



Dave Yost • Auditor of State

**PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Portage Area Regional Transportation Authority
Portage County
2000 Summit Road
Kent, Ohio 44240

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Portage Area Regional Transportation Authority, Portage County, Ohio (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Portage Area Regional Transportation Authority, Portage County, Ohio, as of December 31, 2014, and the changes in financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the financial statements as of December 31, 2013 have been restated to correct a misstatement. We did not modify our opinion regarding this matter.

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of the Authority as of and for the year ended December 31, 2013, prior to restatement, were audited by a predecessor auditor whose report dated April 11, 2014, expressed an unmodified opinion on those statements. As part of our audit of the financial statements as of and for the year ended December 31, 2014, we also audited the adjustments described in Note 9 that were applied to restate the financial statements as of and for the year ended December 31, 2013. In our opinion, such adjustments were appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the December 31, 2013 financial statements of the Authority other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2013 financial statements as a whole.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The Schedule of Federal Award Expenses presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 22, 2015

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PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2014
(Unaudited)

As management of the Portage Area Regional Transportation Authority (the Authority), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2014. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- The Authority has net position of \$33.6 million. This net position results from the difference between total assets of \$34.4 million and total liabilities of \$.86 million.
- Current assets of \$3.1 million primarily consist of non-restricted Cash and Cash Equivalents of \$1.5 million, Receivables of approximately \$1 million, other prepaid assets of \$252,053, and Inventory of \$372,905.
- Restricted assets of \$864,789 consist of special deposits for local match of capital projects. \$88,188 remains from the City of Kent to complete construction of the Kent Central Gateway.
- Current liabilities of \$865,647 consist of Payables of \$275,187, accrued payroll expenses of \$452,450, and unearned revenue of \$138,010.

Basic Financial Statements and Presentation

This annual report includes the basic financial statements and accompanying notes prepared in accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

The financial statements presented by the Authority are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

The Statement of Net Position presents information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net position, which indicates improved financial position.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from federal, state, and local governments.

The Statement of Cash Flows allows financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital financing activities, and 4) Cash flows from investing activities.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2014
(Unaudited)

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Authority

Condensed Summary of Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Current Assets	\$ 3,123,212	\$ 2,582,866	\$ 2,457,958
Restricted Assets	864,789	1,676,475	4,766,153
Capital Assets, Net	<u>30,454,113</u>	<u>31,845,119</u>	<u>29,155,991</u>
Total Assets	<u>\$ 34,442,114</u>	<u>\$ 36,104,460</u>	<u>\$ 36,380,102</u>
LIABILITIES			
Current Liabilities	<u>\$ 865,647</u>	<u>\$ 961,684</u>	<u>\$ 1,214,797</u>
Total Liabilities	<u>\$ 865,647</u>	<u>\$ 961,684</u>	<u>\$ 1,214,797</u>
NET POSITION			
Net Investment in Capital Assets	\$ 30,454,113	\$ 31,845,119	\$ 29,155,991
Restricted for Capital Assets	864,789	1,676,475	4,766,153
Unrestricted	<u>2,257,565</u>	<u>1,621,182</u>	<u>1,243,161</u>
Total Net Position	<u>\$ 33,576,467</u>	<u>\$ 35,142,776</u>	<u>\$ 35,165,305</u>

The largest portion of the Authority's net position reflects investment in capital assets consisting of buses, operating facilities and equipment. The Authority uses these capital assets to provide public transportation services for Portage County citizens. The Authority's largest asset is the Kent Central Gateway Multimodal facility located in Downtown Kent, OH. These assets are not available to liquidate liabilities or to cover other spending.

Current Assets, Capital Assets, and Current Liabilities have been restated for FY2013, which resulted in a change for FY2013 Net Position (see Note 9). The Authority's accumulated depreciation was restated to correct a 2012 residual error in the depreciation formula, which has affected Capital Assets and a portion of the Kent Central Gateway Multimodal Facility was removed due to a lease agreement with the City of Kent. In addition, FY2013 Accounts Receivable and Accounts Payable were restated to account for the Kent Central Gateway operating deficit payment paid to the Authority by the City of Kent.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2014
(Unaudited)

Financial Analysis of the Authority (Cont'd)

Condensed Summary of Revenues, Expenses, and Changes in Fund Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues			
Operating Revenues	\$ 3,407,504	\$ 3,227,045	\$ 2,845,154
Non-Operating Revenues	<u>6,307,890</u>	<u>5,860,000</u>	<u>6,188,591</u>
Total Revenues	<u>9,715,394</u>	<u>9,087,045</u>	<u>9,033,745</u>
Expenses			
Operating Expenses	\$ 8,743,199	\$ 8,504,001	\$ 8,383,061
Depreciation Expense	<u>2,923,087</u>	<u>2,621,973</u>	<u>1,679,199</u>
Total Expenses	<u>11,666,286</u>	<u>11,125,974</u>	<u>10,062,260</u>
Loss Before Capital Contributions	<u>\$ (1,950,892)</u>	<u>\$ (2,038,929)</u>	<u>\$ (1,028,515)</u>
Capital Contributions	<u>\$ 384,583</u>	<u>\$ 6,016,400</u>	<u>\$ 16,225,464</u>
Change in Net Position	(1,566,309)	3,977,471	15,196,949
Net Position, Beginning of Year, restated	<u>35,142,776</u>	<u>31,165,305</u>	<u>19,968,356</u>
Net Position, End of Year	<u>\$ 33,576,467</u>	<u>\$ 35,142,776</u>	<u>\$ 35,165,305</u>

The Net Position, End of Year, has been restated for FY2013 (see Note 9). The Authority's accumulated depreciation was restated to correct a 2012 residual error in the depreciation formula, which has affected Depreciation Expense and a portion of the Kent Central Gateway Multimodal Facility was removed due to a lease agreement with the City of Kent.

