



AUDIT REPORT

For the year ended December 31, 2013

(With Comparative Totals for December 31, 2012)



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Portage Area Regional Transportation Authority, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. 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.

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

Dave Yost
Auditor of State

May 21, 2014

This page intentionally left blank.

Portage Area Regional Transportation Authority
AUDIT REPORT
For the Year Ended December 31, 2013

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Managements' Discussion and Analysis	4-14
Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Net Position	16
Statement of Cash Flows	17
Notes to the Financial Statements	18-28
Schedule of Federal Awards Expenditures	29
Notes to the Schedule of Federal Awards Expenditures	30
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31-32
Independent Auditors' 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>	33-34
Schedule of Findings	35
Status of Prior Audit's Citations and Recommendations	36

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT AUDITORS' REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Portage Area Regional Transportation Authority, Portage County, Ohio (the Authority), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Portage Area Regional Transportation Authority, Portage County, Ohio as of December 31, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Authority's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
April 11, 2014

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2013
(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, 2013. 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 position of \$39 million. This net position result from the difference between total assets of \$39.9 million and total liabilities of \$0.9 million.
- Current assets of \$2.6 million primarily consist of non-restricted Cash and Cash Equivalents of \$1.2 million, Receivables of \$945,789, Inventory of \$266,532, and other prepaid assets of \$107,131.
- Restricted assets of \$1,676,475 consist of special deposits for local match of capital projects. \$1,175,063 million remains from the City of Kent to complete construction of the Kent Central Gateway.
- Current liabilities of \$936,555 consist of Payables of \$387,386, accrued payroll expenses of \$407,478, and unearned revenue of \$141,691.

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 Position, the Statement of Revenues, Expenses, and Changes in Net Position, 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, 2013
(Unaudited)

Basic Financial Statements and Presentation (Cont'd)

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

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the Authority's net position 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, 2013
(Unaudited)

Financial Analysis of the Authority

Condensed Summary of Net Position

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets	\$ 2,557,737	\$ 2,457,958
Restricted Assets	1,676,475	4,766,153
Capital Assets, Net	<u>35,741,727</u>	<u>29,155,991</u>
Total Assets	<u>\$ 39,975,939</u>	<u>\$ 36,380,102</u>
LIABILITIES		
Current Liabilities	<u>\$ 936,555</u>	<u>\$ 1,214,797</u>
Total Liabilities	<u>\$ 936,555</u>	<u>\$ 1,214,797</u>
NET POSITION		
Invested in Capital Assets	\$ 35,741,727	\$ 29,155,991
Restricted for Capital Assets	1,676,475	4,766,153
Unrestricted	<u>1,621,182</u>	<u>1,243,161</u>
Total Net Position	<u>\$ 39,039,384</u>	<u>\$ 35,165,305</u>

The largest portion of the Authority's net position 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. The Authority's largest asset is the Kent Central Gateway Multimodal facility located in Downtown Kent, Ohio. These assets are not available to liquidate liabilities or to cover other spending.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2013
(Unaudited)

Financial Analysis of the Authority (Cont'd)

Condensed Summary of Revenues, Expenses, and Changes in Fund Net Position

	<u>2013</u>	<u>2012</u>
Revenues		
Operating Revenues	\$ 3,227,045	\$ 2,845,154
Non-Operating Revenues	<u>5,860,000</u>	<u>6,188,591</u>
Total Revenues	<u>9,087,045</u>	<u>9,033,745</u>
Expenses		
Operating Expenses	\$ 8,504,001	\$ 8,383,061
Depreciation Expense	<u>2,725,365</u>	<u>1,679,199</u>
Total Expenses	<u>11,229,366</u>	<u>10,062,260</u>
Loss Before Capital Contributions	<u>\$ (2,142,321)</u>	<u>\$ (1,028,515)</u>
Capital Contributions	<u>\$ 6,016,400</u>	<u>\$ 16,225,464</u>
Increase in Net Position During the Year	3,874,079	15,196,949
Net Position, Beginning of Year	<u>35,165,305</u>	<u>19,968,356</u>
Net Position, End of Year	<u>\$ 39,039,384</u>	<u>\$ 35,165,305</u>

The Authority's operating revenues overall increased \$381,891 to \$3.23 million in FY2013. This represents a 13% increase, which is primarily due to an increase in Contract Transportation Services and the beginning of parking revenue at the Kent Central Gateway. Operating Expenses, excluding depreciation, increased by \$120,940 or 1%. This is partly due to the expenses associated with operating the Kent Central gateway. The Authority's Capital Contributions increased significantly in FY2012 due to the receipt of the award of TIGER grant funds to construct the Kent Central Gateway Multi-modal Transit Facility. FY2013 Capital Contributions are more in line with FY2011.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2013
(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 – These revenues increased 10% due to service contract negotiations to provide transportation services in Portage County.

