

**WESTERN RESERVE TRANSIT AUTHORITY**

**MAHONING COUNTY**

**Audit Report**

**For the Years Ended December 31, 2015 and 2014**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Western Reserve Transit Authority, Mahoning County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

July 19, 2016

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WESTERN RESERVE TRANSIT AUTHORITY

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***Charles E. Harris & Associates, Inc.***

*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT**

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

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the of Western Reserve Transit Authority, Mahoning County, Ohio (the Authority), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Reserve Transit Authority, Mahoning County, Ohio, as of December 31, 2015 and 2014, and the changes in financial position and the cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment to GASB 68*. We did not modify our opinion regarding these matters.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
June 6, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Western Reserve Transit Authority ("Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

### Overview of Financial Highlights

- The Authority has net position of \$26.3 million. The net position results from the difference between total assets and deferred outflows of resources of \$31.6 million and total liabilities and deferred inflows of resources of \$5.3 million.
- Current assets of \$17.8 million primarily consist of non-restricted Cash and Cash Equivalents of \$13.3 million; Accounts Receivable of \$.04 Sales Tax receivable of \$1.4 million; Federal and State assistance receivable of \$2.6 million; Materials and Supplies Inventory of \$.29, and Prepaid Expenses of \$.14.
- Current liabilities of \$.76 million primarily consist of Accounts, Contracts, and Other payables of \$.22 million and Accrued Payroll Benefits of \$.55 million.

### Basic Financial Statements and Presentation

#### Accounting Pronouncements

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

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

The Statement of Net Position presents information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position increases when

revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net position, which indicate improved financial position.

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

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

During 2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB 27," which significantly revises accounting for pension costs and liabilities. Users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. This implementation also had the effect of restating the net position at December 31, 2014, from \$27,034,755 to 23,354,502. See Note 1 to the basic financial statements for further discussion on the implementation of GASB 68.

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

The Authority is also reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in the statement of net position.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$525,365 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$468,558. Consequently, in order to compare 2015 total operating expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	\$ 9,734,597
Pension expense under GASB 68	(468,558)
2015 contractually required contribution	<u>547,718</u>
Adjusted 2015 operating expenses	9,813,757
Total 2014 operating expenses under GASB 27	<u>9,581,807</u>
Increase in operating expenses not related to pension	<u>\$ 231,950</u>

As a result of GASB 68, the Authority is reporting a significant net pension liability and related deferred inflows of resources which have a negative effect on net position. In addition, the Authority is reporting deferred outflows of resources and a reduction of expenses related to pension for this fiscal year, which have a positive consequence on net position. This expense amount is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. To further explain the impact of this new accounting standard on the Authority's net position, additional information is presented below.

Net position	\$ 26,291,026
Deferred outflows - pension	(777,303)
Deferred inflows - pension	75,592
Net pension liability	<u>4,302,804</u>
Net position without new standard	<u>29,892,119</u>
Impact of GASB 68 on net position, end of year	(29,892,119)
Pension expense under GASB 68	468,558
Contractually required contribution	(547,718)
Impact of GASB 68 on net position, beginning of year	<u>\$ (29,971,279)</u>

## Notes to the Financial Statements

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

## Financial Analysis of the Authority

### Condensed Summary of Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>			
Current Assets	\$17,750,403	\$15,845,972	\$14,407,139
Restricted Assets	272,633	571,266	504,398
Capital Assets (net of accumulated Depreciation)	<u>12,820,090</u>	<u>11,827,822</u>	<u>8,391,061</u>
Total Assets	<u>\$ 30,843,126</u>	<u>\$28,245,060</u>	<u>\$23,302,594</u>
<b>Deferred outflows of resources</b>			
Pension	<u>777,303</u>	--	--
Total deferred outflows of resources	<u>777,303</u>		
<b>Liabilities</b>			
Current Liabilities	\$ 764,493	\$ 981,524	\$ 1,048,814
Liabilities Payable from Restricted Assets	95,670	141,085	219,182
Non-Current Liabilities	<u>4,393,648</u>	<u>87,696</u>	<u>91,214</u>
Total Liabilities	<u>\$ 5,253,811</u>	<u>\$ 1,210,305</u>	<u>\$ 1,358,814</u>
<b>Deferred inflows of resources</b>			
Pension	<u>75,592</u>	--	--
Total deferred inflows of resources	<u>75,952</u>		
<b>Net Position</b>			
Net Investment in Capital Assets	\$12,820,090	\$ 11,827,822	\$ 8,391,061
Restricted for Capital Assets	250,932	549,146	3,192,871
Unrestricted	<u>13,220,004</u>	<u>14,657,787</u>	<u>10,359,848</u>
Total Net Position	<u>\$26,291,026</u>	<u>\$27,034,755</u>	<u>\$21,943,780</u>

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

<u>Description</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Operating Revenues (Expenses)</b>			
Operating Revenues	\$ 1,034,459	\$ 1,081,477	\$ 1,069,882
Operating Expenses, excluding depreciation	(9,734,597)	(9,581,807)	(9,260,426)
Depreciation Expense	<u>(1,766,370)</u>	<u>(1,541,447)</u>	<u>(2,042,792)</u>
Operating Loss	<u>\$(10,466,508)</u>	<u>\$(10,041,777)</u>	<u>\$(10,233,336)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Sales and Use Tax Revenues	8,635,532	8,568,592	7,996,938
Federal Grants and Reimburse	2,252,221	1,869,670	2,165,869
State Grants, Reimbursements and Special Fare Assistance	84,141	407,330	85,188
Investment Income	23,600	21,166	17,725
Other Income	<u>121,421</u>	<u>153,062</u>	<u>\$ 85,424</u>
Total non-operating revenues	<u>\$11,116,915</u>	<u>\$11,019,820</u>	<u>\$10,351,144</u>
Capital Contributions	<u>\$ 2,286,117</u>	<u>\$ 4,112,932</u>	<u>\$ 670,610</u>
Increase (Decrease) in Net Position During the Year	\$ 2,936,524	\$ 5,090,975	\$ 788,418
Net Position, Beginning of Year	\$27,034,755	\$21,943,780	\$21,155,362
Prior Period Adjustment	<u>(3,680,253)</u>	<u>--</u>	<u>--</u>
Net Position, End of Year	<u>\$26,291,026</u>	<u>\$27,034,755</u>	<u>\$21,943,780</u>

## FINANCIAL OPERATING RESULTS

### **Revenues**

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

Passenger Revenues – Farebox and special transit fares are included here. The overall decrease from 2015 and 2014 reflects an increase in pass use and a slight decrease ridership.

