1,000 deductible for any claim or occurrence. The pool-shared losses are \$99,000 maximum combined per occurrence for property losses and \$249,000 maximum combined per occurrence for casualty losses. Laketran's share of the potential losses is 8.58 percent at December 31, 2004.

As of March 1, 2004, the deductible is \$5,000 per occurrence. Commercial property claims and liability claims remained at \$1,000 per occurrence.

An assessment for fiscal year 2002 in the amount of \$1,600,000 was made during 2004. Laketran's share of the assessment is 8.58 percent or \$137,300, to be paid in three equal installments. The first installment of \$45,767, due on January 31, 2005, was paid in December 2004 and is included in operating activities.

Subsequent installments are due on January 31, 2006 and January 31, 2007, respectively.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003
(CONTINUED)

NOTE 11: RISK MANAGEMENT (Continued)

Laketrans participates in the State of Ohio Workers' Compensation plan, paying premiums directly to the State.

Laketrans provides medical and life insurance to its employees by participating in the group plan offered by the Lake County Commissioners to all County employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in either of the past two years.

NOTE 12: CAPITAL ASSETS

Capital assets consist of the following at December 31, 2004 and 2003:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>2004</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,442,643	\$ 0	\$ 0	\$ 2,442,643
Construction in Progress	<u>202,470</u>	<u>337,186</u>	<u>(437,283)</u>	<u>102,373</u>
Total Capital Assets Not Being Depreciated	<u>2,645,113</u>	<u>337,186</u>	<u>(437,283)</u>	<u>2,545,016</u>
Capital Assets, Being Depreciated:				
Buildings	11,378,675	0	0	11,378,675
Transportation Vehicles and Equipment	29,382,971	1,420,138	(1,840,510)	28,962,599
Furniture, Vehicles, and Equipment	<u>522,325</u>	<u>264,325</u>	<u>(43,836)</u>	<u>742,814</u>
Total Capital Assets Being Depreciated	41,283,971	1,684,463	(1,884,346)	41,084,088
Less: Accumulated Depreciation	<u>16,149,032</u>	<u>3,551,989</u>	<u>(1,865,401)</u>	<u>17,835,620</u>
Total Capital Assets, Being Depreciated, Net	<u>25,134,939</u>	<u>(1,867,526)</u>	<u>(18,945)</u>	<u>23,248,468</u>
Total Capital Assets, Net	<u>\$ 27,780,052</u>	<u>\$ (1,530,340)</u>	<u>\$ (456,228)</u>	<u>\$ 25,793,484</u>
<u>2003</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,442,643	\$ 0	\$ 0	\$ 2,442,643
Construction in Progress	<u>977,387</u>	<u>0</u>	<u>(774,917)</u>	<u>202,470</u>
Total Capital Assets Not Being Depreciated	<u>3,420,030</u>	<u>0</u>	<u>(774,917)</u>	<u>2,645,113</u>
Capital Assets, Being Depreciated:				
Buildings	11,378,675	0	0	11,378,675
Transportation Vehicles and Equipment	23,116,348	6,845,896	(579,273)	29,382,971
Furniture, Vehicles, and Equipment	<u>526,443</u>	<u>19,032</u>	<u>(23,150)</u>	<u>522,325</u>
Total Capital Assets Being Depreciated	35,021,466	6,864,928	(602,423)	41,283,971
Less: Accumulated Depreciation	<u>13,357,834</u>	<u>3,295,466</u>	<u>(504,268)</u>	<u>16,149,032</u>
Total Capital Assets, Being Depreciated, Net	<u>21,663,632</u>	<u>3,569,462</u>	<u>(98,155)</u>	<u>25,134,939</u>
Total Capital Assets, Net	<u>\$ 25,083,662</u>	<u>\$ 3,569,462</u>	<u>\$ (873,072)</u>	<u>\$ 27,780,052</u>

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003
(CONTINUED)

NOTE 13: **CONTINGENCIES**

A. **Litigation**

Laketran is party to legal proceedings. Laketran is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of Laketran.

B. **Grants**

Laketran received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of Laketran at December 31, 2004 or 2003.

LAKETRAJ



**Statistical
Section
2004**

LAKETRAN

**FARE BOX RECOVERY PERCENTAGE
LAST TEN YEARS**

	<u>Percentage</u>
1995	N/A
1996	22.27
1997	21.16
1998	20.95
1999	21.16
2000	19.13
2001	17.02
2002	13.06
2003	13.07
2004	12.71

Note: Fare box recovery is calculated by dividing fare box revenues into direct operating expenses.

