

***WESTERN RESERVE TRANSIT AUTHORITY***

***MAHONING COUNTY***

**Audit Report**

**For the Year Ended December 31, 2011**

**(with comparative statements for the year ended December 31, 2010)**





# Dave Yost • Auditor of State

Board of Trustees  
Western Reserve Transit Authority  
604 Mahoning Avenue  
Youngstown, OH 44502

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

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

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

Dave Yost  
Auditor of State

June 8, 2012

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WESTERN RESERVE TRANSIT AUTHORITY

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

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**INDEPENDENT ACCOUNTANTS' REPORT**

Western Reserve Transit Authority  
Mahoning County  
604 Mahoning Avenue  
Youngstown, Ohio 44504

To the Board of Trustees:

We have audited the accompanying financial statements of the Western Reserve Transit Authority, Mahoning County, Ohio (the Authority), as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Authority as of December 31, 2010 were audited by other auditors whose report dated June 24, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Western Reserve Transit Authority, Mahoning County, Ohio, as of December 31, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

We conducted our audit to opine on the financial statements that comprise the Authority's basic financial statements taken as a whole. The schedule of expenditures of federal awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**CHARLES E. HARRIS & ASSOCIATES, INC.**

March 31, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### Overview of Financial Highlights

- The Authority has net assets of \$20.09 million. These net assets result from the difference between total assets of \$21.42 million and total liabilities of \$1.33 million.
- Current assets of \$8.88 million primarily consist of non-restricted Cash and Cash Equivalents of \$3.67 million; Accounts Receivable of \$.02; Sales Tax receivable of \$1.22 million; Federal and State assistance receivable of \$3.73 million; and Materials and Supplies Inventory of \$.24.
- Current liabilities of \$1.10 million primarily consist of Accounts, Contracts, and Other payables of \$.31 million and Accrued Payroll Benefits of \$.79 million.

### Basic Financial Statements and Presentation

#### Accounting Pronouncements

The Authority complies with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Disclosures."

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

The Balance Sheet presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial

position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net assets, which indicate improved financial position.

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

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

### **Notes to the Financial Statements**

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

## Financial Analysis of the Authority

### Condensed Summary of Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current Assets	\$ 8,880,787	\$6,642,232	\$ 4,664,588
Restricted Assets	1,544,332	1,707,125	965,585
Other Non-Current Assets	11,000	11,000	11,000
Capital Assets (net of accumulated Depreciation)	<u>10,979,660</u>	<u>11,208,616</u>	<u>10,923,266</u>
Total Assets	<u>\$21,415,779</u>	<u>\$19,568,973</u>	<u>\$16,564,439</u>
Current Liabilities	\$ 1,097,556	\$ 1,042,797	\$ 994,038
Liabilities Payable from Restricted Assets	146,486	303,818	478,033
Non Current Liabilities	<u>83,667</u>	<u>85,532</u>	<u>54,144</u>
Total Liabilities	<u>\$ 1,327,709</u>	<u>\$ 1,432,147</u>	<u>\$ 1,526,215</u>
Net Assets			
Invested in Capital Assets	\$10,979,660	\$ 11,208,616	\$10,923,266
Restricted for Capital Assets	1,400,217	1,403,307	487,552
Unrestricted	<u>7,708,193</u>	<u>5,524,903</u>	<u>3,627,406</u>
Total Net Assets	<u>\$20,088,070</u>	<u>\$18,136,826</u>	<u>\$15,038,224</u>

The largest portion of the Authority's net assets reflect investment in capital assets consisting of buses, operating facilities and equipment, less any related debt used to acquire any of those assets still outstanding. The Authority uses these capital assets to provide public transportation services for the City of Youngstown, and surrounding communities in Mahoning and Trumbull Counties.

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

<u>Description</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Operating Revenues (Expenses)</b>			
Operating Revenues	\$ 912,410	\$ 840,658	\$ 761,181
Operating Expenses, excluding depreciation	(8,548,833)	(7,985,177)	(6,857,441)
Depreciation Expense	<u>(2,433,348)</u>	<u>(2,223,274)</u>	<u>(1,952,677)</u>
Operating Loss	<u>\$(10,069,771)</u>	<u>\$(9,367,793)</u>	<u>\$(8,048,937)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Property Tax Revenues	\$ 40,398	\$ 599,856	\$ 2,513,752
Sales and Use Tax Revenues	7,490,559	6,892,171	4,209,307
Federal Grants and Reimburse	2,473,705	2,324,644	2,193,771
State Grants, Reimbursements and Special Fare Assistance	164,954	349,070	1,132,894
Investment Income	13,603	9,257	5,468
Other Income	<u>69,034</u>	<u>52,285</u>	<u>\$ 55,828</u>
Total Non-Oper Revenue (Expense)	<u>\$10,252,253</u>	<u>\$10,227,283</u>	<u>\$10,111,020</u>
Capital Contributions	\$ 1,768,762	\$ 2,239,112	\$ 2,328,870
Increase (Decrease) in Net Assets During the Year	\$ 1,951,244	\$ 3,098,602	\$ 4,390,953
Net Assets, Beginning of Year	<u>\$18,136,826</u>	<u>\$15,038,224</u>	<u>\$10,647,271</u>
Net Assets, End of Year	<u>\$20,088,070</u>	<u>\$18,136,826</u>	<u>\$15,038,224</u>

## FINANCIAL OPERATING RESULTS

### **Revenues**

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

Passenger Revenues – Farebox and special transit fares are included here. The overall increase from 2011 and 2010 reflects an increase in ridership as a result of added service during 2011 and 2010.