Multimodal Parking Fees – In FY2013 the Authority began operating the Kent Central Gateway Multimodal Facility. The Kent Central Gateway is located at 201 E. Erie St. in downtown Kent. It consists of a bus transfer facility with 10 bus bays and an indoor waiting area, and a 3-floor parking garage with 365 parking spaces.

Passenger Fares – General Public farebox fares and ticket sales are included in this line item. There was a slight increase in this category in FY2013.

Federal Grants and Reimbursements – The Authority receives approximately \$900,000 each year from the Federal 5307 grant program. In FY2013, \$540,000 was used for capitalized maintenance and the remaining allocation was used for capital projects. In FY2012, the Authority was also competitively awarded federal funds through the New Freedom and JARC Programs to develop a Coordinated Transportation System called NEORIDE. In FY2013, this project was put on hold to focus on the Kent Central Gateway resulting in a decrease in Federal Grant Revenue for this line item. In FY2014, the Authority is re-evaluating this project and will move forward with the project goals. The Authority received remaining TIGER Grant funds for the Kent Central Gateway, which was used for legal, advertising, and testing expenses associated with the project.

State Grants and Reimbursements – The Ohio Department of Transportation allocates grants for elderly and disabled programs, of which, the Authority received \$121,594 in FY2013. This category also includes \$72,179 for reimbursement for state fuel taxes paid by the Authority, and \$260,426 for capital maintenance costs.

Sales Tax Revenues – .25 mills is levied against Portage County sales tax, and in 2005 the Authority renewed the levy to be permanent. For FY2013, Sales Tax Revenues increased 5% and generated approximately 51.4% of the Authority's revenue (excluding capital contributions).

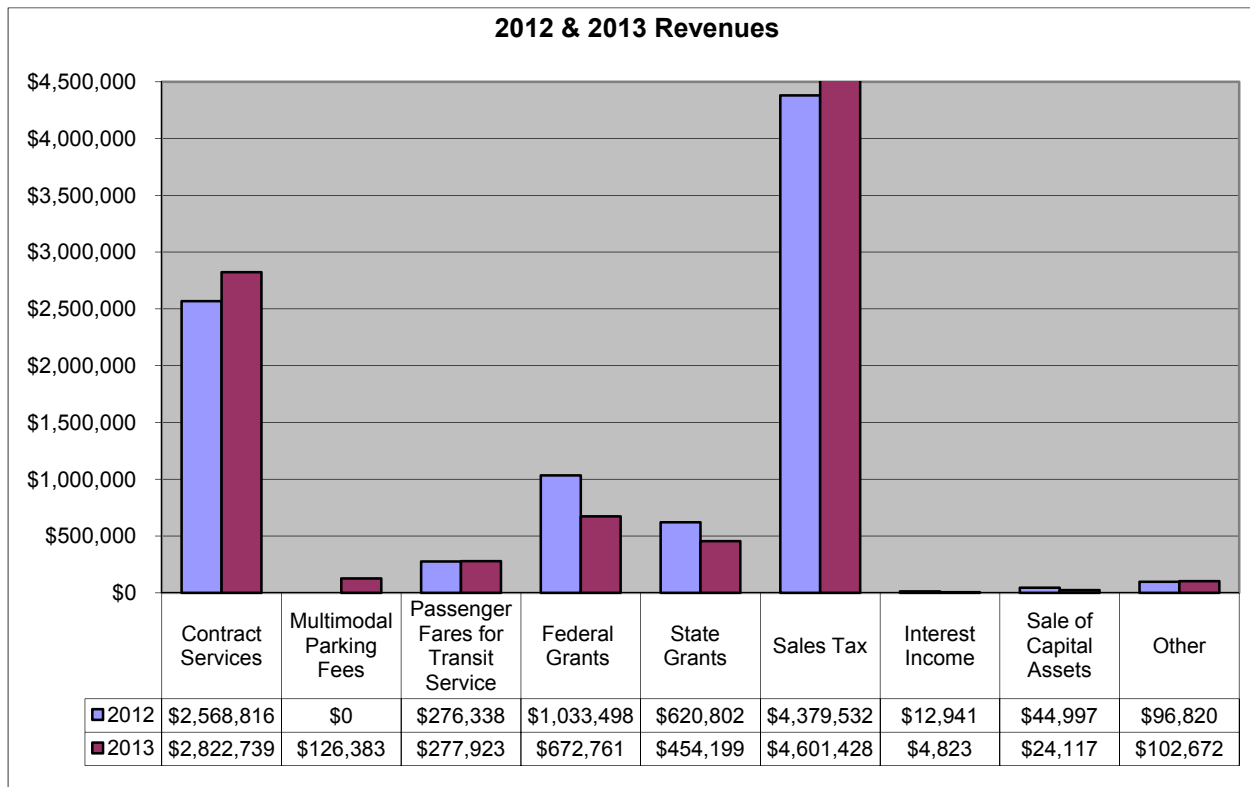
Interest Income – Interest income from Star Ohio and Huntington Bank is reported in this line item and decreased 62.73% from FY2012 to FY2013. In FY2011 the Authority received \$4,000,000 from the City of Kent to construct two levels of parking at the Kent Central Gateway Multimodal Facility. These funds were invested in a CD with a higher interest rate until they were needed for construction. The CD matured in October, 2012 and the Authority received \$10,489 in interest income. As progress payments were made during construction the bank balances decreased resulting in a decrease in this category.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended December 31, 2013
(Unaudited)

