

WESTERN RESERVE TRANSIT AUTHORITY

MAHONING COUNTY

Audit Report

For the Year Ended December 31, 2012





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Western Reserve Transit Authority, Mahoning County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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 25, 2013

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WESTERN RESERVE TRANSIT AUTHORITY

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

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Western Reserve Transit Authority, Mahoning County, Ohio, as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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


Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
April 12, 2013

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012 and 2011
(Unaudited)**

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, 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- The Authority has net position of \$21.2 million. The net position results from the difference between total assets of \$22.5 million and total liabilities of \$1.3 million.
- Current assets of \$11.4 million primarily consist of non-restricted Cash and Cash Equivalents of \$6.9 million; Accounts Receivable of \$0.3 million; Sales Tax receivable of \$1.3 million; Federal and State assistance receivable of \$2.5 million; Materials and Supplies Inventory of \$0.3 million, and Prepaid Expenses of \$0.2 million.
- Current liabilities of \$1.1 million primarily consist of Accounts, Contracts, and Other payables of \$0.3 million and Accrued Payroll Benefits of \$0.8 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 Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current Assets	\$11,411,263	\$8,880,787	\$ 6,642,232
Restricted Assets	1,439,235	1,555,332	1,707,125
Capital Assets (net of accumulated depreciation)	<u>9,612,795</u>	<u>10,979,660</u>	<u>11,208,616</u>
Total Assets	<u>\$22,463,293</u>	<u>\$21,415,779</u>	<u>\$19,568,973</u>
Current Liabilities	\$ 1,079,418	\$ 1,002,645	\$ 959,373
Liabilities Payable from Restricted Assets	56,714	63,636	303,818
Non Current Liabilities	<u>88,949</u>	<u>83,667</u>	<u>85,532</u>
Total Liabilities	<u>\$ 1,225,081</u>	<u>\$ 1,149,948</u>	<u>\$ 1,348,723</u>
Deferred Inflows of Resources	\$ 82,850	\$ 94,337	\$ 166,580
Net Position			
Net Investment in Capital Assets	\$ 9,612,795	\$ 10,979,660	\$11,208,616
Restricted for Capital Assets	1,293,860	1,400,217	1,403,307
Unrestricted	<u>10,248,707</u>	<u>7,791,617</u>	<u>5,608,327</u>
Total Net Position	<u>\$21,155,362</u>	<u>\$20,171,494</u>	<u>\$18,220,250</u>

The largest portion of the Authority's net position reflects 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 Position

<u>Description</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues (Expenses)			
Operating Revenues	\$ 1,019,154	\$ 912,410	\$ 840,658
Operating Expenses, excluding depreciation	(8,904,640)	(8,548,833)	(7,985,177)
Depreciation Expense	<u>(2,498,823)</u>	<u>(2,433,348)</u>	<u>(2,223,274)</u>
Operating Loss	<u>\$(10,384,309)</u>	<u>\$(10,069,771)</u>	<u>\$(9,367,793)</u>
Non-Operating Revenues (Expenses)			
Property Tax Revenues	\$ -	\$ 40,398	\$ 599,856
Sales and Use Tax Revenues	7,717,967	7,490,559	6,892,171
Federal Grants and Reimburse	2,724,664	2,473,705	2,324,644
State Grants, Reimbursements and Special Fare Assistance	85,257	164,954	349,070
Investment Income	11,649	13,603	9,257
Other Income	<u>82,245</u>	<u>69,034</u>	<u>52,285</u>
Total Non-Oper Revenue (Expense)	<u>\$10,621,782</u>	<u>\$10,252,253</u>	<u>\$10,227,283</u>
Capital Contributions	<u>\$ 746,395</u>	<u>\$ 1,768,762</u>	<u>\$ 2,239,112</u>
Increase (Decrease) in Net Position During the Year	\$ 983,868	\$ 1,951,244	\$ 3,098,602
Net Position, Beginning of Year (Restated)	<u>\$20,171,494</u>	<u>\$18,220,250</u>	<u>\$15,121,648</u>
Net Position, End of Year	<u>\$21,155,362</u>	<u>\$20,171,494</u>	<u>\$18,220,250</u>

FINANCIAL OPERATING RESULTS

Revenues

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

Passenger Revenues – Farebox and special transit fares are included here. The overall increase from 2012 and 2011 reflects an increase in ridership as a result of added service during 2012 and 2011.