The Authority's operating revenues have increased during the last three (3) years. Operating revenues increased by \$180,459 to \$3.4 million in FY2014. This represents a 5.6% increase from FY2013 to FY2014, which is primarily due to an increase in Multimodal Parking Fees at the Kent Central Gateway. Operating Expenses, excluding depreciation, have also increased during the last three (3) years. Operating Expenses increased by \$239,198 or 2.8% in FY2014. This is primarily due to the expenses associated with operating the Kent Central Gateway for a full year. The Authority's operating revenues overall increased \$381,891 to \$3.23 million in FY2013. This represents a 13% increase, which is primarily due to an increase in Contract Transportation Services and the beginning of parking revenue at the Kent Central Gateway. Operating Expenses, excluding depreciation, increased by \$120,940 or 1%. This is partly due to the expenses associated with operating the Kent Central Gateway. The Authority's Capital Contributions decreased significantly in FY2014 from \$6 million to \$.38 million. In previous years the Authority has received various discretionary grants for transit vehicles and in FY2012 the Authority received a Transportation Investment Generating Economic Recovery (TIGER) grant for \$20 Million to construct the Kent Central Gateway Multimodal Transit Facility. In FY2014 the Authority received a small discretionary grant to replace 2 Light Transit Vehicles and associated equipment in the amount of \$151,789.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2014
(Unaudited)

Financial Analysis of the Authority (Cont'd)

Revenues

For purposes of this presentation, the Authority groups its revenues into the following categories:

Contract Services – This category includes service contracts with entities to provide transportation services in Portage County in conjunction with the transportation to the general public. These revenues decreased 4.5% in FY2014 primarily due to a decrease in contract service requests.

Passenger Fares – General Public farebox fares and ticket sales are included in this line item. There was a 13.2% increase in this category in FY2014. At the end of FY2013 the Authority purchased electronic fareboxes and in FY2014 the reduced fare program was revamped. There is now a more formal way to identify passengers eligible to ride for half fare, and as a result more passengers are now correctly riding and paying the full fare.

Multimodal Parking Fees – In FY2013 the Authority began operating the Kent Central Gateway Multimodal Facility. The Kent Central Gateway is located at 201 E. Erie St. in downtown Kent. It consists of a bus transfer facility with 10 bus bays and an indoor waiting area, and a 3-floor parking garage with 348 parking spaces. There was a full year of parking revenue in FY2014; the Authority began collecting parking revenue for the facility in August, 2013.

Federal Grants and Reimbursements – The Authority receives approximately \$1 million each year from the Federal 5307 and 5339 grant programs. In FY2014, \$660,000 was used for capitalized maintenance of the Authority's vehicles and facilities, and the remaining allocation was used for capital projects. This category also includes grant funds from the New Freedom 5317 program for reimbursement of Mobility Management expenses. In FY2013, \$540,000 was used for capitalized maintenance and the remaining allocation was used for capital projects. In FY2012, the Authority was awarded the standard allocation for the Federal 5307 grant program as well as also being competitively awarded federal funds through the New Freedom and JARC Programs to develop a Coordinated Transportation System called NEORIDE. In FY2013, this project was put on hold to focus on the Kent Central Gateway resulting in a decrease in Federal Grant Revenue for this line item. In FY2012 the Authority drew down the remaining TIGER Grant funds for the Kent Central Gateway, which was used for legal, advertising, and testing expenses associated with the project.

State Grants, Reimbursements and Special Fare Assistance – The Ohio Department of Transportation allocates grants for elderly and disabled programs, of which, the Authority received \$135,211 in FY2014. This category also includes \$79,292 for reimbursement for state fuel taxes paid by the Authority, and \$289,702 for capitalized maintenance costs. In FY2013 the Authority received \$121,594, which consisted of \$72,179 for reimbursement of state fuel taxes paid by the Authority, and \$260,426 for capital maintenance costs.

Sales Tax Revenues – .25 mills is levied against Portage County sales tax, and in 2005 the Authority renewed the levy to be permanent. For FY2014, Sales Tax Revenues increased 7.8% and generated approximately 51% of the Authority's revenue (excluding capital contributions). For FY2013, Sales Tax Revenues increased 5% and generated approximately 51.4% of the Authority's revenue (excluding capital contributions).

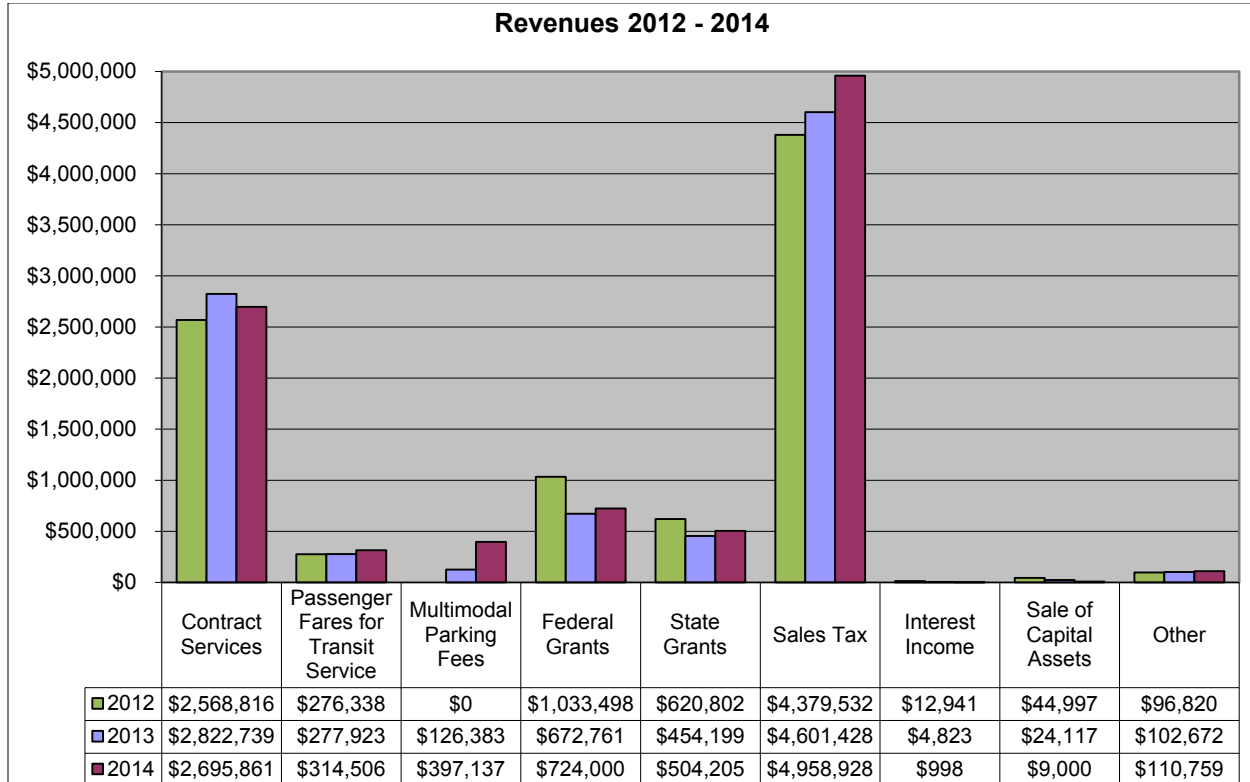
Interest Income – Interest income from Star Ohio and Huntington National Bank is reported in this line item and decreased from FY2013 to FY2014. In FY2011 the Authority received \$4,000,000 from the City of Kent to construct two levels of parking at the Kent Central Gateway Multimodal Facility. These funds were invested in a CD with a higher interest rate until they were needed for construction. The CD matured in October, 2012 and the Authority received \$10,489 in interest income. As progress payments were made during construction the bank balances decreased resulting in a decrease in this category.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended December 31, 2014
 (Unaudited)