Fare Structure - December 31, 2004

	Dial-A-Ride	Local Fixed Route	Commuter Express
Regular Adult Fare	\$ 3.00	\$ 0.75	\$ 2.00
Citizens with Buckeye or Medicare Cards (Senior citizens and those with disabilities)	1.00	0.35	N/A
Children ages 2-12	1.00	0.35	N/A
Children under 2	FREE	FREE	N/A
Coupon Book (eleven rides)	10.00	N/A	N/A
Monthly Pass	N/A	N/A	75.00
Student Ticket	N/A	N/A	10.00
“Blue” Ticket (eleven rides)	N/A	N/A	20.00
Tokens - Regular Fare	3.00	0.75	N/A
Tokens - with Buckeye or Medicare Card	N/A	0.35	N/A
Tokens - Children ages 2-12	N/A	0.35	N/A
Transfers	N/A	FREE	FREE
Sports Service (round trip) - Browns and Indians *	N/A	N/A	5.00
Sports Service (round trip) - Captains	N/A	N/A	2.00

* Indians games, \$5.00 per person, \$10.00 two through six persons. Browns games, \$5.00 per person.

LAKETRAN

**REVENUES BY SOURCE
LAST TEN YEARS**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Fares	\$ 454,822	\$ 539,139	\$ 556,237	\$ 637,223	\$ 722,634	\$ 783,561	\$ 786,591	\$ 725,450	\$ 761,657	\$ 822,817
Sales Tax	5,453,031	5,648,412	5,923,447	6,718,865	6,731,568	7,130,985	7,175,596	7,202,698	7,440,528	7,637,134
Federal:										
Operating Grants	500,000	315,135	280,152	51,991	0	0	0	0	0	74,999
Capitalized Maintenance	0	0	0	662,897	538,921	729,505	653,438	675,379	884,993	1,393,881
Capital Grant Reimbursement	0	0	0	0	0	0	2,168,471	1,558,396	4,621,004	1,103,312
State:										
Operating Grants	518,150	513,341	420,569	513,779	0	0	0	0	0	0
Capitalized Maintenance	0	0	0	40,120	207,343	181,158	643,507	485,160	381,776	161,275
Special Fare Assistance	144,557	185,048	186,996	222,595	251,187	262,596	288,339	302,838	358,245	406,873
Capital Grant Reimbursement	0	0	0	0	0	0	728,923	70,291	350,678	170,461
Investment Income	421,132	505,584	637,990	740,433	804,563	942,995	671,678	455,738	323,731	295,111
Other	<u>107,910</u>	<u>170,403</u>	<u>180,887</u>	<u>353,748</u>	<u>68,397</u>	<u>279,759</u>	<u>71,475</u>	<u>71,016</u>	<u>(25,146)</u>	<u>20,645</u>
Total Revenues	<u>\$7,599,602</u>	<u>\$7,877,062</u>	<u>\$8,186,278</u>	<u>\$9,941,651</u>	<u>\$9,324,613</u>	<u>\$10,310,559</u>	<u>\$ 13,188,018</u>	<u>\$11,546,966</u>	<u>\$15,097,466</u>	<u>\$12,086,508</u>

LAKETRAN

**EXPENSES BY FUNCTION
LAST TEN YEARS**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Transportation	\$ 2,875,845	\$ 3,189,385	\$ 3,434,824	\$3,786,149	\$ 4,200,339	\$ 5,343,398	\$ 5,919,510	\$ 6,426,428	\$ 6,728,585	\$ 7,125,555
Maintenance	889,781	985,394	1,182,494	1,230,277	1,367,045	932,218	1,183,482	1,330,986	1,469,280	1,335,482
General and Administrative	1,013,692	944,063	1,017,067	1,277,764	1,337,006	1,473,154	1,447,123	1,718,676	1,756,838	1,991,654
Depreciation	<u>1,188,698</u>	<u>1,328,291</u>	<u>1,564,648</u>	<u>2,020,213</u>	<u>1,957,379</u>	<u>2,244,237</u>	<u>2,509,339</u>	<u>3,035,648</u>	<u>3,295,466</u>	<u>3,551,989</u>
Total Operating Expenses	5,968,016	6,447,133	7,199,033	8,314,403	8,861,769	9,993,007	11,059,454	12,511,738	13,250,169	14,004,680
Non-Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,075</u>	<u>134,694</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>\$ 5,968,016</u>	<u>\$ 6,447,133</u>	<u>\$ 7,199,033</u>	<u>\$8,325,478</u>	<u>\$ 8,996,463</u>	<u>\$ 9,993,007</u>	<u>\$11,059,454</u>	<u>\$12,511,738</u>	<u>\$13,250,169</u>	<u>\$14,004,680</u>

