

WESTERN RESERVE TRANSIT AUTHORITY

MAHONING COUNTY

Audit Report

For the Years Ended December 31, 2013 and 2012





Dave Yost • Auditor of State

Board of Trustees
Western Reserve Transit Authority
604 Mahoning Avenue
Youngstown, Ohio 44504

We have reviewed the *Independent Auditors' Report* of the Western Reserve Transit Authority, Mahoning County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

July 21, 2014

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WESTERN RESERVE TRANSIT AUTHORITY

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Charles E. Harris & Associates, Inc.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Western Reserve Transit Authority, Mahoning County, Ohio (the Authority), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Reserve Transit Authority, Mahoning County, Ohio as of December 31, 2013 and 2012, and the changes in financial position and the respective cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate 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 May 15, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
May 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Western Reserve Transit Authority ("Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2013. 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 a net position of \$22.0 million. The net position results from the difference between total assets of \$23.3 million and total liabilities of \$1.3 million.
- Current assets of \$14.4 million primarily consist of non-restricted Cash and Cash Equivalents of \$11.2 million; Accounts Receivable of \$.03 million; Sales Tax receivable of \$1.3 million; Federal and State assistance receivable of \$1.5 million; Materials and Supplies Inventory of \$.27 million, and Prepaid Expenses of \$.16 million.
- Current liabilities of \$.96 million primarily consist of Accounts, Contracts, and Other payables of \$.29 million and Accrued Payroll Benefits of \$.67 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 of 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

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---|----------------------|---------------------|---------------------|
| Current Assets | \$14,407,135 | \$11,411,263 | \$ 8,880,787 |
| Restricted Assets | 504,398 | 1,439,235 | 1,555,332 |
| Capital Assets (net of accumulated Depreciation) | <u>8,391,061</u> | <u>9,612,795</u> | <u>10,979,660</u> |
| Total Assets | <u>\$ 23,302,594</u> | <u>\$22,463,293</u> | <u>\$21,415,779</u> |
| Current Liabilities | \$ 1,048,418 | \$ 1,162,268 | \$ 1,002,645 |
| Liabilities Payable from Restricted Assets | 219,182 | 56,714 | 63,636 |
| Non Current Liabilities-other | <u>91,214</u> | <u>88,949</u> | <u>178,004</u> |
| Total Liabilities | <u>\$ 1,358,814</u> | <u>\$ 1,307,931</u> | <u>\$ 1,244,285</u> |
| Net Position | | | |
| Net Investment in Capital Assets | \$ 8,391,061 | \$ 9,612,795 | \$10,979,660 |
| Restricted for Capital Assets | 3,192,871 | 1,293,860 | 1,400,217 |
| Unrestricted | <u>10,359,848</u> | <u>10,248,707</u> | <u>7,791,617</u> |
| Total Net Position | <u>\$21,943,780</u> | <u>\$21,155,362</u> | <u>\$20,171,494</u> |

Condensed Summary of Revenues, Expenses and Changes in Net Position

| <u>Description</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---|-----------------------|-----------------------|-----------------------|
| Operating Revenues (Expenses) | | | |
| Operating Revenues | \$ 1,069,882 | \$ 1,019,154 | \$ 912,410 |
| Operating Expenses, excluding depreciation | (9,260,426) | (8,904,640) | (8,548,833) |
| Depreciation Expense | <u>(2,042,792)</u> | <u>(2,498,823)</u> | <u>(2,433,348)</u> |
| Operating Loss | <u>\$(10,233,336)</u> | <u>\$(10,384,309)</u> | <u>\$(10,069,771)</u> |
| Non-Operating Revenues (Expenses) | | | |
| Property Tax Revenues | \$ -- | \$ -- | \$ 40,398 |
| Sales and Use Tax Revenues | 7,996,938 | 7,717,967 | 7,490,559 |
| Federal Grants and Reimburse | 2,165,869 | 2,724,664 | 2,473,705 |
| State Grants, Reimbursements and Special Fare Assistance | 85,188 | 85,257 | 164,954 |
| Investment Income | 17,725 | 11,649 | 13,603 |
| Other Income | <u>85,424</u> | <u>82,245</u> | <u>69,034</u> |
| Total nonoperating revenues | \$10,351,144 | \$ 10,621,782 | \$10,252,253 |
| Capital Contributions | <u>\$ 670,610</u> | <u>\$ 746,395</u> | <u>\$ 1,768,762</u> |
| Increase (Decrease) in Net Position During the Year | \$ 788,418 | \$ 983,868 | \$ 1,951,244 |
| Net Position, Beginning of Year | <u>\$21,155,362</u> | <u>\$20,171,494</u> | <u>\$18,220,250</u> |
| Net Position, End of Year | <u>\$21,943,780</u> | <u>\$21,155,362</u> | <u>\$20,171,494</u> |

FINANCIAL OPERATING RESULTS

Revenues

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

Passenger Revenues – Farebox and special transit fares are included here. The overall increase from 2013 and 2012 reflects an increase in ridership as a result of promotional advertising.