Financial Analysis of the Authority (Cont’d)

Sale of Capital Assets – This category consists of assets competitively sold after they have reached their useful lives. In FY2013 the Authority sold or scrapped ten (10) buses totaling \$24,867.

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



Expenses: Transit

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

Labor and Fringe Benefits – These personnel costs accounted for approximately 67% of all the Authority operating expenses (excluding depreciation) in FY2013. There were pay rate increases; as well as an increase personnel, which resulted in a 6% 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 decreased \$442,721 (approximately -36%) from FY2012 to FY2013. During the construction of the Kent Central Gateway Project, the Authority had professional service expenses for legal services and independent inspections. Most of these construction expenses occurred in FY2012 causing a decrease in this line item in FY2013.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2013
(Unaudited)

Financial Analysis of the Authority (Cont'd)

In addition, the Authority has been developing an FTA-sponsored research project called NEORIDE to create a "one-call, one-click" coordinated transportation system. In FY2013 this project was put on hold to focus on the Kent Central Gateway, which also contributed to a decrease in expenses for this line item. In FY2014 the Authority is re-evaluating this project and will move forward with the project goals.

Fuel & Lubricants & Supplies – Overall, these expenses remained constant from FY2012 to FY2013. The largest expense in this category is diesel fuel. The Authority participates each year in a joint procurement for diesel fuel with other regional transit authorities to leverage buying power and manage these expenses.

Utilities – These expenses include public utilities (i.e. gas, electric, phone, sewer, water), as well as satellite and cell phone. The utility expenses increased \$57,339 (approximately 46%) from FY2012 to FY2013 as a result to the construction of the Kent Central Gateway. During construction, the Authority was responsible for paying some of the consumption charges, and following its opening in April 2013, the Authority's utility expenses increased. In addition there was a small increase in utility expenses due to the construction of the fuel canopy & bus wash facility located at the administrative/maintenance facility.

Casualty and Liability – The Authority belongs to an insurance pool of 10 transit agencies and premiums are based on an annual actuarial study and allocation done by the Ohio Transit Risk Pool. These premium calculations remained fairly constant from FY2012 to FY2013.

Miscellaneous – This category includes advertising & promotions, dues & subscriptions, travel & meetings, and other miscellaneous expenses. There were many small decreases to these line items which resulted in an overall decrease of \$23,958 to this category in FY2013.

