



AUDIT REPORT

For the year ended December 31, 2012

Portage Area Regional Transportation Authority

AUDIT REPORT

For the Year Ended December 31, 2012

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

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Portage Area Regional Transportation Authority, Portage County, Ohio (the Authority), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Portage County Regional Transportation Authority, Portage County, Ohio, as of December 31, 2012, and the respective changes in net position and cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, during 2012, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The implementation of these Standards had no effect on the prior year Net Position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
April 24, 2013

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2012
(Unaudited)

As management of the Portage Area Regional Transportation Authority (the Authority), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- The Authority has net position of \$35 million. This net position results from the difference between total assets of \$36 million and total liabilities of \$1 million.
- Current assets of \$2.5 million primarily consist of non-restricted Cash and Cash Equivalents of \$1.2 million, Receivables of \$887,404, Inventory of \$285,874 and prepaid assets of \$102,388.
- Restricted assets of \$4.7 million consist of special deposits for capital projects. This includes \$4 million from the City of Kent to construct the Kent Central Gateway.
- Current liabilities of \$1.1 million primarily consist of Payables of \$763,440 and accrued payroll expenses of \$329,763.

Basic Financial Statements and Presentation

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

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2012
(Unaudited)

Basic Financial Statements and Presentation (Cont'd)

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

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

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

Notes to the Financial Statements

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2012
(Unaudited)

Financial Analysis of the Authority

Condensed Summary of Net Position

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets	\$ 2,457,958	\$ 2,087,966
Restricted Assets	4,766,153	4,966,142
Capital Assets, Net	<u>29,155,991</u>	<u>13,595,286</u>
Total Assets	<u>\$ 36,380,102</u>	<u>\$ 20,649,394</u>
LIABILITIES		
Current Liabilities	\$ 1,093,203	\$ 543,939
DEFERRED INFLOWS OF RESOURCES		
Grants	\$ 121,594	\$ 137,099
NET POSITION		
Net Investment in Capital Assets	\$ 29,155,991	\$ 13,595,286
Restricted for Capital Assets	4,766,153	4,965,491
Unrestricted	<u>1,243,161</u>	<u>1,407,579</u>
Total Net Position	<u>\$ 35,165,305</u>	<u>\$ 19,968,356</u>

The largest portion of the Authority's net position reflects net investment in capital assets consisting of buses, operating facilities and equipment. The Authority uses these capital assets to provide public transportation services for Portage County citizens. The Authority's largest asset is the Kent Central Gateway Multimodal facility located in Downtown Kent, OH. These assets are not available to liquidate liabilities or to cover other spending.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2012
(Unaudited)

Financial Analysis of the Authority (Cont'd)

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

	<u>2012</u>	<u>2011</u>
Revenues		
Operating Revenues	\$ 2,845,154	\$ 2,646,909
Non-Operating Revenues	<u>6,188,591</u>	<u>6,104,816</u>
Total Revenues	<u>9,033,745</u>	<u>8,751,725</u>
Expenses		
Operating Expenses	\$ 8,383,061	\$ 8,032,446
Depreciation Expense	<u>1,679,199</u>	<u>1,509,919</u>
Total Expenses	<u>10,062,260</u>	<u>9,542,365</u>
Loss Before Capital Contributions	<u>\$ (1,028,515)</u>	<u>\$ (790,640)</u>
Capital Contributions	<u>\$ 16,225,464</u>	<u>\$ 6,930,359</u>
Increase in Net Position During the Year	15,196,949	6,139,719
Net Position, Beginning of Year	<u>13,828,636</u>	<u>13,828,637</u>
Net Position, End of Year	<u>\$ 35,165,305</u>	<u>\$ 19,968,356</u>

The Authority's operating revenues overall increased \$198,245 to \$2.85 million in FY2012. This represents a 7% increase, which is primarily due to an increase in Contract Services. Operating Expenses, excluding depreciation, increased by \$350,615 or 4%. This is partly due to a 9% increase in the price per gallon of diesel fuel. In addition, there was a 5% overall increase in FY2012 for labor and fringe benefit expenses. The Authority's Capital Contributions increased significantly in FY2012 due to the receipt of the TIGER grant funds to construct the Kent Central Gateway Multi-modal Transit Facility.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2012
(Unaudited)

Financial Analysis of the Authority (Cont'd)

Revenues

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

Contract Services – These revenues increased 6.9% due to service contract negotiations to provide transportation services in Portage County.

