

LAKETRAN

SINGLE AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Laketran
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We have reviewed the Independent Auditor's Report of Laketrans, Lake County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2001 through December 31, 2001. 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. Laketrans is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 8, 2002

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LAKETRAN
SINGLE AUDIT REPORT
FOR THE YEARS ENDED DECEMBER 31, 2001

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

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Ohio Society of Certified Public Accountants

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, 2001, 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, 2001 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 of America.

As described in Note 2, during the year ended December 31, 2001, Laketran adopted Governmental Accounting Standards Board Statement No. 33 and Statement No. 36.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2002 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.

March 29, 2002

James G. Zupka
Certified Public Accountant

LAKETRAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR/ PASS-THROUGH GRANT/ PROGRAM TITLE	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Transportation</u>			
<u>Transit Capital Grants Cluster</u>			
Federal Transit Administration			
Capital Improvements Grants	20.500	OH-03-0163	\$ 136,724
Federal Transit Administration			
Capital and Operating Assistance			
Formula Grants	20.507	OH-90-0223	1,041,360
		OH-90-0259	9,624
		OH-90-0302	1,326
		OH-90-0329	4,803
		OH-90-0348	7,231
		OH-90-0371	538,671
			<hr/>
Total Capital and Operating Assistance			1,603,015
Formula Grants			<hr/>
			1,603,015
Total Expenditure of Federal Awards			\$1,739,739 <hr/> <hr/>

LAKETRAN
NOTES TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1: **BASIS OF ACCOUNTING**

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

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

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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, 2001 and have issued our report thereon dated March 29, 2002. 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. However, we noted certain immaterial instances of non-compliance, which we have reported to the management of Laketran in a separate letter dated March 29, 2002.

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.

However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of Laketran in a separate letter dated March 29, 2002.

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.

March 29, 2002

James G. Zupka
Certified Public Accountant

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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, 2001. 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, 2001.

Internal Control Over Compliance

The management of Laketrans 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 Laketrans'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.

March 29, 2002

James G. Zupka
Certified Public Accountant

LAKETRAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2001

1. **Summary of Auditor's Results**

2001(I)	Type of Financial Statement Opinion	Unqualified
2001(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2001(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2001(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2001(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2001(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2001(v)	Type of Major Programs' Compliance Opinion	Unqualified
2001(vi)	Are there any reportable findings under .510?	No
2001(vii)	Major Programs (list): 20.507 - Federal Transit Administration Capital and Operating Assistance Formula Grants	
2001(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: > All Others
2001 (ix)	Low Risk Auditee?	Yes

LAKETRAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2001
(CONTINUED)

2. **FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

LAKETRAN
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2001

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

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**Comprehensive
Annual Financial Report
For The Year Ended December 31, 2001**

LAKETRA

LAKE COUNTY, OHIO

Harry E. Waterman
President
Board of Trustees

Frank J. Polivka
General Manager/
Secretary-Treasurer

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**Introductory
Section
2001**

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LAKETRAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Laketrans,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Timothy A. Drew
President

Jeffrey L. Esser
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to **Laketran, Ohio** for its comprehensive annual financial report for the fiscal year ended **December 31, 2000**. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



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June 24, 2002

Harry E. Waterman, President
Members, Board of Trustees, Laketrans
and Residents of Lake County

It is a pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of Laketrans for the year ended December 31, 2001. This is the second such report issued by Laketrans. It has become the standard format used in presenting the results of Laketrans's operations, financial position, cash flows and related statistical information.

Laketrans takes great pride in the fact that its initial Comprehensive Annual Financial Report earned the recognition of the Government Finance Officer's Association of the United States and Canada (GFOA) in the form of its Certificate of Achievement for Excellence in Financial Reporting. This award evidences the fact that the previous CAFR complied with stringent GFOA standards for professional financial reporting.

Laketrans also submits its annual operating and capital budgets to the GFOA and has been doing so since 1998. Each of these budget documents has won the Distinguished Budget Presentation Award, having satisfied the most stringent program criteria and proven its value as (1) a policy document, (2) an operations guide, (3) a financial plan and (4) a communication device.

This report contains financial statements and statistical data that provide full disclosure of all of the material financial operations of Laketrans. The financial statements and statistical information are the representations of Laketrans's management, which bears the responsibility for their accuracy, completeness and fairness. In conformance with generally accepted accounting principles, this report was developed on the accrual basis of accounting, treating Laketrans as a single enterprise fund. This CAFR is indicative of Laketrans's commitment to provide accurate, concise and high quality financial information to the residents of Lake County and other interested parties.

The CAFR is divided into three sections as follows:

The **INTRODUCTORY SECTION** contains a title page, a table of contents, the GFOA Certificate of Achievement for Excellence in Financial Reporting, this letter of transmittal, the Laketrans organization chart, a listing of the members of the Board of Trustees and management of Laketrans, and a map of municipalities in Lake County.

The **FINANCIAL SECTION** contains the Independent Auditors' Report, the Laketrans comparative financial statements, and the notes to the financial statements. (The notes to the financial statements are an integral part of the general purpose financial statements).

The **STATISTICAL SECTION** provides financial, economic and demographic information that is useful for indicating trends for comparative fiscal periods.

REPORTING ENTITY

Laketran is an independent political subdivision of the State of Ohio. It was created on December 23, 1974 by resolution of the Board of County Commissioners of Lake County, Ohio. Contract operations at Laketran began in 1977 using vehicles owned by STS (Special Transportation Services). On July 1, 1985, Laketran began direct operations when it placed its first two buses into service. Either directly or through contracts with local service providers, Laketran provides virtually all public transportation service within Lake County. Laketran is a multimodal system, delivering paratransit and motor bus services.

A nine member Board of Trustees (Board) establishes policy and sets direction for the management of Laketran. All members are appointed by the County Commissioners. Board members serve overlapping three year terms. Under the provisions of GASB Statement No. 14, Laketran is considered to be a jointly governed organization.

Responsibility for the line administration rests with the General Manager/Secretary-Treasurer. He supervises six managers assigned to three departments as follows:

Administration:

Controller
Director of Development
Human Resources Manager
Public Relations/Marketing Director

Maintenance:

Maintenance Supervisor

Operations:

Operations Manager

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

In 2001, Laketran had 160 full-time equivalent employees. The system delivered 748,786 revenue miles of motor bus service and 2,364,512 revenue miles of paratransit service. The service fleet was composed of 36 motor bus coaches and 66 paratransit buses.

ECONOMIC CONDITION AND OUTLOOK

Laketrans service area is contiguous with the boundaries of Lake County, Ohio. The County includes eighteen municipalities (cities and villages) and five townships. The seat of the County government is in the city of Painesville. Lake County measures 228.2 square miles making it, geographically, the smallest county in Ohio. The 2000 population is 227,511 which ranks 11th out of 88 counties.

Lake County employment has been very consistently diversified for many years. This diversification minimizes economic risks inherent in a workforce dominated by any single industry. The following data shows the percent of total Lake County employment each segment represents over a five year period.

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Manufacturing	29.5	29.3	28.5	27.6	27.9
Wholesale & Retail Trade	25.3	25.1	25.5	26.1	25.8
Services	21.2	21.7	22.3	22.6	22.4
	-----	-----	-----	-----	-----
	76.0	76.1	76.3	76.3	76.1

The above represents about 76% of Lake County employment. The remaining 24% is concentrated in the areas of government employment, transportation & utilities, financial services & real estate, and agriculture.

The County's total work force has experienced modest but steady growth in recent years, as follows:

1995	93,461
1996	95,192
1997	97,404
1998	99,402
1999	101,110
2000	102,354

Unemployment in Lake County, in 2000, was 3.6%. Nationally, it was 4.0%.

The taxable value of real property in Lake County was \$4,404,457,440 in 2000.

Note: All statistics in this section were obtained from the Ohio Department of Development and are the latest available at the time this document was published.

CURRENT YEAR REVIEW

During the year 2001, Laketran received the following national and state awards:

- The Distinguished Budget Presentation Award for the 2001 operating and capital budget, from the GFOA.
- The Certificate of Achievement for Excellence in financial reporting for the year ended December 31, 2000, from the GFOA

Ad Wheel Awards for advertising, sponsored by APTA:

- First place in the radio advertising category from the American Public Transit Association (APTA). Ad title - "Tribe 2001".
- First place in the electronic media category from APTA. Ad title - "Road Rage".
- Grand Award (best from all first place category winners). Ad title - "Road "Rage".

Bus Roadeo awards, demonstrating driving skills:

- Laketran drivers earned 2nd place in demand response competition and 4th place in motor bus competition at the State Roadeo sponsored by the Ohio Public Transit Association (OPTA).
- A Laketran driver earned 17th place in motor bus competition at the National Roadeo, sponsored by APTA.

As a Regional Transit Authority, Laketran has enjoyed consistent growth. During 2001, Laketran set another record for ridership. Ridership figures and percentage increases over the prior year, for the past ten years, are as follows:

1992: 393,131	9.0%	1997: 730,848	8.3%
1993: 542,124	37.9%	1998: 785,491	7.5%
1994: 589,224	8.7%	1999: 845,279	7.6%
1995: 616,188	4.6%	2000: 905,084	7.1%
1996: 674,768	9.5%	2001: 961,331	6.2%

As part of an ongoing commitment to provide the best and safest overall service to the residents of Lake County, Laketran has 1) a regular vehicle maintenance program and 2) a regular and systematic program for removing old buses from service and replacing them with new buses, in accordance with Federal Transit Administration (FTA) guidelines. During 2001, fifteen high mileage demand response vehicles were taken out of service. Twenty new vehicles were purchased; fifteen to replace those taken out of service and five to increase the size of the fleet. The total cost of these twenty vehicles was \$1,190,920. Laketran operates the seventh largest, directly operated, dial-a-ride service in the United States. The fleet consists of sixty six buses.

