

**Comprehensive
Annual Financial Report
For The Years Ended December 31, 2009 and 2008**

LAKETRAN

LAKE COUNTY, OHIO





Mary Taylor, CPA
Auditor of State

Board of Trustees
Laketran
P.O. Box 158
Grand River, Ohio 44045

We have reviewed the *Independent Auditor's Report* of Laketran, Lake County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2009 through December 31, 2009. 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. Laketran is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 7, 2010

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Introductory Section

2009

**Comprehensive
Annual Financial Report
For The Years Ended December 31, 2009 and 2008**

LAKESTRAN

LAKE COUNTY, OHIO



Kevin Malecek
President
Board of Trustees

Raymond Jurkowski
General Manager/
Secretary-Treasurer

LAKETRAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Laketrans
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

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



President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Laketran, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



The regional transit authority for Lake County

Mailing Address: P.O. Box 158 • Grand River, Ohio 44045

Street Address: 555 Lake Shore Boulevard • Painesville, Ohio 44077

Phone: (440) 350-1000 • Fax: (440) 354-4202

www.laketransit.com • laketransit@laketransit.com

April 29, 2010

Mr. Kevin Malecek, President
Members, Board of Trustees of Laketransit
and Residents of Lake County

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Laketransit for the year ended December 31, 2009. This is the ninth such report issued by Laketransit. It has become the standard format used in presenting the results of Laketransit's operations, financial position, cash flows, and related statistical information.

Laketransit takes great pride in the fact that its eight previous CAFRs earned the recognition of the Government Finance Officers' Association of the United States and Canada (GFOA) in the form of its Certificate of Achievement for Excellence in Financial Reporting.

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

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

The MD&A immediately follows the independent auditor's report and provides a narrative summarizing and analyzing the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

REPORTING ENTITY

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

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

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

Administration:

- Controller
- Human Resources Manager
- Public Relations/Marketing Director

Maintenance:

- Maintenance Supervisor

Operations:

- Operations Manager

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

In 2009, Laketran had 145 full-time equivalent employees. The system delivered 831,000 revenue miles of motor bus service and 2,505,000 revenue miles of directly operated paratransit service. The service fleet was composed of 38 motor bus coaches and 76 paratransit buses.

LAKETRAN'S SERVICE AREA

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

CURRENT YEAR REVIEW

During the year 2009, Laketran received the following national awards for financial reporting::

- The Distinguished Budget Presentation Award for the 2008 operating and capital budget from the GFOA.
- Certificate of Achievement for Excellence in Financial Reporting for the 2008 CAFR from the GFOA.

Ridership changes from 2008 to 2009 for all modes of services were down 17 percent. The reason for the decrease in ridership is due to service cuts starting in July 2009, unemployment, and fare increases. All services for all modes after 7:00 P.M. were eliminated as were all services for Saturdays.

As part of an ongoing commitment to provide the best and safest overall service to the residents of Lake County, Laketran has **1)** a regular vehicle maintenance program and **2)** a regular and systematic program for removing old buses from service and replacing them with new buses, in accordance with Federal Transit Administration (FTA) guidelines. During 2009, Laketran continued to take out of service high mileage demand response vehicles. Additional new vehicles were purchased to replace them. Laketran operates one of the largest directly operated Dial-A-Ride services in the United States. The fleet consists of seventy-five buses.

The passenger information program began in 2004. This involves installing ride guides at many bus stops along Laketran's local fixed route system. Ride guides will be affixed to bus stop sign poles and contain such valuable passenger information as bus schedules, maps of the various routes, fares, how to contact Laketran, etc. \$92,000 has been spent to date.

MISSION STATEMENT

LAKETRAN is committed to providing quality public transportation to all Lake County residents with special emphasis on meeting the transportation needs of senior citizens and people with disabilities. We will accomplish this by:

- Providing efficient, affordable, reliable, safe and clean service
- Employing caring, committed, capable and courteous service providers
- Emphasizing individual accountability
- Promoting teamwork
- Maintaining fiscal responsibility

FUTURE PLANS

Laketran currently has a capital improvement plan in place through the year 2014. This plan was developed to provide for the future transportation needs of all Lake County residents and includes:

- **Passenger Shelters and Benches:** The Federal Transit Administration has directed more attention to passenger amenities. As a result, more bus shelters have been constructed and additional benches have been placed at various bus stops throughout the County. This program is done annually.
- **Vehicles:** Laketran has a regular vehicle replacement program for Dial-a-Ride buses as previously discussed.

Seventeen Dial-a-Ride buses are to be purchased during 2010. It is expected that all of these will be used as replacement buses, with the oldest buses being taken out of service. Keeping the fleet current is one of many ways Laketran demonstrates that Dial-a-Ride is a priority.

- **Passenger Information Program:** This is a major passenger amenity in the form of a “ride guide” (a four sided sign that will be attached to bus stop signs) as previously discussed. The project will be ongoing.
- **Fare Boxes:** One hundred and fourteen fare boxes are to be purchased during 2010. Several old grants were combined to make one new grant so this purchase could take place. New fare boxes will help Laketran to collect the right fares for each mode of transportation (modes are Dial-a-Ride, Fixed Route and Commuter Express). This grant is 80 percent Federal and 20 percent local funded. If three percent of revenues are recovered from this purchase it will cover the local cost. Estimated life is at least 12 years.

INTERNAL CONTROL

Laketran’s internal controls are reviewed annually as a part of the independent audit. In developing and revising Laketran’s accounting and reporting control system, consideration is given to the adequacy of internal controls to provide reasonable but not absolute assurance regarding:

- safeguarding assets against loss from unauthorized use or disposition, and
- reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

- The cost of control should not exceed the benefits likely to be derived, and
- the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. Laketran's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

BASIS OF ACCOUNTING

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

BUDGETARY CONTROL

Responsibility for budgetary control rests with individual departments. Each department receives a report of their expenses vs. budget each month. The accounting department exercises budgetary control over administrative costs such as hospitalization and property and casualty coverage. All bank accounts are reconciled monthly.

OTHER INFORMATION

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

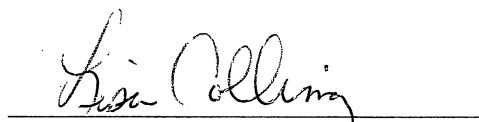
Laketran also participates in the federal single audit program, which consists of a single audit of all federally funded programs administered by Laketran. As a requirement for continued funding eligibility, participation in the single audit program is mandatory for most local governments, including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

ACKNOWLEDGMENT

This report is prepared in collaboration with the firm of James G. Zupka, CPA, Inc. Special thanks to Sujata Sulzer and the staff of James G. Zupka, CPA, Inc. for their valuable contributions to this document.



Raymond Jurkowski
General Manager/Secretary-Treasurer



Lisa Colling
Controller

LAKETRAN
BOARD OF TRUSTEES AND MANAGEMENT
AS OF DECEMBER 31, 2009

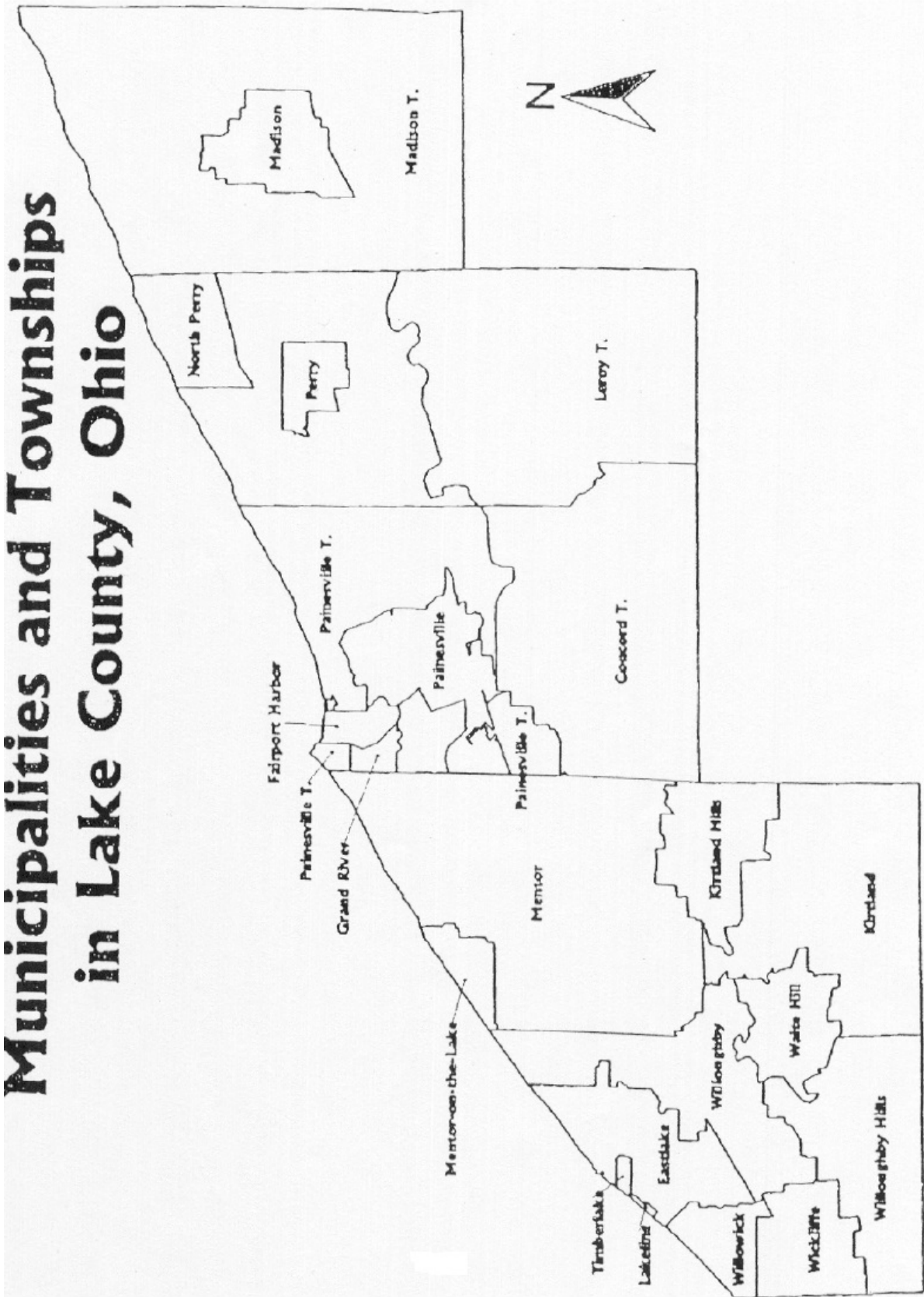
Board of Trustees

Chairman	Kevin D. Malecek
Vice-Chairman	John C. Redmond
Trustees	Matthew C. Armand Jason Boyd Jeanette Crislip Donna P. McNamee Edward J. Podojil Denise J. Powell Robert C. Roberti