Financial Analysis of the Authority (Cont'd)

Sale of Capital Assets – This category consists of assets competitively sold after they have reached their useful lives. In FY2014 the Authority sold or scrapped five (5) buses totaling \$9,000. In FY2013 the Authority sold or scrapped ten (10) buses totaling \$24,867.

Other Income – This category summarizes miscellaneous income and revenue from various sources such as advertising, rebates, and recycling.



Expenses: Transit

For purposes of this presentation, the Authority groups its expenses into the following categories:

Labor and Fringe Benefits – These personnel costs accounted for approximately 65.3% of all the Authority's operating expenses (excluding depreciation) in FY2014. There was a 2% overall increase in this category due to personnel changes and a cost of living pay rate increase. These personnel costs accounted for approximately 67% of all the Authority operating expenses (excluding depreciation) in FY2013. There were pay rate increases; as well as an increase personnel, which resulted in a 6% overall increase in this category.

Services – These expenses are associated with work performed by outside consultants such as advertising, legal fees, custodial, maintenance, training, employee background checks, and drug testing. These expenses decreased \$67,388 (approximately -8.6%) from FY2013 to FY2014. These expenses decreased \$442,721 (approximately -36%) from FY2012 to FY2013. During the construction of the Kent Central Gateway Project, the Authority had professional service expenses for legal services and independent inspections. Most of these construction expenses occurred in FY2012 causing a decrease in this line item in FY2013.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2014
(Unaudited)

Financial Analysis of the Authority (Cont'd)

In addition, the Authority has been developing an FTA-sponsored research project called NEORIDE to create a "one-call, one-click" coordinated transportation system. In FY2013 this project was put on hold to focus on the Kent Central Gateway, which also contributed to a decrease in expenses for this line item.

Fuel & Materials & Supplies – Overall, these expenses remained constant from FY2012 to FY2014. The largest expense in this category is diesel fuel. The Authority participates each year in a joint procurement for diesel fuel with other regional transit authorities to leverage buying power and manage these expenses.

Utilities – These expenses include public utilities (i.e. gas, electric, phone, sewer, water), as well as satellite and cell phone. The utility expenses decreased \$42,702 (approximately 23.5%) from FY2013 to FY2014 as a result of the completion of the construction of the Kent Central Gateway. During construction, the Authority was responsible for paying some of the consumption charges, and following its opening in April 2013, the Authority's utility expenses increased. The utility expenses increased \$57,339 (approximately 46%) from FY2012 to FY2013 as a result to the construction of the Kent Central Gateway. In addition there was a small increase in utility expenses due to the construction of the fuel canopy & bus wash facility located at the administrative/maintenance facility.

Casualty and Liability Insurance – The Authority belongs to an insurance pool of 10 transit agencies and premiums are based on an annual actuarial study and allocation done by the Ohio Transit Risk Pool. These premium calculations decreased \$30,103 (approximately -9.4%) from FY2013 to FY2014.

Miscellaneous – This category includes advertising & promotions, dues & subscriptions, travel & meetings, and other miscellaneous expenses. These expenses increased \$31,411 (approximately 18.2%) from FY2013 to FY2014. There were small increases in the advertising & promotions, and travel budgets. There were many small decreases to these line items which resulted in an overall decrease of \$23,958 to this category in FY2013.