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. A renewal of this tax issue was passed by the voters of Mahoning County on November 6, 2012, for five (5) years beginning April 1, 2014 and ending March 31, 2019. WRTA began collecting sales tax revenues in July, 2009. For 2012 approximately 66.3% of the Authority's revenues came from this source while for 2011, approximately 67.1% 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 2012, the Authority received approximately \$1.8 million in preventive maintenance and ADA reimbursement funds to cover certain maintenance and complimentary para-transit service costs incurred. For 2012 operating assistance includes flex funding in the amount of \$311,428. This compares to \$1.04 million received in 2011 and \$1.8 million in 2010. The Authority also received \$368,823 in operating funds to purchase fuel in 2012 and \$410,472, \$627,781 and \$466,270 in Job Access Reverse Commute and New Freedom funds in 2012, 2011 and 2010, 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 2012, operating assistance includes fuel tax reimbursement of \$85,257. For 2011 operating assistance includes elderly assistance of \$83,732 and fuel tax reimbursement of \$81,222. For 2010 operating assistance includes maintenance and other assistance of \$88,553, elderly assistance of \$180,959 and fuel tax reimbursement of \$79,558.

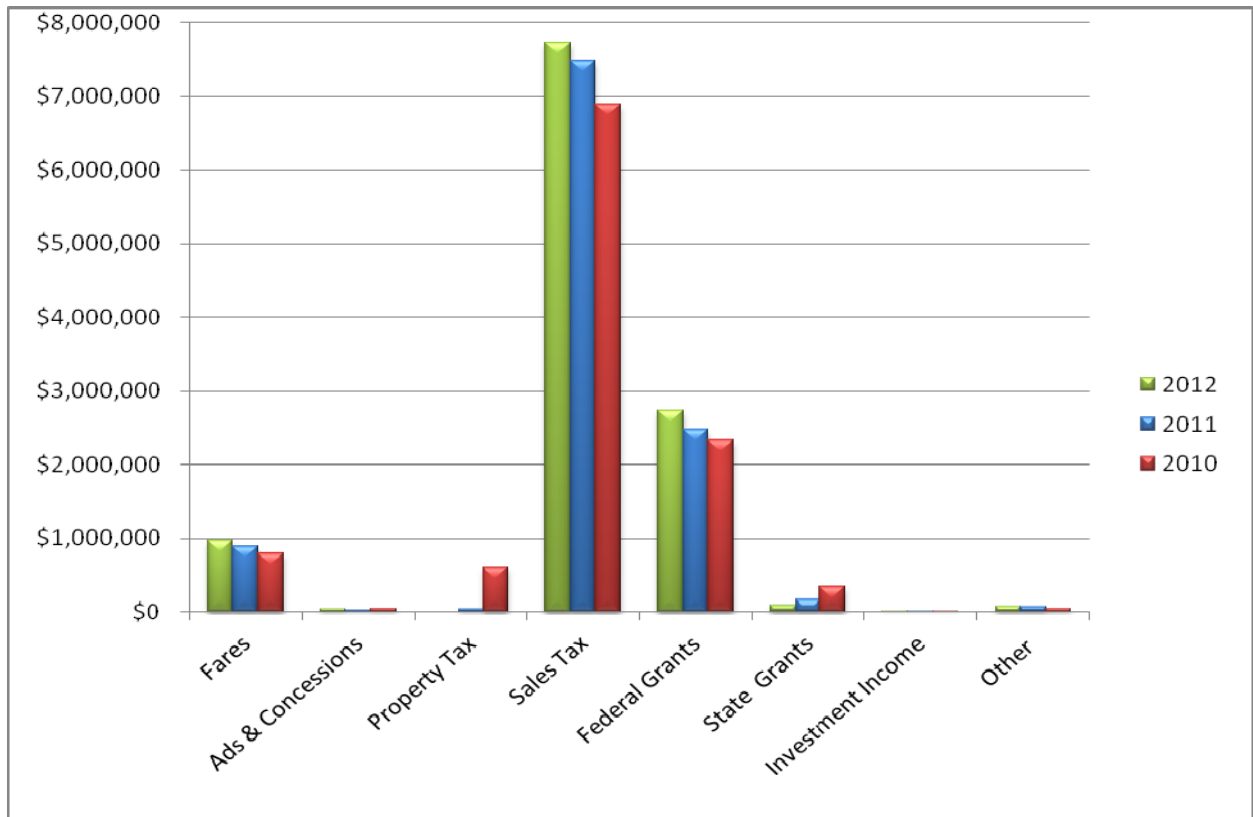
Investment Income – Investment income remains low due to low interest rates. The Authority opened a State Treasury Asset Reserve of Ohio (STAR Ohio) account, as well as a STAR Plus account in 2012 through the Ohio State Treasurers Office. STAR Ohio

is an investment that allows government subdivisions to invest funds in a highly rated public investment pool. STAR Plus deposits have full FDIC insurance and are backed by the full faith and credit of the U.S. Government.