Property Tax Revenues – This 5 mills was levied against property owners in the City of Youngstown and was made up of three separate tax issues: one 1 mill for 10 years, one 2 mill for 10 years and one 2 mill for 4 years. Property Tax Revenues are no longer collected with the passage of the Sales and Use Tax. The Authority received a minimal Kilowatt-Hour and MCF Local Government Property Tax Replacement distribution for 2010 and 2011.

Sales and Use Tax Revenues - A sales and use tax issue passed by the voters of Mahoning County on November 4, 2008 was effective April 1, 2009 for five (5) years ending March 31, 2014. In 2009 and thereafter, WRTA will be subsidized by a ¼% sales and use tax levy. WRTA began collecting sales tax revenues in July, 2009. For 2010 approximately 67.1% of the Authority's revenues came from this source while for 2010, approximately 62.3% of the Authority's revenues came from this source. Sales and use tax revenue can be used for operating or capital purchases.

Federal Grants and Reimbursements – In 2011, the Authority received approximately \$2.47 million in preventive maintenance and ADA reimbursement funds to cover certain maintenance and complimentary paratransit service costs incurred. For 2011 operating assistance includes flex funding in the amount of \$1,043,159. This compares to \$1.8 million received in 2010 and \$1.2 million in 2009. The Authority also received \$352,000 in operating funds through ARRA in 2009 and \$628,184, \$466,274 and \$355,000 in Job Access Reverse Commute and New Freedom funds in 2011, 2010 and 2009, respectively.

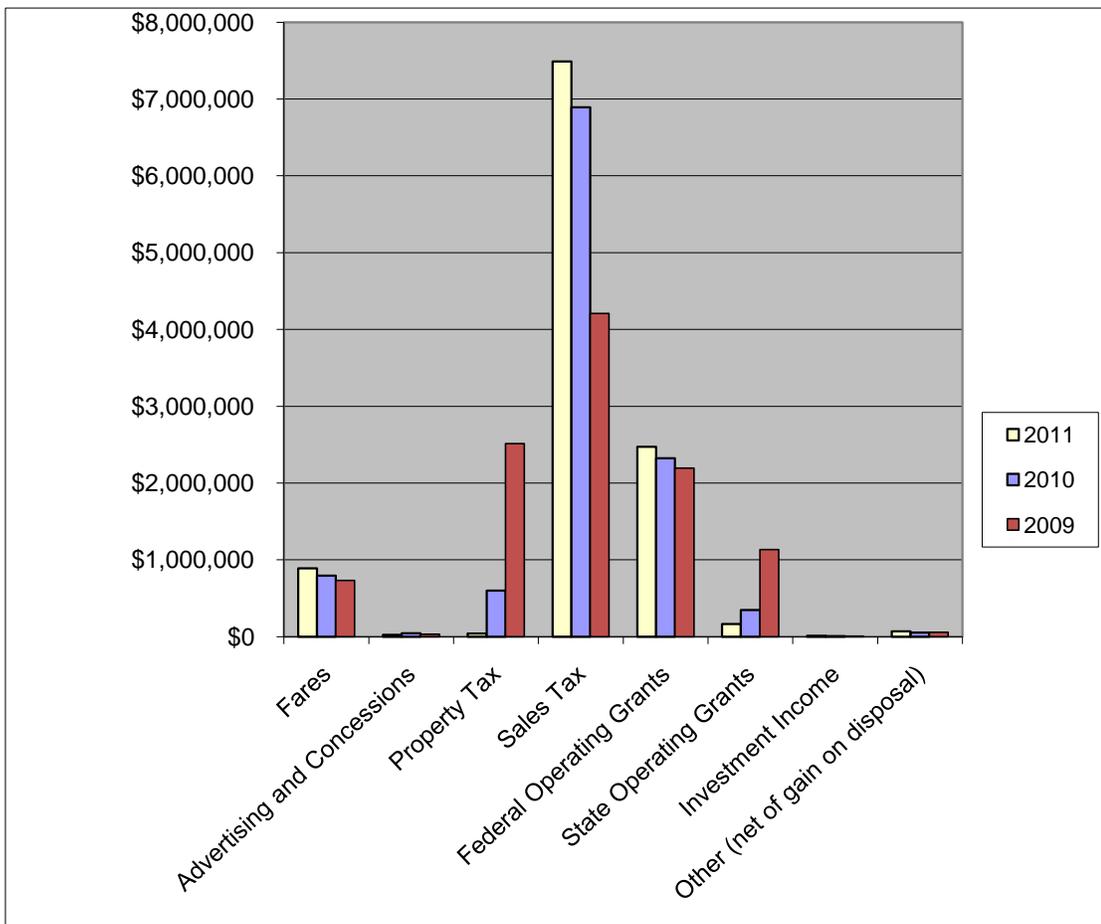
State Operating Grants – The Ohio Department of Transportation allocates grants for operating assistance and elderly and disabled programs. This category also includes reimbursement for state fuel taxes paid by the Authority. For 2011 operating assistance includes operating assistance of \$88,553, elderly assistance of \$83,732 and fuel tax reimbursement of \$81,222. For 2010 operating assistance includes Elderly Assistance of \$189,959 and fuel tax reimbursement of \$79,558. For 2009 operating assistance includes an STP grant of \$260,203 and a fuel initiative grant of \$435,000.

Investment Income – Investment income is steadily increasing as a result of increasing cash on hand.