Property Tax Revenues – This 5 mills was levied against property owners in the City of Youngstown and was made up of three separate tax issues: one 1 mill for 10 years, one 2 mill for 10 years and one 2 mill for 4 years. Property Tax Revenues are no longer collected with the passage of the Sales and Use Tax.

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 2013 approximately 70.0% of the Authority's revenues came from this source while for 2012, approximately 66.3% 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 2013, the Authority received approximately \$2.0 million in preventive maintenance and ADA reimbursement funds to cover certain maintenance and complimentary paratransit service costs incurred. For 2013 operating assistance includes flex funding in the amount of \$270,137. This compares to \$1.84 million received in 2012 and \$1.04 million received in 2011. The Authority also received \$368,823 in operating funds to purchase fuel in 2012 and \$144,712, \$410,472 and \$627,781 in Job Access Reverse Commute and New Freedom funds in 2013, 2012 and 2011, respectively.

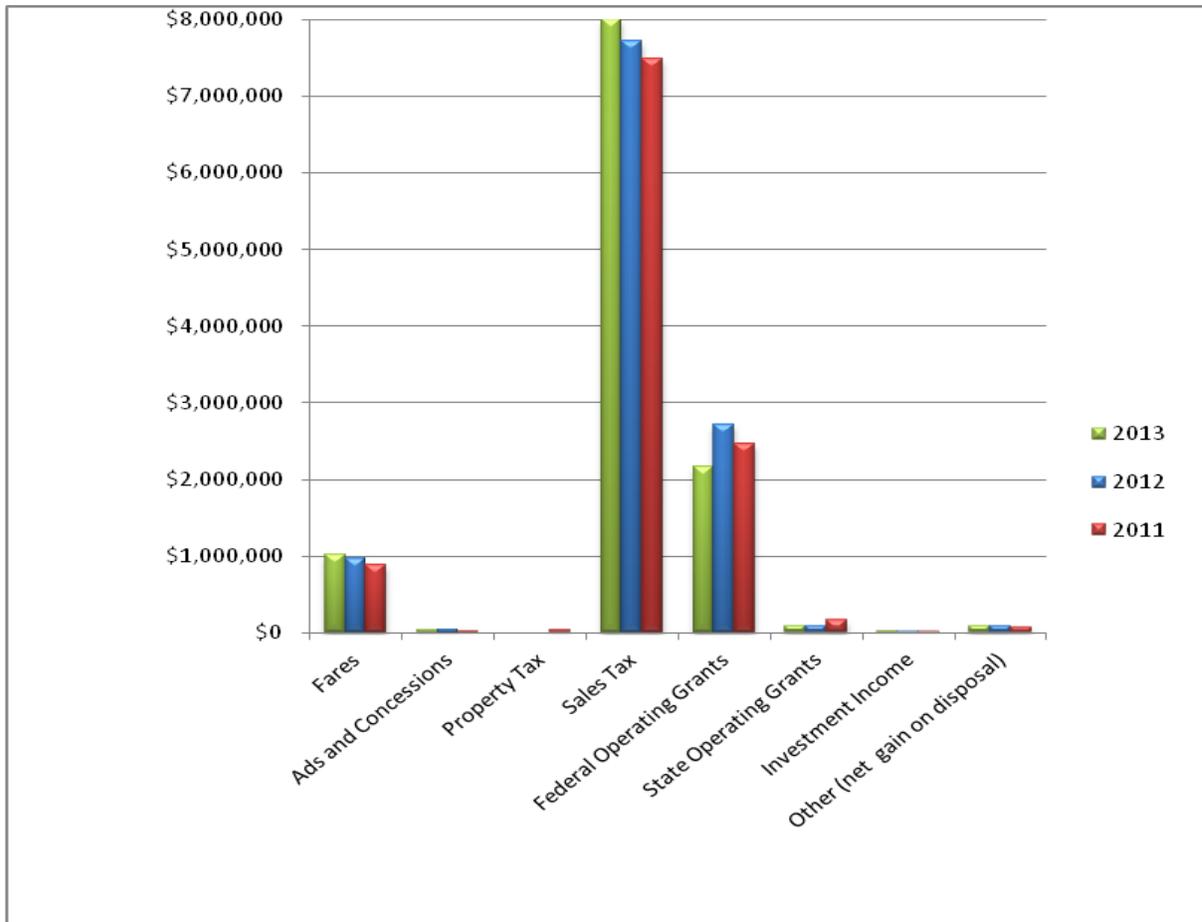
State Operating Grants – The Ohio Department of Transportation allocates grants for operating assistance and elderly and disabled programs. This category also includes reimbursement for state fuel taxes paid by the Authority in the amount of \$85,188 for 2013 and \$85,257 for 2012. For 2011 operating assistance includes operating assistance of \$88,553, elderly assistance of \$83,732 and fuel tax reimbursement of \$81,222.

