

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

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
Portage Area Regional Transportation Authority
Kent, Ohio

We have reviewed the independent auditor's report of the Portage Area Regional Transit Authority, Portage 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 Portage Area Regional Transit Authority is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

July 13, 2001

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PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

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Dingus and Daga, Inc.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Portage Area Regional Transportation Authority
Kent, Ohio

We have audited the balance sheet of Portage Area Regional Transportation Authority (the Authority) as of December 31, 2000 and 1999, 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 the Authority's management. Our responsibility is to express an opinion on these basic 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 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 audit provides 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 Portage Area Regional Transportation Authority as of December 31, 2000 and 1999, and the results of its operations and changes in capital and retained earnings and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 11, 2001 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of our 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 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 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
June 11, 2001

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

BALANCE SHEET
DECEMBER 31, 2000 AND 1999

	2000	1999
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 78,318	\$ 90,066
Receivables:		
Federal grants	38,017	12,587
State grants	27,821	26,417
Local operating assistance	48,391	26,898
TOTAL CURRENT ASSETS	192,547	155,968
RESTRICTED ASSETS:		
Cash and cash equivalents	141,952	143,280
Investments	502,685	482,119
	644,637	625,399
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	160,000	160,000
Buildings and improvements	1,330,597	1,315,306
Transportation vehicles and equipment	1,282,920	1,001,067
Computers and software	174,523	170,852
Other	158,479	38,369
Total	3,106,519	2,685,594
Less: Accumulated depreciation	910,891	704,091
	2,195,628	1,981,503
TOTAL ASSETS	\$ 3,032,812	\$ 2,762,870
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 94,512	\$ 88,038
Accrued expenses	35,258	31,141
TOTAL LIABILITIES	129,770	119,179
EQUITY:		
Contributed capital	2,654,923	2,442,352
Retained earnings	248,119	201,339
TOTAL EQUITY	2,903,042	2,643,691
TOTAL LIABILITIES AND EQUITY	\$ 3,032,812	\$ 2,762,870

See notes to financial statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

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

	2000	1999
OPERATING REVENUES:		
Passenger fares for transit service	\$ 93,031	\$ 126,732
Total	93,031	126,732
OPERATING EXPENSES OTHER THAN DEPRECIATION:		
Labor and fringe benefits	756,616	715,384
Services	203,654	167,535
Fuel, materials and supplies	162,758	119,944
Utilities	19,181	24,895
Claims and insurance	37,376	43,849
Miscellaneous	14,753	27,218
Total	1,194,338	1,098,825
DEPRECIATION:		
On assets acquired with government grants	283,882	230,409
On assets acquired with Authority equity	33,076	42,831
Total	316,958	273,240
TOTAL OPERATING EXPENSES	1,511,296	1,372,065
NET OPERATING LOSS	(1,418,265)	(1,245,333)
NON-OPERATING REVENUES:		
Federal grants and reimbursements	428,719	285,687
State grants, reimbursements and special fare assistance	127,704	100,641
Local grants and reimbursements	401,235	335,168
Interest income	48,474	30,620
Other	141,955	79,584
Total	1,148,087	831,700
NET LOSS	\$ (270,178)	\$ (413,633)

See notes to financial statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

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

	CONTRIBUTED CAPITAL FEDERAL AND STATE GRANTS	RETAINED EARNINGS (DEFICIT)	TOTAL
BALANCES, DECEMBER 31, 1998	\$ 2,375,472	\$ 384,563	\$ 2,760,035
CAPITAL FUNDING RECEIVED	313,411		313,411
DISPOSAL OF ASSETS ACQUIRED WITH GOVERNMENT GRANTS	(16,122)		(16,122)
NET LOSS		(413,633)	(413,633)
AMORTIZATION OF CAPITAL GRANTS - Transfer to retained earnings of an amount equal to the depreciation for the year on assets acquired with government grants	<u>(230,409)</u>	<u>230,409</u>	
BALANCES, DECEMBER 31, 1999	\$ 2,442,352	\$ 201,339	\$ 2,643,691
CAPITAL FUNDING RECEIVED	534,168		534,168
DISPOSAL OF ASSETS ACQUIRED WITH GOVERNMENT GRANTS	(4,639)		(4,639)
NET LOSS		(270,178)	(270,178)
AMORTIZATION OF CAPITAL GRANTS - Transfer to retained earnings of an amount equal to the depreciation for the year on assets acquired with government grants	<u>(316,958)</u>	<u>316,958</u>	
BALANCES, DECEMBER 31, 2000	<u>\$ 2,654,923</u>	<u>\$ 248,119</u>	<u>\$ 2,903,042</u>

