

Audited Financial Statements
LAKETRAN
For the years ended December 31, 2000 and 1999

SINGLE AUDIT REPORT
For the year ended December 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Laketran
PO Box 158
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We have reviewed the independent auditor's report of the Laketrans, Lake County, prepared by Dingus and Daga, Inc., for the audit period January 1, 2000 through December 31, 2000. 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 is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 27, 2001

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LAKETRAN

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Dingus and Daga, Inc.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Laketran
Grand River, Ohio

We have audited the accompanying general purpose financial statements of Laketran as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of Laketran's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Laketran as of December 31, 2000, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2001 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose 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 general purpose financial statements of Laketran. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements, taken as a whole.

Dingus and Doga, Inc.

Shaker Heights, Ohio
May 15, 2001

LAKETRAN
BALANCE SHEET
DECEMBER 31, 2000 and 1999

| ASSETS | 2000 | 1999 | LIABILITIES AND EQUITY | 2000 | 1999 |
|---|----------------------|----------------------|-------------------------------------|----------------------|----------------------|
| CURRENT ASSETS | | | CURRENT LIABILITIES: | | |
| Cash and cash equivalents | \$ 1,392,568 | \$ 1,251,824 | Accounts payable | \$ 212,670 | \$ 371,089 |
| Investments | 2,296,003 | 178,640 | Accrued expenses | 607,774 | 491,686 |
| Receivables: | | | Accrued pension | 56,997 | |
| Federal grants | 259,021 | 401,798 | Payable from restricted assets: | | |
| State grants | 553,877 | 20,136 | Purchase of replacement vehicle | | 29,068 |
| Trade | 71,682 | 64,666 | Retainage payable | 14,109 | 23,781 |
| Sales tax | 1,100,095 | 1,123,062 | TOTAL CURRENT LIABILITIES | 891,550 | 915,624 |
| Accrued interest | 83,121 | 161,698 | | | |
| Materials and supplies | 292,537 | 113,320 | OTHER LIABILITIES | | |
| Prepaid expenses | 48,294 | 4,387 | Due to restricted fund | 137,333 | 172,087 |
| TOTAL CURRENT ASSETS | 6,097,198 | 3,319,531 | Long-term real estate assessments | 1,969 | 3,941 |
| | | | TOTAL LIABILITIES | 139,302 | 176,028 |
| | | | | 1,030,852 | 1,091,652 |
| RESTRICTED ASSETS | | | EQUITY | | |
| Cash and cash equivalents | 5,403,403 | 4,451,292 | Contributed Capital: | | |
| Investments | 6,618,997 | 10,870,500 | Capital Grants | | |
| Due from unrestricted fund | 137,333 | 172,087 | Federal | 11,699,775 | 12,141,063 |
| TOTAL RESTRICTED ASSETS | 12,159,733 | 15,493,879 | State | 2,711,538 | 2,554,837 |
| | | | Other contributed capital | 26,014 | 26,014 |
| PROPERTY, FACILITIES AND EQUIPMENT | | | TOTAL CONTRIBUTED CAPITAL | 14,437,327 | 14,721,914 |
| Land | 1,236,208 | 760,747 | Retained Earnings: | | |
| Buildings | 11,375,032 | 11,267,452 | Reserved for capital purchases | 11,145,624 | 14,441,030 |
| Transportation vehicles and equipment | 15,657,252 | 15,296,271 | Reserved for self-insurance | 1,000,000 | 1,000,000 |
| Furniture, vehicles and equipment | 568,151 | 573,431 | Unreserved | 14,658,290 | 9,300,722 |
| Construction in progress | 4,495,523 | 1,861,447 | TOTAL RETAINED EARNINGS | 26,803,914 | 24,741,752 |
| Total | 33,332,166 | 29,759,348 | | 41,241,241 | 39,463,666 |
| Less: Accumulated depreciation | 9,317,004 | 8,017,440 | TOTAL EQUITY | 41,241,241 | 39,463,666 |
| | 24,015,162 | 21,741,908 | | | |
| TOTAL ASSETS | \$ 42,272,093 | \$ 40,555,318 | TOTAL LIABILITIES AND EQUITY | \$ 42,272,093 | \$ 40,555,318 |

See notes to financial statements.