A park and ride lot on Water Tower Drive in Madison Village, near the intersection of I 90 and

State Route 528 is in use and nearly complete. This facility, with approximately 175 parking spaces, serves eastern Lake County and adjacent areas along the I 90 corridor. Madison has been Laketrans largest point of origin for riders to Cleveland Indians games.

The expansion of the Wickliffe park and ride lot at Lloyd Road and the Lakeland Freeway is in use and nearly complete. The existing facility at this site was filled each day, thus necessitating the expansion. There are now approximately 146 parking spaces for riders.

A new digital radio system, costing approximately \$3,500,000 (including radios) began operation during 2001. This is a county-wide system and Laketrans investment, though substantial, represents only a portion of the total cost.

A new monthly bus pass was introduced during 2001. This pass, which costs \$75.00, can be used on Cleveland commuter service. The existing eleven ride ticket, also used for Cleveland commuter service, remains unchanged.

Bike racks were installed on the front of the local fixed route buses. This investment, though fairly modest, opens Laketrans up to a new market of bicycle riders who prefer to make part of their journey on the bus.

During November and December, Laketrans offered "Liberty Fares" in response to the tragic events that occurred in New York City. Fares on local fixed routes were decreased from the regular fares of \$0.75 and \$0.35 to \$0.25. This successful promotion significantly increased ridership on local fixed routes for the two month period.

Laketrans introduced a newsletter targeted to 2,000 elected officials and community leaders throughout Lake County. It provides timely updates on Laketrans services and operations that effect their communities.

FUTURE PLANS

Laketran currently has a capital improvement plan in place through the year 2005. This plan was developed to provide for the future transportation needs of all Lake County residents and includes:

Paratransit Buses: Up to 100 small (seating capacity 11 to 13) and large (seating capacity 15 to 17) vehicles will be purchased over the next four years. Most are expected to replace older, high mileage vehicles scheduled to be taken out of service. Some may serve as fleet additions if fewer vehicles are disposed of than are purchased. This decision will be made annually based on demand for additional service. Total cost is expected to be \$7,500,000.

30' (or shorter) Motor Buses: Up to four small size motor buses will be purchased for community circulator service. Total cost is expected to be \$1,000,000.

40' Motor Buses: Up to eight full size motor buses will be needed to replace old buses scheduled to be taken out of service. Total cost is expected to be \$3,600,000.

Park-and-Ride Lot Development: One park and ride lot is scheduled to be built. This lot will replace the current lot at the Mentor Civic Center which is filled to capacity daily. Construction costs of the new lot are expected to be up to \$1,400,000.

Transit Centers: These are structures providing shelters for passengers where several bus routes converge. Riders can conveniently transfer from one bus to another with minimal exposure to harsh weather conditions. Comfortable seating is also provided. Construction costs over the next four years are expected to be up to \$3,000,000.

Bus Shelters and Benches: Eight additional bus shelters are to be constructed over the next four years at selected bus stops. They will provide seating and protection from harsh weather conditions while people wait for buses. At other stops, new benches are to be installed for rider comfort. Purchase and installation costs are expected to be up to \$160,000 over the next four years.

Lighting: Additional security lighting at the Laketran facility is expected to cost up to \$50,000.

Upgrade MDT/AVL System: Mobile data terminals are computer terminals installed in dial-a-ride buses. They enable drivers to enter their detailed route log directly into the computer system. This replaces manual logs that had to be separately input the next working day. The automatic vehicle locator system enables on-screen vehicle location. Any Laketran vehicle location can be pinpointed without the need for radio communication between dispatchers and drivers. This makes back-up route coverage for dial-a-ride service much more efficient in the event of schedule changes and vehicle

breakdowns. This upgrade is expected to cost up to \$1,500,000.

Dispatch Renovation: A new dispatch area is planned to be constructed behind the building and adjacent to the garage. The expected cost of this project is up to \$752,000.

Parts Room: The parts room needs to be expanded. The larger and aging fleet of motor buses requires more parts to be stocked. This is expected to cost up to \$535,000.

Professional Services: Costs of engineering and design on projects is expected to cost up to \$500,000 over the next four years.

Miscellaneous Shop and Office Equipment: This category includes maintenance equipment necessary to maintain all buses in the fleet as well proper maintenance of the Laketrans facility. Also included in this category is computer hardware, software and such other office equipment necessary for Laketrans employees to do their jobs in an efficient and timely manner. Total cost is expected to be \$400,000 over the next four years.

FINANCIAL INFORMATION

Internal Control

Laketrans is responsible for establishing and maintaining an internal control system designed to ensure that its assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from its implementation. The valuation of costs and benefits requires estimates and judgments by management. Laketrans's management believes its internal controls are adequate.

Basis of Accounting

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

Budgetary Control

Laketrans prepares its annual operating budget and capital budget on the accrual basis of accounting. Department heads submit their budget proposals to the Controller who assembles the budget. A draft budget is submitted to the Budget and Finance Committee, comprised of several Board members. Any proposed changes made by the Budget and Finance Committee are made and a second draft budget is sent to the entire Board for review. Any additional proposed changes are made and the final budget is presented to the Board at a public meeting. After a period of open discussion, the annual operating budget is adopted.

Budgetary control is maintained at the department level. It is the responsibility of each department to administer its operations in such a manner as to ensure that the use of funds is consistent with the goals and programs authorized by the Board of Trustees. Laketrans also maintains an encumbrance accounting system for budgetary control. Unencumbered appropriations lapse at year end. Encumbered appropriation balances are carried forward to the succeeding year and need not be reauthorized.

The only encumbered appropriation balances carried forward to the succeeding year are for pending capital purchases. It is not uncommon for capital purchases to extend beyond the year in which they are authorized by the Board. Lead times to receive new buses and normal construction schedules are examples of two items that can take many months from Board approval to completion.

Revenues

Laketran uses the following groups to categorize operating revenues for all reporting purposes.

Passenger Fares: Fare box receipts and special transit fares are included here. Fares increased 0.4% while ridership increased 6.2%. Several factors explain why fares increased at a lower rate than ridership. They are:

Liberty Fare Promotion: Offered a reduced fare on local fixed routes for two months. Ridership increased by 14,400 riders while revenues decreased \$26,866 on all rides. The largest increase in ridership was on local fixed routes, the lowest priced daily service.

The smallest increase in ridership was on park-and-ride, the highest priced daily service. Service to Cleveland Indians and Browns games decreased about 7%.

Ridership using Lakeland Community College passes increased by 5,456 while revenues remained unchanged because Lakeland pays a fixed fee for the passes.

Sales Tax: The dedicated 1/4% sales tax is levied in Lake County as part of the 5 3/4% overall tax on retail sales. For 2001, 69.1% of Laketran's revenue came from this source. The 0.6% increase in 2001 over 2000 was due to a sluggish economy and the events of September 11th.

Investment Income: Investment income for 2001 was 28.8% lower than in 2000. Declining interest rates is the major cause of this decline. The portfolio balance decreased about 5%.

Federal Grants: This consists of capitalized maintenance, a reimbursement of eligible maintenance department operating expenses. Also included in this category is the grant reimbursement of capital purchases. Federal grant revenues increases 286.8% over last year almost exclusively because of the implementation of GASB 33 during 2001. Under GASB 33, capital grant reimbursements are recognized as income. Previously, these reimbursements were recorded as contributed capital. Capitalized maintenance decreased \$76,067 or 10.4% from 2000.

State Grants: This consists of capitalized maintenance, a reimbursement of eligible maintenance department operating expenses. Also included in this category is the grant reimbursement of capital purchases and an operating subsidy to help defray the costs of transporting elderly people and those persons with disabilities. State grant revenues increased 274.3% over last year partly because of the implementation of GASB 33 during 2001. Under GASB 33, capital grant reimbursements are recognized as income. Previously, these reimbursements were recorded as contributed capital. Capitalized maintenance increased \$488,092 or 110.0% from 2000.

Miscellaneous Revenue (Loss): This category primarily consists of two items; advertising income and year end cost to fair value adjustment of investments. Advertising income declined 24.3% from 2000. This is caused by the fact that 2000 was an especially good year due to the

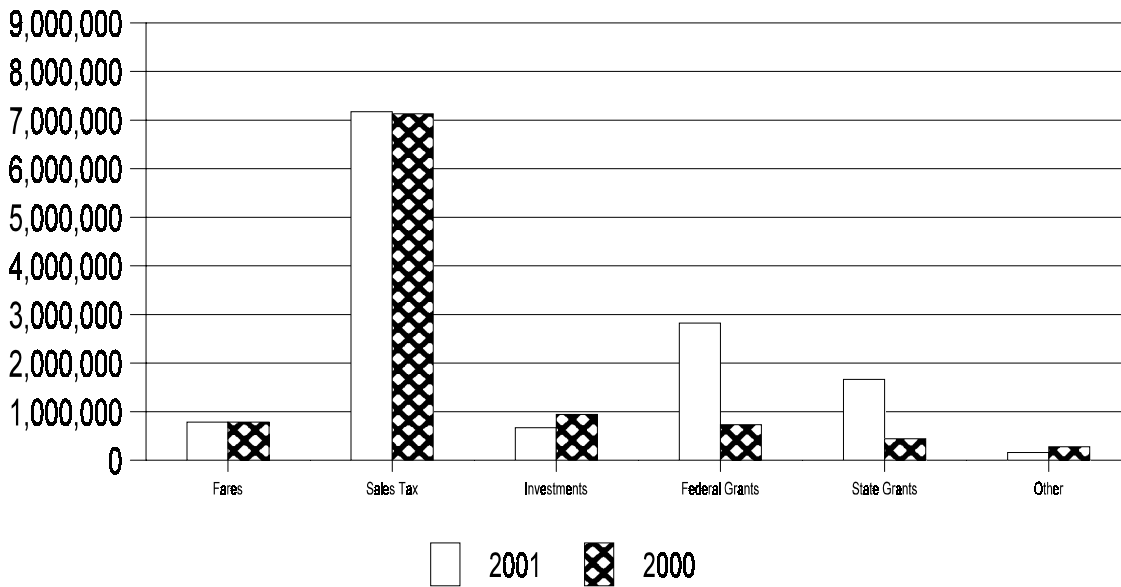
fact that a lot of political advertising was sold. The cost to fair value adjustment of investments is only a “paper” gain or loss. It represents an adjustment of investments carried on the books at cost, to fair value at year end as required by accounting regulations. The ending balance each year is a net of the prior year reversal and the current year adjustment to fair value. During 2000, this net variance was a favorable \$169,466. In 2001, it was a favorable \$20,898.

