WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2016

Dave Yost • Auditor of State

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements
We have audited the accompanying financial statements of the Western Reserve Transit Authority, Mahoning County, Ohio (the Authority), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Western Reserve Transit Authority, Mahoning County, Ohio, as of December 31, 2016, and the respective changes in financial position and the cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of the Western Reserve Transit Authority, Mahoning County, Ohio (the Authority), as of and for the year ended December 31, 2015, were audited by predecessor auditor whose report dated June 6, 2016, expressed an unmodified opinion on those statements.

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 Expenditures of Federal Awards 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 September 20, 2017, 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.

Dave Yost
Auditor of State
Columbus, Ohio

September 20, 2017

WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(UNAUDITED)

As management of the Western Reserve Transit Authority ("Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2016. 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 $31.9 million. The net position results from the difference between total assets and deferred outflow of resources of $39.6 million and total liabilities and deferred inflow of resources of $7.7 million.

- Current assets of $17.8 million primarily consist of non-restricted Cash and Cash Equivalents of $13.6 million; Accounts Receivable of $0.04 million; Sales Tax receivable of $1.4 million; Federal and State assistance receivable of $2.3 million; Materials and Supplies Inventory of $0.3 million, and Prepaid Expenses of $0.1 million.

- Current liabilities of $0.8 million primarily consist of Accounts Payables of $0.1 million, Accrued Payroll and Benefits of $0.5 million, Capital Lease of $0.1 million and Other Payables of $0.1 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.

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

	2016	2015	2014
Assets			
Current Assets	$ 17,812,902	$17,750,403	$15,845,972
Restricted Assets	1,097,830	272,633	571,266
Capital Assets (net of accumulated depreciation)	18,136,635	12,820,090	11,827,822
Total Assets	$ 37,047,367	$30,843,126	$28,245,060
Deferred Outflows of Resources			
Pension	$ 2,581,064	$ 777,303	$ -
Total Deferred Outflows of Resources	$ 2,581,064	$ 777,303	$ -
Liabilities			
Current Liabilities	$ 842,048	$ 724,231	$ 858,979
Liabilities Payable from Restricted Assets	212,607	95,670	141,085
Non-Current Liabilities - Other	6,575,863	4,433,910	215,241
Total Liabilities	$ 7,630,518	$ 5,253,811	$ 1,215,305
Deferred Inflows of Resources			
Pension	$ 123,758	$ 75,592	$ -
Total Deferred Inflows of Resources	$ 123,758	$ 75,592	$ -
Net Position			
Net Investment in Capital Assets	$ 18,057,917	$12,747,711	$11,750,632
Restricted for Capital Assets	1,075,572	250,932	549,146
Unrestricted	12,740,666	13,292,383	14,734,977
Total Net Position	$ 31,874,155	$26,291,026	$27,034,755

In the prior year, the Authority implemented the accounting standard for pension plans. As a result of implementing the new accounting standard, the Authority is reporting a significant net pension liability, related deferred inflows of resources and an increase in expenses related to pension for this fiscal year which have a negative effect on net position. In addition, the Authority is reporting deferred outflows of resources, which has a positive consequence on net position. The increase in pension expense 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.

	2016	2015
Deferred outflow of resources - pension	2,581,064	777,303
Deferred inflow of resources - pension	(123,758)	(75,592)
Net pension liability	(6,405,056)	(4,302,804)
Impact of GASB 68 on net position	(3,947,750)	(3,601,093)

Condensed Summary of Revenues, Expenses and Changes in Net Position

Description	2016	2015	2014
Operating Revenues (Expenses)			
Operating Revenues	$ 962,853	$ 1,034,459	$ 1,081,477
Operating Expenses, excluding Depreciation	(10,434,279)	(9,734,597)	(9,581,807)
Depreciation Expense	(2,224,540)	(1,766,370)	(1,541,447)
Operating Loss	$ (11,695,966)	$ (10,466,508)	$ (10,041,777)
Non-Operating Revenues (Expenses)			
Sales and Use Tax Revenues	8,846,255	8,635,532	8,568,592
Federal Grants and Reimbursements	2,142,430	2,252,221	1,869,670
State Grants, Reimbursements and Special Fare Assistance	84,918	84,141	407,330
Investment Income	50,496	23,600	21,166
Other Income	150,304	121,421	153,062
Total Non-Operating Revenues	11,274,403	11,116,915	11,019,820
Capital Contributions	6,004,692	2,286,117	4,112,932
Increase (Decrease) in Net Position During the Year	5,583,129	2,936,524	5,090,975
Net Position, Beginning of Year	26,291,026	27,034,755	21,943,780
Prior Period Adjustment	-	(3,680,253)	-
Net Position, End of Year	$ 31,874,155	$ 26,291,026	$ 27,034,755

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 2016 and 2015 reflects a decline in 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 2016 approximately 72.3% of the Authority's revenues came from this source while for 2015, approximately 71.1% of the Authority's revenues came from this source. Sales and use tax revenue can be used for operating or capital purchases.

