

**Comprehensive  
Annual Financial Report  
For the Years Ended December 31, 2018 and 2017**

**LAKETRAN**

**LAKE COUNTY, OHIO**

*Brian Falkowski  
President  
Board of Trustees*

*Benjamin Capelle  
General Manager  
Secretary-Treasurer*





**Introductory  
Section  
2018**



Comprehensive  
Annual Financial Report  
For the Years Ended December 31, 2018 and 2017

**LAKE COUNTY, OHIO**

**LAKETRAN**



Brian Falkowski  
President  
Board of Trustees

Benjamin Capelle  
General Manager/  
Secretary-Treasurer

**LAKETRAN  
LAKE COUNTY, OHIO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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Government Finance Officers Association

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, 2017**

*Christopher P. Morill*

Executive Director/CEO

*The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Laketrans, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2017. 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.*





1-888-LAKETRAN | [www.laketrans.com](http://www.laketrans.com)

555 Lakeshore Blvd. Painesville Twp., OH 44077

May 6, 2019

Mr. Brian Falkowski, President  
Members, Board of Trustees of Laketrans  
and Residents of Lake County

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Laketrans for the year ended December 31, 2018. This is the eighteenth such report issued by Laketrans. It has become the standard format used in presenting the results of Laketrans's operations, financial position, cash flows, and related statistical information.

Laketrans takes great pride in the fact that its seventeen 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.

Laketrans also submits its annual operating and capital budget to the GFOA and has been doing so since 1998. All 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 Laketrans. The basic financial statements, MD&A, and statistical information are the representation of Laketrans'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 Laketrans as a single enterprise fund. The CAFR is indicative of Laketrans'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 accountant'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, (as amended by GASB Statement No. 61) Laketran is considered to be a jointly governed organization.

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

Administration:

Director of Finance  
Director of Human Resources  
Director of Communications

Maintenance:

Director of Maintenance

Operations:

Director of Operations  
Asst. Director of Operations

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

In 2018, Laketran had 223 employees. The system delivered 856,121 revenue miles of motor bus service and 2,292,847 revenue miles of directly operated paratransit service. The service fleet was composed of 38 motor bus coaches and 86 paratransit buses.

## **CURRENT YEAR REVIEW**

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

- The Distinguished Budget Presentation Award for the 2018 operating and capital budget from the GFOA.
- Certificate of Achievement for Excellence in Financial Reporting for the 2017 CAFR from the GFOA.

Ridership changes from 2017 to 2018 for all modes of services were down 1.0 percent overall. Dial-a-Ride ridership increased 2.0 percent and Motor Bus ridership was down 3 percent netting an overall decrease in ridership of 1 percent for 2018 vs 2017 for all modes of service.

## 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 2023. 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. These are very high mileage vehicles that need to be replaced regularly. An approximately equal number of buses are replaced each year in a number sufficient enough to replace all buses every six/seven years.

Twenty Dial-a-Ride buses were purchased during 2018. All of these buses were used as replacement buses, with the oldest buses being taken out of service. Keeping the fleet current is one of the many ways Laketran demonstrates that Dial-a-Ride is a priority.

Motor buses have an approximate 7-14 year service life, depending on the vehicle length. A 35-40' bus has a 12-14 year life while a 30' bus has a 7-10 year life. The total Motor bus fleet is approximately 40 buses. Motor bus includes the Commuter Express and Fixed Route buses. Commuter Express travels longer distance and Fixed Route is within the County. Laketran purchased fourteen 40 foot buses in 2016 and four 40 foot buses in 2018 to replace our oldest 40 foot buses.

- **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). Each ride guide will contain a copy of the schedule and a detailed map of the appropriate route. Also included is fare information, bike rack instructions, Laketran phone numbers and web site information. The first ride guide was installed in September 2004 and the project has been ongoing.

## **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.

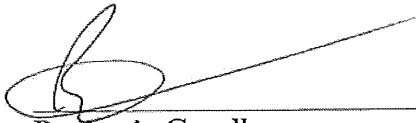
## **OTHER INFORMATION**

The Laketran independent audit was conducted by the James G. Zupka, CPA, Inc., who has issued an unmodified opinion 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.

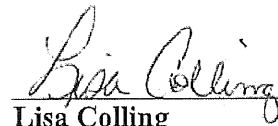
ACKNOWLEDGMENT

The successful completion of a report of this scope depends upon the dedicated contributions of many employees. The sincere appreciation of those primarily responsible for the completion of this CAFR is extended to all contributors, but especially those employees in the Department of Finance who have spent their time and energy on various parts of the report and to the staff from James G. Zupka, Certified Public Accountants, Incorporated, for their assistance in compiling the Comprehensive Annual Financial Report. In addition, we would like to thank the Board of Trustees for their support in striving for excellence in financial reporting and disclosure.



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**Benjamin Capelle**  
General Manager/Secretary-Treasurer



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**Lisa Colling**  
Director of Finance

**LAKETRAN  
LAKE COUNTY, OHIO  
BOARD OF TRUSTEES AND MANAGEMENT  
AS OF DECEMBER 31, 2018**

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**Board of Trustees**

Chairman	Brian Falkowski
Vice-Chairman	Chuck Zibbel
Trustees	Jean Argo Mary Bryner Dennis M. Lafferty Dennis Montrella Donna P. McNamee Lane H. Sheets Dale Schiavoni

**Management**

General Manager and Secretary-Treasurer	Benjamin Capelle
Director of Finance	Lisa M. Colling
Director of Human Resources	Mike Austin
Director of Communications	Julia Schick
Director of Operations	Mike Maier
Director of Maintenance	Keith M. Bare



### Lakeland's Local Bus Routes 1-6

Lakeland's Local Bus Routes 1-6 travel along the major corridors of Lake County. Stops can be found at approximately 14 mile intervals. Routes 1, 2, 3, 5 and 6 travel hourly Monday through Friday. All buses on Routes 1-6 are equipped with bicycle racks that can accommodate up to two bikes.

Route	Principle Street Operated Over	Connecting
1	Mentor Ave.	Painesville, Mentor, Great Lakes Mall, Lakeland College, Mentor, Great Lakes Hall, Lakeland College, Willoughby, Wickliffe, Euclid
2	Euclid Ave.	Mentor, Great Lakes Mall, Lakeland College, Willoughby, Wickliffe, Euclid
3	Lake Shore Blvd.	Madison-Painesville, Painesville, Fairport Harbor, Willoughby-Hills, Wickliffe, Willoughby, Eastlake, Willoughby, Wickliffe, Painesville
4	Madison-Painesville	Madison, Perry, Painesville
5	Painesville-Fairport	Painesville-Fairport
6	Vine St.	Vine St.

**Lakeland's ADA Service Area**  
 The yellow-highlighted region on Lakeland's system map is the service area that is federally mandated for ADA (Americans with Disabilities) Dial-a-Ride service. And, although Lakeland is only federally mandated to provide curb-to-curb service to people with disabilities in the yellow ADA service area, Lakeland provides service to anyone in Lake County, and to anywhere in Lake County.

Just more ways Lakeland goes above and beyond for Lake County!

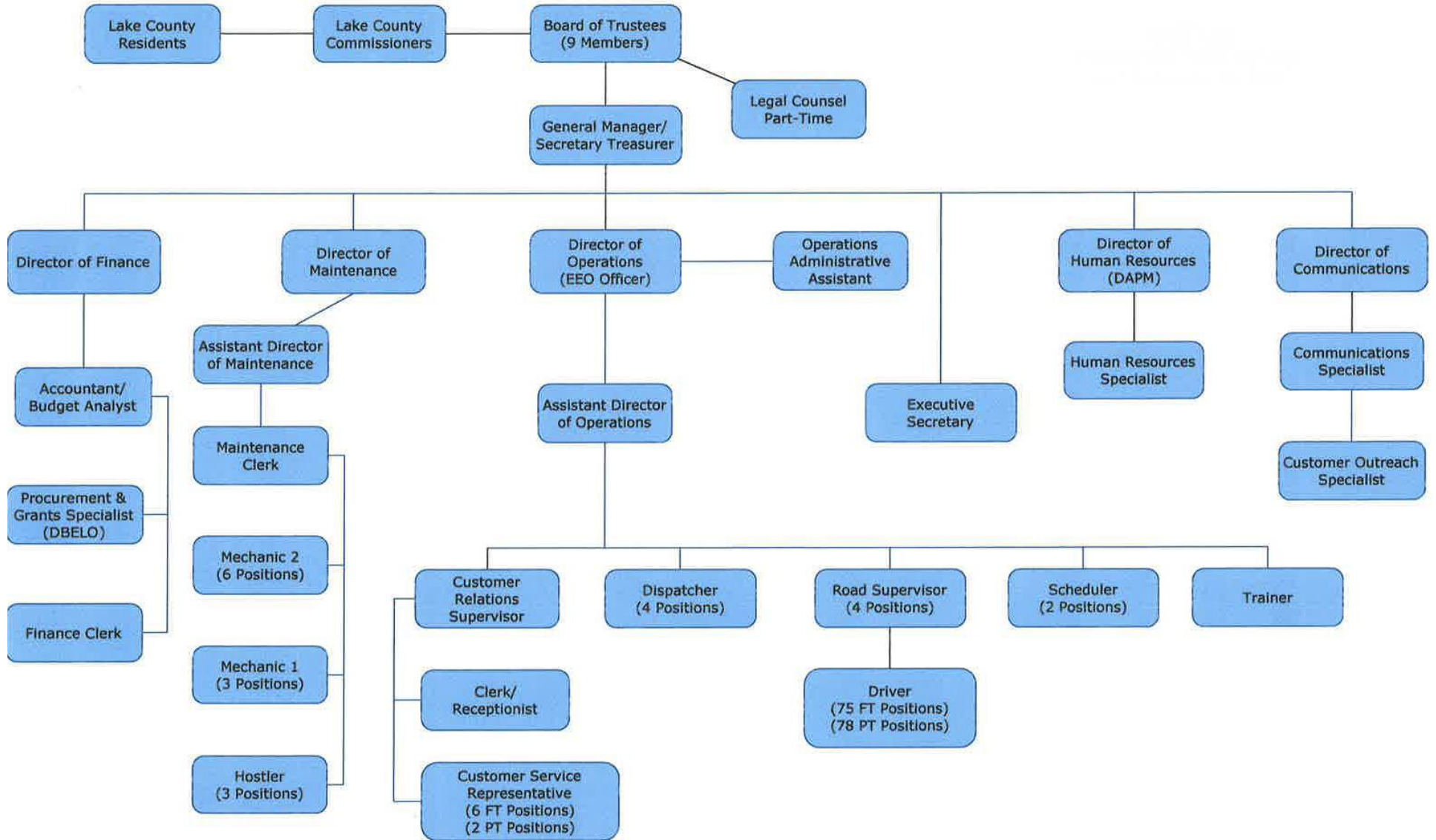
### Legend

- Bus Route
- GCRTA Route
- State Highway
- U.S. Highway
- Interstate
- Park
- Landmark
- Transfer
- Post Office
- School
- Hospital
- Library

**Route 5 Loop**  
 North Loop  
 South Loop

**Miles** 14 | 12 | 8 | 4 | 1

**LAKETRAN  
LAKE COUNTY, OHIO  
ORGANIZATION CHART AS OF SEPTEMBER 18, 2017  
FOR THE YEAR ENDED DECEMBER 31, 2018**





# **Financial Section**

**2018**



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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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(216) 475 - 6136

Ohio Society of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Laketran  
Grand River, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Laketran, Lake County, Ohio, (the Transit Authority) as of and for the years ended December 31, 2018 and December 31, 2017, and the related notes to the financial statements, which collectively comprise the Transit Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Transit Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Transit Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Laketran as of December 31, 2018 and December 31, 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 13 to the basic financial statements, during 2018, the Transit Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transit Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic 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 them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2019, on our consideration of the Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 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 Transit Authority's internal control over financial reporting and compliance.