LAKETRAN

STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

| | <u>2000</u> | <u>1999</u> |
|--|-------------------|-------------------|
| OPERATING REVENUES | | |
| Passenger fares for transit service | \$ 757,041 | \$ 710,175 |
| Special transit fares | 26,520 | 12,459 |
| Auxiliary Transportation revenue | 69,723 | 50,947 |
| Total | <u>853,284</u> | <u>773,581</u> |
| OPERATING EXPENSES OTHER THAN DEPRECIATION | | |
| Labor | 3,750,767 | 3,344,056 |
| Fringe benefits | 1,730,369 | 1,473,962 |
| Services | 566,270 | 419,057 |
| Fuel and lubricants | 454,963 | 300,496 |
| Other materials and supplies consumed | 277,880 | 422,932 |
| Utilities | 127,819 | 126,062 |
| Claims and insurance | 162,528 | 176,143 |
| Purchased transportation | 259,492 | 236,368 |
| Miscellaneous | 418,682 | 405,314 |
| Total | <u>7,748,770</u> | <u>6,904,390</u> |
| DEPRECIATION | | |
| On assets acquired with government grants | 1,744,610 | 1,450,934 |
| On assets acquired with Authority equity | 499,627 | 506,445 |
| Total | <u>2,244,237</u> | <u>1,957,379</u> |
| TOTAL OPERATING EXPENSES | <u>9,993,007</u> | <u>8,861,769</u> |
| NET OPERATING LOSS | (9,139,723) | (8,088,188) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Sales tax revenue | 7,130,985 | 6,731,568 |
| Federal grants and reimbursements | 729,505 | 538,921 |
| State grants, reimbursements and special fare assistance | 443,754 | 458,530 |
| Interest income | 942,995 | 804,563 |
| Gain on disposal of assets | | 16,625 |
| Realized/Unrealized gain (loss) on investments | 169,466 | (134,694) |
| Non-transportation revenues | 40,570 | 825 |
| Total | <u>9,457,275</u> | <u>8,416,338</u> |
| NET REVENUES OVER EXPENSES | <u>\$ 317,552</u> | <u>\$ 328,150</u> |

See notes to financial statements.

LAKETRAN

STATEMENT OF CHANGES IN CAPITAL AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

| | CAPITAL GRANTS | | CONTRIBUTED CAPITAL | RETAINED EARNINGS | TOTAL |
|---|----------------------|---------------------|------------------------|----------------------|----------------------|
| | FEDERAL | STATE | | | |
| 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) |
| | | | | 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 |
| CAPITAL FUNDING RECEIVED: | | | | | |
| Federal grants | 952,945 | | | | 952,945 |
| State grants | | 515,272 | | | 515,272 |
| WRITE OFF OF ASSETS DISPOSED OF THAT WERE ACQUIRED WITH GOVERNMENT GRANTS | (6,883) | (1,311) | | | (8,194) |
| NET REVENUES OVER EXPENSES FOR THE YEAR | | | | 317,552 | 317,552 |
| AMORTIZATION OF CAPITAL GRANTS - Transfer to retained earnings of an amount equal to the depreciation for the year on assets acquired with government grants | (1,387,350) | (357,260) | | 1,744,610 | -0- |
| BALANCES, DECEMBER 31, 2000 | <u>\$ 11,699,775</u> | <u>\$ 2,711,538</u> | <u>\$ 26,014</u> | <u>\$26,803,914</u> | <u>\$ 41,241,241</u> |

See notes to financial statements.