Sales and Use Tax Revenues - A sales and use tax issue passed by the voters of Mahoning County on November 4, 2008 was effective April 1, 2009 for five (5) years ending March 31, 2014. A renewal of this tax issue was passed by the voters of Mahoning County on November 6, 2012, for five (5) years beginning April 1, 2014 and ending March 31, 2019. WRTA began collecting sales tax revenues in July, 2009. For 2015 approximately 71.1% of the Authority's revenues came from this source while for 2014, approximately 70.8% of the Authority's revenues came from this source. Sales and use tax revenue can be used for operating or capital purchases.

Federal Grants and Reimbursements – In 2015, the Authority received approximately \$2.0 million in preventive maintenance and ADA reimbursement funds to cover certain maintenance and complimentary paratransit service costs incurred. This compares with \$1.9 million in 2014 and \$2.2 million in 2013. For 2015, capital assistance of \$2.3 million includes flex funding in the amount of \$278,576 and for 2013, capital assistance of \$2.2 million includes flex funding in the amount of \$270,137. The Authority received \$144,960, \$296,752 and \$144,712 in Job Access Reverse Commute and New Freedom funds in 2015, 2014 and 2013, respectively; and Veteran's Assistance of \$137,442 in 2015.

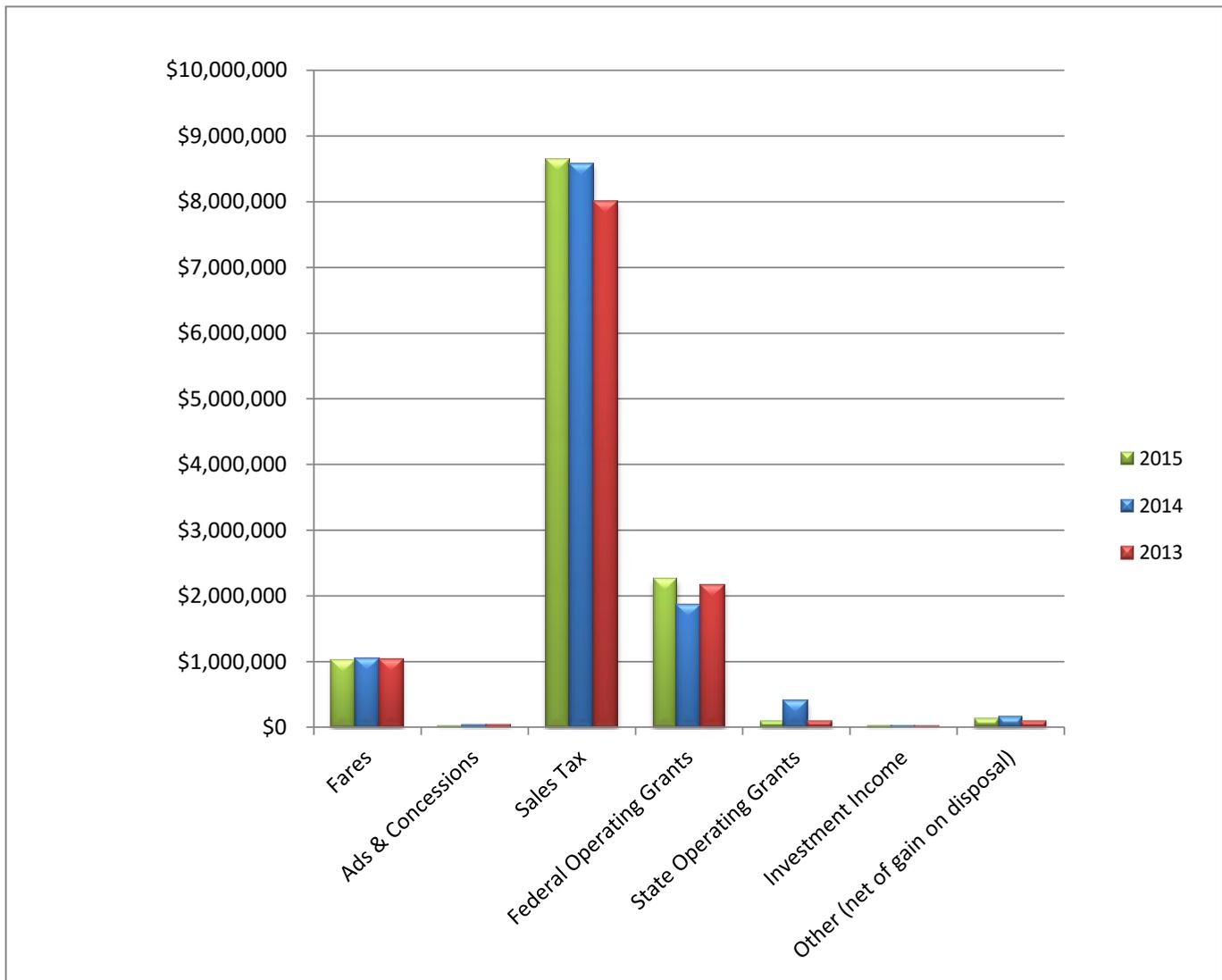
State Operating Grants – The Ohio Department of Transportation allocates grants for capital, operating assistance and elderly and disabled programs. The Authority received \$322,522 for preventive maintenance in 2014. This category also includes reimbursement for state fuel taxes paid by the Authority in the amount of \$84,141 for 2015, \$84,808 for 2014 and \$85,188 for 2013.