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

May 6, 2019

**LAKETRAN  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(UNAUDITED)**

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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, 2018, 2017, and 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### **FINANCIAL HIGHLIGHTS**

- Laketran's 2018 net position decreased as a result of current year operations by \$201,234 or 0.6 percent over 2017. Net position for 2017 decreased \$2,754,104 or 6.5 percent from 2016.
- Operating expenses, exclusive of depreciation, were \$16,374,437 at December 31, 2018, \$15,431,377 at December 31, 2017, and \$13,387,458 at December 31, 2016. This represents an increase of 6.1 percent and an increase of 15.3 percent, respectively.
- Net capital assets were \$27,147,851 at December 31, 2018, \$26,324,591 at December 31, 2017, and \$28,533,635 at December 31, 2016. This represents an increase of 3.1 percent and a decrease of 7.7 percent, respectively.
- Cash and cash equivalents were \$6,304,223 at December 31, 2018, \$5,661,619 at December 31, 2017, and \$5,409,440 at December 31, 2016. This represents an increase of 11.4 percent and an increase of 4.7 percent, respectively.
- Investments at fair value, other than those included in cash and cash equivalents, were \$10,482,762 at December 31, 2018, \$10,827,842 at December 31, 2017, and \$10,619,450 at December 31, 2016. This represents a decrease of 3.2 percent and an increase of 2.0 percent, respectively.
- Cash and cash equivalents, and investments at fair value combined were \$16,786,985 at December 31, 2018, \$16,489,461 at December 31, 2017, and \$16,028,890 at December 31, 2016. This represents an increase of 1.8 percent and an increase of 2.9 percent, respectively. These cash reserves are used to pay Laketran's share of capital improvements and operating expenses as necessary.
- Laketran had current grants receivable of \$3,795,655 at December 31, 2018, \$2,981,087 at December 31, 2017 and \$4,311,021 at December 31, 2016. This represents an increase of 27.3 percent and a decrease of 30.8 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)** Statement of Net Position, **2)** Statement of Revenues, Expenses, and Changes in Net Position, **3)** Statement of Cash Flows, and **4)** Notes to the Basic Financial Statements. The Statements of Net Position and Statements of Revenue, Expenses, and Changes in Net Position provide information about the activities of Laketran and present a longer-term view of its finances.

One of the most important questions asked about Laketran's finances is, "Is Laketran better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows report information about Laketran 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.

**LAKETRAN  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(UNAUDITED)**

The basic financial statements report Laketran's net position and changes in them. Laketran's net position is the difference between assets deferred outflows of resources (what the citizens own) and liabilities and deferred inflows of resources (what the citizens owe) as one way to measure Laketran's financial health or financial position. Over time, increases or decreases in Laketran's net position 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 Laketran's capital assets (property, equipment, vehicles, etc.).

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

**Table 1 - Net Position**

	2018	2017 Restated	2016
<b><u>Assets</u></b>			
Current Assets	\$ 23,523,006	\$ 22,103,203	\$ 23,081,411
Grants Receivable	3,517,145	2,249,072	1,648,368
Net Pension Asset	143,125	54,995	49,491
Capital Assets, Net	27,147,851	26,324,591	28,533,635
<b>Total Assets</b>	<b>54,331,127</b>	<b>50,731,861</b>	<b>53,312,905</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pensions	2,013,078	4,359,269	3,331,784
OPEB	427,714	76,844	0
Other	10,324	0	0
<b>Total Deferred Outflows of Resources</b>	<b>2,451,116</b>	<b>4,436,113</b>	<b>3,331,784</b>
<b><u>Liabilities</u></b>			
Current Liabilities	3,004,239	1,649,289	3,524,469
Non-Current Liabilities	327,012	300,077	366,168
Net Pension Liability	7,431,435	10,728,536	8,059,929
Net OPEB Liability	5,319,953	4,913,815	0
Fair Value of Derivative Instruments	10,324	0	0
<b>Total Liabilities</b>	<b>16,092,963</b>	<b>17,591,717</b>	<b>11,950,566</b>
<b><u>Deferred Inflows of Resources</u></b>			
Grants	3,760,350	2,526,457	2,000,476
Pensions	1,813,550	95,450	182,259
OPEB	396,301	0	0
Other	0	34,037	0
<b>Total Deferred Inflows of Resources</b>	<b>5,970,201</b>	<b>2,655,944</b>	<b>2,182,735</b>
<b><u>Net Position</u></b>			
Investment in Capital Assets	27,147,851	26,324,591	28,533,635
Restricted for Insurance Claims	227,977	227,973	0
Unrestricted	7,343,251	8,367,749	13,977,753
<b>Total Net Position</b>	<b>\$ 34,719,079</b>	<b>\$ 34,920,313</b>	<b>\$ 42,511,388</b>

**LAKETRAN  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(UNAUDITED)**

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The net pension liability (NPL) is the largest single liability reported by Laketrans at December 31, 2018 and is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. For fiscal year 2018, Laketrans adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of Laketrans's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability or net OPEB liability*. GASB 68 and GASB 75 takes an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal Laketrans's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, Laketrans is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised code permits, but does not require the retirement systems to provide healthcare to eligible recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

**LAKETRAN  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(UNAUDITED)**

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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, Laketrans' statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, Laketrans is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$39,757,284 to \$34,920,313.

Laketrans' net position was \$34,719,079 at December 31, 2018, \$34,920,313 at December 31, 2017, and \$42,511,388 at December 31, 2016. These represent a decrease of 0.6 and a decrease of 17.9 percent, respectively. Unrestricted net position was \$7,343,251 at December 31, 2018, \$8,367,749 at December 31, 2017, and \$13,977,753 at December 31, 2016. This represents a decrease of 12.2 percent and a decrease of 40.1 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 exceed current liabilities.

2018	2017	2016	2015	2014
\$ 20,518,767	\$ 20,453,914	\$ 19,556,942	\$ 20,132,211	\$ 18,405,717

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

2018	2017	2016	2015	2014
7.8	13.4	6.5	21	13.9

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

2018	2017	2016	2015	2014
369	375	383	412	368

Liabilities and deferred inflows of resources to net position indicates the extent of borrowing.

2018	2017	2016	2015	2014
63.5%	58.0%	33.2%	39.0%	34.1%



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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 inflows of resources. Deferred inflows of resources consist of amounts related to pension and OPEB and of capital grant funding received before time requirements are met.

**Table 2 - Changes in Net Position**

	2018	2017	2016
<b>Revenues</b>			
<b>Operating Revenues</b>			
Passenger Fares	\$ 2,711,452	\$ 2,519,175	\$ 2,578,993
Auxiliary Transportation Revenue	86,863	80,584	81,683
<b>Total Operating Revenue</b>	<b>2,798,315</b>	<b>2,599,759</b>	<b>2,660,676</b>
<b>Non-Operating Revenues</b>			
Sales Tax Revenue	9,504,880	9,281,207	9,291,442
Federal Grants and Reimbursements	2,329,763	2,406,505	2,312,824
State Grants, Reimbursements, and Special Fare Assistance	757,975	867,502	1,001,943
Gain on Disposal of Assets	162,032	0	0
Interest Income	220,271	88,428	77,309
Other	162,607	128,786	9,573
<b>Total Non-Operating Revenue</b>	<b>13,137,528</b>	<b>12,772,428</b>	<b>12,693,091</b>
<b>Capital Funding</b>			
Federal Grants and Reimbursements	4,400,331	1,460,535	7,543,724
Capital contribution	98,000	0	0
<b>Total Capital Funding</b>	<b>4,498,331</b>	<b>1,460,535</b>	<b>7,543,724</b>
<b>Total Revenues</b>	<b>20,434,174</b>	<b>16,832,722</b>	<b>22,897,491</b>
<b>Expenses</b>			
<b>Operating Expenses Other Than Depreciation</b>			
Labor	6,811,645	6,185,758	6,047,861
Fringe Benefits	5,246,450	5,287,015	3,744,019
Services	1,209,679	1,137,955	1,069,254
Fuel and Lubricants	1,087,095	768,323	617,090
Materials and Supplies	724,789	809,242	675,621
Utilities	198,613	238,139	205,210
Claims and Insurance	464,329	374,728	415,128
Purchased Transportation	275,562	264,456	263,897
Miscellaneous	356,275	365,761	349,378
<b>Total Operating Expenses Other Than Depreciation</b>	<b>16,374,437</b>	<b>15,431,377</b>	<b>13,387,458</b>
Depreciation	4,260,971	4,009,596	3,611,857
<b>Total Operating Expenses</b>	<b>20,635,408</b>	<b>19,440,973</b>	<b>16,999,315</b>
<b>Non-Operating Expenses</b>			
Loss on Disposal of Assets	0	145,853	706,871
<b>Total Non-Operating Expenses</b>	<b>0</b>	<b>145,853</b>	<b>706,871</b>
<b>Total Expenses</b>	<b>20,635,408</b>	<b>19,586,826</b>	<b>17,706,186</b>
Increase (Decrease) in Net Position	(201,234)	(2,754,104)	5,191,305
Total Net Position Beginning of Year, as restated	34,920,313	N/A	37,320,083
<b>Total Net Position End of Year</b>	<b>\$ 34,719,079</b>	<b>\$ 34,920,313</b>	<b>\$ 42,511,388</b>

