

LAKETRAN
SINGLE AUDIT REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2016

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



Dave Yost • Auditor of State

Board of Trustees
Laketran
555 Lakeshore Blvd.
Painesville, Ohio 44077

We have reviewed the *Independent Auditor's Report* of the Laketran, Lake County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2016 through December 31, 2016. 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. The Laketran is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 20, 2017

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**LAKETRAN
SINGLE AUDIT REPORT
FOR THE YEARS ENDED DECEMBER 31, 2016**

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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

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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

The Honorable David Yost
Auditor of State
State of Ohio

We have audited, in accordance with the 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, the financial statements of Laketran, Lake County, Ohio, (the Transit Authority), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Laketran, Ohio's basic financial statements and have issued our report thereon dated May 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Laketran, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Laketran, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of Laketran, Ohio's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laketran, Ohio's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka,
CPA, President
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James G. Zupka, CPA, Inc.
Certified Public Accountants

May 17, 2017

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

Certified Public Accountants

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Laketran
Grand River, Ohio

The Honorable David Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited Laketran, Lake County, Ohio's, (the Transit Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Laketran, Ohio's major federal programs for the year ended December 31, 2016. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Laketran, Ohio's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Laketran, Ohio's compliance.

Opinion on each Major Federal Program

In our opinion, Laketrans, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Laketrans, Ohio is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Laketrans, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Laketrans, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Laketran, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Laketran, Ohio's basic financial statements. We issued our report thereon dated May 17, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to described the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James G.
Zupka, CPA,
President

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

May 17, 2017

LAKETRAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANT/ PROGRAM TITLE	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Transportation</u>			
<i>Direct Awards:</i>			
Federal Transit Cluster:			
Federal Transit Formula Grants	20.507	OH-90-X673	\$ 65,901
		OH-90-X721	27,279
		OH-90-X779	13,570
		OH-90-X806	69,576
		OH-90-X833	31,189
		OH-95-X137	<u>4,555,100</u>
Total Federal Transit Cluster			<u>4,762,615</u>
New Freedom Program	20.521	OH-57-X008	103,336
		OH-57-X021	<u>25,268</u>
Total New Freedom Program			<u>128,604</u>
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OH-16-X027	<u>876,370</u>
Total Transit Services Programs Cluster			<u>876,370</u>
Total Direct Awards			<u>5,767,589</u>
Total Federal Expenditures			<u><u>\$ 5,767,589</u></u>

See accompanying notes to the Schedule of Expenditures Federal Awards.

LAKETRAN
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 did not use the de minimus rate of 10 percent for indirect costs charged to the federal grants.

LAKETRAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Auditor’s Results

2016(i)	Type of Financial Statement Opinion	Unmodified
2016(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2016(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2016(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2016(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2016(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2016(v)	Type of Major Program’s Compliance Opinion	Unmodified
2016(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2016(vii)	Major Programs (list): Federal Transit Cluster - CFDA# 20.507 Transit Services Programs Cluster - CFDA #20.513	
2016(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: > All Others
2016 (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 AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

The prior audit report, as of December 31, 2015, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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**Comprehensive
Annual Financial Report
For The Years Ended December 31, 2016 & 2015**

LAKE TRAN

LAKE COUNTY, OHIO

*Brian Falkowski
President
Board of Trustees*

*Raymond Jurkowski
General Manager/
Secretary-Treasurer*



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**Introductory
Section
2016**

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Comprehensive
Annual Financial Report
For The Years Ended December 31, 2016 and 2015
LAKE COUNTY, OHIO



Brian Falkowski
President
Board of Trustees

Raymond Jurkowski
General Manager/
Secretary-Treasurer

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LAKETRAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Laketrans
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Laketran, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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May 17, 2017

Mr. Brian Falkowski, President
Members, Board of Trustees of Laketran
and Residents of Lake County

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Laketran for the year ended December 31, 2016. This is the sixteenth such report issued by Laketran. It has become the standard format used in presenting the results of Laketran's operations, financial position, cash flows, and related statistical information.

Laketran takes great pride in the fact that its fifteen 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.

Laketran also submits its annual operating and capital budget to the GFOA and has been doing so since 1998. All 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 provides full disclosure of all the material financial operations of Laketran. The basic financial statements, MD&A, and statistical information are the representation of Laketran'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 Laketran as a single enterprise fund. The CAFR is indicative of Laketran's commitment to provide accurate, concise, and high quality financial information to the residents of Lake County and other interested parties.

The MD&A immediately follows the independent accountant's report and provides a narrative summarizing and analyzing the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

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 Board members are appointed by the County Commissioners and serve overlapping three year terms. Under the provisions of GASB Statement No. 14, (as amended by GASB Statement No. 61) 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:

CFO
Human Resources Manager
Public Relations/Marketing Director

Maintenance:

Maintenance Supervisor

Operations:

Deputy General Manager
Operations Manager

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

In 2016, Laketran had 188 employees. The system delivered 856,648 revenue miles of motor bus service and 2,375,856 revenue miles of directly operated paratransit service. The service fleet was composed of 40 motor bus coaches and 80 paratransit buses.

CURRENT YEAR REVIEW

During the year 2016, Laketran received the following national awards for financial reporting:

- The Distinguished Budget Presentation Award for the 2016 operating and capital budget from the GFOA.
- Certificate of Achievement for Excellence in Financial Reporting for the 2015 CAFR from the GFOA.

Ridership changes from 2015 to 2016 for all modes of services were up 2.0 percent. Dial-a-Ride ridership increased 5 percent for 2016 and Motor Bus ridership was down a half of one percent netting an overall increase in ridership of 2 percent for 2016 vs 2015 for all modes of service.

MISSION STATEMENT

Laketran is committed to providing quality public transportation to all Lake County residents with special emphasis on meeting the transportation needs of senior citizens and people with disabilities. We will accomplish this by:

Providing efficient, affordable, reliable, safe and clean service
Employing caring, committed, capable and courteous service providers
Emphasizing individual accountability
Promoting teamwork
Maintaining fiscal responsibility

FUTURE PLANS

Laketran currently has a capital improvement plan in place through the year 2021. This plan was developed to provide for the future transportation needs of all Lake County residents and includes:

- **Passenger Shelters and Benches:** The Federal Transit Administration has directed more attention to passenger amenities. As a result, more bus shelters have been constructed and additional benches have been placed at various bus stops throughout the County. This program is done annually.
- **Vehicles:** Laketran has a regular vehicle replacement program for Dial-a-Ride buses. These are very high mileage vehicles that need to be replaced regularly. An approximately equal number of buses are replaced each year in a number sufficient enough to replace all buses every six-seven years.

Sixteen Dial-a-Ride buses were purchased during 2016. All of these buses were used as replacement buses, with the oldest buses being taken out of service. Keeping the fleet current is one of many ways Laketran demonstrates that Dial-a-Ride is a priority.

Motor buses have an approximate 7-14 year service life depending on the vehicle length. A 35-40' bus has a 12-14 year life while a 30' bus has a 7-10 year life. The total Motor bus fleet is approximately 40 buses. Motor bus includes the Commuter Express and Fixed Route buses. Commuter Express travels longer distance and Fixed Route is within the County. Laketran purchased fourteen 40 foot buses in 2016 to replace our oldest 40 foot buses.

- **Passenger Information Program:** This is a major passenger amenity in the form of a “ride guide” (a four sided sign that will be attached to bus stop signs). Each ride guide will contain a copy of the schedule and a detailed map of the appropriate route. Also included is fare information, bike rack instructions, Laketran phone numbers and web site information. The first ride guide was installed in September 2004 and the project will be ongoing.

INTERNAL CONTROL

Laketrans internal controls are reviewed annually as a part of the independent audit. In developing and revising Laketrans accounting and reporting control system, consideration is given to the adequacy of internal controls to provide reasonable but not absolute assurance regarding:

- Safeguarding assets against loss from unauthorized use or disposition, and
- Reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

- The cost of control should not exceed the benefits likely to be derived, and
- The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. Laketrans internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

BASIS OF ACCOUNTING

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

BUDGETARY CONTROL

Responsibility for budgetary control rests with individual departments. Each department receives a report of their expenses vs. budget each month. The accounting department exercises budgetary control over administrative costs such as hospitalization and property and casualty coverage. All bank accounts are reconciled monthly.

OTHER INFORMATION

The Laketrans independent audit was conducted by the James G. Zupka, CPA, Inc., who has issued an unmodified opinion 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

The successful completion of a report of this scope depends upon the dedicated contributions of many employees. The sincere appreciation of those primarily responsible for the completion of this CAFR is extended to all contributors, but especially those employees in the Department of Finance who have spent their time and energy on various parts of the report and to the staff from James G. Zupka, Certified Public Accountants, Incorporated, for their assistance in compiling the Comprehensive Annual Financial Report. In addition, we would like to thank the Board of Trustees for their support in striving for excellence in financial reporting and disclosure.



