

**PORTAGE AREA REGIONAL
TRANSPORTATION AUTHORITY**

AUDIT REPORT

For the year ended December 31, 2011

(With Comparative Totals for December 31, 2010)

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Trustees
Portage Area Regional Transit Authority
2000 Summit Road
Kent, Ohio 44240

We have reviewed the *Report of Independent Accountants* of the Portage Area Regional Transit Authority, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 28, 2012

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Portage Area Regional Transportation Authority

AUDIT REPORT

For the Year Ended December 31, 2011

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Accountants	1-2
Managements' Discussion and Analysis	3-12
Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Net Assets	14
Statement of Cash Flows	15
Notes to the Financial Statements	16-25
Schedule of Federal Awards Expenditures	26
Notes to the Schedule of Federal Awards Expenditures	27
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	28-29
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	30-31
Schedule of Findings	32
Status of Prior Audit's Citations and Recommendations	33

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Portage Area Regional Transportation Authority
Portage County
2000 Summit Road
Kent, Ohio 44240

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the Portage Area Regional Transportation Authority, Portage County, Ohio (the Authority), as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements 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 audit. The prior year comparative information has been derived from the 2010 financial statements and, in our report dated May 13, 2011 we expressed an unqualified opinion on those financial 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Portage Area Regional Transportation Authority, Portage County, Ohio, as of December 31, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2012, on our consideration of the Portage Area Regional Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include management's discussion and analysis be presented to supplement the basic financial statements. Although this information is not a part of the basic financial statements, the Governmental Accounting Standards Board considers it as essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Portage Area Regional Transportation Authority's financial statements taken as a whole. The accompanying schedule of federal awards expenditures 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 financial statements. The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Charles E. Harris & Associates, Inc.

June 8, 2012

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2011
(Unaudited)

As management of the Portage Area Regional Transportation Authority (the Authority), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2011. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- The Authority has net assets of \$20 million. These net assets result from the difference between total assets of \$20.6 million and total liabilities of \$681,039.
- Current assets of \$2 million primarily consist of non-restricted Cash and Cash Equivalents of \$876,193, Accounts Receivable of \$178,126, Sales Tax receivable of \$679,661, Inventory of \$243,857, and other prepaid assets of \$110,129.
- Restricted assets of \$5 million consist of special deposits for capital projects. This includes \$4 million from the City of Kent to construct the Kent Central Gateway.
- Current liabilities of \$681,039 primarily consist of Accounts Payable of \$230,262, accrued payroll expenses of \$306,812, and unearned revenue of \$137,099.

Basic Financial Statements and Presentation

This annual report includes the basic financial statements and accompanying notes prepared in accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

The financial statements presented by the Authority are the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2011
(Unaudited)

Basic Financial Statements and Presentation (Cont'd)

The Statement of Net Assets presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net assets, which indicate improved financial position.

The Statement of Revenues, Expenses, and Changes in Net Assets present information showing how the Authority's net assets changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from federal, state, and local governments.

The Statement of Cash Flows allows financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2011
(Unaudited)

Financial Analysis of the Authority

Condensed Summary of Net Assets

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets	\$ 2,087,966	\$ 1,855,411
Restricted Assets	4,966,142	614,145
Capital Assets, Net	<u>13,595,286</u>	<u>11,889,566</u>
Total Assets	<u>\$ 20,649,394</u>	<u>\$ 14,359,122</u>
 LIABILITIES		
Current Liabilities	\$ 681,038	\$ 530,486
 NET ASSETS		
Net Assets: Invested in Capital Assets	\$ 13,595,286	\$ 11,889,566
Restricted for Capital Assets	4,965,491	614,145
Unrestricted	<u>1,407,579</u>	<u>1,324,925</u>
Total Net Assets	<u>\$ 19,968,356</u>	<u>\$ 13,828,636</u>

The largest portion of the Authority's net assets reflects investment in capital assets consisting of buses, operating facilities and equipment. The Authority uses these capital assets to provide public transportation services for Portage County citizens. These assets are not available to liquidate liabilities or to cover other spending. The 2010 figures for Capital Assets have changed due to a prior year adjustment for the re-evaluation of useful life of the assets.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2011
(Unaudited)

Financial Analysis of the Authority (Cont'd)

Condensed Summary of Revenues, Expenses, and Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Revenues		
Operating Revenues	\$ 2,646,909	\$ 2,610,898
Non-Operating Revenues	<u>6,104,816</u>	<u>5,782,887</u>
Total Revenues	<u>8,751,725</u>	<u>8,393,785</u>
Expenses		
Operating Expenses	\$ 8,032,446	\$ 7,287,087
Depreciation Expense	<u>1,509,919</u>	<u>1,399,248</u>
Total Expenses	<u>9,542,365</u>	<u>8,686,335</u>
Loss Before Capital Contributions	<u>\$ (790,640)</u>	<u>\$ (292,550)</u>
Capital Contributions	<u>\$ 6,930,359</u>	<u>\$ 3,238,905</u>
Increase in Net Assets During the Year	6,139,719	2,946,355
Net Assets, Beginning of Year	<u>13,828,637</u>	<u>10,882,282</u>
Net Assets, End of Year	<u>\$ 19,968,356</u>	<u>\$ 13,828,637</u>