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

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

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 93,031	\$ 139,032
Cash payments to suppliers for goods and services	(558,019)	(637,116)
Cash payments to employees for services	(625,728)	(577,565)
NET CASH USED FOR OPERATING ACTIVITIES	(1,090,716)	(1,075,649)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants received	905,797	744,599
Other	109,959	38,319
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,015,756	782,918
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	537,702	321,297
Acquisition and construction of capital assets	(535,722)	(336,968)
Proceeds from sale of assets	11,430	9,145
NET CASH PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	13,410	(6,526)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	48,474	38,772
NET CASH PROVIDED BY INVESTING ACTIVITIES	48,474	38,772
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,076)	(260,485)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	233,346	493,831
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 220,270	\$ 233,346

See notes to financial statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

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

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

	<u>2000</u>	<u>1999</u>
Net Operating loss	(1,418,265)	(1,245,333)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	316,958	273,240
Change in assets and liabilities:		
Decrease in:		
Accounts receivable		12,300
Increase (Decrease) in:		
Accounts payable	6,474	(96,178)
Accrued expenses	4,117	(19,678)
Total adjustments	<u>327,549</u>	<u>169,684</u>
Net cash used for operating activities	<u>\$ (1,090,716)</u>	<u>\$ (1,075,649)</u>

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2000 and 1999

1. ORGANIZATION:

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

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 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 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 of donation.

Depreciation

Depreciation on all assets is computed on the straight-line method based on the estimated useful lives of individual assets (5 to 25 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 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.

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.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2000 and 1999

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

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

3. DEFERRED COMPENSATION:

In 2000, the Authority adopted 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 the Authority's deposits is held in the name of the financial institution holding the Authority's deposits.

At December 31, 2000, the carrying amounts of the Authority's deposits (cash and certificate of deposit) were \$722,955 and the bank balances were \$728,002. Deposits totaling \$464,993 were covered by federal depository insurance at December 31, 2000. The remaining deposits of \$263,009 were covered by collateral pools held in the name of the financial institutions. Certificates of deposit in the amount of \$502,685 are classified as investments on the balance sheet since they have an initial maturity date in excess of three months.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2000 and 1999

4. DEPOSITS AND INVESTMENTS (Cont'd):

Investment Pool

At December 31, 2000, Portage Area Regional Transportation Authority had \$64,993 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, 2000. These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Investment

At December 31, 2000, \$41,952 in repurchase agreements are considered uninsured and unregistered because they are held by the counterparty, its trust or its agent, but not in the Authority's name. The repurchase agreements are classified as cash equivalents on the balance sheet since they are highly liquid investments with an initial maturity date of three months or less.

5. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE:

Grants, reimbursements and special fare assistance included in the statements of revenues and expenses for the years ended December 31, 2000 and 1999, consist of the following:

FEDERAL TRANSIT ADMINISTRATION	2000	1999
Operating assistance		\$ 25,000
Capital assistance	\$ 274,841	139,914
Planning grants	50,993	58,494
CMAQ grants	40,606	
ADA grants	<u>62,279</u>	<u>62,279</u>
Total	<u>\$ 428,719</u>	<u>\$ 285,687</u>
OHIO DEPARTMENT OF TRANSPORTATION		
Operating assistance		\$ 51,492
Capital assistance	\$ 73,898	25,142
Elderly and disabled fare assistance	26,308	8,437
Planning grants	11,928	
ADA grants	<u>15,570</u>	<u>15,570</u>
Total	<u>\$ 127,704</u>	<u>\$ 100,641</u>

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2000 and 1999

6. RESTRICTED ASSETS:

Restricted assets represent deposits which can only be used by the Authority to acquire and refurbish an administrative and operations facility.

Balance - January 1, 2000	\$ 625,399
Less: Building improvements	(1,554)
Add: Interest income	<u>20,792</u>
Balance - December 31, 2000	<u>\$ 644,637</u>

7. 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. The Authority's employees are required to contribute 8.5% of their annual covered payroll. The Authority is required to contribute 13.55% of annual covered payroll. The payroll for employees covered by PERS for the years ended December 31, 2000 and 1999, were \$624,914 and \$559,308, respectively the Authority's total payroll for both years was the same as payroll for employees covered by PERS. The Authority was required to contribute \$66,355 in 2000, \$75,786 in 1999 and \$59,464 in 1998.