Raymond Jurkowski
General Manager/Secretary-Treasurer



Lisa Colling
Controller

LAKETRAN BOARD OF TRUSTEES AND MANAGEMENT AS OF DECEMBER 31, 2016

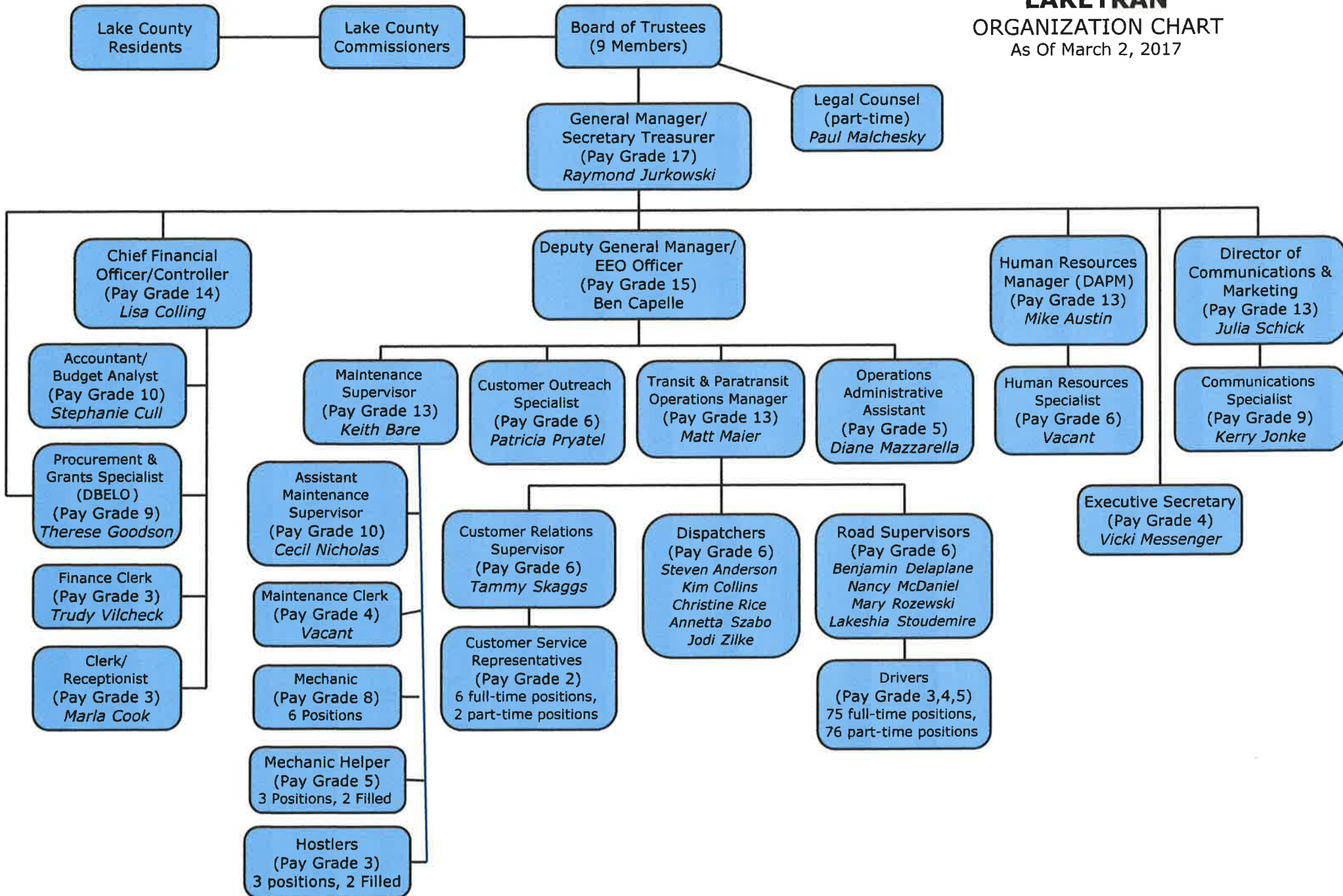
Board of Trustees

Chairman	Brian Falkowski
Vice-Chairman	Paul Miller
Trustees	Jean Argo Mary Bryner Jeanette Crislip Donna P. McNamee Sonja Maier Dale Schiavoni Charles Zibbel

MANAGEMENT

General Manager and Secretary-Treasurer	Raymond Jurkowski
CFO	Lisa M. Colling
Human Resources Manager	Mike Austin
P/R and Marketing Director	Julia Schick
Deputy General Manager	Ben Capelle
Operations Manager	Matt Maier
Maintenance Supervisor	Keith M. Bare

LAKETRAN
ORGANIZATION CHART
 As Of March 2, 2017



Financial Section

2016

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

Certified Public Accountants

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Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Laketran
Grand River, Ohio

The Honorable David Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Laketrans, Lake County, Ohio (the Transit Authority), as of and for the years ended December 31, 2016 and December 31, 2015, and the related notes to the financial statements, which collectively comprise the Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laketrans, Lake County, Ohio, as of December 31, 2016 and December 31, 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Laketrans's Proportionate Share of the Net Pension Liability and the Schedule of Laketrans's Contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laketrans, Ohio's basic financial statements. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2017, on our consideration of Laketrans, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 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 Laketrans, Ohio's internal control over reporting and compliance.



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

May 17, 2017

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016, 2015, and 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- Laketran's 2016 net position increased as a result of current year operations by \$5,191,305 or 13.9 percent over 2015. Net position for 2015 increased \$848,454 or 2.3 percent from 2014. Laketran implemented the new accounting standard called GASB Statement No. 68, resulting in a prior period adjustment of (\$4,541,173) for 2014.
- Operating expenses, exclusive of depreciation, were \$13,387,458 at December 31, 2016, \$13,202,191 at December 31, 2015, and \$12,199,443 at December 31, 2014. This represents an increase of 1.4 percent and an increase of 8.2 percent, respectively.
- Net capital assets were \$28,533,635 at December 31, 2016, \$22,392,621 at December 31, 2015, and \$23,007,176 at December 31, 2014. This represents an increase of 27.4 percent and a decrease of 2.7 percent, respectively.
- Cash and cash equivalents were \$5,409,440 at December 31, 2016, \$7,442,062 at December 31, 2015, and \$5,058,706 at December 31, 2014. This represents a decrease of 27.3 percent and an increase of 47.1 percent, respectively.
- Investments at fair value, other than those included in cash and cash equivalents, were \$10,619,450 at December 31, 2016, \$10,225,300 at December 31, 2015, and \$10,063,997 at December 31, 2014. This represents an increase of 3.9 percent and an increase of 1.6 percent, respectively.

NOTE: Cash and cash equivalents, and investments at fair value combined were \$16,028,890 at December 31, 2016, \$17,667,362 at December 31, 2015, and \$15,122,703 at December 31, 2014. This represents a decrease of 9.3 percent and an increase of 16.8 percent, respectively. These cash reserves are used to pay Laketran's share of capital improvements and operating expenses as necessary.

Laketran had current grants receivable of \$4,311,021 at December 31, 2016, \$927,272 at December 31, 2015, and \$2,370,331 at December 31, 2014. This represents an increase of 364.9 percent and a decrease of 60.9 percent, respectively.

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)** Statement of Net Position, **2)** Statement of Revenues, Expenses, and Changes in Net Position, **3)** Statement of Cash Flows, and **4)** Notes to the Basic Financial Statements. The Statements of Net Position and Statements of Revenue, Expenses, and Changes in Net Position provide information about the activities of Laketran and present a longer-term view of its finances.

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(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 Position, the Statement of Revenues, Expenses and Changes in Net Position, 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 position and changes in them. Laketran's net position is the difference between assets deferred outflows of resources (what the citizens own) and liabilities and deferred inflows of resources (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 position 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 to each rider to help cover a portion of expenses.

Table 1 - Net Position

	2016	2015	2014 *
<u>Assets</u>			
Current Assets	\$ 23,081,411	\$ 21,140,651	\$ 19,835,733
Grants Receivable	1,648,368	7,274,104	5,349,596
Net Pension Asset	49,491	33,320	9,080
Capital Assets, net	28,533,635	22,392,621	23,007,176
Total Assets	53,312,905	50,840,696	48,201,585
<u>Deferred Outflows of Resources</u>			
Pension	3,331,784	1,028,142	695,010
<u>Liabilities</u>			
Current Liabilities	3,524,469	1,008,440	1,430,016
Non-current Liabilities	366,168	367,519	400,091
Net Pension Liability	8,059,929	5,366,474	5,245,263
Total Liabilities	11,950,566	6,742,433	7,075,370
<u>Deferred Inflows of Resources</u>			
Grants	2,000,476	7,701,877	5,349,596
Pension	182,259	104,445	0
Total Deferred Inflows of Resources	2,182,735	7,806,322	5,349,596
<u>Net Position</u>			
Investment in Capital Assets	28,533,635	22,392,621	23,007,176
Unrestricted	13,977,753	14,927,462	13,464,453
Total Net Position	\$ 42,511,388	\$ 37,320,083	\$ 36,471,629

* Restated

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

In 2015, Laketrans adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of Laketrans' actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals Laketrans' proportionate share of the plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, Laketrans is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, Laketran's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of the plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, Laketran is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Laketran's net position was \$42,511,388 at December 31, 2016, \$37,320,083 at December 31, 2015, and \$36,471,629 at December 31, 2014. These represent an increase of 13.9 percent and an increase of 2.3 percent, respectively. Unrestricted net position was \$13,977,753 at December 31, 2016, \$14,927,462 at December 31, 2015, and \$13,464,453 at December 31, 2014. This represents a decrease of 6.4 percent and an increase of 10.9 percent, respectively.

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.