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

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

REVENUE

| | <u>2013</u> | | <u>2012</u> | | <u>2011</u> | |
|------------------------------|----------------------|-----|----------------------|-----|----------------------|-----|
| Fares | \$ 1,028,230 | 9% | \$ 976,000 | 8% | \$ 888,353 | 8% |
| Ads and Concessions | 41,652 | 0% | 43,154 | 0% | 24,057 | 0% |
| Property Tax | - | 0% | - | 0% | 40,399 | 0% |
| Sales Tax | 7,996,938 | 70% | 7,717,967 | 66% | 7,490,559 | 67% |
| Federal Operating Grants | 2,165,869 | 19% | 2,724,664 | 23% | 2,473,705 | 22% |
| State Operating Grants | 85,188 | 1% | 85,257 | 1% | 164,954 | 1% |
| Investment Income | 17,725 | 0% | 11,649 | 0% | 13,603 | 0% |
| Other (net gain on disposal) | 85,424 | 1% | 82,245 | 1% | 69,034 | 1% |
| Total | \$ 11,421,026 | | \$ 11,640,936 | | \$ 11,164,664 | |



Expenses

Labor and Fringe Benefits These personnel costs accounted for approximately 67.4% of all the Authority operating expenses (excluding depreciation) in 2013. This proportion was approximately 68.6% in 2012 and 68.3% in 2011.

Materials and Supplies These costs increased in 2011 mainly due to added service, increased mileage, and aging vehicles. Increases in 2013 and 2012 are mainly due to aging vehicles. The Authority's fleet has reached its maximum useful life of 12 years, resulting in major repairs.

Services These costs decreased in 2013 due to lower advertising and planning costs. Costs increased in 2012 due to securing the services of a marketing firm to develop an advertising campaign and for conducting system wide ridership surveys. In 2011 costs decreased due to lower non-vehicle maintenance and professional and technical costs.

Utilities These costs remained relatively the same for 2013 and 2012. The increase in 2012 was due to lower rates and in 2011 these costs increased from higher natural gas usage as a result of operating a full year in the newly renovated and expanded administration facility.

Casualty and Liability The significant increase in 2013 and decrease in 2012 was because the Authority received a return of surplus funds in 2012. These costs decreased in 2011 due to claims experience. 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.

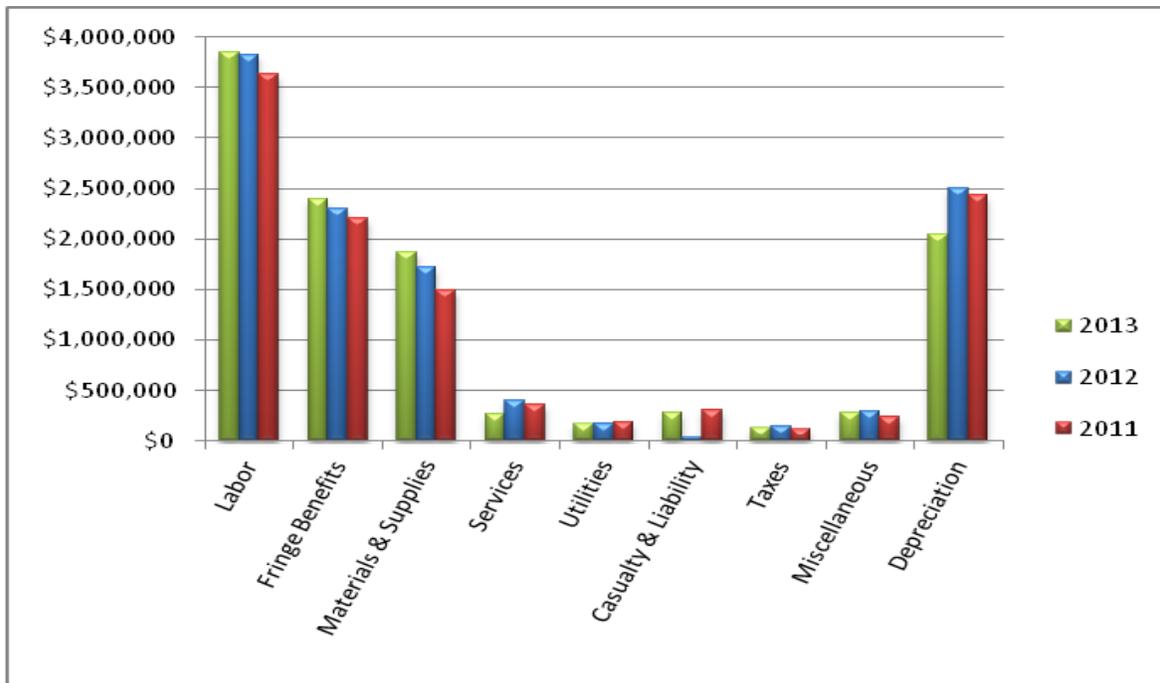
Maintenance Vehicle and facility maintenance labor costs, fringe benefits, and materials and supplies are included in this category.

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.