Federal Grants and Reimbursements – In 2016, 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 $2.0 million in 2015 and $1.9 million in 2014. For 2016, capital assistance of $6.0 million includes flex funding in the amount of $287,777 and for 2015, capital assistance of $2.3 million includes flex funding in the amount of $278,576. The Authority received $147,357, $144,960 and $296,752 in Job Access Reverse Commute and New Freedom funds in 2016, 2015 and 2014, respectively; and Veteran's Assistance of $62,001 in 2016 and $137,442 in 2015. In 2016 the Authority received $666,666 in Federal Section 5339, Bus and Bus Facilities funds, as well as $4.2 million Congestion Management and Air Quality (CMAQ) funds.

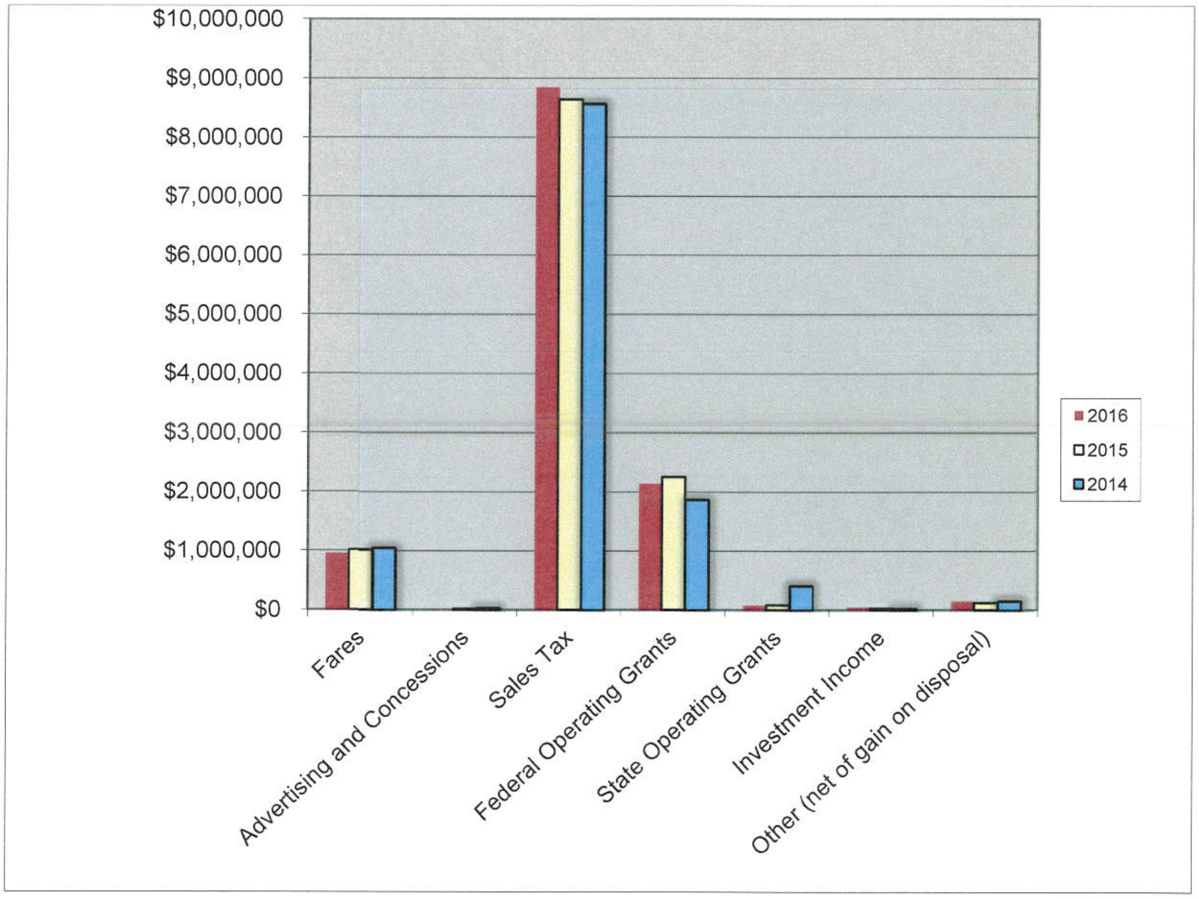
State Operating Grants – The Ohio Department of Transportation allocates grants for capital, operating assistance and elderly and disabled programs. The Authority received $322,522 for preventive maintenance in 2014. This category also includes reimbursement for state fuel taxes paid by the Authority in the amount of $84,918 for 2016, $84,141 for 2015 and $84,808 for 2014.

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

	2016		2015		2014	
Fares	$ 955,812	7.8%	$ 1,017,547	8.4%	$ 1,045,982	8.6%
Advertising and Concessions	7,041	0.1%	16,912	0.1%	35,495	0.3%
Sales Tax	8,846,255	72.3%	8,635,532	71.1%	8,568,592	70.8%
Federal Operating Grants	2,142,430	17.5%	2,252,221	18.5%	1,869,670	15.5%
State Operating Grants	84,918	0.7%	84,141	0.7%	407,330	3.4%
Investment Income	50,496	0.4%	23,600	0.2%	21,166	0.2%
Other (net of gain on disposal)	150,304	1.2%	121,646	1.0%	153,062	1.3%
Total	$ 12,237,256		$ 12,151,599		$ 12,101,297	



Expenses

Labor and Fringe Benefits Personnel costs accounted for approximately 74% of all the Authority operating expenses (excluding depreciation) in 2016**.** This proportion was approximately 70% in 2015 and 67% in 2014.