Other Income – This category summarizes various miscellaneous income and revenue.

## REVENUE

	<u>2011</u>		<u>2010</u>		<u>2009</u>	
Fares	\$ 888,353	8.0%	\$ 795,013	7.2%	\$ 730,666	6.7%
Advertising and Concessions	24,057	0.2%	45,645	0.4%	30,515	0.3%
Property Tax	40,399	0.4%	599,856	5.4%	2,513,752	23.1%
Sales Tax	7,490,559	67.1%	6,892,171	62.3%	4,209,307	38.7%
Federal Operating Grants	2,473,705	22.2%	2,324,644	21.0%	2,193,771	20.2%
State Operating Grants	164,954	1.5%	349,070	3.2%	1,132,894	10.4%
Investment Income	13,603	0.1%	9,257	0.1%	5,468	0.1%
Other (net of gain on disposal)	69,034	0.6%	52,285	0.5%	55,828	0.5%
<b>Total</b>	<b>\$ 11,164,664</b>		<b>\$ 11,067,941</b>		<b>\$ 10,872,201</b>	



## **Expenses**

Labor and Fringe Benefits These personnel costs accounted for approximately 68.3% of all the Authority operating expenses (excluding depreciation) in 2011. This proportion was approximately 67.6% in 2010 and 63.8% in 2009. The increase in proportion during 2011 and 2010 is a result of added service and hiring additional employees.

Materials and Supplies These costs increased in 2011 and 2010 mainly due to added service, increased mileage, and aging vehicles.

Services These costs decreased in 2011 due to lower non-vehicle maintenance and professional and technical costs; increased slightly in 2010 due to a full year of sales tax fees; and decreased in 2009 due to lower professional and technical services, including planning. Planning costs decreased significantly due to the completion of services expanding county wide.

Utilities These costs increased from higher natural gas usage as a result of operating a full year in the newly renovated and expanded administration facility.

Casualty and Liability These costs decreased in 2011, but increased in 2010. Premiums are based on an annual actuarial study done by the Ohio Transit Risk Pool. Also, the Authority increased its fleet size by 5 revenue vehicles in 2010.

Miscellaneous This category summarizes various expenses not included in other expense categories.

Transportation These are expenses directly related to the operation of revenue vehicles. Included are wages and fringe benefits of operators, dispatchers, customer service, as well as diesel fuel and security costs.

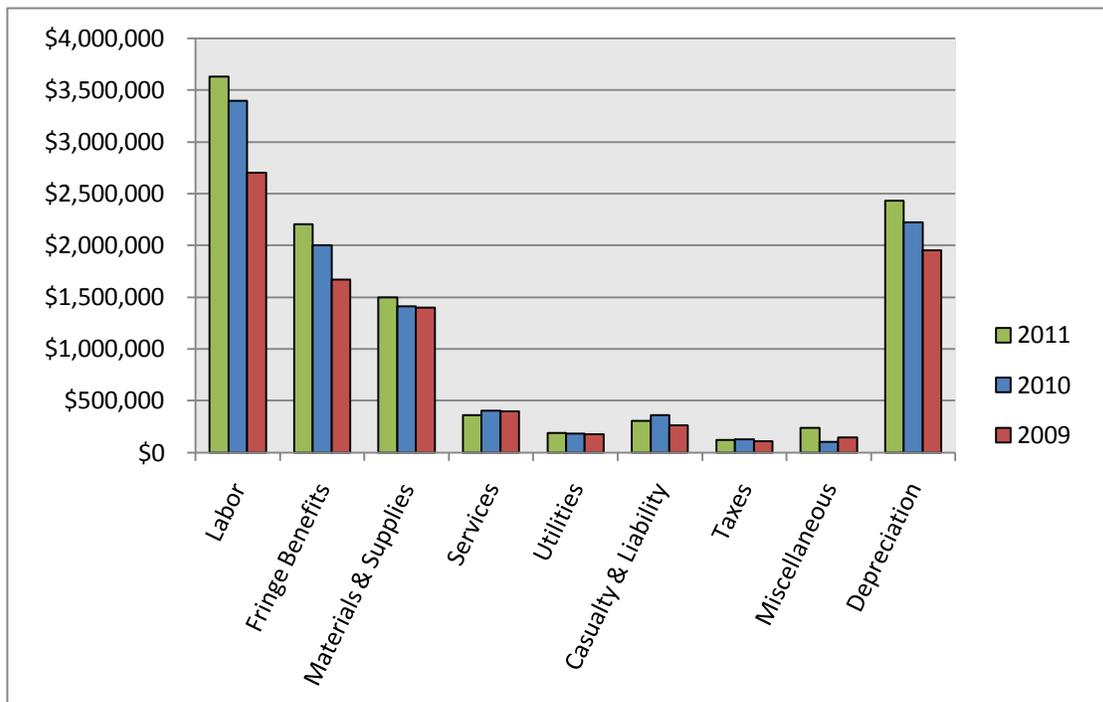
Maintenance Vehicle and facility maintenance labor costs, fringe benefits, and materials and supplies are included in this category.

General Administration Administrative personnel labor and fringe benefits are included in this category, as well as public liability and property damage insurance, professional services, advertising fees and office supplies.

Depreciation This category includes depreciation on all capital assets, except land.