Management

General Manager and Secretary-Treasurer	Raymond Jurkowski
Operations Manager	Andrew A. Altenweg
Controller	Lisa M. Colling
Human Resources Manager	Maureen D. Bierer
P/R and Marketing Director	Jessie M. Baginski
Maintenance Supervisor	Keith M. Bare

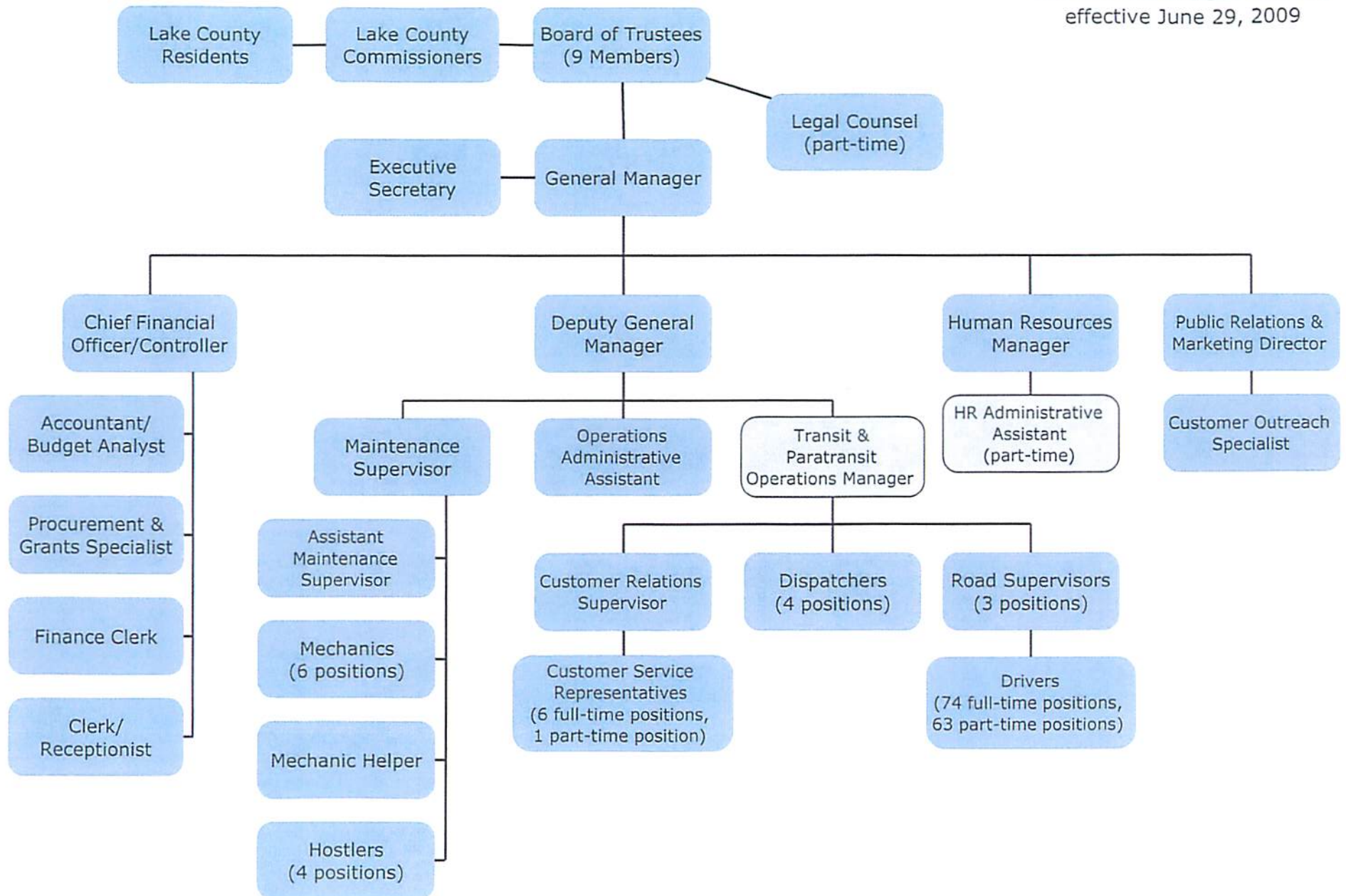
Municipalities and Townships in Lake County, Ohio



LAKETRAN

ORGANIZATION CHART

effective June 29, 2009



Financial Section

2009

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Laketran
Grand River, Ohio

We have audited the accompanying financial statements of the business-type activities of Laketran, Ohio, as of and for the years ended December 31, 2009 and 2008, which collectively comprise Laketran's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Laketran, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

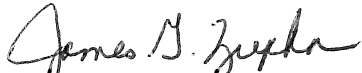
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinions.

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 Laketran, Ohio, as of December 31, 2009 and 2008, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2010, on our consideration of Laketran, Ohio'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 16 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laketran, Ohio's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.


James G. Zupka, CPA, Inc.
Certified Public Accountants

April 29, 2010

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2009

As management of Laketran, we offer readers of Laketran's financial statements this narrative overview and analysis of the financial activities of Laketran for the fiscal years ended December 31, 2009, 2008, and 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5 through 10 of this report.

FINANCIAL HIGHLIGHTS

- Laketran's 2009 net assets increased as a result of current year operations by \$1,268,674 or 3.6 percent over 2008. Net assets for 2008 decreased \$3,369,323, or 8.6 percent from 2007.
- Operating expenses, exclusive of depreciation, were \$12,042,570 at December 31, 2009, \$12,937,064 in 2008, and \$12,271,288 in 2007. This represents a decrease of 6.9 percent and an increase of 5.4 percent, respectively.
- Net capital assets were \$26,619,938 at December 31, 2009, \$25,370,570 at December 31, 2008, and \$27,761,112 at December 31, 2007. This represents an increase of 4.9 percent and a decrease of 8.6 percent, respectively.
- Cash and cash equivalents were \$4,407,612 at December 31, 2009, \$4,416,937 at December 31, 2008, and \$3,084,012 at December 31, 2007. This represents a decrease of .2 percent and an increase of 43.2 percent, respectively.
- Investments at fair value, other than those included in cash and cash equivalents, were \$5,132,656 at December 31, 2009, \$5,065,435 at December 31, 2008, and \$6,526,871 at December 31, 2007. This represents an increase of 1.3 percent and a decrease of 22.4 percent, respectively.

NOTE: Cash and cash equivalents, and investments at fair value combined were \$9,540,268 at December 31, 2009, \$9,482,372 at December 31, 2008, and \$9,610,883 at December 31, 2007. This represents an increase of .6 percent and a decrease of 1.3 percent respectively. These cash reserves were used to pay Laketran's local share of capital improvements.

Laketran had current Federal and State operating grants receivable of \$4,745,858 at December 31, 2009, \$1,582,813 at December 31, 2008, and \$1,310,911 at December 31, 2007. These represent increases of 199.8 percent and 20.7 percent, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Laketran's basic financial statements. Laketran's basic financial statements are comprised of four components: **1)** Statements of Net Assets, **2)** Statements of Revenues, Expenses, and Changes in Net Assets, **3)** Statements of Cash Flows, and **4)** Notes to the Basic Financial Statements. The Statements of Net Assets and Statements of Revenue, Expenses, and Changes in Net Assets (pages 25 and 26) provide information about the activities of Laketran and present a longer-term view of its finances.

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

One of the most important questions asked about Laketrans finances is, "Is Laketrans better off or worse off as a result of the year's activities?" The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows report information about Laketrans and its activities in a way that helps answer this question. These statements are prepared on the accrual basis of accounting. Revenues are recorded when earned as opposed to received and expenses are recorded when incurred as opposed to paid.

The basic financial statements report Laketrans net assets and changes in them. Laketrans net assets are the difference between assets (what the citizens own) and liabilities (what the citizens owe) as one way to measure Laketrans financial health or financial position. Over time, increases or decreases in Laketrans net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors need to be considered such as the condition of Laketrans capital assets (property, equipment, vehicles, etc.).

Laketrans only engages in business type activities. The sole purpose of Laketrans is to provide public transportation services to the citizens of Lake County. A bus fare is charged each rider to help cover a portion of expenses.

Table 1 - Net Assets

	2009	2008	2007
<u>Assets</u>			
Current Assets	\$ 16,213,321	\$ 13,124,221	\$ 13,094,943
Restricted Assets	0	0	116,928
Other Assets	8,965,939	3,960,359	3,462,844
Capital Assets	<u>26,619,938</u>	<u>25,370,570</u>	<u>27,761,112</u>
Total Assets	<u>51,799,198</u>	<u>42,455,150</u>	<u>44,435,827</u>
<u>Liabilities</u>			
Current Liabilities	5,654,128	2,650,228	1,759,097
Other Liabilities	<u>9,286,210</u>	<u>4,214,736</u>	<u>3,717,221</u>
Total Liabilities	<u>14,940,338</u>	<u>6,864,964</u>	<u>5,476,318</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Debt	26,595,830	25,336,813	27,741,282
Unrestricted	<u>10,263,030</u>	<u>10,253,373</u>	<u>11,218,227</u>
Total Net Assets	<u>\$ 36,858,860</u>	<u>\$ 35,590,186</u>	<u>\$ 38,959,509</u>

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

Laketrans net assets were \$36,858,860 at December 31, 2009, \$35,590,186 at December 31, 2008, and \$38,959,509 at December 31, 2007. This represents an increase of 3.6 percent and a decrease of 8.6 percent, respectively. Unrestricted net assets were \$10,263,030 at December 31, 2009, \$10,253,373 at December 31, 2008, and \$11,218,227 at December 31, 2007. This represents an increase of .1 percent and a decrease of 8.6 percent, respectively.