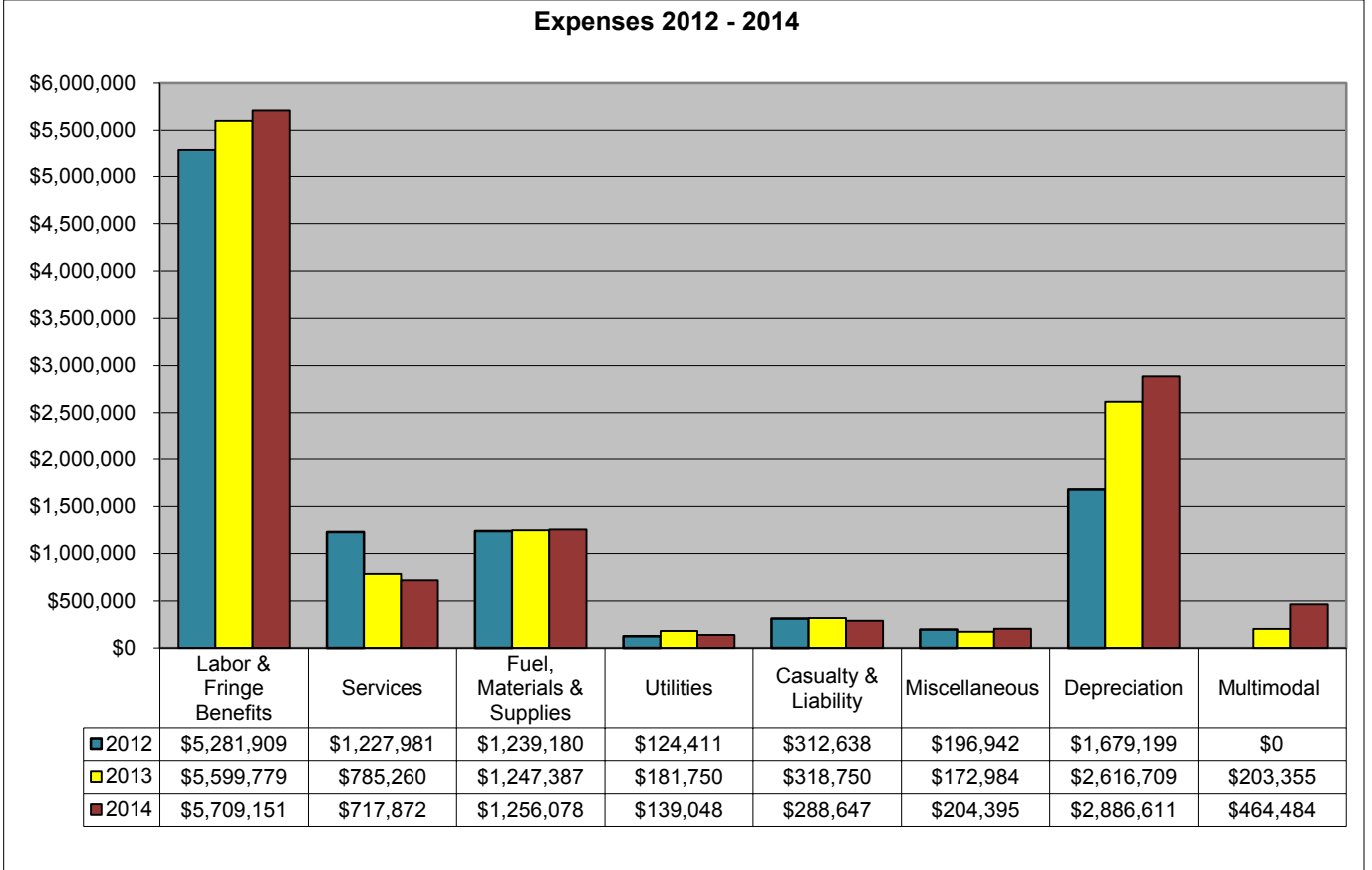
Depreciation – This category includes depreciation on all capital assets, except land and construction in process. The increase for this expense category is directly related to the Capital Assets acquired in FY2014. The Authority continued the contract close out process for the Kent Central Gateway. The Authority purchased two (2) new Light Transit Vehicles. These will replace vehicles in the current fleet that have reached their useful life. The Authority also purchased a service truck, computer hardware (including mobile data terminals (MDTs) for 5 transit vehicles), 11 bus shelters, and other miscellaneous equipment. The FY2013 increase for this expense category is directly related to the Capital Assets acquired in FY2013. The Authority purchased nine (9) new replacement Light Transit Vehicles, an Automated Revenue Collection System, computer hardware, furniture, and miscellaneous equipment for the Kent Central Gateway.

Expenses: Multimodal

Multimodal –The Authority began operating the Kent Central Gateway Multimodal Facility in the Spring of FY2013 and the associated operating expenses are in this category. The Kent Central Gateway is located at 201 E. Erie St. in downtown Kent. It consists of a bus transfer facility with 10 bus bays and an indoor waiting area, and a 3-floor parking garage with 348 parking spaces. The expenses include Labor & Fringe Benefits, Services, Fuel & Materials & Supplies, Utilities, Miscellaneous, & Depreciation.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended December 31, 2014
 (Unaudited)

Financial Analysis of the Authority (Cont'd)



Operations – These are expenses directly related to dispatching and running vehicles in revenue service to carry passengers, including administrative and clerical support. Included are wages and fringe benefits of operators, dispatchers, customer service, as well as diesel fuel and security costs.

Maintenance – The expenses included in this category are associated with ensuring vehicles and facilities are operable, cleaned, fueled, inspected, and repaired. Included are maintenance labor costs, fringe benefits, and materials and supplies.

General Administration – The expenses included in this category are administrative personnel labor and fringe benefits, insurance, professional services, advertising and office supplies.

Multimodal – The expenses included in this category are associated with operating the Kent Central Gateway Multimodal Facility.

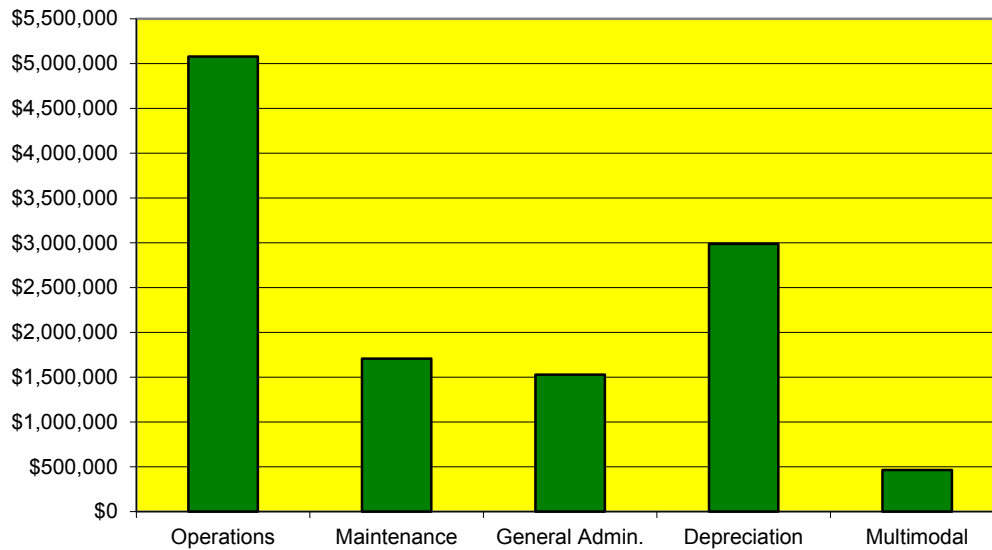
PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended December 31, 2014
 (Unaudited)

Financial Analysis of the Authority (Cont'd)

2014 EXPENSES BY FUNCTION

Operations	\$ 5,078,560	43%
Maintenance	\$ 1,707,462	15%
General Administration	\$ 1,529,169	13%
Depreciation	\$ 2,886,611	25%
Multimodal	<u>\$ 464,484</u>	4%
 TOTAL	 \$ 11,666,286	 100%

2014 EXPENSES BY FUNCTION



PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2014
(Unaudited)