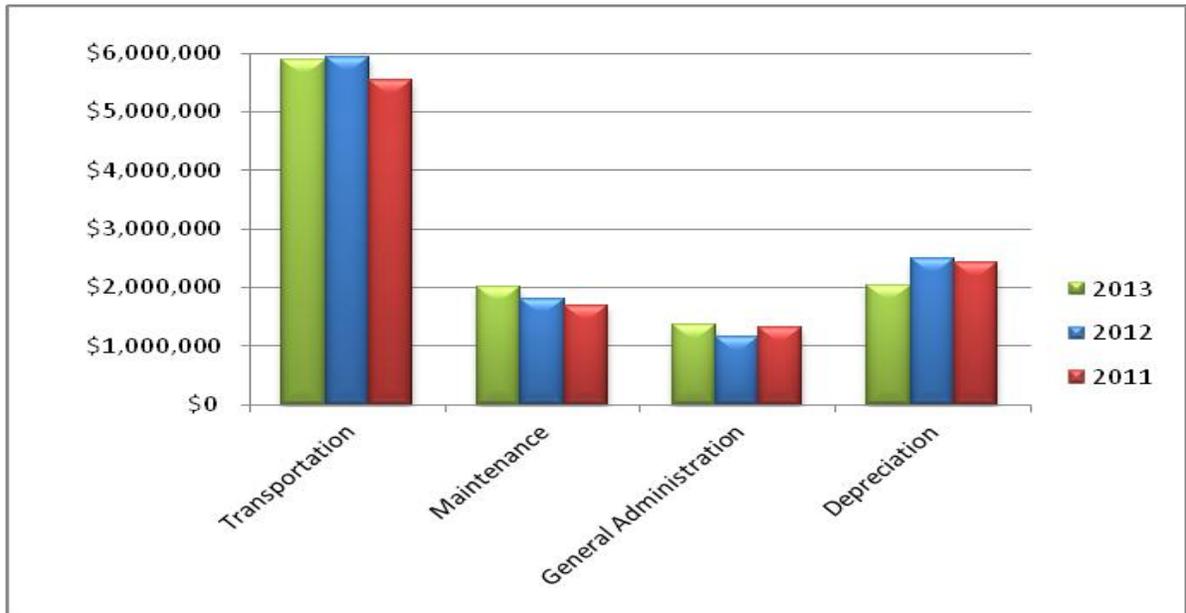
EXPENSE BY OBJECT CLASS

| | <u>2013</u> | | <u>2012</u> | | <u>2011</u> | |
|----------------------|-----------------------------------|-----|-----------------------------------|-----|-----------------------------------|-----|
| Labor | \$3,842,733 | 34% | \$3,814,379 | 33% | \$3,630,182 | 33% |
| Fringe Benefits | \$2,394,738 | 21% | \$2,295,408 | 20% | \$2,206,261 | 20% |
| Materials & Supplies | \$1,874,923 | 17% | \$1,718,307 | 15% | \$1,499,103 | 14% |
| Services | \$273,998 | 2% | \$404,568 | 4% | \$362,690 | 3% |
| Utilities | \$174,014 | 2% | \$176,038 | 2% | \$190,327 | 2% |
| Casualty & Liability | \$281,137 | 2% | \$41,935 | 0% | \$303,483 | 3% |
| Taxes | \$133,992 | 1% | \$152,763 | 1% | \$118,166 | 1% |
| Miscellaneous | \$284,891 | 3% | \$301,242 | 3% | \$238,621 | 2% |
| Depreciation | \$2,042,792 | 18% | \$2,498,823 | 22% | \$2,433,348 | 22% |
| Total | <u><u>\$11,303,218</u></u> | | <u><u>\$11,403,463</u></u> | | <u><u>\$10,982,181</u></u> | |



EXPENSE BY FUNCTION

| | <u>2013</u> | | <u>2012</u> | | <u>2011</u> | |
|------------------------|-----------------------------------|-----|-----------------------------------|-----|-----------------------------------|-----|
| Transportation | \$5,899,023 | 52% | \$5,934,654 | 52% | \$5,540,655 | 50% |
| Maintenance | 2,002,891 | 18% | 1,812,218 | 16% | 1,692,382 | 15% |
| General Administration | 1,358,512 | 12% | 1,157,768 | 10% | 1,315,796 | 12% |
| Depreciation | 2,042,792 | 18% | 2,498,823 | 22% | 2,433,348 | 22% |
| Total | <u><u>\$11,303,218</u></u> | | <u><u>\$11,403,463</u></u> | | <u><u>\$10,982,181</u></u> | |



Condensed Summary of Cash Flows

Net cash used for operating activities decreased as a result of decreasing professional services and costs in 2013. Net cash provided by non-capital financing activities decreased due to decreasing funds provided by maintenance and planning grants. Net cash used in capital and related financing activities increased due to the nature of capital purchases in 2013. Acquisition of fixed assets included the renovation of the Federal Station interior, a new telephone system, and 5 Service Vehicles.