**LAKETRAN  
LAKE COUNTY, OHIO  
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**Significant items contributing to the change in net position are as follows:**

- Federal and capital grants and reimbursements increased from 2017 to 2018 by 74.0 percent and decreased from 2016 to 2017 by 60.8 percent. Deferred inflows of resources (formerly deferred revenues) fluctuate greatly from year to year. This primarily represents grant funds approved but did not meet time requirements, which increased from 2017 to 2018 by 124.8 percent and increased from 2016 to 2017 by 21.7 percent.
- Sales tax revenues, Laketran's largest source of revenue, increased from 2017 to 2018 by 2.4 percent and decreased from 2016 to 2017 by 0.1 percent. Laketran receives a 1/4 percent sales tax.
- Investment income increased 149.1 percent from 2017 to 2018 and increased 14.4 percent from 2016 to 2017 due to changes in interest rates.
- Operating expenses, excluding depreciation, increased 6.1 percent from 2017 to 2018 and increased 15.3 percent from 2016 to 2017, respectively.
- Significant changes in operating expenses are:

Fuel and oil costs increased 41.5 percent from 2017 to 2018 and increased 24.5 percent from 2016 to 2017. Laketran hedged its fuel costs for 2016, 2017 and 2018. By hedging this cost Laketran was able to lock into a fixed fuel rate so it could put back Saturday Service for DAR and Fixed Route Bus Service.

Labor costs increased 10.1 percent from 2017 to 2018 and increased 2.3 percent from 2016 to 2017. The increase in labor costs is attributed to a 3 percent wage increase for employees in 2018 and 3 percent wage increase for employees in 2017 and the cost to put Saturday service in place for Fixed Route and DAR.

Fringe benefits decreased 0.8 percent from 2017 to 2018 and increased 41.2 percent from 2016 to 2017, due primarily to pension expense per GASB 68 and the implementation of GASB 75.

**Table 3 - Changes in Cash Flows**

	2018	2017	2016
Net Cash Used for Operating Activities	\$ (10,675,312)	\$ (12,983,843)	\$ (7,914,198)
Net Cash Provided by Noncapital Financing Activities	11,967,177	13,428,309	11,256,505
Net Cash Used by Capital and Related Financing Activities	(690,056)	(103,974)	(5,057,818)
Net Cash Provided (Used) by Investment Activities	40,791	(316,286)	(317,111)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 642,600</b>	<b>\$ 24,206</b>	<b>\$ (2,032,622)</b>

Net cash used for operating activities decreased 17.8 percent from 2017 to 2018 and increased 64.1 percent from 2016 to 2017. Decrease for 2018 is due to less operating costs.

Net cash provided by noncapital financing activities decreased 10.9 percent from 2017 to 2018 and increased 19.3 percent from 2016 to 2017 due to fluctuations in sales tax and grant revenue.

Net cash used by capital and related financing activities increased 563.7 percent from 2017 to 2018 and decreased 97.9 percent from 2016 to 2017 due to more capital asset additions in 2018 and 2016 compared to 2017.

**LAKETRAN  
LAKE COUNTY, OHIO  
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Net cash provided/(used) by investment activities decreased 116.2 percent from 2017 to 2018 due to more investment purchases in 2017, and decreased only 0.3 percent from 2016 to 2017 due to consistent activity in each year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

For years ended December 31, 2018, 2017 and 2016, Laketran had invested in a broad range of capital assets, including land, buildings and improvements, equipment, office furniture/fixtures/equipment, parking lots, communication equipment, and vehicles for \$27,147,851, \$26,324,591 and \$28,533,635, (net), respectively. This represents a net increase of \$823,260, or 3.1 percent from 2017 to 2018 which is attributable to the purchase of additional transportation vehicles and equipment. A net decrease of \$2,209,044, or 7.7 percent from 2016 to 2017 which is attributable to an increase in the dollar threshold for assets to \$1,500.

**Table 4 - Capital Assets at Year End**

	2018	2017	2016
Land	\$ 1,898,151	\$ 2,442,643	\$ 2,442,643
Buildings and Improvements	15,534,098	15,534,098	15,546,195
Transportation Vehicles and Equipment	43,370,385	40,003,790	40,152,223
Furniture and Equipment	583,507	583,507	686,942
Construction in Progress	1,399,618	811,253	0
	<u>62,785,759</u>	<u>59,375,291</u>	<u>58,828,003</u>
Less Accumulated Depreciation	35,637,908	33,050,700	30,294,368
<b>Total Capital Assets, Net</b>	<u><u>\$ 27,147,851</u></u>	<u><u>\$ 26,324,591</u></u>	<u><u>\$ 28,533,635</u></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. Laketran owns one building which is being depreciated over a period of forty-five years.

**LONG TERM OBLIGATIONS**

Laketran has long-term obligations consisting of net pension liability, net OPEB liability and compensated absences. See Notes 6, 7, and 8 of the financial statements for additional detail.

**DISCUSSION OF CURRENTLY KNOWN FACTS**

During 2018, operating and non-operating revenues increased 3.7 percent while operating expenses (other than depreciation) increased 6.1 percent. Wages and benefits are 73.6 percent of operating expenses other than depreciation, and these increased 5.1 percent. Employees pay 10 or 15 percent of their health insurance costs.

Exclusive of capital grant reimbursements, Laketran has experienced moderate sales tax revenue increases the last couple of years. 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 and any special types of projects going on in any given year.

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Fuel and oil which comprises 6.6 percent of the operating expenses increased 41.5 percent. This increase is due to fuel prices being higher in 2018 than in 2017 and the use of additional transportation vehicles.

During November, 2013, Lake County voters overwhelmingly renewed the 1/4 percent sales tax plus made it continuing, which provides Laketran with a majority of its funding. This levy was approved by a margin of 66 percent for and 34 percent against. The new levy took effect on August 1, 2014.

During 2018, sales tax revenue increased 2.4 percent over 2017. Sales tax provided Laketran with 58.0 percent of its operating costs in 2018.

**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 Lisa Colling, CFO, Laketran, 555 Lakeshore Boulevard, P.O. Box 158, Grand River, Ohio 44045.

**LAKETRAN  
LAKE COUNTY, OHIO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018 AND 2017**

	2018	2017 Restated
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 6,076,246	\$ 5,433,646
Cash and Cash Equivalents Held with Other Governments	227,977	227,973
Investments in Segregated Accounts	476,716	0
Investments	10,482,762	10,827,842
Receivables:		
Federal Grants	1,683,264	1,134,884
Capital Grants	2,112,391	1,846,203
Trade	272,551	476,132
Sales Tax	1,547,292	1,504,411
Accrued Interest	35,831	22,028
Materials and Supplies	607,976	630,084
<b>Total Current Assets</b>	<b>23,523,006</b>	<b>22,103,203</b>
<b><u>Non-Current Assets:</u></b>		
Federal Grants Receivable	681,046	348,845
Capital Grants Receivable	2,836,099	1,900,227
Non-Depreciable Capital Assets	3,297,769	3,253,896
Depreciable Capital Assets, Net	23,850,082	23,070,695
Net Pension Asset	143,125	54,995
<b>Total Non-Current Assets</b>	<b>30,808,121</b>	<b>28,628,658</b>
<b>TOTAL ASSETS</b>	<b>54,331,127</b>	<b>50,731,861</b>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	2,013,078	4,359,269
OPEB	427,714	76,844
Other	10,324	0
<b>Total Deferred Outflows of Resources</b>	<b>2,451,116</b>	<b>4,436,113</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 56,782,243</b>	<b>\$ 55,167,974</b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 546,313	\$ 733,259
Contracts Payable	1,399,618	0
Accrued Payroll and Benefits	605,762	497,153
Compensated Absences	452,546	402,626
Matured Compensated Absences	0	16,251
<b>Total Current Liabilities</b>	<b>3,004,239</b>	<b>1,649,289</b>
<b><u>Non-Current Liabilities</u></b>		
Compensated Absences	327,012	300,077
Net Pension Liability	7,431,435	10,728,536
Net OPEB Liability	5,319,953	4,913,815
Fair Value of Derivative Instruments	10,324	0
<b>Total Non-Current Liabilities</b>	<b>13,088,724</b>	<b>15,942,428</b>
<b>TOTAL LIABILITIES</b>	<b>16,092,963</b>	<b>17,591,717</b>
<b><u>Deferred Inflows of Resources</u></b>		
Pension	1,813,550	95,450
OPEB	396,301	0
Federal Grants	681,046	348,845
Capital Grants	2,836,099	1,900,227
State Grants	243,205	277,385
Other Grants	0	34,037
<b>Total Deferred Inflows of Resources</b>	<b>5,970,201</b>	<b>2,655,944</b>
<b><u>Net Position</u></b>		
Investment in Capital Assets	27,147,851	26,324,591
Restricted for Insurance Claims	227,977	227,973
Unrestricted	7,343,251	8,367,749
<b>Total Net Position</b>	<b>34,719,079</b>	<b>34,920,313</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 56,782,243</b>	<b>\$ 55,167,974</b>

See accompanying notes to the basic financial statements.

