

**Audited Financial Statements**  
**LAKETRAN**  
**For the years ended December 31, 1999 and 1998**

**SINGLE AUDIT REPORT**  
**For the year ended December 31, 1999**

LAKETRAN

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215

Telephone 614-466-4514  
800-282-0370

Facsimile 614-728-7398

Board of Trustees  
Laketran Regional Transit Authority  
Grand River, Ohio

We have reviewed the Independent Auditor's Report of the Laketrans Regional Transit Authority, Lake County, prepared by Dingus and Daga Inc., for the audit period January 1, 1999 through December 31, 1999. 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 Laketrans Regional Transit Authority is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

July 8, 2000



## 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  
Laketran  
Grand River, Ohio

We have audited the accompanying balance sheet of Laketran as of December 31, 1999 and 1998, and the related statements of revenue and expenses, changes in capital and retained earnings and cash flows for the years then ended. These basic financial statements are the responsibility of Laketran's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Laketran as of December 31, 1999 and 1998, and the results of its operations and changes in capital and retained earnings and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 9, 2000 on our consideration of Laketran's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements, taken as a whole. 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 not a required part of the basic financial statements of

Laketrans. 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 Papa, Inc.*

Shaker Heights, Ohio  
June 9, 2000

LAKETRAN

BALANCE SHEET  
DECEMBER 31, 1999 and 1998

ASSETS	1999	1998	LIABILITIES AND EQUITY	1999	1998
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Cash and cash equivalents	\$ 1,251,824	\$ 1,232,549	Accounts payable	\$ 371,089	\$ 219,648
Investments	178,640	3,700,741	Accrued expenses	491,686	373,006
Receivables:			Payable from restricted assets:		
Federal grants	401,798	494,808	Purchase of replacement vehicle	29,068	
State grants	20,136	125,053	Retainage payable	23,781	13,076
Trade	64,666	50,364	<b>TOTAL CURRENT LIABILITIES</b>	<u>915,624</u>	<u>605,730</u>
Sales tax	1,123,062	1,066,516			
Accrued interest	161,698	232,914	<b>OTHER LIABILITIES:</b>		
Materials and supplies	113,320	138,766	Due to restricted fund	172,087	136,749
Prepaid expenses	4,387	9,762	Long-term real estate assessments	3,941	5,914
<b>TOTAL CURRENT ASSETS</b>	<u>3,319,531</u>	<u>7,051,473</u>	<b>TOTAL LIABILITIES</b>	<u>176,028</u>	<u>142,663</u>
				<u>1,091,652</u>	<u>748,393</u>
<b>RESTRICTED ASSETS:</b>					
Cash and cash equivalents	4,451,292	4,501,118	<b>EQUITY:</b>		
Investments	10,870,500	5,292,089	Contributed Capital:		
Due from unrestricted fund	172,087	136,749	Capital Grants		
	<u>15,493,879</u>	<u>9,929,956</u>	Federal	12,141,063	12,651,635
			State	2,554,837	2,251,692
<b>PROPERTY, FACILITIES AND EQUIPMENT:</b>			Other contributed capital	26,014	26,014
Land	760,747	760,747		<u>14,721,914</u>	<u>14,929,341</u>
Buildings	11,267,452	11,245,296	Retained Earnings:		
Transportation vehicles and equipment	15,296,271	15,780,600	Reserved for capital purchases	14,441,030	8,916,880
Furniture, vehicles and equipment	573,431	554,054	Reserved for self-insurance	1,000,000	1,000,000
Construction in progress	1,861,447	1,101,958	Unreserved	9,300,722	13,045,788
Total	<u>29,759,348</u>	<u>29,442,655</u>	<b>TOTAL EQUITY</b>	<u>24,741,752</u>	<u>22,962,668</u>
Less: Accumulated depreciation	8,017,440	7,783,682		39,463,666	37,892,009
	<u>21,741,908</u>	<u>21,658,973</u>	<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 40,555,318</u>	<u>\$ 38,640,402</u>
<b>TOTAL ASSETS</b>	<u>\$ 40,555,318</u>	<u>\$ 38,640,402</u>			

See notes to financial statements.