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|--------------|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from customers | \$ 1,346,216 | \$ 740,015 | \$ 945,621 |
| Cash payments to suppliers for goods and services | (5,422,540) | (5,191,829) | (4,900,650) |
| Cash payments to employees for services | (3,962,071) | (3,819,971) | (3,593,711) |
| Net cash used in operating activities | (8,038,395) | (8,271,785) | (7,548,740) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Property taxes received | -0- | -0- | 40,398 |
| Sales and Use taxes received | 7,966,324 | 7,667,252 | 7,417,704 |
| Maintenance and planning grants received | 3,165,643 | 4,053,572 | 1,823,721 |
| Other | 173,096 | 87,528 | 73,530 |
| Net cash provided by non-capital financing activities | 11,305,063 | 11,808,252 | 9,355,353 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Capital grants received | 1,747,324 | 717,292 | 1,842,632 |
| Acquisition of fixed assets | (848,036) | (1,126,676) | (2,196,732) |
| Proceeds from disposal | 45,573 | -0- | 1,299 |
| Net cash provided (used) in capital and related financing activities | (946,861) | (409,384) | (352,801) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received from investments | 17,725 | 11,649 | 13,603 |
| NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS | 4,231,254 | 3,138,832 | 1,467,415 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 6,951,347 | 3,812,515 | 2,345,100 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$11,182,601 | \$6,951,347 | \$3,812,515 |

Capital Assets

The Authority's investment in capital assets amounts to \$8.4 million, net of accumulated depreciation as of December 31, 2013, a decrease of \$1.2 million (12.7%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. During 2013 the authority purchased 5 Service Vehicles, a new telephone system, and started construction to renovate the interior of its downtown passenger loading station. During 2012 the authority purchased 3 Biodiesel Light Transit Vehicles, 5 registering fareboxes, a fork lift and completed the roofing and paving projects. During 2011 the Authority continued paving at Federal Station, completed a roofing project at the storage facility and at Federal Station and purchased a new electronic fare system. The Light Transit Vehicles were 100% federally funded through the Next Generation Clean and Green program.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Secretary-Treasurer, Western Reserve Transit Authority, 604 Mahoning Avenue, Youngstown, Ohio 44502.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF NET POSITION
DECEMBER 31, 2013 AND 2012

| ASSETS | 2013 | 2012 |
|--|----------------------|----------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents (Note 2) | \$ 11,171,476 | \$ 6,940,225 |
| Receivables: | | |
| Trade, less allowance for doubtful accounts of \$1,782 in 2013 and 2012 | 27,328 | 303,662 |
| Federal assistance | 1,461,340 | 2,375,778 |
| State assistance | 20,751 | 106,307 |
| Sales and Use taxes (Note 5) | 1,291,536 | 1,260,922 |
| Materials and supplies inventory | 275,423 | 272,072 |
| Prepaid expenses | 159,281 | 152,297 |
| Total current assets | 14,407,135 | 11,411,263 |
| RESTRICTED ASSETS: | | |
| Cash and cash equivalents (Note 2) | 11,125 | 11,122 |
| Investments | 11,000 | 11,000 |
| Federal capital assistance receivable | 482,273 | 1,417,113 |
| Total restricted assets | 504,398 | 1,439,235 |
| PROPERTY, FACILITIES AND EQUIPMENT: | | |
| Land | 1,013,136 | 1,013,136 |
| Building and improvements | 11,394,600 | 10,952,492 |
| Transportation equipment | 15,654,997 | 18,925,267 |
| Other equipment | 1,479,280 | 1,624,400 |
| Total | 29,542,013 | 32,515,295 |
| Less accumulated depreciation | 21,150,952 | 22,902,500 |
| Property, facilities and equipment - net | 8,391,061 | 9,612,795 |
| TOTAL ASSETS | \$ 23,302,594 | \$ 22,463,293 |

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF NET POSITION (CONT'D)
DECEMBER 31, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|----------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 158,877 | \$ 163,312 |
| Accrued payroll and benefits | 669,791 | 789,129 |
| Unearned revenue - capital grants | 82,850 | 82,850 |
| Other | <u>136,900</u> | <u>126,977</u> |
| Total current liabilities | 1,048,418 | 1,162,268 |
| LIABILITIES PAYABLE FROM RESTRICTED ASSETS | | |
| Capital expenditures payable | 219,182 | 56,714 |
| NONCURRENT LIABILITIES | | |
| Other | <u>91,214</u> | <u>88,949</u> |
| Total Liabilities | 1,358,814 | 1,307,931 |
| NET POSITION: | | |
| Net Investment in Capital Assets | 8,391,061 | 9,612,795 |
| Restricted for Capital Assets | 3,192,871 | 1,293,860 |
| Unrestricted | <u>10,359,848</u> | <u>10,248,707</u> |
| Total Net Position | <u>\$ 21,943,780</u> | <u>\$ 21,155,362</u> |