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LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

FINANCIAL RATIOS

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

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$19,556,942	\$20,132,211	\$18,405,717	\$17,622,039	\$15,924,269

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

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
6.5	21.0	13.9	11.7	13.7

Days cash and investments in reserve represents the number of days normal operations could continue with no revenue collection.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
383	412	368	378	385

Liabilities and deferred inflows of resources to net position indicates the extent of borrowing.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
33.2%	39.0%	34.1%	24.6%	18.8%

In addition, 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 inflows of resources. Deferred inflows of resources consist of amounts related to pension and of capital grant funding received before time requirements are met.

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LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Table 2 - Changes in Net Position

	2016	2015	2014
REVENUES			
Operating Revenues			
Passenger Fares	\$ 2,578,993	\$ 2,266,754	\$ 2,169,712
Auxiliary Transportation Revenue	81,683	100,954	118,933
Total Operating Revenue	<u>2,660,676</u>	<u>2,367,708</u>	<u>2,288,645</u>
Non-Operating Revenues			
Sales Tax Revenue	9,291,442	8,890,398	8,592,079
Federal Grants and Reimbursements	2,312,824	2,583,970	2,032,462
State Grants, Reimbursements, and Special Fare Assistance	1,001,943	1,015,728	1,025,496
Gain on Disposal of Assets	0	4,174	25,771
Interest Income	77,309	87,693	129,858
Other	9,573	16,266	41,699
Total Non-Operating Revenues	<u>12,693,091</u>	<u>12,598,229</u>	<u>11,847,365</u>
Capital Funding			
Federal Grants and Reimbursements	7,543,724	1,892,460	2,104,454
Total Capital Funding	<u>7,543,724</u>	<u>1,892,460</u>	<u>2,104,454</u>
TOTAL REVENUES	<u>22,897,491</u>	<u>16,858,397</u>	<u>16,240,464</u>
Operating Expenses Other Than Depreciation			
Labor	6,047,861	5,588,600	5,165,363
Fringe Benefits	3,744,019	3,151,044	3,207,603
Services	1,069,254	1,062,125	741,945
Fuel and Lubricants	617,090	1,458,161	1,277,228
Materials and Supplies	675,621	655,246	568,017
Utilities	205,210	200,415	195,902
Claims and Insurance	415,128	489,963	466,908
Purchased Transportation	263,897	262,528	255,594
Miscellaneous	349,378	334,109	320,883
Total Operating Expenses Other Than Depreciation	<u>13,387,458</u>	<u>13,202,191</u>	<u>12,199,443</u>
Depreciation	3,611,857	2,807,752	2,638,490
Total Operating Expenses	<u>16,999,315</u>	<u>16,009,943</u>	<u>14,837,933</u>
Non-Operating Expenses			
Loss on Disposal of Assets	706,871	0	0
Total Non-Operating Expenses	<u>706,871</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>17,706,186</u>	<u>16,009,943</u>	<u>14,837,933</u>
Increase (Decrease) in Net Position	5,191,305	848,454	1,402,531
Total Net Position Beginning of Year	37,320,083	36,471,629	39,610,271
Prior Period Adjustment	0	0	(4,541,173)
Total Net Position End of Year	<u>\$ 42,511,388</u>	<u>\$ 37,320,083</u>	<u>\$ 36,471,629</u>

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Significant items contributing to the change in net position are as follows:

- Federal and capital grants and reimbursements increased from 2015 to 2016 by 120.2 percent and increased from 2014 to 2015 by 8.2 percent. Deferred inflows of resources (formerly deferred revenues) fluctuate greatly from year to year. This primarily represents grant funds approved but did not meet time requirements, which decreased from 2015 to 2016 by 72.0 percent and increased from 2014 to 2015 by 45.9 percent.
- Sales tax revenues, Laketran's largest source of revenue, increased from 2015 to 2016 by 4.5 percent and increased from 2014 to 2015 by 3.5 percent. Laketran receives a 1/4 percent sales tax.
- Investment income decreased 11.8 percent from 2015 to 2016 and decreased 32.5 percent from 2014 to 2015 due to changes in interest rates.
- Operating expenses, excluding depreciation, increased 1.4 percent from 2015 to 2016 and increased 8.2 percent from 2014 to 2015, respectively.
- Significant changes in operating expenses are:

Fuel and oil costs decreased 57.7 percent from 2015 to 2016 and increased 14.2 percent from 2014 to 2015. Laketran hedged its fuel costs for 2015, 2016 and 2017. By hedging this cost Laketran was able to lock into a fixed fuel rate so it could put back Saturday Service for DAR and Fixed Route Bus Service.

Labor costs increased 8.2 percent from 2015 to 2016 and increased 8.2 percent from 2014 to 2015. The increase in labor costs is attributed to a 2 percent increase for employees in 2016 and the cost to put Saturday service in place for Fixed Route and DAR for 2016.

Table 3 - Changes in Cash Flows

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net Cash Used for Operating Activities	\$ (7,914,198)	\$(11,550,468)	\$(10,091,124)
Net Cash Provided by Noncapital Financing Activities	11,256,505	14,039,751	9,827,027
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,057,818)	(33,615)	(787,402)
Net Cash Provided (Used) by Investment Activities	<u>(317,111)</u>	<u>(72,312)</u>	<u>(999,229)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (2,032,622)</u>	<u>\$ 2,383,356</u>	<u>\$ (2,050,728)</u>

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Net cash used for operating activities decreased 31.5 percent from 2015 to 2016 and increased 14.5 percent from 2014 to 2015. Decrease from 2015 to 2016 is due to payment of local share of buses. Increase from 2014 to 2015 is due to a full year of DAR Saturday Service and a partial year of Fixed Route Bus Service for 2015.

Net cash provided by noncapital financing activities decreased 19.8 percent from 2015 to 2016 and increased 42.9 percent from 2014 to 2015 due to fluctuations in sales tax and grant revenue.

Net cash provided/(used) by capital and related financing activities increased 14,946.3 percent from 2015 to 2016 and decreased 95.7 percent from 2014 to 2015 due to more capital asset additions in 2016.

Net cash provided/(used) by investment activities decreased 92.8 percent from 2014 to 2015 and increased 338.5 percent from 2015 to 2016 due to more investment purchases in 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For years ended December 31, 2016, 2015 and 2014, Laketrans had invested in a broad range of capital assets, including land, buildings and improvements, equipment, office furniture/fixtures/equipment, parking lots, communication equipment, and vehicles for \$28,533,635, \$22,392,621, and \$23,007,176, (net), respectively. This represents a net increase of \$6,141,014, or 27.4 percent from 2015 to 2016 which is attributable to less construction in progress and additional transportation vehicles and equipment, and a net decrease of \$614,555 or 2.7 percent from 2014 to 2015 which is attributable to less construction in progress and additional depreciation.

Table 4 - Capital Assets at Year End

	2016	2015	2014
Land	\$ 2,442,643	\$ 2,442,643	\$ 2,442,643
Buildings and Improvements	15,546,195	15,546,195	15,546,195
Transportation Vehicles and Equipment	40,152,223	35,832,411	34,237,130
Furniture and Equipment	686,942	626,235	594,107
Construction in Progress	0	1,175,513	1,443,828
	58,828,003	55,622,997	54,263,903
Less: Accumulated Depreciation	30,294,368	33,230,376	31,256,727
Total Capital Assets, Net	\$ 28,533,635	\$ 22,392,621	\$ 23,007,176

For more detailed information on capital asset activity, see Note 12 of the financial statements.

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

All capital assets are depreciated using the straight line method of depreciation. Vehicles useful lives are either four, seven, 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 forty-five years.

LONG TERM OBLIGATIONS

Laketrans has long-term obligations consisting of net pension liability and compensated absences. See Notes 7 and 9 of the financial statements for additional detail.

DISCUSSION OF CURRENTLY KNOWN FACTS

During 2016, operating and non-operating revenues increased 2.6 percent while operating expenses (other than depreciation) increased 1.4 percent. Wages and benefits are 73.5 percent of operating expenses and these increased 12.6 percent. Employees pay 10 or 15 percent of their health insurance costs.

Exclusive of capital grant reimbursements, Laketrans has experienced moderate sales tax revenue increases the last couple of years. 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 and any special types of projects going on in any given year.

Fuel and oil which comprises 4.6 percent of the operating expenses decreased 57.7 percent. This decrease is due to fuel prices being lower in 2016 than in 2015 and the purchase of fuel through a contract.

During November, 2013, Lake County voters overwhelmingly renewed the 1/4 percent sales tax plus made it continuing, which provides Laketrans with a majority of its funding. This levy was approved by a margin of 66 percent for and 34 percent against. The new levy took effect on August 1, 2014.

During 2016, sales tax revenue increased 4.5 percent over 2015. Sales tax provided Laketrans with 69.4 percent of its operating costs in 2016.

Requests for Information

This financial report is designed to provide a general overview of Laketrans for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lisa Colling, CFO, Laketrans, 555 Lakeshore Boulevard, P.O. Box 158, Grand River, Ohio 44045.