## LAKETRAN

STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
OPERATING REVENUES:		
Passenger fares for transit service	\$ 710,175	\$ 631,313
Special transit fares	12,459	5,910
Auxiliary Transportation revenue	<u>50,947</u>	<u>45,357</u>
Total	773,581	682,580
OPERATING EXPENSES OTHER THAN DEPRECIATION:		
Labor	3,344,056	2,991,018
Fringe benefits	1,473,962	1,285,588
Services	419,057	525,581
Fuel and lubricants	300,496	241,505
Other materials and supplies consumed	422,932	353,195
Utilities	126,062	120,087
Claims and insurance	176,143	168,526
Purchased transportation	236,368	313,114
Miscellaneous	<u>405,314</u>	<u>295,576</u>
Total	6,904,390	6,294,190
DEPRECIATION:		
On assets acquired with government grants	1,450,934	1,446,353
On assets acquired with Authority equity	<u>506,445</u>	<u>573,860</u>
Total	<u>1,957,379</u>	<u>2,020,213</u>
TOTAL OPERATING EXPENSES	<u>8,861,769</u>	<u>8,314,403</u>
NET OPERATING LOSS	(8,088,188)	(7,631,823)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	6,731,568	6,718,865
Federal grants and reimbursements	538,921	714,888
State grants, reimbursements and special fare assistance	458,530	776,494
Other		192,513
Interest income	804,563	740,433
Gain on disposal of assets	16,625	1,103
Unrealized loss on investments	(134,694)	(11,075)
Non-transportation revenues	<u>825</u>	<u>114,775</u>
Total	8,416,338	9,247,996
NET REVENUES OVER EXPENSES	<u>\$ 328,150</u>	<u>\$ 1,616,173</u>

See notes to financial statements.

LAKETRAN

STATEMENTS OF CHANGES IN CAPITAL AND RETAINED EARNINGS  
FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

	CAPITAL GRANTS		CONTRIBUTED CAPITAL	RETAINED EARNINGS	TOTAL
	FEDERAL	STATE			
BALANCES, DECEMBER 31, 1997	\$ 9,078,638	\$ 1,817,889	\$ 26,014	\$ 19,900,142	\$ 30,822,683
CAPITAL FUNDING RECEIVED:					
Federal grants	4,836,608				4,836,608
State grants		628,329			628,329
WRITE OFF OF ASSETS DISPOSED OF THAT WERE ACQUIRED WITH GOVERNMENT GRANTS	(10,415)	(1,369)			(11,784)
NET REVENUES OVER EXPENSES FOR THE YEAR				1,616,173	1,616,173
AMORTIZATION OF CAPITAL GRANTS - Transfer to retained earnings of an amount equal to the depreciation for the year on assets acquired with government grants	(1,253,196)	(193,157)		1,446,353	-0-
BALANCES, DECEMBER 31, 1998	12,651,635	2,251,692	26,014	22,962,668	37,892,009
CAPITAL FUNDING RECEIVED:					
Federal grants	762,616				762,616
State grants		544,566			544,566
WRITE OFF OF ASSETS DISPOSED OF THAT WERE ACQUIRED WITH GOVERNMENT GRANTS	(53,657)	(10,018)			(63,675)
NET REVENUES OVER EXPENSES FOR THE YEAR				328,150	328,150
AMORTIZATION OF CAPITAL GRANTS - Transfer to retained earnings of an amount equal to the depreciation for the year on assets acquired with government grants	(1,219,531)	(231,403)		1,450,934	-0-
BALANCES, DECEMBER 31, 1999	\$ 12,141,063	\$ 2,554,837	\$ 26,014	\$ 24,741,752	\$ 39,463,666

