

**Audited Financial Statements  
PORTAGE AREA REGIONAL  
TRANSPORTATION AUTHORITY**

**For the year ended December 31, 2004**

**SINGLE AUDIT REPORT  
For the year ended December 31, 2004**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Portage Area Regional Transportation Authority  
P. O. Box 190  
Kent, Ohio 44240

We have reviewed the *Independent Auditor's Report* of the Portage Area Regional Transportation Authority, Portage County, prepared by Dingus and Daga, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

June 20, 2005

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PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| FINANCIAL STATEMENTS:   |             |
| Independent Auditors' Report. . . . .   | 1           |
| Management Discussion and Analysis. . . . .   | 3           |
| Balance Sheet. . . . .  | 14          |
| Statement of Revenues, Expenses and Changes in Net Assets. . . . .  | 15          |
| Statement of Cash Flows . . . . .   | 16          |
| Notes to Financial Statements . . . . .   | 18          |
| SUPPLEMENTAL SCHEDULE:  |             |
| Schedule of Expenditures of Federal Awards. . . . .   | 27          |
| Notes to the Supplemental Schedule of Expenditures<br>of Federal Awards. . . . .  | 28          |
| REPORT ON COMPLIANCE AND ON INTERNAL CONTROL:   |             |
| Independent Auditors' Report on Compliance and on Internal Control<br>Over Financial Reporting Based on an Audit of Financial Statements<br>Performed in Accordance with Government Auditing Standards. . . . . | 29          |
| Independent Auditors' Report on Compliance with Requirements<br>Applicable to Each Major Program and Internal Control Over<br>Compliance Applicable in Accordance with OMB Circular A-133 . . . . .             | 31          |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS. . . . .  | 33          |
| SCHEDULE OF PRIOR AUDIT FINDINGS. . . . .   | 35          |



## Dingus and Daga, Inc.

Certified Public Accountants  
Tower East • 20600 Chagrin Boulevard • Suite 701  
Shaker Heights, Ohio 44122-5398 • 216/561-9200

### INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Portage Area Regional Transportation Authority  
Kent, Ohio

We have audited the accompanying financial statements of the Portage Area Regional Transportation Authority (the Authority), as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2004, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 1, the Authority has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures, as amended and interpreted, as of January 1, 2004.

In accordance with Government Auditing Standards, we have also issued our report dated May 24, 2005, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Dingus and Daga, Inc.*

Shaker Heights, Ohio  
May 24, 2005

# PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2004

As management of the Portage Area Regional Transportation Authority ("Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2004. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

### **Overview of Financial Highlights**

- The Authority has net assets of \$5.7 million. These net assets result from the difference between total assets of \$5.9 million and total liabilities of \$236,064.
- Current assets of \$1.19 million primarily consist of non-restricted Cash and Cash Equivalents of \$381,041; Sales Tax receivable of \$577,533; Inventory of \$153,180; Federal and State grants receivable of \$42,920; and Local operating assistance of \$34,695.
- Restricted assets of \$18,056 consist of Federal and State capital assistance receivable.
- Current liabilities of \$236,064 primarily consist of Accounts payable of \$107,674; and accrued expenses of \$128,390.

### **Basic Financial Statements and Presentation**

#### **New Accounting Pronouncements**

The Authority has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures, as amended and interpreted, as of January 1, 2004. These statements change the Authority's presentation of net assets and change the note disclosure and require the inclusion of management's discussion and analysis.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2004

**Basic Financial Statements and Presentation (Cont'd)**

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

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

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

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2004

**Notes to the Financial Statements**

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

**Condensed Summary of Net Assets**

The Authority did not issue comparative financial statements in 2004 due to the implementation of GASB 34 and therefore, comparative information will not be presented in Management's Discussion and Analysis. In future years, the Authority will issue comparative financial statements.

|  |                     |
|--|---------------------|
| Current Assets                                   | \$ 1,189,369        |
| Restricted Assets                                | 18,056              |
| Capital Assets (net of accumulated depreciation) | <u>4,775,365</u>    |
| Total Assets                                     | <u>\$ 5,982,790</u> |
| <br>   |                     |
| Current Liabilities                              | <u>\$ 236,064</u>   |
| Total Liabilities                                | <u>\$ 236,064</u>   |
| <br>   |                     |
| Net Assets                                       |                     |
| Invested in Capital Assets, Net of Related Debt  | \$ 4,775,365        |
| Restricted for Capital Assets                    | 18,056              |
| Unrestricted                                     | <u>953,305</u>      |
| <br>   |                     |
| Total Net Assets                                 | <u>\$ 5,746,726</u> |

The largest portion of the Authority's net assets reflects investment in capital assets consisting of buses, operating facilities and equipment, less any related debt used to acquire any of those assets still outstanding. The Authority uses these capital assets to provide public transportation services for Portage County.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2004