**LAKETRAN**  
**LAKE COUNTY, OHIO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b><u>Operating Revenues</u></b>		
Passenger Fares for Transit Service	\$ 1,388,568	\$ 1,360,397
Special Transit Fares	1,322,884	1,158,778
Auxiliary Transportation Revenue	86,863	80,584
<b>Total Operating Revenues</b>	<u>2,798,315</u>	<u>2,599,759</u>
<b><u>Operating Expenses Other Than Depreciation</u></b>		
Labor	6,811,645	6,185,758
Fringe Benefits	5,246,450	5,287,015
Services	1,209,679	1,137,955
Fuel and Lubricants	1,087,095	768,323
Materials and Supplies	724,789	809,242
Utilities	198,613	238,139
Claims and Insurance	464,329	374,728
Purchased Transportation	275,562	264,456
Miscellaneous	356,275	365,761
<b>Total Operating Expenses Other Than Depreciation</b>	<u>16,374,437</u>	<u>15,431,377</u>
Depreciation	4,260,971	4,009,596
<b>Total Operating Expenses</b>	<u>20,635,408</u>	<u>19,440,973</u>
Operating Loss	<u>(17,837,093)</u>	<u>(16,841,214)</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>		
Sales Tax Revenue	9,504,880	9,281,207
Federal Grants and Reimbursements	2,329,763	2,406,505
State Grants, Reimbursements, and Special Fare Assistance	757,975	867,502
Interest Income	220,271	88,428
Gain (Loss) on Disposal of Capital Assets	162,032	(145,853)
Non-Transportation Revenues	162,607	128,786
<b>Total Non-Operating Revenues (Expenses)</b>	<u>13,137,528</u>	<u>12,626,575</u>
Loss before Capital Contributions	<u>(4,699,565)</u>	<u>(4,214,639)</u>
<b><u>Capital Funding</u></b>		
Capital Grants and Reimbursements	4,400,331	1,460,535
Capital Contribution	98,000	0
<b>Total Capital Funding</b>	<u>4,498,331</u>	<u>1,460,535</u>
Decrease in Net Position	(201,234)	(2,754,104)
Total Net Position, Beginning of Year - as restated	<u>34,920,313</u>	<u>N/A</u>
<b>Total Net Position, End of Year</b>	<u>\$ 34,719,079</u>	<u>\$ 34,920,313</u>

See accompanying notes to the basic financial statements.

**LAKETRAN  
LAKE COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from Customers	\$ 3,001,896	\$ 2,679,784
Cash Payments for Goods and Services	(3,081,562)	(5,934,264)
Cash Payments for Employees' Services	(10,758,253)	(9,858,149)
Non-Transportation Revenue	162,607	128,786
<b>Net Cash Used for Operating Activities</b>	<b>(10,675,312)</b>	<b>(12,983,843)</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>		
Sales Tax Received	9,461,999	9,280,989
Federal Grants and Reimbursements	1,781,383	3,132,479
State Grants and Reimbursements	723,795	1,014,841
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>11,967,177</b>	<b>13,428,309</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Capital Grants Received	4,134,143	1,842,433
Acquisition and Construction of Capital Assets	(6,625,065)	(1,966,502)
Net Proceeds from Sale of Assets	1,800,866	20,095
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(690,056)</b>	<b>(103,974)</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Interest Received	172,431	120,079
Purchase of Investment Securities	(2,780,504)	(10,827,842)
Proceeds from Maturities of Investments	2,648,868	10,619,450
Insurance Reserves	(4)	(227,973)
<b>Net Cash Provided (Used) by Investment Activities</b>	<b>40,791</b>	<b>(316,286)</b>
Net Increase in Cash and Cash Equivalents	642,600	24,206
Cash and Cash Equivalents at Beginning of Year	5,433,646	5,409,440
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 6,076,246</b>	<b>\$ 5,433,646</b>
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</u></b>		
Operating Loss	<b>\$ (17,837,093)</b>	<b>\$ (16,841,214)</b>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation	4,260,971	4,009,596
Non-Transportation Revenue	162,607	128,786
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Trade Accounts Receivable	203,581	80,025
Materials and Supplies	22,108	31,424
Net Pension Asset	(88,130)	(5,504)
(Increase) Decrease in Deferred Outflows of Resources:		
Pension	2,346,191	(1,027,485)
OPEB	(350,870)	0
Increase (Decrease) in:		
Accounts Payable	(186,946)	(2,007,084)
Contracts Payable	1,399,618	0
Accrued Payroll and Benefits	169,213	65,815
Net Pension Liability	(3,297,101)	2,668,607
Net OPEB Liability	406,138	0
Increase (Decrease) in Deferred Inflows of Resources:		
Pension	1,718,100	(86,809)
OPEB	396,301	0
Total Adjustments	<b>7,161,781</b>	<b>3,857,371</b>
<b>Net Cash Used for Operating Activities</b>	<b>\$ (10,675,312)</b>	<b>\$ (12,983,843)</b>

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 \$(2,182) and \$(2,595) as of December 31, 2018 and 2017, respectively.

There were capital contributions of \$98,000 for year ended December 31, 2018.

*Notes to the Basic Financial Statements*



**LAKETRAN**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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NOTE 1: **ORGANIZATION**

Laketrans was formed as the public agency responsible for public transportation in Lake County. Laketrans 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, Laketrans 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 Laketrans 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.

The more significant of Laketrans's accounting policies are described below.

**Financial Reporting Entity**

For financial reporting purposes, all departments and operations for which Laketrans 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 Laketrans itself are included in the reporting entity. There are no component units based on the consideration above.

Under the current GASB guidelines, Laketrans 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 Laketrans during 2018 or 2017.

**Basis of Presentation**

Laketrans's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Laketrans 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 position, 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.

**LAKETRAN**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

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

**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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of Laketrans are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how Laketrans 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 Laketrans'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.

**Cash, Cash Equivalents, and Investments**

For the purposes of the statement of cash flows, Laketrans 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 Statement of Revenues, Expenses, and Changes in Net Position and includes the unrealized and realized gains and losses on investments.

During 2018, Laketrans invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79 *Certain External Investment Pools and Pool Participants*. Laketrans measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2018, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transactions to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash, Cash Equivalents, and Investments** (Continued)

In 2018, Laketran had \$227,977 of cash and cash equivalents held with the Ohio Transit Risk Pool. These funds will be used to insure future claims. For additional information, see Note 9 of the basic financial statements.

Laketran has investments in segregated accounts in 2018 of \$476,716. These funds are used for fuel hedging.

**Derivative and Hedging Activities**

Laketran's derivative instruments are accounted for in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Under GASB 53, derivatives are either categorized as hedging derivative instruments or investment derivatives. Hedging derivative instruments are associated with specific hedging transactions wherein the intent is to significantly reduce risks. Changes in fair value of hedges are reported as either deferred inflows of resources or deferred outflows of resources in the statement of net position. For accounting purposes, in order to qualify as a hedge, the relationship between the derivative and the underlying item must result in a hedge that is "effective" in mitigating risk. If the hedge transaction is considered "ineffective" the valuation of the instrument is considered investment income or loss in the flows of resources statements.

Laketran has adopted GASB 53 to account for future contracts to hedge variability in future cash flows resulting from volatility in diesel fuel prices. Fair value is determined based on quoted prices in active markets for the derivative instrument. Because the fuel hedge is an effective hedge as defined by GASB 53, the unrealized gain (loss) on the fuel hedge is reported as deferred inflow/outflow of resources in the statement of net position.

**Inventory**

Inventory is stated at cost.

**Capital Assets and Depreciation**

Property, facilities, and equipment are stated at cost. Donated property is capitalized at acquisition value at the date donated. In 2017, Laketran changed its capital asset policy to increase capitalization threshold to \$1,500.

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 and Improvements	5 - 45
Equipment	5 - 10
Furniture and Office Equipment	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.

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

**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 compensation that will be met in the future.

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.

**Pension**

For purposes of measuring the net pension/OPEB liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**Net Position**

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position 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. The restricted component of net position is reported 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, 2018 there was \$227,977 restricted component of net position.

**Recognition of Revenue and Receivables**

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 inflows of resources. Subsidies from various local governments/agencies are recognized when received.

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then. For Laketran, deferred outflows of resources include pension and OPEB (Notes 6 and 7) and unrealized gain/loss on derivative instruments (Note 10) for 2018.

In addition to liabilities, the statement of financial position will sometimes 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 Laketran, deferred inflows of resources include pension and OPEB (See Notes 6 and 7) and grants for 2018 and 2017 that have not met time requirements.

**Investment Policy**

State statutes and Board resolutions authorize Laketran's investments. Laketran 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, the State Treasurer's Asset Reserve (STAR Ohio) investment pool and investment derivative instruments.

NOTE 3: **DEPOSITS AND INVESTMENTS**

**Cash On Hand**

At December 31, 2018 and 2017, Laketran had undeposited cash on hand, including petty cash, of \$500 and \$500, respectively.

**Deposits**

***Custodial Credit Risk*** - Custodial credit risk for deposits is the risk that, in the event of a bank failure, Laketran will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2018 and 2017, \$4,002,012 of Laketran's bank balance of \$4,575,459 and \$3,711,366 of Laketran's bank balance of \$3,961,366, respectively, was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in Laketran's name. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject Laketran to a successful claim by the Federal Deposit Insurance Corporation.

Laketran has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

1. Eligible securities pledged to Laketran and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

**LAKETRAN**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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

**Deposits** (Continued)

2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. Laketran's financial institutions had enrolled in OPCS as of December 31, 2018.

**Cash Held with Other Governments**

At December 31, 2018 and 2017, Laketran has cash held with other governments of \$227,977 and \$227,973, respectively.

**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, 2018 and 2017, fair value was \$2,182 and \$2,595 below 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. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. 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's investment in negotiable certificates of deposit were insured by Federal Depository Insurance in the amount of \$4,085,073.

**LAKETRAN**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(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's investment in Star Ohio, money market mutual fund, negotiable certificates of deposit, and U.S. Government and agency securities, represent 12.79, 0.60, 33.98, and 52.63 percent, respectively, of Laketrans's total investments.

Cash and investments at 2018 year-end were as follows:

Measurement/Investment	Balance Sheet	GASB 3 Reclass	Measurement Amount	Credit Rating *	Investment Maturities (in Years)		
					<1	1-2	>2-5
NAV Share:							
STAR Ohio	\$ 0	\$ 1,537,430	\$ 1,537,430	AAAm	\$ 1,537,430	\$ 0	\$ 0
Fair Value:							
Money Market Mutual Fund	71,640	0	71,640	N/A	71,640	0	0
Certificates of Deposit	4,085,073	0	4,085,073	N/A	1,327,879	2,114,420	642,774
U.S. Government and Agency Securities	6,326,049	0	6,326,049	AA+	0	994,720	5,331,329
<b>Total Investments</b>	<b>10,482,762</b>	<b>1,537,430</b>	<b>12,020,192</b>		<b>\$ 2,936,949</b>	<b>\$ 3,109,140</b>	<b>\$ 5,974,103</b>
Carrying Amount of Deposits	6,075,746	(1,537,430)	4,538,316				
Cash Held with Other Governments	227,977	0	227,977				
Investments in Segregated Accounts	476,716	0	476,716				
Petty Cash	500	0	500				
<b>Totals</b>	<b>\$ 17,263,701</b>	<b>\$ 0</b>	<b>\$ 17,263,701</b>				

\* Standard & Poor's rating.  
N/A- Not Available/Rated

Laketrans has categorized its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies Laketrans's recurring fair value measurements as of December 31, 2018. As previously discussed, STAR Ohio is reported at its net asset value. All other investments measured at fair value are valued using quoted market prices (Level 2 inputs).

