

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

For the years ended December 31, 2002 and 2001

SINGLE AUDIT REPORT
For the year ended December 31, 2002



**Auditor of State
Betty Montgomery**

Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio

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, 2002 through December 31, 2002. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 21, 2003

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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
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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 years ended December 31, 2002 and 2001, 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, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2003, 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.

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
February 20, 2003

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

BALANCE SHEET
DECEMBER 31, 2002 AND 2001

ASSETS	<u>2002</u>	<u>2001</u>
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 5,241,268	\$ 5,046,952
Receivables:		
Trade, less allowance for doubtful accounts of \$1,782 in 2002 and in 2001	24,063	44,629
Federal assistance	1,308,599	886,277
State assistance	477,790	817,818
Property taxes (Note 3)	2,667,974	2,699,884
Materials and supplies inventory	179,537	170,680
Prepaid expenses	13,172	9,405
Total current assets	<u>9,912,403</u>	<u>9,675,645</u>
RESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	13,181	13,103
Federal capital assistance receivable	184,824	800,893
Total restricted assets	<u>198,005</u>	<u>813,996</u>
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	693,004	693,004
Building and improvements	7,400,636	7,071,515
Transportation equipment	13,703,556	16,421,490
Other equipment	1,147,687	1,108,426
Total	<u>22,944,883</u>	<u>25,294,435</u>
Less accumulated depreciation	8,089,383	9,270,157
Property, facilities and equipment - net	<u>14,855,500</u>	<u>16,024,278</u>
OTHER ASSETS	<u>11,000</u>	<u>11,000</u>
TOTAL ASSETS	<u><u>\$ 24,976,908</u></u>	<u><u>\$ 26,524,919</u></u>

See accompanying notes to financial statements.

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

BALANCE SHEET
DECEMBER 31, 2002 AND 2001

LIABILITIES AND EQUITY	<u>2002</u>	<u>2001</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 348,755	\$ 378,868
Accrued payroll and benefits	703,580	802,401
Other	124,848	125,067
Total current liabilities	<u>1,177,183</u>	<u>1,306,336</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Capital expenditures payable	32,702	74,539
Deferred property taxes	2,667,974	2,699,884
Deferred capital grants	24,737	24,737
Total liabilities payable from restricted assets	<u>2,725,413</u>	<u>2,799,160</u>
NONCURRENT LIABILITIES - Other	<u>46,068</u>	<u>70,059</u>
Total liabilities	<u>3,948,664</u>	<u>4,175,555</u>
EQUITY:		
Contributed capital (Note 1):		
Federal grants	8,722,053	10,113,318
State grants	720,798	867,887
Total contributed capital	<u>9,442,851</u>	<u>10,981,205</u>
Retained earnings	<u>11,585,393</u>	<u>11,368,159</u>
Total equity	<u>21,028,244</u>	<u>22,349,364</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 24,976,908</u></u>	<u><u>\$ 26,524,919</u></u>

See accompanying notes to financial statements.

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

STATEMENT OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
OPERATING REVENUES:		
Passenger fares	\$ 734,644	\$ 641,813
Advertising and concessions	36,500	36,500
Total operating revenues	771,144	678,313
OPERATING EXPENSES:		
Labor	2,881,224	2,801,226
Fringe benefits (Note 4)	1,754,165	1,486,105
Materials and supplies	557,062	797,994
Services	309,804	318,415
Utilities	149,244	133,853
Casualty and liability	222,717	154,610
Taxes	100,691	114,700
Job and family services grant expenditures (Note 6)	757,138	787,297
Other	142,951	124,177
Total operating expenses excluding depreciation	6,874,996	6,718,377
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(6,103,852)	(6,040,064)
DEPRECIATION EXPENSE (Note 1):		
On assets acquired with capital grants	1,538,354	1,217,922
On other assets	61,103	65,999
Total depreciation expense	1,599,457	1,283,921
OPERATING LOSS	(7,703,309)	(7,323,985)
NONOPERATING REVENUES:		
Property tax revenues (Note 3)	2,627,487	2,758,996
Federal maintenance grants and reimbursements (Note 6)	1,659,820	2,413,213
State maintenance grants, reimbursements and special fare assistance (Note 6)	1,281,444	1,281,933
Investment income	125,168	192,735
Gain(loss) on disposal of fixed assets	48,638	(560,402)
Other	317,470	35,181
Total nonoperating revenues	6,060,027	6,121,656
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,643,282)	(1,202,329)
Capital contributions (Note 1)	322,162	4,944,120
NET PROFIT(LOSS)	\$ (1,321,120)	\$ 3,741,791

See accompanying notes to financial statements.