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

REVENUE

	2012			2011			2010		
Fares	\$	976,000	8.4%	\$	888,353	8.0%	\$	795,013	7.2%
Advertising and Concessions		43,154	0.4%		24,057	0.2%		45,645	0.4%
Property Tax		-	0.0%		40,398	0.4%		599,856	5.4%
Sales Tax		7,717,967	66.3%		7,490,559	67.1%		6,892,171	62.3%
Federal Operating Grants		2,724,664	23.4%		2,473,705	22.2%		2,324,644	21.0%
State Operating Grants		85,257	0.7%		164,954	1.5%		349,070	3.2%
Investment Income		11,649	0.1%		13,603	0.1%		9,257	0.1%
Other		82,245	0.7%		69,034	0.6%		52,285	0.5%
Total	\$	11,640,936		\$	11,164,663		\$	11,067,941	



Expenses

Labor and Fringe Benefits These personnel costs accounted for approximately 68.6% of all the Authority operating expenses (excluding depreciation) in 2012. This proportion was approximately 68.3% in 2011 and 67.6% in 2010.

Materials and Supplies These costs increased in 2011 and 2010 mainly due to added service, increased mileage, and aging vehicles. Increases in 2012 are mainly due to aging vehicles. The Authority's fleet has reached its maximum useful life of 12 years, resulting in major repairs.

Services These costs increased in 2012 due to securing the services of a marketing firm to develop an advertising campaign and for conducting system wide ridership surveys. In 2011 costs decreased due to lower non-vehicle maintenance and professional and technical costs and increased slightly in 2010 due to a full year of sales tax fees.

Utilities These costs decreased in 2012 due to lower rates and in 2011 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 significantly in 2012 because the Authority received a return of surplus funds. 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.

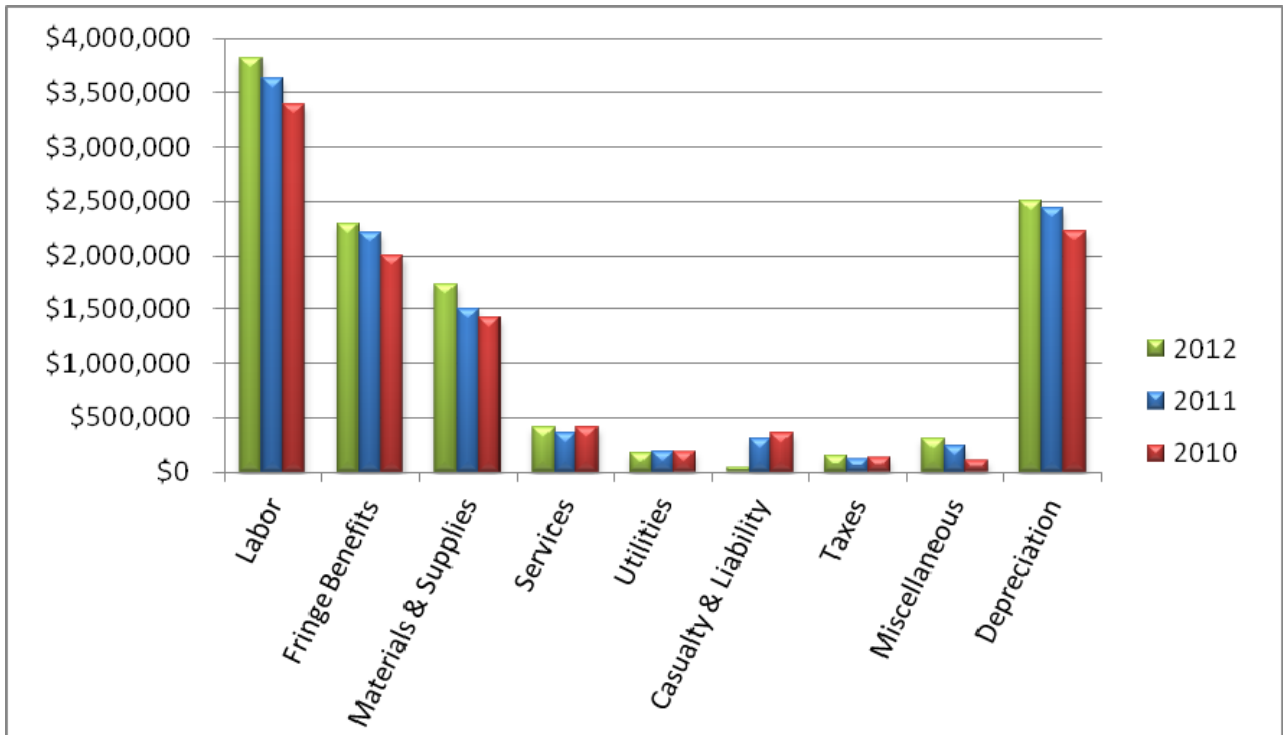
Maintenance Vehicle and facility maintenance labor costs, fringe benefits, and materials and supplies are included in this category.