LAKETRAN
STATEMENT OF NET POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	\$ 5,409,440	\$ 7,442,062
Investments	10,619,450	10,225,300
Receivables:		
Federal Grants	1,860,858	840,971
Capital Grants	2,228,101	86,301
State Grants	222,062	0
Trade	556,157	373,894
Sales Tax	1,504,193	1,472,103
Accrued Interest	19,642	19,372
Materials and Supplies	661,508	680,648
Total Current Assets	23,081,411	21,140,651
Non-Current Assets:		
Federal Grants Receivable	157,753	555,076
Capital Grants Receivable	1,490,615	6,719,028
Non-Depreciable Capital Assets	2,442,643	3,618,156
Depreciable Capital Assets, net	26,090,992	18,774,465
Net Pension Asset	49,491	33,320
Total Non-Current Assets	30,231,494	29,700,045
TOTAL ASSETS	53,312,905	50,840,696
Deferred Outflows of Resources		
Pension	3,331,784	1,028,142
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 56,644,689	\$ 51,868,838
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 2,740,345	\$ 209,147
Accrued Payroll and Benefits	401,461	438,015
Compensated Absences	382,663	361,278
Total Current Liabilities	3,524,469	1,008,440
Non-current Liabilities:		
Compensated Absences	366,168	367,519
Net Pension Liability	8,059,929	5,366,474
Total Other Liabilities	8,426,097	5,733,993
Total Liabilities	11,950,566	6,742,433
Deferred Inflows of Resources		
Pension	182,259	104,445
Federal Grants	157,753	555,076
State Grants	352,108	427,773
Capital Grants	1,490,615	6,719,028
Total Deferred Inflows of Resources	2,182,735	7,806,322
Net Position		
Investment in Capital Assets	28,533,635	22,392,621
Unrestricted	13,977,753	14,927,462
Total Net Position	42,511,388	37,320,083
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 56,644,689	\$ 51,868,838

See accompanying notes to the basic financial statements.

LAKETRAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Passenger Fares for Transit Service	\$ 1,426,598	\$ 1,344,295
Special Transit Fares	1,152,395	922,459
Auxiliary Transportation Revenue	81,683	100,954
Total Operating Revenues	<u>2,660,676</u>	<u>2,367,708</u>
Operating Expenses Other Than Depreciation		
Labor	6,047,861	5,588,600
Fringe Benefits	3,744,019	3,151,044
Services	1,069,254	1,062,125
Fuel and Lubricants	617,090	1,458,161
Materials and Supplies	675,621	655,246
Utilities	205,210	200,415
Claims and Insurance	415,128	489,963
Purchased Transportation	263,897	262,528
Miscellaneous	349,378	334,109
Total Operating Expenses Other Than Depreciation	<u>13,387,458</u>	<u>13,202,191</u>
Depreciation	<u>3,611,857</u>	<u>2,807,752</u>
Total Operating Expenses	<u>16,999,315</u>	<u>16,009,943</u>
Operating Loss	<u>(14,338,639)</u>	<u>(13,642,235)</u>
Non-Operating Revenues (Expenses)		
Sales Tax Revenue	9,291,442	8,890,398
Federal Grants and Reimbursements	2,312,824	2,583,970
State Grants, Reimbursements, and Special Fare Assistance	1,001,943	1,015,728
Interest Income	77,309	87,693
Gain (Loss) on Disposal of Capital Assets	(706,871)	4,174
Non-Transportation Revenues	9,573	16,266
Total Non-Operating Revenues (Expenses)	<u>11,986,220</u>	<u>12,598,229</u>
Loss before Capital Contributions	<u>(2,352,419)</u>	<u>(1,044,006)</u>
Capital Funding		
Capital Grants and Reimbursements	<u>7,543,724</u>	<u>1,892,460</u>
Total Capital Funding	<u>7,543,724</u>	<u>1,892,460</u>
Increase in Net Position	5,191,305	848,454
Total Net Position, Beginning of Year	<u>37,320,083</u>	<u>36,471,629</u>
Total Net Position, End of Year	<u>\$ 42,511,388</u>	<u>\$ 37,320,083</u>

See accompanying notes to the basic financial statements.

LAKETRAN
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 2,478,413	\$ 2,207,648
Cash Payments for Goods and Services	(1,045,240)	(4,636,482)
Cash Payments for Employees' Services	(9,356,944)	(9,137,900)
Non-Transportation Revenue	9,573	16,266
Net Cash Used for Operating Activities	<u>(7,914,198)</u>	<u>(11,550,468)</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Sales Tax Received	9,259,352	8,832,169
Federal Grants and Reimbursements	1,292,937	3,375,742
State Grants and Reimbursements	704,216	1,831,840
Net Cash Provided by Noncapital Financing Activities	<u>11,256,505</u>	<u>14,039,751</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Capital Grants Received	5,401,924	2,155,408
Acquisition and Construction of Capital Assets	(10,548,482)	(2,244,459)
Net Proceeds from Sale of Assets	88,740	55,436
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,057,818)</u>	<u>(33,615)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Received	77,039	88,991
Purchase of Investment Securities	(10,495,642)	(9,706,313)
Proceeds from Maturities of Investments	10,101,492	9,545,010
Net Cash Provided (Used) by Investment Activities	<u>(317,111)</u>	<u>(72,312)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,032,622)	2,383,356
Cash and Cash Equivalents at Beginning of Year	7,442,062	5,058,706
Cash and Cash Equivalents at End of Year	<u>\$ 5,409,440</u>	<u>\$ 7,442,062</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>		
Operating Loss	\$(14,338,639)	\$(13,642,235)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation	3,611,857	2,807,752
Non-Transportation Revenue	9,573	16,266
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Trade Accounts Receivable	(182,263)	(160,060)
Materials and Supplies	19,140	13,673
Net Pension Asset	(16,171)	(24,240)
(Increase) in Deferred Outflows of Resources - Pension	(2,303,642)	(333,132)
Increase (Decrease) in:		
Accounts Payable	2,531,198	(187,608)
Accrued Payroll and Benefits	(16,520)	(266,540)
Net Pension Liability	2,693,455	121,211
Increase in Deferred Inflows of Resources - Pension	77,814	104,445
Total Adjustments	6,424,441	2,091,767
Net Cash Used for Operating Activities	<u>\$ (7,914,198)</u>	<u>\$ (11,550,468)</u>

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 \$(31,407) and \$(10,558) as of December 31, 2016 and 2015, respectively.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

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.

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 current GASB guidelines, 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 2016 or 2015.

Basis of Presentation

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

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 position, 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.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of Laketran are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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. The carrying amount of cash equivalents and investments is fair value. The net change in fair value of investments is recorded on the Statement of Revenues, Expenses, and Changes in Net Position and includes the unrealized and realized gains and losses on investments.

During 2016, Laketran invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79 *Certain External Investment Pools and Pool Participants*. Laketran measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Cash, Cash Equivalents, and Investments

For 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transactions to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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. Laketrans maintains a capitalization threshold of \$300.

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 and Improvements	5-45
Equipment	5-10
Furniture and Office Equipment	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 compensation that will be met in the future.

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.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Pension

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

Net Position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position 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. The restricted component of net position is reported 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, 2016 and 2015, there was no restricted component of net position.

Recognition of Revenue and Receivables

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 inflows of resources. Subsidies from various local governments/agencies are recognized when received.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then. For Laketrans, deferred outflows of resources relate to pension for 2016 (See Note 7).

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement 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. For Laketran, deferred inflows of resources include pension (See Note 7) and grants for 2016 and 2015 that have not met time requirements.

Investment Policy

State statutes and Board resolutions authorize Laketran's investments. Laketran is authorized to invest in U.S. Treasury securities and obligations of federal government agencies or instrumentalities, collateralized repurchase agreements, certificates of deposit, bankers acceptances, commercial paper, savings accounts, the State Treasurer's Asset Reserve (STAR Ohio) investment pool and investment derivative instruments.

NOTE 3: **DEPOSITS AND INVESTMENTS**

Cash On Hand

At December 31, 2016 and 2015, Laketran had undeposited cash on hand, including petty cash, of \$500 and \$500, respectively.

At December 31, 2016 and 2015, the carrying value amount of Laketran's cash deposits were \$5,407,851 and \$7,440,479, respectively. Based on criteria described in GASB Statement No.40, *Deposits and Investment Risk Disclosures*, as of December 31, 2016 and 2015, deposits totaling \$250,000 and \$250,000, respectively, were covered by Federal Depository Insurance and deposits totaling \$5,223,127 and \$7,442,548, respectively, were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in Laketran's name.

Custodial credit is the risk, that in the event of a bank failure, Laketran's deposits may not be returned. Laketran's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds, or specific collateral held at a Federal Reserve bank in the name of Laketran.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Investments

Laketrans has a formal investment policy. Laketrans follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At December 31, 2016 and 2015, fair value was \$31,407 and \$10,558 below Laketrans's net cost for investments, respectively. Fair value is determined by quoted market prices and acceptable other pricing methodologies.

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, Laketrans's investment policy requires that operating funds be invested primarily in short-term investments maturing within 5 years from the date of purchase and that its investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

The credit risk of Laketrans's investments are in the table below. Laketrans has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, Laketrans will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Laketrans has no investment policy dealing with investment custodial risk beyond the requirements in State statute that prohibits payment for investments prior to delivery of the securities representing such balances to the controller or qualified trustee. Laketrans's investment in negotiable certificates of deposit were insured by Federal Depository Insurance in the amount of \$3,177,811.

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LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

Concentration of Credit Risk

Laketrans places no limit on the amount it may invest in any one issuer. Laketrans's investment in Star Ohio, money market mutual fund, negotiable certificates of deposit, U. S. Government and agency securities and investment derivative instrument, represent .01, .37, 30.00, 65.96, and 3.66 percent, respectively, of Laketrans's total investments.

