

Audited Financial Statements
WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

For the year ended December 31, 2003

SINGLE AUDIT REPORT
For the year ended December 31, 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Western Reserve Transit Authority

We have reviewed the Independent Auditor's Report of the Western Reserve Transit Authority, Mahoning County, prepared by Dingus and Daga, Inc., for the audit period January 1, 2003 through December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 29, 2004

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WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

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Dingus and Daga, Inc.

Certified Public Accountants
Tower East • 20600 Chagrin Boulevard • Suite 701
Shaker Heights, Ohio 44122-5398 • 216/561-9200

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio

We have audited the accompanying financial statements of the Western Reserve Transit Authority (a component unit of the City of Youngstown, Ohio) (the "Authority"), as of and for the year ended December 31, 2003 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Authority adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures effective January 1, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2004, 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

Dingus and Doga, Inc.

Shaker Heights, Ohio
May 21, 2004

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2003

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, 2003. 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 \$19.5 million. These net assets result from the difference between total assets of \$23.6 million and total liabilities of \$4.1 million.
- Current assets of \$8.9 million primarily consist of non-restricted Cash and Cash Equivalents of \$4.5 million; Property Tax receivable of \$2.7 million; and Federal assistance receivable of \$1.1 million.
- Current liabilities of \$3.8 million primarily consist of Accounts, Contracts and Other payables of \$.4 million; Accrued Payroll Benefits of \$.7 million; and Deferred property taxes of \$2.7 million.

Basic Financial Statements and Presentation

New Accounting Pronouncements

Effective January 1, 2003, the Authority implemented 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; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures. These statements change the Authority's presentation of net assets and change the note disclosure and require the inclusion of management's discussion and analysis.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

Basic Financial Statements and Presentation (Cont'd)

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 grant revenues received from federal, state and local governments.

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

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

Condensed Summary of Net Assets

The Authority did not issue comparative financial statements in 2003 due to the implementation of GASB 34 and therefore, comparative information will not be presented in Management's Discussion and Analysis. In future years, the Authority will issue comparative financial statements.

Current Assets	\$ 8,913,365
Other Non-Current Assets	597,687
Capital Assets (net of accumulated depreciation)	<u>14,094,236</u>
Total Assets	<u>\$23,605,288</u>
Current Liabilities	\$ 3,828,083
Non Current Liabilities	<u>321,271</u>
Total Liabilities	<u>\$ 4,149,354</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$14,094,236
Restricted for Capital Assets	309,973
Unrestricted	<u>5,051,725</u>
Total Net Assets	<u>\$19,455,934</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.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

Condensed Summary of Revenues, Expenses and Changes in Net Assets

<u>Description</u>	<u>Amount</u>
Operating Revenues (Expenses)	
Operating Revenues	\$ 813,312
Operating Expenses, excluding depreciation	(7,431,195)
Depreciation Expense	<u>(1,615,213)</u>
Operating Loss	<u>\$(8,233,096)</u>
Non-Operating Revenues (Expenses)	
Property Tax Revenues	\$ 2,915,280
Federal Grants and Reimbursements	1,598,964
State Grants, Reimbursements and Special Fare Assistance	1,213,535
Investment Income	70,131
Loss on Disposal of Fixed Assets and Inventory	(41,866)
Other Income	<u>124,250</u>
Total Non-Operating Revenues (Expenses)	\$ 5,880,294
Capital Grant Revenue	<u>\$ 780,492</u>
Decrease in Net Assets During the Year	(1,572,310)
Net Assets, Beginning of Year	<u>21,028,244</u>
Net Assets, End of Year	<u>\$19,455,934</u>

WESTERN RESERVE TRANSIT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

Financial Analysis of the Authority

Revenues

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

Passenger Fares – Farebox and special transit fares are included her. The overall increase over the previous year reflects an increase in ridership.