**Condensed Summary of Revenues, Expenses, and Changes in Net Assets**

| <u>Description</u>  | <u>Amount</u>        |
|---|----------------------|
| <b>Operating Revenues (Expenses)</b>                        |                      |
| Operating Revenues  | \$ 206,224           |
| Operating Expenses, excluding depreciation                  | (5,029,767)          |
| Depreciation Expense  | <u>(1,250,328)</u>   |
| Operating Loss  | <u>\$(6,073,871)</u> |
| <b>Non-Operating Revenues</b>                               |                      |
| Federal Grants and Reimbursements                           | \$ 334,756           |
| State Grants, Reimbursements and<br>Special Fare Assistance | 186,047              |
| Local Grants and reimbursements                             | 1,459,087            |
| Sales Tax Revenues  | 3,424,386            |
| Interest Income   | 4,758                |
| Other Income  | <u>74,641</u>        |
| Total Non-Operating Revenues                                | \$ 5,483,675         |
| Capital Contributions                                       | <u>\$ 750,456</u>    |
| Increase in Net Assets During the Year                      | 160,260              |
| Net Assets, Beginning of Year                               | <u>5,586,466</u>     |
| Net Assets, End of Year                                     | <u>\$ 5,746,726</u>  |

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2004

**Financial Analysis of the Authority**

**Revenues**

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

Passenger Fares – Farebox and special transit fares are included here. The overall increase over the previous year reflects an increase in general public passenger trips. In addition Tops Supermarkets ticket sales increased.

Federal Grants and Reimbursements – The Authority received \$334,756 in capitalized maintenance, planning, and van pool funds to cover certain preventive maintenance and planning costs incurred.

State Grants and Reimbursements – The Ohio Department of Transportation allocates grants for elderly and disabled programs. The Authority's allocation increased to \$91,003 for 2004 for services to our client base that is elderly or disabled. This category also includes \$59,664 for reimbursement for state fuel taxes paid by the Authority, and \$35,380 for certain preventive maintenance and planning costs incurred.

Local Grants and Reimbursements – The Authority received approximately \$1.5 million in local grants and agency contracts to provide transportation in Portage County. This primarily consists of \$1,066,080 from Kent State University, and \$256,796 from Portage County MR/DD.

Sales Tax Revenues – .25 mills is levied against Portage County sales tax. For 2004, approximately 60.2% of the Authority's revenue came from this source. Sales Tax Revenues increased during 2004 due to increased sales in the developing county.

Interest Income – Interest income from Star Ohio is included here.

Other Income – This category summarizes miscellaneous income and revenue from various sources such as advertising, insurance, or special events.

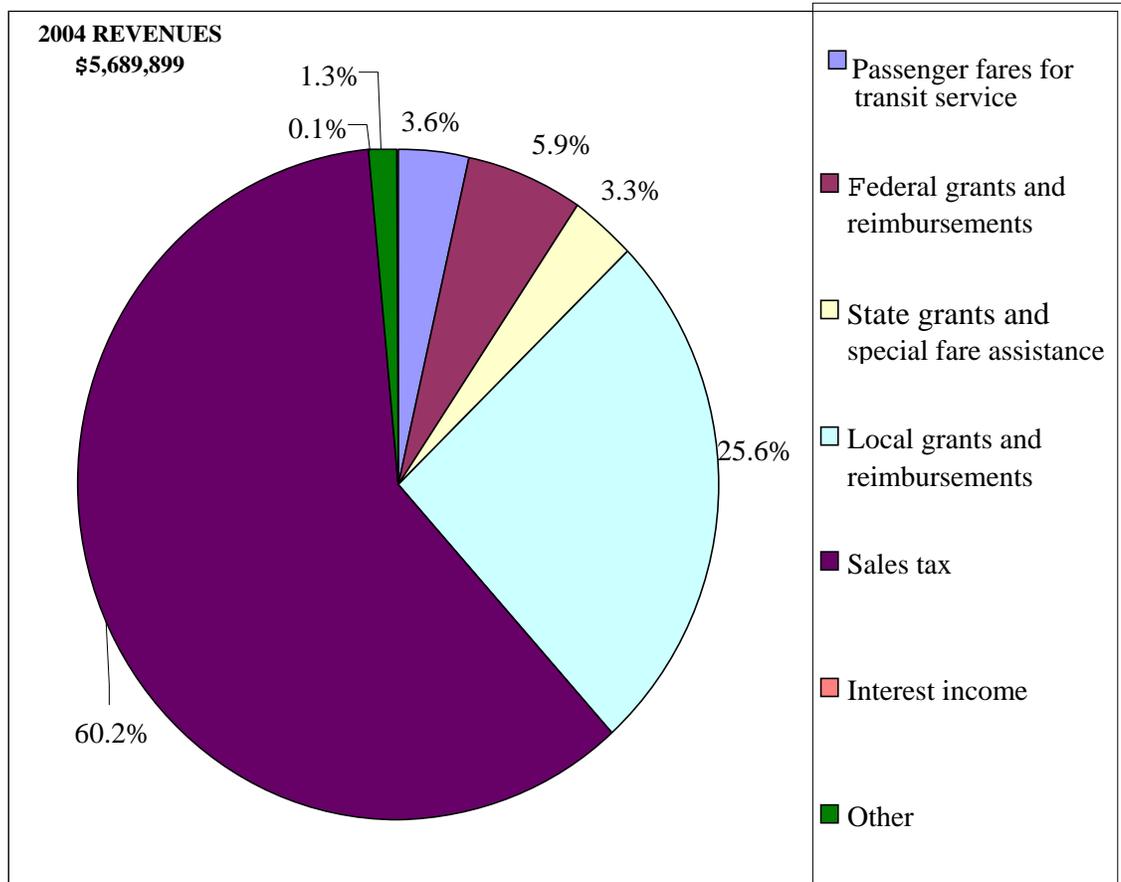
PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2004