Investment Income – Investment income increased slightly, but remains low due to low interest rates. The Authority opened a State Treasury Asset Reserve of Ohio (STAR Ohio) account, as well as a STAR Plus account in 2012 through the Ohio State Treasurers Office. STAR Ohio is an investment that allows government subdivisions to invest funds in a highly rated public investment pool. STAR Plus deposits have full FDIC insurance and are backed by the full faith and credit of the U.S. Government.

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

# REVENUE

	2015			2014			2013		
Fares	\$	1,017,547	8%	\$	1,045,982	9%	\$	1,028,230	9%
Ads & Concessions		16,912	0%		35,495	0%		41,652	0%
Sales Tax		8,635,532	71%		8,568,592	71%		7,996,938	70%
Federal Operating Grants		2,252,221	19%		1,869,670	15%		2,165,869	19%
State Operating Grants		84,141	1%		407,330	3%		85,188	1%
Investment Income		23,600	0%		21,166	0%		17,725	0%
Other (net of gain on disposal)		121,421	1%		153,062	1%		85,424	1%
<b>Total</b>	<b>\$</b>	<b>12,151,374</b>		<b>\$</b>	<b>12,101,297</b>		<b>\$</b>	<b>11,421,026</b>	



## **Expenses**

Labor and Fringe Benefits Personnel costs accounted for approximately 70% of all the Authority operating expenses (excluding depreciation) in 2015. This proportion was approximately 68% in 2014 and 67% in 2013.

Materials and Supplies A decrease in 2015 was the result of additional revenue vehicles being replaced during the year. New vehicles are covered by warranty. Increases in 2014 and 2013 were mainly due to aging vehicles. The Authority's fleet has reached its maximum useful life of 12 years, resulting in major repairs.

Services These costs increased in 2015 due to securing the services of a marketing firm to conduct system wide ridership surveys and increased IT costs for new hardware and software purchases. In 2014 costs increased due to increased planning costs for the new FTA Section 5310 program and to conduct passenger surveys for the NTD program.

Utilities The decrease in 2015 was due mainly to switching telephone services and eliminating unnecessary lines. Natural gas prices were also lower during 2015. The increase in 2014 was due to higher electric and telephone rates.

Casualty and Liability In 2015, casualty and liability rates increased 6.4%. What appears to be a significant increase in 2015 was because the Authority received a return of surplus funds in 2014. 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.

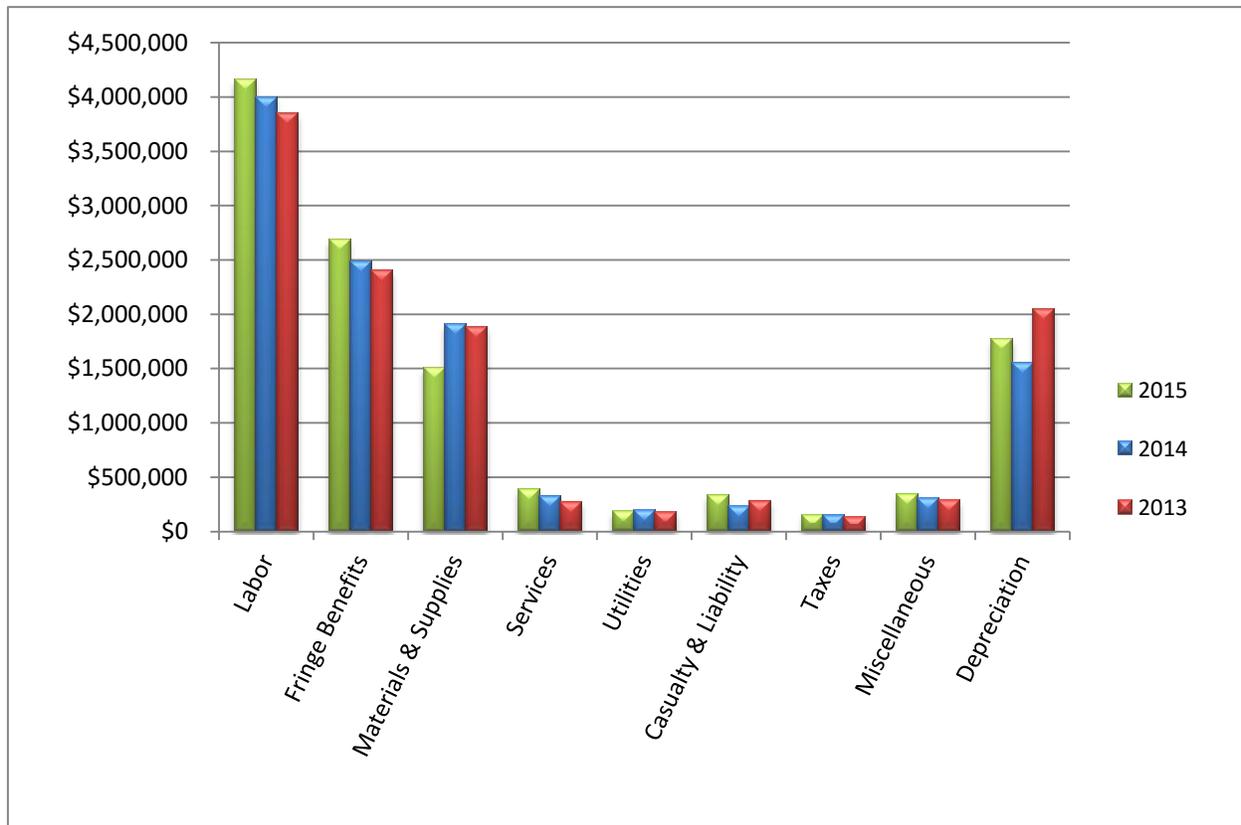
Maintenance Vehicle and facility maintenance labor costs, fringe benefits, and materials and supplies are included in this category.