Property Tax Revenues – This 5 mills is levied against property owners in the City of Youngstown. For 2003, approximately 43.6% of the Authority's revenue came from this source. Property Tax Revenues increased during 2003 due to a more aggressive collection strategy used by the County Treasurer's office.

Federal Maintenance Grants and Reimbursements – The Authority received approximately \$1.3 million in preventive maintenance and ADA reimbursement funds to cover certain maintenance and complimentary paratransit service costs incurred. The Authority also received \$253,348 in Job Access Reverse Commute funds to cover certain operating costs incurred.

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. The decrease in operating assistance resulted from state budget cuts to that program. The increase in elderly and disabled assistance was due to the use of a new formula as well as the fact that funds were not cut from this program.

Investment Income – Investment income decreased due to a decline in market rates.

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

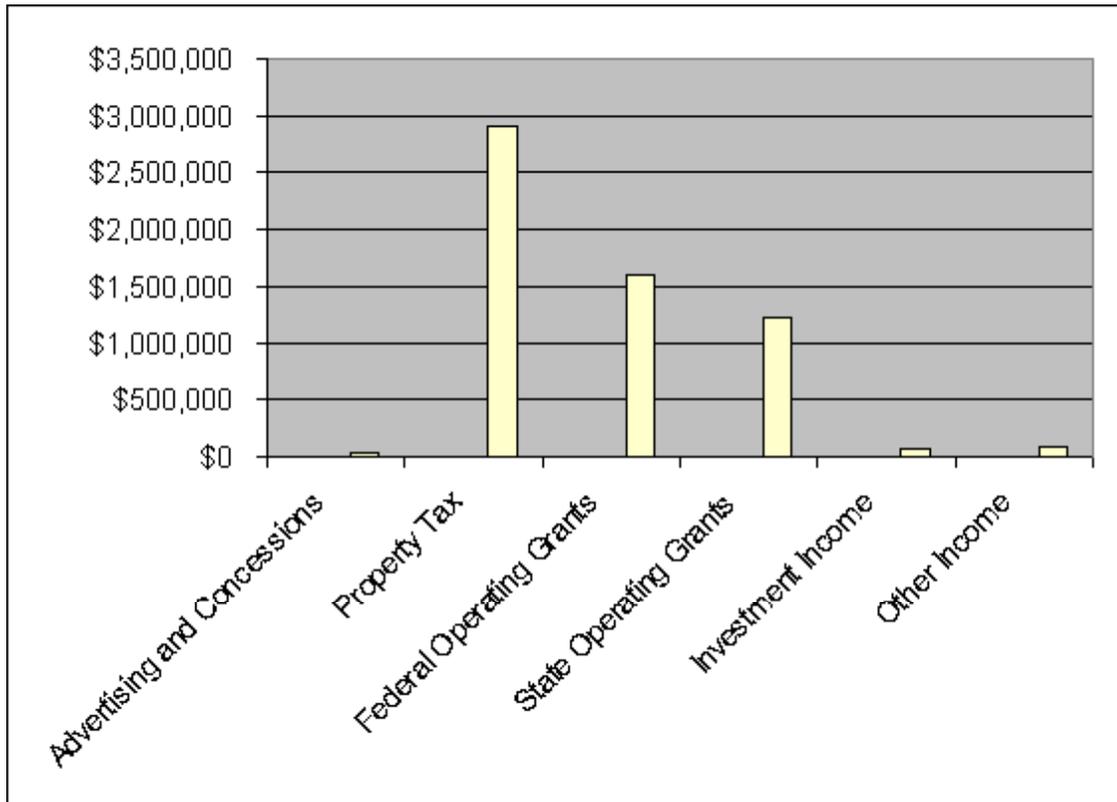
WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

REVENUES

Fares	\$783,792	11.7%
Advertising and Concessions	\$29,520	0.4%
Property Tax	\$2,915,280	43.6%
Federal Operating Grants	\$1,598,964	23.9%
State Operating Grants	\$1,213,535	18.1%
Investment Income	\$70,131	1.0%
Other Income (net of loss on disposal)	<u>\$82,384</u>	1.2%
Total	<u>\$6,693,606</u>	



WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

Financial Operating Results

Expenses

Labor and Fringe Benefits These personnel costs accounted for approximately 65.6% of all the Authority operating expenses (excluding depreciation) in 2003. This proportion is consistent with past years' experience. The 5.1% increase in this category is mainly due to increase in wages, employee medical insurance and worker's compensation costs.