REVENUE

Rounded To The Nearest Dollar

	<u>2001</u>	<u>2000</u>	Increase/(Decrease)	
			<u>Amount</u>	<u>Per Cent</u>
Fares	786,591	783,561	3,030	0.4
Sales Tax	7,175,596	7,130,985	44,611	0.6
Investment Income	671,678	942,995	(271,317)	(28.8)
Federal Grants	2,821,909	729,505	2,092,404	286.8
State Grants	1,660,769	443,754	1,217,015	274.3
Other Income (Expense)	158,025	279,759	(121,734)	(43.5)
	-----	-----	-----	-----
	13,274,568	10,310,559	2,964,009	28.7

Revenue Comparison



Expenses

Wages: This cost represented 49.5% of operating expenses (excluding depreciation) in 2001. This proportion is consistent with prior years experiences. The 12.7% increase in this category is due to the creation of an additional 5 full time equivalent driver positions, the addition of a PR- Marketing Director, a Mechanics Helper, and regular salary increases.

Benefits: These costs represented 22.7% of operating expenses (excluding depreciation) in 2001. This proportion is consistent with prior years experiences. Benefit cost increases, to a large extent, follow wage increases since PERS and medicare are based on a percent of gross wages. Medical insurance, another costly item, was the same in 2001 as in 2000.

Services: Items in this category include professional and technical services such as accounting, legal and marketing. Also, outside maintenance (vehicle and non-vehicle), custodial services and towing comprise the majority of the expenses. These costs decreased 13.6% from 2000 primarily due to a decline in marketing expenses.

Supplies: Items in this category include fuel (diesel & CNG), oil, tires, non-capital repair parts for vehicles, office supplies and postage. These costs increased 35.7% from 2000. Fuel increased a modest 5.6% during 2001. Vehicle parts was a major contributor to the increase. As the motor bus fleet begins to age, more parts must be kept in stock. Parts expense increased by \$162,000 during 2001.

Utilities: Utility costs were very much in line with prior years, increasing 4.2%.

Casualty & Liability: Laketran is a member of the Ohio Transit Insurance Pool. Member premiums have been very stable for several years now. Costs during 2001 decreased by 2.4% as a result of fewer claims. This translates into fewer deductibles that Laketran had to reimburse the pool for.

Purchased Transportation: Laketran contracts out a minimal amount of dial-a-ride service because it is more cost effective to do so as opposed to directly providing this service. The cost of this service decreased 4.7% during 2001. These costs, which are all contractual, remain very consistent from year to year.

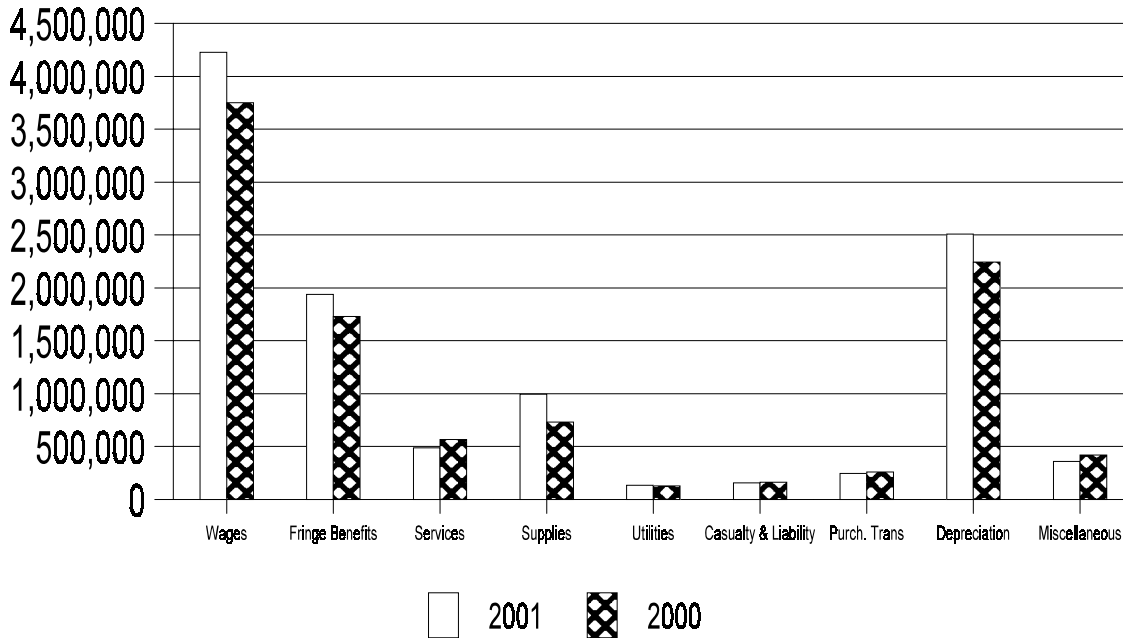
Miscellaneous: This largest item in this category is advertising expense. Dues & subscriptions, travel & meeting expenses and other miscellaneous charges are also included. Expenses decreased by 14.2% during 2001 primarily due to lower miscellaneous charges.

EXPENSES BY OBJECT CLASS

Rounded To The Nearest Dollar

	<u>2001</u>	<u>2000</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Per Cent</u>
Wages	4,228,215	3,750,767	477,448	12.7
Benefits	1,939,807	1,730,369	209,438	12.1
Services	489,268	566,270	(77,002)	(13.6)
Supplies	994,368	732,843	261,525	35.7
Utilities	133,201	127,819	5,382	4.2
Casualty & Liability	158,569	162,528	(3,959)	(2.4)
Purchased Transportation	247,401	259,492	(12,091)	(4.7)
Depreciation	2,509,339	2,244,237	265,102	11.8
Miscellaneous Expenses	359,286	418,682	(59,396)	(14.2)
	-----	-----	-----	-----
	11,059,454	9,993,007	1,066,447	10.7
	=====	=====	=====	=====

Expense Comparison

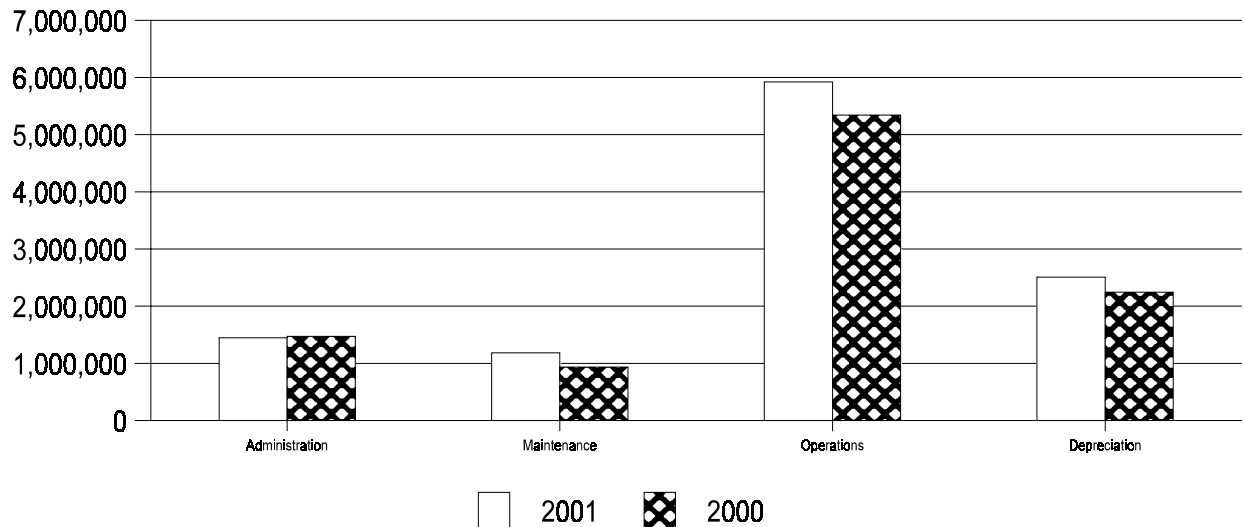


EXPENSES BY FUNCTION

Rounded To The Nearest Dollar

	<u>2001</u>	<u>2000</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Per Cent</u>
Administration	1,447,122	1,473,154	(26,032)	(1.8)
Maintenance	1,183,482	932,218	251,264	27.0
Operations	5,919,511	5,343,398	576,113	10.8
Depreciation	2,509,339	2,244,237	265,102	11.8
	-----	-----	-----	-----
	11,059,454	9,993,007	1,066,447	10.7

Expenses By Function



The above functions are defined as follows:

Administration: Administrative personnel costs, professional services, marketing, property & casualty expenses, a portion of utility costs, and advertising.

Maintenance: Vehicle and facility maintenance personnel costs, outside maintenance costs, supplies, and a portion of the utility costs.

Operations: All expenses directly related to bus operations including personnel costs of drivers, road supervisors, dispatchers and the customer service department. Also included are fuel, oil, tires, purchased transportation and a portion of utility costs.

Equity

Laketran's equity consists of capital contributions from the Federal Transit Administration and the Ohio Department of Transportation in addition to retained earnings.