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.

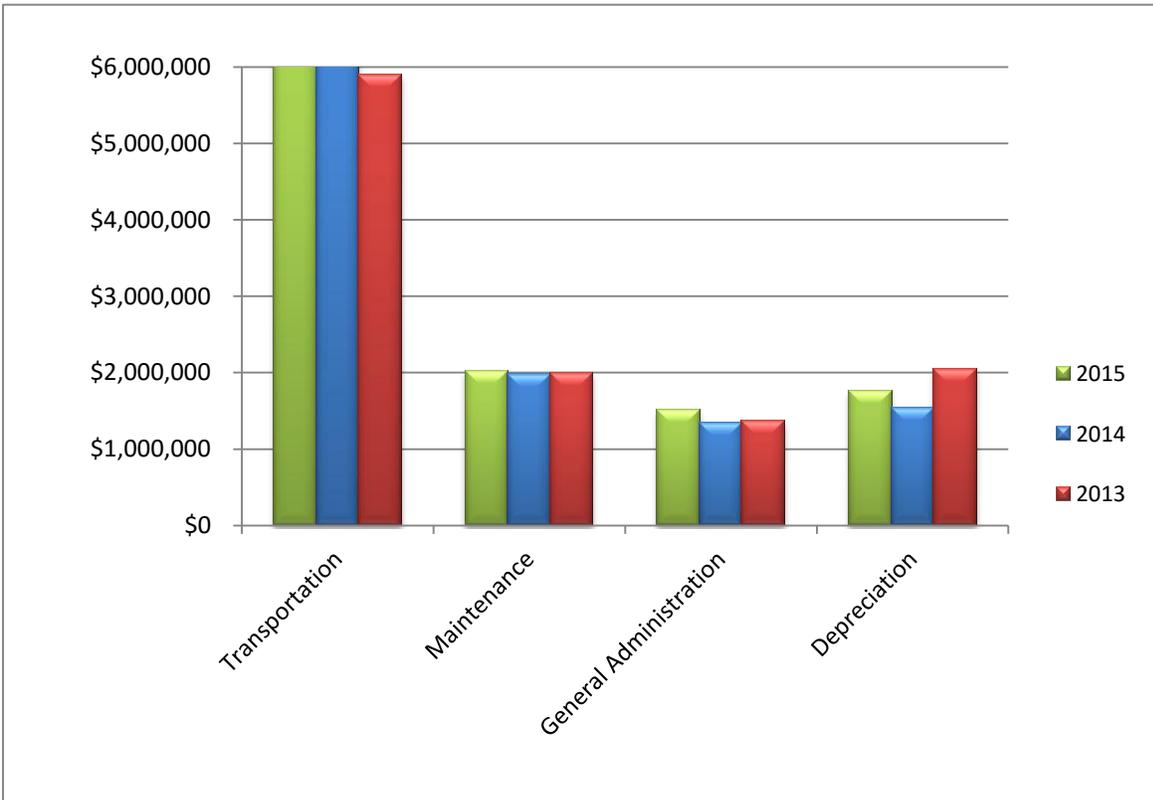
## EXPENSE BY OBJECT CLASS

	2015		2014		2013	
Labor	\$4,153,979	36%	\$3,992,683	36%	\$3,842,733	34%
Fringe Benefits	2,684,393	23%	2,481,537	22%	2,394,738	21%
Materials & Supplies	1,500,359	13%	1,906,026	17%	1,874,923	17%
Services	385,057	3%	327,017	3%	273,998	2%
Utilities	180,337	2%	194,498	2%	174,014	2%
Casualty & Liability	334,419	3%	228,761	2%	281,137	2%
Taxes	151,465	1%	148,291	1%	133,992	1%
Miscellaneous	344,588	3%	302,994	3%	284,891	3%
Depreciation	1,766,370	15%	1,541,447	14%	2,042,792	18%
<b>Total</b>	<b>\$11,500,967</b>		<b>\$11,123,254</b>		<b>\$11,303,218</b>	



## EXPENSE BY FUNCTION

	2015		2014		2013	
Transportation	\$6,201,880	54%	\$6,277,600	56%	\$5,899,023	52%
Maintenance	2,025,285	18%	1,968,659	18%	2,002,891	18%
General Administration	1,507,432	13%	1,335,548	12%	1,358,512	12%
Depreciation	1,766,370	15%	1,541,447	14%	2,042,792	18%
<b>Total</b>	<b>\$11,500,967</b>		<b>\$11,123,254</b>		<b>\$11,303,218</b>	



## Condensed Summary of Cash Flows

Net cash used for operating activities increased slightly due to increased costs in 2015. Net cash provided by non-capital financing activities increased as a direct result of maintenance and planning grants. Net cash used in capital and related financing activities decreased due to the nature of capital purchases in 2015. Acquisition of fixed assets included the purchase of 5 full size transit buses, 4 light transit vehicles, 2 rebuilt transit vehicle engines, fuel monitoring system, passenger shelters, bus stop signs, ADP hardware and upgrading the passenger scheduling software.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from customers	\$ 1,053,679	\$1,045,216	\$1,346,216
Cash payments to suppliers for goods and services	(5,572,339)	(5,755,248)	(5,422,540)
Cash payments to employees for services	(4,347,657)	(3,921,588)	(3,962,071)
Net cash used in operating activities	(8,866,317)	(8,631,620)	(8,038,395)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Sales and Use taxes received	8,667,264	8,443,024	7,966,324
Maintenance and planning grants received	2,621,307	863,487	3,165,643
Other	89,206	149,544	173,096
Net cash provided by non-capital financing activities	11,377,777	9,456,055	11,305,063
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants received	2,539,320	3,885,111	1,747,324
Acquisition of fixed assets	( 2,779,121)	( 4,978,209)	( 848,036)
Proceeds from disposal	55,846	-0-	45,573
Net cash provided (used) in capital and related financing activities	( 183,955)	(1,093,098)	(946,861)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from investments	23,600	21,166	17,725
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	2,351,105	(247,497)	4,231,254
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,935,104	11,182,601	6,951,347
CASH AND CASH EQUIVALENTS, END OF YEAR	\$13,286,209	\$10,935,104	\$11,182,601