NOTE 4: **GRANT ASSISTANCE**

**Federal and Capital 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, 2018 and 2017, Laketrans recognized \$2,329,763 and \$2,406,505, respectively. In addition, Laketrans recognized capital grants reimbursements as revenue in 2018 and 2017 of \$4,400,331 and \$1,460,535, 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, 2018 and 2017, Laketrans recognized revenue of \$237,384 and \$238,008, respectively.

**LAKETRAN**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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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, 2018 and 2017, Laketrans received \$520,591 and \$629,494, respectively.

NOTE 5: **OTHER REVENUE**

In November 2013, Lake County electorate voted to renew a levy of 1/4 percent sales tax, and make it continuing beginning August 1, 2014, to provide local funding for all transit purposes.

For the years ended December 31, 2018 and 2017, sales tax revenues totaled \$9,504,880 and \$9,281,207, 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: **DEFINED BENEFIT PENSION PLAN**

**Net Pension Liability**

The net pension liability/(asset) reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents Laketrans's proportionate share of the pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits Laketrans's obligation for this liability to annually required payments. Laketrans cannot control benefit terms or the manner in which pensions are financed; however, Laketrans does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.



**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

**Net Pension Liability** (Continued)

The proportionate share of the plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included *in accrued payroll and benefits* on the accrual basis of accounting.

**Plan Description - Ohio Public Employees Retirement System (OPERS)**

Plan Description - Laketrans employees participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Laketrans employees) may elect the member-directed plan and the combined plan, substantially all employee members are in the OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension 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 includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

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

**Plan Description - Ohio Public Employees Retirement System (OPERS)** (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2018 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. Laketran's contractually required contribution was \$1,048,473 for 2018. Of this amount, \$121,979 is reported as accrued payroll and benefits.

***Pension Liabilities/Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Laketran's proportion of the net pension liability was based on Laketran's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

*Pension Liabilities/Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* (Continued)

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan
Proportionate Share of the Net Pension Liability/(Asset)		
Prior Measurement Date	0.047245%	0.098810%
Proportion of the Net Pension Liability/Asset		
Current Measurement Date	0.047370%	0.105137%
Change in Proportionate Share	<u>0.000125%</u>	<u>0.006327%</u>
Proportionate share of the Net Pension Liability/(Asset)	\$ 7,431,435	\$ (143,125)
Pension Expense	1,705,158	22,375

At December 31, 2018, Laketrans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan
<b><u>Deferred Outflows of Resources</u></b>		
Changes of Assumptions	\$ 888,103	\$ 12,508
Differences between expected and actual experience	7,589	0
Changes in proportion and differences between Laketrans contributions and proportionate share of contributions	55,333	1,072
Laketrans contributions subsequent to the measurement date	977,929	70,544
<b>Total Deferred Outflows of Resources</b>	<u>\$ 1,928,954</u>	<u>\$ 84,124</u>
<b><u>Deferred Inflows of Resources</u></b>		
Net difference between projected and actual earnings on pension plan investments	\$ 1,595,431	\$ 22,582
Difference between expected and actual experience	146,451	42,640
Changes in proportion and differences between Laketrans contributions and proportionate share of contributions	0	6,446
<b>Total Deferred Inflows of Resources</b>	<u>\$ 1,741,882</u>	<u>\$ 71,668</u>

\$1,048,473 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

*Pension Liabilities/Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* (Continued)

	<u>OPERS Traditional Pension Plan</u>	<u>OPERS Combined Pension Plan</u>
<b>Deferred Outflows of Resources:</b>		
Year Ending June 30:		
2019	\$ 712,986	\$ (7,912)
2020	(145,713)	(8,528)
2021	(702,544)	(13,588)
2022	(655,586)	(13,054)
2023	0	(5,125)
Thereafter	0	(9,881)
Total	<u>\$ (790,857)</u>	<u>\$ (58,088)</u>

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are present below:

Wage Inflation	3.25 percent
Future Salary Increases, including Inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

The total pension asset in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

*Actuarial Assumptions – OPERS* (Continued)

Wage Inflation	3.25 percent
Future Salary Increases, including Inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Health Annuitant Mortality Table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performances, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

**LAKETRAN  
LAKE COUNTY, OHIO  
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NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

*Actuarial Assumptions – OPERS* (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long- Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.20%
Domestic Equities	19.00%	6.37%
Real Estate	10.00%	5.26%
Private Equity	10.00%	8.97%
International Equities	20.00%	7.88%
Other Investments	18.00%	5.26%
Total	<u>100.00%</u>	<u>5.66%</u>

***Discount Rate*** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of Laketran's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents Laketran's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what Laketran's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.59 percent) than the current rate:

<u>Laketran's proportionate share of the net pension liability (asset)</u>	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Traditional Plan	\$ 13,196,335	\$ 7,431,435	\$ 2,625,245
Combined Plan	\$ (77,801)	\$ (143,125)	\$ (188,195)

***Changes Between Measurement Date and Report Date***

In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 7.50 percent to 7.20 percent. Although the exact amount of these changes is not known, it has the potential to impact Laketran's net pension liability.

**LAKETRAN**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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NOTE 7: **DEFINED BENEFIT OPEB PLAN**

**Net OPEB Liability**

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents Laketrans' proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits Laketrans' obligation for this liability to annually required payments. Laketrans cannot control benefit terms or the manner in which OPEB are financed; however, Laketrans does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

Plan Description - The 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.

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LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 7: **DEFINED BENEFIT OPEB PLAN** (Continued)

**Plan Description – Ohio Public Employees Retirement System (OPERS)** (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 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 postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.



**LAKETRAN**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

NOTE 7: **DEFINED BENEFIT OPEB PLAN** (Continued)

**Plan Description – Ohio Public Employees Retirement System (OPERS)** (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

Laketran’s contractually required contribution was \$13,173 for 2018.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. Laketran's proportion of the net OPEB liability was based on Laketran’s share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability	
Prior Measurement Date	0.048650%
Proportion of the Net OPEB Liability	
Current Measurement Date	0.048990%
Change in Proportionate Share	0.000340%
Proportionate Share of the Net OPEB Liability	\$ 5,319,953
OPEB Expense	\$ 464,742

At December 31, 2018, Laketran reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
<b>Deferred Outflows of Resources</b>	
Changes of assumptions	\$ 387,349
Differences between expected and actual experience	4,145
Changes in proportion and differences between Laketran contributions and proportionate share of contributions	23,047
Laketran contributions subsequent to the measurement date	13,173
Total Deferred Outflows of Resources	\$ 427,714
<b>Deferred Inflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$ 396,301
Total Deferred Inflows of Resources	\$ 396,301

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

NOTE 7: **DEFINED BENEFIT OPEB PLAN** (Continued)

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* (Continued)

\$13,173 reported as deferred outflows of resources related to OPEB resulting from Laketran contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Year Ending December 31:	
2019	\$ 99,118
2020	99,118
2021	(80,920)
2022	(99,076)
Total	\$ 18,240

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial
	3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 7: **DEFINED BENEFIT OPEB PLAN** (Continued)

*Actuarial Assumptions – OPERS* (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

**LAKETRAN**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

NOTE 7: **DEFINED BENEFIT OPEB PLAN** (Continued)

*Actuarial Assumptions – OPERS* (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

**Discount Rate** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of Laketrans' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents Laketrans' proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Laketrans' proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	<u>1% Decrease (2.85%)</u>	<u>Current Discount Rate (3.85%)</u>	<u>1% Increase (4.85%)</u>
Laketrans' proportionate share of the net OPEB liability	\$ 7,067,787	\$ 5,319,953	\$ 3,905,973

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 7: **DEFINED BENEFIT OPEB PLAN** (Continued)

*Actuarial Assumptions – OPERS* (Continued)

*Sensitivity of Laketrans’ Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate* Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	Current Health Care Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
Laketrans’ proportionate share of the net OPEB liability	\$ 5,090,061	\$ 5,319,953	\$ 5,557,426

*Changes Between Measurement Date and Report Date*

In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 6.50 percent to 6.00 percent. Although the exact amount of these changes is not known, it has the potential to impact Laketrans’ net OPEB liability.

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, 2018 and 2017 amounted to approximately \$779,558 and \$718,954, respectively.

Changes in compensated absences liabilities are as follows:

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8: COMPENSATED ABSENCES** (Continued)

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year	Due Within One Year
2018	\$ 718,954	\$ 479,481	\$ 418,877	\$ 779,558	\$ 452,546
2017	\$ 748,831	\$ 352,786	\$ 382,663	\$ 718,954	\$ 418,877

**NOTE 9: RISK MANAGEMENT**

Since 1996, Laketran 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, 2017 - November 30, 2018, OTRP provided to Laketran, 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. Crime coverage limits are \$4,000,000. The following coverages were also provided: auto/transit liability, general liability, E&O, and EBL \$10,000,000. These limits are per occurrence no aggregate limits apply. For each of these lines the pool retained \$1,000,000.

Laketran's deductible for all claims was \$1,000 except for auto physical damage which was \$25,000.

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

As of December 31, 2018, Laketran 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 an unfunded special assessment.

Laketran pays OTRP through an initial contribution for reinsurance and/or excess insurance and quarterly payments for their loss and administrative fee. Laketran's contribution percentage for 2018 was 110.429 percent.

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.

Laketran is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from the previously noted risks have not exceeded commercial insurance coverage in the past three fiscal years.

**LAKETRAN  
LAKE COUNTY, OHIO  
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(CONTINUED)**

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NOTE 10: **DERIVATIVE INSTRUMENTS**

Pursuant to Ohio Revised Code Sections 9.835 (A), (B), and (C) and Section 135.14, Laketran utilizes futures contracts to manage the volatility of fuel costs. These techniques are traditionally used to limit exposure to price fluctuations. Management recognized that fluctuations in fuel prices could have a negative impact on the Laketran's financial affairs. Accordingly, Laketran has utilized futures contracts and firm-fixed price contracts to offset the price volatility of diesel fuel in accordance with the Energy Price Risk Management Policy established by the Board of Trustees. The futures contracts are in the form of derivative investments.