Retirement Plan

Employees of Laketran are covered under the Public Employees Retirement System (PERS) of Ohio, a cost-sharing, multiple-employer pension plan (including disability and health care benefits).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees covered by PERS contribute 8.50% wages subject to PERS and Laketran contributes 13.55% (actuarially established for PERS) of the same base.

Note: Very limited compensation is not subject to PERS. The most common example is the lump sum distribution of any accrued vacation, sick and holiday pay due an employee, upon termination.

PERS also provides post-retirement healthcare coverage to those employees who retire with ten or more years of qualifying Ohio service credit as well as healthcare coverage disability recipients and primary survivor recipients. A portion of each employer's contribution to PERS is set aside to fund these benefits.

Debt

Laketran has never had any debt.

Cash Management

Laketran pursues an aggressive cash management and investment program in order to achieve a reasonable financial return on all available funds. Cash balances are invested at the best interest rates available in the money markets within the constraints imposed by Laketran's Investment Policy and the Ohio Revised Code. In accordance with these provisions, only commercial and savings banks located in Ohio are eligible to hold public deposits.

The provisions also permit Laketran to invest in certificates of deposit, savings accounts, money market accounts, the State Treasurers Asset Reserve (STAR Ohio), and obligations of the United States Government or certain agencies and instrumentalities thereof. Laketran may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days.

Laketran's investment portfolio at December 31, 2001 is distributed as follows:

STAR Ohio	9.8%
U.S. Government Securities	62.2%
Hi-Balance Savings	27.1%
Depository Account	0.9%

	100.0%

Risk Management

Laketran is a member of the Ohio Transit Insurance Pool (OTIP). OTIP provides coverage for all property, casualty and liability risks on a "three tier" basis as follows:

1. Each member reimburses the pool for payments made against applicable deductibles. Deductibles are either \$1,000 or \$25,000 per incident, depending on size of the member. Laketran is considered a smaller member and has a \$1,000 deductible.
2. The pool pays losses in excess of deductible limits up to \$100,000.
3. OTIP purchases insurance to cover losses in excess of \$100,000.

Laketran maintains a \$979,745 insurance reserve in the remote event that OTIP reserves are exhausted which could result in a special assessment. Since its inception, OTIP has levied one assessment. Laketran's share of the assessment was \$20,255.

Laketran is a member of a workers compensation group. This has resulted in significant savings on premiums.

OTHER INFORMATION

Independent Audit

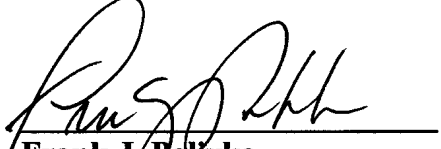
The Laketran independent audit was conducted by James G. Zupka, CPA Inc., who has issued an unqualified audit report on the financial statements.

Laketran also participates in the federal single audit program, which consists of a single audit of all federally funded programs administered by Laketran. As a requirement for continued funding eligibility, participation in the single audit program is mandatory for most local governments, including Laketran.

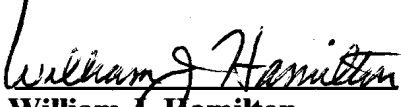
ACKNOWLEDGMENT

This report is organized, prepared, typed, proofread and prepared for printing by William J. Hamilton, Laketran Controller.

Thanks to the staff of James G. Zupka CPA, Inc. for their review of the document for completeness.