Passenger Fares – General Public farebox fares and ticket sales are included in this line item. There was a slight increase in this category in FY2012.

Federal Grants and Reimbursements – The Authority receives approximately \$900,000 each year from the Federal 5307 grant program. In FY2012 \$400,000 was used for capitalized maintenance and the remaining allocation was used for capital projects. In FY2011 PARTA allocated more 5307 grant funds to capitalized maintenance. The Authority was also competitively awarded \$451,510 through the New Freedom and JARC Programs to develop a Coordinated Transportation System called NEORIDE. The NEORIDE project is nearing completion and is expected to be implemented in FY2013. The Authority received \$181,988 from TIGER Grant funds for the Kent Central Gateway, which was used for legal, advertising, and testing expenses associated with the project. This was less than received in FY2011 because we moved into the construction phase.

State Grants and Reimbursements – The Ohio Department of Transportation allocates grants for elderly and disabled programs, of which, the Authority received \$117,652 in FY2012. This category also includes \$79,135 for reimbursement for state fuel taxes paid by the Authority, and \$424,015 for capital maintenance costs.

Sales Tax Revenues – .25 mills is levied against Portage County sales tax, and in 2005 the Authority renewed the levy to be permanent. For FY2012, Sales Tax Revenues increased 5.36% and generated approximately 48.5% of the Authority's revenue (excluding capital contributions).

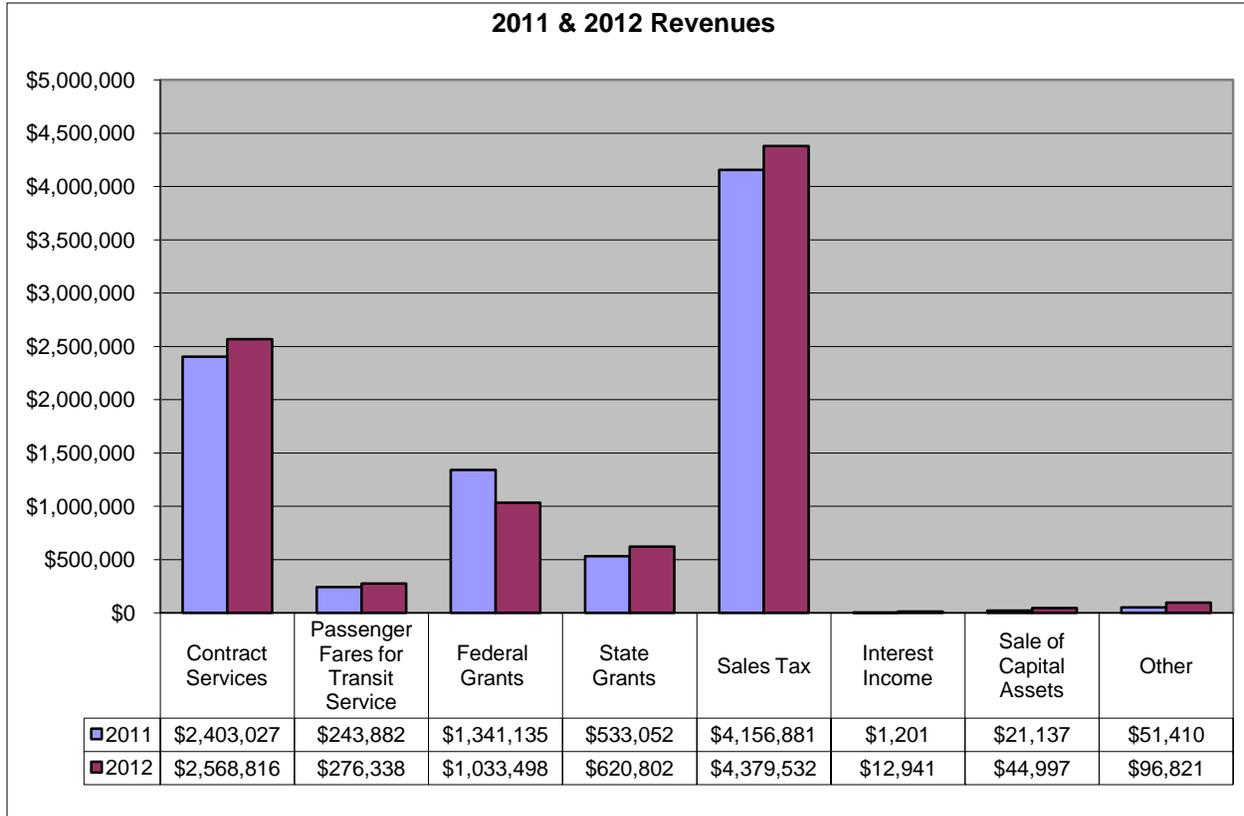
Interest Income – Interest income from Star Ohio and Huntington Bank is reported in this line item and increased 977.5% from FY2011 to FY2012. In FY2011 the Authority received \$4,000,000 from the City of Kent to construct two levels of parking at the Kent Central Gateway Multimodal Facility. These funds were invested in a CD with a higher interest rate until they were needed for construction. The CD matured in October, 2012 and the Authority received \$10,489 in interest income.

