

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

**For the years ended December 31, 2002 and 2001**

**SINGLE AUDIT REPORT  
For the year ended December 31, 2002**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Portage Area Regional Transportation Authority  
Kent, Ohio

We have reviewed the Independent Auditor's Report of the Portage Area Regional Transportation Authority, Portage County, prepared by Dingus and Daga, Inc., for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

June 9, 2003

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PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

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## Dingus and Daga, Inc.

Certified Public Accountants  
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### INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Portage Area Regional Transportation Authority  
Kent, Ohio

We have audited the accompanying financial statements of the Portage Area Regional Transportation Authority (the Authority), as of and for the years ended December 31, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 17, 2003, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of 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 basic financial statements, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

*Dingus and Daga, Inc.*

Shaker Heights, Ohio  
April 17, 2003

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

BALANCE SHEET  
DECEMBER 31, 2002 AND 2001

<u>ASSETS</u>	<u>2002</u>	<u>2001</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 545,929	\$ 86,625
Receivables:		
Federal grants		32,822
State grants	2,000	15,540
Sales tax	504,221	
Local operating assistance	16,010	53,518
Prepaid expenses	11,223	
<b>TOTAL CURRENT ASSETS</b>	<u>1,079,383</u>	<u>188,505</u>
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents	44,662	138,113
Investments		532,880
State capital assistance receivable	42,619	
	<u>87,281</u>	<u>670,993</u>
<b>PROPERTY, FACILITIES AND EQUIPMENT:</b>		
Land	160,000	160,000
Buildings and improvements	2,483,264	1,335,201
Transportation vehicles and equipment	2,536,876	1,414,458
Computers and software	180,998	188,137
Other	479,242	319,198
Total	<u>5,840,380</u>	<u>3,416,994</u>
Less: Accumulated depreciation	<u>1,564,617</u>	<u>1,076,197</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,442,427</u>	<u>\$ 3,200,295</u>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 102,870	\$ 43,287
Accrued expenses	85,437	32,653
Deferred revenue	2,091	
<b>TOTAL LIABILITIES</b>	<u>190,398</u>	<u>75,940</u>
<b>EQUITY:</b>		
Contributed capital	1,771,288	2,263,392
Retained earnings	3,480,741	860,963
<b>TOTAL EQUITY</b>	<u>5,252,029</u>	<u>3,124,355</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 5,442,427</u>	<u>\$ 3,200,295</u>

See notes to financial statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
<b>OPERATING REVENUES:</b>		
Passenger fares for transit service	\$ 91,651	\$ 81,936
Total	91,651	81,936
<b>OPERATING EXPENSES OTHER THAN DEPRECIATION:</b>		
Labor and fringe benefits	1,708,469	940,570
Services	260,905	259,137
Fuel, materials and supplies	157,534	154,358
Utilities	27,236	28,141
Claims and insurance	63,811	47,369
Miscellaneous	106,765	28,711
Total	2,324,720	1,458,286
<b>DEPRECIATION:</b>		
On assets acquired with government grants	444,598	374,252
On assets acquired with Authority equity	67,561	23,307
Total	512,159	397,559
<b>TOTAL OPERATING EXPENSES</b>	2,836,879	1,855,845
<b>NET OPERATING LOSS</b>	(2,745,228)	(1,773,909)
<b>NON-OPERATING REVENUES:</b>		
Federal grants and reimbursements	423,738	422,836
State grants, reimbursements and special fare assistance	172,490	146,342
Local grants and reimbursements	389,849	675,847
Sales tax	2,590,083	
Interest income	18,138	35,847
Other	101,639	181,987
Total	3,695,937	1,462,859
<b>NET PROFIT (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	950,709	(311,050)
Capital contributions	1,224,471	549,642
<b>NET PROFIT</b>	\$ 2,175,180	\$ 238,592

See notes to financial statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY  
 STATEMENTS OF CHANGES IN CAPITAL AND RETAINED EARNINGS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>CONTRIBUTED CAPITAL FEDERAL AND STATE GRANTS</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL</u>
BALANCES, DECEMBER 31, 2000	\$ 2,654,923	\$ 248,119	\$ 2,903,042
DISPOSAL OF ASSETS ACQUIRED WITH GOVERNMENT GRANTS	(17,279)		(17,279)
NET PROFIT		238,592	238,592
AMORTIZATION OF CAPITAL GRANTS - Transfer to retained earnings of an amount equal to the depreciation for the year on assets acquired with government grants	<u>(374,252)</u>	<u>374,252</u>	<u>                    </u>
BALANCES, DECEMBER 31, 2001	2,263,392	860,963	3,124,355
DISPOSAL OF ASSETS ACQUIRED WITH GOVERNMENT GRANTS	(47,506)		(47,506)
NET PROFIT		2,175,180	2,175,180
AMORTIZATION OF CAPITAL GRANTS - Transfer to retained earnings of an amount equal to the depreciation for the year on assets acquired with government grants	<u>(444,598)</u>	<u>444,598</u>	<u>                    </u>
BALANCES, DECEMBER 31, 2002	<u>\$ 1,771,288</u>	<u>\$ 3,480,741</u>	<u>\$ 5,252,029</u>