REVENUES:

|  |    |                  |               |
|--|----|------------------|---------------|
| Passenger fares for transit service      | \$ | 206,224          | 3.6%          |
| Federal grants and reimbursements        | \$ | 334,756          | 5.9%          |
| State grants and special fare assistance | \$ | 186,047          | 3.3%          |
| Local grants and reimbursements          | \$ | 1,459,087        | 25.6%         |
| Sales tax                                | \$ | 3,424,387        | 60.2%         |
| Interest income                          | \$ | 4,758            | 0.1%          |
| Other                                    | \$ | <u>74,641</u>    | <u>1.3%</u>   |
| Total                                    | \$ | <u>5,689,899</u> | <u>100.0%</u> |



PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2004

**Financial Operating Results**

**Expenses**

Labor and Fringe Benefits These personnel costs accounted for approximately 73.4% of all the Authority operating expenses (excluding depreciation) in 2004. The 51% increase in 2004 is primarily due to an increase in personnel to provide Kent State on-campus bus service. In addition, there were staff wage increases, and worker's compensation costs increased.

Services These are expenses associated with work performed by outside consultants such as advertising, legal fees, custodial, training, and employee background and drug testing.

Fuel & Lubricants Due to county service increases and the Kent State contract, our fleet and miles traveled increased, which drove the increase in fuel and lubricant expenses.

Materials and Supplies The increase in these costs is contributed to additional uniforms for drivers and mechanics, and additional office supplies (i.e. copier paper and printer cartridges).

Utilities As our staff increases and the amount of time the building is utilized (evenings & weekends), so do our utility expenses. For part of the year, the maintenance staff worked a third shift.

Casualty and Liability The Authority belongs to an insurance pool of 11 transit agencies and premiums are based on an annual actuarial study done by the Ohio Transit Risk Pool. The cost for insurance significantly increased as expected in 2004 and as the Authority continues to grow and the cost for coverage continues to increase, our expenses will also continue to increase.

Miscellaneous Following our growth trend, there were increases in dues and subscriptions, travel & meetings, and advertising & promotions.

Depreciation This category includes depreciation on all capital assets, except land.

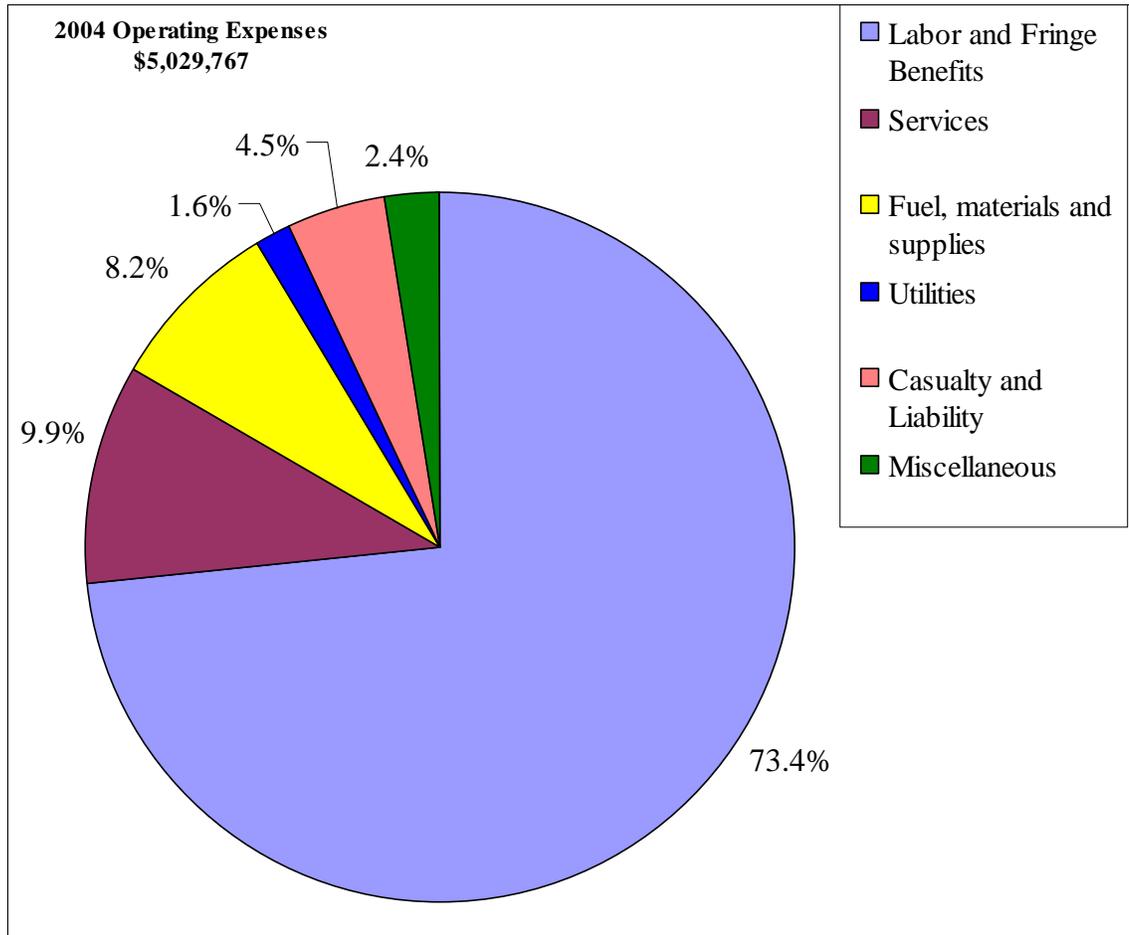
PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2004