Materials and Supplies These costs have increased in 2003 mainly due to the Low Floor Gillig vehicles no longer being eligible for warranty and higher fuel costs.

Services These costs increased due to greater use of outside consultants, such as the statistician for the National Transit Database (NTD) surveys and a new third party administrator for worker's compensation.

Utilities These costs increased due to higher natural gas prices and increase water consumption due to washing the buses more frequently.

Casualty and Liability These costs have remained relatively unchanged due the Authority's participation in the Ohio Transit Risk Pool and low claims. Premiums are based on an annual actuarial study done by the Ohio Transit Risk Pool.

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.

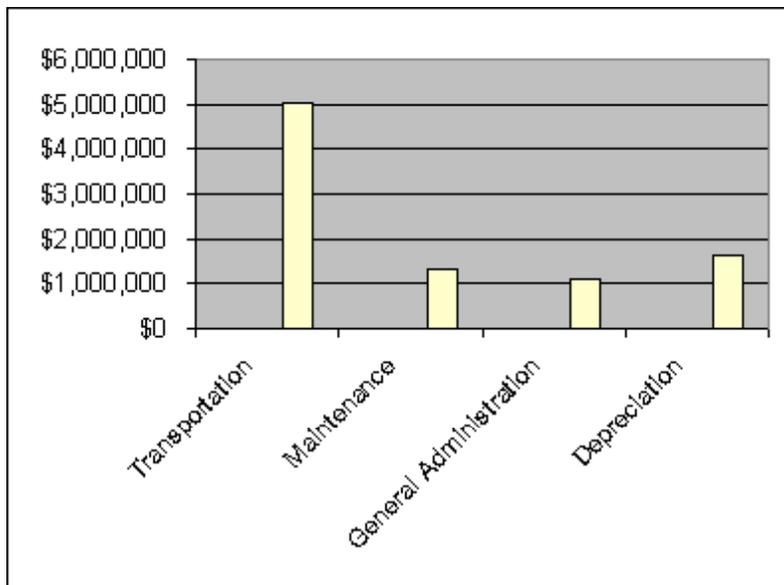
WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

EXPENSE BY FUNCTION

Transportation	\$5,024,454	55.5%
Maintenance	\$1,311,470	14.5%
General Administration	\$1,095,271	12.1%
Depreciation	<u>\$1,615,213</u>	17.9%
Total	<u>\$9,046,408</u>	



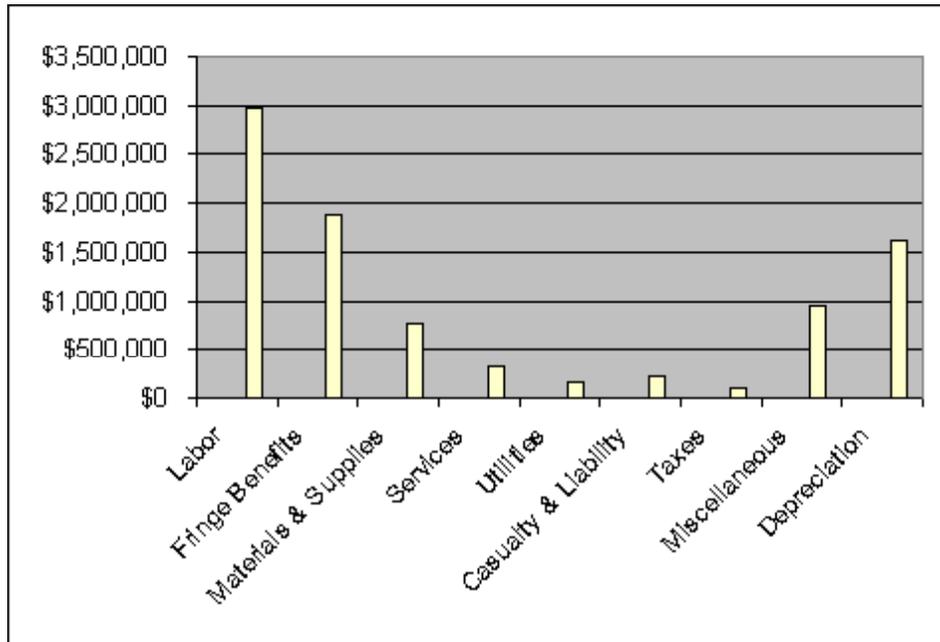
WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