Sale of Capital Assets – This category consists of assets competitively sold after they have reached their useful lives. In FY2012 the Authority sold or scrapped fifteen (15) buses totaling \$44,997.

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2012
(Unaudited)

Financial Analysis of the Authority (Cont'd)



Expenses

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

Labor and Fringe Benefits – These personnel costs accounted for approximately 63% of all the Authority operating expenses (excluding depreciation) in FY2012. There were pay rate increases; as well as an increase personnel, which resulted in a 5.44% overall increase in this category.

Services – These expenses are associated with work performed by outside consultants such as advertising, legal fees, custodial, maintenance, training, employee background checks, and drug testing. These expenses decreased \$73,151 (approximately -5.62%) from FY2011 to FY2012. The Authority was awarded a TIGER grant in 2009 for \$20M to construct the Kent Central Gateway Multi-modal Transit Facility. In FY2012 there was approximately \$189,000 in professional service expenses related to this grant, such as, legal fees for land purchases and 3rd party agreements, and professional services for developing reports.

Fuel & Lubricants & Supplies – Overall, these expenses increased \$150,376 (approximately 13.8%). The major cause of the increase to this line item was fuel. The base cost per gallon of diesel fuel increased 9% from FY2011 to FY2012. The Authority participates each year in a joint diesel fuel procurement with other regional transit authorities to leverage buying power and manage these expenses.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended December 31, 2012
 (Unaudited)

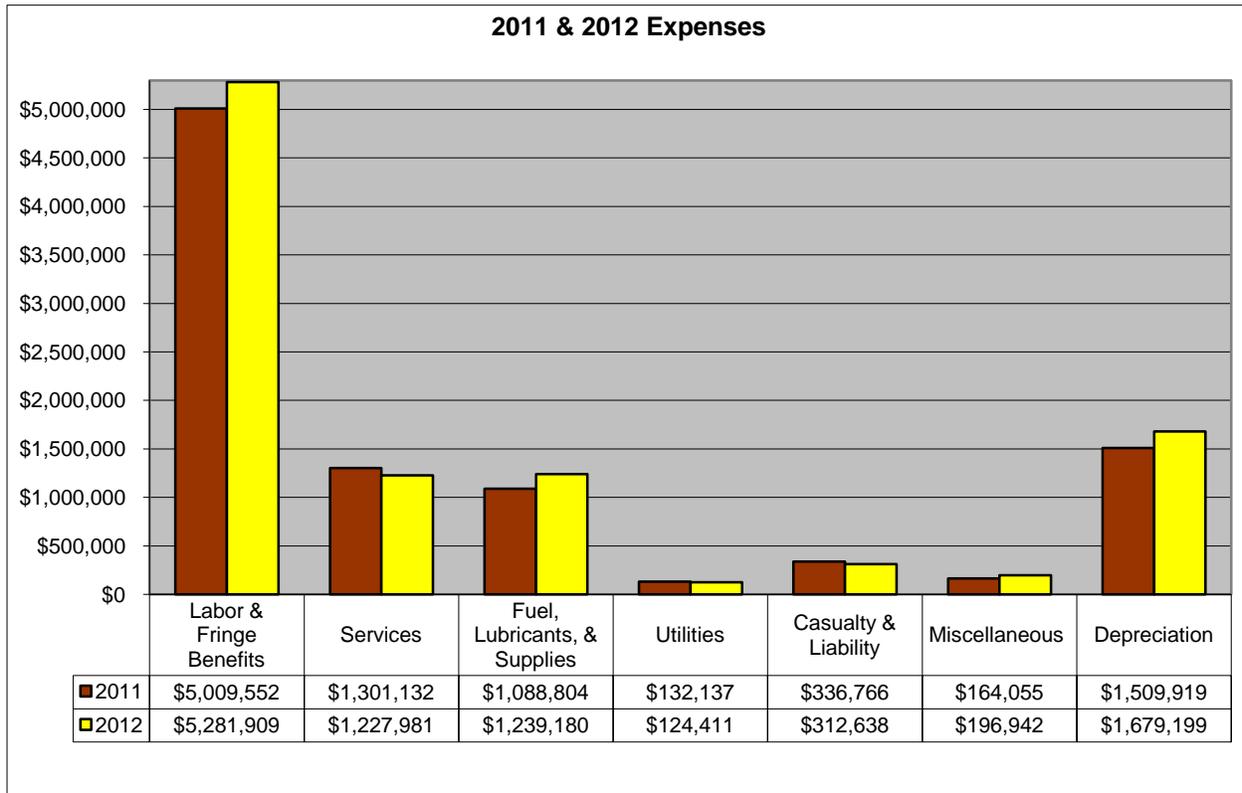
Financial Analysis of the Authority (Cont'd)