## LAKETRAN

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 759,279	\$ 680,252
Cash payments to suppliers for goods and services	(3,372,872)	(3,928,314)
Cash payments to employees for services	<u>(3,230,576)</u>	<u>(2,945,456)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(5,844,169)	(6,193,518)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales tax received	6,675,022	6,658,208
Operating grants received	1,225,241	1,386,203
Other		<u>103,900</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	7,900,263	8,148,311
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	1,277,320	6,003,142
Acquisition and construction of capital assets	(2,147,284)	(6,408,626)
Proceeds from sale of assets	69,476	3,000
Proceeds from insurance recovery	<u>29,068</u>	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(771,420)	(402,484)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	875,779	676,640
Purchase of investment securities	(6,196,004)	(3,045,949)
Proceeds from maturities of investments	<u>4,005,000</u>	
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,315,225)</u>	<u>(2,369,309)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(30,551)	(817,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,733,667</u>	<u>6,550,667</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,703,116</u>	<u>\$ 5,733,667</u>

See notes to financial statements.

LAKETRAN

STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Operating loss	\$ (8,088,188)	\$ (7,631,823)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	1,957,379	2,020,213
Change in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable trade	(14,302)	(2,328)
Materials and supplies	25,446	(34,792)
Prepaid expenses	5,375	149,854
Increase (Decrease) in:		
Accounts payable	151,441	(519,979)
Accrued expenses	118,680	(174,663)
Total adjustments	<u>2,244,019</u>	<u>1,438,305</u>
Net cash used for operating activities	<u>\$ (5,844,169)</u>	<u>\$ (6,193,518)</u>

See notes to financial statements.

# LAKETRAN

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

### 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of Accounting

In 1986, the Board of Trustees decided that periodic determination of revenues earned, expenses incurred, and/or net income was appropriate for capital maintenance, public policy, management control, accountability, and other purposes and adopted to be treated as an enterprise fund for accounting purposes. Therefore, the accounts of Laketran are maintained on the full accrual basis of accounting where revenues are recorded as earned and expenses are recognized when they are incurred.

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.

#### 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 considerations above.

#### Inventory

Inventory of materials and supplies are stated at the lower of cost or market, cost being determined using the first-in, first-out method.

## LAKETRAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

#### 2. SUMMARY OF 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 donated.

##### Depreciation

Depreciation on all assets is computed on the straight-line method based on the estimated useful lives of individual assets (2 to 30 years). Cost of property retired is removed from the asset account and accumulated depreciation account.

##### Contributed Capital

Contributions for (or of) capital assets are credited to contributed capital as the related expenditures are incurred. These include capital grants, donations, and donated tangible transit operating property.

##### 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 Laketran's calendar year end. The federal operating assistance grant is awarded and earned during Laketran's calendar year end.

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

##### Cash and Cash Equivalents

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

##### 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 and the State Asset Reserve of Ohio (STAROhio) investment pool.

## LAKETRAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd):

##### Reclassification of Accounts

Certain 1998 amounts have been reclassified to conform with the 1999 financial statement presentation.

#### 3. DEFERRED COMPENSATION:

During 1998, Laketran adopted in the Governmental Accounting Standards Board (GASB) Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

#### 4. 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 Laketran's deposits is held in the name of the financial institution holding Laketran's deposits.

At December 31, 1999 and 1998, the carrying amount of Laketran's deposits, respectively, were \$2,298,752 and \$3,056,352 and the banks balances were \$2,373,839 and \$3,217,721, respectively. Deposits totaling \$276,095 and \$210,081 were covered by federal depository insurance at December 31, 1999 and 1998, respectively. The remaining deposits of \$2,097,744 and \$3,007,640, respectively, were covered by collateral pools held in the name of the financial institutions.

##### Investment Pool

At December 31, 1999 and 1998, Laketran had \$5,397,587 and \$5,676,058 respectively, 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

## LAKETRAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

#### 4. DEPOSITS AND INVESTMENTS (Cont'd):

##### Investment Pool (cont'd)

1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1999 and 1998, respectively. These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

##### Investments

Laketran's investments at December 31, 1999 and 1998 consist of bonds, U.S. securities and obligations of Federal government agencies. These investments are held by the counterparty in Laketran's name and are uninsured and unregistered. The carrying amount of Laketran's investments approximates market value.