EXPENSE BY OBJECT CLASS

Labor	\$2,982,985	33.0%
Fringe Benefits	\$1,888,833	20.9%
Materials & Supplies	\$760,514	8.4%
Services	\$332,885	3.7%
Utilities	\$169,487	1.9%
Casualty & Liability	\$231,231	2.6%
Taxes	\$105,421	1.2%
Miscellaneous	\$959,839	10.6%
Depreciation	<u>\$1,615,213</u>	17.9%
Total	<u>\$9,046,408</u>	



WESTERN RESERVE TRANSIT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

Condensed Summary of Cash Flows

Net cash used for operating activities increased as a result of increased expenses due to wage increases and fringe benefits (health insurance, worker's compensation). Net cash provided by non-capital financing activities increased due to more aggressive property tax collections by the County Treasurer. Net cash used in capital and relating financing activities increased as a result of decrease in capital grants received and increases in capital acquisition costs. Net cash provided by investing activities decreased due to a decline in market rates.

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from customers	\$ 789,562
Cash payments to suppliers for goods and services	(4,470,511)
Cash payments to employees for services	<u>(2,950,594)</u>
Net cash used in operating activities	(6,631,543)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Property taxes received	2,915,280
Maintenance and planning grants received	2,997,308
Other	<u>158,239</u>
Net cash provided by non-capital financing activities	6,070,827

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants received	391,933
Acquisition of fixed assets	(713,477)
Proceeds from disposal	<u>36,937</u>
Net cash used in capital and related financing activities	(284,607)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received from investments	<u>70,131</u>
Net cash provided by capital and related financing activities	<u>70,131</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (775,192)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 5,254,449

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 4,479,257

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

Capital Assets

The Authority's investment in capital assets amounts to \$14.1 million, net of accumulated depreciation as of December 31, 2003, a decrease of \$.7 million (5.1%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. The Authority disposed of eight 1987 – 35' Gillig buses. Major capital asset expenditures during the current fiscal year included the following:

- Renovation of the exterior of our Administration and Maintenance facility, totaling \$.2 million
- Replacement of the heating, ventilation, and air conditioning (HVAC) at our Administration and Maintenance facility, storage facility and Federal Station.

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
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

BALANCE SHEET
December 31, 2003

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 2)	\$ 4,465,953
Receivables:	
Trade, less allowance for doubtful accounts of \$1,782 in 2003	47,813
Federal assistance	1,117,955
State assistance	483,625
Property taxes (Note 3)	2,666,727
Materials and supplies inventory	117,939
Prepaid expenses	13,353
Total current assets	8,913,365

RESTRICTED ASSETS:

Cash and cash equivalents (Note 2)	13,304
Federal capital assistance receivable	573,383
Total restricted assets	586,687

PROPERTY, FACILITIES AND EQUIPMENT:

Land	693,004
Building and improvements	8,055,141
Transportation equipment	12,799,972
Other equipment	1,192,316
Total	22,740,433
Less accumulated depreciation	8,646,197
Property, facilities and equipment - net	14,094,236