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

| | 2013 | 2012 |
|---|---------------|---------------|
| OPERATING REVENUES: | | |
| Passenger fares | \$ 1,028,230 | \$ 976,000 |
| Advertising and concessions | 41,652 | 43,154 |
| Total operating revenues | 1,069,882 | 1,019,154 |
| OPERATING EXPENSES: | | |
| Labor | 3,842,733 | 3,814,379 |
| Fringe benefits (Note 5) | 2,394,738 | 2,295,408 |
| Materials and supplies | 1,874,923 | 1,718,307 |
| Services | 273,998 | 404,568 |
| Utilities | 174,014 | 176,038 |
| Casualty and liability | 281,137 | 41,935 |
| Taxes | 133,992 | 152,763 |
| Other | 284,891 | 301,242 |
| Total operating expenses excluding depreciation | 9,260,426 | 8,904,640 |
| OPERATING LOSS BEFORE DEPRECIATION EXPENSE | (8,190,544) | (7,885,486) |
| DEPRECIATION EXPENSE (Note 3): | 2,042,792 | 2,498,823 |
| OPERATING LOSS | (10,233,336) | (10,384,309) |
| NONOPERATING REVENUES: | | |
| Sales and Use tax revenues (Note 6) | 7,996,938 | 7,717,967 |
| Federal maintenance grants and reimbursements (Note 10) | 2,165,869 | 2,724,664 |
| State maintenance grants, reimbursements and special fare assistance (Note 10) | 85,188 | 85,257 |
| Investment income | 17,725 | 11,649 |
| Other | 85,424 | 82,245 |
| Total nonoperating revenues | 10,351,144 | 10,621,782 |
| NET GAIN (LOSS) BEFORE CAPITAL CONTRIBUTION | 117,808 | 237,473 |
| Capital contributions | 670,610 | 746,395 |
| NET GAIN (LOSS) | 788,418 | 983,868 |
| Net Position, Beginning of Year | 21,155,362 | 20,171,494 |
| Net Position, End of Year | \$ 21,943,780 | \$ 21,155,362 |

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|-----------------------|-----------------------|
| OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 1,346,216 | \$ 740,015 |
| Cash payments to suppliers for goods and services | (5,422,540) | (5,191,829) |
| Cash payments to employees for services | (3,962,071) | (3,819,971) |
| Net cash used in operating activities | <u>(8,038,395)</u> | <u>(8,271,785)</u> |
| NONCAPITAL FINANCING ACTIVITIES: | | |
| Sales and Use taxes received | 7,966,324 | 7,667,252 |
| Maintenance and planning grants received | 3,165,643 | 4,053,572 |
| Other | 173,096 | 87,528 |
| Net cash provided by noncapital financing activities | <u>11,305,063</u> | <u>11,808,352</u> |
| CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Capital grants received | 1,747,324 | 717,292 |
| Acquisition of capital assets | (848,036) | (1,126,676) |
| Proceeds from disposal | 47,573 | - |
| Net cash used in capital and related financing activities | <u>946,861</u> | <u>(409,384)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received from investments | 17,725 | 11,649 |
| Net cash provided by investing activities | <u>17,725</u> | <u>11,649</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 4,231,254 | 3,138,832 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>6,951,347</u> | <u>3,812,515</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 11,182,601</u> | <u>\$ 6,951,347</u> |
| USED IN OPERATING ACTIVITIES: | | |
| Operating loss | \$ (10,233,336) | \$ (10,384,309) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 2,042,792 | 2,498,824 |
| Change in assets and liabilities: | | |
| (Increase)decrease in accounts receivable-trade | 276,334 | (279,140) |
| (Increase)decrease in materials and supplies inventory | (3,351) | (37,278) |
| (Increase)decrease in prepaid expenses | (6,984) | (146,655) |
| Increase(decrease) in accounts payable | (4,435) | 77,365 |
| Increase(decrease) in accrued payroll and benefits | (119,338) | (5,592) |
| Increase(decrease) in other current liabilities | 9,923 | 5,000 |
| Net cash used in operating activities | <u>\$ (8,038,395)</u> | <u>\$ (8,271,785)</u> |

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

For the Years Ended December 31, 2013 and 2012

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

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

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

Nonexchange Transactions - The Authority complies with the provisions of Statement No. 33 of the Governmental Accounting Standards Board (“GASB”) regarding the Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions be recognized as revenue. Accordingly, during the years ended December 31, 2013 and 2012, \$670,610 and \$746,395, respectively, in capital contributions were recognized as revenue in the Statement of Revenues, Expenses and changes in Net Assets for the Authority.

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

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

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

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

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

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

For the Years Ended December 31, 2013 and 2012

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

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

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

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

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

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

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

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

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

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

For the Years Ended December 31, 2013 and 2012

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

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

Classifications of Revenues

The Authority has classified its revenues as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares, advertising, and concession revenue. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as sales tax proceeds and most federal, state, and local grants and contracts.

Recognition of Revenue and Receivables

The Federal Transit Administration (“FTA”) and the Ohio Department of Transportation (“ODOT”), provide financial assistance and make grants directly to the Authority for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenue over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as revenue when the expenditure has been made and the revenue is available. Capital grant funds received in advance of project costs being incurred are recorded as liabilities.

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

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

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

For the Years Ended December 31, 2013 and 2012

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

2. DEPOSITS AND INVESTMENTS

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool ("STAROhio"), and obligations of the United States government and certain agencies thereof. The Authority may also enter into repurchase agreements with eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealer for a period not exceeding 30 days.

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.

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

For the Years Ended December 31, 2013 and 2012

2. DEPOSITS AND INVESTMENTS (Cont'd)

Deposits

At December 31, 2013, the carrying amount of all the Authority's deposits was \$2,679,064 and the Authority's bank balance of \$2,684,688 was not exposed to custodial credit risk.