Condensed Summary of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash Received from customers	\$ 3,393,989	\$ 3,207,974	\$ 2,847,664
Cash payments to employees for services	(5,852,341)	(5,522,064)	(5,261,076)
Cash payments to suppliers for goods and services	<u>(3,205,885)</u>	<u>(3,272,141)</u>	<u>(2,624,933)</u>
Net cash used in operating activities	\$ (5,664,237)	\$ (5,586,231)	\$ (5,038,345)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Sales taxes received	\$ 4,908,743	\$ 4,542,017	\$ 4,362,910
Operating grants received	1,228,205	1,126,960	1,654,300
Other	<u>110,759</u>	<u>102,672</u>	<u>96,821</u>
Net cash provided by non-capital financing activities	\$ 6,247,707	\$ 5,771,649	\$ 6,114,031
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants received	\$ 384,583	\$ 6,016,400	\$ 16,225,464
Sale of Capital Assets	9,000	24,117	31,923
Acquisition of fixed assets	<u>(1,532,081)</u>	<u>(9,264,443)</u>	<u>(17,239,904)</u>
Net cash used in capital and related financing activities	\$ (1,138,498)	\$ (3,223,926)	\$ (982,517)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received from investments	<u>\$ 998</u>	<u>\$ 4,823</u>	<u>\$ 12,941</u>
Net cash provided by investing activities	<u>\$ 998</u>	<u>\$ 4,823</u>	<u>\$ 12,941</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (554,030)	\$ (3,033,685)	\$ 106,110
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>\$ 2,914,760</u>	<u>\$ 5,948,445</u>	<u>\$ 5,842,335</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,360,730</u>	<u>\$ 2,914,760</u>	<u>\$ 5,948,445</u>

Net cash used in operating activities increased overall as a result of increased payments to employees and increased payments to vendors in FY2013 and FY2014.

Net cash provided by non-capital financing activities increased in FY2014 as a result of the increase in sales tax and operating grants received. Net cash provided by non-capital financing activities decreased in FY2013 as a result of the decrease in operating grants received. Net cash used by capital and related financing activities decreased as a result of the decrease of capital grant funds received as well as the decrease in acquiring capital assets. These items had increased significantly in 2013 due to the construction of the Kent Central Gateway Multimodal Transit Facility.

Net cash provided by investing activities decreased overall as a result of spending the construction funds, which had been reserved for the Kent Central Gateway Project. The bank balances decreased resulting in a decrease in interest income revenue.

End of Year Cash & Cash Equivalents decreased as a result of the construction completion of the Kent Central Gateway Project.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2014
(Unaudited)

Financial Analysis of the Authority (Cont'd)

Capital Assets

The Authority's investment in capital assets amounts to approximately \$30.5 Million, net of accumulated depreciation as of December 31, 2014, a decrease of \$1.4 Million (-4%). Capital assets were approximately \$31.8 Million, net of accumulated depreciation as of December 31, 2013, an increase of \$2.7 Million (9%) from FY2012. Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. The Authority disposed of capital equipment in FY 2014, which had reached its useful life, and had a book value of \$305,587. The Authority disposed of capital equipment in FY2013, which had reached its useful life, and had a book value of \$407,766. The Authority was one of fifty-one grantees in the United States awarded a Transportation Investments Generating Economic Recovery (TIGER) Grant in 2009. \$20 Million was awarded to purchase land and construct the Kent Central Gateway Multimodal Transit Facility in downtown Kent, which began operating in April 2013.

Future Outlook

The passage of a permanent .25% sales & use tax in Portage County provides the continuing funding source to stabilize the Authority's future. With the growth in the past few years, the Authority has reached a point where the stabilization of current transportation patterns will be maintained. There is a concern for continuously rising costs for fuel and insurance. The continued goal of the Authority will be to improve the efficiency and on-time performance of our service.

The award of the TIGER grant to construct the Kent Central Gateway Multimodal Transit Facility was the catalyst for an accessible downtown Kent experience. Creating a transit-oriented, walkable, vibrant downtown is providing economic development and increasing the livability of the area for residents and students. The Kent Central Gateway includes 10 transit bus bays, bicycle amenities, and potential retail, and office space along Erie Street. In addition, private developers have partnered with the Authority, City of Kent, and Kent State University to plan for revitalization of downtown around the Kent Central Gateway Multimodal facility.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Director of Finance, Portage Area Regional Transportation Authority, 2000 Summit Rd., Kent, OH 44240.

**PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION**

December 31, 2014

(With comparative totals for December 31, 2013)

<u>ASSETS</u>	2014	2013
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 1,495,941	\$ 1,238,285
Receivables:		
Accounts	196,434	215,224
Accrued Sales Tax	805,879	755,694
Pre-Paid Expenses	252,053	107,131
Materials & Supplies Inventory	372,905	266,532
TOTAL CURRENT ASSETS	3,123,212	2,582,866
RESTRICTED ASSETS		
Special Deposit - Kent Central Gateway	88,188	1,175,063
Special Deposit - Restricted for capital expenditures	776,601	501,412
TOTAL RESTRICTED ASSETS	864,789	1,676,475
Capital Assets Not Being Depreciated	2,187,675	2,187,675
Capital Assets Being Depreciated, Net	28,266,438	29,657,444
Capital Assets (Net of Accumulated Depreciation)	30,454,113	31,845,119
 TOTAL ASSETS	 \$ 34,442,114	 \$ 36,104,460
 LIABILITIES		
Accounts Payable	\$ 267,128	\$ 404,882
Accrued Sales Tax Fee Payable	8,059	7,633
Accrued Payroll and Benefits	452,450	407,478
Unearned Revenue	138,010	141,691
TOTAL LIABILITIES	\$ 865,647	\$ 961,684
 NET POSITION		
Net Investment in Capital Assets	\$ 30,454,113	\$ 31,845,119
Restricted for Capital Assets	776,601	501,412
Restricted for Kent Central Gateway	88,188	1,175,063
Unrestricted	2,257,565	1,621,182
TOTAL NET POSITION	\$ 33,576,467	\$ 35,142,776

The notes to the financial statements are an integral part of these statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

(With comparative totals for the year ended December 31, 2013)