OTHER ASSETS	11,000
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TOTAL ASSETS	\$ 23,605,288
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See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

BALANCE SHEET (CONT'D)
December 31, 2003

LIABILITIES AND NET ASSETS	<u>2003</u>
CURRENT LIABILITIES:	
Accounts payable	\$ 266,787
Accrued payroll and benefits	735,971
Advances	35,500
Deferred property taxes	2,666,727
Other	123,098
Total current liabilities	<u>3,828,083</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Capital expenditures payable	251,977
Deferred capital grants	24,737
Total liabilities payable from restricted assets	<u>276,714</u>
NONCURRENT LIABILITIES - Other	<u>44,557</u>
Total liabilities	<u>4,149,354</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	14,094,236
Restricted for Capital Assets	309,973
Unrestricted	<u>5,051,725</u>
Total Net Assets	<u>19,455,934</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 23,605,288</u></u>

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2003

	2003
OPERATING REVENUES:	
Passenger fares	\$ 783,792
Advertising and concessions	29,520
Total operating revenues	813,312
OPERATING EXPENSES:	
Labor	2,982,985
Fringe benefits (Note 5)	1,888,833
Materials and supplies	760,514
Services	332,885
Utilities	169,487
Casualty and liability	231,231
Taxes	105,421
Job and family services grant expenditures (Note 6)	770,535
Other	189,304
Total operating expenses excluding depreciation	7,431,195
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(6,617,883)
DEPRECIATION EXPENSE (Note 1):	1,615,213
OPERATING LOSS	(8,233,096)
NONOPERATING REVENUES:	
Property tax revenues (Note 3)	2,915,280
Federal maintenance grants and reimbursements (Note 7)	1,598,964
State maintenance grants, reimbursements and special fare assistance (Note 7)	1,213,535
Investment income	70,131
Loss on disposal of fixed assets and inventory	(41,866)
Other	124,250
Total nonoperating revenues	5,880,294
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(2,352,802)
Capital contributions (Note 1)	780,492
NET LOSS	(1,572,310)
Net Assets, Beginning of Year	21,028,244
Net Assets, End of Year	\$ 19,455,934

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003

	2003
OPERATING ACTIVITIES:	
Cash received from customers	\$ 789,562
Cash payments to suppliers for goods and services	(4,470,511)
Cash payments to employees for services	(2,950,594)
Net cash used in operating activities	(6,631,543)
NONCAPITAL FINANCING ACTIVITIES:	
Property taxes received	2,915,280
Maintenance and planning grants received	2,997,308
Other	158,239
Net cash provided by noncapital financing activities	6,070,827
CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants received	391,933
Acquisition of fixed assets	(713,477)
Proceeds from disposal	36,937
Net cash used in capital and related financing activities	(284,607)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received from investments	70,131
Net cash provided by investing activities	70,131
NET DECREASE IN CASH AND CASH EQUIVALENTS	(775,192)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,254,449
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,479,257
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (8,233,096)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,615,213
Inventory obsolescence	78,803
Change in assets and liabilities:	
Increase in accounts receivable-trade	(23,750)
Increase in materials and supplies inventory	(17,205)
Increase in prepaid expenses	(181)
Decrease in accounts payable	(81,968)
Increase in accrued payroll and benefits	32,391
Decrease in other current liabilities	(1,750)
Net cash used in operating activities	\$ (6,631,543)

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2003

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 area, Ohio. 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 a five-member Board of Trustees and provides virtually all mass transportation within the greater Youngstown area.

Reporting Entity – The Authority has adopted 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. The Authority is, 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 is appointed by the Mayor and City Council of Youngstown and the City’s ability to impose its will on the Authority. 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.

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
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

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

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 has also adopted 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 year ended December 31, 2003, \$780,492 in capital contribution was recognized as revenue in the Statement of Revenues, Expenses and changes in Net Assets for the Authority.