EXPENSES:

|                              |    |                  |             |
|------------------------------|----|------------------|-------------|
| Labor and Fringe Benefits    | \$ | 3,690,055        | 73.4%       |
| Services                     | \$ | 499,383          | 9.9%        |
| Fuel, materials and supplies | \$ | 413,263          | 8.2%        |
| Utilities                    | \$ | 81,969           | 1.6%        |
| Casualty and Liability       | \$ | 223,933          | 4.5%        |
| Miscellaneous                | \$ | <u>121,164</u>   | <u>2.4%</u> |
| Total                        | \$ | <u>5,029,767</u> | <u>100%</u> |



PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONT’D)

Year Ended December 31, 2004

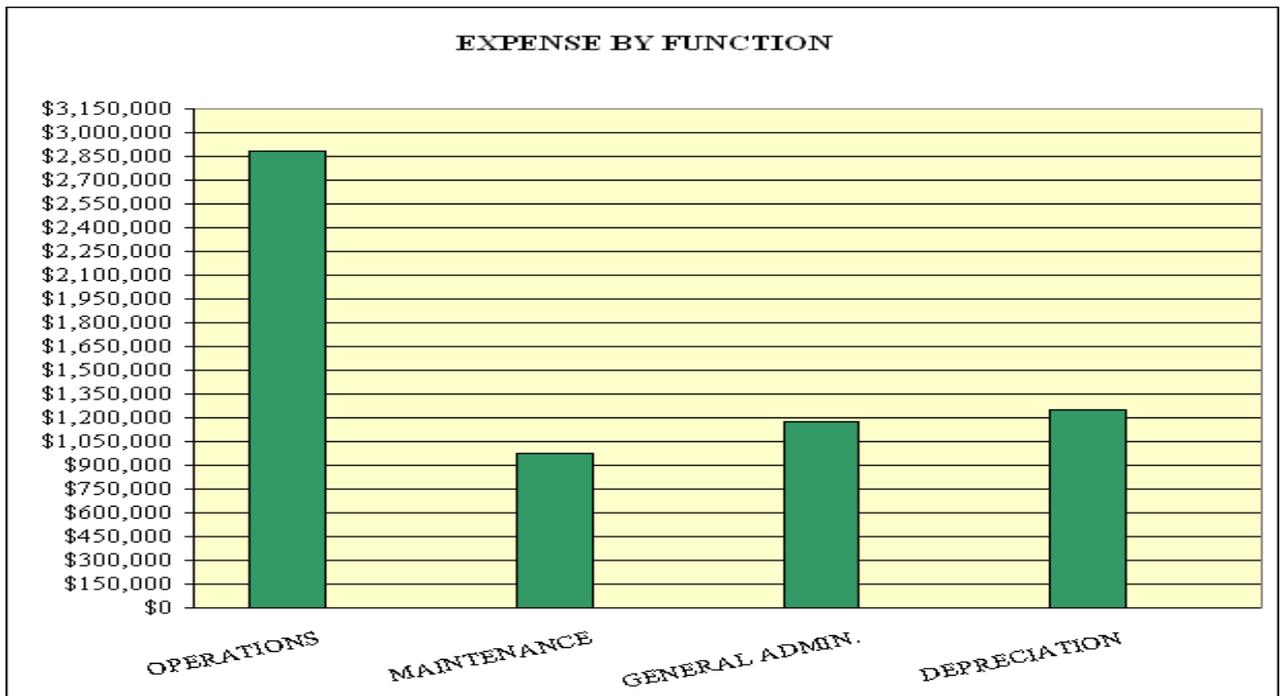
Operations These are expenses directly related to the operation of revenue vehicles. Included are wages and fringe benefits of operators, dispatchers, customer service, as well as diesel fuel and security costs.

Maintenance Vehicle and facility maintenance labor costs, fringe benefits, and materials and supplies are included in this category.

General Administration Administrative personnel labor and fringe benefits are included in this category, as well as public liability and property damage insurance, professional services, advertising fees and office supplies.

**EXPENSE BY FUNCTION**

|                |                    |               |
|----------------|--------------------|---------------|
| OPERATIONS     | \$2,883,229        | 45.9%         |
| MAINTENANCE    | \$972,586          | 15.5%         |
| GENERAL ADMIN. | \$1,173,952        | 18.7%         |
| DEPRECIATION   | <u>\$1,250,328</u> | <u>19.9%</u>  |
| TOTAL          | <u>\$6,280,095</u> | <u>100.0%</u> |



PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2004

**Condensed Summary of Cash Flows**

Net cash used for operating activities increased as a result of increased payments to employees and suppliers. Net cash provided by non-capital financing activities increased due to the Kent State Agreement. Net cash used in capital and relating financing activities decreased as a result of decrease in capital projects following the completion of the administrative building in 2003. Net cash provided by investing activities slightly increased due to a climb in interest rates.