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2018, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the financial statement are as follows:

	<b><u>Changes in Fair Value</u></b>		<b><u>Fair Value at 12/31/2018</u></b>		<b><u>Notional</u></b>
	<b><u>Classification</u></b>	<b><u>Amount</u></b>	<b><u>Classification</u></b>	<b><u>Amount</u></b>	
<b><u>Cash Flow Hedges:</u></b>					
Futures contracts	Deferred outflow of resources	\$10,324	Derivative Instruments	\$ (10,324)	378,000 Gallons

The hedging instruments are New York Harbor Ultra Low Sulfur Diesel (NYHRBRULSD) futures contracts with a notional amount of 42,000 gallons each as listed on the NYMEX. As of December 31, 2018, Laketran had seven futures contracts that were purchased in December 2018. The aggregate fuel hedge contracts cover a 3-year period.

*Basis Risk* – Laketran is exposed to basis risk on its expected fuel hedge contracts because the future fuel purchases are based on a pricing point different from the pricing point at which the future contracts are expected to settle (New York Harbor Ultra Low Sulfur Diesel).

**LAKETRAN**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 11: CAPITAL ASSETS**

Capital assets consist of the following at December 31, 2018 and 2017:

<b>2018</b>	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 2,442,643	\$ 0	\$ (544,492)	\$ 1,898,151
Construction in Progress	811,253	1,665,786	(1,077,421)	1,399,618
<b>Total Capital Assets Not Being Depreciated</b>	<b>3,253,896</b>	<b>1,665,786</b>	<b>(1,621,913)</b>	<b>3,297,769</b>
<b>Capital Assets Being Depreciated</b>				
Buildings	15,534,098	0	0	15,534,098
Transportation Vehicles and Equipment	40,003,790	5,057,279	(1,690,684)	43,370,385
Furniture and Office Equipment	583,507	0	0	583,507
<b>Total Capital Assets Being Depreciated</b>	<b>56,121,395</b>	<b>5,057,279</b>	<b>(1,690,684)</b>	<b>59,487,990</b>
Less: Accumulated Depreciation				
Buildings	(9,588,057)	(475,138)	0	(10,063,195)
Transportation Vehicles and Equipment	(23,011,078)	(3,718,241)	1,673,763	(25,055,556)
Furniture and Office Equipment	(451,565)	(67,592)	0	(519,157)
Total Accumulated Depreciation	(33,050,700)	(4,260,971)	1,673,763	(35,637,908)
<b>Total Capital Assets Being Depreciated, Net</b>	<b>23,070,695</b>	<b>796,308</b>	<b>(16,921)</b>	<b>23,850,082</b>
<b>Total Capital Assets, Net</b>	<b>\$ 26,324,591</b>	<b>\$ 2,462,094</b>	<b>\$ (1,638,834)</b>	<b>\$ 27,147,851</b>
<b>2017</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 2,442,643	\$ 0	\$ 0	\$ 2,442,643
Construction in Progress	0	811,253	0	811,253
<b>Total Capital Assets Not Being Depreciated</b>	<b>2,442,643</b>	<b>811,253</b>	<b>0</b>	<b>3,253,896</b>
<b>Capital Assets Being Depreciated</b>				
Buildings	15,546,195	0	(12,097)	15,534,098
Transportation Vehicles and Equipment	40,152,223	1,110,732	(1,259,165)	40,003,790
Furniture and Office Equipment	686,942	44,517	(147,952)	583,507
<b>Total Capital Assets Being Depreciated</b>	<b>56,385,360</b>	<b>1,155,249</b>	<b>(1,419,214)</b>	<b>56,121,395</b>
Less: Accumulated Depreciation				
Buildings	(9,104,953)	(489,957)	6,853	(9,588,057)
Transportation Vehicles and Equipment	(20,681,477)	(3,445,727)	1,116,126	(23,011,078)
Furniture and Office Equipment	(507,938)	(73,914)	130,287	(451,565)
Total Accumulated Depreciation	(30,294,368)	(4,009,598)	1,253,266	(33,050,700)
<b>Total Capital Assets Being Depreciated, Net</b>	<b>26,090,992</b>	<b>(2,854,349)</b>	<b>(165,948)</b>	<b>23,070,695</b>
<b>Total Capital Assets, Net</b>	<b>\$ 28,533,635</b>	<b>\$ (2,043,096)</b>	<b>\$ (165,948)</b>	<b>\$ 26,324,591</b>



**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

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NOTE 12: **CONTINGENCIES**

A. **Litigation**

Laketran is not a party to any legal proceedings.

B. **Grants**

Laketran 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 Laketran at December 31, 2018 or 2017.

NOTE 13: **CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

During the year, Laketran implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 86, *Certain Debt Extinguishment Issues*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in Laketran's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

GASB 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. These changes were incorporated in Laketran's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

Net Position December 31, 2017	\$ 39,757,284
Adjustments:	
Net OPEB liability	(4,913,815)
Deferred Outflow - Payments Subsequent to Measurement Date	76,844
Restated Net Position December 31, 2017	<u>\$ 34,920,313</u>

Other than employer contributions subsequent to the measurement date, Laketran made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements were not available.

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

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NOTE 14: **CONTRIBUTIONS OF CAPITAL**

Contributions of capital arose from an outside contribution of four buses from Lakeland Community College of \$98,000 for year ended December 31, 2018.

**LAKETRAN  
LAKE COUNTY, OHIO  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF LAKETRAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST FIVE YEARS (1)**

<b>Traditional Plan</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Laketrans Proportion of the Net Pension Liability	0.047370%	0.047245%	0.046532%	0.044494%	0.044494%
Laketrans Proportionate Share of the Net Pension Liability	\$ 7,431,435	\$ 10,728,536	\$ 8,059,929	\$ 5,366,474	\$ 5,245,263
Laketrans Covered Payroll	\$ 6,256,969	\$ 6,108,075	\$ 5,799,475	\$ 5,473,033	\$ 5,220,008
Laketrans Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.77%	175.65%	138.98%	98.05%	100.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
<b>Combined Plan</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Laketrans Proportion of the Net Pension (Asset)	0.105137%	0.098810%	0.101700%	0.086537%	0.086537%
Laketrans Proportionate Share of the Net Pension (Asset)	\$ (143,125)	\$ (54,995)	\$ (49,491)	\$ (33,320)	\$ (9,080)
Laketrans Covered Payroll	\$ 430,585	\$ 384,617	\$ 365,267	\$ 318,717	\$ 299,615
Laketrans Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Payroll	33.24%	14.30%	13.55%	10.45%	3.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	137.28%	116.55%	116.90%	114.83%	104.33%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

Amounts presented as of Laketrans measurement date which is the prior year end.

See accompanying notes to the required supplementary information

**LAKETRAN  
LAKE COUNTY, OHIO  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF LAKETRAN'S CONTRIBUTION - PENSION  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST SIX YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contractually Required Contributions</u>						
Traditional Plan	\$ 977,929	\$ 813,406	\$ 732,969	\$ 695,937	\$ 656,764	\$ 678,601
Combined Plan	70,544	55,976	46,154	43,832	38,246	38,950
Total Required Contributions	1,048,473	869,382	779,123	739,769	695,010	717,551
Contributions in Relation to the Contractually Required Contribution	(1,048,473)	(869,382)	(779,123)	(739,769)	(695,010)	(717,551)
Contribution Deficiency / (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Laketran's Covered Payroll</u>						
Traditional Plan	\$ 6,985,207	\$ 6,256,969	\$ 6,108,075	\$ 5,799,475	\$ 5,473,033	\$ 5,220,008
Combined Plan	\$ 503,886	\$ 430,585	\$ 384,617	\$ 365,267	\$ 318,717	\$ 299,615
<u>Pension Contributions as a Percentage of Covered Payroll</u>						
Traditional Plan	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
Combined Plan	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

See accompanying notes to the required supplementary information

**LAKETRAN  
LAKE COUNTY, OHIO  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF LAKETRAN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO YEARS (1)**

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	<u>2018</u>	<u>2017</u>
Laketran's Proportion of the Net OPEB Liability	0.048990%	0.048650%
Laketran's Proportionate Share of the Net OPEB Liability	\$ 5,319,953	\$ 4,913,815
Laketran's Covered Payroll	\$ 6,939,037	\$ 6,723,447
Laketran's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.67%	73.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

Amounts presented as of Laketran's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

**LAKETRAN  
LAKE COUNTY, OHIO  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF LAKETRAN'S CONTRIBUTIONS – OPEB  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST FOUR YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$ 13,173	\$ 76,844	\$ 139,099	\$ 123,229
Contributions in Relation to the Contractually Required Contribution	<u>(13,173)</u>	<u>(76,844)</u>	<u>(139,099)</u>	<u>(123,229)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Laketran's Covered Payroll	\$7,818,416	\$ 6,939,037	\$ 6,723,447	# \$ 6,313,569
Contributions as a Percentage of Covered Payroll	0.17%	1.11%	2.07%	1.95%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

See accompanying notes to the required supplementary information.

**LAKETRAN  
LAKE COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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***OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)***

***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2018.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018.

*Changes in assumptions:* For 2018, the single discount rate changed from 4.23 percent to 3.85 percent





**Statistical  
Section  
2018**



## STATISTICAL SECTION

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This part of Laketrans 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 Laketrans overall financial health.

### **Contents**

### **Page**

#### ***Financial Trends***

These schedules contain trend information to help the reader understand how Laketrans financial performance and well being have changed over time.

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#### ***Revenue Capacity***

These schedules contain information to help the reader assess Laketrans operating revenues and comparisons to the transportation industry.

61-64

#### ***Operating Information***

These schedules contain service data to help the reader understand how the information in Laketrans financial report relates to the services Laketrans provides and the activities it performs.

65-67

#### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which Laketrans financial activities take place.

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**LAKETRAN  
LAKE COUNTY, OHIO  
NET POSITION BY COMPONENT  
LAST TEN YEARS**

	2009	2010	2011	2012	2013	2014 (1)	2015	2016	2017 (2)	2018
Net Investment in Capital Assets	\$ 26,595,830	\$ 28,484,693	\$ 25,694,276	\$ 23,154,984	\$ 22,732,058	\$ 23,007,176	\$ 22,392,621	\$ 28,533,635	\$ 26,324,591	\$ 27,147,851
Unrestricted	10,263,030	11,965,611	13,857,445	15,226,561	16,878,213	13,464,453	14,927,462	13,977,753	8,367,749	7,343,251
Restricted for Insurance Claims	0	0	0	0	0	0	0	0	227,973	227,977
<b>Total Net Position</b>	<b>\$ 36,858,860</b>	<b>\$ 40,450,304</b>	<b>\$ 39,551,721</b>	<b>\$ 38,381,545</b>	<b>\$ 39,610,271</b>	<b>\$ 36,471,629</b>	<b>\$ 37,320,083</b>	<b>\$ 42,511,388</b>	<b>\$ 34,920,313</b>	<b>\$ 34,719,079</b>

(1) Restated for GASB Statement No. 68 Implementation.