Utilities – These expenses include public utilities (i.e. gas, electric, phone, sewer, water), as well as satellite and cell phone. The utility expenses decreased \$7,726 (approximately 5.85%) from FY2011 to FY2012 as a result utility rates decreasing and less consumption.

Casualty and Liability – The Authority belongs to an insurance pool of 9 transit agencies and premiums are based on an annual actuarial study and allocation done by the Ohio Transit Risk Pool. In anticipation of the construction of the Kent Central Gateway, half of the value of the future building was included in the property coverage. These premium calculations resulted in an decrease (approximately 7%) in FY2012 expenses for this category.

Miscellaneous – This category includes advertising & promotions, dues & subscriptions, travel & meetings, and other miscellaneous expenses. There were many small increases to these line items which resulted in an overall increase of \$32,887 to this category in FY2012.

Depreciation – This category includes depreciation on all capital assets, except land and construction in process. The increase for this expense category is directly related to the Capital Assets acquired in 2012. The Authority purchased 8 new transit buses as well as 5 new Light Transit Vehicles. These will replace vehicles in our current fleet that have reached their useful life. In addition, The Authority designed and constructed a new bus wash facility with a fueling canopy worth \$1.1 Million, as well as expanded the front parking lot.



PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended December 31, 2012
 (Unaudited)

Financial Analysis of the Authority (Cont'd)

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

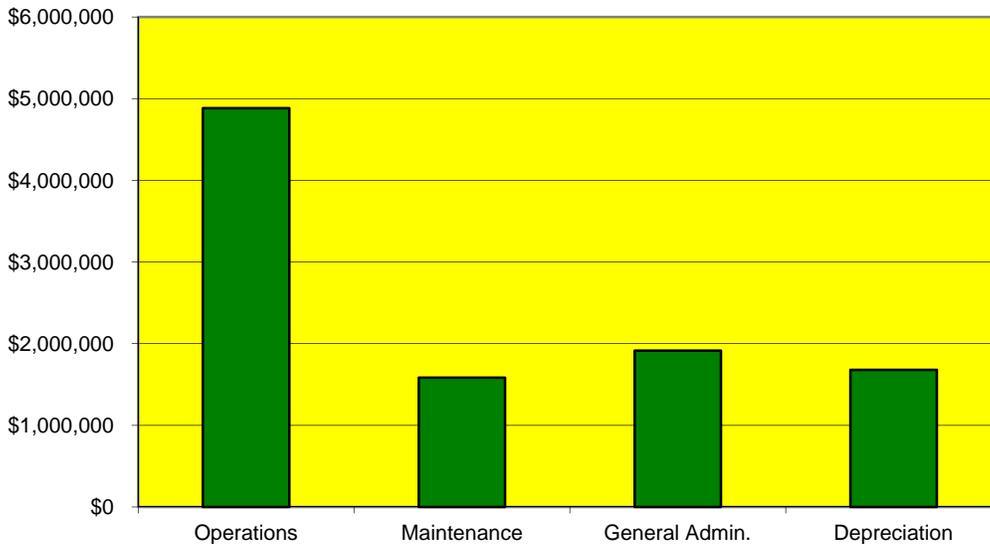
Maintenance – The expenses included in this category are associated with ensuring vehicles and facilities are operable, cleaned, fueled, inspected, and repaired. Included are maintenance labor costs, fringe benefits, and materials and supplies.