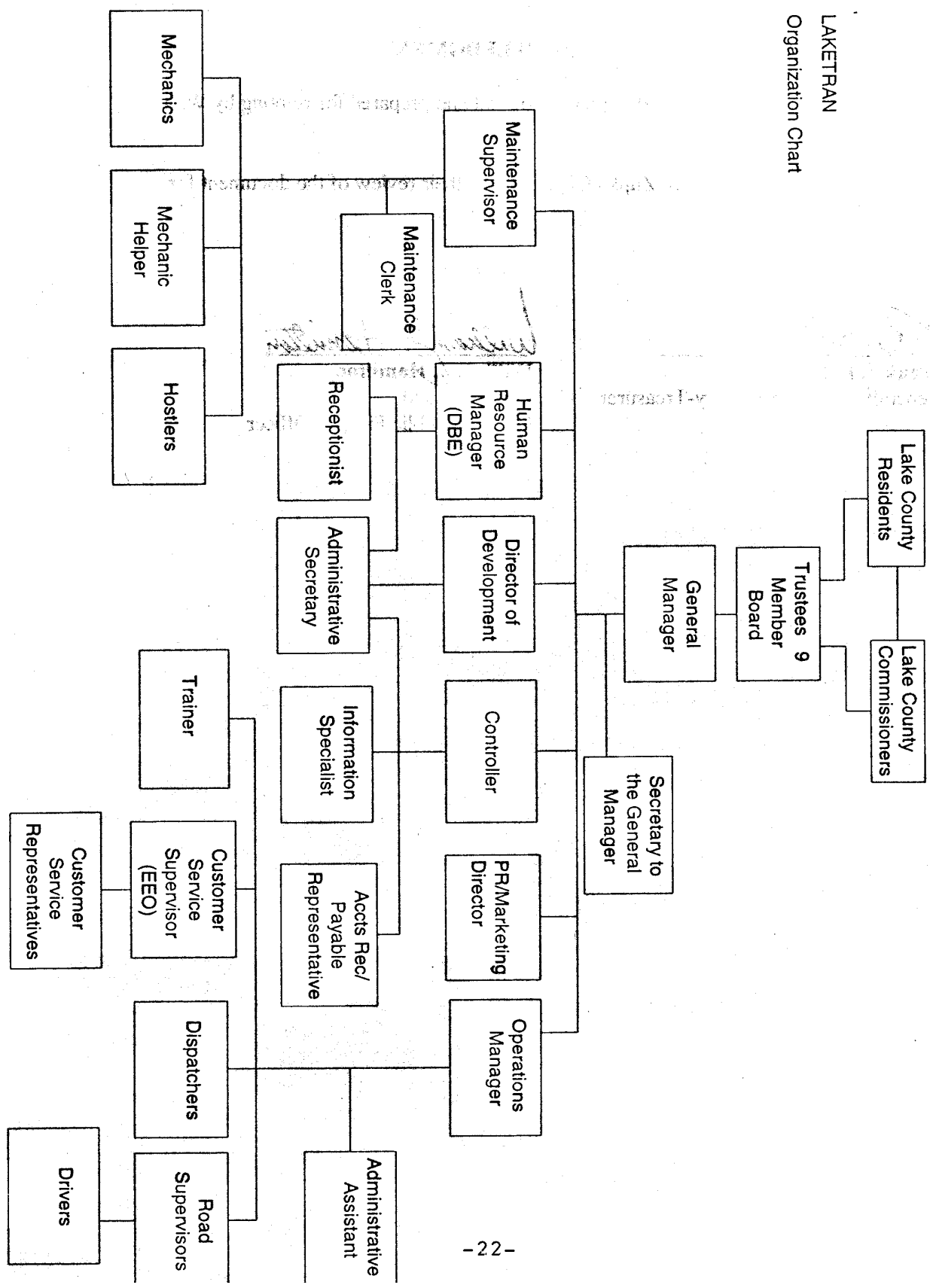


Frank J. Polivka
General Manager/Secretary-Treasurer



William J. Hamilton
Controller and
Certified Public Finance Officer

LAKETRAN
 Organization Chart



LAKETRAN

BOARD OF TRUSTEES AND MANAGEMENT

As of December 31, 2001

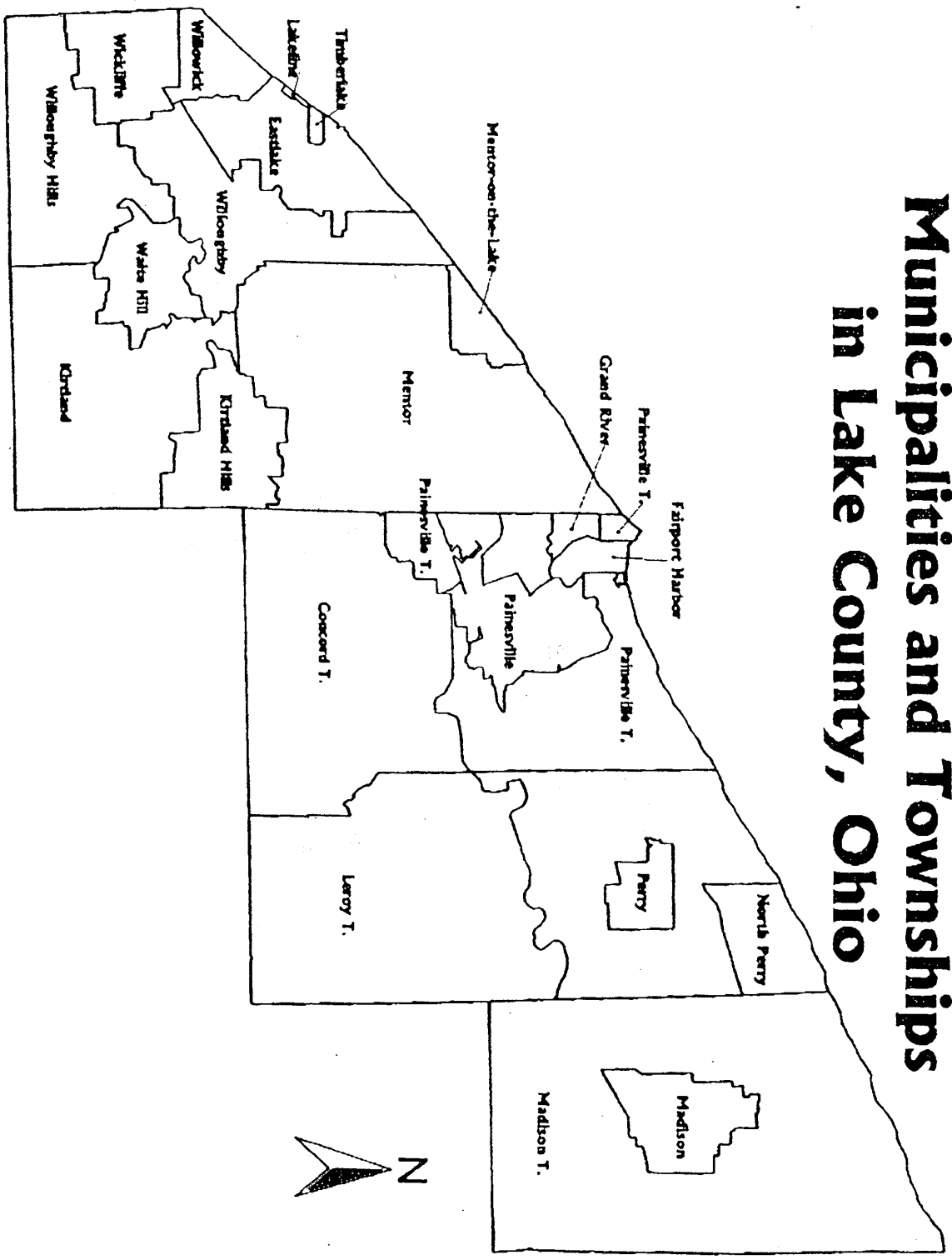
BOARD OF TRUSTEES

Chairman	Harry G. Waterman
Vice-Chairman	Robert T. Clark
Trustees	Henry W. Centa Jack D. Crislip J. Terrell Dillard Donna McNamee Robert A. Modic David G. Reed Raymond K. Smith

MANAGEMENT

General Manager and Secretary-Treasurer	Frank J. Polivka
Operations Manager	Andrew A. Altenweg
Director of Development	Dale Madison
Controller	William J. Hamilton
Human Resources Manager	Maureen D. Bierer
P/R and Marketing Director	Jessie Baginski
Maintenance Supervisor	Gary L. May

Municipalities and Townships in Lake County, Ohio



Prepared by Lake County Public Health Commission, 5/1991.



Financial Section

General Purpose Financial Statements and Notes

2001

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

*Certified Public Accountants
5240 East 98th Street
Garfield Heights, Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475-6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Laketran
Grand River, Ohio

The Honorable Jim Petro
Auditor of State of Ohio
State of Ohio

We have audited the accompanying general purpose financial statements of Laketran as of and for the year ended December 31, 2001, 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. The financial statements of Laketran as of December 31, 2000 were audited by other auditors whose reporting date of May 15, 2001 express an unqualified opinion on those statements.

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.

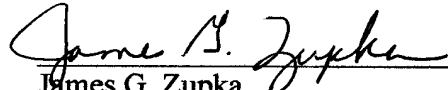
In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Laketran as of December 31, 2001 and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended December 31, 2001, Laketran adopted Governmental Accounting Standards Board Statements 33 and 36.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2002 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.

We did not audit, the data included in the statistical section of this report and, therefore, express no opinion thereon.

March 29, 2002


James G. Zupka
Certified Public Accountant

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LAKETRAN
BALANCE SHEET
DECEMBER 31, 2001 AND 2000

	2001	2000
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,634,770	\$ 1,392,568
Investments, at Fair Value	3,766,078	2,296,003
Receivables:		
Federal Grants	870,044	259,021
State Grants	11,260	553,877
Trade	57,529	71,682
Sales Tax	1,215,031	1,100,095
Accrued Interest	112,616	83,121
Materials and Supplies	439,794	292,537
Prepaid Expenses	35,739	48,294
Total Current Assets	8,142,861	6,097,198
<u>Restricted Assets</u>		
Cash and Cash Equivalents	4,687,391	5,403,403
Investments, at Fair Value	5,405,546	6,618,997
Due from Unrestricted Fund	0	137,333
Total Restricted Assets	10,092,937	12,159,733
<u>Other Assets</u>		
Due from Restricted Fund	391,592	0
Total Other Assets	391,592	0
<u>Property, Facilities, and Equipment</u>		
Land	2,442,643	1,236,208
Buildings	11,378,152	11,375,032
Transportation Vehicles and Equipment	20,244,152	15,657,252
Furniture, Vehicles, and Equipment	573,946	568,151
Construction in Progress	2,668,830	4,495,523
	37,307,723	33,332,166
Less: Accumulated Depreciation	11,036,205	9,317,004
Total Property, Facilities, and Equipment	26,271,518	24,015,162
TOTAL ASSETS	\$44,898,908	\$42,272,093

See notes to the financial statements.

LAKETRAN
BALANCE SHEET
DECEMBER 31, 2001 AND 2000
(CONTINUED)

	2001	2000
<u>LIABILITIES AND EQUITY</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 287,586	\$ 212,670
Accrued Expenses	683,353	607,774
Accrued Pension	80,215	56,997
Payable from Restricted Assets:		
Retainage Payable	86,357	14,109
Total Current Liabilities	1,137,511	891,550
<u>Other Liabilities</u>		
Due to Unrestricted Fund	391,592	0
Due to Restricted Fund	0	137,333
Long-Term Real Estate Assessments	0	1,969
Total Other Liabilities	391,592	139,302
Total Liabilities	1,529,103	1,030,852
<u>Equity</u>		
Contributed Capital:		
Capital Grants		
Federal	12,329,059	11,699,775
State	3,014,102	2,711,538
Other Contributed Capital	26,014	26,014
Total Equity	15,369,175	14,437,327
<u>Retained Earnings</u>		
Reserved for Capital Purchases	8,635,243	11,145,624
Reserved for Self-Insurance	979,745	1,000,000
Unreserved	18,385,642	14,658,290
Total Retained Earnings	28,000,630	26,803,914
Total Equity and Retained Earnings	43,369,805	41,241,241
 TOTAL LIABILITIES AND EQUITY	 \$44,898,908	 \$42,272,093

See notes to financial statements.

LAKETRAN
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<u>Operating Revenues</u>		
Passenger Fares for Transit Service	\$ 773,160	\$ 757,041
Special Transit Fares	13,431	26,520
Auxiliary Transportation Revenue	52,763	69,723
Total Operating Revenues	<u>839,354</u>	<u>853,284</u>
<u>Operating Expenses Other Than Depreciation</u>		
Labor	4,228,215	3,750,767
Fringe Benefits	1,939,807	1,730,369
Services	489,268	566,270
Fuel and Lubricants	485,857	454,963
Other Materials and Supplies Consumed	508,511	277,880
Utilities	133,201	127,819
Claims and Insurance	158,569	162,528
Purchased Transportation	247,401	259,492
Miscellaneous	359,286	418,682
Total Operating Expenses Other Than Depreciation	<u>8,550,115</u>	<u>7,748,770</u>
<u>Depreciation</u>		
On Assets Acquired with Government Grants	1,843,249	1,744,610
On Assets Acquired with Authority Equity	666,090	499,627
Total Depreciation	<u>2,509,339</u>	<u>2,244,237</u>
Total Operating Expenses	<u>11,059,454</u>	<u>9,993,007</u>
Net Operating Loss	<u>(10,220,100)</u>	<u>(9,139,723)</u>
<u>Non-Operating Revenues (Expenses)</u>		
Sales Tax Revenue	7,175,596	7,130,985
Federal Grants and Reimbursements	2,821,909	729,505
State Grants, Reimbursements, and Special Fare Assistance	1,660,769	443,754
Interest Income	671,678	942,995
Net Increase in fair value of Investments	20,898	169,466
Non-Transportation Revenues	84,364	40,570
Total Non-Operating Revenues (Expenses)	<u>12,435,214</u>	<u>9,457,275</u>
Net Revenues Over Expenses	<u>\$ 2,215,114</u>	<u>\$ 317,552</u>

See notes to financial statements.

LAKETRAN
STATEMENT OF CHANGES IN CAPITAL AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>Capital Grants</u>		<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Federal</u>	<u>State</u>			
Balance - December 31, 1999	\$ 12,141,063	\$ 2,554,837	\$ 26,014	\$ 24,741,752	\$ 39,463,666
<u>Capital Funding Received</u>					
Federal Grants	952,945	0	0	0	952,945
State Grants	0	515,272	0	0	515,272
Write Off of Assets Disposed of that were Acquired with Government Grants	(6,883)	(1,311)	0	0	(8,194)
Net Revenues Over Expenses for the Year	0	0	0	317,552	317,552
<u>Amortization of Capital Grants</u>					
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)	0	1,744,610	0
Balance - 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>
<u>Capital Funding Received</u>					
Local Grants	\$ 0	\$ 0	\$ 0	\$ 37,914	\$ 37,914
Write Off of Assets Disposed of that were Acquired with Government Grants	(99,571)	(19,748)	0	(5,145)	(124,464)
Net Loss Over Expenses for the Year	2,168,471	728,923	0	(682,280)	2,215,114
<u>Amortization of Capital Grants</u>					
Transfer to Retained Earnings of an Amount Equal to the Depreciation for the Year on Assets Acquired with Government Grants	(1,439,616)	(406,611)	0	1,846,227	0
Balance - December 31, 2001	<u><u>\$ 12,329,059</u></u>	<u><u>\$ 3,014,102</u></u>	<u><u>\$ 26,014</u></u>	<u><u>\$ 28,000,630</u></u>	<u><u>\$ 43,369,805</u></u>

See notes to financial statements.