The Authority's operating revenues overall increased \$36,011 to \$2.64 million in 2011, a slight increase from the previous year. Operating Expenses, excluding depreciation, increased by \$745,360 or 10%. This is partly due to a 19% increase in diesel. In addition, the Authority was awarded a TIGER grant in 2009 for \$20M to construct a multi-modal transit facility. In 2011 there was approximately \$300,000 in professional service expenses related to this grant, such as, legal fees for land purchases and 3rd party agreements, and professional services for developing reports. This was also reflected in the increase of Federal Grants. There was a prior year adjustment for the re-evaluation of useful life of the capital assets. This changed the 2010 Net Assets, End of the Year.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2011
(Unaudited)

Financial Analysis of the Authority (Cont'd)

Revenues

For purposes of this presentation, the Authority groups its revenues into the following categories:

Contract Services – There were no significant changes in 2011.

Passenger Fares – General Public farebox fares and ticket sales are included here. There were no significant changes in 2011.

Federal Grants and Reimbursements – The Authority received \$627,952 in capitalized maintenance to cover certain preventive maintenance costs incurred. The Authority was also competitively awarded \$346,797 through the New Freedom and JARC Programs to develop a Coordinated Transportation System. The Authority received \$366,386 from the Transportation Investments Generating Economic Recovery (TIGER) Grant.

State Grants and Reimbursements – The Ohio Department of Transportation allocates grants for elderly and disabled programs, of which, the Authority received \$118,601 in 2011. This category also includes \$81,892 for reimbursement for state fuel taxes paid by the Authority, \$82,937 to purchase bio-diesel fuel to operate the buses, and \$195,993 for capital maintenance costs. The Authority also received \$53,629 to develop a Coordinated Transportation System.

Sales Tax Revenues – .25 mills is levied against Portage County sales tax, and in 2005 the Authority renewed the levy to be permanent. For 2011, Sales Tax Revenues increased 3.5% and generated approximately 47% of the Authority's revenue (excluding capital contributions).

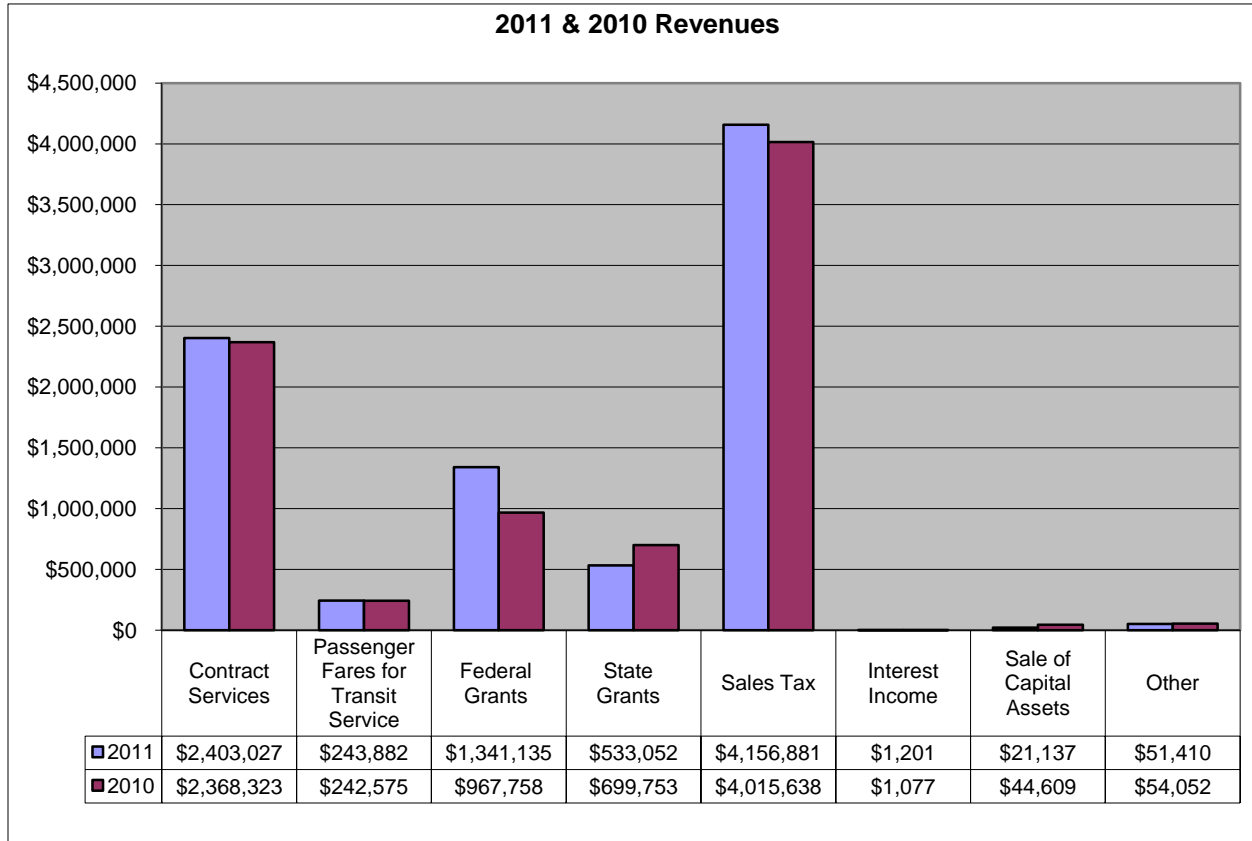
Interest Income – Interest income from Star Ohio and Huntington Bank is reported here and increased 11.5% from 2010 to 2011. This is due to the increase in bank balances.