New Accounting Pronouncements - Effective January 1, 2003, the Authority implemented the provisions of GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Note Disclosures." These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and require the inclusion of management's discussion and analysis.

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.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

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

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.

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:

Description	Years
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.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

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

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.

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 are 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.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

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

Compensated Absences – The Authority accrues vacation as earned by its employees. Because rights to sick pay do not vest, WRTA recognizes such costs when they are incurred.

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.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") or may pledge a pool of government securities that have a face value that is at least 110 percent of the total value of public monies on deposit at the institution.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and 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

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

2. DEPOSITS AND INVESTMENTS (Cont'd)

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, 2003, the carrying amount of the Authority's deposits was \$4,479,257 and the bank balance consisting of demand deposit was \$4,503,978. Of the bank balance, \$100,000 was covered by the FDIC and the remaining balance was held in the pooled assets safekeeping accounts to secure Ohio public funds as defined by the Governmental Accounting Standards Board.

The deposit balances at December 31, 2003 are included in the accompanying balance sheet under the following captions:

Current assets – cash and cash equivalents	\$4,465,953
Restricted assets – cash and cash equivalents	<u>13,304</u>
Total	<u>\$4,479,257</u>

3. PROPERTY TAXES

WRTA is subsidized by property tax levies passed by the voters of Youngstown, Ohio. Property taxes of 5 mills were levied in 2002, 2000 and 1995 that expire as follows: 1 mill in 2010 and 4 mills in 2005. Property tax revenue can be used for operating or capital purposes.

WRTA receives 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.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 is as follows:

Description	Balance @ 01/01/03	Fixed Assets		Balance @ 12/31/03
		Additions	Disposals	
Capital Assets Not Being Depreciated				
Land	\$ <u>693,004</u>			\$ <u>693,004</u>
Total Capital Assets Not Being Depreciated	693,004			693,004
Capital Assets Being Depreciated				
Building & Building Improvements	7,400,636	\$ 655,884	\$ 1,379	8,051,141
Transportation Equipment	13,703,556	156,579	1,060,163	12,799,972
Other Equipment	<u>1,147,687</u>	<u>44,629</u>	<u> </u>	<u>1,192,316</u>
Total Capital Assets Being Depreciated	22,251,879	857,092	1,061,542	22,047,429
Less Accumulated Depreciation:				
Building & Building Improvements	3,386,514	344,665	1,379	3,729,800
Transportation Equipment	3,710,879	1,197,280	1,057,020	3,851,139
Other Equipment	<u>991,990</u>	<u>73,268</u>	<u> </u>	<u>1,065,258</u>
Total Accumulated Depreciation	<u>8,089,383</u>	<u>1,615,213</u>	<u>1,058,399</u>	<u>8,646,197</u>
Total Capital Assets Being Depreciated, Net	<u>14,162,496</u>	<u>(758,121)</u>	<u>3,143</u>	<u>13,401,232</u>
Total Capital Assets, Net	<u>\$ 14,855,500</u>	<u>\$ (758,121)</u>	<u>\$ 3,143</u>	<u>\$14,094,236</u>

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

5. EMPLOYEE RETIREMENT PLANS

Plan Description – All employees of the Authority are required to be members of the Ohio Public Employees Retirement System (“OPERS”), a cost-sharing, multiple-employer pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Funding Policy – The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5 percent of their covered payroll to OPERS. The 2003 employer contribution rate for local government units was 13.55 percent of covered payroll including 5 percent used to fund health care benefits. The Authority’s total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2003, 2002 and 2001 were approximately \$295,059, \$284,000 and \$296,000, respectively, equal to 100 percent of the required contribution for each year.

Other Postemployment Benefits Provided Through OPERS – In addition to the pension benefits described previously, OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

5. EMPLOYEE RETIREMENT PLANS (Cont'd)

system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions.