See notes to financial statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 91,651	\$ 81,936
Cash payments to suppliers for goods and services	(867,481)	(747,872)
Cash payments to employees for services	(1,344,872)	(764,244)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b>(2,120,702)</b>	<b>(1,430,180)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating grants received	3,144,586	1,264,565
Other	595,550	138,628
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>3,740,136</b>	<b>1,403,193</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants received	1,181,852	542,451
Acquisition and construction of capital assets	(2,494,571)	(560,006)
Proceeds from sale of assets	41,000	13,163
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,271,719)</b>	<b>(4,392)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	18,138	35,847
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>18,138</b>	<b>35,847</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>365,853</b>	<b>4,468</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>224,738</b>	<b>220,270</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 590,591</b>	<b>\$ 224,738</b>

See notes to financial statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

	<u>2002</u>	<u>2001</u>
Net Operating loss	\$ (2,745,228)	\$ (1,773,909)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	512,159	397,559
Change in assets and liabilities:		
Increase (Decrease) in:		
Accounts payable	59,583	(51,225)
Accrued expenses	52,784	(2,605)
Total adjustments	<u>624,526</u>	<u>343,729</u>
Net cash used for operating activities	<u>\$ (2,120,702)</u>	<u>\$ (1,430,180)</u>

See notes to financial statements.

# PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2002 and 2001

### 1. ORGANIZATION:

Portage Area Regional Transportation Authority (the Authority) was formed as the public agency responsible for public transportation in Portage County. The Authority is a political subdivision of the State of Ohio and was organized as a regional transit authority in accordance with the provisions of the Ohio Revised Code Sections 306.30 through 306.71, inclusive. Therefore, the Authority is not subject to federal, state or local income taxes.

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

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of Accounting

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2002 and 2001

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

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

Nonexchange Transactions - The Authority has also adopted the provisions of Statement No. 33 of the Governmental Accounting Standards Board ("GASB") regarding the Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions be recognized as revenue and not as contributed capital. Accordingly, during the year ended December 31, 2002, \$1,224,471 in capital contribution were recognized as revenue in the Statement of Revenue and Expenses for the Authority.

Financial Reporting Entity

For financial reporting purposes all departments and operations for which the Authority is financially accountable are included in the reporting entity. Financial accountability was evaluated based on consideration of financial interdependency, appointment of voting majority, and imposition of will.

Property, Facilities and Equipment

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

Depreciation

Depreciation on all assets is computed on the straight-line method based on the estimated useful lives of individual assets (5 to 25 years). Cost of property retired is removed from the asset and the accumulated depreciation account.

Operating Assistance Revenue

Federal and state operating assistance is recognized in the year earned. The amount of state operating assistance earned during the year is based upon the grant

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2002 and 2001

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

Operating Assistance Revenue (cont'd)

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

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

Cash and Cash Equivalents

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

Investment Policy

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. DEFERRED COMPENSATION:

In 2000, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2002 and 2001

4. DEPOSITS AND INVESTMENTS:

Deposits

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

At December 31, 2002, the carrying amounts of the Authority's deposits were \$535,521 and the bank balances were \$802,351. Deposits totaling \$200,000 were covered by federal depository insurance at December 31, 2002. The remaining deposits of \$602,351 were covered by collateral pools held in the name of the financial institutions.

Investment Pool

At December 31, 2002, Portage Area Regional Transportation Authority had \$55,070 invested in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2002. These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

5. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE:

Grants, reimbursements and special fare assistance included in the statement of revenues and expenses for the years ended December 31, 2002 and 2001, consist of the following:

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2002 and 2001

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

FEDERAL TRANSIT ADMINISTRATION	2002	2001
Capital assistance	\$ 229,237	\$ 266,626
Planning grants	80,516	55,061
CMAQ grants	34,985	28,206
ADA grants	<u>79,000</u>	<u>72,943</u>
Total	<u>\$ 423,738</u>	<u>\$ 422,836</u>
OHIO DEPARTMENT OF TRANSPORTATION		
Capital assistance	\$ 102,773	\$ 66,867
Elderly and disabled fare assistance	30,531	28,939
Planning grants	7,900	6,871
ADA grants	9,800	11,917
Fuel tax reimbursement	<u>21,486</u>	<u>31,748</u>
Total	<u>\$ 172,490</u>	<u>\$ 146,342</u>

6. RESTRICTED ASSETS:

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

Balance - January 1, 2002	\$ 670,993
Less: Building improvements	(678,031)
Add: Insurance reimbursement	41,000
Interest income	<u>10,700</u>
Balance - December 31, 2002	<u>\$ 44,662</u>

7. PENSION PLAN:

Plan Description – All employees of the Authority are required to be members of the Ohio Public Employees Retirement System (“OPERS”), a cost-sharing, multiple-employer pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2002 and 2001

7. PENSION PLAN (Cont'd):

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

Funding Policy – The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5 percent of their covered payroll to OPERS. The 2002 employer contribution rate for local government units was 13.55 percent of covered payroll including 5 percent used to fund health care benefits. The Authority's total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2002, 2001 and 2000 were \$119,834, \$103,001 and \$66,355, respectively, equal to 100 percent of the required contribution for each year.