LAKETRAN

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

| | <u>2000</u> | <u>1999</u> |
|--|-----------------------------------|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 846,268 | \$ 759,279 |
| Cash payments to suppliers for goods and services | (4,371,560) | (3,372,872) |
| Cash payments to employees for services | <u>(3,585,668)</u> | <u>(3,230,576)</u> |
| NET CASH USED FOR OPERATING ACTIVITIES | (7,110,960) | (5,844,169) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Sales tax received | 7,153,952 | 6,675,022 |
| Operating grants received | 1,229,289 | 1,225,241 |
| Other | <u>25,397</u> | |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | 8,408,638 | 7,900,263 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Capital grants received | 1,021,223 | 1,277,320 |
| Acquisition and construction of capital assets | (4,563,724) | (2,147,284) |
| Proceeds from sale of assets | 12,500 | 69,476 |
| Proceeds from insurance recovery | | <u>29,068</u> |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (3,530,001) | (771,420) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received | 1,021,572 | 875,779 |
| Purchase of investment securities | (1,696,394) | (6,196,004) |
| Proceeds from maturities of investments | <u>4,000,000</u> | <u>4,005,000</u> |
| NET CASH USED BY INVESTING ACTIVITIES | 3,325,178 | (1,315,225) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 1,092,855 | (30,551) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 5,703,116 | 5,733,667 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 6,795,971</u></u> | <u><u>\$ 5,703,116</u></u> |

See notes to financial statements.

LAKETRAN

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

| | <u>2000</u> | <u>1999</u> |
|--|-----------------------|-----------------------|
| Operating loss | \$ (9,139,723) | \$ (8,088,188) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | | |
| Depreciation | 2,244,237 | 1,957,379 |
| Change in assets and liabilities: | | |
| (Increase) Decrease in: | | |
| Accounts receivable trade | (7,016) | (14,302) |
| Materials and supplies | (179,217) | 25,446 |
| Prepaid expenses | (43,907) | 5,375 |
| Increase (Decrease) in: | | |
| Accounts payable | (158,419) | 151,441 |
| Accrued expenses | 116,088 | 118,680 |
| Accrued pension | 56,997 | |
| Total adjustments | <u>2,028,763</u> | <u>2,244,019</u> |
| Net cash used for operating activities | <u>\$ (7,110,960)</u> | <u>\$ (5,844,169)</u> |

See notes to financial statements.

LAKETRAN

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

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 is 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, 2000 and 1999

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 contribute 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 Laketrans calendar year end. The federal operating assistance grant is awarded and earned during Laketrans 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 Laketrans calendar year end.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, Laketrans 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 Laketrans investments. Laketrans is authorized to invest in U.S. Treasury securities and obligations of Federal Government agencies or instrumentalities, collateralized repurchase agreements, certificates of deposit and the State Asset Reserve of Ohio (STAROhio) investment pool.

LAKETRAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

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

Reclassification of Accounts

Certain 1999 amounts have been reclassified to conform to the 2000 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, 2000 and 1999, the carrying amount of Laketran's deposits, respectively, were \$349,160 and \$2,298,752 and the banks balances were \$539,804 and \$2,373,839, respectively. Deposits totaling \$208,184 and \$276,095 were covered by federal depository insurance at December 31, 2000 and 1999, respectively. The remaining deposits of \$331,620 and \$2,097,744, respectively, were covered by collateral pools held in the name of the financial institutions.

Investment Pool

At December 31, 2000 and 1999, Laketran had \$6,445,554 and \$5,397,587, 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 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on

LAKETRAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

4. DEPOSITS AND INVESTMENTS (Cont'd):

Investment Pool (cont'd)

December 31, 2000 and 1999, respectively. These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. At December 31, 2000, investments consist of the following:

| | <u>Cost</u> | <u>Market Value</u> | Unrealized Appreciation (Depreciation) |
|-----------------|---------------------|-------------------------|--|
| Corporate bonds | \$ 8,892,398 | \$8,915,000 | \$22,602 |
| | <u>\$ 8,892,398</u> | <u>\$8,915,000</u> | <u>\$22,602</u> |

5. RESTRICTED ASSETS:

Restricted asset deposits consist of the following:

Reserve for Self-Insurance

Laketrans maintains a reserve for self-insurance. The reserve includes estimated potential losses related to Laketrans 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, 2000 and 1999 was \$1,000,000.

Reserve for Capital Investments

Laketrans maintains a reserve for capital investments to cover Laketrans share of capital purchases and retainages. The balance in the reserve at December 31, 2000 and 1999 was \$11,145,624 and \$14,441,030, respectively.

LAKETRAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

5. RESTRICTED ASSETS (Cont'd):

Escrow Retainage

Laketran maintains funds in escrow for retainages payable on construction contracts. The balance in escrow at December 31, 2000 and 1999 was \$14,109 and \$23,781, respectively.

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

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 Laketran as operating costs. Laketran received \$729,505 and \$538,921 for the years ended December 31, 2000 and 1999, 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, 1999, Laketran received operating assistance of \$513,779 under the state grant program. During 2000, Laketran received state monies for preventative maintenance in the amount of \$175,000.

State of Ohio Elderly and Disabled Transit Fare Assistance

Grants from the State of Ohio in the amount of \$280,620 and \$256,888 were approved to provide reduced elderly and disabled transit fares, for the state fiscal year ending June 30, 2001 and June 30, 2000, respectively. Revenue recognized during 2000 and 1999 under these contracts totaled \$268,754 and \$251,187, 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, 2000 and 1999

7. OTHER REVENUE (Cont'd):

For the years ended December 31, 2000 and 1999, sales tax revenue totaled \$7,130,985 and \$6,731,568, 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 was required to contribute 10.84% of annual covered payroll in 2000. The payroll for employees covered by PERS for the years ended December 31, 2000 and 1999, were \$4,155,522 and \$3,757,762, respectively; Laketran's total payroll was \$4,241,797 in 2000, and \$3,710,464 in 1999. Laketran was required to contribute \$450,459 in 2000, \$509,169 in 1999 and \$444,873 in 1998.

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. Health care coverage for disability recipients and primary survivor 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

LAKETRAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

9. OTHER POSTEMPLOYMENT BENEFITS (Cont'd):

health care through their contributions to PERS. The employer contribution rate for PERS was temporarily rolled back for the year 2000 to 10.84% of covered payroll, of which 4.3% was the portion used to fund health care for the year.

The portion of Laketran's contributions that were used to fund postemployment benefits for the year ended December 31, 2000 and 1999 were \$178,687 and \$157,826, respectively.

OPEBs are advance-funded on an actuarially determined basis. As of December 31, 1999, the actuarial value of the Retirement System's net assets available for OPEB was \$10,805.5 million. The number of active contributing participants for OPEB was 401,339 at December 31, 2000.

10. COMPENSATED ABSENCES:

Employees of Laketran earn vacation and sick leave at various rates under Laketran policy. In case of death, termination or retirement, an employee (or his estate) is paid for portions of these benefits. Laketran records a liability for vacation, holiday and sick hours earned but not used at year-end at the employee's current wage rate. Laketran's obligation for these amounts at December 31, 2000 and 1999 amounted to approximately \$607,774 and \$491,686, respectively.

11. RISK MANAGEMENT:

Laketran 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. Laketran pays an annual premium to 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

LAKETRAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2000 and 1999

11. RISK MANAGEMENT (Cont'd):

are \$99,000 maximum combined per occurrence for property losses and \$249,000 maximum combined per occurrence for casualty losses. Laketrans share of the potential losses is 7.87% at December 31, 2000.

Laketrans 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, 2000

| <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 | \$ 213,546 |
| Federal Transit Administrative Capital and Operating Assistance Formula Grants | 20.507 | OH-90-0153 | 7,172 |
| | | OH-90-0259 | 13,075 |
| | | OH-90-0302 | 22,777 |
| | | OH-90-0329 | 70,761 |
| | | OH-90-0348 | 625,614 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 952,945</u> |

LAKETRAN

NOTES TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2000

1. BASIS OF ACCOUNTING

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

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



Dingus and Daga, Inc.

Certified Public Accountants

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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 general purpose financial statements of Laketran, as of and for the year ended December 31, 2000, and have issued our report thereon dated May 15, 2001. 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 Laketran's general purpose 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 Laketran's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 general purpose

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 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
May 15, 2001



Dingus and Daga, Inc.

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

Board of Trustees
Laketran
Grand River, Ohio

Compliance

We have audited the compliance of Laketran with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2000. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Laketran'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, 2000.

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
May 15, 2001

LAKETRAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2000

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>CEDA 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, 2000

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, 2000

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



STATE OF OHIO
OFFICE OF THE AUDITOR

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LAKETRAN

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 17, 2001**