Cash and investments at 2016 year-end were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (*)</u>	<u>Investment Maturities (in Years)</u>		
			<u>< 1</u>	<u>1-2</u>	<u>> 2-5</u>
STAR Ohio	\$ 1,089	AAAm	\$ 1,089	\$ 0	\$ 0
Money Market Mutual Fund	38,956	N/A	38,956	0	0
Negotiable Certificates of Deposit	3,185,205	N/A	702,711	878,828	1,603,666
U.S. Government and Agency Securities	7,005,858	AA+	999,290	0	6,006,568
Investment derivative instrument	389,431	N/A	389,431	0	0
Total Investments	10,620,539		2,131,477	878,828	7,610,234
Carrying Amount of Deposits	5,407,851		5,407,851	0	0
Petty Cash	500		500	0	0
Totals	<u>\$16,028,890</u>		<u>\$ 7,539,828</u>	<u>\$ 878,828</u>	<u>\$ 7,610,234</u>

* Standard & Poor's rating.

N/A - Not Available/Rated

The Laketrans has categorized its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies Laketrans's recurring fair value measurements as of December 31, 2016. As previously discussed, STAR Ohio is reported at its net asset value. All other investments measured at fair value are valued using quoted market prices (Level 1 inputs).

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

NOTE 5: **GRANT ASSISTANCE**

Federal and Capital 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, 2016 and 2015, Laketrans recognized \$2,312,824 and \$2,583,970, respectively. In addition, Laketrans recognized capital grants reimbursements as revenue in 2016 and 2015 of \$7,543,724 and \$1,892,460, respectively.

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, 2016 and 2015, Laketrans recognized revenue of \$222,062 and \$199,616, 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, 2016 and 2015, Laketrans received \$779,881 and \$816,112, respectively.

NOTE 6: **OTHER REVENUE**

In November 2013, Lake County electorate voted to renew a levy of 1/4 percent sales tax, and make it continuing beginning August 1, 2014, to provide local funding for all transit purposes.

For the years ended December 31, 2016 and 2015, sales tax revenues totaled \$9,291,442 and \$8,890,398, respectively. Laketrans records sales tax revenues and receivables as the sales taxes are earned, which is the year in which the related exchange transaction is incurred.

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LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

Net Pension Liability

The net pension liability/(asset) reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Laketran’s proportionate share of the pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits Laketran’s obligation for this liability to annually required payments. Laketran cannot control benefit terms or the manner in which pensions are financed; however, Laketran does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of the plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included *in accrued payroll and benefits* on the accrual basis of accounting.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - Laketrans employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both 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 by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Plan Description - Ohio Public Employees Retirement System (OPERS) (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State
2016 Statutory Maximum Contribution Rates:	<u>and Local</u>
Employer	14.0%
Employee	10.0%
2016 Actual Contribution Rates:	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	<u>2.0%</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. Laketrans' contractually required contribution was \$779,123 for 2016. Of this amount, \$63,949 is reported as accrued payroll and benefits.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Pension Liabilities/Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Laketrans' proportion of the net pension liability was based on Laketrans' share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OPERS
	<u>Traditional</u>	<u>Combined</u>
	<u>Pension Plan</u>	<u>Pension Plan</u>
Proportion of the Net Pension Liability/(Asset)		
- Prior Measurement Date	0.044494%	0.086537%
Proportion of the Net Pension Liability/(Asset)		
- Current Measurement Date	<u>0.046532%</u>	<u>0.101700%</u>
Change in Proportionate Share	<u>0.002038%</u>	<u>0.015163%</u>
Proportionate Share of the Net Pension		
Liability/(Asset)	\$ 8,059,929	\$ (49,491)
Pension Expense	\$ 1,132,491	\$ 26,094

At December 31, 2016, Laketrans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 2,390,482
Changes in proportion and differences between Laketrans contributions and proportionate share of contributions	162,179
Laketrans contributions subsequent to the measurement date	<u>779,123</u>
Total Deferred Outflows of Resources	<u>\$ 3,331,784</u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 178,316
Changes in proportion and differences between Laketrans contributions and proportionate share of contributions	<u>3,943</u>
Total Deferred Inflows of Resources	<u>\$ 182,259</u>

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Pension Liabilities/Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$779,123 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2017	\$ 595,146
2018	633,029
2019	617,757
2020	537,701
2021	(3,324)
Thereafter	<u>(9,907)</u>
Total	<u>\$ 2,370,402</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3 .75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	In dividual Entry Age

The total pension asset in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3 .75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 8.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	In dividual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Actuarial Assumptions - OPERS (Continued)

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investments	18.00%	4.59%
Total	100.00%	5.28%

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Actuarial Assumptions - OPERS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Laketrans's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents Laketrans's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what Laketrans's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

<u>Laketrans's proportionate share of the net pension liability(asset)</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Traditional Pension Plan	\$12,841,436	\$ 8,059,929	\$ 4,026,879
Combined Plan	\$ (1,017)	\$ (49,491)	\$ (88,479)

NOTE 8: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan is a defined contribution plan; and 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.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 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 No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2016. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) 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/financial/reports.shtml#CAFR>, by writing to the OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. The 2016 local government employer contribution rate was 14.00 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of earnable salary for local government employers. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.00 percent during calendar year 2016. As recommended by the OPERS' actuary, the portion of employer contributions allocated to healthcare beginning January 1, 2017 decreased to 1.0 percent for both plans. The Board 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%. Laketrans actual employer contributions for December 31, 2016, 2015 and 2014 which were used to fund post-employment benefits were \$134,484, \$126,257, and \$116,801, respectively. 92.1 percent has been contributed for 2016 with the balance being reported as accrued payroll and benefits. The full amount has been contributed for 2015 and 2014.

NOTE 9: **COMPENSATED ABSENCES**

Employees of Laketrans earn vacation and sick leave at various rates under Laketrans policy. In case of death, termination, or retirement, an employee or their estate is paid for portions of these benefits. Laketrans records a liability for vacation, holiday, and sick hours earned but not used at year-end at the employees' current wage rate. Laketrans obligations for these amounts at December 31, 2016 and 2015 amounted to approximately \$748,831 and \$728,797, respectively.

Changes in compensated absences liabilities are as follows:

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year	Due Within One Year
2016	\$ 728,797	\$ 381,312	\$ 361,278	\$ 748,831	\$ 382,663
2015	\$ 763,549	\$ 328,706	\$ 363,458	\$ 728,797	\$ 361,278

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

NOTE 10: **RISK MANAGEMENT**

Since 1996 Laketrans has been a member of the Ohio Transit Risk Pool (OTRP), a joint self-insurance pool, created pursuant to Section 2744.081 of the Ohio Revised Code. OTRP has been in existence since 1994 and operates pursuant to by-laws and a Board of Trustees to provide self-insurance through risk retention and to purchase property and liability coverage from A rated, or greater, commercial carriers.

During the loss year of December 1, 2015 - November 30, 2016, OTRP provided to Laketrans, commercial property coverage with limits of \$200,000,000. The pool retained the first \$100,000 of these losses. For auto-physical damage, the pool provided \$50,000,000 in coverage and retained \$250,000. Crime coverage limits are \$4,000,000. The following coverages were also provided: auto/transit liability, general liability, E&O, and EBL \$10,000,000. These limits are per occurrence no aggregate limits apply. For each of these lines the pool retained \$1,000,000.

Laketrans's deductible for all claims was \$1,000 except for auto physical damage which was \$25,000.

OTRP provides the Treasurer of Laketrans, a Bond as required by Ohio law.

As of December 31, 2016, Laketrans has met all obligations to OTRP. There are no special assessments being billed at this time and there are no known loss developments which would lead to an unfunded special assessment.

Laketrans pays OTRP through an initial contribution for reinsurance and/or excess insurance and quarterly payments for their loss and administrative fee. Laketrans's contribution percentage for 2016 was 10.429 percent.

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.

Laketrans is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from the previously noted risks have not exceeded commercial insurance coverage in the past three fiscal years.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

NOTE 11: FUEL PRICING MANAGEMENT PROGRAM

Pursuant to Ohio Revised Code sections 9.835 (A), (B), and (C) and Section 135.14, Laketrans utilizes futures contracts and commodity swaps to manage the volatility of fuel costs beginning in 2015. These techniques are traditionally used to limit exposure to price fluctuations. Management recognized that fluctuations in fuel prices could have a negative impact on Laketrans's financial affairs. Accordingly, Laketrans has utilized futures contracts and firm-fixed price contracts to offset against price volatility of diesel fuel in accordance with Laketrans's Energy Price Risk Management Policy established by the Board of Trustees. These transactions are completely separate from the physical fuel purchase transactions. For the year ended December 31, 2016 a loss of \$112,564 was recognized against the diesel fuel expense. On December 31, 2016, the open contract for 2016 had \$1,457 of unrealized gain. The gain or loss amount realized will change based on the market price at the time of contract settlement. There is no debt associated with these contracts. There are no open contracts beyond 2018. No debt is associated with the cost of these contracts. The gain or loss during the year is offset with the fuel expense for the same year.