Materials and Supplies A decrease in 2016 and 2015 was the result of additional revenue vehicles being replaced during the year. New vehicles are covered by warranty. Increases in 2014 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 2016 and 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 increase in 2016 came from increased water rates and the transition with the telephone service which began in 2015. 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 Casualty and Liability rates remained fairly stable in 2016. 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.

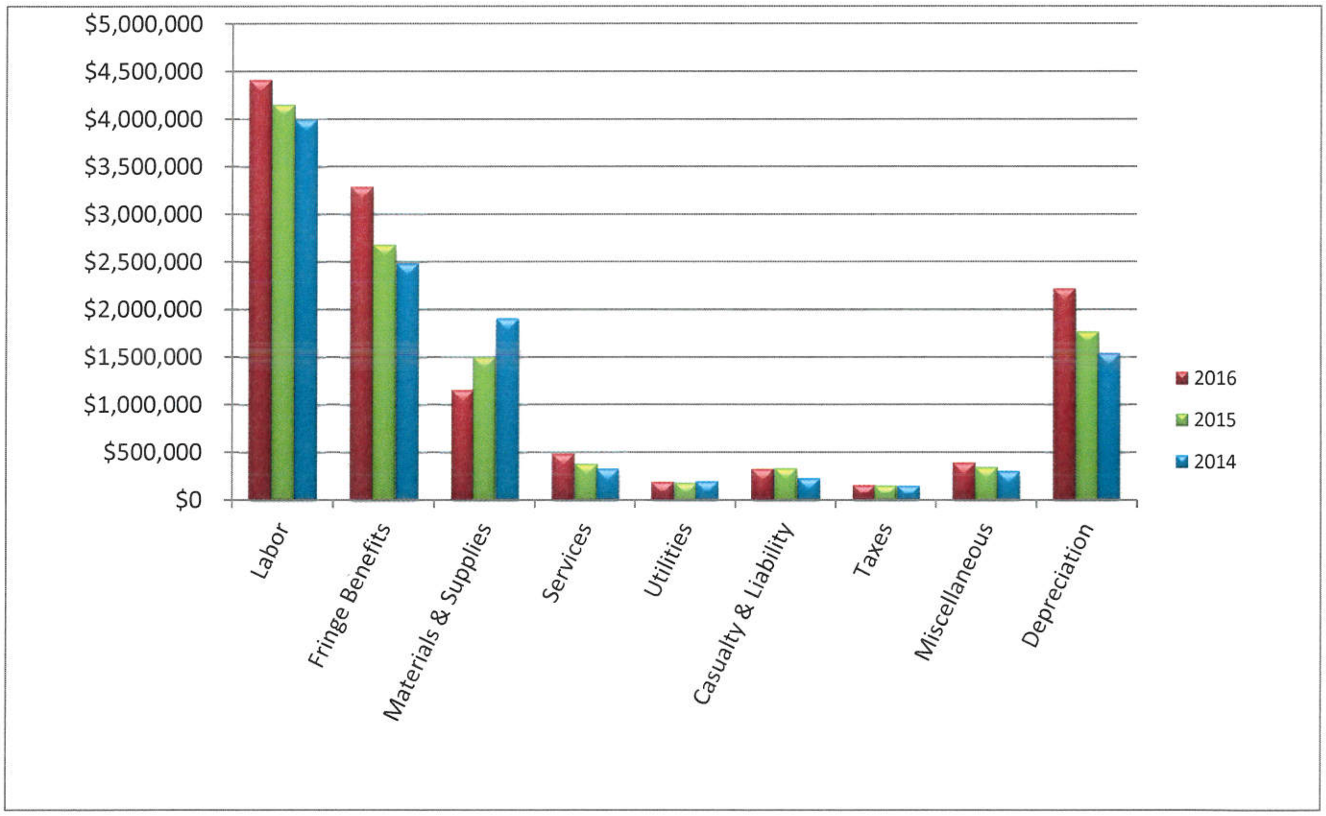
Maintenance Vehicle and facility maintenance labor costs, fringe benefits, and materials and supplies are included in this category.

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.