The following financial ratios should be used to assess the financial stability of Laketrans over a period of five years. The ratios of working capital and days cash and investments in reserve demonstrate the ability to finance operations with cash.

FINANCIAL RATIOS

Working capital is the amount by which current assets exceeds current liabilities:

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$10,559,193	\$10,473,993	\$11,452,774	\$12,622,109	\$14,530,433

The current ratio, which compares current assets to current liabilities, is an indicator of the ability to pay current obligations.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
2.87	4.95	7.51	8.64	9.92

Days cash and investments in reserve represents the number of days normal operations could continue with no revenue collection.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
289	270	286	374	435

Liabilities to net assets indicates the extent of borrowing.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
40.5%	19.3%	14.1%	15.0%	8.9%

In addition, Laketrans has never incurred debt by borrowing (issuing bonds, obtaining a bank loan, etc.). The "borrowing" in the ratio above is solely a result of unpaid liabilities at year end. These consist of 1) payments due vendors, 2) accrued payroll liabilities, and 3) deferred revenue. Deferred revenue consists of capital grant funding approved but not yet eligible to be received.

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

Table 2 - Changes in Net Assets

	2009	2008	2007
REVENUES			
Operating Revenues			
Passenger Fares	\$ 1,911,353	\$ 1,575,204	\$ 1,190,339
Auxiliary Transportation Revenue	78,851	82,224	82,411
Total Operating Revenue	<u>1,990,204</u>	<u>1,657,428</u>	<u>1,272,750</u>
Operating Expenses Other Than Depreciation			
Labor	5,018,385	5,490,577	5,384,569
Fringe Benefits	3,264,433	3,191,539	3,022,379
Services	614,061	670,322	572,486
Fuel and Lubricants	1,164,945	1,418,915	1,089,416
Materials and Supplies	585,388	525,052	547,379
Utilities	181,737	202,286	213,375
Claims and Insurance	570,354	584,193	579,289
Purchased Transportation	499,705	639,050	573,128
Miscellaneous	143,562	215,130	289,267
Total Operating Expenses Other Than Depreciation	12,042,570	12,937,064	12,271,288
Depreciation	3,399,313	4,568,865	4,397,417
Total Operating Expenses	<u>15,441,883</u>	<u>17,505,929</u>	<u>16,668,705</u>
Operating Loss	<u>(13,451,679)</u>	<u>(15,848,501)</u>	<u>(15,395,955)</u>
Non-Operating Revenues			
Sales Tax Revenue	7,157,307	7,744,815	7,913,161
Federal Grant Reimbursements	4,827,052	1,560,826	1,438,721
State Grants, Reimbursements, and Special Fare Assistance	1,117,214	664,448	698,419
Interest Income	144,507	252,887	503,792
Non-Transportation Revenues	29,523	292,352	149,763
Gain on Disposal of Assets	0	239,327	75,339
Total Non-Operating Revenues	<u>13,275,603</u>	<u>10,754,655</u>	<u>10,779,195</u>
Loss Before Capital Contributions	<u>(176,076)</u>	<u>(5,093,846)</u>	<u>(4,616,760)</u>
Capital Funding			
Federal Grants and Reimbursements	1,444,750	1,724,523	2,640,882
State Grants and Reimbursements	0	0	37,643
Total Capital Funding	<u>1,444,750</u>	<u>1,724,523</u>	<u>2,678,525</u>
Increase (Decrease) in Net Assets	1,268,674	(3,369,323)	(1,938,235)
Total Net Assets Beginning of Year	<u>35,590,186</u>	<u>38,959,509</u>	<u>40,897,744</u>
Total Net Assets End of Year	<u>\$ 36,858,860</u>	<u>\$ 35,590,186</u>	<u>\$ 38,959,509</u>

LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

Significant items contributing to the change in net assets are as follows:

- Federal grant reimbursements increased from 2008 to 2009 by 90.9 percent and decreased from 2007 to 2008 by 19.5 percent. Deferred revenue fluctuates greatly from year to year. This represents federal grant funds approved but not yet eligible to be received, which increased from 2008 to 2009 by 112.7 percent and increased from 2007 to 2008 by 13.4 percent.
- Sales tax revenues, Laketran's largest source of revenue, decreased from 2008 to 2009 by 7.6 percent and decreased from 2007 to 2008 by 2.1 percent. Laketran receives a 1/4 percent sales tax.
- Investment income decreased 42.9 percent from 2008 to 2009 and decreased 49.9 percent from 2007 to 2008 due to a drop in interest rates .
- Operating expenses, excluding depreciation, decreased 6.9 percent from 2008 to 2009 and increased 5.4 percent from 2007 to 2008, respectively.
- Significant changes in operating expenses are:

Fuel and oil costs decreased 17.9 percent from 2008 to 2009 and increased 30.2 percent from 2007 to 2008, respectively. This is due to significantly higher fuel costs in 2008. Laketran participates in a fuel consortium that has an annual fuel contract. This has proven to be very cost effective.

Labor costs decreased 8.6 percent from 2008 to 2009 and increased 2.0 percent from 2007 to 2008. This is due to service cuts that were put in place beginning July 1, 2009. Evening and Saturday services were eliminated due to the State of the economy and the decrease in sales tax revenues.

Table 3 - Changes in Cash Flows

	2009	2008	2007
Net Cash Used for Operating Activities	\$ (9,842,755)	\$(10,100,006)	\$(10,783,791)
Net Cash Provided by Noncapital Financing Activities	9,661,576	9,774,495	9,044,481
Cash Flows Provided (Used) by Capital and Related Financing	72,231	(214,472)	(874,654)
Net Cash Provided by Investment Activities	99,623	1,755,980	2,452,466
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (9,325)</u>	<u>\$ 1,215,997</u>	<u>\$ (161,498)</u>

**LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Net cash used for operating activities increased 2.5 percent from 2008 to 2009 and increased 6.3 percent from 2007 to 2008 due to fare rate increases.

Net cash provided by noncapital financing activities decreased 1.2 percent from 2008 to 2009 and increased 8.1 percent from 2007 to 2008 due to additional grants in 2008.

Net cash provided/(used) by capital and related financing activities increased 133.7 percent from 2008 to 2009 and increased 75.5 percent from 2007 to 2008 due to funds not being drawn down to purchase capital assets.

Net cash provided/(used) by investment activities decreased 94.3 percent from 2008 to 2009 and decreased 28.4 percent from 2007 to 2008. The decrease was primarily caused by a drop in interest rates and a decrease in net proceeds from investments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For years ended December 31, 2009, 2008 and 2007, Laketrans had invested in a broad range of capital assets, including land, buildings, equipment, office furniture/fixtures/equipment, parking lots, communication equipment, and vehicles for \$26,619,938, \$25,370,570, and \$27,761,113 (net), respectively. This represents a net increase of \$1,249,368 or 4.9 percent from 2008 to 2009 which is attributable to the addition of twelve buses and depreciation expense, and a net decrease of \$2,390,543 or 8.6 percent from 2007 to 2008 which is attributable to depreciation.

Table 4 - Capital Assets at Year End

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land	\$ 2,442,643	\$ 2,442,643	\$ 2,442,643
Buildings	16,132,532	15,920,190	14,664,271
Transportation Vehicles and Equipment	40,253,633	35,128,705	35,888,576
Furniture and Equipment	819,643	827,791	796,311
Construction in Progress	<u>0</u>	<u>706,214</u>	<u>1,329,577</u>
	59,648,451	55,025,543	55,121,378
Less: Accumulated Depreciation	<u>33,028,513</u>	<u>29,654,973</u>	<u>27,360,265</u>
Total Capital Assets, Net	<u>\$ 26,619,938</u>	<u>\$ 25,370,570</u>	<u>\$ 27,761,113</u>

For more detailed information on capital asset activity, see Note 11 of the financial statements.

All capital assets are depreciated using the straight line method of depreciation. Vehicles useful lives are either four, seven, or twelve years as specified in Federal Transit Administration regulations. All other useful lives range from five to thirty years, depending on the nature of the asset. Laketrans owns one building which is being depreciated over a period of thirty years.

**LAKETRAN
MANAGEMENT'S DISCUSSION & ANALYSIS (unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Long-Term Debt

For years ended December 31, 2009, 2008 and 2007, Laketran had capital leases payable of \$33,757, \$24,108 and \$0, respectively. See Note 12 of the financial statements for more detail.

DISCUSSION OF CURRENTLY KNOWN FACTS

During 2009, operating and non-operating revenues increased 23.0 percent while operating expenses (other than depreciation) decreased 6.9 percent. Wages and benefits are 68.8 percent of operating expenses but these only decreased 4.6 percent. Included in this modest 4.6 percent decrease in wages and benefits were decreases in wage and benefits associated with the cuts in service that were put into place on July 1, 2009.

Exclusive of capital grant reimbursements, Laketran has experienced relatively flat revenues since 2000. Capital grant reimbursements can be very volatile from one year to the next because they are based upon the availability of governmental funds for capital purchases rather than bus operations.

Fuel and oil which comprises 9.7 percent of the operating budget decreased 17.9 percent. This decrease is due to fuel prices being higher in 2008 than in 2009.

During November, 2003, Lake County voters overwhelmingly approved the 1/4 percent sales tax which provides Laketran with a majority of its funding. This levy was approved by a margin of 67 percent for and 33 percent against. The old levy expired July 31, 2004, and the new levy took effect on August 1, 2004. The current levy expires July 31, 2014.

During 2009, sales tax revenue decreased 7.6 percent over 2008. Sales tax provided Laketran with 59.4 percent of its operating costs in 2009.