## **Capital Assets**

The Authority's investment in capital assets amounts to \$12.82 million, net of accumulated depreciation as of December 31, 2015, an increase of \$.99 million (8.39%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. During 2015 the Authority rebuilt 2 transit vehicle engines, purchased 5 full size transit buses, 4 Light Transit Vehicles, a fuel monitoring system, passenger shelters, bus stop signs, ADP Hardware, and upgraded its passenger scheduling software. During 2014 the Authority rebuilt 7 transit vehicle engines, purchased 8 full size transit buses, 5 Light Transit Vehicles, asset management software, and passenger loading station furnishings. The Authority also completed the interior renovation of its downtown passenger loading station. During 2013 the authority purchased 5 Service Vehicles, a new telephone system, and started construction to renovate the interior of its downtown passenger loading 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

STATEMENT OF NET POSITION  
DECEMBER 31, 2015 AND 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 13,275,105	\$ 10,923,984
Receivables:		
Trade, less allowance for doubtful accounts of \$1,782 in 2015 and 2014	44,368	63,588
Federal assistance	2,576,394	2,867,681
State assistance	34,265	27,923
Sales and Use taxes (Note 4)	1,385,374	1,417,107
Materials and supplies inventory	295,436	289,250
Prepaid expenses	<u>139,461</u>	<u>256,439</u>
Total current assets	17,750,403	15,845,972
RESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	11,104	11,120
Investments	11,000	11,000
Federal capital assistance receivable	<u>250,529</u>	<u>549,146</u>
Total restricted assets	272,633	571,266
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	1,013,136	1,013,136
Building and improvements	11,912,763	12,038,519
Transportation equipment	19,508,027	19,722,222
Other equipment	<u>1,599,697</u>	<u>1,557,100</u>
Total	34,033,623	34,330,977
Less accumulated depreciation	<u>21,213,533</u>	<u>22,503,155</u>
Property, facilities and equipment - net	<u>12,820,090</u>	<u>11,827,822</u>
 TOTAL ASSETS	 <u>\$ 30,843,126</u>	 <u>\$ 28,245,060</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension-OPERS	<u>\$ 777,303</u>	<u>\$ -</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 777,303</u>	<u>\$ -</u>

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF NET POSITION (CONT'D)  
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 75,385	\$ 98,738
Accrued payroll and benefits	547,208	740,886
Other	<u>141,900</u>	<u>141,900</u>
Total current liabilities	764,493	981,524
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Capital expenditures payable	<u>95,670</u>	<u>141,085</u>
Total Liabilities payable from restricted assets	95,670	141,085
NONCURRENT LIABILITIES - Other	<u>4,393,648</u>	<u>87,696</u>
Total Liabilities	5,253,811	1,210,305
DEFERRED INFLOWS OF RESOURCES:		
Pension-OPERS	<u>75,592</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>75,592</u>	<u>-</u>
NET POSITION:		
Net Investment in Capital Assets	12,820,090	11,827,822
Restricted for Capital Assets	250,932	549,146
Unrestricted	<u>13,220,004</u>	<u>14,657,787</u>
Total Net Position	<u>\$ 26,291,026</u>	<u>\$ 27,034,755</u>

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
OPERATING REVENUES:		
Passenger fares	\$ 1,017,547	\$ 1,045,982
Advertising and concessions	16,912	35,495
Total operating revenues	1,034,459	1,081,477
OPERATING EXPENSES:		
Labor	4,153,979	3,992,683
Fringe benefits (Notes 5 and 6)	2,684,393	2,481,537
Materials and supplies	1,500,359	1,906,026
Services	385,057	327,017
Utilities	180,337	194,498
Casualty and liability	334,419	228,761
Taxes	151,465	148,291
Other	344,588	302,994
Total operating expenses excluding depreciation	9,734,597	9,581,807
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(8,700,138)	(8,500,330)
DEPRECIATION EXPENSE (Note 3):	1,766,370	1,541,447
OPERATING LOSS	(10,466,508)	(10,041,777)
NONOPERATING REVENUES:		
Sales and Use tax revenues (Note 4)	8,635,532	8,568,592
Federal maintenance grants and reimbursements (Note 9)	2,252,221	1,869,670
State maintenance grants, reimbursements and special fare assistance (Note 9)	84,141	407,330
Investment income	23,600	21,166
Other	121,421	153,062
Total nonoperating revenues	11,116,915	11,019,820
NET GAIN (LOSS) BEFORE CAPITAL CONTRIBUTION	650,407	978,043
Capital contributions	2,286,117	4,112,932
NET GAIN (LOSS)	2,936,524	5,090,975
Net Position, Beginning of Year	27,034,755	21,943,780
Prior Period Adjustment	(3,680,253)	-
Net Position, End of Year	\$ 26,291,026	\$ 27,034,755