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

2012 EXPENSES BY FUNCTION

Operations	\$ 4,883,704	49%
Maintenance	\$ 1,584,209	16%
General Administration	\$ 1,915,148	19%
Depreciation	\$ <u>1,679,199</u>	17%
 TOTAL	 \$ <u>10,062,260</u>	 100%

2012 EXPENSES BY FUNCTION



PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2012
(Unaudited)

Financial Analysis of the Authority (Cont'd)

Condensed Summary of Cash Flows

Net cash used for operating activities decreased overall as a result of increased cash from customers, increased payments to employees, and decreased payments to vendors. Net cash provided by non-capital financing activities increased overall as a result of the increase in sales tax and operating grants received. Net cash used in capital and related financing activities decreased as a result of the increase in capital projects greater than the increase of capital grant funds. These items increased significantly over the previous year due to the construction of the Kent Central Gateway Project Multi-modal Transit Facility. Net cash provided by investing activities increased as a result of the increase in interest income revenue. End of Year Cash & Cash Equivalents increased as a result of the overall increases from the other activities.

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2012</u>	<u>2011</u>
Cash Received from customers	\$ 2,847,664	\$ 2,584,648
Cash payments to employees for services	(5,261,076)	(4,982,334)
Cash payments to suppliers for goods and services	<u>(2,624,933)</u>	<u>(2,752,573)</u>
Net cash used in operating activities	\$ (5,038,345)	\$ (5,150,259)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales taxes received	\$ 4,362,910	\$ 4,121,957
Operating grants received	1,654,300	1,884,200
Other	<u>96,821</u>	<u>51,410</u>
Net cash provided by non-capital financing activities	\$ 6,114,031	\$ 6,057,567
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	\$ 16,225,464	\$ 6,930,359
Sale of Capital Assets	31,923	21,137
Acquisition of fixed assets	<u>(17,239,904)</u>	<u>(3,215,638)</u>
Net cash used in capital and related financing activities	\$ (982,517)	\$ 3,735,858
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	<u>\$ 12,941</u>	<u>\$ 1,201</u>
Net cash provided by investing activities	<u>\$ 12,941</u>	<u>\$ 1,201</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 106,110	\$ 4,644,367
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>\$ 5,842,335</u>	<u>\$ 1,197,968</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,948,445</u>	<u>\$ 5,842,335</u>

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2012
(Unaudited)

Capital Assets

The Authority's net investment in capital assets amounts to approximately \$29 Million, net of accumulated depreciation as of December 31, 2012, an increase of \$15.5 Million (114%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. The Authority disposed of capital equipment, which had reached its useful life, and had a book value of \$1,346,975. The Authority was one of fifty-one grantees in the United States awarded a Transportation Investments Generating Economic Recovery (TIGER) Grant in 2009. \$20 Million was awarded to purchase land and construct the Kent Central Gateway Multimodal Transit Facility in downtown Kent.

Future Outlook

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

The award of the TIGER grant to construct the Kent Central Gateway Multimodal Transit Facility will be the catalyst for an accessible downtown experience. Creating a transit-oriented, walkable, vibrant downtown will provide economic development and increase the livability of the area for residents and students. The Kent Central Gateway will include transit bus bays, bicycle amenities, and potential retail, restaurant, and office space along Erie Street. In addition, private developers have partnered with PARTA, City of Kent, and Kent State University to plan for revitalization of downtown around the Kent Central Gateway multimodal facility. It is scheduled to open in FY2013.