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.

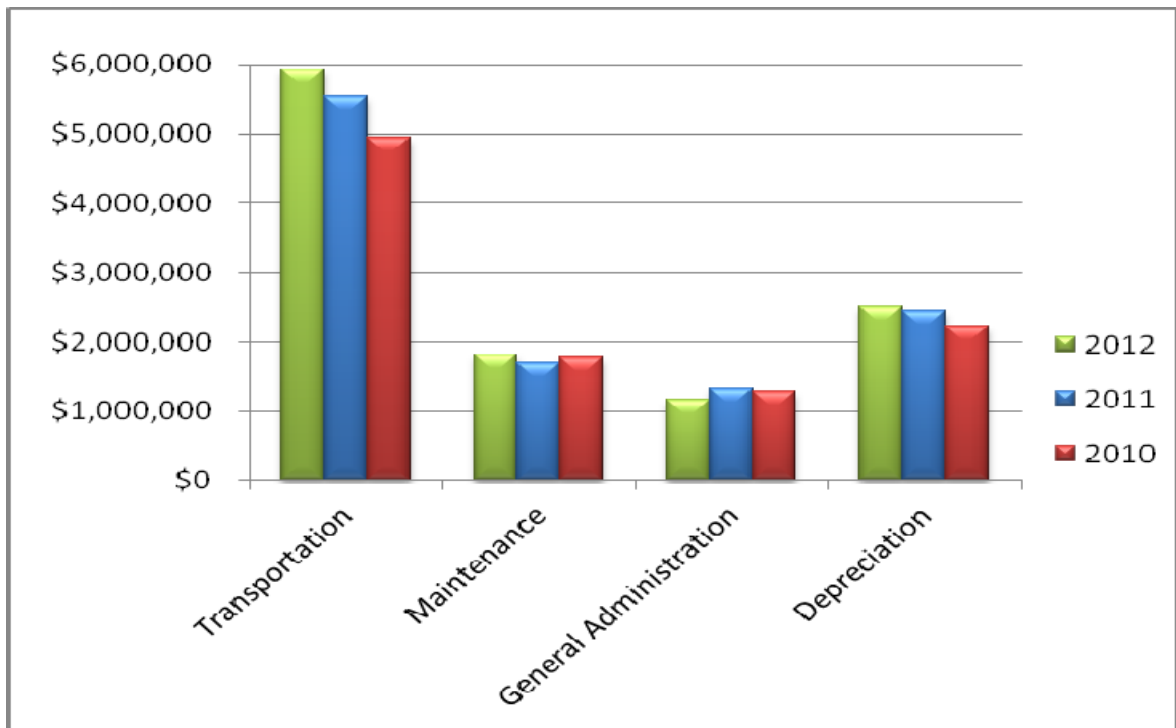
EXPENSE BY OBJECT CLASS

	2012		2011		2010	
Labor	\$ 3,814,379	33.4%	\$ 3,630,182	33.1%	\$ 3,396,759	33.3%
Fringe Benefits	2,295,408	20.1%	2,206,261	20.1%	2,001,243	19.6%
Materials & Supplies	1,718,307	15.1%	1,499,103	13.8%	1,414,466	13.9%
Services	404,568	3.5%	362,690	3.9%	404,883	4.0%
Utilities	176,038	1.5%	190,327	1.7%	182,182	1.8%
Casualty & Liability	41,935	0.4%	303,483	2.8%	357,971	3.5%
Taxes	152,763	1.3%	118,166	1.1%	127,737	1.3%
Miscellaneous	301,242	2.6%	238,621	2.2%	99,936	1.0%
Depreciation	2,498,823	22.0%	2,433,348	22.2%	2,223,274	22.0%
Total	\$ 11,403,463		\$ 10,982,181		\$ 10,208,451	