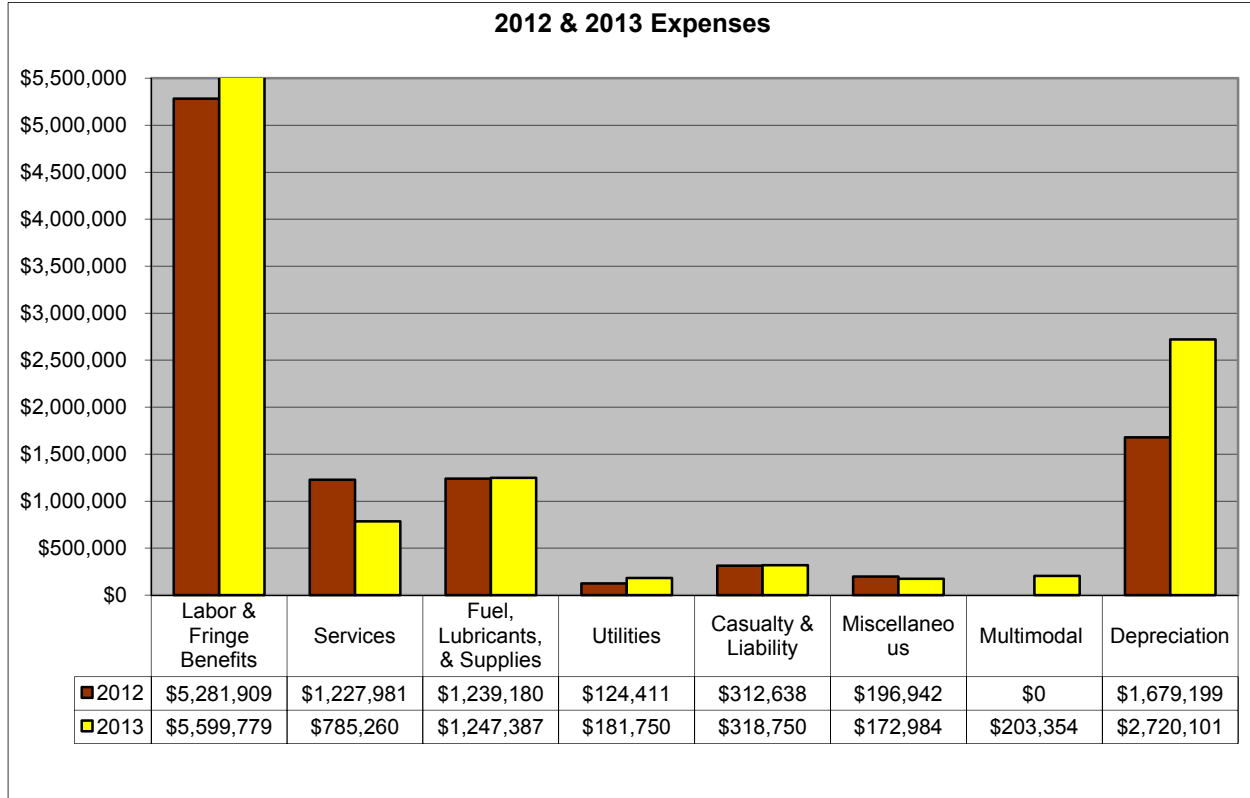
Depreciation – This category includes depreciation on all capital assets, except land and construction in process. The increase for this expense category is directly related to the Capital Assets acquired in FY2013. The Authority purchased nine (9) new Light Transit Vehicles. These will replace vehicles in the current fleet that have reached their useful life. The Authority also purchased an Automated Revenue Collection System, computer hardware, furniture, and miscellaneous equipment for the Kent Central Gateway.

Expenses: Multimodal

Multimodal – This is a new category in FY2013. The Authority began operating the Kent Central Gateway Multimodal Facility and the associated operating expenses are in this category. The Kent Central Gateway is located at 201 E. Erie St. in downtown Kent. It consists of a bus transfer facility with 10 bus bays and an indoor waiting area, and a 3-floor parking garage with 365 parking spaces.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended December 31, 2013
 (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.

Multimodal – The expenses included in this category are associated with operating the Kent Central Gateway Multimodal Facility.