NOTE 12: CAPITAL ASSETS

Capital assets consist of the following at December 31, 2016 and 2015:

2016	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 2,442,643	\$ 0	\$ 0	\$ 2,442,643
Construction in Progress	1,175,513	0	(1,175,513)	0
Total Capital Assets Not Being Depreciated	3,618,156	0	(1,175,513)	2,442,643
Capital Assets Being Depreciated				
Buildings and Improvements	15,546,195	0	0	15,546,195
Transportation Vehicles and Equipment	35,832,411	11,661,489	(7,341,677)	40,152,223
Furniture and Office Equipment	626,235	62,506	(1,799)	686,942
Total Capital Assets Being Depreciated	52,004,841	11,723,995	(7,343,476)	56,385,360
Less: Accumulated Depreciation				
Buildings and Improvements	(8,604,140)	(500,813)	0	(9,104,953)
Transportation Vehicles and Equipment	(24,190,161)	(3,038,255)	6,546,939	(20,681,477)
Furniture and Office Equipment	(436,075)	(72,789)	926	(507,938)
Total Accumulated Depreciation	(33,230,376)	(3,611,857)	6,547,865	(30,294,368)
Total Capital Assets Being Depreciated, Net	18,774,465	8,112,138	(795,611)	26,090,992
Total Capital Assets, Net	\$ 22,392,621	\$ 8,112,138	\$ (1,971,124)	\$ 28,533,635

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

NOTE 12: **CAPITAL ASSETS** (Continued)

2015	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 2,442,643	\$ 0	\$ 0	\$ 2,442,643
Construction in Progress	<u>1,443,828</u>	<u>270,036</u>	<u>(538,351)</u>	<u>1,175,513</u>
Total Capital Assets Not Being Depreciated	<u>3,886,471</u>	<u>270,036</u>	<u>(538,351)</u>	<u>3,618,156</u>
Capital Assets Being Depreciated				
Buildings and Improvements	15,546,195	0	0	15,546,195
Transportation Vehicles and Equipment	34,237,130	2,473,153	(877,872)	35,832,411
Furniture and Office Equipment	<u>594,107</u>	<u>39,621</u>	<u>(7,493)</u>	<u>626,235</u>
Total Capital Assets Being Depreciated	<u>50,377,432</u>	<u>2,512,774</u>	<u>(885,365)</u>	<u>52,004,841</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(8,098,225)	(505,915)	0	(8,604,140)
Transportation Vehicles and Equipment	(22,782,120)	(2,234,849)	826,808	(24,190,161)
Furniture and Office Equipment	<u>(376,382)</u>	<u>(66,988)</u>	<u>7,295</u>	<u>(436,075)</u>
Total Accumulated Depreciation	<u>(31,256,727)</u>	<u>(2,807,752)</u>	<u>834,103</u>	<u>(33,230,376)</u>
Total Capital Assets Being Depreciated, Net	<u>19,120,705</u>	<u>(294,978)</u>	<u>(51,262)</u>	<u>18,774,465</u>
Total Capital Assets, Net	<u>\$ 23,007,176</u>	<u>\$ (24,942)</u>	<u>\$ (589,613)</u>	<u>\$ 22,392,621</u>

NOTE 13: **CONTINGENCIES**

A. Litigation

Laketrans is not a party to any legal proceedings.

B. Grants

Laketrans 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 Laketrans at December 31, 2016 or 2015.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

NOTE 14: **CHANGES IN ACCOUNTING PRINCIPLES**

Changes in Accounting Principles

For the fiscal year ended December 31, 2016, Laketran has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement of Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72, *Fair Value Measurement of Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Laketran implemented these changes in the fiscal year 2016 financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statement 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of Laketran.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Principles for State and Local Governments*. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The implementation of GASB Statement No. 76 did not have an effect on the financial statements of Laketran.

GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting governments's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of Laketran.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(CONTINUED)

NOTE 14: **CHANGES IN ACCOUNTING PRINCIPLES** (Continued)

Changes in Accounting Principles (Continued)

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of the Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of Laketran.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Laketran implemented these changes in the fiscal year 2016 financial statements; however, there was no effect on the beginning net position/fund balance.

LAKETRAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LAKETRAN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS (1)

Tradition Plan	2015	2014	2013
Laketrans Proportion of the Net Pension Liability	0.046532%	0.044494%	0.044494%
Laketrans Proportionate Share of the Net Pension Liability	\$ 8,059,929	\$ 5,366,474	\$ 5,245,263
Laketrans Covered-Employee Payroll	\$ 5,799,475	\$ 5,473,033	\$ 5,220,008
Laketrans Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	138.98%	98.05%	100.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%
Combined Plan	2015	2014	2013
Laketrans Proportion of the Net Pension Liability (Asset)	0.101700%	0.086537%	0.086537%
Laketrans Proportionate Share of the Net Pension Liability (Asset)	\$ (49,491)	\$ (33,320)	\$ (9,080)
Laketrans Covered-Employee Payroll	\$ 365,267	\$ 318,717	\$ 299,615
Laketrans Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	13.55%	10.45%	3.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	116.90%	114.83%	104.33%

(1) The required supplementary information is intended to show information for ten years, and the additional year's information will be displayed as it becomes available.

Amounts presented as of Laketrans measurement date which is the prior year end.

LAKETRAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LAKETRAN'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions				
Traditional Plan	\$ 732,969	\$ 695,937	\$ 656,764	\$ 678,601
Combined Plan	<u>46,154</u>	<u>43,832</u>	<u>38,246</u>	<u>38,950</u>
Total Required Contributions	779,123	739,769	695,010	717,551
Contributions in Relation to the Contractually Required Contribution	<u>(779,123)</u>	<u>(739,769)</u>	<u>(695,010)</u>	<u>(717,551)</u>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Laketrans Covered-Employee Payroll				
Traditional Plan	\$ 6,108,071	\$ 5,799,475	\$ 5,473,033	\$ 5,220,008
Combined Plan	\$ 384,621	\$ 365,267	\$ 318,717	\$ 299,615
Pension Contributions as a Percentage of Covered- Employee Payroll				
Traditional Plan	12.00%	12.00%	12.00%	13.00%
Combined Plan	12.00%	12.00%	12.00%	13.00%

(1) The required supplementary information is intended to show information for ten years, and the additional year's information will be displayed as it becomes available.

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Statistical Section

2016

STATISTICAL SECTION

This part of Laketrans Comprehensive Annual Financial Report presents detailed information as a context for understanding what information in the financial statements, note disclosures, and required supplementary information says about Laketrans overall financial health.

<u>Contents</u>	<u>Page</u>
 <i>Financial Trends</i>	
These schedules contain trend information to help the reader understand how Laketrans financial performance and well being have changed over time.	52-54
 <i>Revenue Capacity</i>	
These schedules contain information to help the reader assess Laketrans operating revenues and comparisons to the transportation industry.	55-56
 <i>Operating Information</i>	
These schedules contain service data to help the reader understand how the information in Laketrans financial report relates to the services Laketrans provides and the activities it performs.	57-61
 <i>Demographic and Economic Information</i>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which Laketrans financial activities take place.	62-65

LAKETRAN
NET POSITION BY COMPONENT
LAST TEN YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Investment in Capital										
Assets	\$27,741,282	\$25,336,813	\$26,595,830	\$28,484,693	\$25,694,276	\$23,154,984	\$22,732,058	\$23,007,176	\$22,392,621	\$28,533,635
Unrestricted	<u>11,218,227</u>	<u>10,253,373</u>	<u>10,263,030</u>	<u>11,965,611</u>	<u>13,857,445</u>	<u>15,226,561</u>	<u>16,878,213</u>	<u>18,005,626</u>	<u>14,927,462</u>	<u>13,977,753</u>
Total Net Position	<u>\$ 38,959,509</u>	<u>\$ 35,590,186</u>	<u>\$ 36,858,860</u>	<u>\$ 40,450,304</u>	<u>\$ 39,551,721</u>	<u>\$38,381,545</u>	<u>\$39,610,271</u>	<u>\$41,012,802</u>	<u>\$37,320,083</u>	<u>\$42,511,388</u>

LAKETRAN
REVENUES AND EXPENSES BY TYPE AND CHANGES IN NET POSITION
LAST TEN YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Operating Revenue</u>										
Fares	\$ 1,190,339	\$ 1,575,204	\$ 1,911,353	\$ 2,041,948	\$ 2,122,234	\$ 1,997,777	\$ 2,063,623	\$ 2,169,712	\$ 2,266,754	\$ 2,578,993
Auxiliary Transportation Revenue	82,411	82,224	78,851	71,970	74,311	67,911	89,234	118,933	100,954	81,683
Total Operating Revenues	<u>1,272,750</u>	<u>1,657,428</u>	<u>1,990,204</u>	<u>2,113,918</u>	<u>2,196,545</u>	<u>2,065,688</u>	<u>2,152,857</u>	<u>2,288,645</u>	<u>2,367,708</u>	<u>2,660,676</u>
<u>Non Operating Revenues</u>										
Sales Tax	7,913,161	7,744,815	7,157,307	7,294,636	7,759,654	7,869,357	8,152,976	8,592,079	8,890,398	9,291,442
Federal Grants and Reimbursements	1,438,721	1,560,826	4,827,052	2,716,460	1,862,159	1,715,565	2,222,531	2,032,462	2,583,970	2,312,824
State Grants, Reimbursements, and Special Fare Assistance	698,419	664,448	1,117,214	960,893	1,072,110	1,030,575	998,468	1,025,496	1,015,728	1,001,943
Interest Income	503,792	252,887	144,507	126,201	125,753	87,610	(20,666)	129,858	87,693	77,309
Gain on Disposal of Capital Assets	75,339	239,327	0	0	0	23,887	0	25,771	4,174	0
Non-Transportation Revenue	149,763	292,352	29,523	44,057	29,219	9,876	2,302	41,699	16,266	9,573
Total Non-Operating Revenues	<u>10,779,195</u>	<u>10,754,655</u>	<u>13,275,603</u>	<u>11,142,247</u>	<u>10,848,895</u>	<u>10,736,870</u>	<u>11,355,611</u>	<u>11,847,365</u>	<u>12,598,229</u>	<u>12,693,091</u>
<u>Capital Funding</u>										
Capital Grants and Reimbursements	2,678,525	1,724,523	1,444,750	5,290,845	832,135	1,337,655	2,589,114	2,104,454	1,892,460	7,543,724
Total Capital Funding	<u>2,678,525</u>	<u>1,724,523</u>	<u>1,444,750</u>	<u>5,290,845</u>	<u>832,135</u>	<u>1,337,655</u>	<u>2,589,114</u>	<u>2,104,454</u>	<u>1,892,460</u>	<u>7,543,724</u>
Total Revenues	<u>14,730,470</u>	<u>14,136,606</u>	<u>16,710,557</u>	<u>18,547,010</u>	<u>13,877,575</u>	<u>14,140,213</u>	<u>16,097,582</u>	<u>16,240,464</u>	<u>16,858,397</u>	<u>22,897,491</u>