Requests for Information

This financial report is designed to provide a general overview of Laketran for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, Laketran, 555 Lakeshore Boulevard, Painesville, Ohio 44077.

LAKETRAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,407,612	\$ 4,416,937
Investments	5,132,656	5,065,435
Receivables:		
Federal Grants	4,745,858	1,582,813
Trade	152,289	150,380
Sales Tax	1,138,195	1,223,613
Accrued Interest	27,495	49,832
Alternative Fuel Tax Credit	24,051	29,175
Materials and Supplies	508,363	565,801
Prepaid Expenses	76,802	40,235
Total Current Assets	<u>16,213,321</u>	<u>13,124,221</u>
Non-Current Assets:		
Federal Grants Receivable	8,965,939	3,960,359
Non-Depreciable Capital Assets	2,442,643	3,148,857
Depreciable Capital Assets, net	<u>24,177,295</u>	<u>22,221,713</u>
Total Non-Current Assets	<u>35,585,877</u>	<u>29,330,929</u>
TOTAL ASSETS	<u>\$ 51,799,198</u>	<u>\$ 42,455,150</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 336,183	\$ 205,265
Contracts Payable	4,448,427	1,285,382
Capital Leases Payable	10,135	10,587
Accrued Payroll and Benefits	544,471	378,007
Compensated Absences	<u>314,912</u>	<u>350,724</u>
Total Current Liabilities	<u>5,654,128</u>	<u>2,229,965</u>
Other Liabilities:		
Deferred Revenue	8,965,939	4,214,736
Capital Leases Payable	13,973	23,170
Compensated Absences	<u>306,298</u>	<u>397,093</u>
Total Other Liabilities	<u>9,286,210</u>	<u>4,634,999</u>
Total Liabilities	<u>14,940,338</u>	<u>6,864,964</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	26,595,830	25,336,813
Unrestricted	<u>10,263,030</u>	<u>10,253,373</u>
Total Net Assets	<u>36,858,860</u>	<u>35,590,186</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 51,799,198</u>	<u>\$ 42,455,150</u>

See accompanying notes to the basic financial statements.

LAKETRAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Passenger Fares for Transit Service	\$ 1,431,536	\$ 1,574,077
Special Transit Fares	479,817	1,127
Auxiliary Transportation Revenue	78,851	82,224
Total Operating Revenues	<u>1,990,204</u>	<u>1,657,428</u>
Operating Expenses Other Than Depreciation		
Labor	5,018,385	5,490,577
Fringe Benefits	3,264,433	3,191,539
Services	614,061	670,322
Fuel and Lubricants	1,164,945	1,418,915
Materials and Supplies	585,388	525,052
Utilities	181,737	202,286
Claims and Insurance	570,354	584,193
Purchased Transportation	499,705	639,050
Miscellaneous	143,562	215,130
Total Operating Expenses Other Than Depreciation	<u>12,042,570</u>	<u>12,937,064</u>
Depreciation	<u>3,399,313</u>	<u>4,568,865</u>
Total Operating Expenses	<u>15,441,883</u>	<u>17,505,929</u>
Operating Loss	<u>(13,451,679)</u>	<u>(15,848,501)</u>
Non-Operating Revenues		
Sales Tax Revenue	7,157,307	7,744,815
Federal Grants and Reimbursements	4,827,052	1,560,826
State Grants, Reimbursements, and Special Fare Assistance	1,117,214	664,448
Interest Income	144,507	252,887
Gain on Disposal of Capital Assets	0	239,327
Non-Transportation Revenues	29,523	292,352
Total Non-Operating Revenues	<u>13,275,603</u>	<u>10,754,655</u>
Loss before Capital Contributions	<u>(176,076)</u>	<u>(5,093,846)</u>
Capital Funding		
Federal Grants and Reimbursements	<u>1,444,750</u>	<u>1,724,523</u>
Total Capital Funding	<u>1,444,750</u>	<u>1,724,523</u>
Increase (Decrease) in Net Assets	1,268,674	(3,369,323)
Total Net Assets, Beginning of Year	<u>35,590,186</u>	<u>38,959,509</u>
Total Net Assets, End of Year	<u>\$ 36,858,860</u>	<u>\$ 35,590,186</u>

See accompanying notes to the basic financial statements.

LAKETRAN
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 1,988,295	\$ 1,585,592
Cash Payments for Goods and Services	(3,003,551)	(2,572,362)
Cash Payments for Employees' Services	(8,857,022)	(9,405,588)
Non-Transportation Revenue	29,523	292,352
Net Cash Used for Operating Activities	(9,842,755)	(10,100,006)
<u>Cash Flows from Noncapital Financing Activities</u>		
Sales Tax Received	7,242,725	7,762,158
Non-Operating Grants Received	2,418,851	2,012,337
Net Cash Provided by Noncapital Financing Activities	9,661,576	9,774,495
<u>Cash Flows from Capital and Related Financing Activities</u>		
Capital Grants Received	1,557,867	1,724,523
Acquisition and Construction of Capital Assets	(1,485,636)	(2,179,301)
Net Proceeds from Sale of Assets	0	240,306
Net Cash Provided (Used) by Capital and Related Financing Activities	72,231	(214,472)
<u>Cash Flows from Investing Activities</u>		
Interest Received	173,323	274,525
Purchase of Investment Securities	(8,159,610)	(5,022,100)
Proceeds from Maturities of Investments	8,085,910	6,503,555
Net Cash Provided by Investment Activities	99,623	1,755,980
Net Increase (Decrease) in Cash and Cash Equivalents	(9,325)	1,215,997
Cash and Cash Equivalents at Beginning of Year	4,416,937	3,200,940
Cash and Cash Equivalents at End of Year	\$ 4,407,612	\$ 4,416,937
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>		
Operating Loss	\$(13,451,679)	\$(15,848,501)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation	3,399,313	4,568,865
Non-Transportation Revenue	29,523	292,352
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Trade Accounts Receivable	(1,909)	(71,836)
Materials and Supplies	57,438	54,009
Prepaid Expenses	(36,567)	13,974
Increase (Decrease) in:		
Accounts Payable (includes Capital Lease payable)	121,269	1,061,209
Accrued Payroll and Benefits	39,857	(53,150)
Accrued Pension and Other Payables	0	(116,928)
Total Adjustments	3,608,924	5,748,495
Net Cash Used for Operating Activities	\$ (9,842,755)	\$(10,100,006)

See accompanying notes to the basic financial statements.

Schedule of Noncash Investing Capital and Financing Activities - The net change in the fair value of investments was \$(9,478) and \$20,019 as of December 31, 2009 and 2008, respectively.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

NOTE 1: **ORGANIZATION**

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

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies

The financial statements of Laketran have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Financial Reporting Entity

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

Under the guidelines of GASB Statement No. 14, Laketran is a jointly governed organization. All nine members of its Board are appointed by the Lake County Board of Commissioners. The Lake County Board of Commissioners did not provide any support or have any significant financial transactions with Laketran during 2009 or 2008.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation

Laketran's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

Laketran uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of Laketran are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how Laketran finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Laketran's enterprise fund are charges to customers for passenger fare for transit services. Operating expenses for enterprise funds include the cost of transit services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

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

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash, Cash Equivalents, and Investments

For the purposes of the statement of cash flows, Laketran considers all highly liquid investments with an initial maturity date of three months or less to be cash equivalents. The carrying amount of cash equivalents and investments is fair value. The net change in fair value of investments is recorded on the Statements of Revenues, Expenses, and Changes in Net Assets, and includes the unrealized and realized gains and losses on investments.

Inventory

Inventory of replacement vehicle parts are stated at the lower of cost or market using the average cost method.

Capital Assets and Depreciation

Property, facilities, and equipment are stated at cost. Donated property is capitalized at estimated fair value at the date donated. Laketran maintains a capitalization threshold of \$300.

Depreciation on all assets is computed on the straight line method based on the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Buildings	30
Building Improvements	10
Equipment	5-10
Furniture and Fixtures	5-10
Parking Lots and Bus Shelters	10
Communication System	15
Vehicles	4-12

Cost of property retired and the related depreciation are removed from the asset account and accumulated depreciation account, respectively.

Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation time is accrued as a liability when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probably that the conditions of compensation will be met in the future.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Compensated Absences (Continued)

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2009 and 2008, there were no restricted net assets.

Recognition of Revenue, Receivables, and Deferred Revenues

Passenger fares are recorded as revenue at the time services are performed.

The Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT) provide financial assistance and make grants directly to Laketrans for acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenues over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and credited to revenue when the related qualified expenditures are incurred. Capital grants received in advance of project costs being incurred are deferred. Subsidies from various local governments/agencies are recognized when received.

Investment Policy

State statutes and Board resolutions authorize Laketrans's investments. Laketrans is authorized to invest in U.S. Treasury securities and obligations of Federal government agencies or instrumentalities, collateralized repurchase agreements, certificates of deposit, bankers acceptances, commercial paper, savings accounts, and the State Treasurer's Asset Reserve (STAROhio) investment pool.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Change in Accounting Principles

For fiscal year 2009, Laketrans has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple- Employer Plans*, and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The implementation of this statement did not result in any change to Laketrans's financial statements.

GASB Statement No. 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. Endowments include permanent and term endowments, and permanent funds. This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States. It also does not apply to quasi-endowments. The implementation of this Statement did not result in any change to Laketrans's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in Laketrans's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in Laketrans's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in Laketrans's financial statements.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Change in Accounting Principles (Continued)

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in Laketrans' financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in Laketrans' financial statements.

NOTE 3: **DEPOSITS AND INVESTMENTS**

Cash On Hand

At December 31, 2009 and 2008, Laketrans had undeposited cash on hand, including petty cash, of \$400 and \$1,456, respectively.

At December 31, 2009 and 2008, the carrying value amount of Laketrans' cash deposits were \$4,406,133 and \$4,369,405, respectively. Based on criteria described in GASB Statement No.40, *Deposits and Investment Risk Disclosures*, as of December 31, 2009 and 2008, deposits totaling \$750,000 and \$743,489, respectively, were covered by Federal Depository Insurance and deposits totaling \$3,782,001 and \$2,267,684, respectively, were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in Laketrans' name.