Request for Information

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

**PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2012 AND 2011**

	2012	2011
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,182,292	\$ 876,193
Receivables:		
Accounts	191,121	178,126
Accrued Sales Tax	696,283	679,661
Prepaid Expenses	102,388	110,129
Materials & Supplies Inventory	285,874	243,857
Total Current Assets	2,457,958	2,087,966
<u>Restricted Assets</u>		
Special Deposit - Kent Central Gateway	4,000,000	4,000,000
Special Deposit - Restricted for capital expenditures	766,153	966,142
Total Restricted Assets	4,766,153	4,966,142
Capital Assets Not Being Depreciated	14,253,896	2,174,100
Capital Assets Being Depreciated, Net	14,902,095	11,421,186
Capital Assets (Net of Accumulated Depreciation)	29,155,991	13,595,286
TOTAL ASSETS	\$ 36,380,102	\$ 20,649,394
 <u>LIABILITIES</u>		
Accounts Payable	\$ 756,407	\$ 230,262
Sales Tax Fees Payable	7,033	6,865
Accrued Payroll and Benefits	329,763	306,812
Total Liabilities	\$ 1,093,203	\$ 543,939
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Grants	\$ 121,594	\$ 137,099
 <u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 29,155,991	\$ 13,595,286
Restricted For Capital Assets	766,153	965,491
Restricted for Kent Center Gateway	4,000,000	4,000,000
Unrestricted	1,243,161	1,407,579
TOTAL NET POSITION	\$ 35,165,305	\$ 19,968,356

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

**PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
<u>OPERATING REVENUES:</u>		
Contract Services	\$ 2,568,816	\$ 2,403,027
Passenger Fares for Transit Services	276,338	243,882
TOTAL OPERATING REVENUES	2,845,154	2,646,909
<u>OPERATING EXPENSES:</u>		
Labor and Fringe Benefits	\$ 5,281,909	\$ 5,009,552
Services	1,227,981	1,301,132
Fuel, Materials and Supplies	1,239,180	1,088,804
Utilities	124,411	132,137
Casualty and Liability Insurance	312,638	336,766
Miscellaneous	196,942	164,055
Depreciation	1,679,199	1,509,919
TOTAL OPERATING EXPENSES	10,062,260	9,542,365
Operating Income (Loss)	(7,217,106)	(6,895,456)
<u>NON-OPERATING REVENUES:</u>		
Federal Grants and Reimbursements	\$ 1,033,498	\$ 1,341,135
State Grants, Reimbursements and Special Fare Assistance	620,802	533,052
Sales Tax	4,379,532	4,156,881
Interest Income	12,941	1,201
Sale of Capital Assets	44,997	21,137
Other	96,821	51,410
TOTAL NON-OPERATING REVENUES	6,188,591	6,104,816
Net Income (Loss) Before Capital Contributions	(1,028,515)	(790,640)
Capital Contributions	\$ 16,225,464	\$ 6,930,359
Changes in Net Position	15,196,949	6,139,719
Net Position (Deficit) Beginning of Year	\$ 19,968,356	\$ 13,828,637
Net Position (Deficit) End of Year	\$ 35,165,305	\$ 19,968,356

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

**PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 2,847,664	\$ 2,584,648
Cash Payments to Employees for Services	(5,261,076)	(4,982,334)
Cash Payments for Goods and Services	(2,624,933)	(2,752,573)
<i>Net Cash Provided by (Used in) Operating Activities</i>	(5,038,345)	(5,150,259)
Cash Flows from Noncapital Financing Activities		
Sales Taxes Received	\$ 4,362,910	\$ 4,121,957
Operating Grants Received	1,654,300	1,884,200
Other	96,821	51,410
<i>Net Cash Provided by (Used by) Noncapital Financing Activities</i>	6,114,031	6,057,567
Cash Flows from Capital Financing Activities		
Capital Grants Received	\$ 16,225,464	\$ 6,930,359
Sale of Capital Assets	31,923	21,137
Acquisition of Capital Assets	(17,239,904)	(3,215,638)
<i>Net Cash Provided by (Used by) Capital Financing Activities</i>	(982,517)	3,735,858
Cash Flows from Investing Activities		
Interest on Investments	\$ 12,941	\$ 1,201
<i>Net Cash Provided by (Used by) Investing Activities</i>	12,941	1,201
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	106,110	4,644,367
<i>Cash and Cash Equivalents Beginning of Year</i>	\$ 5,842,335	\$ 1,197,968
<i>Cash and Cash Equivalents End of Year</i>	\$ 5,948,445	\$ 5,842,335
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
<i>Operating Income (Loss)</i>	\$ (7,217,106)	\$ (6,895,456)
Adjustments:		
Depreciation	1,679,199	1,509,919
(Increase) Decrease in Assets:		
Accounts Receivable	79	(10,838)
Prepaid Expenses	7,741	99,633
Materials & Supplies Inventory	(42,017)	(4,069)
Increase (Decrease) in Liabilities:		
Accounts Payable	526,145	174,404
Sales Tax Fees Payable	168	353
Accrued Wages and Benefits	22,951	27,218
Unearned Revenue	(15,505)	(51,423)
<i>Total Adjustments</i>	2,178,761	1,745,197
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ (5,038,345)	\$ (5,150,259)