(Continued)

LAKETRAN
REVENUES AND EXPENSES BY TYPE AND CHANGES IN NET POSITION
LAST TEN YEARS
(CONTINUED)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Operating Expenses</u>										
Labor	\$ 5,384,569	\$ 5,490,577	\$ 5,018,385	\$ 4,531,669	\$ 4,620,888	\$ 4,682,349	\$ 4,881,371	\$ 5,165,363	\$ 5,588,600	\$ 6,047,861
Fringe Benefits	3,022,379	3,191,539	3,264,433	2,952,196	3,108,797	3,277,370	3,107,366	3,207,603	3,151,044	3,744,019
Services	572,486	670,322	614,061	684,110	561,160	705,399	722,139	741,945	1,062,125	1,069,254
Fuel and Lubricants	1,089,416	1,418,915	1,164,945	908,789	952,784	958,003	1,207,040	1,277,228	1,458,161	617,090
Materials and Supplies	547,379	525,052	585,388	224,232	332,494	432,403	511,588	568,017	655,246	675,621
Utilities	213,375	202,286	181,737	126,948	149,479	133,408	165,311	195,902	200,415	205,210
Claims and Insurance	579,289	584,193	570,354	520,668	492,649	467,232	473,198	466,908	489,963	415,128
Purchased Transportation	573,128	639,050	499,705	549,875	658,741	703,294	733,470	255,594	262,528	263,897
Miscellaneous	<u>289,267</u>	<u>215,130</u>	<u>143,562</u>	<u>131,062</u>	<u>129,698</u>	<u>186,734</u>	<u>348,459</u>	<u>320,883</u>	<u>334,109</u>	<u>349,378</u>
Total Operating Expenses Excluding Depreciation	12,271,288	12,937,064	12,042,570	10,629,549	11,006,690	11,546,192	12,149,942	12,199,443	13,202,191	13,387,458
Depreciation	<u>4,397,417</u>	<u>4,568,865</u>	<u>3,399,313</u>	<u>3,703,483</u>	<u>3,350,100</u>	<u>3,764,197</u>	<u>2,711,924</u>	<u>2,638,490</u>	<u>2,807,752</u>	<u>3,611,857</u>
Total Operating Expenses	<u>16,668,705</u>	<u>17,505,929</u>	<u>15,441,883</u>	<u>14,333,032</u>	<u>14,356,790</u>	<u>15,310,389</u>	<u>14,861,866</u>	<u>14,837,933</u>	<u>16,009,943</u>	<u>16,999,315</u>
<u>Non-Operating Expenses</u>										
Loss on Disposal of Capital Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>622,534</u>	<u>419,368</u>	<u>0</u>	<u>6,990</u>	<u>0</u>	<u>0</u>	<u>706,871</u>
Total Expenses	<u>16,668,705</u>	<u>17,505,929</u>	<u>15,441,883</u>	<u>14,955,566</u>	<u>14,776,158</u>	<u>15,310,389</u>	<u>14,868,856</u>	<u>14,837,933</u>	<u>16,009,943</u>	<u>17,706,186</u>
Change in Net Position	<u>\$ (1,938,235)</u>	<u>\$ (3,369,323)</u>	<u>\$ 1,268,674</u>	<u>\$ 3,591,444</u>	<u>\$ (898,583)</u>	<u>\$ (1,170,176)</u>	<u>\$ 1,228,726</u>	<u>\$ 1,402,531</u>	<u>\$ 848,454</u>	<u>\$ 5,191,305</u>

**LAKETRAN
FARE BOX RECOVERY PERCENTAGE
LAST TEN YEARS**

	<u>Percentage</u>
2007	17.85
2008.....	12.20
2009.....	6.38
2010.....	13.50
2011.....	13.20
2012.....	13.05
2013.....	13.89
2014.....	14.62
2015.....	11.60
2016.....	11.30

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

Fare Structure - December 31, 2016

	Dial-A-Ride	Fixed Route	Local Commuter Express
Regular Adult Fare	\$ 10.00	\$ 1.75	\$ 3.75
Citizens with Buckeye or Medicare Cards (Senior citizens and those with disabilities)	2.50	0.75	N/A
Children ages 2-12	2.50	0.75	N/A
Children under 2	FREE	FREE	N/A
Monthly Pass	N/A	N/A	135.00
Electronic Fare Boxes accept cash/fare media - will return value card if excess cash is deposited			
Tokens - Children ages 2-12	N/A	0.75	N/A
Transfers	N/A	FREE	FREE

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>	
2007	31.4	14.1	45.5	7.5	47.0	54.5	100.0
2008	31.2	12.9	44.1	7.0	48.9	55.9	100.0
2009	31.5	12.4	43.9	8.2	47.9	56.1	100.0
2010	32.1	11.9	44.0	9.4	46.6	56.0	100.0
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2016	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>	
2007	9.9	6.7	16.6	11.9	71.5	83.4	100.0
2008	12.7	6.9	19.6	12.6	67.8	80.4	100.0
2009	12.5	1.7	14.2	31.6	54.2	85.8	100.0
2010	11.4	(2.1)	9.3	44.7	46.0	90.7	100.0
2011	11.5	(1.5)	10.0	20.0	70.0	90.0	100.0
2012	14.6	0.9	15.5	21.6	62.9	84.5	100.0
2013	13.4	(0.1)	13.3	29.9	56.8	86.7	100.0
2014	14.1	1.2	15.3	25.5	59.2	84.7	100.0
2015	14.0	.6	14.6	26.6	58.8	85.4	100.0
2016	11.6	.4	12.0	43.0	45.0	88.0	100.0

(1) Source: 2012 Public Transportation Fact Book, table 63. This book contains data through 2010 which is the latest available.

(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) (2) (3):

<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 Trans- portation</u>	<u>Other</u>	<u>Expenses</u>
2007	39.0	26.8	6.1	11.6	3.4	2.4	13.0	(2.3)	100.0
2008	38.2	25.7	6.3	12.8	3.4	2.2	13.7	(2.3)	100.0
2009	38.2	26.7	6.6	11.3	3.5	2.3	14.0	(2.6)	100.0
2010	37.8	27.4	6.6	10.7	3.4	2.6	13.8	(2.3)	100.0

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 Trans- portation</u>	<u>Other</u>	<u>Total Operating Expenses</u>
2007	43.9	24.6	4.7	13.3	1.7	4.7	4.7	2.4	100.0
2008	42.4	24.7	5.2	15.0	1.6	4.5	4.9	1.7	100.0
2009	41.7	27.1	5.1	14.5	1.5	4.7	4.2	1.0	100.0
2010	42.6	27.8	6.4	10.7	1.2	4.9	5.2	1.2	100.0
2011	42.0	28.2	5.0	11.7	1.4	4.5	6.0	1.2	100.0
2012	40.6	28.4	6.1	12.0	1.2	4.0	6.1	1.6	100.0
2013	40.2	25.6	5.9	14.1	1.4	3.9	6.0	2.9	100.0
2014	42.3	26.3	6.1	15.2	1.6	3.8	2.1	2.6	100.0
2015	42.3	23.9	8.1	16.0	1.5	3.7	2.0	2.5	100.0
2016	45.2	28.0	8.0	9.6	1.5	3.1	2.0	2.6	100.0

(1) Source: 2012 Public Transportation Fact Book, table 51. This book contains data through 2010 which is the latest available.