Sale of Capital Assets – This category consists of assets competitively sold after they have reached their useful lives. In 2011 the Authority sold or scrapped fourteen (14) buses totaling \$21,137.

Other Income – This category summarizes miscellaneous income and revenue from various sources such as advertising, rebates, and recycling.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended December 31, 2011
 (Unaudited)

Financial Analysis of the Authority (Cont'd)



Expenses

For purposes of this presentation, the Authority groups its expenses into the following categories:

Labor and Fringe Benefits – These personnel costs accounted for approximately 62% of all the Authority operating expenses (excluding depreciation) in 2011. There were cost of living adjustments; however, due to personnel changes the adjustments only resulted in a 1.84% overall increase in this category.

Services – These expenses are associated with work performed by outside consultants such as advertising, legal fees, custodial, maintenance, training, employee background checks, and drug testing. These expenses increased \$443,582 (approximately 52%) from 2010 to 2011. The Authority was awarded a TIGER grant in 2009 for \$20M to construct a multi-modal transit facility. In 2011 there was approximately \$300,000 in professional service expenses related to this grant, such as, legal fees for land purchases and 3rd party agreements, and professional services for developing reports.

Fuel & Lubricants & Supplies – Overall, these expenses increased \$127,376 (approximately 13%). The Authority participated in a joint diesel fuel procurement to leverage buying power. The base cost per gallon increased 19% from 2010 to 2011. The Authority also maximized efficiency in route scheduling in order to offset fuel expenses.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended December 31, 2011
 (Unaudited)

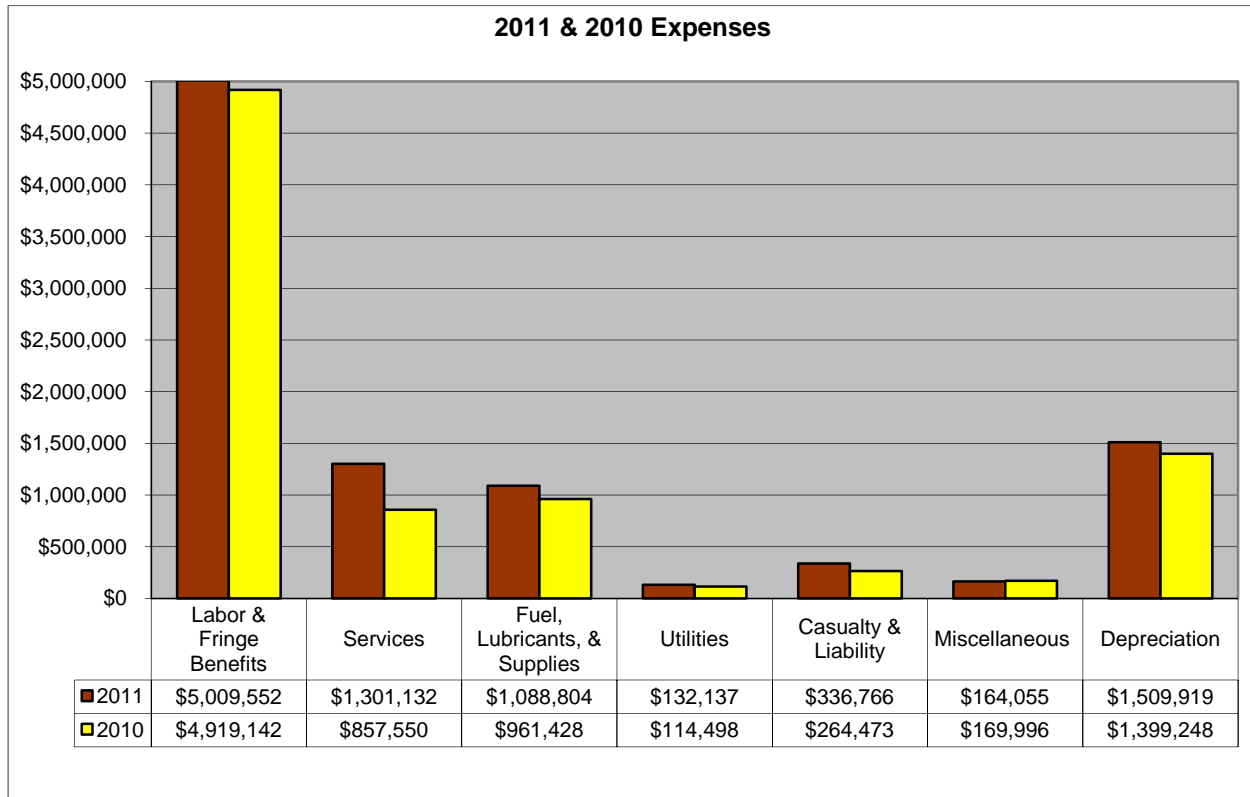
Financial Analysis of the Authority (Cont'd)