EXPENSE BY FUNCTION

	2012		2011		2010	
Transportation	\$ 5,934,654	52.0%	\$ 5,540,655	50.5%	\$ 4,941,297	48.4%
Maintenance	1,812,218	15.9%	1,692,382	15.4%	1,764,437	17.3%
General Administration	1,157,768	10.2%	1,315,796	12.0%	1,279,443	12.5%
Depreciation	2,498,823	21.9%	2,433,348	22.2%	2,223,274	21.8%
Total	\$ 11,403,463		\$ 10,982,181		\$ 10,208,451	



Condensed Summary of Cash Flows

Net cash used for operating activities increased as a result of increasing services and costs in 2012. Net cash provided by non-capital financing activities increased due to increasing sales and use taxes and 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 2012. In 2011, acquisition of fixed assets included the paving and roof replacement at Federal Station, 3 Light Transit Vehicles, a fork lift, and 5 registering fareboxes.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from customers	\$ 740,015	\$ 945,621	\$ 804,267
Cash payments to suppliers for goods and services	(5,191,829)	(4,900,650)	(4,666,211)
Cash payments to employees for services	(3,819,971)	(3,593,711)	(3,335,492)
Net cash used in operating activities	(8,271,785)	(7,548,740)	(7,197,436)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Property taxes received	-0-	40,398	611,344
Sales and Use taxes received	7,667,252	7,417,704	6,789,001
Maintenance and planning grants received	4,053,572	1,823,721	1,628,106
Other	87,528	73,530	74,273
Net cash provided by non-capital financing activities	11,808,252	9,355,353	9,102,724
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants received	717,292	1,842,632	1,301,452
Acquisition of fixed assets	(1,126,676)	(2,196,732)	(2,508,624)
Proceeds from disposal	-0-	1,299	-0-
Net cash provided (used) in capital and related financing activities	(409,384)	(352,801)	(1,197,772)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from investments	11,649	13,603	9,257
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	3,138,832	1,467,415	716,773
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,812,515	2,345,100	1,628,327
CASH AND CASH EQUIVALENTS, END OF YEAR	\$6,951,347	\$3,812,515	\$2,345,100

Capital Assets

The Authority's investment in capital assets amounts to \$9.61 million, net of accumulated depreciation as of December 31, 2012, a decrease of \$1.37 million (12.45%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. During 2012 the authority purchased 3 Biodiesel Light Transit Vehicles, 5 registering fareboxes, a fork lift and completed the roofing and paving projects. 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. The Light Transit Vehicles were 100% federally funded through the Next Generation Clean and Green program.

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

STATEMENT OF NET POSITION
DECEMBER 31, 2012 AND 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 6,940,225	\$ 3,668,400
Receivables:		
Trade, less allowance for doubtful accounts of \$1,782 in 2012 and 2011	303,662	24,523
Federal assistance	2,375,778	3,626,898
State assistance	106,307	98,837
Sales and Use taxes (Note 5)	1,260,922	1,221,693
Materials and supplies inventory	272,072	234,794
Prepaid expenses	<u>152,297</u>	<u>5,642</u>
Total current assets	11,411,263	8,880,787
RESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	11,122	144,115
Investments	11,000	11,000
Federal capital assistance receivable	<u>1,417,113</u>	<u>1,400,217</u>
Total restricted assets	1,439,235	1,555,332
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	1,013,136	1,013,136
Building and improvements	10,952,492	10,697,668
Transportation equipment	18,925,267	18,129,727
Other equipment	<u>1,624,400</u>	<u>1,591,557</u>
Total	32,515,295	31,432,088
Less accumulated depreciation	<u>22,902,500</u>	<u>20,452,428</u>
Property, facilities and equipment - net	<u>9,612,795</u>	<u>10,979,660</u>
TOTAL ASSETS	<u><u>\$ 22,463,293</u></u>	<u><u>\$ 21,415,779</u></u>