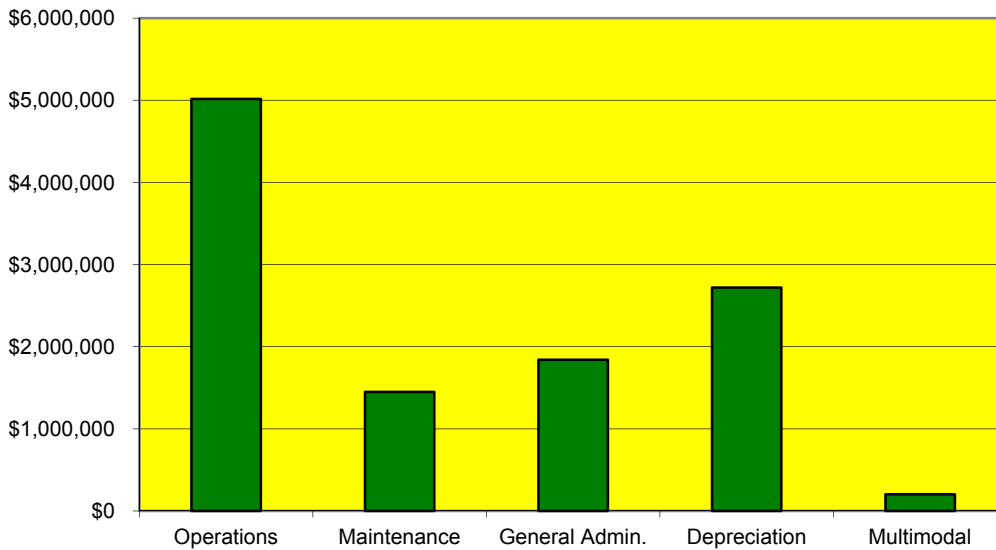
PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended December 31, 2013
 (Unaudited)

Financial Analysis of the Authority (Cont'd)

2013 EXPENSES BY FUNCTION

Operations	\$ 5,014,941	45%
Maintenance	\$ 1,449,327	13%
General Administration	\$ 1,841,643	16%
Depreciation	\$ 2,720,101	24%
Multimodal	<u>\$ 203,354</u>	2%
 TOTAL	 <u>\$ 11,229,366</u>	 100%

2013 EXPENSES BY FUNCTION



PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2013
(Unaudited)

Condensed Summary of Cash Flows

Net cash used in operating activities increased overall as a result of increased payments to employees, and increased payments to vendors. Net cash provided by non-capital financing activities decreased overall as a result of the decrease in operating grants received. Net cash used by capital and related financing activities increased as a result of the decrease of capital grant funds and using reserved funds for the capital projects. These items increased significantly in 2012 due to the construction of the Kent Central Gateway Multi-modal Transit Facility. Net cash provided by investing activities decreased as a result of spending the construction funds, which had been reserved for the Kent Central Gateway Project. The bank balances decreased resulting in a decrease in interest income revenue. End of Year Cash & Cash Equivalents decreased as a result of the construction completion of the Kent Central Gateway Project.

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2013</u>	<u>2012</u>
Cash Received from customers	\$ 3,207,974	\$ 2,847,664
Cash payments to employees for services	(5,522,064)	(5,261,076)
Cash payments to suppliers for goods and services	<u>(3,272,141)</u>	<u>(2,624,933)</u>
Net cash used in operating activities	\$ (5,586,231)	\$ (5,038,345)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales taxes received	\$ 4,542,017	\$ 4,362,910
Operating grants received	1,126,960	1,654,300
Other	<u>102,672</u>	<u>96,821</u>
Net cash provided by non-capital financing activities	\$ 5,771,649	\$ 6,114,031
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	\$ 6,016,400	\$ 16,225,464
Sale of Capital Assets	24,117	31,923
Acquisition of fixed assets	<u>(9,264,443)</u>	<u>(17,239,904)</u>
Net cash used in capital and related financing activities	\$ (3,223,926)	\$ (982,517)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	<u>\$ 4,823</u>	<u>\$ 12,941</u>
Net cash provided by investing activities	<u>\$ 4,823</u>	<u>\$ 12,941</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (3,033,685)	\$ 106,110
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>\$ 5,948,445</u>	<u>\$ 5,842,335</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,914,760</u>	<u>\$ 5,948,445</u>

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2013
(Unaudited)

Financial Analysis of the Authority (Cont'd)

Capital Assets

The Authority's investment in capital assets amounts to approximately \$35.7 Million, net of accumulated depreciation as of December 31, 2013, an increase of \$6.6 Million (23%). 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 \$407,766. 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 the Kent Central Gateway Multimodal Transit Facility in downtown Kent, which began operating in April 2013.