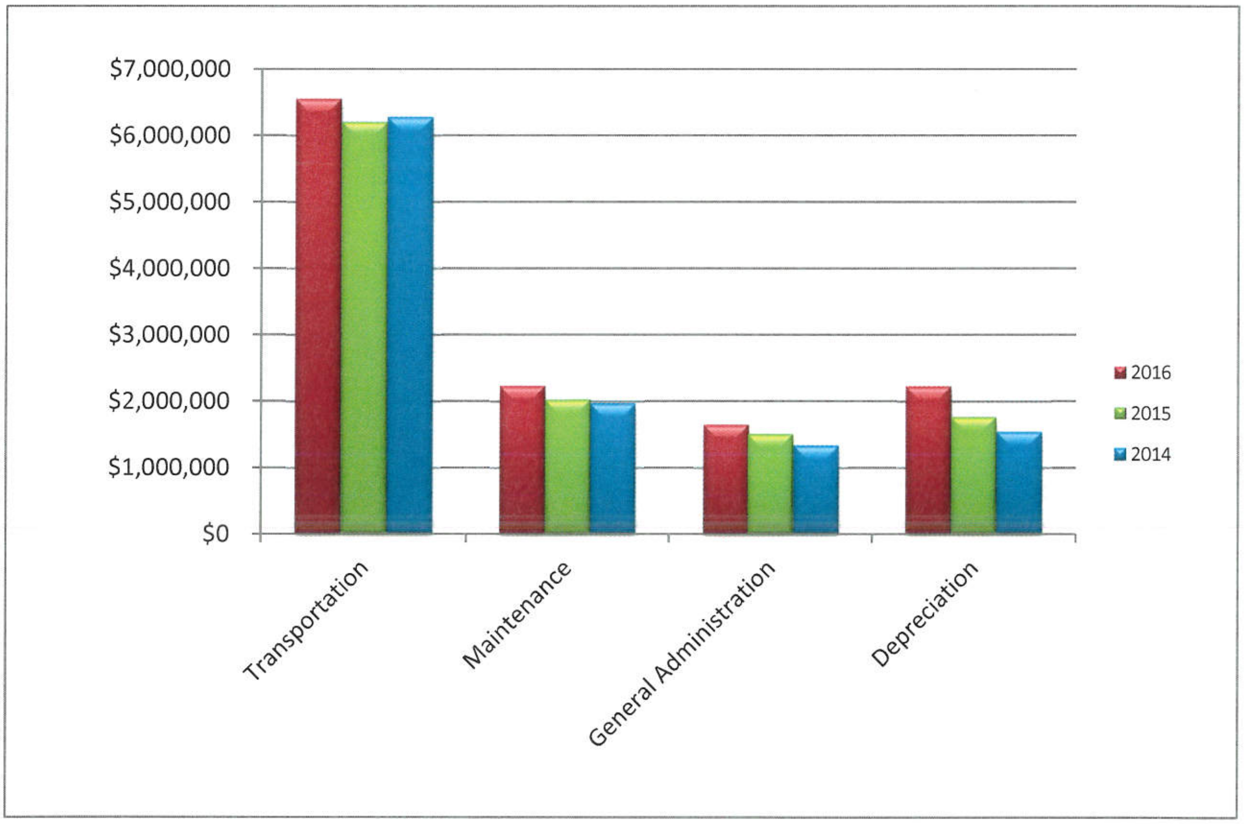
EXPENSE BY OBJECT CLASS

	2016		2015		2014	
Labor	$4,415,257	35%	$4,153,978	36%	$3,992,683	36%
Fringe Benefits	3,291,039	26%	2,684,393	23%	2,481,537	22%
Materials & Supplies	1,162,537	9%	1,500,359	13%	1,906,026	17%
Services	488,380	4%	385,057	3%	327,017	3%
Utilities	191,620	2%	180,337	2%	194,498	2%
Casualty & Liability	331,958	3%	334,419	3%	228,761	2%
Taxes	158,667	1%	151,465	1%	148,291	1%
Miscellaneous	394,821	3%	344,588	3%	302,994	3%
Depreciation	2,224,540	18%	1,766,370	15%	1,541,447	14%
Total	$12,658,819		$11,500,966		$11,123,254	



EXPENSE BY FUNCTION

	2016		2015		2014	
Transportation	$6,554,246	52%	$6,201,879	54%	$6,277,600	56%
Maintenance	2,232,593	18%	2,025,285	18%	1,968,659	18%
General Administration	1,647,440	13%	1,507,432	13%	1,335,548	12%
Depreciation	2,224,540	18%	1,766,370	15%	1,541,447	14%
Total	$12,658,819		$11,500,966		$11,123,254	



Condensed Summary of Cash Flows

Net cash used for operating activities increased slightly due to increased costs in 2016. 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 increased due to the nature of capital purchases in 2016. Acquisition of fixed assets included the purchase of 11 full size transit buses, 8 light transit vehicles, 1 rebuilt transit vehicle engine, ITS Communications System design and implementation, 5 hydraulic lifts and ADP hardware/software.

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from customers	$ 971,153	$1,053,679	$1,045,216
Cash payments to suppliers for goods and services	(2,656,036)	(5,572,339)	(5,755,248)
Cash payments to employees for services	(7,255,707)	(4,347,657)	(3,921,588)
Net cash used in operating activities	(8,940,590)	(8,866,317)	(8,631,620)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Sales and Use taxes received	8,846,255	8,667,264	8,443,023
Maintenance and planning grants received	2,227,348	2,621,307	863,487
Other	150,304	89,206	149,544
Net cash provided by non-capital financing activities	11,223,907	11,377,777	9,456,055
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants received	5,540,350	2,539,320	3,885,111
Acquisition of fixed assets	(7,510,474)	(2,779,121)	(4,978,209)
Payment on capital lease	(90,844)	-0-	-0-
Proceeds from disposal	43,754	55,846	-0-
Net cash provided (used) in capital and related financing activities	(2,017,214)	(183,955)	(1,093,098)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from investments	50,496	23,600	21,166
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	316,599	2,351,105	(247,500)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,286,208	10,935,103	11,182,601
CASH AND CASH EQUIVALENTS, END OF YEAR	$13,602,807	$13,286,208	$10,935,103
Non-cash transactions:			
Capital lease	$105,558	$90,844	$87,696

Capital Assets

The Authority's net investment in capital assets amounts to $18.1 million, net of accumulated depreciation as of December 31, 2016, an increase of $5.3 million (41%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. During 2016 the Authority rebuilt 1 transit vehicle engine, 11 full size transit buses, 8 Light Transit Vehicles, ITS communications system design and implementation, ADP hardware/software, and 5 hydraulic lifts. 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.