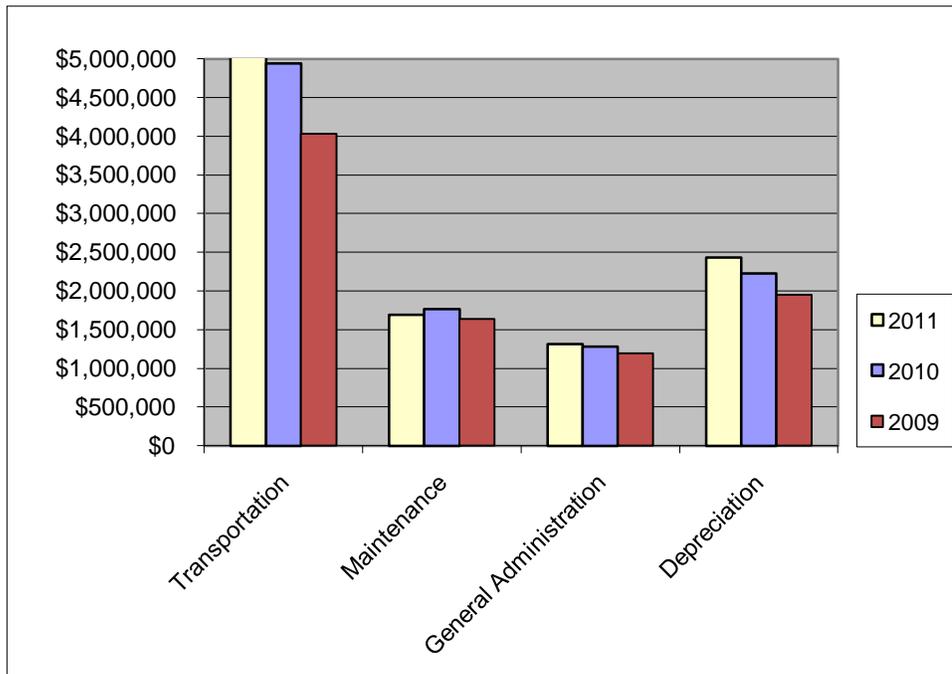
## EXPENSE BY OBJECT CLASS

	2011		2010		2009	
Labor	\$ 3,630,182	33.1%	\$ 3,396,759	33.3%	\$ 2,704,682	30.7%
Fringe Benefits	2,206,261	20.1%	2,001,243	19.6%	1,672,217	19.0%
Materials & Supplies	1,499,103	13.7%	1,414,466	13.8%	1,396,612	15.9%
Services	362,690	3.3%	404,883	3.9%	395,616	4.5%
Utilities	190,327	1.7%	182,182	1.8%	173,155	2.0%
Casualty & Liability	303,483	2.8%	357,971	3.5%	261,645	3.0%
Taxes	118,166	1.1%	127,737	1.3%	110,276	1.3%
Miscellaneous	238,621	2.2%	99,936	1.0%	143,237	1.6%
Depreciation	2,433,348	22.0%	2,223,274	21.8%	1,952,677	22.0%
<b>Total</b>	<b>\$ 10,982,181</b>		<b>\$ 10,208,451</b>		<b>\$ 8,810,117</b>	



## EXPENSE BY FUNCTION

	<u>2011</u>		<u>2010</u>		<u>2009</u>	
Transportation	\$	5,540,655	50.5%	\$	4,941,297	48.4%
Maintenance		1,692,382	15.4%		1,764,437	17.3%
General Administration		1,315,796	12.0%		1,279,443	12.5%
Depreciation		2,433,348	22.2%		2,223,274	21.8%
<b>Total</b>	<b>\$</b>	<b>10,982,181</b>		<b>\$</b>	<b>10,208,451</b>	<b>\$</b> 8,810,117



## Condensed Summary of Cash Flows

Net cash used for operating activities increased as a result of increasing services in 2011. Net cash provided by non-capital financing activities decreased due to lesser funds provided by maintenance and planning grants. Net cash used in capital and related financing activities decreased due to the nature of capital purchases in 2011. Acquisition of fixed assets included the paving and roof replacement at Federal Station, roof replacement at the storage facility, and a new electronic fare collection system.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from customers	\$ 945,621	\$ 804,267	\$ 768,710
Cash payments to suppliers for goods and services	(4,900,650)	(4,666,211)	(4,264,824)
Cash payments to employees for services	(3,593,711)	(3,335,492)	(2,544,391)
Net cash used in operating activities	(7,548,740)	(7,197,436)	(6,040,505)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Property taxes received	40,398	611,344	2,513,752
Sales and Use taxes received	7,417,704	6,789,001	3,163,639
Maintenance and planning grants received	1,823,721	1,628,106	1,575,851
Other	73,530	74,273	57,383
Net cash provided by non-capital financing activities	9,355,353	9,102,724	7,310,625
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants received	1,842,632	1,301,452	1,831,409
Acquisition of fixed assets	(2,196,732)	(2,508,624)	(2,459,905)
Proceeds from disposal	1,299	9,400	-0-
Net cash provided (used) in capital and related financing activities	(352,801)	(1,197,772)	(628,496)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from investments	13,603	9,257	5,468
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	1,467,415	716,773	647,092
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,345,100	1,628,327	981,235
CASH AND CASH EQUIVALENTS, END OF YEAR	\$3,812,515	\$2,345,100	\$1,628,327

## **Capital Assets**

The Authority's investment in capital assets amounts to \$10.98 million, net of accumulated depreciation as of December 31, 2011, a decrease of \$.23 million (2.09%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. During 2011 the Authority continued paving at Federal Station, completed a roofing project at the storage facility and at Federal Station and purchased a new electronic fare system. During 2010, the Authority purchased 5 modified minivans and completed construction on the rehabilitation, renovation and expansion of the administration facility. Both projects were funded by an ARRA grant at 100% federal participation and both projects were necessary as a result expanded countywide transit services.