LAKETRAN
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 853,507	\$ 846,268
Cash Payments to Suppliers for Goods and Services	(4,394,872)	(4,371,560)
Cash Payments to Employees for Services	(4,116,232)	(3,585,668)
Net Cash Used for Operating Activities	<u>(7,657,597)</u>	<u>(7,110,960)</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Sales Tax Received	7,060,660	7,153,952
Operating Grants Received	1,945,609	1,229,289
Other	9,209	25,397
Net Cash Provided by Noncapital Financing Activities	<u>9,015,478</u>	<u>8,408,638</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Capital Grants Received	2,468,663	1,021,223
Acquisition and Construction of Capital Assets	(4,693,425)	(4,563,724)
Proceeds from Sale of Assets	7,514	12,500
Net Cash Used by Capital and Related Financing Activities	<u>(2,217,248)</u>	<u>(3,530,001)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Received	642,183	1,021,572
Purchase of Investment Securities	(9,546,826)	(1,696,394)
Proceeds from Maturities of Investments	9,290,200	4,000,000
Net Cash Used by Investment Activities	<u>385,557</u>	<u>3,325,178</u>
Net Increase/Decrease in Cash and Cash Equivalents	<u>(473,810)</u>	<u>1,092,855</u>
Cash and Cash Equivalents at Beginning of Year	6,795,971	5,703,116
Cash and Cash Equivalents at End of Year	<u>\$ 6,322,161</u>	<u>\$ 6,795,971</u>
Operating Loss	\$(10,220,100)	\$ (9,139,723)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation	2,509,339	2,244,237
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable Trade	14,153	(7,016)
Materials and Supplies	(147,257)	(179,217)
Prepaid Expenses	12,555	(43,907)
Increase (Decrease) in:		
Accounts Payable	74,916	(158,419)
Accrued Expenses	75,579	116,088
Accrued Pension	23,218	56,997
Total Adjustments	<u>2,562,503</u>	<u>2,028,763</u>
Net Cash Used for Operating Activities	<u>\$ (7,657,597)</u>	<u>\$ (7,110,960)</u>

See notes to financial statements.

LAKETRAN

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

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 to follow the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on the flow of economic resources. All transactions of Laketran are accounted for in a single enterprise fund.

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

Change in Accounting Principle

For December 31, 2001, Laketran has adopted GASB Statement No. 33, *“Accounting and Financial Reporting of Nonexchange Transactions”* and GASB Statement No. 36, *“Recipient Reporting for Certain Shared Nonexchange Revenues”*. GASB Statement No. 36 modified the provisions of GASB Statement No. 33 for certain specific nonexchange revenues.

GASB Statement No. 33 and GASB Statement No. 36 were required for the current year. These statements clarified the timing requirements for recognizing assets, liabilities, revenues, and expenditures/expenses associated with nonexchange transactions. As a result of implementation of these statements, there was no impact on prior year balances. Therefore, restatement of prior year balances is not necessary.

LAKETRAN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

Financial Reporting Entity

For financial reporting purposes, all departments and operations for which Laketran is financially accountable are included in the reporting entity. Financial accountability was evaluated based on consideration of financial interdependency, appointment of voting majority, and imposition of will. No governmental units other than Laketran itself are included in the reporting entity. There are no component units based on the consideration above.

Under the guidelines of GASB Statement No. 14, Laketran is a jointly governed organization. All nine members of its Board are appointed by the Lake County Board of Commissioners. The Lake County Board of Commissioners did not provide any support or had any significant financial transactions with Laketran during 2001.

Inventory

Inventory of replacement vehicle parts are stated at the lower of cost or market, cost being determined using the first-in, first-out method. There are no other inventories.

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 following estimated useful lives:

Description	Years
Buildings	30
Building improvements	10
Equipment	5-10
Furniture and fixtures	5-10
Parking lots and bus shelters	10
Communication system	15
Vehicles	4-12

LAKETRAN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

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 expenses are incurred. These include capital grants, donations, and donated tangible transit operating property.

Operating Assistance Revenue

There is no federal operating assistance.

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.

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 Treasurers Asset Reserve (STAR Ohio) investment pool.

3. **DEFERRED COMPENSATION:**

During 1998, Laketrans adopted GASB Statement No. 32, *"Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."*

4. **DEPOSITS AND INVESTMENTS:**

Cash on Hand

At fiscal year end, Laketrans had \$1,256 in undeposited cash on hand, which is included on

LAKETRAN

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

4. DEPOSITS AND INVESTMENTS (continued):

the Balance Sheet as part of "Cash and Cash Equivalents".

Deposits

Multiple financial institution collateral pools that insure public deposits must maintain collateral amounts in excess of 110 percent 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, 2001 and 2000, the carrying amount of Laketran's deposits were \$4,879,311 and \$349,160, respectively, and the bank balances were \$4,927,096 and \$539,804, respectively. Deposits totaling \$286,357 and \$208,184 were covered by federal depository insurance at December 31, 2001 and 2000, respectively. The remaining deposits of \$4,640,739 and \$331,620, respectively, were covered by collateral pools held in the name of the financial institutions.

Investment Pool

At December 31, 2001 and 2000, Laketran had \$1,441,595 and \$6,445,554, respectively, invested in the State Treasurers Asset Reserve (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price (a constant price of \$1.00 per share), which is the price the investment could be sold for on December 31, 2001 and 2000, respectively. These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Investments

During 1998, Laketran adopted GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and External Investment Pools*", which provides for accounting for investments with maturities greater than one year at fair value. As of December 31, 2001, Laketran's investments were:

LAKETRAN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

4. DEPOSITS AND INVESTMENTS (continued):

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
	-----	-----	-----
U.S. Government & Agency Securities	\$9,128,125	\$9,171,623	\$43,498
	-----	-----	-----
	\$9,128,125	\$9,171,623	\$43,498
	=====	=====	=====

Laketrans' investments are detailed below and are categorized to give an indication of the level of credit risk assumed at year end. Category 1 includes investments that are insured or registered or for which the securities are held by Laketrans or its agent in Laketrans' name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in Laketrans' name. Category 3 includes uninsured or unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in Laketrans' name. Balances with STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Description	Risk Category			Fair Value/ Carrying Value
	1	2	3	
U.S. Government and Agency Securities			9,171,623	9,171,623
Investment in State Treasurer's investment pool (STAR Ohio)				1,441,595
Total			9,171,623	10,613,218

LAKETRAN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

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 10 member transit agencies. The balance in the reserve at December 31, 2001 and 2000 was \$979,745 and \$1,000,000, respectively.

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, 2001 and 2000 was \$8,870,757 and \$11,145,624, respectively.

Escrow Retainage

Laketran maintains funds in escrow for retainages payable on construction contracts. The balance in escrow at December 31, 2001 and 2000 was \$86,284 and \$14,109, 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

Preventive maintenance operating expenses became eligible for federal capital assistance under the Department of Transportation's 1998 appropriations act. Revenues are recognized in the year earned. For the years ended December 31, 2001 and 2000, Laketran received \$653,438 and \$729,505 respectively. In addition, Laketran received capital grant reimbursements in December 31, 2001 and December 31, 2000 of \$2,168,471 and \$952,945 respectively. In accordance with GASB No. 33, these grant reimbursements are recorded as revenue in the 2001 financial statements.

State Grant

The Ohio Department of Transportation typically enacts very similar regulations to those of

LAKETRAN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

6. **GRANT ASSISTANCE (continued):**

the U.S. Department of Transportation. Preventive maintenance operating expenses are eligible for state capital assistance with certain restrictions which depend upon availability of federal funds. For the years ended December 31, 2001 and 2000, Laketrans received \$643,507 and \$181,158 respectively. Laketrans also received capital grant reimbursements of \$728,923 in the year ended December 31, 2001 and \$515,272 in the year ended December 31, 2000.

State of Ohio Elderly and Disabled Transit Fare Assistance

The State of Ohio provides a grant each year to help defray the high costs of transporting Lake County residents who are elderly or have disabilities. For the years ended December 31, 2001 and 2000, Laketrans received \$288,339 and 268,754, 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.

For the years ended December 31, 2001 and 2000, sales tax revenues totaled \$7,175,596 and \$7,130,985, respectively. Laketrans records sales tax revenues and a receivable as the sales tax revenues are earned.

8. **DEFINED BENEFIT PENSION PLAN:**

Effective July 1, 1991, all employees of Laketrans are required to be members of the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan.

Public Employees Retirement System

The following information was provided by PERS of Ohio to assist Laketrans in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employees".

Laketrans contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability

LAKETRAN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

8. **DEFINED BENEFIT PENSION PLAN (continued):**

benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report that

includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The 2001 and 2000 employer contribution rates were 13.55 percent and 10.84 percent, respectively, of covered payroll, 9.25 percent and 6.54 percent, respectively, to fund the pension benefit obligation, and 4.3 percent, each year, to fund health care. The contribution requirements of plan members and Laketran are established and may be amended by the Public Employees Retirement Board. Laketran contributions to the PERS of Ohio for the years ending December 31, 2001 and 2000 were \$631,178 and \$450,376, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3 percent of covered payroll, which amounted to \$200,300.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under

LAKETRAN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

8. DEFINED BENEFIT PENSION PLAN (continued):

this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the

base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advance-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 was \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million respectively.

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 employers to fund postretirement health care through their contributions to PERS. The employer contribution rate for PERS was temporarily rolled back for the second half of 2000. The average rate for the entire year was 10.84 percent of covered payroll, of which 4.3 percent 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 for the years ended December 31, 2001 and 2000 were \$200,300 and \$178,655 respectively.

LAKETRAN

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2001 and 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 their 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 employees' current wage rate. Laketran's obligations for these amounts at December 31, 2001 and 2000 amounted to approximately \$435,613 and \$385,661 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 ten member transit agencies. Laketran pays an annual premium to OTIP for its general insurance coverage and pays quarterly 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 7.89 percent at December 31, 2001.

Pool paid losses exceeded contributions for OTIP in fiscal year 1999. An assessment on pool members was made in the amount of \$256,717. Laketran's share of this assessment was 7.89 percent or \$20,255. This assessment was made during 2001. To date, no such assessment has been made for OTIP fiscal years 2001 or 2000.