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 1,053,679	\$ 1,045,216
Cash payments to suppliers for goods and services	(5,572,339)	(5,755,248)
Cash payments to employees for services	(4,347,657)	(3,921,588)
Net cash used in operating activities	(8,866,317)	(8,631,620)
<b>NONCAPITAL FINANCING ACTIVITIES:</b>		
Sales and Use taxes received	8,667,264	8,443,024
Maintenance and planning grants received	2,621,307	863,487
Other	89,206	149,544
Net cash provided by noncapital financing activities	11,377,777	9,456,055
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants received	2,539,320	3,885,111
Acquisition of capital assets	(2,779,121)	(4,978,209)
Proceeds from disposal	55,846	-
Net cash used in capital and related financing activities	(183,955)	(1,093,098)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received from investments	23,600	21,166
Net cash provided by investing activities	23,600	21,166
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,351,105	(247,497)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	10,935,104	11,182,601
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 13,286,209	\$ 10,935,104
<b>CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (10,466,508)	\$ (10,041,777)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,766,370	1,541,447
Change in assets and liabilities:		
(Increase)decrease in accounts receivable-trade	19,220	(36,260)
(Increase)decrease in materials and supplies inventory	(6,186)	(13,827)
(Increase)decrease in prepaid expenses	116,978	(97,158)
Increase(decrease) in accounts payable	(23,353)	(60,139)
Increase(decrease) in accrued payroll and benefits	(193,678)	71,094
Increase(decrease) in other current liabilities	-	5,000
Increase(decrease) in other liabilities	(79,160)	-
Net cash used in operating activities	\$ (8,866,317)	\$ (8,631,620)

See accompanying notes to financial statements.

# WESTERN RESERVE TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

For the Years Ended December 31, 2015 and 2014

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

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

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

Nonexchange Transactions - The Authority complies with the provisions of Statement No. 33 of the Governmental Accounting Standards Board (“GASB”) regarding the Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions be recognized as revenue. Accordingly, during the years ended December 31, 2015 and 2014, \$2,286,117 and \$4,112,932, respectively, in capital contributions were recognized as revenue in the Statement of Revenues, Expenses and changes in Net Position for the Authority.

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

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

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

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

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

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

For the Years Ended December 31, 2015 and 2014

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

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

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

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

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

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

Net Position - Equity displayed in three components as follows:

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

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

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

For the Years Ended December 31, 2015 and 2014

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

Unrestricted – This consists of net position 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 sales 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 recorded as liabilities.

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

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

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

For the Years Ended December 31, 2015 and 2014

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

Net pension liability and pension expense

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

The current accounting standard requires the Authority to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. Under the new standards, the net pension liability equals the Authority proportionate share of the pension plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the Authority. However, the Authority is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. The Authority has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not identify the responsible

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

For the Years Ended December 31, 2015 and 2014

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

party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Change in Accounting Principle and Restatement of Net Position

For 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported:

	Business -Type <u>Activities</u>
Net position as previously reported	\$ 27,034,755
Adjustments:	
Net pension liability	(4,205,618)
Deferred outflow - payments subsequent to measurement date	<u>525,365</u>
Restated net position January 1, 2015	<u>\$ 23,354,502</u>

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, State Treasurer's investment pool ("STAROhio"), and obligations of the United States government and certain agencies thereof. The Authority may also enter into repurchase agreements with eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealer for a period not exceeding 30 days.

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

For the Years Ended December 31, 2015 and 2014

2. DEPOSITS AND INVESTMENTS (Cont'd)

Deposits (Cont'd)

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

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

At December 31, 2015, the carrying amount of all the Authority's deposits was \$1,746,931 and the Authority's bank balance of \$3,949,218 was not exposed to custodial credit risk. These amounts do not include petty cash of \$806.

At December 31, 2014, the carrying amount of all the Authority's deposits was \$2,402,947 and the Authority's bank balance of \$2,546,580 was exposed to custodial credit risk. These amounts do not include petty cash of \$925.

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

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

For the Years Ended December 31, 2015 and 2014

2. DEPOSITS AND INVESTMENTS (Cont'd)

As of December 31, 2015, WRTA has the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Invest &lt; 6 months</u>
STAR Ohio	<u>\$11,549,472</u>	<u>\$11,549,472</u>
Total	<u>\$11,549,472</u>	<u>\$11,549,472</u>

As of December 31, 2014, WRTA has the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Invest &lt; 6 months</u>
STAR Ohio	<u>\$ 8,531,232</u>	<u>\$ 8,531,232</u>
Total	<u>\$ 8,531,232</u>	<u>\$ 8,531,232</u>

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, WRTA will not be able to recover the value of its investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to delivery of the securities to the Director of Finance or qualified trustee.

*Concentration of Credit Risk:* WRTA places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by WRTA at December 31, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	<u>\$11,549,472</u>	<u>100</u>
Total	<u>\$11,549,272</u>	

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

For the Years Ended December 31, 2013 and 2014

2. DEPOSITS AND INVESTMENTS (Cont'd)

As of December 31, 2014, the investment type held by the Authority was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	<u>\$ 8,531,232</u>	<u>100</u>
Total	<u>\$ 8,531,232</u>	

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

	<u>2015</u>	<u>2014</u>
Current assets – cash and cash equivalents	\$13,275,105	\$10,923,984
Restricted assets-investments	11,000	11,000
Restricted assets-cash and cash equivalents	<u>11,104</u>	<u>11,120</u>
Total	<u>\$13,297,209</u>	<u>\$10,946,104</u>

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 is as follows:

Description	Balance @ <u>01/01/15</u>	<u>Fixed Assets</u>		Balance @ <u>12/31/15</u>
		<u>Additions</u>	<u>Disposals</u>	
Capital Assets Not Being Depreciated:				
Land	<u>\$ 1,013,136</u>			<u>\$ 1,013,136</u>
Total Capital Assets Not Being Depreciated	<u>1,013,136</u>			<u>1,013,136</u>
Capital Assets Being Depreciated:				
Building & Building Improvements	\$12,038,519	\$ 71,028	\$ 196,783	\$ 11,912,763
Transportation Equipment	19,722,222	2,514,705	2,728,900	19,508,027
Other Equipment	<u>1,557,101</u>	<u>216,402</u>	<u>173,805</u>	<u>1,599,697</u>
Total Capital Assets Being Depreciated	\$ 33,317,842	\$2,802,135	\$3,099,489	\$ 33,020,487