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF NET POSITION (CONT'D)
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 163,312	\$ 85,947
Accrued payroll and benefits	789,129	794,721
Other	<u>126,977</u>	<u>121,977</u>
Total current liabilities	1,079,418	1,002,645
 LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Capital expenditures payable	<u>56,714</u>	<u>63,636</u>
Total liabilities payable from restricted assets	56,714	63,636
 NONCURRENT LIABILITIES - Other	<u>88,949</u>	<u>83,667</u>
Total liabilities	1,225,081	1,149,948
 DEFERRED INFLOWS OF RESOURCES		
Sales taxes	-	11,487
Capital grants	<u>82,850</u>	<u>82,850</u>
	82,850	94,337
 NET POSITION:		
Net Investment in Capital Assets	9,612,795	10,979,660
Restricted for Capital Assets	1,293,860	1,400,217
Unrestricted	<u>10,248,707</u>	<u>7,791,617</u>
Total Net Position	<u>\$ 21,155,362</u>	<u>\$ 20,171,494</u>

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Passenger fares	\$ 976,000	\$ 888,353
Advertising and concessions	43,154	24,057
Total operating revenues	1,019,154	912,410
OPERATING EXPENSES:		
Labor	3,814,379	3,630,182
Fringe benefits (Note 5)	2,295,408	2,206,261
Materials and supplies	1,718,307	1,499,103
Services	404,568	362,690
Utilities	176,038	190,327
Casualty and liability	41,935	303,483
Taxes	152,763	118,166
Other	301,242	238,621
Total operating expenses excluding depreciation	8,904,640	8,548,833
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(7,885,486)	(7,636,423)
DEPRECIATION EXPENSE (Note 4):	2,498,823	2,433,348
OPERATING LOSS	(10,384,309)	(10,069,771)
NONOPERATING REVENUES:		
Property tax revenues (Note 5)	-	40,398
Sales and Use tax revenues (Note 6)	7,717,967	7,490,559
Federal maintenance grants and reimbursements (Note 10)	2,724,664	2,473,705
State maintenance grants, reimbursements and special fare assistance (Note 10)	85,257	164,954
Investment income	11,649	13,603
Other	82,245	69,034
Total nonoperating revenues	10,621,782	10,252,253
NET GAIN (LOSS) BEFORE CAPITAL CONTRIBUTION	237,473	182,482
Capital contributions	746,395	1,768,762
NET GAIN (LOSS)	983,868	1,951,244
Net Position, Beginning of Year (Restated)	20,171,494	18,220,250
Net Position, End of Year	\$ 21,155,362	\$ 20,171,494

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING ACTIVITIES:		
Cash received from customers	\$ 740,015	\$ 945,621
Cash payments to suppliers for goods and services	(5,191,829)	(4,900,650)
Cash payments to employees for services	(3,819,971)	(3,593,711)
Net cash used in operating activities	(8,271,785)	(7,548,740)
NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	-	40,398
Sales and Use taxes received	7,667,252	7,417,704
Maintenance and planning grants received	4,053,572	1,823,721
Other	87,528	73,530
Net cash provided by noncapital financing activities	11,808,352	9,355,353
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	717,292	1,842,632
Acquisition of capital assets	(1,126,676)	(2,196,732)
Proceeds from disposal	-	1,299
Net cash used in capital and related financing activities	(409,384)	(352,801)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	11,649	13,603
Net cash provided by investing activities	11,649	13,603
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,138,832	1,467,415
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,812,515	2,345,100
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,951,347	\$ 3,812,515
USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (10,384,309)	\$ (10,069,771)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,498,823	2,433,348
Change in assets and liabilities:		
(Increase)decrease in accounts receivable-trade	(279,139)	33,211
(Increase)decrease in materials and supplies inventory	(37,278)	(275)
(Increase)decrease in prepaid expenses	(146,655)	(13)
Increase(decrease) in accounts payable	77,365	8,288
Increase(decrease) in accrued payroll and benefits	(5,592)	36,471
Increase(decrease) in other current liabilities	5,000	10,001
Net cash used in operating activities	\$ (8,271,785)	\$ (7,548,740)

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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.

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.