## **Request for Information**

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Secretary-Treasurer, Western Reserve Transit Authority, 604 Mahoning Avenue, Youngstown, Ohio 44502.

WESTERN RESERVE TRANSIT AUTHORITY

BALANCE SHEET  
DECEMBER 31, 2011 AND 2010

ASSETS	2011	2010
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 3,668,400	\$ 2,200,985
Receivables:		
Trade, less allowance for doubtful accounts of \$1,782 in 2011 and 2010	24,523	57,734
Federal assistance	3,626,898	2,807,723
State assistance	98,837	186,804
Property taxes (Note 4)		
Sales and Use taxes (Note 5)	1,221,693	1,148,838
Materials and supplies inventory	234,794	234,519
Prepaid expenses	5,642	5,629
Total current assets	8,880,787	6,642,232
RESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	144,115	144,115
Federal capital assistance receivable	1,400,217	1,563,010
Total restricted assets	1,544,332	1,707,125
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	1,013,136	1,013,136
Building and improvements	10,697,668	9,772,316
Transportation equipment	18,129,727	16,946,420
Other equipment	1,591,557	1,651,720
Total	31,432,088	29,383,592
Less accumulated depreciation	20,452,428	18,174,976
Property, facilities and equipment - net	10,979,660	11,208,616
OTHER ASSETS	11,000	11,000
TOTAL ASSETS	\$ 21,415,779	\$ 19,568,973

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

BALANCE SHEET (CONT'D)  
DECEMBER 31, 2011 AND 2010

LIABILITIES AND NET ASSETS	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 85,947	\$ 77,659
Accrued payroll and benefits	794,721	758,250
Advances	83,424	83,424
Deferred sales taxes	11,487	11,488
Other	121,977	111,976
Total current liabilities	<u>1,097,556</u>	<u>1,042,797</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Capital expenditures payable	63,636	137,238
Deferred planning and operating grants	-	83,730
Deferred capital grants	82,850	82,850
Total liabilities payable from restricted assets	<u>146,486</u>	<u>303,818</u>
NONCURRENT LIABILITIES - Other	<u>83,667</u>	<u>85,532</u>
Total liabilities	<u>1,327,709</u>	<u>1,432,147</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	10,979,660	11,208,616
Restricted for Capital Assets	1,400,217	1,403,307
Unrestricted	7,708,193	5,524,903
Total Net Assets	<u>20,088,070</u>	<u>18,136,826</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,415,779</u>	<u>\$ 19,568,973</u>

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
OPERATING REVENUES:		
Passenger fares	\$ 888,353	\$ 795,013
Advertising and concessions	24,057	45,645
Total operating revenues	912,410	840,658
OPERATING EXPENSES:		
Labor	3,630,182	3,396,759
Fringe benefits (Note 5)	2,206,261	2,001,243
Materials and supplies	1,499,103	1,414,466
Services	362,690	404,883
Utilities	190,327	182,182
Casualty and liability	303,483	357,971
Taxes	118,166	127,737
Other	238,621	99,936
Total operating expenses excluding depreciation	8,548,833	7,985,177
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(7,636,423)	(7,144,519)
DEPRECIATION EXPENSE (Note 3):	2,433,348	2,223,274
OPERATING LOSS	(10,069,771)	(9,367,793)
NONOPERATING REVENUES:		
Property tax revenues (Note 4)	40,398	599,856
Sales and Use tax revenues (Note 5)	7,490,559	6,892,171
Federal maintenance grants and reimbursements (Note 9)	2,473,705	2,324,644
State maintenance grants, reimbursements and special fare assistance (Note 9)	164,954	349,070
Investment income	13,603	9,257
Other	69,034	52,285
Total nonoperating revenues	10,252,253	10,227,283
NET GAIN (LOSS) BEFORE CAPITAL CONTRIBUTION	182,482	859,490
Capital contributions	1,768,762	2,239,112
NET GAIN (LOSS)	1,951,244	3,098,602
Net Assets, Beginning of Year	18,136,826	15,038,224
Net Assets, End of Year	\$ 20,088,070	\$ 18,136,826

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
<b>OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 945,621	\$ 804,267
Cash payments to suppliers for goods and services	(4,900,650)	(4,666,211)
Cash payments to employees for services	(3,593,711)	(3,335,492)
Net cash used in operating activities	(7,548,740)	(7,197,436)
<b>NONCAPITAL FINANCING ACTIVITIES:</b>		
Property taxes received	40,398	611,344
Sales and Use taxes received	7,417,704	6,789,001
Maintenance and planning grants received	1,823,721	1,628,106
Other	73,530	74,273
Net cash provided by noncapital financing activities	9,355,353	9,102,724
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants received	1,842,632	1,301,452
Acquisition of capital assets	(2,196,732)	(2,508,624)
Proceeds from disposal	1,299	9,400
Net cash used in capital and related financing activities	(352,801)	(1,197,772)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received from investments	13,603	9,257
Net cash provided by investing activities	13,603	9,257
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,467,415	716,773
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,345,100	1,628,327
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,812,515	\$ 2,345,100
<b>USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (10,069,771)	\$ (9,367,793)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,433,348	2,223,274
Change in assets and liabilities:		
(Increase)decrease in accounts receivable-trade	33,211	(36,391)
(Increase)decrease in materials and supplies inventory	(275)	(53,571)
(Increase)decrease in prepaid expenses	(13)	(226)
Increase(decrease) in accounts payable	8,288	(28,895)
Increase(decrease) in accrued payroll and benefits	36,471	61,267
Increase(decrease) in other current liabilities	10,001	4,899
Net cash used in operating activities	\$ (7,548,740)	\$ (7,197,436)

See accompanying notes to financial statements.