<u>OPERATING REVENUES:</u>	<u>2014</u>	<u>2013</u>
Contract Services	\$ 2,695,861	\$ 2,822,739
Passenger Fares for Transit Services	314,506	277,923
Multimodal Parking Fees	397,137	126,383
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	3,407,504	3,227,045
	<hr/>	<hr/>
<u>OPERATING EXPENSES:</u>		
<i>TRANSIT</i>		
Labor and Fringe Benefits	\$ 5,709,151	\$ 5,599,779
Services	717,872	785,260
Fuel, Materials and Supplies	1,256,078	1,247,387
Utilities	139,048	181,750
Casualty and Liability Insurance	288,647	318,750
Miscellaneous	204,395	172,984
Depreciation	2,886,611	2,616,709
	<hr/>	<hr/>
	11,201,802	10,922,619
	<hr/>	<hr/>
<i>MULTIMODAL</i>		
Labor and Fringe Benefits	188,162	66,663
Services	95,073	82,665
Fuel, Materials and Supplies	32,438	17,116
Utilities	100,079	23,453
Miscellaneous	12,256	8,194
Depreciation	36,476	5,264
	<hr/>	<hr/>
	464,484	203,355
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	11,666,286	11,125,974
	<hr/>	<hr/>
Operating Income (Loss)	(8,258,782)	(7,898,929)
	<hr/>	<hr/>
<u>NON-OPERATING REVENUE:</u>		
Federal Grants and Reimbursements	\$ 724,000	\$ 672,761
State Grants, Reimbursements and Special Fare Assistance	504,205	454,199
Sales Tax	4,958,928	4,601,428
Interest Income	998	4,823
Sale of Capital Assets	9,000	24,117
Other	110,759	102,672
	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUE	6,307,890	5,860,000
	<hr/>	<hr/>
Net Income (Loss) Before Capital Contributions	(1,950,892)	(2,038,929)
	<hr/>	<hr/>
Capital Contributions	384,583	6,016,400
	<hr/>	<hr/>
Changes in Net Position	(1,566,309)	3,977,471
	<hr/>	<hr/>
Net Position Beginning of Year (Restated - See Note 9)	\$ 35,142,776	31,165,305
	<hr/>	<hr/>
Net Position End of Year	\$ 33,576,467	\$ 35,142,776
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The notes to the financial statements are an integral part of these statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With comparative totals for the year ended December 31, 2013)

	2014	2013
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 3,393,989	\$ 3,207,974
Cash Payments to Employees for Services	(5,852,341)	(5,522,064)
Cash Payments for Goods and Services	(3,205,885)	(3,272,141)
<i>Net Cash Provided by (Used in) Operating Activities</i>	(5,664,237)	(5,586,231)
Cash Flows from Noncapital Financing Activities		
Sales Taxes Received	\$ 4,908,743	\$ 4,542,017
Operating Grants Received	1,228,205	1,126,960
Other	110,759	102,672
<i>Net Cash Provided by (Used by) Noncapital Financing Activities</i>	6,247,707	5,771,649
Cash Flows from Capital Financing Activities		
Capital Grants Received	\$ 384,583	\$ 6,016,400
Sale of Capital Assets	9,000	24,117
Acquisition of Capital Assets	(1,532,081)	(9,264,443)
<i>Net Cash Provided by (Used by) Capital Financing Activities</i>	(1,138,498)	(3,223,926)
Cash Flows from Investing Activities		
Interest on Investments	\$ 998	\$ 4,823
<i>Net Cash Provided by (Used by) Investing Activities</i>	998	4,823
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(554,030)	(3,033,685)
<i>Cash and Cash Equivalents Beginning of Year</i>	\$ 2,914,760	\$ 5,948,445
<i>Cash and Cash Equivalents End of Year</i>	\$ 2,360,730	\$ 2,914,760
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
<i>Operating Income (Loss)</i>	\$ (8,258,782)	\$ (7,898,929)
Adjustments:		
Depreciation	2,923,087	2,616,709
(Increase) Decrease in Assets:		
Accounts Receivable	18,790	1,026
Prepaid Expenses	(144,922)	(4,743)
Materials & Supplies Inventory	(106,373)	19,342
Increase (Decrease) in Liabilities:		
Accounts Payable	(137,754)	(418,048)
Sales Tax Fees Payable	426	600
Accrued Wages and Benefits	44,972	77,715
Unearned Revenue	(3,681)	20,097
<i>Total Adjustments</i>	2,594,545	2,312,698
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ (5,664,237)	\$ (5,586,231)

The notes to the financial statements are an integral part of these statements.

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PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Portage Area Regional Transportation Authority (the Authority) was created pursuant to Section 306.01 through 306.13 of the Ohio Revised Code for the purpose of providing public transportation in Portage County, Ohio. As a political subdivision, it is distinct from and is not an agency of, the State of Ohio or any other local government unit. The Authority is not subject to federal or state income taxes.

Through May 1993, Portage Area Regional Transportation Authority acted as a pass-through agency to the Kent State University Campus Bus Service, which operated virtually all mass transportation service for the Kent/Ravenna area. In 1993, the Authority commenced directly providing fixed route and demand response service in the Kent/Ravenna area. The Federal Transportation Administration and the Ohio Department of Transportation provide financial assistance and make grants directly to the Authority for operations and acquisition of property and equipment.

Under Ohio law, the Authority is authorized to levy a sale and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .25 percent, .5 percent, 1 percent, or 1.5 percent if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and Portage County. On November 8, 2005 the Portage County Voters elected to pass a continuous sales and use tax of one quarter of one percent (0.25%).

Management believes the financial statements included in this report represent all of the funds of the Authority, over which the Authority has the ability to exercise direct operating control.

B. REPORTING ENTITY

In evaluating how to define the Authority for financial reporting purposes, management has considered all agencies, departments and organizations making up the Portage Area Regional Transportation Authority (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The Authority has no component units. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organizations.

C. BASIS OF ACCOUNTING

The Authority follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position, and cash flows. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

D. CASH AND CASH EQUIVALENTS

The Authority considers highly liquid investments, with an original maturity of three months or less, to be cash equivalents. Investment procedures are restricted by the provisions of the Ohio Revised Code.

E. RESTRICTED ASSETS

Restricted assets are designated annually. These assets are the Authority's required local match for the future purchase of capital assets.

F. PROPERTY, FACILITIES AND EQUIPMENT

Property, facilities and equipment are stated at historical cost. The costs of normal maintenance and repairs are charged to operations as incurred. The Authority maintains a capitalization threshold of \$5,000.

Depreciation is computed using the straight-line method over the following estimated useful lives of the individual assets:

<u>Description</u>	<u>Estimates Lives</u>
Building and building improvements	40 years
Transportation equipment	4-12 years
Computers and software	5 years
Other equipment	5-13 years

G. MATERIALS AND SUPPLIES

Materials and supplies are stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) basis. The costs of inventory items are recorded as expenses when used.