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

For the Years Ended December 31, 2015 and 2014

3. CAPITAL ASSETS (Cont'd)

Less Accumulated Depreciation:				
Building & Building Improvements	7,328,900	482,574	\$ 193,782	7,617,692
Transportation Equipment	14,051,852	1,224,488	2,716,078	12,560,262
Other Equipment	<u>1,122,403</u>	<u>85,470</u>	<u>172,294</u>	<u>1,035,579</u>
Total Accumulated Depreciation	22,503,155	1,792,532	\$3,082,154	21,213,533
Total Capital Assets Being				
Depreciated, Net	<u>10,814,687</u>	<u>1,009,603</u>	<u>\$ 17,335</u>	<u>11,806,954</u>
Total Capital Assets Net	<u>\$11,827,823</u>	<u>\$1,009,603</u>	<u>\$ 17,335</u>	<u>\$12,820,090</u>

Capital asset activity for the year ended December 31, 2014 is as follows:

Description	Balance @ 01/01/14	Fixed Assets		Balance @ 12/31/14
		Additions	Disposals	
Capital Assets Not Being Depreciated:				
Land	<u>\$ 1,013,136</u>			<u>\$ 1,013,136</u>
Total Capital Assets Not Being Depreciated	<u>1,013,136</u>			<u>1,013,136</u>
Capital Assets Being Depreciated:				
Building & Building Improvements	11,394,600	726,578	82,659	12,038,519
Transportation Equipment	15,654,997	4,145,879	78,654	19,722,222
Other Equipment	<u>1,479,280</u>	<u>109,270</u>	<u>\$ 31,449</u>	<u>1,557,101</u>
Total Capital Assets Being Depreciated	28,528,877	4,981,727	192,762	33,317,842
Less Accumulated Depreciation:				
Building & Building Improvements	6,899,665	511,894	82,659	7,328,900
Transportation Equipment	13,169,302	957,686	75,136	14,051,852
Other Equipment	1,081,985	<u>71,867</u>	<u>31,244</u>	<u>1,122,403</u>
Total Accumulated Depreciation	<u>21,150,952</u>	<u>1,541,447</u>	<u>189,244</u>	<u>22,503,155</u>
Total Capital Assets Being Depreciated, Net	<u>7,377,925</u>	<u>3,440,280</u>	<u>3,518</u>	<u>10,814,687</u>
Total Capital Assets, Net	<u>\$ 8,391,061</u>	<u>\$ 3,440,280</u>	<u>\$ 3,518</u>	<u>\$11,827,823</u>

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

For the Years Ended December 31, 2015 and 2014

4.SALES AND USE TAXES

A ¼% sales and use tax issue passed by the voters of Mahoning County on November 4, 2008 was effective April 1, 2009 for five (5) years ending March 31, 2014. A renewal of the sales and use tax issue, with an effective date of April 1, 2014 through March 31, 2019, passed by the voters of Mahoning County on November 6, 2012. Sales and use tax revenue can be used for operating or capital purposes.

5.DEFINED BENEFIT PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from

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

For the Years Ended December 31, 2015 and 2014

5. DEFINED BENEFIT PLANS (Cont'd)

these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Ohio Public Employees Retirement System

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan – a cost sharing, multi-employer defined benefit pension plan. The Member-Directed Plan – a defined contribution plan and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan with defined contribution features. While members may elect the member-directed and the combined plan, all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Plan. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups, with

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

For the Years Ended December 31, 2015 and 2014

5. DEFINED BENEFIT PLANS (Cont'd)

varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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

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

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

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

For the Years Ended December 31, 2015 and 2014

5. DEFINED BENEFIT PLANS (Cont'd)

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

	<u>State and Local</u>
<b>2014 and 2015 Statutory maximum contribution rates</b>	
Employer	14.00 %
Employee	10.00 %
 <b>2014 and 2015 Actual contribution rates</b>	
Employer:	
Pension	12.00 %
Post-employment health care benefits	<u>2.00</u>
Total employer	<u>14.00 %</u>
 Employee	 <u>10.00 %</u>

The Authority's contractually required contribution was \$547,718 for 2015.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportionate share of the net pension liability	\$ 4,302,804
Proportion of the net pension liability	0.035675%
Pension expense	\$ 468,558

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

For the Years Ended December 31, 2015 and 2014

5. DEFINED BENEFIT PLANS (Cont'd)

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
<b>Deferred outflows of resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$ 229,585
City contributions subsequent to the measurement date	<u>547,718</u>
Total deferred outflows of resources	<u><u>\$ 777,303</u></u>
 <b>Deferred inflows of resources</b>	
Differences between expected and actual experience	<u><u>\$ 75,592</u></u>

\$547,718 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>
Year ending December 31:	
2015	\$ (22,518)
2016	(22,518)
2017	(51,561)
2018	<u>(57,396)</u>
Total	<u><u>\$ (153,993)</u></u>

***Actuarial Assumptions - OPERS***

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

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

For the Years Ended December 31, 2015 and 2014

5. DEFINED BENEFIT PLANS (Cont'd)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and

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

For the Years Ended December 31, 2015 and 2014

5. DEFINED BENEFIT PLANS (Cont'd)

the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	<u>18.00</u>	<u>4.59</u>
 Total	 <u>100.00 %</u>	 <u>5.28 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

For the Years Ended December 31, 2015 and 2014

5. DEFINED BENEFIT PLANS (Cont'd)

***Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current discount rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
City's proportionate share of the net pension liability	\$ 7,915,926	\$ 4,302,804	\$ 1,259,684

6. POST EMPLOYMENT BENEFITS

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care plan, which includes multiple health care plans, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and

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

For the Years Ended December 31, 2015 and 2014

6. POST EMPLOYMENT BENEFITS (Cont'd)

qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of post-retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, the Authority contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined Plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish

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

For the Years Ended December 31, 2015 and 2014

6. POST EMPLOYMENT BENEFITS (Cont'd)

rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2015, 2014 and 2013 were \$93,149, \$89,243 and \$42,878 respectively; 100% has been contributed for 2015, 2014 and 2013. The actual contribution and the actuarially required contribution amounts are the same.