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Portage Area Regional Transportation Authority (the Authority) was created pursuant to Section 306.01 through 306.13 of the Ohio Revised Code for the purpose of providing public transportation in Portage County, Ohio. As a political subdivision, it is distinct from and is not an agency of, the State of Ohio or any other local government unit. The Authority is not subject to federal or state income taxes.

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

Under Ohio law, the Authority is authorized to levy a sale and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .25 percent, .5 percent, 1 percent, or 1.5 percent if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and Portage County. On November 8, 2005 the Portage County Voters elected to pass a continuous sales and use tax of one quarter of one percent (0.25%).

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

B. REPORTING ENTITY

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

C. BASIS OF ACCOUNTING

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

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

The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

D. CASH AND CASH EQUIVALENTS

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

E. RESTRICTED ASSETS

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

F. PROPERTY, FACILITIES AND EQUIPMENT

Property, facilities and equipment are stated at historical cost. The costs of normal maintenance and repairs are charged to operations as incurred. The Authority maintains a capitalization threshold of \$5,000.

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

G. MATERIALS AND SUPPLIES

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

H. ACCUMULATED UNPAID VACATION AND PERSONAL LEAVE

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

I. DEFERRED OUTFLOW/INFLOWS OF RESOURCES

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include grants. These grants are for the 2013 period but were received in 2012 and were therefore deferred and recognized as an inflow of resources in the period the amounts become available.

J. GRANTS

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

K. BUDGETARY ACCOUNTING CONTROL

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

L. USE OF ESTIMATES

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

M. NET POSITION

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

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The Authority has \$4,766,153 of restricted net position for capital assets at December 31, 2012.

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

N. NONEXCHANGE TRANSACTIONS

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

O. CLASSIFICATION OF REVENUES

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

2. CHANGES IN ACCOUNTING PRINCIPLES

For the year 2012, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Authority’s 2012 financial statements; however, there were no effect on beginning net position.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the Authority’s 2012 financial statements; however, there was no effect on beginning net position.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

3. CASH AND INVESTMENTS

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

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

Deposits: At fiscal year end, the carrying amount of the Authority's deposits (excluding change funds of \$500) was \$4,465,171 and the bank balance of \$4,580,469 was not exposed to custodial credit risk.

Investments:

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

3. CASH AND INVESTMENTS – (Continued)

Credit Risk- The Authority invested in STAR Ohio, with a year ending balance of \$1,482,774. This is rated AAA by Moody's. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2012. The investment in STAR Ohio is a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

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

Interest revenue during fiscal year 2012 amounted to \$12,941.

4. DEFINED BENEFIT PENSION PLAN

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

OPERS administers three separate pension plans as follows: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value member and (vested) employer contributions plus any investment earnings. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invest employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustment to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

4. DEFINED BENEFIT PENSION PLAN – (Continued)

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. Members in the state and local divisions may participate in all three plans.

The 2012 member contribution rate was 10.00% of covered payroll for members in state and local classifications. The 2012 employer contribution rate for state and local employers was 14.00% of covered payroll. The Authority's total contribution to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2012, 2011 and 2010 were approximately \$389,260, \$381,423, and \$334,839, respectively, equal to 100 percent of the required contribution for each year.

5. POST EMPLOYMENT BENEFITS

Plan Description

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Plan B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and –service retirees under the Traditional Pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

5. POST EMPLOYMENT BENEFITS – (Continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.00% of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's total contribution to OPERS for post-retirement benefits for the years ended December 31, 2012, 2011 and 2010 were approximately \$155,693, \$152,558, and \$133,926, respectively, equal to 100 percent of the required contribution for each year.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

5. POST EMPLOYMENT BENEFITS – (Continued)

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

6. OTHER EMPLOYEE BENEFITS

Compensated Absences - Employees of the Authority earn vacation and sick leave at various rates under the Authority policy. In case of death, termination or retirement, an employee (or his estate) is paid for portions of these benefits. The Authority records a liability for vacation, holiday and sick hours earned but not used at year-end at the employee's current wage rate. The Authority's obligation for this amount at December 31, 2012 was \$173,089.