Future Outlook

The passage of a permanent 0.25% 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 Kent 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 includes 10 transit bus bays, bicycle amenities, and 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 POSITION
DECEMBER 31, 2013
(With comparative totals for December 31, 2012)

	2013	2012
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,238,285	\$ 1,182,292
Receivables:		
Accounts	190,095	191,121
Accrued Sales Tax	755,694	696,283
Prepaid Expenses	107,131	102,388
Materials & Supplies Inventory	266,532	285,874
Total Current Assets	2,557,737	2,457,958
<u>Restricted Assets</u>		
Special Deposit - Kent Central Gateway	1,175,063	4,000,000
Special Deposit - Restricted for capital expenditures	501,412	766,153
Total Restricted Assets	1,676,475	4,766,153
Capital Assets Not Being Depreciated	2,187,675	14,253,896
Capital Assets Being Depreciated, Net	33,554,052	14,902,095
Capital Assets (Net of Accumulated Depreciation)	35,741,727	29,155,991
TOTAL ASSETS	\$ 39,975,939	\$ 36,380,102
 <u>LIABILITIES</u>		
Accounts Payable	\$ 379,753	\$ 756,407
Sales Tax Fees Payable	7,633	7,033
Accrued Payroll and Benefits	407,478	329,763
Unearned Revenue	141,691	121,594
Total Liabilities	\$ 936,555	\$ 1,214,797
 <u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 35,741,727	\$ 29,155,991
Restricted For Capital Assets	501,412	766,153
Restricted for Kent Center Gateway	1,175,063	4,000,000
Unrestricted	1,621,182	1,243,161
TOTAL NET POSITION	\$ 39,039,384	\$ 35,165,305

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 NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative totals for the year ended December 31, 2012)

	2013	2012
<u>OPERATING REVENUES:</u>		
Contract Services	\$ 2,822,739	\$ 2,568,816
Passenger Fares for Transit Services	277,923	276,338
Multimodal Parking Fees	126,383	-
TOTAL OPERATING REVENUES	3,227,045	2,845,154
<u>OPERATING EXPENSES:</u>		
<i>TRANSIT</i>		
Labor and Fringe Benefits	\$ 5,599,779	\$ 5,281,909
Services	785,260	1,227,981
Fuel, Materials and Supplies	1,247,387	1,239,180
Utilities	181,750	124,411
Casualty and Liability Insurance	318,750	312,638
Miscellaneous	172,984	196,942
Depreciation	2,720,101	1,679,199
	11,026,011	10,062,260
<i>MULTIMODAL</i>		
Labor and Fringe Benefits	66,663	-
Services	82,665	-
Fuel, Materials and Supplies	17,116	-
Utilities	23,453	-
Miscellaneous	8,194	-
Depreciation	5,264	-
TOTAL OPERATING EXPENSES	11,229,366	10,062,260
Operating Income (Loss)	(8,002,321)	(7,217,106)
<u>NON-OPERATING REVENUES:</u>		
Federal Grants and Reimbursements	\$ 672,761	\$ 1,033,498
State Grants, Reimbursements and Special Fare Assistance	454,199	620,802
Sales Tax	4,601,428	4,379,532
Interest Income	4,823	12,941
Sale of Capital Assets	24,117	44,997
Other	102,672	96,821
TOTAL NON-OPERATING REVENUES	5,860,000	6,188,591
Net Income (Loss) Before Capital Contributions	(2,142,321)	(1,028,515)
Capital Contributions	6,016,400	16,225,464
Changes in Net Position	3,874,079	15,196,949
Net Position (Deficit) Beginning of Year	35,165,305	19,968,356
Net Position (Deficit) End of Year	\$ 39,039,384	\$ 35,165,305

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, 2013
(With comparative totals for the year ended December 31, 2012)