CASH FLOWS FROM OPERATING ACTIVITIES:

|   |                    |
|---|--------------------|
| Cash Received from customers                      | \$ 206,224         |
| Cash payments to suppliers for goods and services | (1,585,167)        |
| Cash payments to employees for services           | <u>(3,690,320)</u> |
| Net cash used in operating activities             | (5,069,263)        |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

|   |               |
|---|---------------|
| Sales taxes received                                  | 3,408,033     |
| Operating grants received                             | 1,953,387     |
| Other   | <u>74,641</u> |
| Net cash provided by non-capital financing activities | 5,436,061     |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

|   |                    |
|---|--------------------|
| Capital grants received                                   | 733,006            |
| Acquisition and construction of capital assets            | <u>(1,491,525)</u> |
| Net cash used in capital and related financing activities | (758,519)          |

CASH FLOWS FROM INVESTING ACTIVITIES:

|   |              |
|---|--------------|
| Interest received from investments                            | <u>4,758</u> |
| Net cash provided by capital and related financing activities | <u>4,758</u> |

NET DECREASE IN CASH AND CASH EQUIVALENTS (386,963)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 768,004

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 381,041

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2004

**Capital Assets**

The Authority's investment in capital assets amounts to approximately \$4.8 million, net of accumulated depreciation as of December 31, 2004. Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. As a result of the Kent State agreement, the Authority is reporting an approximate value for buses and bus shelters totaling \$275,840. This equipment is to be used and maintained by the Authority to provide contracted service for Kent State. The Authority disposed of capital supplies & equipment in the amount of \$19,451. Major capital asset expenditures during the current fiscal year included the following:

- Design and renovation of our Maintenance facility, totaling \$.6 million
- Purchase of replacement vehicles and bus equipment, totaling \$.7 million

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Secretary-Treasurer, Portage Area Regional Transportation Authority, P.O. Box 190, Kent, OH 44240.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

BALANCE SHEET  
DECEMBER 31, 2004

ASSETS

CURRENT ASSETS:

|                              |                  |
|------------------------------|------------------|
| Cash and cash equivalents    | \$ 381,041       |
| Receivables:                 |                  |
| Federal grants               | 580              |
| State grants                 | 42,340           |
| Sales tax                    | 577,533          |
| Local operating assistance   | 34,695           |
| Materials & Supply Inventory | 153,180          |
| TOTAL CURRENT ASSETS         | <u>1,189,369</u> |

RESTRICTED ASSETS:

|                                       |               |
|---------------------------------------|---------------|
| Federal capital assistance receivable | 10,474        |
| State capital assistance receivable   | 7,582         |
|                                       | <u>18,056</u> |

PROPERTY, FACILITIES AND EQUIPMENT:

|                                       |                            |
|---------------------------------------|----------------------------|
| Land                                  | 160,000                    |
| Buildings and improvements            | 4,345,353                  |
| Transportation vehicles and equipment | 3,772,550                  |
| Computers and software                | 337,161                    |
| Other                                 | 197,742                    |
| Total                                 | <u>8,812,806</u>           |
| Less: Accumulated depreciation        | <u>4,037,441</u>           |
| TOTAL ASSETS                          | <u><u>\$ 5,982,790</u></u> |

LIABILITIES AND EQUITY

CURRENT LIABILITIES:

|                   |                |
|-------------------|----------------|
| Accounts payable  | \$ 107,674     |
| Accrued expenses  | 128,390        |
| TOTAL LIABILITIES | <u>236,064</u> |

NET ASSETS:

|   |                  |
|---|------------------|
| Invested in Capital Assets, Net of Related Debt | 4,775,365        |
| Restricted for Capital Assets                   | 18,056           |
| Unrestricted                                    | 953,305          |
| Total Net Assets                                | <u>5,746,726</u> |

|                                  |                            |
|----------------------------------|----------------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 5,982,790</u></u> |
|----------------------------------|----------------------------|

See notes to financial statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004

|  |                            |
|--|----------------------------|
| OPERATING REVENUES:                                      |                            |
| Passenger fares for transit service                      | \$ 206,224                 |
| Total operating revenues                                 | <u>206,224</u>             |
| OPERATING EXPENSES OTHER THAN DEPRECIATION:              |                            |
| Labor and fringe benefits                                | 3,690,055                  |
| Services   | 499,383                    |
| Fuel, materials and supplies                             | 413,263                    |
| Utilities  | 81,969                     |
| Casualty and liability                                   | 223,933                    |
| Miscellaneous  | 121,164                    |
| Total operating expenses excluding depreciation          | <u>5,029,767</u>           |
| OPERATING LOSS BEFORE DEPRECIATION EXPENSE               | (4,823,543)                |
| DEPRECIATION EXPENSE (Note 1):                           | <u>1,250,328</u>           |
| OPERATING LOSS   | (6,073,871)                |
| NON-OPERATING REVENUES:                                  |                            |
| Federal grants and reimbursements                        | 334,756                    |
| State grants, reimbursements and special fare assistance | 186,047                    |
| Local grants and reimbursements                          | 1,459,087                  |
| Sales tax  | 3,424,386                  |
| Interest income  | 4,758                      |
| Other  | 74,641                     |
| Total  | <u>5,483,675</u>           |
| NET LOSS BEFORE CAPITAL CONTRIBUTIONS                    | (590,196)                  |
| Capital contributions                                    | <u>750,456</u>             |
| NET PROFIT   | 160,260                    |
| Net Assets, Beginning of Year                            | <u>5,586,466</u>           |
| Net Assets, End of Year                                  | <u><u>\$ 5,746,726</u></u> |