#### 5. RESTRICTED ASSETS:

Restricted asset deposits consist of the following:

##### Reserve for Self-Insurance

Laketran maintains a reserve for self-insurance. The reserve includes estimated potential losses related to Laketran's membership in the Ohio Transit Insurance Pool Association, Inc. (OTIP), which is a joint-self insurance pool with eight member transit agencies. The balance in the reserve at December 31, 1999 and 1998 was \$1,000,000.

##### Reserve for Capital Investments

Laketran maintains a reserve for capital investments to cover Laketran's share of capital purchases and retainages. The balance in the reserve at December 31, 1999 and 1998 was \$14,441,030 and \$8,916,880, respectively.

##### Escrow Retainage

Laketran maintains funds in escrow for retainages payable on construction contracts. The balance in escrow at December 31, 1999 and 1998 was \$23,781 and \$13,076, respectively.

## LAKETRAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

#### 5. RESTRICTED ASSETS (Cont'd):

##### Due from Unrestricted Fund

The amount due from the unrestricted fund represents the amount by which restricted assets are underfunded in relation to the liabilities and equity reserve commitments.

#### 6. GRANT ASSISTANCE:

##### Federal Grant

The operating assistance grant under Section 5307 Urbanized Area Formula Program of the Federal Transit Administration, was phased out for 1999. Laketrans received operating assistance under Section 9 totaling \$74,888, for the year ended December 31, 1998.

During 1998, preventive maintenance expenses became eligible for federal capital assistance under the Department of Transportation 1998 Appropriations Act. Such costs are accounted for by Laketrans as operating costs. Laketrans received \$829,372 and \$251,130 for the years ended December 31, 1999 and 1998, respectively.

##### State Grant

The operating assistance grant under the Ohio Mass Transportation Grant Program was phased out for 1999. For the year ended December 31, 1998, Laketrans received operating assistance of \$513,779, under the state grant program.

During 1999, Laketrans received state monies for preventative maintenance in the amount of \$207,343.

##### State of Ohio Elderly and Disabled Transit Fare Assistance

Grants from the State of Ohio in the amount of \$256,888 and \$245,499 were approved to provide reduced elderly and disabled transit fares, for the state fiscal year ending June 30, 2000 and June 30, 1999, respectively. Revenue recognized during 1999 and 1998 under these contracts totaled \$251,187 and \$225,595, respectively.

#### 7. OTHER REVENUE:

In May 1994, the Lake County electorate voted to continue a levy of one-quarter of one percent sales tax, which shall be in effect for ten years, to provide local funding for all transit purposes for the years 1994 through 2004.

## LAKETRAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

#### 7. OTHER REVENUE (Cont'd):

For the years ended December 31, 1999 and 1998, sales tax revenue totaled \$6,731,568 and \$6,718,865, respectively. Laketran records sales tax revenues and receivable as the sales tax is earned.

#### 8. PENSION PLAN:

The Public Employees Retirement System of Ohio (PERS) is a cost-sharing multiple-employer public employee defined benefit pension plan. PERS 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. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Laketran employees are required to contribute 8.5% of their annual covered payroll. Laketran is required to contribute 13.55% of annual covered payroll. The payroll for employees covered by PERS for the years ended December 31, 1999 and 1998, were \$3,757,762 and \$3,283,193, respectively; Laketran's total payroll was \$3,710,464 in 1999, and \$3,327,100 in 1998. Laketran was required to contribute \$509,169 in 1999, \$444,873 in 1998 and \$396,488 in 1997.