8. OTHER POSTRETIREMENT BENEFITS:

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

The assumptions and calculations noted below were based on the System's latest Actuarial Review performed as of December 31, 2001. 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 purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2002 and 2001

8. OTHER POSTRETIREMENT BENEFITS (Cont'd):

unrealized market appreciation or depreciation on investment assets. The investment return assumption rate for 2001 was 8 percent. An annual increase of 4 percent compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from .5 percent to 6.3 percent. Health care costs were assumed to increase 4 percent annually.

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The Authority's contributions for other postemployment benefits to OPERS for the years ended December 31, 2002 and 2001 were \$70,079 and \$32,681, respectively, equal to 100 percent of the required contributions for each year. At December 31, 2002, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under OPERS for any retirees, terminated employees, or other beneficiaries.

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded liability, based on the actuarial costs method used, were \$16.4 billion and \$4.8 billion, respectively. At December 31, 2002, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

9. OTHER EMPLOYEE BENEFITS:

Compensated Absences

Employees of the Authority earn vacation and sick leave at various rates under the Authority policy. In case of death, termination or retirement, an employee (or his estate) is paid for portions of these benefits. The Authority records a liability for vacation, holiday and sick hours earned but not used at year-end at the employee's current wage rate. The Authority's obligation for these amounts at December 31, 2002 and 2001 were \$11,209 and \$10,365, respectively.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the Years Ended December 31, 2002 and 2001

10. RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors, and omissions, employment related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994, the Authority commenced participation in the Ohio Transit Insurance Pool Association, Inc. ("OTIP"), renamed in 2002 as Ohio Transit Risk Pool Association, Inc. ("OTRP"), related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first \$250,000 of any qualified property loss and the first \$500,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, excess insurance coverage is maintained by OTRP equal to approximately \$339,000,000 for qualified property losses and \$20,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is \$3,300,000 and for property is \$500,000. Any underfunding of the plan's liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

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

11. NEW ACCOUNTING STANDARDS:

The GASB has issued Statement No., 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement revises accounting and reporting standards for general purpose external financial reporting by governmental units. Statement No. 34 is effective for the year ending December 31, 2004. The Authority has not completed an analysis of the impact of this statement on its reported financial condition and results of operation.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>EXPENDITURES</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
TRANSIT CAPITAL GRANTS:			
<u>DIRECT PROGRAMS</u>			
Federal Transit Administrative - Capital and Operating Assistance Formula Grants	20.507	OH-90-X205	\$ 34,984
		OH-90-X229	2,459
		OH-90-X327	43,505
		OH-90-X373	160,672
		OH-90-X406	771,892
		OH-90-X203	594,188
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,607,700</u>

See accompanying note to the supplemental schedule of expenditures of federal awards.

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

FOR THE YEAR ENDED DECEMBER 31, 2002

1. BASIS OF PRESENTATION

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



## Dingus and Daga, Inc.

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

Board of Trustees  
Portage Area Regional Transportation Authority  
Kent, Ohio

We have audited the financial statements of the Portage Area Regional Transportation Authority, (the "Authority") as of and for the year ended December 31, 2002, and have issued our report thereon dated, April 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

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

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

*Dingus and Doga, Inc.*

Shaker Heights, Ohio  
April 17, 2003



## Dingus and Daga, Inc.

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

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

Board of Trustees  
Portage Area Regional Transportation Authority  
Kent, Ohio

#### Compliance

We have audited the compliance of Portage Area Regional Transportation Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2002. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on Portage Area Regional Transportation Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

### Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should be not be used by anyone other than these specified parties.

*Dingus and Doga, Inc.*

Shaker Heights, Ohio  
April 17, 2003

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2002

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

**Financial Statements**

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

**Federal Awards**

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

Identification of major programs:

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

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

Year Ended December 31, 2002

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

**Federal Awards (Cont'd)**

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

**PART II - FINANCIAL STATEMENT FINDINGS**

No matters are reportable.

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

No matters are reportable.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2002

<u>FINDING</u>	<u>STILL APPLICABLE</u>	<u>COMMENTS</u>
01-1. Period of Availability of funds	No	The Authority closed 6 grants in order to be in compliance with federal and state requirements.
01-2 Cash Management	No	The Authority registered with the Treasurer of State of Ohio in 2002 for the Continuing Education Program in order to be in compliance with Ohio Revised Code Section 135.22, 319.04, 321.46 and 733.27 - Education requirements.
01-3 Reporting	No	The Authority published an annual notice in a local newspaper stating the financial report is available for public inspection in order to be in compliance with Ohio Revised Code Section 117.38 – Filing of financial reports.



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Betty Montgomery**

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**PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 24, 2003**