Custodial credit is the risk, that in the event of a bank failure, Laketrans' deposits may not be returned. Laketrans' policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Cash on Hand (Continued)

must maintain collateral in excess of 105 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds, or specific collateral held at a Federal Reserve bank in the name of Laketran.

Investments

Laketran has a formal investment policy. Laketran follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At December 31, 2009 and 2008 fair value was \$33,857 and \$43,335 above Laketran's net cost for investments, respectively. Fair value is determined by quoted market prices and acceptable other pricing methodologies.

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, Laketran's investment policy requires that operating funds be invested primarily in short-term investments maturing within 5 years from the date of purchase and that its investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

The credit risk of Laketran's investments are in the table below. Laketran has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, Laketran will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Laketran has no investment policy dealing with investment custodial risk beyond the requirements in State statute that prohibits payment for investments prior to delivery of the securities representing such balances to the controller or qualified trustee.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS** (continued)

Concentration of Credit Risk

Laketrans places no limit on the amount it may invest in any one issuer. Laketrans' investment in U.S. Government Securities represents 99.98 percent of Laketrans' total investments.

Cash and investments at 2009 year-end were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (*)</u>	<u>Investment Maturities (in Years)</u>		
			<u>< 1</u>	<u>1-2</u>	<u>> 2-5</u>
STAROhio	\$ 1,079	AAA	\$ 1,079	\$ 0	\$ 0
U.S. Government and Agency Securities	5,132,656	AAA	3,715	1,022,500	4,106,441
Carrying Amount of Deposits	4,406,133		4,406,133	0	0
Petty Cash	400		400	0	0
Totals	<u>\$ 9,540,268</u>		<u>\$ 4,411,327</u>	<u>\$ 1,022,500</u>	<u>\$ 4,106,441</u>

* Standard & Poor's rating.

NOTE 4: **GRANT ASSISTANCE**

Federal Grant

Preventive maintenance operating expenses became eligible for federal capital assistance under the Department of Transportation's 1998 appropriations act. Revenues are recognized in the year earned, which is the year in which eligible expenses are incurred. For the years ended December 31, 2009 and 2008, Laketrans recognized \$4,827,052 and \$1,560,826, respectively. In addition, Laketrans recognized capital grants reimbursements as revenue in 2009 and 2008 of \$1,444,750 and \$1,724,523, respectively.

State Grant

The Ohio Department of Transportation typically enacts very similar regulations to those of the U.S. Department of Transportation. Preventive maintenance operating expenses are eligible for state capital assistance with certain restrictions which depend upon availability of federal funds. For the years ended December 31, 2009 and 2008, Laketrans recognized revenue of \$367,494 and \$169,924, respectively.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 4: **GRANT ASSISTANCE** (Continued)

State of Ohio Elderly and Disabled Transit Fare Assistance

The State of Ohio provides a grant each year to help defray the high costs of transporting Lake County residents who are elderly or have disabilities. For the years ended December 31, 2009 and 2008, Laketrans received \$749,720 and \$494,524, respectively.

NOTE 5: **OTHER REVENUE**

In November 2003, the Lake County electorate voted to continue a levy of one-quarter of one percent sales tax, which shall be in effect for ten years beginning July 1, 2004, to provide local funding for all transit purposes for the years 2004 through 2014.

For the years ended December 31, 2009 and 2008, sales tax revenues totaled \$7,157,307 and \$7,744,815, respectively. Laketrans records sales tax revenues and receivables as the sales taxes are earned, which is the year in which the related exchange transaction is incurred.

NOTE 6: **PENSION PLAN**

Ohio Public Employees Retirement System

Laketrans participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension 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 percent 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 benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system 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, disability, survivor and death benefits, and annual cost of living adjustments to members of both 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 by Chapter 145 of the Ohio Revised Code. OPERS issues a stand alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, by calling 1-800-222-7377 or by using the OPERS website at www.opers.org.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 6: **PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

For the year ended December 31, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. Laketrans contribution of 14.00 percent was allocated to fund pension benefits was 7.00 percent from January 1 through March 31, 2009 and 8.50 percent from April 1 through December 31, 2009. The Ohio Revised Code provides statutory authority for member and employer contributions. Laketrans required contributions for pension obligations to the Traditional Pension and Combined plans for the years ended December 31, 2009, 2008, and 2007 were \$806,363, \$855,032, and \$842,303, respectively; 92.91 percent has been contributed for 2009 and 100 percent has been contributed for 2008 and 2007. The unpaid contribution to fund pension obligations for 2009, in the amount of \$56,412, is recorded as a liability within the respective funds.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing, multiple-employer defined 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 ten 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 No. 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.

Funding Policy - 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. The 2009 local government employer contribution rate was 14.00 percent of covered payroll.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board 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 was 7.00 percent from January 1 through March 31, 2009 and 5.50 percent from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Laketrans actual employer contributions for 2009 which were used to fund post-employment benefits were \$338,384.

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 increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 8: **COMPENSATED ABSENCES**

Employees of Laketrans earn vacation and sick leave at various rates under Laketrans policy. In case of death, termination, or retirement, an employee or their estate is paid for portions of these benefits. Laketrans records a liability for vacation, holiday, and sick hours earned but not used at year-end at the employees' current wage rate. Laketrans obligations for these amounts at December 31, 2009 and 2008 amounted to approximately \$621,210 and \$747,817 respectively.

Changes in compensated absences liabilities are as follows:

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
2009	\$ 747,817	\$ 224,117	\$ 350,724	\$ 621,210
2008	659,246	569,062	480,491	747,817

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 9: VOLUNTARY RETIREMENT INCENTIVE PLAN

On April 28, 2008, Laketrans Board of Trustees adopted a resolution establishing a voluntary retirement incentive plan for eligible employees of Laketrans, per Ohio Revised Code Section 145.297. The plan was approved by the Ohio Public Employees Retirement System (OPERS). Under the plan, Laketrans will purchase up to two years of additional service credit for eligible employees. The plan was offered to the top 15 percent of Laketrans OPERS-covered employees based on total service credit with OPERS on July 1, 2008. The effective date of the plan was July 1, 2008 to June 30, 2009. During 2009, fifteen employees retired and received their benefits. Total benefits paid in 2009 were \$121,061.

NOTE 10: RISK MANAGEMENT

Since 1996 Laketrans has been a member of the Ohio Transit Risk Pool (OTRP), a joint self-insurance pool, created pursuant to Section 2744.081 of the Ohio Revised Code. OTRP has been in existence since 1994 and operates pursuant to by-laws and a Board of Trustees to provide self-insurance through risk retention and to purchase property and liability coverage from A rated, or greater, commercial carriers.

During the loss year of December 1, 2008 - November 30, 2009, OTRP provided to Laketrans, commercial property coverage with limits of \$200,000,000. The pool retained the first \$100,000 of these losses. For auto-physical damage, the pool provided \$50,000,000 in coverage and retained \$250,000. The following coverages were also provided: auto/transit liability, general liability, E&O, and EBL \$10,000,000. Crime coverage limits are \$4,000,000. All limits are per occurrence no aggregate limits apply. For each of these lines the pool retained \$1,000,000.

Laketrans deductible for all claims was \$1,000 except for auto physical damage which was \$5,000.

OTRP provides the Treasurer of Laketrans, a Bond as required by Ohio law.

As of December 31, 2009, Laketrans has met all obligations to OTRP. There are no special assessments being billed at this time and there are no known loss developments which would lead to a special assessment.

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 10: **RISK MANAGEMENT** (Continued)

Laketran pays OTRP through an initial contribution for excess insurance and quarterly payments for their loss and administrative fee. Laketran's contribution percentage for 2009 was 13.352 percent in the liability program and 17.517 percent in the property program.

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

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

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LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 11: CAPITAL ASSETS

Capital assets consist of the following at December 31, 2009 and 2008:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>2009</u>				
Capital Assets Not Being Depreciated				
Land	\$ 2,442,643	\$ 0	\$ 0	\$ 2,442,643
Construction in Progress	706,214	0	(706,214)	0
Total Capital Assets Not Being Depreciated	<u>3,148,857</u>	<u>0</u>	<u>(706,214)</u>	<u>2,442,643</u>
Capital Assets Being Depreciated				
Buildings	15,920,190	212,342	0	16,132,532
Transportation Vehicles and Equipment	35,128,705	5,124,928	0	40,253,633
Furniture and Office Equipment	827,791	17,625	(25,773)	819,643
Total Capital Assets Being Depreciated	<u>51,876,686</u>	<u>5,354,895</u>	<u>(25,773)</u>	<u>57,205,808</u>
Less: Accumulated Depreciation				
Buildings	(5,787,880)	(517,474)	0	(6,305,354)
Transportation Vehicles and Equipment	(23,226,501)	(2,813,784)	0	(26,040,285)
Furniture and Office Equipment	(640,592)	(68,055)	25,773	(682,874)
Total Accumulated Depreciation	<u>(29,654,973)</u>	<u>(3,399,313)</u>	<u>25,773</u>	<u>(33,028,513)</u>
Total Capital Assets Being Depreciated, Net	<u>22,221,713</u>	<u>1,955,582</u>	<u>0</u>	<u>24,177,295</u>
Total Capital Assets, Net	<u>\$ 25,370,570</u>	<u>\$ 1,955,582</u>	<u>\$ (706,214)</u>	<u>\$ 26,619,938</u>
<u>2008</u>				
Capital Assets Not Being Depreciated				
Land	\$ 2,442,643	\$ 0	\$ 0	\$ 2,442,643
Construction in Progress	1,329,577	985,433	(1,608,796)	706,214
Total Capital Assets Not Being Depreciated	<u>3,772,220</u>	<u>985,433</u>	<u>(1,608,796)</u>	<u>3,148,857</u>
Capital Assets, Being Depreciated				
Buildings	14,664,271	1,255,919	0	15,920,190
Transportation Vehicles and Equipment	35,852,253	1,507,176	(2,230,724)	35,128,705
Furniture and Office Equipment	832,634	39,569	(44,412)	827,791
Total Capital Assets Being Depreciated	<u>51,349,158</u>	<u>2,802,664</u>	<u>(2,275,136)</u>	<u>51,876,686</u>
Less: Accumulated Depreciation				
Buildings	(5,289,087)	(498,793)	0	(5,787,880)
Transportation Vehicles and Equipment	(21,477,073)	(3,986,234)	2,236,806	(23,226,501)
Furniture and Office Equipment	(594,105)	(83,838)	37,351	(640,592)
Total Accumulated Depreciation	<u>(27,360,265)</u>	<u>(4,568,865)</u>	<u>2,274,157</u>	<u>(29,654,973)</u>
Total Capital Assets Being Depreciated, Net	<u>23,988,893</u>	<u>(1,766,201)</u>	<u>(979)</u>	<u>22,221,713</u>
Total Capital Assets, Net	<u>\$ 27,761,113</u>	<u>\$ (780,768)</u>	<u>\$ (1,609,775)</u>	<u>\$ 25,370,570</u>

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 12: CAPITAL LEASES

In prior years, Laketran entered into leases for the acquisition of copiers. During 2008, Laketran entered into a new lease for the acquisition of telephone/radio recorders. Laketran's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards Board No. 13, *Accounting for Leases*.