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.

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WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF NET POSITION
DECEMBER 31, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 13,591,550	$ 13,275,105
Receivables:		
Trade, less allowance for doubtful accounts of $1,782 in 2015 and 2014	36,068	44,368
Federal assistance	2,332,649	2,576,394
State assistance	7,427	34,265
Sales and Use taxes (Note 4)	1,443,386	1,385,374
Materials and supplies inventory	265,270	295,436
Prepaid expenses	136,552	139,461
Total current assets	17,812,902	17,750,403
RESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	11,257	11,104
Investments	11,000	11,000
Federal capital assistance receivable	1,075,573	250,529
Total restricted assets	1,097,830	272,633
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	1,013,136	1,013,136
Building and improvements	12,801,423	11,912,763
Transportation equipment	23,737,105	19,508,027
Other equipment	1,625,905	1,599,697
Total	39,177,569	34,033,623
Less accumulated depreciation	21,040,934	21,213,533
Property, facilities and equipment - net	18,136,635	12,820,090
TOTAL ASSETS	$ 37,047,367	$ 30,843,126
DEFERRED OUTFLOWS OF RESOURCES:		
Pension-OPERS	2,581,064	777,303
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,581,064	777,303

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF NET POSITION (CONT'D)
DECEMBER 31, 2016 AND 2015

	2016	(Restated) 2015
CURRENT LIABILITIES:		
Accounts payable	$ 115,557	$ 75,385
Accrued payroll and benefits	480,333	416,102
Capital Lease, current portion	105,558	90,844
Other	140,600	141,900
Total current liabilities	842,048	724,231
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Capital expenditures payable	212,607	95,670
Total Liabilities payable from restricted assets	212,607	95,670
NONCURRENT LIABILITIES		
Net Pension Liabilities	6,405,056	4,302,804
Other	170,807	131,106
Total Noncurrent Liabilities	6,575,863	4,433,910
Total Liabilities	7,630,518	5,253,811
DEFERRED INFLOWS OF RESOURCES:		
Pension-OPERS	123,758	75,592
TOTAL DEFERRED INFLOWS OF RESOURCES	123,758	75,592
NET POSITION:		
Net Investment in Capital Assets	18,057,917	12,747,711
Restricted for Capital Assets	1,075,572	250,932
Unrestricted	12,740,666	13,292,383
Total Net Position	31,874,155	26,291,026

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, 2016 AND 2015

	2016	2015
OPERATING REVENUES:		
Passenger fares	$ 955,812	$ 1,017,547
Advertising and concessions	7,041	16,912
Total operating revenues	962,853	1,034,459
OPERATING EXPENSES:		
Labor	4,415,257	4,153,979
Fringe benefits (Note 5)	3,291,039	2,684,393
Materials and supplies	1,162,537	1,500,359
Services	488,380	385,057
Utilities	191,620	180,337
Casualty and liability	331,958	334,419
Taxes	158,667	151,465
Other	394,821	344,588
Total operating expenses excluding depreciation	10,434,279	9,734,597
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(9,471,426)	(8,700,138)
DEPRECIATION EXPENSE (Note 3):	2,224,540	1,766,370
OPERATING LOSS	(11,695,966)	(10,466,508)
NONOPERATING REVENUES:		
Sales and Use tax revenues (Note 4)	8,846,255	8,635,532
Federal maintenance grants and reimbursements (Note 9)	2,142,430	2,252,221
State maintenance grants, reimbursements and special fare assistance (Note 9)	84,918	84,141
Investment income	50,496	23,600
Other	150,304	121,421
Total nonoperating revenues	11,274,403	11,116,915
NET GAIN (LOSS) BEFORE CAPITAL CONTRIBUTION	(421,563)	650,407
Capital contributions	6,004,692	2,286,117
NET GAIN (LOSS)	5,583,129	2,936,524
Net Position, Beginning of Year	26,291,026	23,354,502
Net Position, End of Year	$ 31,874,155	$ 26,291,026