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

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, 2012 and 2011, \$746,395 and \$1,768,762, 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."

Capital grants represent amounts received for the sale of some equipment but the recognition of revenue was deferred for a future bus purchase per grant agreement.

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

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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. The Authority maintains a capitalization threshold of \$1,000.

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

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

Restricted – This consists of net position 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.

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

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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 sales and use taxes 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.

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

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include sales taxes and capital grants. Sales taxes represent amounts for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance fiscal year 2012 operations. This amount has been recorded as a deferred inflow on the statement of net position.

2. CHANGES IN ACCOUNTING PRINCIPLES

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

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

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

3. 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.

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

3. DEPOSITS AND INVESTMENTS (Cont'd)

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, 2012, the carrying amount of all the Authority's deposits was \$2,460,565 and the Authority's bank balance of \$2,508,337 was not exposed to custodial credit risk.

At December 31, 2011, the carrying amount of all the Authority's deposits was \$3,823,515 the Authority's bank balance of \$3,819,828 was not exposed to custodial credit risk.

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.

Investments

As of December 31, 2012, WRTA had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments <6 months</u>
STAR Ohio	\$ 4,501,782	\$ 4,501,782
Total	<u>\$ 4,501,782</u>	<u>\$ 4,501,782</u>

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, WRTA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. WRTA has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities to the Director of Finance or qualified trustee.

Concentration of Credit Risk: WRTA places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by WRTA at December 31, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 4,501,782	100
Total	\$ 4,501,782	100

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

	<u>2012</u>	<u>2011</u>
Current assets – cash and cash equivalents	\$6,940,225	\$3,668,400
Restricted assets – investments	11,000	11,000
Restricted assets – cash and cash equivalents	<u>11,122</u>	<u>144,115</u>
Total	<u>\$6,962,347</u>	<u>\$3,823,515</u>

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

4. CAPITAL ASSETS

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

Description	Balance @ <u>01/01/12</u>	Fixed Assets		Balance @ <u>12/31/12</u>
		<u>Additions</u>	<u>Disposals</u>	
Capital Assets Not Being Depreciated:				
Land	<u>\$ 1,013,136</u>			<u>\$ 1,013,136</u>
Total Capital Assets Not Being Depreciated	1,013,136			1,013,136
Capital Assets Being Depreciated:				
Building & Building Improvements	\$10,697,669	\$ 254,823	-	\$10,952,492
Transportation Equipment	18,129,727	844,291	\$ 48,751	18,925,267
Other Equipment	<u>1,591,557</u>	<u>32,843</u>	<u>-</u>	<u>1,624,400</u>
Total Capital Assets Being Depreciated	\$ 30,418,953	\$ 1,131,957	48,751	\$ 31,502,159
Less Accumulated Depreciation:				
Building & Building Improvements	5,972,643	552,763	-	6,525,406
Transportation Equipment	13,330,268	1,877,085	48,751	15,158,602
Other Equipment	<u>1,149,517</u>	<u>68,975</u>	<u>-</u>	<u>1,218,492</u>
Total Accumulated Depreciation	20,452,428	2,498,823	48,751	22,902,500
Total Capital Assets Being Depreciated, Net	<u>9,966,525</u>	<u>(1,366,866)</u>	<u>-</u>	<u>8,599,659</u>
Total Capital Assets Net	<u>\$10,979,661</u>	<u>\$(1,366,866)</u>	<u>-</u>	<u>\$ 9,612,795</u>

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

4. CAPITAL ASSETS (Cont'd)

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

Description	Balance @	Fixed Assets		Balance @
	<u>01/01/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/11</u>
Capital Assets Not Being Depreciated:				
Land	<u>\$ 1,013,136</u>			<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
Less Accumulated Depreciation:				
Building & Building Improvements	5,524,807	499,006	51,169	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	<u>18,174,976</u>	<u>2,433,349</u>	<u>155,897</u>	<u>20,452,428</u>
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>

5. 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.

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

5. PROPERTY TAXES (Cont'd)

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. Real property and tangible personal property taxes collected during fiscal year 2009 had a lien and levy date of December 2009. WRTA no longer levies property taxes after December 2008. The Authority continued to collect a minimal Kilowatt-Hour and MCF Local Government Property Tax Replacement distribution through 2011.

6. 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. A renewal of the sales and use tax issue, with an effective date of April 1, 2014, passed by the voters of Mahoning County on November 6, 2012. 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.