(2) Restated for GASB Statement No. 75 Implementation.

**LAKETRAN  
LAKE COUNTY, OHIO  
REVENUE AND EXPENSES BY TYPE AND CHANGES IN NET POSITION  
LAST TEN YEARS**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b><u>Operating Revenues</u></b>										
Fares	\$ 1,911,353	\$ 2,041,948	\$ 2,122,234	\$ 1,997,777	\$ 2,063,623	\$ 2,169,712	\$ 2,266,754	\$ 2,578,993	\$ 2,519,175	\$ 2,711,452
Auxiliary Transportation Revenue	78,851	71,970	74,311	67,911	89,234	118,933	100,954	81,683	80,584	86,863
<b>Total Operating Revenues</b>	<b>1,990,204</b>	<b>2,113,918</b>	<b>2,196,545</b>	<b>2,065,688</b>	<b>2,152,857</b>	<b>2,288,645</b>	<b>2,367,708</b>	<b>2,660,676</b>	<b>2,599,759</b>	<b>2,798,315</b>
<b><u>Non Operating Revenues</u></b>										
Sales Tax	7,157,307	7,294,636	7,759,654	7,869,357	8,152,976	8,592,079	8,890,398	9,291,442	9,281,207	9,504,880
Federal Grants and Reimbursements	4,827,052	2,716,460	1,862,159	1,715,565	2,222,531	2,032,462	2,583,970	2,312,824	2,406,505	2,329,763
State Grants, Reimbursements, and Special Fare Assistance	1,117,214	960,893	1,072,110	1,030,575	998,468	1,025,496	1,015,728	1,001,943	867,502	757,975
Interest Income	144,507	126,201	125,753	87,610	(20,666)	129,858	87,693	77,309	88,428	220,271
Gain on Disposal of Capital Assets	0	0	0	23,887	0	25,771	4,174	0	0	162,032
Non-Transportation Revenue	29,523	44,057	29,219	9,876	2,302	41,699	16,266	9,573	128,786	162,607
<b>Total Non-Operating Revenues</b>	<b>13,275,603</b>	<b>11,142,247</b>	<b>10,848,895</b>	<b>10,736,870</b>	<b>11,355,611</b>	<b>11,847,365</b>	<b>12,598,229</b>	<b>12,693,091</b>	<b>12,772,428</b>	<b>13,137,528</b>
<b><u>Capital Funding</u></b>										
Capital Grants and Reimbursements	1,444,750	5,290,845	832,135	1,337,655	2,589,114	2,104,454	1,892,460	7,543,724	1,460,535	4,498,331
<b>Total Capital Funding</b>	<b>1,444,750</b>	<b>5,290,845</b>	<b>832,135</b>	<b>1,337,655</b>	<b>2,589,114</b>	<b>2,104,454</b>	<b>1,892,460</b>	<b>7,543,724</b>	<b>1,460,535</b>	<b>4,498,331</b>
<b>Total Revenues</b>	<b>16,710,557</b>	<b>18,547,010</b>	<b>13,877,575</b>	<b>14,140,213</b>	<b>16,097,582</b>	<b>16,240,464</b>	<b>16,858,397</b>	<b>22,897,491</b>	<b>16,832,722</b>	<b>20,434,174</b>
<b><u>Operating Expenses</u></b>										
Labor	\$ 5,018,385	\$ 4,531,669	\$ 4,620,888	\$ 4,682,349	\$ 4,881,371	\$ 5,165,363	\$ 5,588,600	\$ 6,047,861	\$ 6,185,758	\$ 6,811,645
Fringe Benefits	3,264,433	2,952,196	3,108,797	3,277,370	3,107,366	3,207,603	3,151,044	3,744,019	5,287,015	5,246,450
Services	614,061	684,110	561,160	705,399	722,139	741,945	1,062,125	1,069,254	1,137,955	1,209,679
Fuel and Lubricants	1,164,945	908,789	952,784	958,003	1,207,040	1,277,228	1,458,161	617,090	768,323	1,087,095
Materials and Supplies	585,388	224,232	332,494	432,403	511,588	568,017	655,246	675,621	809,242	724,789
Utilities	181,737	126,948	149,479	133,408	165,311	195,902	200,415	205,210	238,139	198,613
Claims and Insurance	570,354	520,668	492,649	467,232	473,198	466,908	489,963	415,128	374,728	464,329
Purchased Transportation	499,705	549,875	658,741	703,294	733,470	255,594	262,528	263,897	264,456	275,562
Miscellaneous	143,562	131,062	129,698	186,735	348,459	320,883	334,109	349,378	365,761	356,275
<b>Total Operating Expense</b>	<b>12,042,570</b>	<b>10,629,549</b>	<b>11,006,690</b>	<b>11,546,193</b>	<b>12,149,942</b>	<b>12,199,443</b>	<b>13,202,191</b>	<b>13,387,458</b>	<b>15,431,377</b>	<b>16,374,437</b>
Excluding Depreciation										
Depreciation	3,399,313	3,703,483	3,350,100	3,764,197	2,711,924	2,638,490	2,807,752	3,611,857	4,009,596	4,260,971
<b>Total Operating Expenses</b>	<b>15,441,883</b>	<b>14,333,032</b>	<b>14,356,790</b>	<b>15,310,390</b>	<b>14,861,866</b>	<b>14,837,933</b>	<b>16,009,943</b>	<b>16,999,315</b>	<b>19,440,973</b>	<b>20,635,408</b>
<b><u>Non-Operating Expenses</u></b>										
Loss on Disposal of Capital Assets	0	622,534	419,368	0	6,990	0	0	706,871	(145,853)	0
<b>Total Expenses</b>	<b>15,441,883</b>	<b>14,955,566</b>	<b>14,776,158</b>	<b>15,310,390</b>	<b>14,868,856</b>	<b>14,837,933</b>	<b>16,009,943</b>	<b>17,706,186</b>	<b>19,586,826</b>	<b>20,635,408</b>
<b>Change in Net Position</b>	<b>\$ 1,268,674</b>	<b>\$ 3,591,444</b>	<b>\$ (898,583)</b>	<b>\$ (1,170,177)</b>	<b>\$ 1,228,726</b>	<b>\$ 1,402,531</b>	<b>\$ 848,454</b>	<b>\$ 5,191,305</b>	<b>\$ (2,754,104)</b>	<b>\$ (201,234)</b>

**LAKETRAN  
LAKE COUNTY, OHIO  
FAREBOX RECOVERY AND PERCENTAGE  
LAST TEN YEARS**

	<u>Percentage</u>
2009	6.38
2010	13.5
2011	13.2
2012	13.05
2013	13.89
2014	14.62
2015	11.6
2016	11.3
2017	10.47
2018	9.2

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

**Fare Structure - December 31, 2018**

	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
All Day Pass - Fixed Route			
Seniors and Disabled	N/A	2.00	N/A
Regular Fare	N/A	\$ 4.00	N/A
Electronic Fare Boxes accept cash/fare media - will return value card if excess cash is deposited			
Transfers	N/A	FREE	FREE

**LAKETRAN  
LAKE COUNTY, OHIO  
REVENUES AND OPERATING ASSISTANCE  
COMPARISON TO INDUSTRY TREND DATA – LAST TEN YEARS  
(expressed in percent)**

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Transportation Industry (1)

Year	Operating and Other Miscellaneous Revenue			Operating Assistance			Total Revenues
	Fares	Other	Total	Federal	State & Local	Total	
2009	31.5	12.4	43.9	8.2	47.9	56.1	100.0
2010	32.1	11.9	44.0	9.4	46.6	56.0	100.0

Laketran:

Year	Operating and Other Miscellaneous Revenue			Operating Assistance			Total Revenues
	Fares	Other (2)	Total	Federal	State & Local (3)	Total	
2009	12.5	1.7	14.2	31.6	54.2	85.8	100.0
2010	11.4	(2.1)	9.3	44.7	46.0	90.7	100.0
2011	11.5	(1.5)	10.0	20.0	70.0	90.0	100.0
2012	14.6	0.9	15.5	21.6	62.9	84.5	100.0
2013	13.4	(0.1)	13.3	29.9	56.8	86.7	100.0
2014	14.1	1.2	15.3	25.5	59.2	84.7	100.0
2015	14.0	0.6	14.6	26.6	58.8	85.4	100.0
2016	11.6	0.4	12.0	43.0	45.0	88.0	100.0
2017	15.6	0.4	16.0	23.2	60.8	84.0	100.0
2018	13.3	3.1	16.4	33.4	50.2	83.6	100.0

(1) Source: **2012 Public Transportation Fact Book**, table 63. This book contains data through 2010 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  
LAKE COUNTY, OHIO  
OPERATING EXPENSES  
COMPARISON TO INDUSTRY TREND DATA – LAST TEN YEARS  
(expressed in percent)**

---

Transportation Industry (1) (2) (3):

Year	Salaries and Wages	Fringe Benefits	Services	Materials and Supplies	Utilities	Casualty and Liability	Purchased Transportation	Other Expenses	Total Expenses
2009	38.2	26.7	6.6	11.3	3.5	2.3	14.0	(2.6)	100.0
2010	37.8	27.4	6.6	10.7	3.4	2.6	13.8	(2.3)	100.0

Laketran:

Year	Salaries and Wages	Fringe Benefits	Services	Materials and Supplies	Utilities	Casualty and Liability	Purchased Transportation	Other Expenses	Total Expenses
2009	41.7	27.1	5.1	14.5	1.5	4.7	4.2	1.0	99.8
2010	42.6	27.8	6.4	10.7	1.2	4.9	5.2	1.2	100.0
2011	42.0	28.2	5.0	11.7	1.4	4.5	6.0	1.2	100.0
2012	40.6	28.4	6.1	12.0	1.2	4.0	6.1	1.6	100.0
2013	40.2	25.6	5.9	14.1	1.4	3.9	6.0	2.9	100.0
2014	42.3	26.3	6.1	15.2	1.6	3.8	2.1	2.6	100.0
2015	42.3	23.9	8.1	16.0	1.5	3.7	2.0	2.5	100.0
2016	45.2	28.0	8.0	9.6	1.5	3.1	2.0	2.6	100.0
2017	40.1	34.3	7.4	10.2	1.5	2.4	1.7	2.4	100.0
2018	41.6	32.0	7.4	11.1	1.2	2.8	1.7	2.2	100.0

(1) Source: **2012 Public Transportation Fact Book**, table 51. This book contains data through 2010 which is the latest available.