See notes to financial statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

|   |                    |
|---|--------------------|
| Cash received from customers                      | \$ 206,224         |
| Cash payments to suppliers for goods and services | (1,585,167)        |
| Cash payments to employees for services           | (3,690,320)        |
| NET CASH USED FOR OPERATING ACTIVITIES            | <u>(5,069,263)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING  
ACTIVITIES:

|   |                  |
|---|------------------|
| Sales taxes received                                    | 3,408,033        |
| Operating grants received                               | 1,953,387        |
| Other   | 74,641           |
| NET CASH PROVIDED BY NONCAPITAL<br>FINANCING ACTIVITIES | <u>5,436,061</u> |

CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:

|  |                  |
|--|------------------|
| Capital grants received                                      | 733,006          |
| Acquisition and construction of capital assets               | (1,491,525)      |
| NET CASH USED BY CAPITAL AND<br>RELATED FINANCING ACTIVITIES | <u>(758,519)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

|  |              |
|--|--------------|
| Interest received                            | 4,758        |
| NET CASH PROVIDED BY INVESTING ACTIVITIES    | <u>4,758</u> |
| NET DECREASE IN CASH AND CASH<br>EQUIVALENTS | (386,963)    |

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 768,004

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 381,041

See notes to financial statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2004

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED FOR  
OPERATING ACTIVITIES:

|   |                       |
|---|-----------------------|
| Net Operating loss  | \$ (6,073,871)        |
| Adjustments to reconcile operating loss to net cash used<br>for operating activities: |                       |
| Depreciation  | 1,250,328             |
| Change in assets and liabilities:   |                       |
| Decrease in prepaid expenses  | 12,800                |
| Increase in materials & supply inventory  | (153,180)             |
| Decrease in accounts payable  | (85,075)              |
| Decrease in accrued expenses  | (265)                 |
| Decrease in deferred revenue  | (20,000)              |
| Total adjustments   | <u>1,004,608</u>      |
| Net cash used for operating activities  | <u>\$ (5,069,263)</u> |

See notes to financial statements.

# PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2004

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Portage Area Regional Transportation Authority (the Authority) was formed as the public agency responsible for public transportation in Portage County. The Authority 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, the Authority is not subject to federal, state or local income taxes.

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

Under Ohio law, the Authority is authorized to levy a sale and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .25 percent, .5 percent, 1 percent, or 1.5 percent if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and Portage County. During 2001, the voters of Portage County passed a sales and use tax levy of one quarter of one percent (0.25%) for five years on November 6, 2001. Revenues from this sales and use tax levy became effective February 1, 2002.

#### Basis of Accounting

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended December 31, 2004

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd):

In accordance with Statement No. 20 of the Government Accounting Standards Board "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

Nonexchange Transactions - The Authority has also adopted the provisions of Statement No. 33 of the Governmental Accounting Standards Board ("GASB") regarding the Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions be recognized as revenue and not as contributed capital. Accordingly, during the year ended December 31, 2004, \$750,456 in capital contribution was recognized as revenue in the Statement of Revenue, Expenses and Changes in Net Assets for the Authority.

New Accounting Pronouncements – The Authority has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures, as amended and interpreted, as of January 1, 2004. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and require the inclusion of management's discussion and analysis.

The Authority will continue applying all applicable pronouncements issued by the GASB.

Financial Reporting Entity

For financial reporting purposes all departments and operations for which the Authority 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.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended December 31, 2004

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd):

Property, Facilities and Equipment

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

Depreciation

Depreciation on all assets is computed on the straight-line method based on the estimated useful lives of individual assets (4 to 40 years). Cost of property retired is removed from the asset and the accumulated depreciation account.

Net Assets - Equity displayed in three components as follows:

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

Restricted for Capital Assets – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Operating Assistance Revenue

Federal and state operating assistance is recognized in the year earned. The amount of state operating assistance earned during the year is based upon the grant amount awarded during the state's fiscal year which ends after the Authority's calendar year-end. The federal operating assistance grant is awarded in the same year it is earned by the Authority.

Federal capital assistance for preventative maintenance expenses is recognized in the year earned, based on the grant amount expected to be awarded for the Authority's calendar year-end.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended December 31, 2004

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd):

Cash and Cash Equivalents

Cash and cash equivalents include deposits in the State Asset Reserve of Ohio (STAROhio) investment pool. For purposes of the statement of cash flows, highly liquid investments with an initial maturity date of three months or less are considered to be cash equivalents.

Investment Policy

State statutes and Authority by-laws authorize allowable investments. The Authority is authorized to invest in U.S. Treasury securities and obligations of federal government agencies or instrumentalities, collateralized repurchase agreements, certificates of deposit and the State Asset Reserve of Ohio (STAROhio) investment pool.