(2) Excludes depreciation expense

(3) No information available after 2010

**LAKETRAN
SALES TAX REVENUE
LAST TEN YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Sales Tax Revenue	\$ 7,913,161	\$ 7,744,815	\$ 7,157,307	\$ 7,294,636	\$ 7,759,654	\$ 7,869,357	\$ 8,152,976	\$ 8,592,079	\$ 8,890,398	\$ 9,291,442
Population*	230,510	230,510	230,510	236,775	236,775	236,775	230,041	229,857	229,230	229,245
Sales Tax Per Capita	\$ 34.33	\$ 33.60	\$ 31.05	\$ 30.81	\$ 32.77	\$ 33.24	\$ 35.44	\$ 37.38	\$ 38.78	\$ 40.53

*Population - Ohio Department of Development

OHIO.gov

**LAKETRAN
OPERATING STATISTICS
LAST TEN YEARS**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>System Ridership</u>										
Motor Bus (directly operated)	615,656	648,035	533,433	459,318	491,298	530,252	502,092	496,030	475,320	473,310
Dial-A-Ride (directly operated)	312,831	305,806	254,378	202,650	191,708	189,001	182,824	227,565	243,346	260,500
Dial-A-Ride (contract service)	62,623	63,358	55,928	49,639	59,577	61,399	67,776	31,977	32,444	29,882
Jitney (contract service)	26,101	0	0	0	0	0	0	0	0	0
<u>Average Daily System Ridership</u>										
Motor Bus (directly operated)	2,005	2,122	2,108	1,837	2,164	2,093	2,076	1,758	1,835	1,842
Dial-A-Ride (directly operated)	1,019	1,002	1,005	826	738	727	793	837	932	1,010
Dial-A-Ride (contract service)	246	208	221	90	237	147	265	124	128	116
Jitney (contract service)	290	0	0	0	0	0	0	0	0	0
<u>Average Daily Vehicle Miles Operated</u>										
Motor Bus (directly operated)	4,018	4,059	4,584	7,649	4,422	4,066	4,398	4,463	4,465	4,514
Dial-A-Ride (directly operated)	8,650	8,614	8,860	4,255	7,399	7,316	7,381	8,211	9,118	9,915
Dial-A-Ride (contract service)	1,171	934	1,020	645	1,140	1,068	1,301	269	298	259
Jitney (contract service)	38	0	0	0	0	0	0	0	0	0
<u>Revenue Miles</u>										
Motor Bus (directly operated)	829,584	841,444	766,833	717,503	756,988	760,577	778,583	781,349	804,284	856,648
Dial-A-Ride (directly operated)	2,360,718	2,324,174	1,901,429	1,613,980	1,592,586	1,583,745	1,599,600	1,973,517	2,120,358	2,315,442
Dial-A-Ride (contract service)	252,936	248,738	223,690	188,623	232,873	227,344	272,074	62,206	68,773	60,414
Jitney (contract service)	5,018	0	0	0	0	0	0	0	0	0

Source: Laketrans Section 15 Statistics Report

**LAKETRAN
OPERATING STATISTICS
LAST TEN YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Passenger Miles</u>										
Motor Bus (directly operated)	7,553,957	8,456,215	6,897,727	6,008,030	6,313,599	6,700,162	6,011,047	5,808,334	5,410,394	5,665,800
Dial-A-Ride (directly operated)	3,179,646	3,345,473	2,718,112	2,198,455	2,016,312	1,910,889	2,417,184	2,244,900	2,413,977	2,572,199
Dial-A-Ride (contract service)	590,722	457,483	374,929	340,665	451,087	540,101	562,966	175,983	178,442	164,351
Jitney (contract service)	8,700	0	0	0	0	0	0	0	0	0

Source: Public Transportation Fact Book

**LAKETRAN
OPERATING STATISTICS
LAST TEN YEARS**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Energy Consumption</u>										
Motor Bus										
Gallons of diesel	123,533	117,116	98,159	97,880	171,162	183,572	182,348	189,663	195,245	203,505
Gallons of natural gas	136,452	105,828	100,733	1,561	0	0	0	0	0	0
Gallons of purinox	0	0	0	0	0	0	0	0	0	0
Gallons of Gas	0	0	0	0	0	4,593	3,841	3,777	3,764	3,836
Dial-A-Ride										
Gallons of diesel	272,198	291,533	226,277	189,984	176,156	192,770	199,247	195,555	212,282	232,899
Gallons of purinox	0	0	0	0	0	0	0	0	0	0
Gallons of Gas	0	0	0	0	0	10.2	4,870	10,268	6,895	10,157
<u>Fleet Requirement</u>										
Motor Bus (directly operated)	24	24	24	24	24	25	25	26	25	25
Dial-A-Ride (directly operated)	76	75	75	75	75	75	53	60	72	73
Dial-A-Ride (contract service)	12	12	6	6	6	6	8	0	0	0
<u>Total Active Vehicles</u>										
Motor Bus (directly operated)	38	39	38	38	40	38	40	40	40	40
Dial-A-Ride (directly operated)	76	75	76	76	74	79	66	75	75	80
Dial-A-Ride (contract service)	18	20	9	9	11	11	11	0	0	0
Van Pool (contract service)	0	0	0	0	0	0	0	0	0	0

* 2010 - Stopped CNG early in year (January 15) - Replaced by New Flyers - Diesel

Source: Financials and Ohio Department of Development

**LAKERAN
FULL TIME EQUIVALENT EMPLOYEES
LAST TEN YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Administration</u>										
General Manager	1	1	1	1	1	1	1	1	1	1
Executive Secretary	1	1	1	1	1	1	1	1	1	1
Controller	1	1	1	1	1	1	1	1	1	1
Director of Development	1	1	0	0	0	0	0	0	0	0
Procurement and Grant Specialist	0	0	1	1	1	1	1	1	1	1
Human Resources Manager	1	1	1	1	1	1	1	1	1	1
Human Resources Specialist									1	1
Public Relations/Marketing Director	1	1	1	1	1	1	1	1	1	1
Accountant/Budget Analyst	0	1	1	0	1	1	1	1	1	1
Administrative Secretary	1	1	0	1	0	0	0	0	0	0
Finance Clerk	1	1	1	1	1	1	1	1	1	1
Information Specialist	1	1	1	0	0	0	0	0	0	0
Customer Outreach Specialist	1	1	1	1	1	0	1	1	1	1
Clerk/Receptionist	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Administrative	<u>12</u>	<u>12</u>	<u>11</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>11</u>

Source: Operations Department stats

LAKERAN
FULL TIME EQUIVALENT EMPLOYEES
LAST TEN YEARS
(CONTINUED)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Maintenance</u>										
Maintenance Supervisor	1	1	1	1	1	1	1	1	1	1
Assistant Maintenance Supervisor	1	1	1	1	1	1	1	1	1	1
Maintenance Clerk	1	1	1	0	0	1	1	1	1	1
Mechanics	6	6	6	6	7	6	6	7	7	7
Mechanics Helper	1	1	1	1	1	1	1	1	1	1
Hostler	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>
Total Maintenance	<u>15</u>	<u>15</u>	<u>15</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>13</u>	<u>14</u>	<u>14</u>	<u>15</u>
<u>Operations</u>										
Deputy GM	0	0	1	1	1	1	1	1	1	1
Operations Manager	1	1	0	0	1	1	1	1	1	1
Administrative Assistant	1	1	1	1	1	1	1	1	1	1
Dispatchers/Schedulers	5	6	5	5	4	4.5	4.5	5	5	5
Customer Service Supervisor	1	1	1	1	1	1	1	1	1	1
Customer Service Representatives	6	6	6	5	7	6.5	6.5	7	7	7
Road Supervisors	4	4	3	3	3	3.5	3.5	4	4	4
Trainer	1	1	0	0	0	0	0	0	.5	1
Drivers	<u>126</u>	<u>125</u>	<u>126</u>	<u>128</u>	<u>99</u>	<u>95</u>	<u>132.5</u>	<u>135</u>	<u>143.5</u>	<u>139</u>
Total Operations	<u>145</u>	<u>145</u>	<u>144</u>	<u>144</u>	<u>117</u>	<u>113.5</u>	<u>151.0</u>	<u>155</u>	<u>164</u>	<u>160</u>
Grand Total	<u>172</u>	<u>172</u>	<u>170</u>	<u>168</u>	<u>141</u>	<u>136.5</u>	<u>173.0</u>	<u>179</u>	<u>178</u>	<u>175</u>

LAKETRAN

LAKE COUNTY DEMOGRAPHICS

County Population by Decade and Future Projections

<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
2010	230,041	1.11
2015 Estimate	229,602	(0.19)
2020 Projection	228,600	(0.44)
2025 Projection	228,380	(0.10)
2030 Projection	228,060	(0.14)

Actual figures from Ohio Department of Development
Projections from Lake County Job and Family Services Profile

Age and Population Distribution - 2015

	<u>Age</u>	<u>Percentage</u>
Under 5	11,912	5.2
Under 18	37,517	16.3
18-64	141,217	61.4
65 and Over	38,956	17.1
Total	<u>229,602</u>	<u>100.0</u>

American Community Survey

LAKETRAN

LAKE COUNTY DEMOGRAPHICS

Population By Race - 2015 Estimate

<u>Race</u>	<u>Total</u>	<u>Percentage</u>
White	205,897	89.7
African-American	8,374	3.6
Two or more races	3,714	1.6
Asian	2,883	1.3
Latino/Other	8,504	3.7
Native American	<u>230</u>	<u>0.1</u>
	<u>229,602</u>	<u>100.00</u>

Ohio Department of Development

Largest Populations in the County

Mentor	46,901
Willoughby	22,631
Eastlake	18,232
Painesville	19,776
Madison Township	15,599
Concord Township	18,245
Painesville Township	16,900
Willowick	13,957
Wickliffe	12,545
Willoughby Hills	9,382

Ohio Department of Development

Quickfacts.census.gov

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LAKE METRAN

LAKE COUNTY, OHIO





Dave Yost • Auditor of State

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
JULY 11, 2017