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
OPERATING ACTIVITIES:		
Cash received from customers	$ 971,153	$ 1,053,679
Cash payments to suppliers for goods and services	(2,656,036)	(5,572,339)
Cash payments to employees for services	(7,255,707)	(4,347,657)
Net cash used in operating activities	(8,940,590)	(8,866,317)
NONCAPITAL FINANCING ACTIVITIES:		
Sales and Use taxes received	8,846,255	8,667,264
Maintenance and planning grants received	2,227,348	2,621,307
Other	150,304	89,206
Net cash provided by noncapital financing activities	11,223,907	11,377,777
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	5,540,350	2,539,320
Acquisition of capital assets	(7,510,474)	(2,779,121)
Payment on capital lease	(90,844)	-
Proceeds from disposal	43,754	55,846
Net cash used in capital and related financing activities	(2,017,214)	(183,955)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	50,496	23,600
Net cash provided by investing activities	50,496	23,600
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	316,599	2,351,105
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,286,208	10,935,103
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,602,807	$ 13,286,208
USED IN OPERATING ACTIVITIES:		
Operating loss	$ (11,695,966)	$ (10,466,508)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,224,540	1,766,370
Change in assets and liabilities:		
(Increase)decrease in accounts receivable-trade	8,300	19,220
(Increase)decrease in materials and supplies inventory	30,166	(6,186)
(Increase)decrease in prepaid expenses	2,909	116,978
Increase(decrease) in accounts payable	40,172	(23,353)
Increase(decrease) in accrued payroll and benefits	103,932	(193,678)
Increase(decrease) in net pension liability/deferred inflows/outflows	346,657	-
Increase(decrease) in other liabilities	(1,300)	(79,160)
Net cash used in operating activities	$ (8,940,590)	$ (8,866,317)

Non-cash transactions:		
Capital lease	$ 105,558	$ 90,844

See accompanying notes to the financial statements.

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.

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.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - (continued)

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, 2016 and 2015, $6,004,692 and $2,286,117, 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 in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market value (fair value).

The Authority's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Authority. The Authority measurers their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - (continued)

However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds.

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

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

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

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

Description	Years
Building and improvements	20-40
Land improvements	20
Transportation equipment	5-15
Other equipment	3-15

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - (continued)

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. Vacation leave is considered short term since employees lose unused vacation on anniversary date.

Net Position - Equity displayed in three components as follows:

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

Restricted – This consists of net 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.

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

Classification 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.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - (continued)

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.

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.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - (continued)

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 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.

Changes in Accounting Principles

For fiscal year 2016, the Authority implemented Governmental Accounting Standards board (GASB) Statement No. 72. “Fair Value Measurement and Application, GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Government”, and GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68”.

GASB Statement No. 72 provides guidance on reporting issues as it relates to fair value measurements. This Statement provides direction for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions in Statement 72 were incorporated for the Authority during fiscal year 2016.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No.68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68. The provisions in Statement 73 were incorporated for the Authority during fiscal year 2016.

GASB Statement No. 76 identifies in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The implementation of this Statement became effective for the Authority during fiscal year 2016.

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

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

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

At December 31, 2016, the carrying amount of all the Authority's deposits was $1,005,775 and the Authority's bank balance of $1,211,764 was not exposed to custodial credit risk. These amounts do not include petty cash of $806.

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.

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.

2. DEPOSITS AND INVESTMENTS – (continued)

As of December 31, 2016, WRTA has the following investments and maturities:

Investment Type	NAV Value	Invest < 6 months
STAR Ohio	$12,607,226	$12,607,226
Total	$12,607,226	$12,607,226

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

Investment Type	NAV Value	Invest < 6 months
STAR Ohio	$11,549,472	$11,549,472
Total	$11,549,472	$11,549,472

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding tables identify the Authority's recurring fair value measurement as of December 31, 2016 and 2015. As previously discussed, STAR Ohio is reported at its net asset value.

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, 2016:

Investment Type	NAV Value	% to Total
STAR Ohio	$12,607,226	100
Total	$12,607,226	

2. DEPOSITS AND INVESTMENTS – (continued)

As of December 31, 2015, the investment type held by the Authority was as follows:

Investment Type	NAV Value	% to Total
STAR Ohio	$11,549,472	100
Total	$11,549,472	

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

	2016	2015
Current assets – cash and cash equivalents	$13,591,550	$13,275,105
Restricted assets-investments	11,000	11,000
Restricted assets-cash and cash equivalents	11,257	11,104
Total	$13,613,807	$13,297,209

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 is as follows:

Description	Balance 1/1/2016	Fixed Assets Additions	Fixed Assets Disposal	Balance 12/31/2016
Capital assets not being depreciated:				
Land	$ 1,013,136	$ -	$ -	$ 1,013,136
Total capital assets not being depreciated	1,013,136	-	-	1,013,136
Capital assets being depreciated:				
Buildings & building improvements	11,955,282	846,141	-	12,801,423
Transportation equipment	19,508,722	6,610,807	(2,382,424)	23,737,105
Other equipment	1,556,484	69,421	-	1,625,905
Total capital assets being depreciated *	33,020,488	7,526,369	(2,382,424)	38,164,433
Less Accumulated depreciation:				
Buildings & building improvements	7,617,961	483,584	-	8,101,545
Transportation equipment	12,560,262	1,643,144	(2,397,138)	11,806,268
Other equipment	1,035,309	97,812	-	1,133,121
Total accumulated depreciation	21,213,532	2,224,540	(2,397,138)	21,040,934
Total capital assets being depreciated, Net	11,806,956	5,301,829	14,714	17,123,499
Total capital assets, Net	$ 12,820,092	$ 5,301,829	$ 14,714	$ 18,136,635

*Certain capital assets in “other equipment” were reclassified as “building and building improvements” and “transportation equipment”. Certain reclassifications were made to beginning balances of accumulated depreciation to properly reflect balance. The changes had no effect on beginning net position.