	2013	2012
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 3,207,974	\$ 2,847,664
Cash Payments to Employees for Services	(5,522,064)	(5,261,076)
Cash Payments for Goods and Services	(3,272,141)	(2,624,933)
<i>Net Cash Provided by (Used in) Operating Activities</i>	(5,586,231)	(5,038,345)
Cash Flows from Noncapital Financing Activities		
Sales Taxes Received	\$ 4,542,017	\$ 4,362,910
Operating Grants Received	1,126,960	1,654,300
Other	102,672	96,821
<i>Net Cash Provided by (Used by) Noncapital Financing Activities</i>	5,771,649	6,114,031
Cash Flows from Capital Financing Activities		
Capital Grants Received	\$ 6,016,400	\$ 16,225,464
Sale of Capital Assets	24,117	31,923
Acquisition of Capital Assets	(9,264,443)	(17,239,904)
<i>Net Cash Provided by (Used by) Capital Financing Activities</i>	(3,223,926)	(982,517)
Cash Flows from Investing Activities		
Interest on Investments	\$ 4,823	\$ 12,941
<i>Net Cash Provided by (Used by) Investing Activities</i>	4,823	12,941
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(3,033,685)	106,110
<i>Cash and Cash Equivalents Beginning of Year</i>	\$ 5,948,445	\$ 5,842,335
<i>Cash and Cash Equivalents End of Year</i>	\$ 2,914,760	\$ 5,948,445
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
<i>Operating Income (Loss)</i>	\$ (8,002,321)	\$ (7,217,106)
Adjustments:		
Depreciation	2,720,101	1,679,199
(Increase) Decrease in Assets:		
Accounts Receivable	1,026	79
Prepaid Expenses	(4,743)	7,741
Materials & Supplies Inventory	19,342	(42,017)
Increase (Decrease) in Liabilities:		
Accounts Payable	(418,048)	526,145
Sales Tax Fees Payable	600	168
Accrued Wages and Benefits	77,715	22,951
Unearned Revenue	20,097	(15,505)
<i>Total Adjustments</i>	2,416,090	2,178,761
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ (5,586,231)	\$ (5,038,345)

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, 2013

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 (0.25%).

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, 2013

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.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

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. The Authority maintains a capitalization threshold of \$5,000.

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.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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.

I. DEFERRED OUTFLOW/INFLOWS OF RESOURCES

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

J. GRANTS

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

K. 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.

L. 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.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

M. NET POSITION

Net position represents the difference between assets and liabilities. Net Position is displayed in three components as follows:

Net Investment 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 position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The Authority has \$1,676,475 of restricted net position for capital assets at December 31, 2013.

Unrestricted – This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

N. 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.

O. 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.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

2. CASH AND INVESTMENTS – (continued)

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.

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 petty cash and change funds) was \$2,107,816 and the bank balance of \$2,198,197 was not exposed to custodial credit risk.

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 \$800,478. 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, 2013. 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.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

2. CASH AND INVESTMENTS – (continued)

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 2013 amounted to \$4,823.

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 as follows: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan – 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 member and (vested) employer contributions plus any investment earnings. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invest employer contributions to provide a formula retirement benefit similar in nature to, but less than, 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, disability, survivor and death benefits and annual cost-of living adjustment to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. 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 visiting <http://www.opers.org/investments/cafr.shtml>, 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 statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. Members in the state and local divisions may participate in all three plans.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

3. DEFINED BENEFIT PENSION PLAN – (continued)

The 2013 member contribution rate was 10.00% of covered payroll for members in state and local classifications. The 2013 employer contribution rate for state and local employers was 14.00% of covered payroll. The Authority's total contribution to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2013, 2012 and 2011 were approximately \$585,437, \$544,954 and \$533,982, respectively, equal to 100 percent of the required contribution for each year.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

4. POST EMPLOYMENT BENEFITS

Plan Description

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 health care plan, which includes a medical plan, prescription drug program and Medicare Plan 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 the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

4. POST EMPLOYMENT BENEFITS – (continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy

The Ohio revised Code provides the statutory authority requiring public employers to fund post retirement health care coverage 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.00% of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. 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 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's total contribution to OPERS for post-employment benefits for the years ended December 31, 2013, 2012 and 2011 were approximately \$41,800, \$155,693 and \$152,558, respectively, equal to 100 percent of the required contribution for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions towards the health care fund after the end of the transition period.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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, 2013 was \$201,858.