H. ACCUMULATED UNPAID VACATION AND PERSONAL LEAVE

Employees of the Authority are permitted to carry over year-end vacation and personal/sick leave balances at various rates under the Authority's policy.

I. DEFERRED OUTFLOW/INFLOWS OF RESOURCES

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. GRANTS

Grants are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable.

K. BUDGETARY ACCOUNTING CONTROL

The Authority's annual budget is prepared on the accrual basis of accounting as permitted by law. The Authority maintains control by not permitting total expenses to exceed appropriations without approval of the Board.

L. USE OF ESTIMATES

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

M. NET POSITION

Net position represents the difference between assets and liabilities. Net Position is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The Authority has \$864,789 of restricted net position for capital assets at December 31, 2014.

Unrestricted – This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

N. NONEXCHANGE TRANSACTIONS

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, primarily include grants for operating assistance as well as the acquisition of property, facilities and equipment. Substantially all of the Authority's grants are reimbursement-type grants, which are recorded as revenue in the period the related expenditures are incurred. Any grants received in advance of the period in which the related expenditures are incurred, are recorded as restricted assets and as unearned revenue.

O. CLASSIFICATION OF REVENUES

The Authority has classified its revenues as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares and contract services. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as sales tax proceeds and most federal, state, and local grants and contracts.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. PERMISSIVE SALES AND USE TAX

A county-wide, .25 percent sales and use tax dedicated to transit generates approximately \$4 million in operational revenue for the authority annually. Voters initially voted to fund the .25 percent sales tax for a five year term, beginning in 2002. The Authority proposed renewal of the sales tax on a continuing basis in 2005, in an effort to secure this vital source of operational revenue beyond the five year term. Voters agreed, and the continuing levy replaced the short-term tax beginning in 2006.

2. CASH AND INVESTMENTS

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, commercial paper, savings accounts, money market accounts, the State Treasurer's Asset Reserve investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof.

The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. The Authority is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse repurchase agreements.

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities, subject to a repurchase agreement, must exceed the value of the principal by 2% and be marked to market daily.

Deposits: At December 31, 2014, the carrying amount of the Authority's deposits (excluding petty cash and change funds) was \$1,392,830 and the bank balance of \$1,486,928 was not exposed to custodial credit risk. At December 31, 2013, the carrying amount of the Authority's deposits (excluding petty cash and change funds) was \$2,107,816 and the bank balance of \$2,198,197 was not exposed to custodial credit risk.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

2. CASH AND INVESTMENTS – (continued)

Investments:

Interest Rate Risk- The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. It is the Authority's policy to evaluate market conditions, interest rate forecasts, and cash flow requirements to consider the term of an investment, with the goal being to buy where relative value exists along the maturity spectrum.

Credit Risk- The Authority invested in STAR Ohio, with a December 31, 2014 balance of \$956,776 and a December 31, 2013 balance of \$800,478. This is rated AAAM by Moody's. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2014. The investment in STAR Ohio is a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

Concentration of Credit Risk- The Authority's investment policy is to be diversified in its holding of investments by avoiding concentrations of specific users. During the year, the Authority's investments were in STAR Ohio. Star Ohio investments consist of federal securities and certificates of deposit held by third party banks. Each participant participates on percentage basis as determined by their particular balance.

Interest revenue during fiscal year 2014 amounted to \$998.

3. DEFINED BENEFIT PENSION PLAN

The employees of the Authority are covered by the Ohio Public Employees Retirement System (OPERS). The State of Ohio accounts for the activities of the retirement system and the amounts of these funds are not reflected in the accompanying financial statements.

OPERS administers three separate pension plans as follows: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value member and (vested) employer contributions plus any investment earnings. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invest employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustment to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, by writing OPERS, 277 East Town Street, Columbus, Oh 43215-4642, or by calling 614-222-5601 or 800-222-7377.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

3. DEFINED BENEFIT PENSION PLAN – (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. Members in the state and local divisions may participate in all three plans.

The 2014 member contribution rate was 10.00% of covered payroll for members in state and local classifications. The 2014 employer contribution rate for state and local employers was 14.00% of covered payroll. The Authority's total contribution to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2014, 2013 and, 2012 were approximately \$606,986, \$585,437 and \$544,925, respectively, equal to 100 percent of the required contribution for each year.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard amends GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

4. POST EMPLOYMENT BENEFITS

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Plan B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and –service retirees under the Traditional Pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy

The Ohio revised Code provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

4. POST EMPLOYMENT BENEFITS (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.00% of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2 percent for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's total contribution to OPERS for post-employment benefits for the years ended December 31, 2014, 2013 and 2012 were approximately \$86,712, \$41,817, and \$38,923 respectively, equal to 100 percent of the required contribution for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions towards the health care fund after the end of the transition period.

5. OTHER EMPLOYEE BENEFITS

Compensated Absences - Employees of the Authority earn vacation and sick leave at various rates under the Authority policy. In case of death, termination or retirement, an employee (or his estate) is paid for portions of these benefits. The Authority records a liability for vacation, holiday and sick hours earned but not used at year-end at the employee's current wage rate. The Authority's obligation for this amount at December 31, 2014 was \$231,509.

6. RISK MANAGEMENT

The Authority is a member of the Ohio Transit Risk Pool (OTRP), a self-insurance pool created under Chapter 2744 of the Ohio Revised Code. Through the pool, the Authority receives risk management services and property and casualty loss coverage in exchange for contributions paid. OTRP member's group self-insures the first \$250,000 of any qualified auto physical damage loss and the first \$100,000 of any qualified commercial property loss. Qualified casualty losses are group self-insured to \$1,000,000 subject to a \$1,000 per loss deductible. Per occurrence limits are maintained above the group self-insurance by OTRP equal to approximately \$200,000,000 for qualified property losses and \$10,000,000 for qualified casualty losses. Any underfunding of the plan's self-insured liabilities are shared pro-rata by the members based on pool contribution factors comprised of: service area population, FTE employees, number of vehicles, total property values, claims history and net operating expenses. All factors are single weighted except for claims history which is double weighted in the underwriting analysis.