In 2016, the Authority purchased tires through a capital lease of which the balance was $105,588 as of December 31, 2016.

3. CAPITAL ASSETS – (continued)

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

Description	Balance 1/1/2015	Fixed Assets Additions	Fixed Assets Disposals	Balance 12/31/2015
Capital assets not being depreciated:				
Land	$ 1,013,136	$ -	$ -	$ 1,013,136
Total capital assets not being depreciated	1,013,136	-	-	1,013,136
Capital assets being depreciated:				
Building & building improvements	12,038,519	71,028	(196,783)	11,912,764
Transportation equipment	19,722,222	2,514,705	(2,728,900)	19,508,027
Other equipment	1,557,100	216,402	(173,805)	1,599,697
Total capital assets being depreciated	33,317,841	2,802,135	(3,099,488)	33,020,488
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	1,122,403	85,470	(172,294)	1,035,579
Total accumulated depreciation	22,503,155	1,792,532	(3,082,154)	21,213,533
Total capital assets being depreciated, Net	10,814,686	1,009,603	(17,334)	11,806,955
Total capital assets, Net	$ 11,827,822	$ 1,009,603	$ (17,334)	$ 12,820,091

In 2015, the Authority purchased tires through a capital lease of which the balance was $90,844 as of December 31, 2015.

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, was 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 pensions. 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 estimate 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 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 a 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.

5. DEFINED BENEFIT PLANS – (continued)

Ohio Public Employees Retirement System

The Authority employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the combined plan is a cost sharing, multiple employer defined benefit pension plan with defined contribution features. While members may elect the member-directed plan 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 by 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, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 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 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):

5. DEFINED BENEFIT PLANS – (continued)

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

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

5. DEFINED BENEFIT PLANS – (continued)

	State and Local	
2015 and 2016 Statutory maximum contribution rates		
Employer	14.00	%
Employee	10.00	%
2015 and 2016 Actual contribution rates		
Employer:		
Pension	12.00	%
Post-employment health care benefits	2.00	
Total employer	14.00	%
Employee	10.00	%

The Authority's contractually required contribution was $594,688 and $547,718 for 2016 and 2015, respectively.

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, 2015, 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:

		2015	
Proportion of the pension liability - prior measurement date		0.035675	%
Proportion of the pension liability - current measurement date		0.036978	%
Change in proportionate share		0.001303	%
Proportionate share of the net pension liability	$	6,405,056	
Pension expense	$	941,345	

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

5. DEFINED BENEFIT PLANS – (continued)

	2015	2014
Deferred outflows of resources		
Net difference between projected and actual earnings on pension plan investments	$ 1,885,686	$ 229,585
Change in proportionate share and differences between employer contributions and proportionate share of contributions	103,690	-
Employer contributions subsequent to the measurement date	594,688	547,718
Total deferred outflows of resources	$ 2,584,064	$ 777,303
Deferred inflows of resources		
Differences between expected and actual experience	$ 123,758	$ 75,592
Total deferred inflows of resources	$ 123,758	$ 75,592

$594,688 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ending December 31:	OPERS
2017	$ (459,603)
2018	(489,706)
2019	(487,257)
2020	(426,052)
Total	$ (1,862,618)

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.

5. DEFINED BENEFIT PLANS – (continued)

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, 2015, 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 Benefit portfolio, the 401(h) 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 the Member-Directed retiree medical accounts funded through 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 0.4 percent for 2015.

5. DEFINED BENEFIT PLANS – (continued)

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 2015 and the long-term expected real rates of return:

Asset class	Target allocation		Weighted average long-term expected real rate of return (arithmetic)	
Fixed income	23.00	%	2.31	%
Domestic equities	20.70		5.84	
Real estate	10.00		4.25	
Private equity	10.00		9.25	
International equities	18.30		7.40	
Other investments	18.00		4.59	
Total	100.00	%	5.27	%

The only differences in the above table for the 2014 measurement date are Domestic equities were 19.90% and International equities were 19.10%

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.

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:

5. DEFINED BENEFIT PLANS – (continued)

	1% Decrease (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
Employer proportionate share of the net pension liability	$ 10,204,819	$ 6,405,056	$ 3,200,076

Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Authority's net pension liability is expected to be significant.

6. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement 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. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

6. POSTEMPLOYMENT BENEFITS – (continued)

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 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 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care 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 contribution 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 2016, 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.

Each year, the OPERS Board 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 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish 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 RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2016, 2015 and 2014 were $100,116, $93,149 and $89,243 respectively; 100% has been contributed for 2016, 2015, and 2014. 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 $48,785 and $47,364, for 2016 and 2015, 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, 2016, 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.

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:

	2016	2015
FEDERAL:		
FTA Maintenance and Other Assistance	$ 1,907,313	$ 2,008,995
FTA Job Access and Reverse Commute Assistance	147,357	144,960
FTA Veteran's Initiative	7,920	18,525
FTA Planning Assistance	79,840	79,741
FTA Capital Contribution	6,028,974	2,286,117
Total	$ 8,171,404	$ 4,538,338
STATE:		
ODOT Fuel Tax Reimbursement	$ 84,918	$ 84,141
Total	$ 84,918	$ 84,141

* $54,081 of Veteran's Initiative Grant is reported under capital contribution.