Utilities – These expenses include public utilities (i.e. gas, electric, phone, sewer, water), as well as satellite and cell phone. The utility expenses increased approximately 15% as a result of the construction of the new training offices, and changes to the Authority's data services for the mobile data terminals in the buses.

Casualty and Liability – The Authority belongs to an insurance pool of 9 transit agencies and premiums are based on an annual actuarial study and allocation done by the Ohio Transit Risk Pool. In anticipation of the construction of the Kent Central Gateway, half of the value of the future building was included in the property coverage. These premium calculations resulted in an increase (approximately 27%) in 2011 expenses for this category.

Miscellaneous – This category includes advertising & promotions, dues & subscriptions, travel & meetings, and other miscellaneous expenses. There was a small decrease (approximately 3.5%) to this category in 2011.

Depreciation – This category includes depreciation on all capital assets, except land. The increase in 2011 is directly related to the increase in capital assets, which included buses, cameras, computers, and expenditures associated with the Kent Central Gateway project. In addition, there was a prior year adjustment to depreciation for the re-evaluation of useful life of the capital assets.



PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended December 31, 2011
 (Unaudited)

Financial Analysis of the Authority (Cont'd)

Operations – These are expenses directly related to dispatching and running vehicles in revenue service to carry passengers, including administrative and clerical support. Included are wages and fringe benefits of operators, dispatchers, customer service, as well as diesel fuel and security costs.

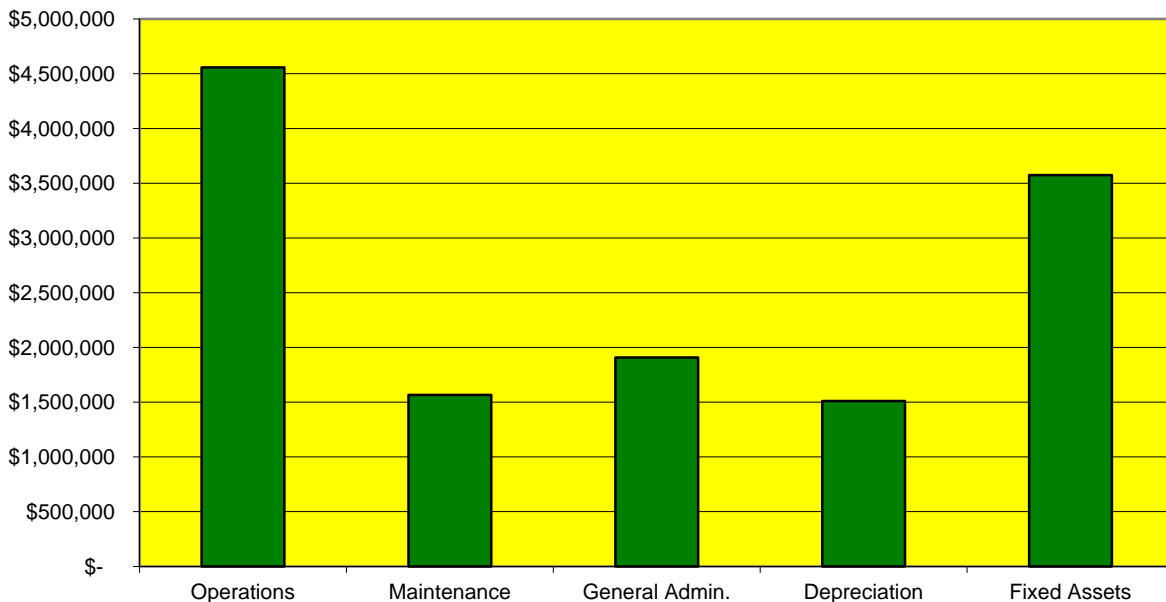
Maintenance – The expenses included in this category are associated with ensuring vehicles and facilities are operable, cleaned, fueled, inspected, and repaired. Included are maintenance labor costs, fringe benefits, and materials and supplies.

General Administration – The expenses included in this category are administrative personnel labor and fringe benefits, insurance, professional services, advertising and office supplies.