7. EMPLOYEE RETIREMENT PLANS

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

The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invest employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

7. EMPLOYEE RETIREMENT PLANS (Cont'd)

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2012 member contribution rate was 10.00% of covered payroll for members in state and local classifications. The 2012 employer contribution rate for state and local employers was 14.00% of covered payroll. The Authority's total contribution to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2012, 2011 and 2010 were approximately \$427,727, \$416,494, and \$345,896, respectively, equal to 100 percent of the required contribution for each year.

Post-employment Benefits:

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

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

7. EMPLOYEE RETIREMENT PLANS (Cont'd)

Post-employment Benefits: (Cont'd)

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

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

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

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

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

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

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

7. EMPLOYEE RETIREMENT PLANS (Cont'd)

Post-employment Benefits (Cont'd)

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

The Authority's total contribution to OPERS for post-retirement benefits for the years ended December 31, 2012, 2011 and 2010 were approximately \$171,079, \$166,586, and \$192,370, respectively, equal to 100 percent of the required contribution for each year.

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

8. 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, 2013. Rent receipts of \$42,834 and \$40,794, respectively are reflected in the financial statements as nonoperating other revenue.

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

9. 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, 2012, there were no 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.

10. 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:

	2012	2011
FEDERAL:		
FTA Maintenance and Other Assistance	\$2,213,272	\$1,824,862
FTA Job Access and Reverse Commute Assistance	312,438	193,464
FTA New Freedom Assistance	98,034	434,317
FTA Planning Assistance	100,920	79,547
FTA Capital Contribution	746,395	1,768,762
Total	\$3,471,059	\$4,300,952
STATE:		
ODOT Elderly Fare Assistance	\$ -	\$ 83,732
ODOT Fuel Tax Reimbursement	85,257	81,222
Total	\$ 85,257	\$ 164,954

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

11. 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. The Authority participates 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. There were no significant reductions in coverage from prior years.

12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through April 12, 2013, the date the financial statements were available to be issued.

13. RESTATEMENT OF BEGINNING NET POSITION

In 2012, beginning net assets were restated by \$83,424 for a re-evaluation of how to record deferred repairs.

WESTERN RESERVE TRANSIT AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	GRANT EXPENDITURES
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Federal Highway Administration:</i>			
Passed through the Ohio Department of Transportation:			
Highway Planning & Construction: Next Generation Clean & Green Grant	20.205	OH-95-0077	\$ 677,835
Total Federal Highway Administration			<u>677,835</u>
<i>Federal Transit Cluster/Direct Programs:</i>			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-90-0509	49,776
		OH-90-0632	16,661
		OH-90-0644	169,172
		OH-90-0683	518,954
		OH-90-0759	1,600,089
		OH-95-0099	311,428
Total Federal Transit Cluster			<u>2,666,080</u>
<i>Transit Services Cluster/Direct Programs:</i>			
Job Access - Reverse Commute Grants	20.516	OH-37-0078	312,438
New Freedom Program	20.521	OH-57-0037	98,034
Total Transit Services Cluster			<u>410,472</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,754,387</u>

See notes to the Schedule of Federal Awards Expenditures.

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2012

1. BASIS OF ACCOUNTING

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.

2. MATCHING REQUIREMENTS

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

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

INDEPENDENT AUDITORS' 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 44504

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Western Reserve Transit Authority, Mahoning County, (the Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated April 12, 2013. We noted the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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


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

Compliance and Other Matters

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
April 12, 2013

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

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Western Reserve Transit Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

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

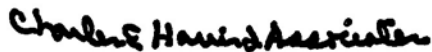
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance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

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

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

Report on Schedule of Federal Awards Expenditures

We have also audited the financial statements of the Western Reserve Transit Authority, Mahoning County (the Authority) as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated April 12, 2013. We conducted our audit to opine on the Authority's basic financial statements. The accompanying schedule of federal awards expenditures presents additional analysis 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 basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Charles E. Harris & Associates, Inc.
April 12, 2013

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

**WESTERN RESERVE TRANSIT AUTHORITY
Mahoning County
December 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510	No
(d)(1)(vii)	Major Programs:	FTA-Capital and Operating Assistance Formula Grants CFDA #20.507 FHWA-Next Generation Clean & Green CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

WESTERN RESERVE TRANSIT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2012

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

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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
JULY 9, 2013**