10. RISK MANAGEMENT

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

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

11. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through April 20, 2017, the date the financial statements were available to be issued.

12. LONG-TERM LIABILITIES

The following are the Long-term liabilities requirements at December 31, 2016 and 2015:

	Balance at 1/1/2016	Increase	Decrease	Balance at 12/31/2016	Due w/in 1 year
Net Pension Liability	$ 4,302,804	$ 2,102,252	$ -	$ 6,405,056	$ -
Capital Lease Liability*	90,844	105,558	(90,844)	105,558	105,558
Compensated Absences**	131,106	191,198	(151,497)	170,807	18,163
Total	$ 4,524,754	$ 2,399,008	$ (242,341)	$ 6,681,421	$ 123,721

	Balance at 1/1/2015	Increase	Decrease	Balance at 12/31/2015	Due w/in 1 year
Net Pension Liability	$ 4,205,618	$ 97,186	$ -	$ 4,302,804	$ -
Capital Lease Liability*	87,696	51,746	(48,598)	90,844	6,894
Compensated Absences	127,546	111,152	(107,592)	131,106	16,634
Total	$ 4,420,860	$ 260,084	$ (156,190)	$ 4,524,754	$ 23,528

*The 2015 report had capital leases classified as compensated absences. This amount was renamed with no effect on balance.

** Long term compensated absences includes sick leave only. Unused vacation leave at the end of the employees' anniversary date are not carried over and included as current liabilities.

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Western Reserve Transit Authority

Required Supplementary Information

Schedule of Western Reserve Transit Authority Proportionate Share of the Net Pension Liability

Last Three Years (1)

	2016	2015	2014
Ohio Public Employees Retirement System (OPERS) - Traditional Plan			
Authority's proportion of the net pension liability	0.036978%	0.035675%	0.035675%
Authority's proportionate share of the net pension liability	$ 6,405,056	$ 4,302,804	$ 4,205,618
Authority's covered employee payroll	$ 4,564,317	$ 4,378,042	$ 4,203,692
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	140.33%	98.28%	100.05%
Plan fiduciary net position as a percentage of total pension liability	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

Western Reserve Transit Authority

Required Supplementary Information

Schedule of Western Reserve Transit Authority Contributions

Last Four Years (1)

	2016	2015	2014	2013
Ohio Public Employees Retirement System (OPERS) - Traditional Plan				
Contractually required contribution	$ 594,688	$ 547,718	$ 525,365	$ 546,480
Contributions in relation to contractually required contribution	(594,688)	(547,718)	(525,365)	(546,480)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority covered employee payroll	$ 4,955,733	$ 4,564,317	$ 4,378,042	$ 4,203,692
Contributions as a percentage of covered employee payroll	12.00%	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, 2016

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, 2015 and 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for year 2014, 2015 and 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

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WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR/ *PASS-THROUGH GRANTOR/* PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PASSED THROUGH TO SUBRECIPIENTS	GRANT EXPENDITURES
U. S. DEPARTMENT OF TRANSPORTATION				
Federal Transit Cluster/Direct Programs:				
Veteran's Initiative	20.500	OH-04-0090	-	$ 54,081
		OH-26-0007	-	7,920
Total CFDA #20.500			-	62,001
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-90-0509	-	$ 27,923
		OH-90-0644	-	238,214
		OH-90-0683	-	989
		OH-90-0759	-	613,397
		OH-90-0798	-	58,936
		OH-90-0828	-	19,685
		OH-2016-046	-	2,906,999
		OH-95-0198	-	999,999
		OH-95-0204	-	1,999,998
Total CFDA #20.507			-	6,866,140
Bus and Bus Facilities Formula Program	20.526	OH-34-0013	-	$ 666,666
Total CFDA #20.526			-	666,666
Total Federal Transit Capital and Operating Formula Grants Cluster			**-**	**7,594,807**
Enhanced Mobility of Seniors and Disabled	20.513	OH-16-0021	$ 77,243	$ 429,240
Total CFDA #20.513			77,243	429,240
Federal Transit Administration Job Access - Reverse Commute Grants	20.516	OH-37-0078	-	$ 147,357
Total CFDA #20.516				147,357
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 77,243**	**$ 8,171,404**

The accompanying notes are an integral part of this schedule.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Western Reserve Transit Authority (the Authority) under programs of the federal government for the year ended December 31, 2016. 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 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. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The Authority passes certain federal awards received from the Federal Transit Administration to other governments or not-for-profit agencies (subrecipients). As Note B describes the Authority reports expenditures of Federal awards to subrecipients on an accrual basis.

As a subrecipient, the Authority has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award’s performance goals.

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.

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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 20, 2017, wherein we noted other auditors audited the basic financial statements of the Authority as of and for the year ended December 31, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

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.

Dave Yost
Auditor of State
Columbus, Ohio

September 20, 2017

INDEPENDENT AUDITOR'S 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, 2016. 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, 2016.

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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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

September 20, 2017

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

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 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 noncompliance 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 (list):**	FTA Cluster – Capital and Operating Assistance Formula Grant CFDA # 20.500 / 20.507 / 20.526
(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 AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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WESTERN RESERVE TRANSIT AUTHORITY

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 10, 2017

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