Adequate commercial insurance was carried in each of the years 1999, 2000 and 2001 to cover losses in excess of pool coverage limits.

Laketran participates in the State of Ohio Worker's Compensation plan, paying premiums directly to the State.

LAKETRAN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

11. **RISK MANAGEMENT (continued):**

Laketrans provides medical and life insurance to its employees by participating in the group plan offered by the Lake County Board of Commissioners to all County employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past two years.

The following is noted as a significant subsequent event. Beginning January 1, 2002, the deductible for auto physical damage claims increases from \$1,000 to \$25,000 per occurrence. Commercial property claims and liability claims remain at \$1,000 per occurrence. The impact of the increased deductible was incorporated into the 2002 budget.

12. **PROPERTY, FACILITIES AND EQUIPMENT:**

Detail fixed asset records are kept by various asset categories and construction in progress.

	Balance 12/31/00	Additions	Disposals	Balance 12/31/01
	-----	-----	-----	-----
Land & Buildings	\$12,611,240	\$ 1,209,556	\$ 0	\$13,820,796
Equipment	1,205,866	47,857	(88,558)	1,165,165
Office Equipment	568,151	33,171	(27,376)	573,946
Stops and Lots	437,893	517,375	0	955,268
Radio System	0	3,529,366	0	3,529,366
Vehicles	14,013,493	1,379,254	(798,394)	14,594,353
Construction In Progress	4,495,523	2,200,792	(4,027,486)	2,668,829
	-----	-----	-----	-----
Totals	33,332,166	8,917,371	(4,941,814)	37,307,723
Accumulated Depreciation	(9,317,004)	(2,509,317)	790,116	(11,036,205)
	-----	-----	-----	-----
Total Property, Facilities and Equipment	\$24,015,162	\$ 6,408,054	\$(4,151,698)	\$26,271,518
	=====	=====	=====	=====

Note: Construction in progress disposals were reclassified to fixed assets or expense.

LAKETRAN

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

13. **CONTINGENCIES:**

A. **Litigation**

Laketran is party to legal proceedings. Laketran is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of Laketran.

B. **Grants**

Laketran received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of Laketran at December 31, 2001.

**Statistical
Section
2001**

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LAKETRAN

**FARE BOX RECOVERY PERCENTAGE
LAST TEN YEARS**

Percentage	

1992	N/A
1993	N/A
1994	N/A
1995	N/A
1996	22.27
1997	21.16
1998	20.95
1999	21.16
2000	19.13
2001	17.02

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

FARE STRUCTURE - DECEMBER 31, 2001

	Dial-A Ride	Local Fixed Route	Cleveland Commuter
Regular Adult Fare	\$ 3.00	\$ 0.75	\$ 2.00
Citizens with Buckeye or Medicare Cards (Senior citizens and those with disabilities)	1.00	0.35	N/A
Children ages 2-12	1.00	0.35	N/A
Children under 2	FREE	FREE	N/A
Coupon Book (eleven rides)	10.00	N/A	N/A
Monthly Pass	N/A	N/A	75.00
Ticket (eleven rides)	N/A	N/A	20.00
Tokens - Regular Fare	3.00	0.75	N/A
Tokens - with Buckeye or Medicare Card	N/A	0.35	N/A
Tokens - Children ages 2-12	N/A	0.35	N/A
Transfers	N/A	FREE	FREE
Sports Service (round trip)	N/A	N/A	\$5.00

* Indians, \$5.00 per person, \$10.00 two through six persons. Browns \$5.00 per person.

LAKETRAN**REVENUES BY SOURCE
LAST TEN YEARS**

	1992	1993	1994	1995
Fares	\$ 319,535	\$ 384,791	\$ 414,323	\$ 454,822
Sales Tax	4,184,699	4,398,476	5,846,187	5,453,031
Federal:				
Operating Grants	200,000	200,000	200,000	500,000
Capitalized Maintenance	0	0	0	0
Capital Grant Reimbursement	0	0	0	0
State:				
Operating Grants	578,355	566,653	511,573	518,150
Capitalized Maintenance	0	0	0	0
Special Fare Assistance	18,791	118,953	126,712	144,557
Capital Grant Reimbursement	0	0	0	0
Investment Income	217,199	138,876	318,473	421,132
Other	10,422	14,344	136,702	107,910
Total Revenues	\$5,529,001	\$5,822,093	\$7,553,970	\$7,599,602

1996	1997	1998	1999	2000	2001
\$ 539,139	\$ 556,237	\$ 637,223	\$ 722,634	\$ 783,561	\$ 786,591
5,648,412	5,923,447	6,718,865	6,731,568	7,130,985	7,175,596
315,135	280,152	51,991	0	0	0
0	0	662,897	538,921	729,505	653,438
0	0	0	0	0	2,168,471
513,341	420,569	513,779	0	0	0
0	0	40,120	207,343	181,158	643,507
185,048	186,996	222,595	251,187	262,596	288,339
0	0	0	0	0	728,923
505,584	637,990	740,433	804,563	942,995	671,678
170,403	180,887	353,748	68,397	279,759	158,025
\$7,877,062	\$8,186,278	\$9,941,651	\$9,324,631	\$10,310,559	\$13,274,568

LAKETRAN**EXPENSES BY FUNCTION
LAST TEN YEARS**

	1992	1993	1994	1995
Transportation	\$1,912,209	\$2,217,807	\$2,369,186	\$2,875,845
Maintenance	458,831	672,507	790,162	889,781
General & Administrative	1,328,752	1,047,978	1,187,402	1,013,692
Depreciation	570,281	853,230	895,341	1,188,698
Total Operating Expenses	\$4,270,073	\$4,791,522	\$5,242,091	\$5,968,016
Non-Operating Expenses	8,040	0	158,064	0
Total Expenses	\$4,278,113	\$4,791,522	\$5,400,155	\$5,968,016

1996	1997	1998	1999	2000	2001
\$3,189,385	\$3,434,824	\$3,786,149	\$4,200,339	5,343,398	5,919,510
985,394	1,182,494	1,230,277	1,367,045	932,218	1,183,482
944,063	1,017,067	1,277,764	1,337,006	1,473,154	1,447,123
1,328,291	1,564,648	2,020,213	1,957,379	2,244,237	2,509,339
\$6,447,133	\$7,199,033	\$8,314,403	\$8,861,769	\$9,993,007	\$11,059,454
0	0	11,075	134,694	0	0
\$6,447,133	\$7,199,033	\$8,325,478	\$8,996,463	\$9,993,007	\$11,059,454

LAKETRAN

REVENUES AND OPERATING ASSISTANCE COMPARISON TO INDUSTRY TREND DATA - LAST TEN YEARS (expressed in per cents)

Transportation Industry (1):

Year	Operating and Other Miscellaneous Revenue			Operating Assistance			Total Revenues
	Fares	Other	Total	Federal	State & Local	Total	
1992	36.4	3.8	40.2	5.7	54.1	59.8	100.0
1993	36.8	4.4	41.2	5.6	53.2	58.8	100.0
1994	37.6	12.6	50.2	5.1	44.7	49.8	100.0
1995	37.3	15.4	52.7	4.5	42.8	47.3	100.0
1996	38.7	15.3	54.0	3.1	42.9	46.0	100.0
1997	38.7	17.0	55.7	3.3	41.0	44.3	100.0
1998	37.8	17.5	55.3	3.6	41.1	44.7	100.0
1999	37.3	16.4	53.7	3.9	42.4	46.3	100.0
2000	36.1	17.4	53.5	4.1	42.4	46.5	100.0
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Laketran:

Year	Operating and Other Miscellaneous Revenue			Operating Assistance			Total Revenues
	Fares	Other(2)	Total	Federal	State & Local(3)	Total	
1992	5.8	4.0	9.8	3.6	86.6	90.2	100.0
1993	6.6	2.6	9.2	3.4	87.4	90.8	100.0
1994	5.6	4.0	9.6	2.7	87.7	90.4	100.0
1995	6.0	7.0	13.0	6.6	80.4	87.0	100.0
1996	6.8	8.6	15.4	4.0	80.6	84.6	100.0
1997	6.8	10.1	16.9	3.4	79.7	83.1	100.0
1998	6.4	10.9	17.3	7.2	75.5	82.7	100.0
1999	7.9	8.0	15.9	5.9	78.2	84.1	100.0
2000	7.6	11.9	19.5	7.1	73.4	80.5	100.0
2001	7.6	8.0	15.6	6.3	78.1	84.4	100.0

(1) Source: American Public Transit Association, APTA 2002 Transit Fact Book, table 17

(2) Other miscellaneous revenue includes advertising, interest income and other non-operating income.

(3) State and local operating assistance includes sales tax, operating grants and special fare assistance.