8. OTHER POSTRETIREMENT 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 restraints. 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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2000 and 1999

8. OTHER POSTRETIREMENT BENEFITS (Cont'd):

for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The Authority is required to contribute 10.84% of covered payroll, of which 4.3% was the portion used to fund health care for the year 2000. The portion of the Authority's contributions that were used to fund postemployment benefits for the years ended December 31, 2000 and 1999 were \$26,246 and \$23,491, respectively.

OPEB is 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, 1999, 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 retirees health care coverage.

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 2000, 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, 2000 was 118,062.

9. 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 these amounts at December 31, 2000 and 1999 were \$10,125 and \$8,471, respectively.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2000 and 1999

10. RISK MANAGEMENT:

The Authority 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. The Authority 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. The Authority 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. The Authority's share of the potential losses is 2.2920% at December 31, 2000.

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, 2000

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>EXPENDITURES</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
TRANSIT CAPITAL GRANTS:			
<u>DIRECT PROGRAMS</u>			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-90-X091	\$ 1,732
		OH-90-X205	40,606
		OH-90-X229	20,135
		OH-90-X264	1,540
		OH-90-X289	17,888
		OH-90-X313	85,184
		OH-90-X327	270,346
		OH-90-X355	525,456
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 962,887</u>

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
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, the Authority'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
Portage Area Regional Transportation Authority
Kent, Ohio

We have audited the basic financial statements of Portage Area Regional Transportation Authority, (the Authority) as of and for the year ended December 31, 2000, and have issued our report thereon dated June 11, 2001. 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 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 is 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 assurance on the internal control over financial reporting. 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.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. 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
June 11, 2001



Dingus and Daga, Inc.

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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
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, 2000. 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 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 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.

As described in item 00-1 through 00-2 in the accompanying Schedule of Findings and Questioned Costs, Portage Area Regional Transportation Authority did not comply with the requirements regarding period of availability of funds and procurement, suspension and debarment; that are applicable to its Federal Transit Administration Capital, Operating and Planning Assistance Formula Grants. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to that program.

In our opinion, except for the noncompliances described in the preceding paragraph, 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, 2000.

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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 00-1 and 00-2.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we consider all of the reportable conditions described in the Schedule of Findings and Questioned Costs to be material weaknesses.

This report is 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 be not be used by anyone other than these specified parties.

Dingus and Daga, Inc.

Shaker Heights, Ohio
June 11, 2001

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

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?	no
Noncompliance material to financial statements noted?	no

Federal Awards

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

Identification of major programs:

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)

Year Ended December 31, 2000

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

Federal Awards (Cont'd)

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	no

PART II - FINANCIAL STATEMENT FINDINGS

No matters are reportable.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Refer to Findings 00-1 through 00-2.

FINDING NO.

00-1. Competitive Procurement and Contracts

Condition - The Authority's procurement procedures are not in full compliance with federal and state and Ohio Revised Code Section guidelines, including FTA Circular 4220.ID, "Third Party Contracting Requirements" and Ohio Revised Code Section 306.43. Fuel purchases in excess of \$25,000 were not competitively bid during 2000.

Criteria/Effect - The above noted condition does not meet FTA and state procurement requirements. The Authority is not in compliance with federal and state procurement requirements.

Questioned Cost - None

Recommendation - The Authority should revise its procurement policy to incorporate all federal and state procurement requirements. Such policy should be adhered to on a continual basis.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)

Year Ended December 31, 2000

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Cont'd)

00-2. Period of Availability of Funds

Condition - The Authority has approximately 9 open grants. It appears that the funding period may have lapsed on certain of these grants. It also appears that the scope of certain grants may no longer be relevant to the Authority's current activities.

Criteria/Effect - The above noted condition does not meet the requirements related to the period of availability of funds per FTA Circular 5010.B. The Authority does not appear to be in compliance with such requirements.

Questioned Cost - None

Recommendation - The Authority should close out inactive grants which are no longer utilized.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2000

<u>FINDING</u>	<u>STILL APPLICABLE</u>	<u>COMMENTS</u>
99-1. Competitive Procurement and Contracts	Yes	The Authority has created a procure-ment manual, however, it is not in full compliance with federal and state requirements. Refer to finding # 00-1
99-2. Period of Availability of Funds	Yes	The Authority is not in full compliance with federal and state requirements. Refer to finding # 00-2
99-3. Dissolution of Steam Locomotive 2100, Inc.	No	The Authority has dissolved the Steam Locomotive 2100, Inc.



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OFFICE OF THE AUDITOR

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PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 31, 2001**