#### 9. OTHER POSTEMPLOYMENT BENEFITS:

In addition to the pension benefits described in Note 8, the Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is 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 PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions, and also requires public employers to fund postretirement health care through their contributions to PERS. The 1999 employer contribution rate for PERS was 13.55% of covered payroll, of which

## LAKETRAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

#### 9. OTHER POSTEMPLOYMENT BENEFITS (Cont'd):

4.2% was the portion used to fund health care for the year 1999. The portion of Laketrans contributions that were used to fund postemployment benefits for the year ended December 31, 1999 and 1998 were \$157,826 and \$137,894, respectively.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program, indefinitely.

Effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

#### 10. 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 his 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 employee's current wage rate. Laketrans's obligation for these amounts at December 31, 1999 and 1998, amounted to approximately \$491,686 and \$373,006, respectively.

#### 11. RISK MANAGEMENT:

Laketrans is a member of the Ohio Transit Insurance Pool Association, Inc. (OTIP). OTIP is a joint self-insurance pool pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for eight member transit agencies. Laketrans pays an annual premium to

## LAKETRAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

#### 11. RISK MANAGEMENT (Cont'd):

OTIP for its general insurance coverage, and quarterly pays into a loss and administration fund pursuant to its bylaws. The Agreement of Formation provides that OTIP will be self-sustaining through member premiums, and will reinsure through commercial companies for property damage and claims in excess of \$100,000 and casualty losses in excess of \$250,000 for each insured occurrence. Laketran has a \$1,000 deductible for any claim or occurrence. The pool-shared losses are \$99,000 maximum combined per occurrence for property losses and \$249,000 maximum combined per occurrence for casualty losses. Laketran's share of the potential losses is 8.23% at December 31, 1999.

Laketran 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 two years.

LAKETRAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>GRANT EXPENDITURES</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
TRANSIT CAPITAL GRANTS CLUSTER:			
Federal Transit Administration Capital Improvements Grants	20.500	OH-03-0163	\$ 33,305
Federal Transit Administrative Capital and Operating Assistance Formula Grants	20.507	OH-90-0153 OH-90-0191 OH-90-0223 OH-90-0259 OH-90-0283 OH-90-0302 OH-90-0329	2,623 33,711 13,831 1,351 4,607 41,094 632,094
TOTAL FEDERAL ASSISTANCE			<u>\$ 762,616</u>



## 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  
Laketran  
Grand River, Ohio

We have audited the basic financial statements of Laketrans, as of and for the year ended December 31, 1999, and have issued our report thereon dated June 9, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Laketrans'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 with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Laketrans'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 assurance 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 over financial reporting 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 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 of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dingus and Daga, Inc.*

Shaker Heights, Ohio  
June 9, 2000



## 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  
Laketran  
Grand River, Ohio

#### Compliance

We have audited the compliance of Laketran with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 1999. Laketran'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 Laketran's management. Our responsibility is to express an opinion on Laketran's compliance based on our audit.

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

In our opinion, Laketran 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, 1999.

## Internal Control Over Compliance

The management of Laketran 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 Laketran's internal control over compliance with requirements that could have a direct and material effect on its 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 internal control over compliance in accordance with OMB Circular A-133.

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

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

*Dingus and Daga, Inc.*

Shaker Heights, Ohio  
June 9, 2000

LAKETRAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 1999

**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  
not considered to be material weaknesses? none reported

Noncompliance material to financial statements  
noted? no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? no

Reportable condition(s) identified not  
considered to be material weaknesses? none reported

Type of auditor's report issued on compliance  
for major programs: unqualified

Any audit findings disclosed that are required  
to be reported in accordance with Circular  
A-133, Section .510 (a) no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500	TRANSIT CAPITAL GRANTS CLUSTER: Federal Transit Administration Capital Improvement Grants
20.507	Federal Transit Administration Capital and Operating Assistance Formula Grants

LAKETRAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (cont'd)

Year Ended December 31, 1999

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

**Federal Awards**

Dollar threshold used to distinguish 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

LAKETRAN

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 1999

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



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

LAKETRAN REGIONAL TRANSIT AUTHORITY  
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.

By: Susan Babbitt

Date: AUG 03 2000