7. OPERATING LEASES

The Authority currently leases space at its Federal Station loading terminal to Greyhound Lines, Inc. and Plaza Donuts, Inc. Both leases are a five year term, expiring December 31, 2019. Rent receipts of \$47,364 and \$45,985, for 2015 and 2014, respectively, are reflected in the financial statements as non-operating other revenue.

8. CONTINGENCIES

Federal and State Grants – Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2015, 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.

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

For the Years Ended December 31, 2015 and 2014

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

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

	<u>2015</u>	<u>2014</u>
FEDERAL:		
FTA Maintenance and Other Assistance	\$2,008,995	\$1,645,413
FTA Job Access and Reverse Commute Assistance	144,960	144,417
FTA Veteran's Initiative	18,525	-
FTA Planning Assistance	79,741	79,840
FTA Capital Contribution	<u>2,286,117</u>	<u>4,112,932</u>
Total	<u>\$ 4,538,338</u>	<u>\$5,982,602</u>
STATE:		
ODOT Maintenance and Other Assistance	\$ -	\$ 322,522
ODOT Fuel Tax Reimbursement	<u>84,141</u>	<u>84,808</u>
Total	<u>\$ 84,141</u>	<u>\$ 407,330</u>

10. RISK MANAGEMENT

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

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

For the Years Ended December 31, 2015 and 2014

10. RISK MANAGEMENT (Cont'd)

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

11. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through June 6, 2016, the date the financial statements were available to be issued.

12. DEBT

Following are the debt requirements at December 31, 2015:

	Balance at 1/1/2015	Increase	Decrease	Balance at 12/31/2015	Due within one year
Net Pension Liability	\$ 4,205,618	\$ 97,186	\$ -	\$ 4,302,804	\$ -
Compensated Absences	87,696	51,746	(48,598)	90,844	6,894
<i>Total</i>	<u>\$ 4,293,314</u>	<u>\$ 148,932</u>	<u>\$ (48,598)</u>	<u>\$ 4,393,648</u>	<u>\$ 6,894</u>

**Western Reserve Transit Authority**  
 Required Supplementary Information  
 Schedule of Western Reserve Transit Authority Proportionate Share of the Net Pension Liability  
 Last Two Years (1)

	2014	2013
<b>Ohio Public Employees Retirement System (OPERS) - Traditional Plan</b>		
Authority's proportion of the net pension liability	0.035675%	0.035675%
Authority's proportionate share of the net pension liability	\$ 4,302,804	\$ 4,205,618
Authority's covered employee payroll	\$ 4,378,042	\$ 4,203,692
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	98.28%	100.05%
Plan fiduciary net position as a percentage of total pension liability	86.45%	86.36%

(1) Information prior to 2013 is not available and the amounts presented are as of the Authority's measurement date which is the prior fiscal year end.

**Western Reserve Transit Authority**  
 Required Supplementary Information  
 Schedule of Western Reserve Transit Authority Contributions  
 Last Three Years (1)

	2015	2014	2013
<b>Ohio Public Employees Retirement System (OPERS) - Traditional Plan</b>			
Contractually required contribution	\$ 547,718	\$ 525,365	\$ 546,480
Contributions in relation to contractually required contribution	(547,718)	(525,365)	(546,480)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority covered employee payroll	\$ 4,564,317	\$ 4,378,042	\$ 4,203,692
Contributions as a percentage of covered employee payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

**Western Reserve Transit Authority**  
Notes to Required Supplementary Information  
For the Year Ended December 31, 2015

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

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

WESTERN RESERVE TRANSIT AUTHORITY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2015

<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:			
Veteran's Initiative	20.500	OH-04-0090	\$ 39,176
		OH-26-0007	18,525
Total CFDA #20.500			57,701
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-90-0509	\$ 16,167
		OH-90-0632	427
		OH-90-0644	6,645
		OH-90-0683	6,560
		OH-90-0759	106,712
		OH-90-0798	935,002
		OH-90-0828	2,166,482
		OH-95-0125	996,000
Total CFDA #20.507			4,233,995
<b>Total Federal Transit Capital and Operating Formula Grants Cluster</b>			<b>4,291,696</b>
Federal Transit Administration Job Access - Reverse Commute Grants	20.516	OH-37-0070	\$ 10,000
		OH-37-0078	144,960
Total CFDA #20.516			154,960
Federal Transit Administration New Freedom Program	20.521	OH-57-0015	(403)
		OH-57-0030	77,887
Total CFDA #20.521			77,484
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b>\$ 4,524,140</b>

See note to Schedule of Federal Awards Expenditures.

WESTERN RESERVE TRANSIT AUTHORITY  
MAHONING COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
2 CFR 200.510(b)(6)  
For the Year Ended December 31, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of the Western Reserve Transit Authority (the Authority) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the Authority to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Authority has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Western Reserve Transit Authority, Mahoning County, (the Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated June 6, 2016. We also noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment to GASB 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment to GASB 68*.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



***Charles E. Harris & Associates, Inc.***  
June 6, 2016

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*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of Trustees:

***Report on Compliance for the Major Federal Program***

We have audited the Western Reserve Transit Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Western Reserve Transit Authority's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

***Management's Responsibility***

The Authority's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, the Western Reserve Transit Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2015.

***Report on Internal Control Over Compliance***

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
June 6, 2016

**WESTERN RESERVE TRANSIT AUTHORITY  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)	No
(d)(1)(vii)	Major Programs:	FTA Cluster - Capital and Operating Assistance Formula Grant CFDA # 20.507 / 20.500
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

WESTERN RESERVE TRANSIT AUTHORITY  
MAHONING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2015

The prior audit, for the year ended December 31, 2014 reported no material citations or recommendations.

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# Dave Yost • Auditor of State

**WESTERN RESERVE TRANSIT AUTHORITY**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 2, 2016**