# WESTERN RESERVE TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Western Reserve Transit Authority (“WRTA” or the “Authority”) was created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code for the purpose of providing public transportation in the greater Youngstown, Ohio area. Whereas, by legislative action and under authority of the ORC, Section 306.321, the City of Youngstown and the Board of Mahoning County Commissioners voted to include within the WRTA the territory of the whole of Mahoning County. As a political subdivision it is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The Authority is not subject to federal or state income taxes.

The Authority is managed by 7-member Board of Trustees and provides virtually all-mass transportation within the Mahoning County area. Three members are appointed by the Mayor of Youngstown and four members are appointed by Mahoning County.

Reporting Entity – The Authority complies with the provisions of Statement No. 14 of the Governmental Accounting Standards Board (“GASB”) regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority has no component units. Prior to 2009, the Authority was, however, considered to be a component unit of the City of Youngstown (the “City”) by virtue of the fact that WRTA’s Board of Trustees was appointed by the Mayor and City Council of Youngstown and the City’s ability to impose its will on the Authority. Starting 2009, the Authority is not considered a component unit of the City of Youngstown (the City) by virtue of the fact that WRTA’s Board of Trustee’s three members are appointed by the Mayor of Youngstown and four members are appointed by the Board of Mahoning County Commissioners.

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization nor is any other organization accountable for WRTA. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code.

WESTERN RESERVE TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2011 and 2010

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

In accordance with Statement No. 20 of the GASB, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,” the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989.

Nonexchange Transactions - The Authority complies with the provisions of Statement No. 33 of the Governmental Accounting Standards Board (“GASB”) regarding the Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions be recognized as revenue. Accordingly, during the years ended December 31, 2011 and 2010, \$1,770,779 and \$2,239,112, respectively, in capital contributions were recognized as revenue in the Statement of Revenues, Expenses and changes in Net Assets for the Authority.

The Authority complies with the provisions of GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments.”

The Authority will continue applying all applicable pronouncements issued by the GASB.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity, at date of purchase, of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Investments – The Authority’s investments are stated at fair value.

Materials and Supplies Inventory – Materials and supplies inventory is stated at cost (average cost method). Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

WESTERN RESERVE TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2011 and 2010

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Property, Facilities and Equipment – Property, facilities and equipment are stated at historical cost. The cost of maintenance and repairs is charged to operations as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

<u>Description</u>	<u>Years</u>
Building and improvements	20-40
Land improvements	20
Transportation equipment	5-15
Other equipment	3-15

Restricted Assets – Restricted assets consist of monies and other resources, the use of which is legally restricted for capital acquisition and construction.

Net Assets - Equity displayed in three components as follows:

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

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources when they are needed.

WESTERN RESERVE TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2011 and 2010

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Classifications of Revenues

The Authority has classified its revenues as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares, advertising, and concession revenue. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as property tax proceeds and most federal, state, and local grants and contracts.

Recognition of Revenue and Receivables

The Federal Transit Administration (“FTA”) and the Ohio Department of Transportation (“ODOT”), provide financial assistance and make grants directly to the Authority for operations and 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 revenue over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as revenue when the expenditure has been made and the revenue is available. Capital grant funds received in advance of project costs being incurred are deferred.

When assets acquired with capital grants funds are disposed of, the Authority is required to notify the granting federal agency. A proportional amount of the proceeds or fair market value, if any, of such property and equipment may be used to acquire like-kind replacement vehicles or remitted to the granting federal agency.

Compensated Absences – The Authority accrues vacation and eligible sick pay as earned by its employees based upon the policies of the Authority and recognizes such costs when they are incurred.

WESTERN RESERVE TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2011 and 2010

2. DEPOSITS AND INVESTMENTS

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool ("STAROhio"), and obligations of the United States government and certain agencies thereof. The Authority may also enter into repurchase agreements with eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealer for a period not exceeding 30 days.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by two percent and be marked to market daily. State law does not require that security for public deposits and investments be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instruments, contract, or obligation itself (commonly known as a "derivative"). The Authority is also prohibited from investing in reverse repurchase agreements.

Deposits

At December 31, 2011, the carrying amount of all the Authority's deposits was \$3,812,515. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$3,558,828 of the WRTA's bank balance of \$3,808,828 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

At December 31, 2010, the carrying amount of all the Authority's deposits was \$2,345,100. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$2,089,714 of the WRTA's bank balance of \$2,339,714 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

WESTERN RESERVE TRANSIT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2011 and 2010

2. DEPOSITS AND INVESTMENTS (Cont'd)

Deposits (Cont'd)

Custodial credit risk is the risk that, in the event of bank failure, the WRTA's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the WRTA.

