

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

For the years ended December 31, 2005 and 2004

SINGLE AUDIT REPORT
For the year ended December 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Western Reserve Transit Authority, Mahoning County, prepared by Dingus and Daga, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 5, 2006

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

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Dingus and Daga, Inc.

Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio

We have audited the accompanying financial statements of the Western Reserve Transit Authority (a component unit of the City of Youngstown, Ohio) (the "Authority"), as of and for the years ended December 31, 2005 and 2004 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Dingus and Doga, Inc.

Shaker Heights, Ohio
March 15, 2006

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, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- The Authority has net assets of \$16.5 million. These net assets result from the difference between total assets of \$20.2 million and total liabilities of \$3.7 million.
- Current assets of \$6.0 million primarily consist of non-restricted Cash and Cash Equivalents of \$.9 million; Property Tax receivable of \$2.6 million; and Federal assistance receivable of \$1.9 million.
- Current liabilities of \$3.6 million primarily consist of Accounts, Contracts, and Other payables of \$.2 million and Accrued Payroll and Benefits of \$.6 million; and Deferred property taxes of \$2.6 million.

Basic Financial Statements and Presentation

New 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." These statements change the Authority's presentation of net assets and change the note disclosure and require the inclusion of management's discussion and analysis.

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

The Balance Sheet presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net assets, which indicate improved financial position.

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

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

Notes to the Financial Statements

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

Financial Analysis of the Authority

Condensed Summary of Net Assets

	<u>2005</u>	<u>2004</u>
Current Assets	\$ 5,978,159	\$ 7,617,762
Other Non-Current and Restricted Assets	272,086	91,994
Capital Assets (net of accumulated depreciation)	<u>13,940,998</u>	<u>12,785,039</u>
Total Assets	<u>\$20,191,243</u>	<u>\$20,494,795</u>
Current Liabilities	\$ 3,638,955	\$ 3,885,655
Non Current Liabilities	43,628	56,146
Total Liabilities	<u>\$ 3,682,583</u>	<u>\$ 3,941,801</u>
Net Assets		
Invested in Capital Assets	\$13,940,998	\$12,785,039
Restricted for Capital Assets	233,550	50,113
Unrestricted	<u>2,334,112</u>	<u>3,717,842</u>
Total Net Assets	<u>\$16,508,660</u>	<u>\$16,552,994</u>

The largest portion of the Authority's net assets reflect investment in capital assets consisting of buses, operating facilities and equipment, less any related debt used to acquire any of those assets still outstanding. The Authority uses these capital assets to provide public transportation services for the City of Youngstown, and surrounding communities in Mahoning and Trumbull Counties.

Condensed Summary of Revenues, Expenses and Changes in Net Assets

<u>Description</u>	<u>2005</u>	<u>2004</u>
Operating Revenues (Expenses)		
Operating Revenues	\$ 858,205	\$ 840,957
Operating Expenses, excluding depreciation	(7,805,181)	7,249,826)
Depreciation Expense	<u>(1,680,121)</u>	<u>(1,559,554)</u>
Operating Loss	(8,627,097)	(7,968,423)
Non-Operating Revenues (Expenses)		
Property Tax Revenues	2,730,949	2,757,578
Federal Grants and Reimbursements	2,398,642	1,495,879
State Grants, Reimbursements and Special Fare Assistance	567,671	476,215
Investment Income	57,435	43,896
Gain/(Loss) on Disposal of Fixed Assets	16,259	(254,483)
Other Income	<u>110,363</u>	<u>69,291</u>
Total Non-Operating Revenues (Expenses)	5,881,319	4,588,376
Capital Grant Revenue	<u>2,701,444</u>	<u>477,107</u>
Decrease in Net Assets During the Year	(44,334)	(2,902,940)
Net Assets, Beginning of Year	<u>16,552,994</u>	<u>19,455,934</u>
Net Assets, End of Year	<u>\$16,508,660</u>	<u>\$16,552,994</u>

FINANCIAL OPERATING RESULTS

Revenues

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

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

Property Tax Revenues – This 5 mills is levied against property owners in the City of Youngstown and is 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. Both 2 mill levies expired in 2005 and appeared on the November, 2005 ballot for renewal. Both levies passed successfully. For 2005, approximately 41% of the Authority's revenue came from this source. Property Tax Revenues decreased during 2005 due to decreasing property values in the City of Youngstown.

Federal Grants and Reimbursements – The Authority received approximately \$1.6 million in preventive maintenance and ADA reimbursement funds to cover certain maintenance and complimentary paratransit service costs incurred. In 2005, the Authority received \$743,386 in Job Access Reverse Commute funds to cover certain operating costs incurred, however in 2004, the Authority did not receive Job Access Reverse Commute funding.