The assumptions and calculations noted below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment return assumption rate for 2002 was 8 percent. An annual increase of 4 percent compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from .5 percent to 6.3 percent. Health care costs were assumed to increase 4 percent annually.

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The Authority's contributions for other postemployment benefits to OPERS for the year ended December 31, 2003, 2002 and 2001 were \$172,549, \$166,000 and \$137,005, respectively, equal to 100 percent of the required contributions for each year.

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002 was \$10.0 billion. The actuarially accrued liability and the unfunded liability, based on the actuarial costs method used, were \$18.7 billion and \$8.7 billion, respectively.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

6. 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, 2003, 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.

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

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

	<u>2003</u>
FEDERAL:	
FTA Maintenance and Other Assistance	\$1,325,616
FTA Job Access and Reverse Commute Assistance	253,348
FTA Planning Assistance	<u>20,000</u>
Total	<u>\$1,598,964</u>
STATE:	
ODOT Maintenance and Other Assistance	\$ 213,516
Ohio Department of Job and Family Services Assistance	770,535
ODOT Elderly Fare Assistance	157,033
ODOT Fuel Tax Reimbursement	<u>72,451</u>
Total	<u>\$1,213,535</u>

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

8. 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, Inc. ("OTRP"), 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 \$500,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, excess insurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$10,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is \$3,300,000 and for property is \$500,000. 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.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2003

<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-90-0356 OH-90-0385 OH-90-0407 OH-90-0433	\$ 2,320 80,554 9,124 270,355 <u>233,969</u>
Total CFDA #20.507			596,322
Federal Transit Administration Capital Investment			
Formula Grants	20.500	OH-03-0133	<u>93,043</u>
Total CFDA #20.500			93,043
Federal Transit Administration Capital and Operating			
Assistance Job Access and Reverse Commute Project Grants	20.516	OH-37-026	<u>253,348</u>
Total CFDA #20.516			<u>253,348</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 942,713</u>

See note to Schedule of Expenditures of Federal Awards.

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2003

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.



Dingus and Daga, Inc.

Certified Public Accountants
Tower East • 20600 Chagrin Boulevard • Suite 701
Shaker Heights, Ohio 44122-5398 • 216/561-9200

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio

We have audited the financial statements of the Western Reserve Transit Authority (a component unit of the City of Youngstown, Ohio) (the "Authority") as of and for the year ended December 31, 2003, and have issued our report thereon dated, May 21, 2004. As described in note 1 to the financial statements, as of January 1, 2003, the Authority adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Omnibus – an amendment of GASB Statement No. 21 and No. 34, and GASB Statement No. 38, Certain Financial Statement Note Disclosures effective. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on

the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses

This report is intended solely for the information and use of the Board of Trustees, Authority management, federal awarding agencies and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Dingers and Daga, Inc.

Shaker Heights, Ohio
May 21, 2004



Dingus and Daga, Inc.

Certified Public Accountants
Tower East • 20600 Chagrin Boulevard • Suite 701
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio

Compliance

We have audited the compliance of the Western Reserve Transit Authority (a component unit of the City of Youngstown, 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 are applicable to its major federal program for the year ended December 31, 2003. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, Authority management, federal awarding agencies and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Dingus and Doga, Inc.

Shaker Heights, Ohio
May 21, 2004

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2003

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	no
Reportable condition(s) identified not considered to be material weaknesses?	no
Noncompliance material to financial statements noted?	no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	no
Reportable condition(s) 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
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)

Year Ended December 31, 2003

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

Federal Awards (Cont'd)

<u>CEDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
20.500	Federal Transit Administration Capital Investment Formula Grants	
20.516	Federal Transit Administration Capital And Operating Assistance Job Access and Reverse Commute Project Grants	
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 AND QUESTIONED COSTS

No matters are reportable

WESTERN RESERVE TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2003

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



**Auditor of State
Betty Montgomery**

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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 13, 2004**