(2) Excludes depreciation expense

(3) No information available after 2010.



**LAKETRAN  
LAKE COUNTY, OHIO  
SALES TAX REVENUE  
LAST TEN YEARS**

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales Tax Revenue	\$ 7,157,307	\$ 7,294,636	\$ 7,759,654	\$ 7,869,357	\$ 8,152,976	\$ 8,592,079	\$ 8,890,398	\$ 9,291,442	\$ 9,281,207	\$ 9,504,880
Population *	230,510	236,775	236,775	236,775	230,041	229,857	229,230	229,245	230,041	230,117
Sales Tax Per Capita	\$ 31.05	\$ 30.81	\$ 32.77	\$ 33.24	\$ 35.44	\$ 37.38	\$ 38.78	\$ 40.53	\$ 40.35	\$ 41.30

\*Population - suburbanstats.org  
OHIO.gov

**LAKETRAN  
LAKE COUNTY, OHIO  
OPERATING STATISTICS  
LAST TEN YEARS**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b><u>System Ridership</u></b>										
Motor Bus (directly operated)	533,433	459,318	491,298	530,252	502,092	496,030	475,320	473,310	463,609	452,456
Dial-A-Ride (directly operated)	254,378	202,650	191,708	189,001	182,824	227,565	243,346	260,500	261,810	268,911
Dial-A-Ride (contract service)	55,928	49,639	59,577	61,339	67,776	31,977	32,444	29,882	29,762	25,711
<b><u>Average Dial System Ridership</u></b>										
Motor Bus (directly operated)	2,108	1,837	2,164	2,093	2,076	1,758	1,835	1,842	1,818	1,523
Dial-A-Ride (directly operated)	1,005	826	738	727	793	837	932	1,010	853	905
Dial-A-Ride (contract service)	221	90	237	147	265	124	128	116	116	104
<b><u>Average Daily Vehicle Miles operated</u></b>										
Motor Bus (directly operated)	4,584	7,649	4,422	4,066	4,398	4,463	4,465	4,514	4,504	4,380
Dial-A-Ride (directly operated)	8,860	4,255	7,399	7,316	7,381	8,211	9,118	9,915	8,601	10,096
Dial-A-Ride (contract service)	1,020	645	1,140	1,068	1,301	269	298	259	252	229
<b><u>Revenue Miles</u></b>										
Motor Bus (directly operated)	766,833	717,503	756,988	760,577	778,583	781,349	804,284	856,648	843,652	856,121
Dial-A-Ride (directly operated)	1,901,429	1,613,980	1,592,586	1,583,745	1,599,600	1,937,517	2,120,358	2,315,442	2,326,700	2,292,847
Dial-A-Ride (contract service)	223,690	188,623	232,873	227,344	272,074	62,206	68,773	60,414	57,475	53,424

Source: Laketran Section 15 Statistics Report

**LAKETRAN  
LAKE COUNTY, OHIO  
OPERATING STATISTICS  
LAST TEN YEARS  
(CONTINUED)**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b><u>Passenger Miles</u></b>										
Motor Bus (directly operated)	6,897,727	6,008,030	6,313,599	6,700,162	6,011,047	5,808,334	5,410,394	5,665,800	5,558,646	5,378,412
Dial-A-Ride (directly operated)	2,718,112	2,198,455	2,016,312	1,910,889	2,417,184	2,244,900	2,413,977	2,572,199	2,550,249	2,541,302
Dial-A-Ride (contract service)	374,929	340,665	451,087	540,101	562,966	175,983	178,442	164,351	163,691	141,410

Source: Public Transportation Fact Book

**LAKETRAN  
LAKE COUNTY, OHIO  
OPERATING STATISTICS  
LAST TEN YEARS  
(CONTINUED)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Energy Consumption</u></b>										
Motor Bus										
Gallons of diesel	98,159	97,880	117,162	183,572	182,348	189,663	195,245	203,505	196,924	199,889
Gallons of natural gas	100,733	1,561	0	0	0	0	0	0	0	0
Gallons of purinox	0	0	0	0	0	0	0	0	0	0
Gallons of Gas	0	0	0	4,593	3,841	3,777	3,764	3,836	5,565	10,612
Dial-A-Ride										
Gallons of diesel	226,277	189,984	176,156	192,770	199,247	195,555	212,282	232,899	228,995	230,025
Gallons of purinox	0	0	0	0	0	0	0	0	0	0
Gallons of Gas	0	0	0	10	4,870	10,268	6,895	10,157	9,291	14,562
Gallons of Propane	0	0	0	0	0	0	0	0	876	14,541
<b><u>Fleet Requirement</u></b>										
Motor Bus (directly operated)	24	24	24	25	25	26	25	25	25	27
Dial-A-Ride (directly operated)	75	75	75	75	53	60	72	73	71	68
Dial-A-Ride (contract service)	6	6	6	6	8	0	0	0	0	0
<b><u>Total Active Vehicles</u></b>										
Motor Bus (directly operated)	38	38	40	38	40	40	40	40	40	38
Dial-A-Ride (directly operated)	76	76	74	79	66	75	75	80	86	88
Dial-A-Ride (contract service)	9	9	11	11	11	0	0	0	0	0
Van Pool (contract service)	0	0	0	0	0	0	0	0	0	0

\*2010 - stopped CNG early in year (January 2010) - Replaced by New Flyers - Diesel

Source: Financials and Ohio Department of Development

**LAKETRAN  
LAKE COUNTY, OHIO  
FULL-TIME EQUIVALENT EMPLOYEES  
LAST TEN YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Administration</u></b>										
General Manager	1	1	1	1	1	1	1	1	1	1
Executive Secretary	1	1	1	1	1	1	1	1	1	1
Director of Finance	1	1	1	1	1	1	1	1	1	1
Procurment and Grant Specialist	1	1	1	1	1	1	1	1	1	1
Director of Human Resources	1	1	1	1	1	1	1	1	1	1
Human Resources Specialist	0	0	0	0	0	0	1	1	1	1
Director of Communications	1	1	1	1	1	1	1	1	1	1
Communications Specialist	0	0	0	0	0	0	0	1	1	1
Accountant/Budget Analyst	1	0	1	1	1	1	1	1	1	1
Administrative Secretary	0	1	0	0	0	0	0	0	0	0
Finance Clerk	1	1	1	1	1	1	1	1	1	1
Information Specialist	1	0	0	0	0	0	0	0	0	0
Customer Outreach Specialist	1	1	1	0	1	1	1	1	1	1
<b>Total Administrative</b>	<b>10</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>11</b>

Source: Operations Department stats

**LAKETRAN  
LAKE COUNTY, OHIO  
FULL-TIME EQUIVALENT EMPLOYEES  
LAST TEN YEARS  
(CONTINUED)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Maintenance</u></b>										
Director of Maintenance	1	1	1	1	1	1	1	1	1	1
Assistant Director of Maintenance	1	1	1	1	1	1	1	1	1	1
Parts Clerk	1	0	0	1	1	1	1	1	1	1
Mechanic I	6	6	7	6	6	7	7	6	6	3
Mechanic II	1	1	1	1	1	1	1	2	2	7
Hostlers	5	5	4	4	3	3	3	3	3	4
<b>Total Maintenance</b>	<u>15</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>13</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>17</u>
<b><u>Operations</u></b>										
Director of Operations	1	1	1	1	1	1	1	1	1	1
Assistant Director of operations	0	0	1	1	1	1	1	1	1	1
Administrative Assistant	1	1	1	1	1	1	1	1	1	1
Dispatchers/Schedulers	5	5	4	5	5	5	5	5	7	7
Clerk Receptionist	1	1	1	1	0	1	1	1	1	1
custmoer Service Supervisor	1	1	1	1	1	1	1	1	1	1
Customer Service Representatives	6	5	7	7	7	7	7	7	7	8
Road Supervisors	3	3	3	4	4	4	4	4	4	5
Trainer	0	0	0	0	0	0	1	1	1	1
Drivers	126	128	99	95	133	135	144	139	155	153
<b>Total Operations</b>	<u>144</u>	<u>145</u>	<u>118</u>	<u>115</u>	<u>151</u>	<u>156</u>	<u>165</u>	<u>161</u>	<u>179</u>	<u>179</u>
<b>Grand Total</b>	<u>169</u>	<u>168</u>	<u>141</u>	<u>137</u>	<u>173</u>	<u>179</u>	<u>189</u>	<u>186</u>	<u>204</u>	<u>207</u>

Source: Operations Department stats

**LAKETRAN  
LAKE COUNTY, OHIO**

**LAKE COUNTY DEMOGRAPHICS**

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**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
2010	230,041	1.11
2015	229,602	(0.19)
2020 Projection	233,290	1.61
2030 Projection	232,305	(0.42)

Source: Actual figures from Ohio Department of Development  
Projections from Lake County Job and Family Services Profile

**Age and Population Distribution - 2018**

	<u>Age</u>	<u>Percentage</u>
Under 5	11,506	5.0
Under 18	46,714	20.3
18-64	127,205	55.2
65 and Over	44,873	19.5
<b>Total</b>	<b>230,298</b>	<b>100.0</b>

Source: quickfacts.census.gov

**LAKETRAN  
LAKE COUNTY, OHIO**

**LAKE COUNTY DEMOGRAPHICS**

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**Population By Race - 2018 Estimate**

<u>Race</u>	<u>Total</u>	<u>Percentage</u>
White	212,167	88.4
African American	10,165	4.2
Two or more races	3,912	1.6
Asian	3,452	1.4
Latino/Other	9,895	4.1
Native American	460	0.2
<b>Total</b>	<b>240,051</b>	<b>100.0</b>

Source: [development.ohio.gov](http://development.ohio.gov)

**Largest Populations in the County**

Mentor	46,901
Willoughby	22,631
Eastlake	18,232
Painesville	19,776
Madison Township	15,599
Concord Township	18,245
Painesville Township	16,900
Willowick	13,957
Wickliffe	12,545
Willoughby Hills	9,382

Source: [quickfacts.census.gov](http://quickfacts.census.gov)



# **LAKETRAN**

## **LAKE COUNTY, OHIO**