2011 EXPENSES BY FUNCTION

Operations	\$ 4,557,943	35%
Maintenance	\$ 1,566,446	12%
General Administration	\$ 1,908,057	15%
Depreciation	\$ 1,509,919	11%
Fixed Assets	<u>\$ 3,573,749</u>	27%
 TOTAL	 \$ 13,116,114	 100%

2011 EXPENSES BY FUNCTION



PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2011
(Unaudited)

Condensed Summary of Cash Flows

Net cash used for operating activities decreased overall as a result of decreased cash from customers, increased payments to employees and decreased payments to vendors. Net cash provided by non-capital financing activities increased overall as a result of the increase in operating grants received. Net cash used in capital and related financing activities increased as a result of an increase in capital projects and capital grant funds. This category increased significantly due to \$4 million the City of Kent contributed towards the Kent Central Gateway Project. Net cash provided by investing activities increased as a result of the increase in bank balances. Closing Cash & Cash Equivalents increased as a result of the overall increases from the other activities.

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2011</u>	<u>2010</u>
Cash Received from customers	\$2,584,648	\$2,657,309
Cash payments to employees for services	(4,982,334)	(4,895,996)
Cash payments to suppliers for goods and services	<u>(2,752,573)</u>	<u>(3,052,564)</u>
Net cash used in operating activities	(5,150,259)	(5,291,251)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales taxes received	4,121,957	4,147,713
Operating grants received	1,884,200	1,657,498
Other	<u>51,410</u>	<u>54,052</u>
Net cash provided by non-capital financing activities	6,057,567	5,859,263
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	6,930,359	3,238,905
Sale of Capital Assets	21,137	
Acquisition of fixed assets	<u>(3,215,638)</u>	<u>(3,573,749)</u>
Net cash used in capital and related financing activities	3,735,858	(334,844)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	<u>1,201</u>	<u>1,077</u>
Net cash provided by investing activities	<u>1,201</u>	<u>1,077</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,644,367	234,245
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,197,968</u>	<u>963,723</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$5,842,335</u>	<u>\$1,197,968</u>

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2011
(Unaudited)

Capital Assets

The Authority's investment in capital assets amounts to approximately \$13.6 Million, net of accumulated depreciation as of December 31, 2011, an increase of \$1.7 Million (14%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. The Authority disposed of capital equipment, which had reached its useful life, and had a book value of \$332,577. The Authority was one of fifty-one grantees in the United States awarded a Transportation Investments Generating Economic Recovery (TIGER) Grant in 2009. \$20 Million was awarded to purchase land and construct a multimodal transit facility in downtown Kent.

Future Outlook

The passage of a permanent .25% sales & use tax in Portage County provides the continuing funding source to stabilize the Authority's future. With the growth in the past few years, the Authority has reached a point where the stabilization of current transportation patterns will be maintained. There is a concern for continuously rising costs for fuel and insurance. The continued goal of the Authority will be to improve the efficiency and on-time performance of our service.

The award of the TIGER grant to construct the Kent Central Gateway multimodal transit facility will be the catalyst for an accessible downtown experience. Creating a transit-oriented, walkable, vibrant downtown will provide economic development and increase the livability of the area for residents and students. The Kent Central Gateway will include transit bus bays, bicycle amenities, and 18,000 square feet of potential retail, restaurant, and office space along Erie Street. In addition, private developers have partnered with PARTA, City of Kent, and Kent State University to plan for revitalization of downtown around the Kent Central Gateway multimodal facility.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Director of Finance, Portage Area Regional Transportation Authority, 2000 Summit Rd., Kent, OH 44240.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011
(With comparative totals for December 31, 2010)

	2011	2010
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 876,193	\$ 583,823
Receivables:		
Accounts	178,126	167,288
Operating Grants	-	10,013
Accrued Sales Tax	679,661	644,737
Prepaid Expenses	110,129	209,762
Materials & Supplies Inventory	243,857	239,788
 Total Current Assets	 2,087,966	 1,855,411
<u>Restricted Assets</u>		
Restricted Cash	4,966,142	614,145
 Total Restricted Assets	 4,966,142	 614,145
Capital Assets Not Being Depreciated	2,174,100	1,661,550
Capital Assets Being Depreciated	11,421,186	10,228,016
 Capital Assets (Net of Accumulated Depreciation)	 13,595,286	 11,889,566
 TOTAL ASSETS	 \$ 20,649,394	 \$ 14,359,122
 <u>LIABILITIES</u>		
Accounts Payable	\$ 230,262	\$ 55,858
Sales Tax Fees Payable	6,865	6,512
Accrued Payroll and Benefits	306,812	279,594
Unearned Revenue	137,099	188,522
 Total Liabilities	 \$ 681,038	 \$ 530,486
 <u>NET ASSETS</u>		
Invested in Capital Assets	\$ 13,595,286	\$ 11,889,566
Restricted For Capital Assets	965,491	614,145
Restricted for Kent Center Gateway	4,000,000	-
Unrestricted	1,407,579	1,324,925
 TOTAL NET ASSETS	 \$ 19,968,356	 \$ 13,828,636

The notes to the financial statements are an integral part of these statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With comparative totals for the year ended December 31, 2010)