LAKETRAN

REVENUES AND OPERATING ASSISTANCE COMPARISON TO INDUSTRY TREND DATA - LAST TEN YEARS (expressed in percent)

Transportation Industry (1):

<u>Year</u>	<u>Operating and Other Miscellaneous Revenue</u>			<u>Operating Assistance</u>			<u>Total Revenues</u>
	<u>Fares</u>	<u>Other</u>	<u>Total</u>	<u>Federal</u>	<u>State & Local</u>	<u>Total</u>	
1995	37.3	15.4	52.7	4.5	42.8	47.3	100.0
1996	38.7	15.3	54.0	3.1	42.9	46.0	100.0
1997	38.7	17.0	55.7	3.3	41.0	44.3	100.0
1998	37.8	17.5	55.3	3.6	41.1	44.7	100.0
1999	37.3	16.4	53.7	3.9	42.4	46.3	100.0
2000	36.1	17.4	53.5	4.1	42.4	46.5	100.0
2001	35.2	14.2	49.4	4.5	46.1	50.6	100.0
2002	35.2	17.3	49.5	4.9	45.3	50.2	100.0
2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Laketran:

<u>Year</u>	<u>Operating and Other Miscellaneous Revenue</u>			<u>Operating Assistance</u>			<u>Total Revenues</u>
	<u>Fares</u>	<u>Other(2)</u>	<u>Total</u>	<u>Federal</u>	<u>State & Local(3)</u>	<u>Total</u>	
1995	6.0	7.0	13.0	6.6	80.4	87.0	100.0
1996	6.8	8.6	15.4	4.0	80.6	84.6	100.0
1997	6.8	10.1	16.9	3.4	79.7	83.1	100.0
1998	6.4	10.9	17.3	7.2	75.5	82.7	100.0
1999	7.9	8.0	15.9	5.9	78.2	84.1	100.0
2000	7.6	11.9	19.5	7.1	73.4	80.5	100.0
2001	7.6	8.0	15.6	6.3	78.1	84.4	100.0
2002	7.3	5.3	12.6	6.8	80.6	87.4	100.0
2003	7.5	2.9	10.4	8.7	80.9	89.6	100.0
2004	7.6	2.9	10.5	13.6	75.9	89.5	100.0

(1) Source: American Public Transit Association, APTA 2004 Transit Fact Book, table 64

(2) Other miscellaneous revenue includes advertising, interest income and other non-operating income.

(3) State and local operating assistance includes sales tax, operating grants and special fare assistance.

LAKETRAN

OPERATING EXPENSES COMPARISON TO INDUSTRY TREND DATA - LAST TEN YEARS (expressed in percent)

Transportation Industry (1):

<u>Year</u>	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>Services</u>	<u>Materials and Supplies</u>	<u>Utilities</u>	<u>Casualty and Liability</u>	<u>Purchased Transportation</u>	<u>Other</u>	<u>Total Operating Expenses</u>
1995	46.0	25.1	4.8	9.0	3.5	2.9	10.8	(2.1)	100.0
1996	46.0	24.0	5.0	9.1	3.6	2.7	11.8	(2.2)	100.0
1997	46.3	23.8	5.6	9.2	3.6	2.7	11.6	(2.8)	100.0
1998	46.7	24.5	5.9	9.4	3.3	2.4	10.8	(3.0)	100.0
1999	46.3	24.6	5.9	9.2	3.3	2.2	11.5	(3.0)	100.0
2000	45.9	23.9	5.7	10.0	3.2	2.2	12.2	(3.1)	100.0
2001	45.2	24.3	5.9	10.0	3.3	2.1	12.7	(3.5)	100.0
2002	45.1	25.1	6.2	9.2	3.1	2.5	12.0	(3.2)	100.0
2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Laketran:

<u>Year</u>	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>Services</u>	<u>Materials and Supplies</u>	<u>Utilities</u>	<u>Casualty and Liability</u>	<u>Purchased Transportation</u>	<u>Other</u>	<u>Total Operating Expenses</u>
1995	46.6	20.2	4.9	9.3	1.8	4.5	8.3	4.4	100.0
1996	48.9	21.2	4.4	9.6	2.3	3.6	5.6	4.4	100.0
1997	47.3	20.2	6.4	11.0	2.2	2.4	6.1	4.4	100.0
1998	47.5	20.4	8.4	9.4	1.9	2.7	5.0	4.7	100.0
1999	48.4	21.3	6.1	10.5	1.8	2.6	3.4	5.9	100.0
2000	48.4	22.3	7.3	9.5	1.6	2.1	3.4	5.4	100.0
2001	49.5	22.7	5.7	11.6	1.6	1.9	2.9	4.1	100.0
2002	45.3	21.2	6.6	9.8	1.7	3.4	2.8	9.2	100.0
2003	44.6	24.6	6.6	10.9	1.5	3.7	2.5	5.6	100.0
2004	46.4	24.1	5.8	10.9	1.5	5.0	2.0	4.3	100.0