Capital assets acquired by lease have been capitalized and depreciated as follows as of December 31, 2009:

<i>Capital Assets being Depreciated:</i>	
Furniture and Office Equipment	\$ 58,458
Less Accumulated Depreciation:	
Furniture, Fixtures, and Equipment	<u>(34,000)</u>
<i>Total Capital Assets Being Depreciated</i>	<u>\$ 24,458</u>

The following is an analysis of capital leases payable for 2009:

<u>Balance</u> <u>12/31/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/09</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
<u>\$ 33,757</u>	<u>\$ 0</u>	<u>\$ (9,649)</u>	<u>\$ 24,108</u>	<u>\$ 10,135</u>

Future minimum lease payments required under the capital leases and present value of minimum lease payments are as follows:

<u>Year Ending</u> <u>December 31</u>	
2010	\$ 10,192
2011	8,968
2012	<u>5,298</u>
Total Minimum Lease Payments	24,458
Less: Amount Representing Interest	<u>(350)</u>
Present Value of Minimum Lease Payments	<u>\$ 24,108</u>

NOTE 13: CONTINGENCIES

A. Litigation

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

LAKETRAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(CONTINUED)

NOTE 13: CONTINGENCIES

B. Grants

Laketrans received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of Laketrans at December 31, 2009 or 2008.

Statistical Section

2009

STATISTICAL SECTION

This part of Laketran's Comprehensive Annual Financial Report presents detailed information as a context for understanding what information in the financial statements, note disclosures, and required supplementary information says about Laketran's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how Laketran's financial performance and well being have changed over time. 42-44

Revenue Capacity

These schedules contain information to help the reader assess Laketran's operating revenues and comparisons to the transportation industry. 45-46

Operating Information

These schedules contain service data to help the reader understand how the information in Laketran's financial report relates to the services Laketran provides and the activities it performs. 47-52

Demographic and Economic Information

These scheduels offer demographic and economic indicators to help the reader understand the environment within which Laketran's financial activities take place. 53-55

LAKETRAN
NET ASSETS BY COMPONENT
LAST NINE YEARS

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Invested in Capital Assets, Net of Related Debt	\$26,271,518	\$ 25,083,662	\$ 27,780,052	\$ 25,793,484	\$ 26,209,778	\$ 28,515,959	\$ 27,741,282	\$ 25,336,813	\$ 26,595,830
Unrestricted	<u>17,098,287</u>	<u>17,321,371</u>	<u>16,472,278</u>	<u>16,540,674</u>	<u>14,530,433</u>	<u>12,381,785</u>	<u>11,218,227</u>	<u>10,253,373</u>	<u>10,263,030</u>
Total Net Assets	<u>\$ 43,369,805</u>	<u>\$ 42,405,033</u>	<u>\$ 44,252,330</u>	<u>\$ 42,334,158</u>	<u>\$ 40,740,211</u>	<u>\$ 40,897,744</u>	<u>\$ 38,959,509</u>	<u>\$ 35,590,186</u>	<u>\$ 36,858,860</u>

LAKETRAN
REVENUES AND EXPENSES BY TYPE AND CHANGES IN NET ASSETS
LAST TEN YEARS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating Revenue										
Fares	\$ 783,561	\$ 786,591	\$ 725,450	\$ 761,657	\$ 822,817	\$ 907,448	\$ 1,079,002	\$ 1,190,339	\$ 1,575,204	\$ 1,911,353
Auxiliary Transportation Revenue	69,723	52,763	62,033	55,235	59,125	66,241	76,270	82,411	82,224	78,851
Total Operating Revenues	<u>853,284</u>	<u>839,354</u>	<u>787,483</u>	<u>816,892</u>	<u>881,942</u>	<u>973,689</u>	<u>1,155,272</u>	<u>1,272,750</u>	<u>1,657,428</u>	<u>1,990,204</u>
Non Operating Revenues										
Sales Tax	7,130,985	7,175,596	7,202,698	7,440,528	7,637,134	7,552,508	7,728,332	7,913,161	7,744,815	7,157,307
Federal Grants and Reimbursements	729,505	653,438	675,379	884,993	1,468,880	1,247,047	1,171,239	1,438,721	1,560,826	4,827,052
State Grants, Reimbursements, and Special Fare Assistance	443,754	931,846	787,998	740,021	568,148	717,666	785,133	698,419	664,448	1,117,214
Interest Income	1,112,461	692,576	482,164	237,028	166,297	315,948	518,798	503,792	252,887	144,507
Gain/(Loss) on Disposal of Capital Assets	0	(124,464)	(71,289)	0	61,909	81,170	3,000	75,339	239,327	0
Non-Transportation Revenues	40,570	84,364	53,846	6,322	28,425	9,807	38,768	149,763	292,352	29,523
Total Non-Operating Revenues	<u>9,457,275</u>	<u>9,413,356</u>	<u>9,130,796</u>	<u>9,308,892</u>	<u>9,930,793</u>	<u>9,924,146</u>	<u>10,245,270</u>	<u>10,779,195</u>	<u>10,754,655</u>	<u>13,275,603</u>
Capital Funding										
Federal Grants and Reimbursements	952,945	996,767	1,558,396	4,621,004	1,103,312	2,071,662	4,072,472	2,640,882	1,724,523	1,444,750
State Grants and Reimbursements	515,272	199,397	70,291	350,678	170,461	142,664	111,883	37,643	0	0
Total Capital Funding	<u>1,468,217</u>	<u>1,196,164</u>	<u>1,628,687</u>	<u>4,971,682</u>	<u>1,273,773</u>	<u>2,214,326</u>	<u>4,184,355</u>	<u>2,678,525</u>	<u>1,724,523</u>	<u>1,444,750</u>
Total Revenues	<u>11,778,776</u>	<u>11,448,874</u>	<u>11,546,966</u>	<u>15,097,466</u>	<u>12,086,508</u>	<u>13,112,161</u>	<u>15,584,897</u>	<u>14,730,470</u>	<u>14,136,606</u>	<u>16,710,557</u>

(Continued)

LAKETRAN
REVENUES AND EXPENSES BY TYPE AND CHANGES IN NET ASSETS
LAST TEN YEARS
(CONTINUED)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Operating Expenses</u>										
Labor	\$ 3,750,767	\$ 4,228,215	\$ 4,307,897	\$ 4,443,650	\$ 4,846,414	\$ 5,228,225	\$ 5,311,698	\$ 5,384,569	\$ 5,490,577	\$ 5,018,385
Fringe Benefits	1,730,369	1,939,807	1,983,644	2,449,787	2,517,417	2,838,873	2,826,144	3,022,379	3,191,539	3,264,433
Retirement Incentive Plan	0	0	0	355,565	0	0	0	0	0	0
Services	566,270	489,268	630,108	654,579	609,115	528,066	511,675	572,486	670,322	614,061
Fuel and Lubricants	454,963	485,857	465,342	531,737	668,839	823,304	1,002,631	1,089,416	1,418,915	1,164,945
Materials and Supplies	277,880	508,511	479,660	556,373	474,348	504,858	445,966	547,379	525,052	585,388
Utilities	127,819	133,201	153,070	152,147	155,817	179,927	205,505	213,375	202,286	181,737
Claims and Insurance	162,528	158,569	324,826	372,329	518,412	567,312	551,421	579,289	584,193	570,354
Purchased Transportation	259,492	247,401	266,025	253,288	208,593	233,256	236,015	573,128	639,050	499,705
Miscellaneous	<u>418,682</u>	<u>359,286</u>	<u>509,953</u>	<u>540,813</u>	<u>453,736</u>	<u>277,828</u>	<u>336,890</u>	<u>289,267</u>	<u>215,130</u>	<u>143,562</u>
Total Operating Expenses Excluding Depreciation	7,748,770	8,550,115	9,476,090	9,954,703	10,452,691	11,181,649	11,427,945	12,271,288	12,937,064	12,042,570
Depreciation	<u>2,244,237</u>	<u>2,509,339</u>	<u>3,035,648</u>	<u>3,295,466</u>	<u>3,551,989</u>	<u>3,524,459</u>	<u>3,669,160</u>	<u>4,397,417</u>	<u>4,568,865</u>	<u>3,399,313</u>
Total Operating Expenses	<u>9,993,007</u>	<u>11,059,454</u>	<u>12,511,738</u>	<u>13,250,169</u>	<u>14,004,680</u>	<u>14,706,108</u>	<u>15,097,105</u>	<u>16,668,705</u>	<u>17,505,929</u>	<u>15,441,883</u>
Change in Net Assets	<u>\$ 1,785,769</u>	<u>\$ 389,420</u>	<u>\$ (964,772)</u>	<u>\$ 1,847,297</u>	<u>\$ (1,918,172)</u>	<u>\$ (1,593,947)</u>	<u>\$ 487,792</u>	<u>\$ (1,938,235)</u>	<u>\$ (3,369,323)</u>	<u>\$ 1,268,674</u>