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

STATEMENT OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2002 AND 2001

	Contributed Capital		Retained	Total
	Federal Grants	State Grants	Earnings	
BALANCES AT DECEMBER 31, 2000 (Note 1)	\$ 11,207,422	\$ 991,705	\$ 6,408,446	\$ 18,607,573
NET PROFIT FOR 2001 (Note 1)			3,741,791	3,741,791
DEPRECIATION ON FIXED ASSETS ACQUIRED WITH CAPITAL GRANTS	<u>(1,094,104)</u>	<u>(123,818)</u>	<u>1,217,922</u>	
BALANCES AT DECEMBER 31, 2001	10,113,318	867,887	11,368,159	22,349,364
NET LOSS FOR 2002			(1,321,120)	(1,321,120)
DEPRECIATION OF FIXED ASSETS ACQUIRED WITH CAPITAL GRANTS	<u>(1,391,265)</u>	<u>(147,089)</u>	<u>1,538,354</u>	
BALANCES AT DECEMBER 31, 2002	<u>\$ 8,722,053</u>	<u>\$ 720,798</u>	<u>\$ 11,585,393</u>	<u>\$ 21,028,244</u>

See accompanying notes to financial statements.

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

STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
OPERATING ACTIVITIES:		
Cash received from customers	\$ 791,710	\$ 601,959
Cash payments to suppliers for goods and services	(4,036,728)	(3,949,855)
Cash payments to employees for services	(2,980,045)	(2,661,766)
Net cash used in operating activities	<u>(6,225,063)</u>	<u>(6,009,662)</u>
NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	2,627,487	2,758,996
Maintenance and planning grants received	2,858,970	4,079,586
Other	293,479	38,761
Net cash provided by noncapital financing activities	<u>5,779,936</u>	<u>6,877,343</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	938,231	4,253,328
Acquisition of fixed assets	(476,060)	(6,904,758)
Proceeds from disposal	52,182	1,915,641
Net cash provided by (used in) capital and related financing activities	<u>514,353</u>	<u>(735,789)</u>
INVESTING ACTIVITIES - Interest received from investments	<u>125,168</u>	<u>192,735</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	194,394	324,627
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,060,055</u>	<u>4,735,428</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,254,449</u>	<u>\$ 5,060,055</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (7,703,309)	\$ (7,323,985)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,599,457	1,283,921
Change in assets and liabilities:		
Accounts receivable-trade	20,566	(76,354)
Materials and supplies inventory	(8,857)	16,736
Prepaid expenses	(3,767)	(792)
Accounts payable	(30,113)	(52,448)
Accrued payroll and benefits	(98,821)	139,460
Other current liabilities	(219)	3,800
Net cash used in operating activities	<u>\$ (6,225,063)</u>	<u>\$ (6,009,662)</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001

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. 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.

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

In accordance with Statement No. 20 of the Governmental Accounting Standards Board, 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.

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

Years Ended December 31, 2002 and 2001

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

Use of Estimates – The preparation of financial statements in conformity with GAAP 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.

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 and not as contributed capital. Accordingly, during the year ended December 31, 2002, \$322,162 in capital contribution were recognized as revenue in the Statement of Revenue and Expenses for the Authority. This statement also requires the recognition of revenue for property taxes in the financial statements in the period for which the levy is intended to finance.

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 of three months or less when purchased to be cash equivalents. The Authority’s investments are recorded at fair value.

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

Property and Depreciation – Property, facilities and equipment are stated at historical cost. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related properties.

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

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Years Ended December 31, 2002 and 2001

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

Description	Years
Building and improvements	20-35
Transportation equipment	7-12
Other equipment	3-15

Depreciation recognized on assets acquired or constructed through grants externally restricted for capital acquisitions are closed to the appropriate contributed capital account. Net income (loss) adjusted by the amount of depreciation on fixed assets acquired in this manner is closed to retained earnings.

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

Recognition of Revenue, Receivables and Deferred Revenues – Passenger fares are recorded as revenue at the time services are performed.

Property tax revenues are recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2002 that will be collected in 2003 are recorded as receivable and deferred revenue.

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, if any, and special fare assistance are generally recorded as revenues in the periods to which the grants apply. Capital grants for the acquisition of property and equipment (reimbursement-type grants) are recorded as grant receivables and credited to contributed capital when the related qualified expenditures are incurred. Capital grants for the maintenance of property, plant and equipment are recorded as grant receivables and credited to nonoperating revenues in the period the operating expenditures are incurred. Capital grants received in advance of project costs being incurred are deferred.

Compensated Absences – The Authority accrues vacation and sick pay benefits as earned by its employees.

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Years Ended December 31, 2002 and 2001

2. CASH AND CASH EQUIVALENTS

The provisions of the Ohio Revised Code govern the investment and deposit of Authority monies. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits.

The statutes also permit the Authority to invest its monies in certificates of deposit, 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 any eligible depository or any eligible 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 excess of amounts insured by the Federal Deposit Insurance Corporation, or may pledge a pool of government securities valued at least 110 percent of the total value of public monies on deposit at the institution, or may deposit surety company bonds, which when executed shall be for an amount in excess of collateral requirements. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of, or guaranteed by, the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by two percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

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

Deposits – The carrying amount of the Authority's deposits was \$19,293 at December 31, 2002, which was supported by a \$19,601 bank balance consisting of demand deposits. Of the bank balance, \$100,000 was covered by depository insurance and there was no uninsured and uncollateralized as defined by the Governmental Accounting Standards Board.