(1) Source: American Public Transit Association, APTA 2003 Transit Fact Book, table 59

(2) Excludes depreciation expense

LAKETRAN

OPERATING STATISTICS LAST TEN YEARS

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>System Ridership</u>										
Motor Bus (directly operated)	241,547	277,220	326,649	427,172	519,414	553,050	579,536	572,382	563,785	614,303
Motor Bus (contract service)	1,706	0	100,857	0	0	0	0	0	0	0
Dial-A-Ride (directly operated)	223,940	250,563	256,244	266,369	279,564	295,025	309,067	310,784	301,491	323,126
Dial-A-Ride (contract service)	48,138	48,128	46,958	48,728	44,245	43,858	44,496	43,596	41,516	43,815
Van Pool (contract service)	0	0	140	0	2,056	2,048	0	0	0	0
Jitney (contract service)	0	0	0	0	0	11,103	28,232	30,358	40,817	37,498
<u>Average Daily System Ridership</u>										
Motor Bus (directly operated)	787	903	1,064	1,382	1,691	1,801	1,887	1,864	1,836	2,007
Motor Bus (contract service)	44	0	396	0	0	0	0	0	0	0
Dial-A-Ride (directly operated)	729	816	835	868	911	961	1,007	1,012	982	1,056
Dial-A-Ride (contract service)	189	189	184	191	174	172	174	171	163	172
Van Pool (contract service)	0	0	7	0	8	8	0	0	0	0
Jitney (contract service)	0	0	0	0	0	131	141	152	204	187
<u>Average Daily Miles Operated</u>										
Motor Bus (directly operated)	1,398	1,638	2,113	2,746	3,159	3,407	3,425	3,356	3,606	3,917
Motor Bus (contract service)	135	0	426	0	0	0	0	0	0	0
Dial-A-Ride (directly operated)	6,217	7,526	7,541	7,610	8,224	8,524	8,864	8,660	8,586	9,195
Dial-A-Ride (contract service)	872	583	631	769	783	775	748	750	655	496
Van Pool (contract service)	0	0	29	0	50	49	0	0	0	0
Jitney (contract service)	0	0	0	0	0	28	34	37	38	36
<u>Revenue Miles</u>										
Motor Bus (directly operated)	326,166	360,777	477,543	594,755	659,722	737,318	748,786	758,717	801,365	845,532
Motor Bus (contract service)	1,848	0	42,024	0	0	0	0	0	0	0
Dial-A-Ride (directly operated)	1,660,935	2,004,585	1,937,076	2,022,898	2,190,313	2,260,533	2,364,512	2,317,045	2,288,492	2,417,107
Dial-A-Ride (contract service)	193,549	134,866	142,398	173,609	170,506	175,273	171,727	168,406	143,949	113,336
Van Pool (contract service)	0	0	580	0	12,850	12,800	0	0	0	0
Jitney (contract service)	0	0	0	0	0	2,373	6,702	7,469	7,686	7,225

LAKETRAN

**OPERATING STATISTICS
LAST TEN YEARS**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Passenger Miles</u>										
Motor Bus (directly operated)	2,405,182	3,224,630	3,512,907	4,715,989	6,154,820	6,533,682	6,643,894	6,416,873	6,458,013	7,197,352
Motor Bus (contract service)	2,058,096	2,017,152	2,017,152	924,528	0	0	0	0	0	0
Dial-A-Ride (directly operated)	2,281,949	3,072,304	2,918,130	3,098,459	3,297,086	3,593,193	3,601,893	3,502,979	3,383,030	3,253,833
Dial-A-Ride (contract service)	237,802	277,284	308,984	321,893	297,441	319,212	318,333	296,365	269,472	251,504
Van Pool (contract service)	0	0	0	0	46,260	46,080	0	0	0	0
Jitney (contract service)	0	0	0	0	0	3,701	9,411	10,119	13,606	12,499