The Authority continues to carry commercial insurance for all risks of loss, including Workers' Compensation, Employee Health and Accident Insurance, Comprehensive General Liability, Automobile Liability, Errors and Omissions, and Employee Benefits Liability, Commercial Property, Auto Physical Damage, Bonds and Crime. There has not been a reduction in coverage from the prior year.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

7. PROPERTY, FACILITIES AND EQUIPMENT

Capital asset activity for the year ended December 31, 2014 is as follows:

Description	Balance January 1, 2014	Prior Year Accumulated Depreciation Adjustment	Additions	Deletions	Balance December 31, 2014
Capital assets not being depreciated:					
Land	\$ 2,187,675	\$ -	\$ -	\$ -	\$ 2,187,675
Capital assets being depreciated:					
Building and building improvements	24,093,718	-	988,867	-	25,082,585
Transportation equipment	14,058,831	-	408,088	(305,587)	14,161,332
Computers and software	1,388,574	-	94,465	-	1,483,039
Other equipment	718,328	-	40,661	-	758,989
Total capital assets being depreciated	40,259,451	-	1,532,081	(305,587)	41,485,945
Less accumulated depreciation:					
Building and building improvements	(3,214,041)	20,410	(1,379,835)	-	(4,573,466)
Transportation equipment	(5,858,952)	14,171	(1,356,461)	305,587	(6,895,655)
Computers and software	(1,160,356)	2,144	(107,861)	-	(1,266,073)
Other equipment	(400,119)	-	(42,454)	-	(442,573)
Equipment Kent Center Gateway	(5,264)	-	(36,476)	-	(41,740)
Total accumulated depreciation	(10,638,732)	36,725	(2,923,087)	305,587	(13,219,507)
Total capital assets being depreciated, net	29,620,719	36,725	(1,391,006)	-	28,266,438
Total capital asset, net	\$ 31,808,394	\$ 36,725	\$ (1,391,006)	\$ -	\$ 30,454,113

Capital asset activity for the year ended December 31, 2013 is as follows:

Description	Balance January 1 2013	Additions	Deletions	Balance December 1 2013
Capital assets not being depreciated:				
Land	\$ 2,187,675.00	\$ -	\$ -	\$ 2,187,675
Construction in Progress	12,066,221	-	(12,066,221)	-
Total capital assets not being depreciated	14,253,896	-	(12,066,221)	2,187,675
Capital assets being depreciated:				
Building and building improvements	8,445,498	15,648,220	-	24,093,718
Transportation equipment	13,073,530	1,393,067	(407,766)	14,058,831
Computers and software	1,314,601	73,973	-	1,388,574
Other equipment	456,266	262,062	-	718,328
Total capital assets being depreciated	23,289,895	17,377,322	(407,766)	40,259,451
Less accumulated depreciation:				
Building and building improvements	(2,155,689)	(1,058,352)	-	(3,214,041)
Transportation equipment	(4,821,869)	(1,444,849)	407,766	(5,858,952)
Computers and software	(1,053,157)	(107,199)	-	(1,160,356)
Other equipment	(357,085)	(48,298)	-	(405,383)
Total accumulated Depreciation	(8,387,800)	(2,658,698)	407,766	(10,638,732)
Total capital assets being depreciated, net	14,902,095	14,718,624	-	29,620,719
Total capital assets, net	\$ 29,155,991	\$ 14,718,624	\$ (12,066,221)	\$ 31,808,394

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

8. CONTINGENCIES

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these grants requires compliance with terms and conditions specified in the grant agreements. These grants are subject to audit by the grantor agencies and disallowed claims resulting from these audits could become a liability of the Authority.

9. RESTATEMENT OF NET POSITION

The Net Position, Beginning of the Year, is different than the, End of the Year for the following reasons, the Authority's accumulated depreciation was restated in the amount of \$36,725 to correct a 2012 residual error in the depreciation formula. In addition, a portion of the Kent Central Gateway Multimodal Transit Facility was removed due to a lease agreement with the City of Kent.

Net Position at 12-31-2012	\$35,165,305
Kent Central Gateway Lease	<u>(4,000,000)</u>
Net Position at 01-01-2013	<u>\$31,165,305</u>

Net Position at 12-31-2013	\$39,039,384
Accumulated Depreciation Restated Amounts	
Accumulated Building and Building Improvement	87,077
Accumulated Transportation Equipment	14,171
Accumulated Computers and Software	2,144
Kent Central Gateway Lease	<u>(4,000,000)</u>
Net Position at 01-01-2014	<u>\$35,142,776</u>

10. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

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PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Schedule of Federal Awards Expenses
For the Year Ended December 31, 2014

Federal Grantor / Program Title	Grant Number	CFDA Number	Program Expenses
U.S. Department of Transportation			
Federal Transit Administration:			
Direct Programs:			
<i>Federal Transit Cluster:</i>			
Urbanized Area Formula Program	OH-90-0684	20.507	\$ 717,784
	OH-90-0754	20.507	46,067
	OH-95-0113	20.507	120,904
Total Urbanized Area Formula Program			884,755
Capital Investment Grant	OH-04-0053	20.500	12,066
	OH-04-0092	20.500	151,789
Total Capital Investment Grant			163,855
Total Federal Transit Cluster			1,048,610
<i>Transit Services Programs Cluster:</i>			
Job Access - Reverse commute	OH-37-0064	20.516	(1,307)
New Freedom Program	OH-57-0026	20.521	46,280
Total Transit Services Programs Cluster			44,973
Transit Planning & Research	OH-26-0004	20.514	15,000
Total Federal Awards Expenses			\$ 1,108,583

See accompanying Notes to the Schedule of Federal Awards Expenses

**PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
PORTAGE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENSES
FISCAL YEAR ENDED DECEMBER 31, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenses is a summary of the Portage Area Regional Transportation Authority (the Authority) federal award programs disbursements. The schedule has been prepared on the accrual basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the Authority to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Authority has met its matching requirements. The Schedule does not include the expense of non-Federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Portage Area Regional Transportation Authority
Portage County
2000 Summit Road
Kent, Ohio 44240

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Portage Area Regional Transportation Authority, Portage County, (the Authority) as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated September 22, 2015, wherein we noted the financial statements as of December 31, 2013 have been restated. Our report refers to prior period financial statements for the year ended December 31, 2013 that were *audited by a predecessor auditor*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 22, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Portage Area Regional Transportation Authority
Portage County
2000 Summit Road
Kent, Ohio 44240

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Portage Area Regional Transportation Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Portage Area Regional Transportation Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 22, 2015

**PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Federal Transit Cluster CFDA# 20.507 Urbanized Area Formula Program and CFDA# 20.500 Capital Investment Grant
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

PORTAGE 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
SEPTEMBER 29, 2015**