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Years Ended December 31, 2002 and 2001

2. CASH AND CASH EQUIVALENTS (Cont'd)

Investments – The Authority’s investments are detailed below and are categorized in accordance with the criteria established by the Governmental Accounting Standards Board to indicate the level of credit risk assumed as of December 31, 2002. Category 1 includes investments that are insured or registered for which the securities are held by the Authority or its agent in the Authority’s name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty’s trust department or agent in the Authority’s name.

Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority’s name.

Description	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreements			<u>\$5,235,156</u>	<u>\$5,235,156</u>	<u>\$5,235,156</u>

The deposit and investment balances at December 31, 2002 are included in the accompanying balance sheet under the following captions:

Current assets – cash and cash equivalents	\$5,241,268
Restricted assets – cash and cash equivalents	<u>13,181</u>
Total	<u>\$5,254,449</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)

Years Ended December 31, 2002 and 2001

4. EMPLOYEE RETIREMENT PLANS

Public Employees Retirement System of Ohio

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 2002 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 PERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2002, and 2001 were approximately \$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 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.

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Years Ended December 31, 2002 and 2001

4. EMPLOYEE RETIREMENT PLANS (Cont'd)

The assumptions and calculations noted below were based on the System's latest Actuarial Review performed as of December 31, 2001. 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 2001 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 402,041. The Authority's contributions for other postemployment benefits to OPERS for the years ended December 31, 2002 and 2001 were \$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, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded liability, based on the actuarial costs method used, were \$16.4 billion and \$4.8 billion, respectively.

Predecessor Transit Company Pension Plan

The Authority is also making payments to qualifying retirees for service rendered to a predecessor transit company. This liability was not funded by the predecessor transit company and the remaining liability has not been funded by WRTA. The unfunded liability for future benefits under the predecessor transit company has not been determined. All employees eligible for benefits under this plan (11 at December 31, 2002) are retired. Expenses under this arrangement charged to operations for the years ended December 31, 2002 and 2001 were approximately \$3,756 and \$3,756, respectively.

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

Years Ended December 31, 2002 and 2001

5. 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, 2002, 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 a number of 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 liability is not expected to have a material effect on the Authority's financial position.

6. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

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

	2002	2001
FEDERAL:		
FTA Maintenance and Other Assistance	\$1,195,815	\$1,286,560
FTA Job Access and Reverse Commute Assistance	312,500	750,000
Federal Highway Administration Congestion Mitigation and Air Quality Assistance	111,505	336,653
FTA Planning Assistance	<u>40,000</u>	<u>40,000</u>
Total	<u>\$1,659,820</u>	<u>\$2,413,213</u>
STATE:		
ODOT Maintenance and Other Assistance	\$ 346,880	\$ 319,543
Ohio Department of Job and Family Services Assistance	757,138	787,297
ODOT Elderly Fare Assistance	108,518	103,322
ODOT Fuel Tax Reimbursement	<u>68,908</u>	<u>71,771</u>
Total	<u>\$1,281,444</u>	<u>\$1,281,933</u>

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Years Ended December 31, 2002 and 2001

7. 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 \$339,000,000 for qualified property losses and \$20,000,000 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.

8. NEW ACCOUNTING STANDARDS

The GASB has issued Statement No., 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement revises accounting and reporting standards for general purpose external financial reporting by governmental units. Statement No. 34 is effective for the year ending December 31, 2004. The Authority has not completed an analysis of the impact of this statement on its reported financial condition and results of operation.

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

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2002

<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	20,634
		OH-90-0310	420
		OH-90-0356	118,041
		OH-90-0385	151,631
		OH-90-0407	<u>129,055</u>
Total CFDA #20.507			419,781
Federal Transit Administration Capital and Operating Assistance Job Access and Reverse Commute Project Grants			
	20.516	OH-37-0013	<u>312,500</u>
Total CFDA #20.516			312,500
Highway Planning and Construction Cluster/Direct Program:			
Federal Highway Administration Highway Planning and Construction Grant - Congestion Mitigation and Air Quality			
	20.205	OH-90-4340	<u>111,505</u>
Total CFDA #20.205			<u>111,505</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 843,786</u>

See note to Schedule of Expenditure of Federal Awards.

See accompanying notes to financial statements.

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, 2002

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
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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, 2002, and have issued our report thereon dated February 20, 2003. 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.

Dingus and Doga, Inc.

Shaker Heights, Ohio
February 20, 2003



Dingus and Daga, Inc.

Certified Public Accountants
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Shaker Heights, Ohio 44122-5398 • 216/561-9200

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, 2002. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. 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 each of its major federal program for the year ended December 31, 2002.

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.

Dingers and Doga, Inc.

Shaker Heights, Ohio
February 20, 2003

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2002

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, 2002

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

Federal Awards (Cont'd)

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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)

STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL
AND LEGAL COMPLIANCE

Year Ended December 31, 2002

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
JUNE 3, 2003**