LAKETRAN

OPERATING STATISTICS LAST TEN YEARS

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Energy Consumption</u>										
Motor Bus										
Gallons of diesel	57,522	73,975	67,076	77,115	102,521	112,050	69,880	78,966	93,520	116,314
Gallons of natural gas	0	0	61,931	106,477	114,212	127,596	127,966	124,599	126,718	109,403
Gallons of purinox	0	0	0	0	0	0	42,180	42,622	18,033	3,204
Dial-A-Ride										
Gallons of diesel	153,984	181,697	171,672	179,404	194,211	201,290	214,472	161,074	231,673	259,088
Gallons of natural gas	175	197	214	267	0	0	0	0	0	0
Gallons of purinox	0	0	0	0	0	0	13,743	86,907	14,175	10,321
<u>Fleet Requirement</u>										
Motor Bus (directly operated)	10	11	17	24	24	30	30	30	30	34
Motor Bus (contract service)	1	0	0	0	0	0	0	0	0	0
Dial-A-Ride (directly operated)	40	50	51	51	54	54	60	60	65	63
Dial-A-Ride (contract service)	7	7	9	8	8	9	9	9	9	9
Van Pool (contract service)	0	0	0	0	1	1	0	0	0	0
<u>Total Active Vehicles</u>										
Motor Bus (directly operated)	16	16	30	29	29	36	36	36	36	46
Motor Bus (contract service)	1	0	0	0	0	0	0	0	0	0
Dial-A-Ride (directly operated)	55	54	55	55	60	60	66	65	71	74
Dial-A-Ride (contract service)	10	8	9	11	14	16	15	15	17	18
Van Pool (contract service)	0	0	0	0	1	1	1	0	0	0
<u>Number of Employees</u>										
Full Time Equivalent	107	116	121	132	132	150	156	154	154	156

LAKETRAN

LAKE COUNTY DEMOGRAPHICS

County Population by Decade

<u>Decade</u>	<u>Population</u>	<u>Percent of Change</u>
1900	21,680	
1910	22,927	5.75
1920	28,667	25.04
1930	41,674	45.37
1940	50,020	20.03
1950	75,979	51.90
1960	148,700	95.71
1970	197,200	32.62
1980	212,801	7.91
1990	215,499	1.27
2000	227,511	5.57

Age and Population Distribution - 2000

	<u>Age</u>	<u>Percentage</u>
Under 6	16,677	7.3
6-7	38,301	16.8
18-24	16,356	7.2
25-44	68,088	30.0
45-64	55,996	24.6
65 and Over	32,093	14.1
2000	227,511	100.0

LAKETRAN

LAKE COUNTY DEMOGRAPHICS

Population By Race - 2000

<u>Race</u>	<u>Total</u>	<u>Percentage</u>
White	217,162	95.45
African-American	3,914	1.72
Asian	2,234	0.98
Two or more races	2,623	1.15
Other	<u>1,578</u>	<u>0.70</u>
	<u>227,511</u>	<u>100.00</u>

**Largest Populations in the County
2000 Census**

Mentor	50,278
Willoughby	20,510
Eastlake	21,161
Painesville	15,699
Madison Township	15,477
Willowick	15,269
Wickliffe	14,558
Painesville Township	13,218
Concord Township	12,432
Willoughby Hills	8,427

LAKETRAN

LAKE COUNTY DEMOGRAPHICS

Employment by Industry

<u>Industry</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Manufacturing	28,114	28,504	28,341	27,922	27,361	25,521
Trade/Services	44,268	45,623	47,744	49,239	50,608	50,015
Government	10,802	10,903	10,976	11,272	11,958	12,158
Construction	4,141	4,577	4,804	4,927	4,872	4,694
Financial Services	2,670	2,749	2,996	2,996	3,029	3,261
Transportation/Utilities	2,995	2,805	2,610	2,617	1,622	1,576
All Other	<u>2,202</u>	<u>2,243</u>	<u>1,931</u>	<u>2,137</u>	<u>2,214</u>	<u>2,181</u>
Total	<u><u>95,192</u></u>	<u><u>97,404</u></u>	<u><u>99,402</u></u>	<u><u>101,110</u></u>	<u><u>101,664</u></u>	<u><u>99,406</u></u>

Civilian Labor Force

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total Labor Force	123,500	124,700	126,600	124,600	126,200	125,100
Employment	118,600	120,200	121,600	120,100	120,900	117,500
Unemployment	4,900	4,500	5,000	4,500	5,300	7,600
Unemployment Percentage	4.0	3.6	4.0	3.6	4.2	6.1

Note: All statistics in this section were obtained from the Ohio Department of Development and are the latest available at the time this document was published.

The Ohio Department of Development only updates these figures every other year.

LAKETRAJ



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**LAKETRAN
LAKE COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2005**