LAKETRAN

OPERATING EXPENSES COMPARISON TO INDUSTRY TREND DATA - LAST TEN YEARS (expressed in per cents)

Transportation Industry (1):

Year	Salaries and Wages	Fringe Benefits	Services	Materials and Supplies	Utilities	Casualty and Liability	Purchased Trans- portation	Other	Total Operating Expenses
1992	45.7	25.7	5.4	9.1	3.6	3.3	9.9	-2.7	100.0
1993	45.7	25.4	5.3	8.9	3.6	3.4	10.4	-2.7	100.0
1994	45.9	24.8	4.7	8.9	3.6	3.4	10.9	-2.2	100.0
1995	46.0	25.1	4.8	9.0	3.5	2.9	10.8	-2.1	100.0
1996	46.0	24.0	5.0	9.1	3.6	2.7	11.8	-2.2	100.0
1997	46.3	23.8	5.6	9.2	3.6	2.7	11.6	-2.8	100.0
1998	46.7	24.5	5.9	9.4	3.3	2.4	10.8	-3.0	100.0
1999	46.3	24.6	5.9	9.2	3.3	2.2	11.5	-3.0	100.0
2000	45.9	23.9	5.7	10.0	3.2	2.2	12.2	-3.1	100.0
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Laketran:

Year	Salaries and Wages	Fringe Benefits	Services	Materials and Supplies	Utilities	Casualty and Liability	Purchased Trans- portation	Other	Total Operating Expenses (2)
1992	42.4	20.7	8.3	10.2	1.4	6.0	5.3	5.7	100.0
1993	45.5	23.1	6.6	9.0	1.8	5.5	3.8	4.7	100.0
1994	45.2	20.9	4.7	11.3	1.6	5.1	6.8	4.4	100.0
1995	46.6	20.2	4.9	9.3	1.8	4.5	8.3	4.4	100.0
1996	48.9	21.2	4.4	9.6	2.3	3.6	5.6	4.4	100.0
1997	47.3	20.2	6.4	11.0	2.2	2.4	6.1	4.4	100.0
1998	47.5	20.4	8.4	9.4	1.9	2.7	5.0	4.7	100.0
1999	48.4	21.3	6.1	10.5	1.8	2.6	3.4	5.9	100.0
2000	48.4	22.3	7.3	9.5	1.6	2.1	3.4	5.4	100.0
2001	49.5	22.7	5.7	11.6	1.6	1.9	2.9	4.1	100.0

(1) Source: American Public Transit Association, APTA 2002 Transit Fact Book, table 24

(2) Excludes depreciation expense

LAKETRAN

**OPERATING STATISTICS
LAST TEN YEARS**

	1992	1993	1994	1995
SYSTEM RIDERSHIP:				
Motor Bus (directly operated)	152,689	213,867	227,269	241,547
Motor Bus (contract service)	34,884	0	0	1,706
Dial-A-Ride (directly operated)	174,917	193,677	215,632	223,940
Dial-A-Ride (contract service)	30,640	33,487	42,396	48,138
Van Pool (contract service)	0	3,530	3,072	0
Jitney (contract service)	0	0	0	0
AVERAGE WEEKDAY SYSTEM RIDERSHIP				
Motor Bus (directly operated)	571	810	864	904
Motor Bus (contract service)	133	0	0	44
Dial-A-Ride (directly operated)	653	749	808	846
Dial-A-Ride (contract service)	119	131	165	188
Van Pool (contract service)	0	22	24	0
Jitney (contract service)	0	0	0	0
AVERAGE WEEKDAY MILES OPERATED				
Motor Bus (directly operated)	1,279	1,615	1,649	1,581
Motor Bus (contract service)	274	0	0	135
Dial-A-Ride (directly operated)	6,605	6,695	6,648	7,242
Dial-A-Ride (contract service)	290	312	801	872
Van Pool (contract service)	0	150	150	0
Jitney (contract service)	0	0	0	0
REVENUE MILES				
Motor Bus (directly operated)	251,461	330,217	344,818	326,166
Motor Bus (contract service)	26,760	0	0	1,848
Dial-A-Ride (directly operated)	1,412,107	1,480,576	1,521,479	1,660,935
Dial-A-Ride (contract service)	68,875	76,285	177,171	193,549
Van Pool (contract service)	0	22,050	19,200	0
Jitney (contract service)	0	0	0	0

1996	1997	1998	1999	2000	2001
277,220	326,649	424,172	519,414	553,050	579,536
0	0	0	0	0	0
250,563	256,244	266,369	279,564	295,025	309,067
48,128	46,958	48,728	44,245	43,858	44,496
0	140	0	2,056	2,048	0
0	0	0	0	11,103	28,232
1,028	1,222	1,593	1,950	2,077	2,164
0	0	0	0	0	0
894	962	1,000	1,046	1,103	1,148
180	184	191	174	172	174
0	7	0	8	8	0
0	0	0	0	131	141
1,713	2,412	3,173	3,650	3,940	3,921
0	0	0	0	0	0
8,594	8,365	8,768	9,476	9,784	10,098
583	631	769	783	775	760
0	29	0	50	49	0
0	0	0	0	28	34
360,777	477,543	594,755	659,722	737,318	748,786
0	0	0	0	0	0
2,004,585	1,937,076	2,022,898	2,190,313	2,260,533	2,364,512
134,866	142,398	173,609	170,506	175,273	171,727
0	580	0	12,850	12,800	0
0	0	0	0	2,373	6,702

LAKETRAN

**OPERATING STATISTICS
LAST TEN YEARS**

	1992	1993	1994	1995
<hr/>				
PASSENGER MILES				
Motor Bus (directly operated)	825,493	1,156,244	1,229,525	2,405,182
Motor Bus (contract service)	853,635	0	0	40,944
Dial-A-Ride (directly operated)	1,931,554	2,110,495	2,196,361	2,281,949
Dial-A-Ride (contract service)	168,796	165,340	209,429	237,802
Van Pool (contract service)	0	264,600	249,600	0
Jitney (contract service)	0	0	0	0

1996	1997	1998	1999	2000	2001
3,224,630	3,512,907	4,715,989	6,154,820	6,533,682	6,643,894
0	0	0	0	0	0
3,072,304	2,918,130	3,098,459	3,297,086	3,593,193	3,601,893
277,284	308,984	321,893	297,441	319,212	318,333
0	0	0	46,260	46,080	0
0	0	0	0	3,701	9,411

LAKETRAN

OPERATING STATISTICS LAST TEN YEARS

	1992	1993	1994	1995
ENERGY CONSUMPTION				
Motor Bus				
Gallons of diesel	44,522	49,617	58,392	57,522
Gallons of natural gas	0	0	0	0
Gallons of purinox	0	0	0	0
Dial-A-Ride				
Gallons of diesel	115,990	129,390	159,137	153,984
Gallons of gasoline	21,397	16,529	0	0
Gallons of natural gas	0	0	0	175
Gallons of purinox	0	0	0	0
FLEET REQUIREMENT				
Motor Bus (directly operated)	8	8	9	10
Motor Bus (contract service)	3	0	0	1
Dial-A-Ride (directly operated)	34	34	34	40
Dial-A-Ride (contract service)	4	5	7	7
Van Pool (contract service)	0	1	1	0
TOTAL ACTIVE VEHICLES				
Motor Bus (directly operated)	15	12	13	16
Motor Bus (contract service)	3	0	0	1
Dial-A-Ride (directly operated)	45	45	48	55
Dial-A-Ride (contract service)	4	5	9	10
Van Pool (contract service)	0	1	1	0
NUMBER OF EMPLOYEES				
Full Time Equivalent	83	88	86	107

1996	1997	1998	1999	2000	2001
73,975	67,076	77,115	102,521	112,050	69,880
0	61,931	106,477	114,212	127,596	127,966
0	0	0	0	0	42,180
181,697	171,672	179,404	194,211	201,290	214,472
0	0	0	0	0	0
197	214	267	0	0	0
0	0	0	0	0	13,743
11	17	24	24	30	30
0	0	0	0	0	0
50	51	51	54	54	60
7	9	8	8	9	9
0	0	0	1	1	0
16	30	29	29	36	36
0	0	0	0	0	0
54	55	55	60	60	66
8	9	11	14	16	15
0	0	0	1	1	1
116	121	132	132	151	160

LAKETRAN

LAKE COUNTY DEMOGRAPHICS

County Population By Decade

Year	Per Cent	
	Population	Change
1940	50,020	20.03
1950	75,979	51.90
1960	148,700	95.71
1970	197,200	32.62
1980	212,801	7.91
1990	215,499	1.27
2000	227,511	5.57

Age and Population Distribution

Age	Total	Female	% Female
0-14	45,471	22,329	49.11
15-24	26,149	12,698	48.56
25-34	29,247	14,593	49.90
35-44	38,345	19,453	50.73
45-54	33,689	17,184	51.01
55-64	22,566	11,810	52.34
65 +	32,044	18,913	59.02
2000	227,511	116,980	51.42

LAKETRAN

LAKE COUNTY DEMOGRAPHICS

Population By Race - 2000

Race	Total	% of Pop.
White	217,041	95.44
African-American	4,527	1.99
Asian	2,048	0.90
Native American	251	0.11
Pacific Islander	41	0.01
Other	1,505	0.66
Two of more races	2,098	0.89
	227,511	100.00

Note: The Hispanic population included above is 3,879 and may be of any race.

LAKETRAN

LAKE COUNTY DEMOGRAPHICS

Average Weekly Earnings By Industry

Industry	1995	1996	1997	1998	1999	2000
Manufacturing	697.78	716.66	755.66	779.62	799.81	820.08
Trade	328.60	339.62	352.46	366.08	386.59	399.03
Services	397.91	420.20	427.40	446.39	457.44	476.86
Government	517.13	540.18	558.85	579.36	584.24	606.77
Construction	578.47	601.59	625.08	668.52	741.88	673.18
Financial Services	497.03	544.81	592.17	639.82	665.86	675.45
Transp/Utilities	700.98	763.29	797.85	800.31	693.92	699.01

Employment By Industry

Industry	1995	1996	1997	1998	1999	2000
Manufacturing	27,468	28,114	28,504	28,341	27,922	28,519
Trade	23,924	24,061	24,471	25,330	26,367	26,370
Services	19,509	20,207	21,152	22,338	22,872	22,934
Government	10,790	10,802	10,903	10,976	11,272	11,632
Construction	4,032	4,141	4,577	4,804	4,927	4,843
Financial Services	2,728	2,670	2,749	2,996	2,996	3,012
Transp/Utilities	2,808	2,995	2,805	2,610	2,617	2,905
All Other	2,202	2,202	2,948	2,600	2,137	2,139
Total	93,461	95,192	98,109	99,995	101,110	102,354

Note: All statistics in this section were obtained from the Ohio Department of Development and are the latest available at the time this document was published.



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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
AUGUST 1, 2002**