7. RISK MANAGEMENT

The Authority is a member of the Ohio Transit Risk Pool (OTRP), a self-insurance pool created under Chapter 2744 of the Ohio Revised Code. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. Any underfunding of the plan's liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

The Authority continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. The Authority has the following insurance coverage: Comprehensive General Liability, Automobile Liability, Errors and Omissions, and Employee Benefits Liability. There has not been a reduction in coverage from the prior year and claims have not exceeded the coverage in any of the past three years.

The Authority pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

8. PROPERTY, FACILITIES AND EQUIPMENT

Capital asset activity for the year ended December 31, 2012 is as follows:

Description	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Capital assets not being depreciated:				
Land	\$ 2,174,100	\$ 13,575	-	\$ 2,187,675
Construction in Progress	-	12,066,221	-	12,066,221
	<u>2,174,100</u>	<u>12,079,796</u>	<u>-</u>	<u>14,253,896</u>
Capital assets being depreciated:				
Building and building improvements	6,910,948	1,534,837	\$ (287)	8,445,498
Transportation equipment	10,796,781	3,590,379	(1,313,630)	13,073,530
Computers and software	1,311,657	34,892	(31,948)	1,314,601
Other equipment	457,376	-	(1,110)	456,266
	<u>19,476,762</u>	<u>5,160,108</u>	<u>(1,346,975)</u>	<u>23,289,895</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Building and building improvements	(1,783,632)	(372,344)	287	(2,155,689)
Transportation equipment	(5,016,135)	(1,119,364)	1,313,630	(4,821,869)
Computers and software	(927,586)	(157,519)	31,948	(1,053,157)
Other equipment	(328,223)	(29,972)	1,110	(357,085)
	<u>(8,055,576)</u>	<u>(1,679,199)</u>	<u>1,346,975</u>	<u>(8,387,800)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>11,421,186</u>	<u>3,480,909</u>	<u>-</u>	<u>14,902,095</u>
Total capital asset, net	<u>\$ 13,595,286</u>	<u>\$ 15,560,705</u>	<u>\$ -</u>	<u>\$ 29,155,991</u>

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

9. CONTINGENCIES

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

10. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

PORTAGE AREA REGIONAL TRANSIT AUTHORITY

Schedule of Federal Awards Expenditures

For the Year Ended December 31, 2012

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Program Expenditures
<hr/>			
U.S. Department of Transportation			
Federal Transit Administration:			
Direct Programs:			
<i>Federal Transit Cluster:</i>			
Urbanized Area Formula Program	OH-90-X-645	20.507	\$ 597,360
	OH-90-X-684	20.507	23,124
	OH-90-X754	20.507	796,238
	ARRA-OH-96-X024	20.507	<u>10,567</u>
Total Urbanized Area Formula Program			1,427,289
Capital Investment Grant	OH-04-X049	20.500	<u>333,016</u>
Total Federal Transit Cluster			<u>1,760,305</u>
ARRA-Transportation Investment Generating Economic Recovery	ARRA-OH-78-X001	20.932	12,251,674
<i>Transit Services Programs Cluster:</i>			
Job Access-Reverse Commute	OH-37-X064	20.516	329,408
New Freedom Program	OH-57-X026	20.521	<u>117,575</u>
Total Transit Services Programs Cluster			446,983
Federal Highway Administration:			
Passed through Ohio Department of Transportation:			
Urban Transit Capital Reimbursement - Clean and Green Project	OH-95-X077	20.205	<u>2,800,000</u>
Total Federal Awards Expenditures			<u>\$ 17,258,962</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

Portage Area Regional Transportation Authority
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2012

1. Significant Accounting Policies

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

2. Matching

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

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

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Portage Area Regional Transportation Authority, Portage County, (the Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2013. We noted the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
April 24, 2013

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Charles E. Harris & Associates, Inc.

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

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Portage Area Regional Transportation Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Portage Area Regional Transportation Authority's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Portage Area Regional Transportation Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on its major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Charles E. Harris & Associates, Inc.

April 24, 2013

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

**PORTAGE AREA REGIONAL TRANSIT AUTHORITY
Portage County
December 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	ARRA-Transportation Investment Generating Economic Recovery CFDA #20.932
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$517,769 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending December 31, 2011, reported no material citations or recommendations.

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