Materials and Supplies Inventory

Materials and supplies inventory is stated at cost (average cost method). Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

Use of Estimates

The preparation of 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 amounts 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.

2. DEFERRED COMPENSATION:

In 1977, the Ohio Public Employees Deferred Compensation Program began to offer Ohio's state and local government employees a supplemental retirement program administered in accordance with Internal Revenue Code Section 457 and Ohio Revised Code Section 148. PARTA began participating in this program in 1997, offering this benefit to all employees on a pre-tax, voluntary basis. The minimum contribution per pay is \$15, and in 2004 the maximum annual contribution is \$12,000 of the employee's includible or earned income. Funds may be withdrawn at retirement, death, or termination of employment, or due to certain qualifying unforeseeable emergencies.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended December 31, 2004

3. DEPOSITS AND INVESTMENTS:

Deposits

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

At December 31, 2004, the carrying amounts of the Authority's deposits included in cash and cash equivalents were \$177,144 and the bank balances were \$229,718. Deposits totaling \$103,141 were covered by federal depository insurance at December 31, 2004.

Investment Pool

At December 31, 2004, Portage Area Regional Transportation Authority had \$203,897 invested in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2004. These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended December 31, 2004

4. CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2004 is as follows:

| Description                                    | Balance<br><u>01/01/04</u> | <u>Additions</u>  | <u>Disposals</u> | Balance<br><u>12/31/04</u> |
|--|----------------------------|-------------------|------------------|----------------------------|
| Capital Assets Not Being Depreciated           |                            |                   |                  |                            |
| Land   | \$ 160,000                 |                   |                  | \$ 160,000                 |
| Total Capital Assets Not Being<br>Depreciated  | <u>160,000</u>             |                   |                  | <u>160,000</u>             |
| Capital Assets Being Depreciated:              |                            |                   |                  |                            |
| Building & Building Improvements               | 3,674,499                  | \$ 670,854        |                  | 4,345,353                  |
| Transportation Equipment                       | 3,056,094                  | 735,907           | \$ 19,451        | 3,772,550                  |
| Computers and Software                         | 276,627                    | 60,534            |                  | 337,161                    |
| Other Equipment                                | <u>173,513</u>             | <u>24,229</u>     |                  | <u>197,742</u>             |
| Total Capital Assets Being<br>Depreciated      | 7,180,733                  | 1,491,524         | 19,451           | 8,652,806                  |
| Less Accumulated Depreciation:                 |                            |                   |                  |                            |
| Building & Building Improvements               | 735,034                    | 451,960           |                  | 1,186,994                  |
| Transportation Equipment                       | 1,818,681                  | 700,009           | 19,451           | 2,499,239                  |
| Computers and Software                         | 201,549                    | 48,851            |                  | 250,400                    |
| Other Equipment                                | <u>51,301</u>              | <u>49,507</u>     |                  | <u>100,808</u>             |
| Total Accumulated Depreciation                 | 2,806,565                  | 1,250,327         | 19,451           | 4,037,441                  |
| Total Capital Assets Being<br>Depreciated, Net | <u>4,374,168</u>           | <u>241,197</u>    |                  | <u>4,615,365</u>           |
| Total Capital Assets, Net                      | <u>\$ 4,534,168</u>        | <u>\$ 241,197</u> |                  | <u>\$ 4,775,365</u>        |

5. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE:

Grants, reimbursements and special fare assistance included in the statement of revenues and expenses for the year ended December 31, 2004, consist of the following:

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended December 31, 2004

5. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE (Cont'd):

FEDERAL TRANSIT ADMINISTRATION

|                                |                   |
|--------------------------------|-------------------|
| Capital maintenance assistance | \$ 240,000        |
| Planning grants                | 67,094            |
| CMAQ grants                    | <u>27,662</u>     |
| Total                          | <u>\$ 334,756</u> |

OHIO DEPARTMENT OF TRANSPORTATION

|                                      |                   |
|--------------------------------------|-------------------|
| Capital maintenance assistance       | \$ 26,580         |
| Elderly and disabled fare assistance | 91,003            |
| Planning grants                      | 8,800             |
| Fuel tax reimbursement               | <u>59,664</u>     |
| Total                                | <u>\$ 186,047</u> |

6. PENSION PLAN:

Plan Description – All employees of the Authority are required to be members of the Ohio Public Employees Retirement System (“OPERS”), a cost-sharing, multiple-employer pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

Funding Policy – The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5 percent of their covered payroll to OPERS. The 2004 employer contribution rate for local government units was 13.55 percent of covered payroll including portion .2952 used to fund health care benefits. The Authority’s total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2004, 2003 and 2002 were \$272,653, \$161,136 and \$119,834, respectively, equal to 100 percent of the required contribution for each year.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended December 31, 2004

7. OTHER POSTRETIREMENT BENEFITS:

Other Postemployment Benefits Provided Through OPERS – In addition to the pension benefits described previously, OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (“OPEB”) as described in GASB Statement No. 12. A portion of each employer’s contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions.

The assumptions and calculations noted below were based on the System’s latest Actuarial Review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of the OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment return assumption rate for 2003 was 8 percent. An annual increase of 4 percent compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from .5 percent to 6.3 percent. Health care costs were assumed to increase 4 percent annually.