At December 31, 2012, the carrying amount of all the Authority's deposits was \$2,460,565 and the Authority's bank balance of \$2,508,337 was not exposed to custodial credit risk.

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.

As of December 31, 2013, WRTA had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Invest < 6 months</u> |
|------------------------|--------------------|-----------------------------|
| STAR Ohio | <u>\$8,514,537</u> | <u>\$8,514,537</u> |
| Total | <u>\$8,514,537</u> | <u>\$8,514,537</u> |

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

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

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

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

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

For the Years Ended December 31, 2013 and 2012

2. DEPOSITS AND INVESTMENTS (Cont'd)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority 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: The Authority 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 the Authority at December 31, 2013:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>% to Total</u> |
|------------------------|--------------------|-------------------|
| STAR Ohio | <u>\$8,514,537</u> | <u>100</u> |
| Total | <u>\$8,514,537</u> | |

As December 31, 2012, the investment type held by the Authority was as follows:

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

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

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|--------------------|
| Current assets – cash and cash equivalents | \$11,171,476 | \$6,940,225 |
| Restricted assets-investments | 11,000 | 11,000 |
| Restricted assets-cash and cash equivalents | <u>11,125</u> | <u>11,122</u> |
| Total | <u>\$11,193,601</u> | <u>\$6,962,347</u> |

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

For the Years Ended December 31, 2013 and 2012

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 is as follows:

| Description | Balance @ <u>01/01/13</u> | <u>Additions</u> | <u>Disposals</u> | Balance @ <u>12/31/13</u> |
|---|------------------------------|-----------------------|------------------|------------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ <u>1,013,136</u> | | | \$ <u>1,013,136</u> |
| Total Capital Assets Not Being Depreciated | 1,013,136 | | | 1,013,136 |
| Capital Assets Being Depreciated: | | | | |
| Building & Building Improvements | \$10,952,493 | \$ 597,789 | \$ 155,682 | \$ 11,394,600 |
| Transportation Equipment | 18,925,267 | 187,993 | 3,458,263 | 15,654,997 |
| Other Equipment | <u>1,624,400</u> | <u>64,518</u> | <u>209,638</u> | <u>1,479,280</u> |
| Total Capital Assets Being Depreciated | \$ 31,502,160 | \$ 850,300 | \$ 3,823,583 | \$ 28,528,877 |
| Less Accumulated Depreciation: | | | | |
| Building & Building Improvements | 6,525,406 | 527,753 | \$ 153,494 | 6,899,665 |
| Transportation Equipment | 15,158,602 | 1,451,456 | 3,440,756 | 13,169,302 |
| Other Equipment | <u>1,218,492</u> | <u>63,583</u> | <u>200,090</u> | <u>1,081,985</u> |
| Total Accumulated Depreciation | 22,902,500 | 2,402,792 | \$ 3,794,340 | 21,150,952 |
| Total Capital Assets Being Depreciated, Net | <u>8,599,660</u> | <u>(1,192,492)</u> | <u>\$ 29,244</u> | <u>7,377,925</u> |
| Total Capital Assets Net | <u>\$ 9,612,796</u> | <u>\$ (1,192,492)</u> | <u>\$ 29,244</u> | <u>\$ 8,391,061</u> |

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

For the Years Ended December 31, 2013 and 2012

3. CAPITAL ASSETS (Cont'd)

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

| Description | Balance @ <u>01/01/12</u> | <u>Additions</u> | <u>Disposals</u> | Balance @ <u>12/31/12</u> |
|---|------------------------------|-----------------------|------------------|------------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | <u>\$ 1,013,136</u> | | | <u>\$ 1,013,136</u> |
| Total Capital Assets Not Being Depreciated | <u>1,013,136</u> | | | <u>1,013,136</u> |
| Capital Assets Being Depreciated: | | | | |
| Building & Building Improvements | 10,697,669 | 254,824 | - | 10,952,493 |
| Transportation Equipment | 18,129,727 | 844,291 | 48,751 | 18,925,267 |
| Other Equipment | <u>1,591,557</u> | <u>32,843</u> | <u>\$ -</u> | <u>1,624,400</u> |
| Total Capital Assets Being Depreciated | 30,418,953 | 1,131,958 | 48,751 | 31,502,160 |
| Less Accumulated Depreciation: | | | | |
| Building & Building Improvements | 5,972,643 | 552,763 | - | 6,525,406 |
| Transportation Equipment | 13,330,268 | 1,877,085 | 48,751 | 15,158,602 |
| Other Equipment | <u>1,149,517</u> | <u>68,975</u> | <u>-</u> | <u>1,218,492</u> |
| Total Accumulated Depreciation | <u>20,452,428</u> | <u>2,498,823</u> | <u>-</u> | <u>22,902,500</u> |
| Total Capital Assets Being Depreciated, Net | <u>9,966,525</u> | <u>(1,366,866)</u> | <u>-</u> | <u>8,599,660</u> |
| Total Capital Assets, Net | <u>\$ 10,979,661</u> | <u>\$ (1,366,866)</u> | <u>\$ -</u> | <u>\$ 9,612,796</u> |

4. SALES AND USE TAXES

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

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

For the Years Ended December 31, 2013 and 2012

5. EMPLOYEE RETIREMENT PLAN

The WRTA participates in the Ohio Public Employees Retirement System (OPERS). Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan – a cost sharing, multi-employer defined pension plan. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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 for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. The 2013 member contribution rates were 10% of covered payroll. The 2013 employer contribution rate for local government employer units was 14% of covered payroll. The Authority's total contribution to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2013, 2012 and 2011 were approximately \$557,649, \$427,727, and \$416,494, respectively, equal to 100 percent of the required contribution for each year.