The deposit balances at December 31, are included in the accompanying balance sheet under the following captions:

	<u>2011</u>	<u>2010</u>
Current assets – cash and cash equivalents	\$3,668,400	\$2,200,985
Restricted assets – cash and cash equivalents	<u>144,115</u>	<u>144,115</u>
Total	<u><u>\$3,812,515</u></u>	<u><u>\$2,345,100</u></u>

3. CAPITAL ASSETS

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

	Balance @ <u>01/01/11</u>	<u>Additions</u>	<u>Disposals</u>	Balance @ <u>12/31/11</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,013,136			<u>\$ 1,013,136</u>
Total Capital Assets Not Being Depreciated	1,013,136			1,013,136
Capital Assets Being Depreciated:				
Building & Building Improvements	\$ 9,772,316	\$ 984,713	\$ 59,361	\$10,697,669
Transportation Equipment	16,946,420	1,273,282	89,975	18,129,727
Other Equipment	<u>1,651,720</u>	<u>8,815</u>	<u>68,978</u>	<u>1,591,557</u>
Total Capital Assets Being Depreciated	\$ 28,370,456	\$ 2,266,810	\$ 218,314	\$ 30,418,953

WESTERN RESERVE TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2011 and 2010

3. CAPITAL ASSETS (Cont'd)

Less Accumulated Depreciation:				
Building & Building Improvements	5,524,807	499,006	5 1,169	5,972,643
Transportation Equipment	11,507,381	1,859,403	36,516	13,330,268
Other Equipment	<u>1,142,788</u>	<u>74,940</u>	<u>68,212</u>	<u>1,149,517</u>
Total Accumulated Depreciation	18,174,976	2,433,349	155,897	20,452,428
Total Capital Assets Being Depreciated, Net	<u>10,195,481</u>	<u>(166,539)</u>	<u>62,417</u>	<u>9,966,525</u>
Total Capital Assets Net	<u>\$11,208,616</u>	<u>\$ (166,539)</u>	<u>\$ 62,417</u>	<u>\$ 10,979,661</u>

Capital asset activity for the year ended December 31, 2010 is as follows:

Description	Balance @ 01/01/10	Additions	Disposals	Balance @ 12/31/10
Capital Assets Not Being Depreciated:				
Land	<u>\$ 1,013,136</u>			<u>\$ 1,013,136</u>
Total Capital Assets Not Being Depreciated	<u>1,013,136</u>			<u>1,013,136</u>
Capital Assets Being Depreciated:				
Building & Building Improvements	9,180,486	1,204,299	612,469	9,772,316
Transportation Equipment	16,837,589	1,166,655	1,057,824	16,946,420
Other Equipment	<u>1,566,917</u>	<u>180,321</u>	<u>\$ 95,518</u>	<u>1,651,720</u>
Total Capital Assets Being Depreciated	27,584,992	2,551,275	1,765,811	28,370,456
Less Accumulated Depreciation:				
Building & Building Improvements	5,590,091	504,643	569,927	5,524,807
Transportation Equipment	10,914,584	1,650,512	1,057,715	11,507,381
Other Equipment	<u>1,170,187</u>	<u>68,119</u>	<u>95,518</u>	<u>1,142,788</u>
Total Accumulated Depreciation	<u>17,674,862</u>	<u>2,223,274</u>	<u>1,723,160</u>	<u>18,174,976</u>
Total Capital Assets Being Depreciated, Net	<u>9,910,130</u>	<u>328,001</u>	<u>42,651</u>	<u>10,195,480</u>
Total Capital Assets, Net	<u>\$ 10,923,266</u>	<u>\$ 328,001</u>	<u>\$ 42,651</u>	<u>\$ 11,208,616</u>

WESTERN RESERVE TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2011 and 2010

4. PROPERTY TAXES

WRTA was subsidized by property tax levies passed by the voters of Youngstown, Ohio. Property taxes of 1 mill were levied in 2002 and a 4 mills levy passed in 2005. Such levies expire as follows: 2 mills in 2009, 1 mill in 2010, and 2 mills in 2015. Property tax revenue can be used for operating or capital purposes.

Property taxes include amounts levied against all real and public utility property located in the Authority's operating district. WRTA received cash from tax levies when the related property tax collections are distributed by the Mahoning County Auditor's office. These distributions are generally received in the year following that for which the tax is levied. WRTA no longer levies property taxes after December 2008. Tax collections in 2011 are residual collections of delinquencies. The Authority will continue to collect a minimal Kilowatt-Hour and MCF Local Government Property Tax Replacement distribution through 2011.

5. SALES AND USE TAXES

A sales and use tax issue passed by the voters of Mahoning County on November 4, 2008 was effective April 1, 2009 for five (5) years ending March 31, 2014. In 2009 and thereafter, WRTA will be subsidized by a ¼% sales and use tax levy. Sales and use tax revenue can be used for operating or capital purposes.

6. EMPLOYEE RETIREMENT PLANS

The WRTA participates in the Ohio Public Employees Retirement System (OPERS). Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan – a cost sharing, multi-employer defined pension plan. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions

WESTERN RESERVE TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2011 and 2010

6. EMPLOYEE RETIREMENT PLANS (Cont'd)

to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/omvestments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. The 2011 member contribution rates were 10% of covered payroll. The 2011 employer contribution rate for local government employer units was 14% of covered payroll. The Authority's total contribution to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2011, 2010 and 2009 were approximately \$416,494, \$345,896, and \$251,308, respectively, equal to 100 percent of the required contribution for each year.

Post-employment Benefits

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

WESTERN RESERVE TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2011 and 2010

6. EMPLOYEE RETIREMENT PLANS (Cont'd)

The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. The 2011 contribution rate for local government employer units was 14.00% of covered payroll. The Authority's total contribution to OPERS for post-retirement benefits for the years ended December 31, 2011, 2010 and 2009 were approximately \$166,586, \$192,370, and \$177,820, respectively, equal to 100 percent of the required contribution for each year.

OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased January 1 of each year from 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

7. OPERATING LEASES

The Authority currently leases space at its Federal Station loading terminal to Greyhound Lines, Inc. and Plaza Donuts, Inc. The Greyhound lease is a five year term, expiring December 31, 2013 and the Plaza Donuts lease is one year, expiring December 31, 2012. Rent receipts of \$40,794 and \$40,590, respectively are reflected in the financial statements as nonoperating other revenue.

8. CONTINGENCIES

Federal and State Grants – Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2011, there were no

WESTERN RESERVE TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2011 and 2010

8. CONTINGENCIES (Cont'd)

significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority's management, no material grant expenditures will be disallowed.

Contract Disputes and Legal Proceedings – The Authority has been named as a defendant in certain contract disputes and other legal proceedings. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management that the ultimate outcome is not expected to have a material effect on the Authority's financial position.

9. FEDERAL AND STATE GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Grants, reimbursements and special fare assistance in the statements of revenues, expenses and changes in net assets for the year ended December 31, consist of the following:

	<u>2011</u>	<u>2010</u>
FEDERAL:		
FTA Maintenance and Other Assistance	\$1,824,862	\$1,778,191
FTA Job Access and Reverse Commute Assistance	193,464	352,565
FTA New Freedom Assistance	434,317	113,709
FTA ARRA		
FTA Planning Assistance	79,547	80,179
FTA Capital Contribution	<u>1,768,762</u>	<u>2,239,112</u>
Total	<u>\$4,300,952</u>	<u>\$4,563,736</u>
STATE:		
ODOT Maintenance and Other Assistance	\$ -	\$ 88,553
ODOT Elderly Fare Assistance	83,732	180,959
ODOT Fuel Tax Reimbursement	<u>81,222</u>	<u>79,558</u>
Total	<u>\$ 164,954</u>	<u>\$ 349,070</u>

WESTERN RESERVE TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2011 and 2010

10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors, and omissions, employment related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994, the Authority commenced participation in the Ohio Transit Insurance Pool Association, Inc. ("OTIP"), renamed in 2002 as Ohio Transit Risk Pool Association, ("OTRP"). OTRP is a self insurance pool formed under Ohio Revised Code 2744.081, related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. Any underfunding of the plan's liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

The Authority continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through, 2012, the date the financial statements were available to be issued.

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**WESTERN RESERVE TRANSIT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL GRANT NUMBER</u>	<u>GRANT EXPENDITURES</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Cluster/Direct Programs:			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-90-0291 OH-90-0433 OH-90-0509 OH-90-0549 OH-90-0617 OH-90-0644 OH-90-0683 OH-95-0068	\$ 100 394,752 39,329 40,000 57,808 521,191 1,513,946 <u>1,043,159</u>
Total CFDA #20.507			3,610,285
Federal Transit Administration Job Access - Reverse Commute Grants	20.516	OH-37-0078	<u>193,464</u>
Total CFDA #20.516			193,464
Federal Transit Administration New Freedom Program	20.521	OH-57-0015 OH-57-0037	58,485 <u>375,832</u>
Total CFDA #20.521			<u>434,317</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 4,238,066</u></b>

See note to Schedule of Expenditures of Federal Awards.

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2011

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Western Reserve Transit Authority and is presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

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

Western Reserve Transit Authority  
Mahoning County  
604 Mahoning Avenue  
Youngstown, Ohio 44502

To the Board of Trustees:

We have audited the financial statements of Western Reserve Transit Authority, Mahoning County, (the Authority) as of and for the year ended December 31, 2011 and have issued our report thereon dated March 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated March 31, 2012.

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

*Charles Harris Associates*

**CHARLES E. HARRIS & ASSOCIATES, INC.**

March 31, 2012

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

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

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

Western Reserve Transit Authority  
Mahoning County  
604 Mahoning Avenue  
Youngstown, Ohio 44502

To the Board of Trustees:

**Compliance**

We have audited the compliance of Western Reserve Transit Authority, Mahoning County, Ohio (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Authority's major federal program. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Authority's compliance based on our audit.

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

In our opinion, the Western Reserve Transit Authority, Mahoning County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

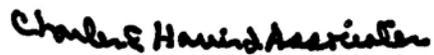
**Internal Control Over Compliance**

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

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

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

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

A handwritten signature in black ink that reads "Charles Harris Associates". The signature is written in a cursive, slightly slanted style.

**CHARLES E. HARRIS & ASSOCIATES, INC.**  
March 31, 2012

WESTERN RESERVE TRANSIT AUTHORITY

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2011

**PART I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified not considered to be material weaknesses?	no
Noncompliance material to financial statements noted?	no

**Federal Awards**

Internal control over major programs:	
Material weakness identified?	no
Significant deficiency identified not considered to be material weaknesses?	no
Type of auditor's report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)	no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Administration Capital and Operating Assistance Formula Grants

WESTERN RESERVE TRANSIT AUTHORITY

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2011

**PART I - SUMMARY OF AUDITORS' RESULTS (Cont'd)**

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

**PART II - FINANCIAL STATEMENT FINDINGS**

No matters are reportable.

**PART III - FEDERAL AWARD FINDINGS**

No matters are reportable

WESTERN RESERVE TRANSIT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2011

There were no comments on internal control and legal compliance included in the prior year report.



# Dave Yost • Auditor of State

**WESTERN RESERVE TRANSIT AUTHORITY**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 21, 2012**