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The Authority’s contributions for other postemployment benefits to OPERS for the years ended December 31, 2004, 2003 and 2002 were \$114,198, \$94,231 and \$70,079, respectively, equal to 100 percent of the required contributions for each year. At December 31, 2004, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under OPERS for any retirees, terminated employees, or other beneficiaries.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended December 31, 2004

7. OTHER POSTRETIREMENT BENEFITS (Cont'd):

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003 was \$10.5 billion. The actuarially accrued liability and the unfunded liability, based on the actuarial costs method used, were \$26.9 billion and \$16.4 billion, respectively. At December 31, 2004, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

8. OTHER EMPLOYEE BENEFITS:

Compensated Absences

Employees of the Authority earn vacation and sick leave at various rates under the Authority policy. In case of death, termination or retirement, an employee (or his estate) is paid for portions of these benefits. The Authority records a liability for vacation, holiday and sick hours earned but not used at year-end at the employee's current wage rate. The Authority's obligation for this amount at December 31, 2004 was \$80,370.

9. RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors, and omissions, employment related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994, the Authority commenced participation in the Ohio Transit Insurance Pool Association, Inc. ("OTIP"), renamed in 2002 as Ohio Transit Risk Pool Association, ("OTRP"), related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. Any underfunding of the plan's liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

The Authority continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

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

| <u>FEDERAL GRANTOR/<br/>PASS-THROUGH GRANTOR/<br/>PROGRAM TITLE</u>                 | <u>FEDERAL<br/>CFDA<br/>NUMBER</u> | <u>GRANT<br/>NUMBER</u> | <u>EXPENDITURES</u> |
|---|------------------------------------|-------------------------|---------------------|
| <u>U. S. DEPARTMENT OF TRANSPORTATION</u>   |                                    |                         |                     |
| TRANSIT CAPITAL GRANTS:   |                                    |                         |                     |
| <u>DIRECT PROGRAMS</u>  |                                    |                         |                     |
| Federal Transit Administrative - Capital<br>and Operating Assistance Formula Grants | 20.507                             | OH-90-X205              | \$ 27,662           |
|   |                                    | OH-03-X236              | 21,688              |
|   |                                    | OH-03-X243              | 74,857              |
|   |                                    | OH-90-X447              | 3,602               |
|   |                                    | OH-90-X464              | <u>591,063</u>      |
| TOTAL EXPENDITURES OF FEDERAL AWARDS  |                                    |                         | <u>\$ 718,872</u>   |

See accompanying note to schedule of expenditures of federal awards.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2004

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Portage Area Regional Transportation Authority and is presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



## Dingus and Daga, Inc.

Certified Public Accountants

Tower East • 20600 Chagrin Boulevard • Suite 701

Shaker Heights, Ohio 44122-5398 • 216/561-9200

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

Board of Trustees  
Portage Area Regional Transportation Authority  
Kent, Ohio

We have audited the financial statements of the Portage Area Regional Transportation Authority, (the "Authority") as of and for the year ended December 31, 2004, and have issued our report thereon May 24, 2005. As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures, as amended and interpreted, as of January 1, 2004. 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.

#### Compliance

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

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

*Dingus and Daga, Inc.*

Shaker Heights, Ohio  
May 24, 2005



## Dingus and Daga, Inc.

Certified Public Accountants  
Tower East • 20600 Chagrin Boulevard • Suite 701  
Shaker Heights, Ohio 44122-5398 • 216/561-9200

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

Board of Trustees  
Portage Area Regional Transportation Authority  
Kent, Ohio

#### Compliance

We have audited the compliance of Portage Area Regional Transportation Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2004. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on Portage Area Regional Transportation Authority's compliance based on our audit.

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

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

## Internal Control Over Compliance

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

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

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

*Dingus and Doga, Inc.*

Shaker Heights, Ohio  
May 24, 2005

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2004

**PART I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

|   |             |
|---|-------------|
| Type of auditor's report issued:  | unqualified |
| Internal control over financial reporting:                                      |             |
| Material weakness(es) identified?   | no          |
| Reportable condition(s) identified<br>not considered to be material weaknesses? | no          |
| Noncompliance material to financial statements<br>noted?                        | no          |

**Federal Awards**

|   |             |
|---|-------------|
| Internal control over major programs:   |             |
| Material weakness(es) identified?   | no          |
| Reportable condition(s) identified not<br>considered to be material weaknesses?   | no          |
| Type of auditor's report issued on compliance<br>for major programs:  | unqualified |
| Any audit findings disclosed that are required<br>to be reported in accordance with Circular<br>A-133, Section .510 (a) | no          |

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>   |
|-----------------------|---|
| 20.507                | Federal Transit Administration Capital<br>and Operating Assistance Formula Grants |

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)

For the Year Ended December 31, 2004

**PART I - SUMMARY OF AUDITORS' RESULTS (Cont'd)**

**Federal Awards (Cont'd)**

|   |           |
|---|-----------|
| Dollar threshold used to distinguish<br>between Type A and Type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee?                                      | yes       |

**PART II - FINANCIAL STATEMENT FINDINGS**

No matters are reportable.

**PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters are reportable.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2004

There were no comments on internal control and legal compliance included in the prior year reports.



**Auditor of State  
Betty Montgomery**

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800-282-0370  
Facsimile 614-466-4490

**PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 5, 2005**