**LAKETRAN
FARE BOX RECOVERY PERCENTAGE
LAST TEN YEARS**

	<u>Percentage</u>
2000	19.13
2001	17.02
2002	13.06
2003	13.07
2004	12.71
2005	18.94
2006	16.50
2007	17.85
2008.....	12.20
2009.....	6.38

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

Fare Structure - December 31, 2009

	Dial-A-Ride	Fixed Route	Local Commuter Express
Regular Adult Fare	\$ 10.00	\$ 1.75	\$ 3.75
Citizens with Buckeye or Medicare Cards (Senior citizens and those with disabilities)	2.50	0.75	N/A
Children ages 2-12	2.50	0.75	N/A
Children under 2	FREE	FREE	N/A
Monthly Pass	N/A	N/A	135.00
“Blue” Ticket (eleven rides)	100.00	17.50	37.50
“Orange” Ticket (eleven rides)	25.00	7.50	15.00 Student
Tokens - Regular Fare	10.00	1.75	N/A
Tokens - with Buckeye or Medicare Card	2.50	0.75	N/A
Tokens - Children ages 2-12	N/A	0.75	N/A
Transfers	N/A	FREE	FREE

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

Transportation Industry (1):

<u>Year</u>	<u>Operating and Other Miscellaneous Revenue</u>			<u>Federal</u>	<u>Operating Assistance State & Local</u>		<u>Total Revenues</u>
	<u>Fares</u>	<u>Other</u>	<u>Total</u>		<u>Total</u>		
2000	36.1	17.4	53.5	4.1	42.4	46.5	100.0
2001	35.2	14.2	49.4	4.5	46.1	50.6	100.0
2002	32.5	17.3	49.8	5.0	45.2	50.2	100.0
2003	32.6	18.1	50.7	5.8	43.5	49.3	100.0
2004	32.9	16.7	49.6	7.0	43.4	50.4	100.0
2005	32.4	15.7	48.1	7.3	44.6	51.9	100.0
2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Laketran:

<u>Year</u>	<u>Operating and Other Miscellaneous Revenue</u>			<u>Federal</u>	<u>Operating Assistance State & Local(3)</u>		<u>Total Revenues</u>
	<u>Fares</u>	<u>Other(2)</u>	<u>Total</u>		<u>Total</u>		
2000	7.6	11.9	19.5	7.1	73.4	80.5	100.0
2001	7.6	8.0	15.6	6.3	78.1	84.4	100.0
2002	7.3	5.3	12.6	6.8	80.6	87.4	100.0
2003	7.5	2.9	10.4	8.7	80.9	89.6	100.0
2004	7.6	2.9	10.5	13.6	75.9	89.5	100.0
2005	8.3	4.4	12.7	11.4	75.9	87.3	100.0
2006	8.6	4.0	12.6	12.7	74.7	87.4	100.0
2007	9.9	6.7	16.6	11.9	71.5	83.4	100.0
2008	12.7	6.9	19.6	12.6	67.8	80.4	100.0
2009	12.5	1.7	14.2	31.6	54.2	85.8	100.0

(1) Source: American Public Transit Association, APTA 2007 Transit Fact Book, table 52. This book contains 2005 data which is the latest available.

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

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

**LAKETRAN
OPERATING EXPENSES
COMPARISON TO INDUSTRY TREND DATA - LAST TEN YEARS
(expressed in percent)**

Transportation Industry (1):

<u>Year</u>	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>Services</u>	<u>Materials and Supplies</u>	<u>Utilities</u>	<u>Casualty and Liability</u>	<u>Purchased Transportation</u>	<u>Other</u>	<u>Expenses</u>
2000	45.9	23.9	5.7	10.0	3.2	2.2	12.2	(3.1)	100.0
2001	45.2	24.3	5.9	10.0	3.3	2.1	12.7	(3.5)	100.0
2002	45.1	25.1	6.2	9.2	3.1	2.5	12.0	(3.2)	100.0
2003	43.3	25.7	6.0	9.0	3.0	2.6	13.4	(3.0)	100.0
2004	42.0	26.7	5.8	9.1	3.0	2.6	13.4	(2.6)	100.0
2005	40.2	26.7	5.8	10.1	3.2	2.5	13.8	(2.3)	100.0
2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Laketran:

<u>Year</u>	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>Services</u>	<u>Materials and Supplies</u>	<u>Utilities</u>	<u>Casualty and Liability</u>	<u>Purchased Transportation</u>	<u>Other</u>	<u>Total Operating Expenses</u>
2000	48.4	22.3	7.3	9.5	1.6	2.1	3.4	5.4	100.0
2001	49.5	22.7	5.7	11.6	1.6	1.9	2.9	4.1	100.0
2002	45.3	21.2	6.6	9.8	1.7	3.4	2.8	9.2	100.0
2003	44.6	24.6	6.6	10.9	1.5	3.7	2.5	5.6	100.0
2004	46.4	24.1	5.8	10.9	1.5	5.0	2.0	4.3	100.0
2005	46.8	25.4	4.7	11.9	1.6	5.1	2.1	2.4	100.0
2006	46.5	24.7	4.5	12.7	1.8	4.8	2.1	2.9	100.0
2007	43.9	24.6	4.7	13.3	1.7	4.7	4.7	2.4	100.0
2008	42.4	24.7	5.2	15.0	1.6	4.5	4.9	1.7	100.0
2009	41.7	27.1	5.1	14.5	1.5	4.7	4.2	1.0	100.0

(1) Source: American Public Transit Association, APTA 2007 Transit Fact Book, table 47. This book contains 2007 data which is the latest available.

(2) Excludes depreciation expense

**LAKETRAN
OPERATING STATISTICS
LAST TEN YEARS**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>System Ridership</u>										
Motor Bus (directly operated)	553,050	579,536	572,382	563,785	614,303	661,603	634,184	615,656	648,035	533,433
Dial-A-Ride (directly operated)	295,025	309,067	310,784	301,491	323,126	342,483	337,226	312,831	305,806	254,378
Dial-A-Ride (contract service)	43,858	44,496	43,596	41,516	43,815	40,840	39,040	62,623	63,358	59,928
Van Pool (contract service)	0	0	0	0	0	0	0	0	0	0
Jitney (contract service)	11,103	28,232	30,358	40,817	37,532	25,828	48,476	26,101	0	0
<u>Average Daily System Ridership</u>										
Motor Bus (directly operated)	1,801	1,888	1,865	1,836	2,001	2,152	2,066	2,005	2,122	2,108
Dial-A-Ride (directly operated)	961	1,007	1,012	982	1,053	1,119	1,098	1,019	1,002	1,005
Dial-A-Ride (contract service)	172	174	171	163	172	160	153	246	208	221
Van Pool (contract service)	0	0	0	0	0	0	0	0	0	0
Jitney (contract service)	131	141	152	204	187	129	242	290	0	0
<u>Average Daily Vehicle Miles Operated</u>										
Motor Bus (directly operated)	3,407	3,425	3,356	3,606	3,904	4,232	4,090	4,018	4,059	4,584
Dial-A-Ride (directly operated)	8,524	8,864	8,660	8,586	9,164	8,971	8,685	8,650	8,614	8,860
Dial-A-Ride (contract service)	775	748	750	655	496	468	440	1,171	934	1,020
Van Pool (contract service)	49	0	0	0	0	0	0	0	0	0
Jitney (contract service)	28	34	37	38	36	23	45	38	0	0
<u>Revenue Miles</u>										
Motor Bus (directly operated)	737,318	748,786	758,717	801,365	845,532	886,826	829,455	829,584	841,444	766,833
Dial-A-Ride (directly operated)	2,260,533	2,364,512	2,317,045	2,288,492	2,417,107	2,378,128	2,298,482	2,360,718	2,324,174	1,901,429
Dial-A-Ride (contract service)	175,273	171,727	168,406	143,949	113,336	107,789	98,568	252,936	248,738	223,690
Van Pool (contract service)	12,800	0	0	0	0	0	0	0	0	0
Jitney (contract service)	2,373	6,702	7,469	7,686	7,225	4,552	8,980	5,018	0	0

**LAKETRAN
OPERATING STATISTICS
LAST TEN YEARS**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Passenger Miles</u>										
Motor Bus (directly operated)	6,533,682	6,643,894	6,416,873	6,458,013	7,197,352	7,897,397	7,708,043	7,553,957	8,456,215	6,897,727
Dial-A-Ride (directly operated)	3,593,193	3,601,893	3,502,979	3,383,030	3,253,833	3,479,600	3,482,573	3,179,646	3,345,473	2,718,112
Dial-A-Ride (contract service)	319,212	318,333	296,365	269,472	251,504	239,060	240,604	590,722	457,483	374,929
Van Pool (contract service)	46,080	0	0	0	0	0	0	0	0	0
Jitney (contract service)	3,701	9,411	10,119	13,606	12,499	8,609	16,159	8,700	0	0

**LAKETRAN
OPERATING STATISTICS
LAST TEN YEARS**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Energy Consumption</u>										
Motor Bus										
Gallons of diesel	112,050	69,880	78,966	93,520	116,314	123,576	123,533	117,116	98,159	97,880
Gallons of natural gas	127,596	127,966	124,599	126,718	109,403	120,939	130,387	136,452	105,828	100,733
Gallons of purinox	0	42,180	42,622	18,033	3,204	0	0	0	0	0
Dial-A-Ride										
Gallons of diesel	201,290	214,472	161,074	231,673	259,088	295,095	274,827	272,198	291,533	226,277
Gallons of purinox	0	13,743	86,907	14,175	10,321	0	0	0	0	0
<u>Fleet Requirement</u>										
Motor Bus (directly operated)	30	30	30	30	38	38	38	24	24	24
Dial-A-Ride (directly operated)	54	60	60	65	63	71	76	76	75	75
Dial-A-Ride (contract service)	9	9	9	9	9	9	9	12	12	0
Van Pool (contract service)	1	0	0	0	0	0	0	0	0	0
<u>Total Active Vehicles</u>										
Motor Bus (directly operated)	36	36	36	36	46	46	46	38	39	38
Dial-A-Ride (directly operated)	60	66	65	71	74	74	77	76	75	76
Dial-A-Ride (contract service)	14	16	15	15	17	18	18	18	20	9
Van Pool (contract service)	1	1	1	0	0	0	0	0	0	0