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

For the Years Ended December 31, 2013 and 2012

5. EMPLOYEE RETIREMENT PLANS (Cont'd)

Post-employment Benefits

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1% during calendar year 2013. The Authority's total contribution to OPERS for post-retirement benefits for the years ended December 31, 2013, 2012 and 2011 were approximately \$42,878, \$171,079, and \$166,586, respectively, equal to 100 percent of the required contribution for each year.

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

6. OPERATING LEASES

The Authority currently leases space at its Federal Station loading terminal to Greyhound Lines, Inc. and Plaza Donuts, Inc. The Greyhound lease is a five year term, expiring December 31, 2013 and the Plaza Donuts lease is one year, expiring December 31, 2013. Both leases were renewed for 5 years, expiring December 31, 2019. Rent receipts of \$44,107 and \$42,834, for 2013 and 2102, respectively, are reflected in the financial statements as nonoperating other revenue.

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

For the Years Ended December 31, 2013 and 2012

7. 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, 2013, 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 names as a defendant in certain 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.

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

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

| | <u>2013</u> | <u>2012</u> |
|---|--------------------|--------------------|
| FEDERAL: | | |
| FTA Maintenance and Other Assistance | \$2,002,602 | \$2,213,272 |
| FTA Job Access and Reverse Commute Assistance | 83,450 | 312,438 |
| FTA New Freedom Assistance | - | 98,034 |
| FTA Planning Assistance | 79,817 | 100,920 |
| FTA Capital Contribution | <u>670,610</u> | <u>746,395</u> |
| Total | <u>\$2,836,479</u> | <u>\$3,471,059</u> |
| STATE: | | |
| ODOT Fuel Tax Reimbursement | <u>\$ 85,188</u> | <u>\$ 85,257</u> |
| Total | <u>\$ 85,188</u> | <u>\$ 85,257</u> |

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

For the Years Ended December 31, 2013 and 2012

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors, and omissions, employment related matters, injuries to employees and employee theft and fraud. The Authority is a member of the Ohio Transit Risk Pool (OTRP), a self-insurance pool created under Chapter 2744 of the Ohio Revised Code. 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. The Authority has the following insurance coverage: Comprehensive General Liability, Automobile Liability, Errors and Omissions, and Employee Benefits Liability. There has not been a reduction in coverage from the prior year and claims have not exceeded the coverage in any of the past three years.

10. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through May 15, 2014, the date the financial statements were available to be issued.

WESTERN RESERVE TRANSIT AUTHORITY
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2013

| <u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>FEDERAL GRANT NUMBER</u> | <u>GRANT EXPENDITURES</u> |
|---|------------------------------------|--|---|
| <u>U. S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Direct Programs: | | | |
| Federal Transit Administration Capital and Operating Assistance Formula Grants | 20.507 | OH-90-0509 OH-90-0644 OH-90-0683 OH-90-0759 OH-90-0798 OH-95-0125 | \$ 517 42,110 557,907 694,638 1,185,147 <u>270,137</u> |
| Total CFDA #20.507 | | | <u>2,750,456</u> |
| Federal Transit Administration Job Access - Reverse Commute Grants | 20.516 | OH-37-0078 | <u>83,450</u> |
| Total CFDA #20.516 | | | <u>83,450</u> |
| TOTAL FEDERAL AWARDS EXPENDITURES | | | <u><u>\$ 2,833,906</u></u> |

See accompanying notes to the financial statements

WESTERN RESERVE TRANSIT AUTHORITY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

For the Year Ended December 31, 2013

1. BASIS OF ACCOUNTING

The accompanying schedule of federal awards expenditures includes the federal grant activity of Western Reserve Transit Authority and is presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. MATCHING REQUIREMENTS

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

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

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Western Reserve Transit Authority, Mahoning County, (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2014.

Internal Control Over Financial Reporting

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

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

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

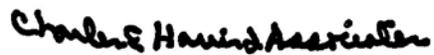
Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated May 15, 2014.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
May 15, 2014

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

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Western Reserve Transit Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Western Reserve Transit Authority's major federal program for the year ended December 31, 2013. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Western Reserve Transit Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Charles E. Harris & Associates, Inc.
May 15, 2014

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

**WESTERN RESERVE TRANSIT AUTHORITY
Mahoning County
December 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

WESTERN RESERVE TRANSIT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2013

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

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Dave Yost • Auditor of State

WESTERN RESERVE TRANSIT AUTHORITY

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 31, 2014**