	2011	2010
<u>OPERATING REVENUES:</u>		
Contract Services	\$ 2,403,027	\$ 2,368,323
Passenger Fares for Transit Services	243,882	242,575
TOTAL OPERATING REVENUES	2,646,909	2,610,898
<u>OPERATING EXPENSES:</u>		
Labor and Fringe Benefits	\$ 5,009,552	\$ 4,919,142
Services	1,301,132	857,550
Fuel, Materials and Supplies	1,088,804	961,428
Utilities	132,137	114,498
Casualty and Liability Insurance	336,766	264,473
Miscellaneous	164,055	169,996
Depreciation	1,509,919	1,399,248
TOTAL OPERATING EXPENSES	9,542,365	8,686,335
Operating Income (Loss)	(6,895,456)	(6,075,437)
<u>NON-OPERATING REVENUES:</u>		
Federal Grants and Reimbursements	\$ 1,341,135	\$ 967,758
State Grants, Reimbursements and Special Fare Assistance	533,052	699,753
Sales Tax	4,156,881	4,015,638
Interest Income	1,201	1,077
Sale of Capital Assets	21,137	44,609
Other	51,410	54,052
TOTAL NON-OPERATING REVENUES	6,104,816	5,782,887
Net Income (Loss) Before Capital Contributions	(790,640)	(292,550)
Capital Contributions	\$ 6,930,359	\$ 3,238,905
Changes in Net Assets	6,139,719	2,946,355
Net Assets (Deficit) Beginning of Year	\$ 13,828,637	\$ 10,168,676
Net Assets (Deficit) End of Year	\$ 19,968,356	\$ 13,115,031
Prior Period Adjustment		713,606
Total		\$ 13,828,637

The notes to the financial statements are an integral part of these statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With comparative totals for the year ended December 31, 2010)

	2011	2010
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 2,584,648	\$ 2,657,309
Cash Payments to Employees for Services	(4,982,334)	(4,895,996)
Cash Payments for Goods and Services	(2,752,573)	(3,052,564)
<i>Net Cash Provided by (Used in) Operating Activities</i>	(5,150,259)	(5,291,251)
Cash Flows from Noncapital Financing Activities		
Sales Taxes Received	\$ 4,121,957	\$ 4,147,713
Operating Grants Received	1,884,200	1,657,498
Other	51,410	54,052
<i>Net Cash Provided by (Used by) Noncapital Financing Activities</i>	6,057,567	5,859,263
Cash Flows from Capital Financing Activities		
Capital Grants Received	\$ 6,930,359	\$ 3,238,905
Sale of Capital Assets	21,137	-
Acquisition of Capital Assets	(3,215,638)	(3,573,749)
<i>Net Cash Provided by (Used by) Capital Financing Activities</i>	3,735,858	(334,844)
Cash Flows from Investing Activities		
Interest on Investments	\$ 1,201	\$ 1,077
<i>Net Cash Provided by (Used by) Investing Activities</i>	1,201	1,077
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	4,644,367	234,245
<i>Cash and Cash Equivalents Beginning of Year</i>	\$ 1,197,968	\$ 963,723
<i>Cash and Cash Equivalents End of Year</i>	\$ 5,842,335	\$ 1,197,968
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
<i>Operating Income (Loss)</i>	\$ (6,895,456)	\$ (6,075,437)
Adjustments:		
Depreciation	1,509,919	1,399,248
(Increase) Decrease in Assets:		
Accounts Receivable	(10,838)	46,411
Operating Grants	-	(10,013)
Accrued Sales Tax	-	(61,559)
Prepaid Expenses	99,633	(155,497)
Materials & Supplies Inventory	(4,069)	(4,427)
Increase (Decrease) in Liabilities:		
Accounts Payable	174,404	(453,744)
Sales Tax Fees Payable	353	621
Accrued Wages and Benefits	27,218	23,146
Unearned Revenue	(51,423)	-
<i>Total Adjustments</i>	1,745,197	784,186
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ (5,150,259)	\$ (5,291,251)

The notes to the financial statements are an integral part of these statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Portage Area Regional Transportation Authority (the Authority) was created pursuant to Section 306.01 through 306.13 of the Ohio Revised Code for the purpose of providing public transportation in Portage County, Ohio. As a political subdivision, it is distinct from and is not an agency of, the State of Ohio or any other local government unit. The Authority is not subject to federal or state 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 response service in the Kent/Ravenna area. The Federal Transportation Administration and the Ohio Department of Transportation provide financial assistance and make 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. On November 8, 2005 the Portage County Voters elected to pass a continuous sales and use tax of one quarter of one percent (.25%).

Management believes the financial statements included in this report represent all of the funds of the Authority, over which the Authority has the ability to exercise direct operating control.

B. REPORTING ENTITY

In evaluating how to define the Authority for financial reporting purposes, management has considered all agencies, departments and organizations making up the Portage Area Regional Transportation Authority (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." The Authority has no component units. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organizations.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

C. BASIS OF ACCOUNTING

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

In accordance with Statement No. 20 of the *Governmental 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.

D. CASH AND CASH EQUIVALENTS

The Authority considers highly liquid investments, with an original maturity of three months or less, to be cash equivalents. Investment procedures are restricted by the provisions of the Ohio Revised Code.