LAKERAN
FULL TIME EQUIVALENT EMPLOYEES
LAST TEN YEARS

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Administration</u>										
General Manager	1	1	1	1	1	1	1	1	1	1
Administrative Coordinator	1	1	1	1	1	1	1	1	1	1
Controller	1	1	1	1	1	1	1	1	1	1
Director of Development	1	1	1	1	1	1	1	1	0	0
Procurement Specialist	0	0	0	0	0	0	0	0	1	1
Human Resources Manager	1	1	1	1	1	1	1	1	1	1
Public Relations/Marketing Director	0	0	1	1	1	1	1	1	1	1
Accountant/Budget Analyst	0	0	0	0	0	0	1	1	1	1
Administrative Secretary	1	1	1	1	1	1	1	1	0	0
Accounts Payable/Accounts Payable Representative	1	1	1	1	1	1	1	1	1	1
Information Specialist	1	1	1	1	1	1	1	1	1	0
Customer Outreach Specialist	0	0	0	0	0	0	1	1	1	1
Receptionist	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Administrative	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>12</u>	<u>12</u>	<u>11</u>	<u>10</u>

**LAKERAN
FULL TIME EQUIVALENT EMPLOYEES
LAST TEN YEARS
(CONTINUED)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Maintenance</u>										
Maintenance Supervisor	1	1	1	1	1	1	1	1	1	1
Assistant Maintenance Supervisor	0	0	0	0	0	0	1	1	1	1
Maintenance Clerk	1	1	1	1	1	1	1	1	1	0
Mechanics	5	5	5	5	5	5	6	6	6	6
Mechanics Helper	0	0	0	1	1	1	1	1	1	1
Hostler	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total Maintenance	<u>12</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>14</u>
<u>Operations</u>										
Deputy GM	0	0	0	0	0	0	0	0	1	1
Operations Manager	1	1	1	1	1	1	1	1	1	0
Administrative Assistant	1	1	1	1	1	1	1	1	1	1
Dispatchers/Schedulers	5	5	5	5	5	5	5	6	5	5
Customer Service Supervisor	1	1	1	1	1	1	1	1	1	1
Customer Service Representatives	6	6	6	6	6	6	6	6	6	5
Road Supervisors	3	3	4	4	4	4	4	4	3	3
Trainer	0	0	1	1	1	1	1	1	0	0
Drivers	<u>94</u>	<u>94</u>	<u>109</u>	<u>114</u>	<u>123</u>	<u>124</u>	<u>126</u>	<u>125</u>	<u>126</u>	<u>128</u>
Total Operations	<u>111</u>	<u>111</u>	<u>128</u>	<u>133</u>	<u>142</u>	<u>143</u>	<u>145</u>	<u>145</u>	<u>144</u>	<u>144</u>
Grand Total	<u>132</u>	<u>132</u>	<u>150</u>	<u>156</u>	<u>165</u>	<u>166</u>	<u>172</u>	<u>172</u>	<u>170</u>	<u>158</u>

LAKETRAN

LAKE COUNTY DEMOGRAPHICS

County Population by Decade and Future Projections

<u>Decade</u>	<u>Population</u>	<u>Percent of Change</u>
1900	21,680	
1910	22,927	5.75
1920	28,667	25.04
1930	41,674	45.37
1940	50,020	20.03
1950	75,979	51.90
1960	148,700	95.71
1970	197,200	32.62
1980	212,801	7.91
1990	215,499	1.27
2000	227,511	5.57
2005 Projection	230,510	1.32
2010 Projection	233,890	1.47
2015 Projection	233,760	(0.06)
2020 Projection	233,520	(0.10)
2025 Projection	233,290	(0.10)
2030 Projection	232,340	(0.40)

Actual figures from Ohio Department of Development
Projections from Lake County Planning Commission

Age and Population Distribution - 2000 Census

	<u>Age</u>	<u>Percentage</u>
Under 6	16,677	7.3
6-7	38,301	16.8
18-24	16,356	7.2
25-44	68,088	30.0
45-64	55,996	24.6
65 and Over	32,093	14.1
2000	227,511	100.0

Ohio Department of Development
Latest Information Available

LAKETRAN

LAKE COUNTY DEMOGRAPHICS

Population By Race - 2000 Census

<u>Race</u>	<u>Total</u>	<u>Percentage</u>
White	217,162	95.45
African-American	3,914	1.72
Two or more races	2,428	1.07
Asian	2,234	0.98
Other	1,578	0.69
Native American	178	0.08
Pacific Islander	<u>17</u>	<u>0.01</u>
	<u>227,511</u>	<u>100.00</u>

Ohio Department of Development

**Largest Populations in the County
2000 Census**

Mentor	50,278
Willoughby	22,621
Eastlake	20,255
Painesville	17,503
Madison Township	15,494
Concord Township	15,282
Painesville Township	15,037
Willowick	14,361
Wickliffe	13,484
Willoughby Hills	8,595

Ohio Department of Development

LAKETRAN

LAKE COUNTY DEMOGRAPHICS

Unemployment Rate	<u>2000</u> 3.4	<u>2001</u> 4.0	<u>2002</u> 5.1	<u>2003</u> 5.6	<u>2004</u> 5.4	<u>2005</u> 5.0	<u>2006</u> 4.8	<u>2007</u> 5.2	<u>2008</u> 7.1	<u>2009</u> 8.54
Per Capita Income	<u>2000</u> \$ 30,493	<u>2001</u> \$ 30,500	<u>2002</u> \$ 30,513	<u>2003</u> \$ 31,515	<u>2004</u> \$ 32,153	<u>2005</u> \$ 33,298	<u>2006</u> \$ 35,061	<u>2007</u> \$ 35,846	<u>2008</u> \$ 35,918	<u>2009</u> \$ 36,437
Personal Income (millions)	<u>2000</u> \$ 6,937	<u>2001</u> \$ 6,939	<u>2002</u> \$ 6,942	<u>2003</u> \$ 7,170	<u>2004</u> \$ 7,315	<u>2005</u> \$ 7,576	<u>2006</u> \$ 7,831	<u>2007</u> \$ 8,158	<u>2008</u> \$ 8,361	<u>2009</u> \$ 8,627

Lake County Department of Development - Latest Information Available

LAKE METRAN

LAKE COUNTY, OHIO



LAKETRAN

SINGLE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2009

**LAKETRAN
SINGLE AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

Board of Trustees
Laketrans
Grand River, Ohio

We have audited the financial statements of the business-type activities of Laketrans, Ohio as of and for the year ended December 31, 2009, which collectively comprise Laketrans, Ohio's basic financial statements and have issued our report thereon dated April 29, 2010. 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 Control Over Financial Reporting

In planning and performing our audit, we considered Laketrans, Ohio'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 expressing an opinion on the effectiveness of Laketrans, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Laketrans, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

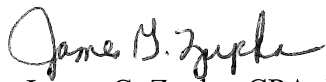
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Laketran, Ohio, in a separate letter dated April 29, 2010.

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

April 29, 2010

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

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

Board of Trustees
Laketran
Grand River, Ohio

Compliance

We have audited the compliance of Laketran, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. Laketran, Ohio's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Laketran, Ohio's management. Our responsibility is to express an opinion on Laketran, Ohio's compliance based on our audit.

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

In our opinion, Laketran, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of Laketran, Ohio 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 Laketran, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Laketran, Ohio's internal control over compliance.

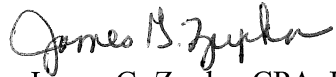
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities of Laketran, Ohio as of and for the year ended December 31, 2009, and have issued our report thereon dated April 29, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. Such information 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.

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

April 29, 2010

LAKETRAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

FEDERAL GRANTOR/ PASS-THROUGH GRANT/ PROGRAM TITLE	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Transportation</u>			
<i>Direct Awards:</i>			
Federal Transit Cluster:			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-90-0629 OH-57-0021 OH-90-0462 OH-90-0529 OH-90-0591 OH-90-X673	\$ 41,297 129,259 32,500 107,670 38,683 <u>1,499,808</u> <u>1,849,217</u>
ARRA Federal Transit Administration Capital and Operating Assistance Formula Grant		OH-96-X026	<u>28,702</u>
Subtotal CFDA #20.507			<u>1,877,919</u>
Federal Transit Administration Capital Improvement Grants	20.500	OH-95-0019	<u>121,765</u>
Subtotal CFDA #20.500			<u>121,765</u>
Total Federal Transit Cluster			<u>1,999,684</u>
<i>Passed through Ohio Department of Transportation:</i>			
Highway Planning and Construction Cluster:			
Fuel Initiative Partnership	20.205	E090(230)	<u>4,375,000</u>
Subtotal CFDA#20.205			<u>4,375,000</u>
Total U.S. Department of Transportation			<u>6,374,684</u>
Total Federal Expenditures			<u>\$ 6,374,684</u>

LAKETRAN
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1: BASIS OF ACCOUNTING

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

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

LAKETRAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
FOR THE YEAR ENDED DECEMBER 31, 2009

1. Summary of Auditor's Results

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2009(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2009(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2009(iv)	Were there any material significant deficiency conditions reported for major federal programs?	No
2009(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2009(v)	Type of Major Programs' Compliance Opinion	Unqualified
2009(vi)	Are there any reportable findings under .510?	No
2009(vii)	Major Programs (list): Federal Transit Cluster: Highway Planning and Construction Cluster: Fuel Initiative Partnership - CFDA# 20.205	
2009(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: > All Others
2009 (ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

LAKETRAN
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Management comments have been corrected or are carried forward in the current audit report.



Mary Taylor, CPA
Auditor of State

LAKETRAN

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 17, 2010