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 contributions paid. OTRP self-insures the first \$250,000 of any qualified auto physical damage loss and the first \$100,000 of any qualified commercial property loss. Qualified casualty losses are self-insured to \$1,000,000 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 \$10,000,000 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: service area population, FTE employees, number of vehicles, total property values, 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 and Crime. 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, 2013

7. PROPERTY, FACILITIES AND EQUIPMENT

Capital asset activity for the year ended December 31, 2013 is as follows:

Description	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Capital assets not being depreciated:				
Land	\$ 2,187,675	\$ -	-	\$ 2,187,675
Construction in Progress	12,066,221	-	(12,066,221)	-
	<u>14,253,896</u>	<u>-</u>	<u>(12,066,221)</u>	<u>2,187,675</u>
Capital assets being depreciated:				
Building and building improvements	8,445,498	19,648,220	\$ -	28,093,718
Transportation equipment	13,073,530	1,393,067	(407,766)	14,058,831
Computers and software	1,314,601	73,973	-	1,388,574
Other equipment	456,266	262,062	-	718,328
	<u>23,289,895</u>	<u>21,377,322</u>	<u>(407,766)</u>	<u>44,259,451</u>
Total capital assets being depreciated				
	23,289,895	21,377,322	(407,766)	44,259,451
Less accumulated depreciation:				
Building and building improvements	(2,155,689)	(1,125,019)	-	(3,280,708)
Transportation equipment	(4,821,869)	(1,444,849)	407,766	(5,858,952)
Computers and software	(1,053,157)	(107,199)	-	(1,160,356)
Other equipment	(357,085)	(48,298)	-	(405,383)
	<u>(8,387,800)</u>	<u>(2,725,365)</u>	<u>407,766</u>	<u>(10,705,399)</u>
Total accumulated depreciation				
	(8,387,800)	(2,725,365)	407,766	(10,705,399)
Total capital assets being depreciated, net				
	<u>14,902,095</u>	<u>18,651,957</u>	<u>-</u>	<u>33,554,052</u>
Total capital asset, net				
	<u>\$ 29,155,991</u>	<u>\$ 18,651,957</u>	<u>\$ (12,066,221)</u>	<u>\$ 35,741,727</u>

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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. 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, 2013

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Program Expenditures
U.S. Department of Transportation			
Federal Transit Administration:			
Direct Programs:			
<i>Federal Transit Cluster:</i>			
Urbanized Area Formula Program	OH-90-X-645	20.507	\$ 6,041
	OH-90-X-684	20.507	1,126,980
	OH-90-X754	20.507	142,695
	OH-95-0113	20.507	<u>201,496</u>
Total Urbanized Area Formula Program			1,477,212
Capital Investment Grant	OH-04-X075	20.500	26,984
	OH-04-X092	20.500	<u>143,278</u>
			170,262
Total Federal Transit Cluster			1,647,474
ARRA-Transportation Investment Generating Economic Recovery	ARRA-OH-78-X001	20.932	4,723,218
<i>Transit Services Programs Cluster:</i>			
Job Access-Reverse Commute	OH-37-X064	20.516	222,440
New Freedom Program	OH-57-X026	20.521	<u>66,783</u>
Total Transit Services Programs Cluster			289,223
Transit Planning and Research	OH-26-7249	20.514	<u>29,246</u>
Total Federal Awards Expenditures			<u>\$ 6,689,161</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, 2013

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.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

**INDEPENDENT AUDITORS' 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Portage Area Regional Transportation Authority, Portage County, (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 11, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
April 11, 2014

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

**INDEPENDENT AUDITORS' 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 Road
Kent, Ohio 44240

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Portage Area Regional Transportation Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Portage Area Regional Transportation Authority's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

Management's Responsibility

The Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the Authority's major programs. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Portage Area Regional Transportation Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.


Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
April 11, 2014

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

**PORTAGE AREA REGIONAL TRANSIT AUTHORITY
Portage County
December 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(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>	Unmodified
(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 Federal Transit Cluster CFDA # 20.507 and #20.500
(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, 2012, reported no material citations or recommendations.

This page intentionally left blank.



Dave Yost • Auditor of State

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 3, 2014**