E. RESTRICTED ASSETS

Restricted assets are designated annually. These assets are the Authority's required local match for the future purchase of capital assets.

F. PROPERTY, FACILITIES AND EQUIPMENT

Property, facilities and equipment are stated at historical cost. The costs of normal maintenance and repairs are charged to operations as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets (3 to 40 years).

G. MATERIALS AND SUPPLIES

Materials and supplies are stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) basis. The costs of inventory items are recorded as expenses when used.

H. ACCUMULATED UNPAID VACATION AND PERSONAL LEAVE

Employees of the Authority are permitted to carry over year-end vacation and personal/sick leave balances at various rates under the Authority's policy.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

I. GRANTS

Grants are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable.

J. BUDGETARY ACCOUNTING CONTROL

The Authority's annual budget is prepared on the accrual basis of accounting as permitted by law. The Authority maintains control by not permitting total expenditures to exceed appropriations without approval of the Board.

K. USE OF ESTIMATES

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

L. NET ASSETS

Equity is displayed in three components as follows:

Invested in Capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The Authority has \$4,965,491 of restricted net assets for capital assets at December 31, 2011.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets”.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

M. NONEXCHANGE TRANSACTIONS

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, primarily include grants for operating assistance as well as the acquisition of property, facilities and equipment. Substantially all of the Authority's grants are reimbursement-type grants, which are recorded as revenue in the period the related expenditures are incurred. Any grants received in advance of the period in which the related expenditures are incurred, are recorded as restricted assets and as unearned revenue.

N. CLASSIFICATION OF REVENUES

The Authority has classified its revenues as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares and contract services. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as sales tax proceeds and most federal, state, and local grants and contracts.

2. CASH AND INVESTMENTS

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, commercial paper, savings accounts, money market accounts, the State Treasurer's Asset Reserve investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. The Authority is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse repurchase agreements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

2. CASH AND INVESTMENTS – (Continued)

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities, subject to a repurchase agreement, must exceed the value of the principal by 2% and be marked to market daily.

Deposits: At fiscal year end, the carrying amount of the Authority's deposits (excluding change funds of \$500) was \$4,435,385 and the bank balance was \$6,744,324. Of the bank balance, \$250,000 was covered by federal depository insurance, with the excess balances collateralized by a pool of securities maintained by the Authority's financial institution but not in the name of the Authority.

Investments: Interest Rate Risk- The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. It is the Authority's policy to evaluate market conditions, interest rate forecasts, and cash flow requirements to consider the term of an investment, with the goal being to buy where relative value exists along the maturity spectrum.

Credit Risk- The Authority invested in STAR Ohio, with a year ending balance of \$1,406,950. This is rated AAA by Moody's. 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, which is the price the investment could be sold for on December 31, 2011. The investment in STAR Ohio is a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

Concentration of Credit Risk- The Authority's investment policy is to be diversified in its holding of investments by avoiding concentrations of specific users. During the year, the Authority's investments were in STAR Ohio. Star Ohio investments consist of federal securities and certificates of deposit held by third party banks. Each participant participates on percentage basis as determined by their particular balance.

Interest revenue during fiscal year 2011 amounted to \$1,201.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

3. DEFINED BENEFIT PENSION PLAN

The employees of the Authority are covered by the Ohio Public Employees Retirement System (OPERS). The State of Ohio accounts for the activities of the retirement system and the amounts of these funds are not reflected in the accompanying financial statements.

OPERS administers three separate pension plans; The Traditional Pension Plan, the Member-Directed Plan, and the Combined Plan. The Traditional plan is a cost sharing, multiple-employer defined benefit plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings. The Combined Plan is a cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed 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 financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6701 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 10% of covered payroll for employees. For local government employer units the rate was 14% of covered payroll. The Authority's contributions for the years ending December 31, 2011, 2010 and 2009 were \$533,981, \$468,765, and \$515,247 respectively, equal to the required contributions for each year.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

4. POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011 state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

4. POST EMPLOYMENT BENEFITS – (Continued)

The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Authority's contributions for post-employment benefits were \$152,558 for the year ended December 31, 2011.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

5. 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 this amount at December 31, 2011 was \$159,265.

6. RISK MANAGEMENT

The Authority is a member of the Ohio Transit Risk Pool (OTRP), a self-insurance pool created under Chapter 2744 of the Ohio Revised Code. 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 \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. 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. The Authority has the following insurance coverage: Comprehensive General Liability, Automobile Liability, Errors and Omissions, and Employee Benefits Liability. There has not been a reduction in coverage from the prior year and claims have not exceeded the coverage in any of the past three years. The Authority pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

7. PROPERTY, FACILITIES AND EQUIPMENT

Capital asset activity for the year ended December 31, 2011 is as follows:

Description	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Capital assets not being depreciated:				
Land	\$ 1,661,550	512,550	-	\$ 2,174,100
Capital assets being depreciated:				
Building and building improvements	6,155,100	\$ 755,848	\$ -	6,910,948
Transportation equipment	9,205,791	1,923,567	(332,577)	10,796,781
Computers and software	1,289,739	21,918	-	1,311,657
Other equipment	455,621	1,755	-	457,376
Total capital assets being depreciated	17,106,251	2,703,088	(332,577)	19,476,762
Less accumulated depreciation:				
Building and building improvements	(1,500,777)	(282,855)	-	(1,783,632)
Transportation equipment	(4,310,027)	(1,038,685)	332,577	(5,016,135)
Computers and software	(767,825)	(159,761)	-	(927,586)
Other equipment	(299,606)	(28,617)	-	(328,223)
Total accumulated depreciation	(6,878,235)	(1,509,918)	332,577	(8,055,576)
Total capital assets being depreciated, net	10,228,016	1,193,170	-	11,421,186
Total capital asset, net	\$ 11,889,566	\$ 1,705,720	\$ -	\$ 13,595,286

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

8. CONTINGENCIES

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these grants requires compliance with terms and conditions specified in the grant agreements. These grants are subject to audit by the grantor agencies and disallowed claims resulting from these audits could become a liability of the Authority.

9. PRIOR PERIOD ADJUSTMENT

As part of the Authority's normal review of its capital assets procedures and record keeping, the Authority re-evaluated the useful life of its capital assets and noted some changes in some assets. This resulted in a restatement of the prior year's accumulated depreciation balance in the amount of \$713,605 to reflect this activity.

10. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

PORTAGE AREA REGIONAL TRANSIT AUTHORITY

Schedule of Federal Awards Expenditures

For the Year Ended December 31, 2011

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Program Expenditures
<u>U.S. Department of Transportation</u>			
Direct Programs:			
Federal Transit Cluster:			
Urbanized Area Formula Program	OH-90-X-645	20.507	\$ 1,286
	OH-90-X-684	20.507	511,151
	ARRA-OH-96-X024	20.507	51,053
Total Urbanized Area Formula Program			<u>563,490</u>
Capital Investment Grant	OH-04-X049	20.500	7,708
Total Capital Investment Grant			<u>7,708</u>
Total Federal Transit Cluster			571,198
Federal Highway Planning & Construction Cluster			
ARRA-Transportation Investment Generating Economic Recovery	ARRA-OH-78-X001	20.932	1,391,268
Total Federal Highway Planning & Construction Cluster			<u>1,391,268</u>
Job Access-Reverse Commute	OH-37-X064	20.516	169,258
Total Job Access - Reverse Commute			<u>169,258</u>
New Freedom Program	OH-57-X026	20.521	177,539
Total New Freedom Program			<u>177,539</u>
Highway Planning and Construction Grant			
Direct Programs:			
Highway Planning and Construction	OH-95-X-052	20.205	1,449,000
Highway Planning and Construction	OH-95-X-076	20.205	146,666
Total Direct Highway Planning and Construction			<u>1,595,666</u>
Pass through Ohio Department of Transportation:			
Bio-Diesel Grant	E90(017)	20.205	82,937
Capital Assistance Grant	OH-95-X050	20.205	366,565
Total Highway Planning and Construction Grant			<u>449,502</u>
Total CFDA 20.205			2,045,168
Capital Assistance Grant for Elderly and Disabled	OH-16-X002	20.513	53,629
Total Capital Assistance Grant for Elderly and Disabled			<u>53,629</u>
Total Federal Financial Assistance			\$ <u>4,408,060</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

Portage Area Regional Transportation Authority
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2011

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Portage Area Regional Transportation federal award programs. The schedule has been prepared on the accrual basis of accounting.

2. Matching

Certain federal programs require that the Authority contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on this schedule.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Portage Area Regional Transportation Authority
Portage County
2000 Summit Road
Kent, Ohio 44240

To the Board of Trustees:

We have audited the basic financial statements of the Portage Area Regional Transportation Authority (the Authority), Portage County, Ohio, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 8, 2012. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

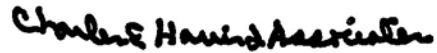
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, Board of Trustees, federal awarding agencies and pass-through entities, and others within the Authority. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Charles E. Harris" followed by "Associates" in a smaller, less legible script.

Charles E. Harris and Associates, Inc.

June 8, 2012

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Portage Area Regional Transportation Authority
Portage County
2000 Summit Street
Kent, Ohio 44240

To the Board of Trustees:

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 could directly and materially affect the Portage Area Regional Transportation Authority's major federal programs for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Authority's major federal programs. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Authority's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Authority Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Authorities, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with these requirements.

In our opinion, the Portage Area Regional Transportation Authority complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Charles E. Harris & Associates, Inc.

June 8, 2012

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**PORTAGE AREA REGIONAL TRANSIT AUTHORITY
Portage County
December 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	ARRA-Transportation Investment Generating Economic Recovery CFDA 20.932 Highway Construction and Planning Grant CFDA 20.205
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending December 31, 2010, reported no material citations or recommendations.

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Dave Yost • Auditor of State

PORTAGE AREA REGIONAL TRANSIT 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
SEPTEMBER 11, 2012