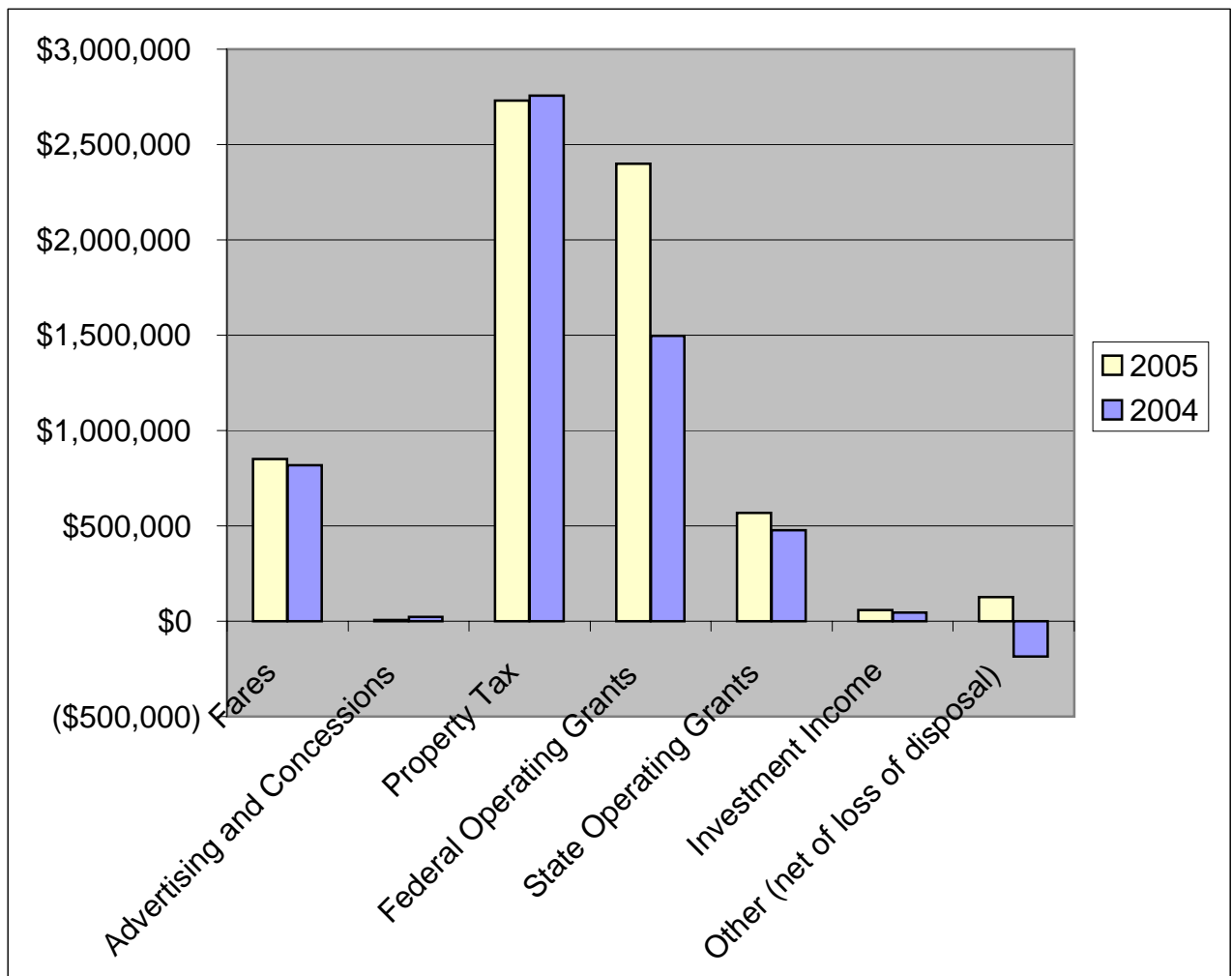
State Operating Grants – The Ohio Department of Transportation allocates grants for operating assistance and elderly and disabled programs. This category also includes reimbursement for state fuel taxes paid by the Authority. The increase in operating assistance resulted from applying more of our annual apportionment to operating costs vs. capital improvement costs. The elderly and disabled assistance decreased slightly due to state budget cuts.

Investment Income – Investment income increased slightly as a result of slight increases in interest rates.

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

REVENUE

	<u>2005</u>		<u>2004</u>	
Fares	\$ 850,517	12.6%	\$ 816,977	15.0%
Advertising and Concessions	\$ 7,688	0.1%	\$ 23,980	0.4%
Property Tax	\$ 2,730,949	40.5%	\$ 2,757,578	50.8%
Federal Operating Grants	\$ 2,398,642	35.6%	\$ 1,495,879	27.6%
State Operating Grants	\$ 567,671	8.4%	\$ 476,215	8.8%
Investment Income	\$ 57,435	0.9%	\$ 43,896	0.8%
Other (net of loss of disposal)	<u>\$ 126,622</u>	1.9%	<u>\$ (185,192)</u>	-3.4%
Total	<u>\$ 6,739,524</u>		<u>\$ 5,429,333</u>	



Expenses

Labor and Fringe Benefits These personnel cost accounted for approximately 65.9% of all the Authority operating expenses (excluding depreciation) in 2005. This proportion is somewhat lower than past year's as a result of other operating expense increases, especially fuel costs.

Materials and Supplies These costs have increased in 2005 mainly due to higher fuel costs and the fact that the Low Floor Gillig vehicles are one year older and require more repairs.

Services These costs increased due to higher advertising costs for awareness campaigns to promote the night service.

Utilities These costs increased due to higher natural gas prices.

Casualty and Liability These costs have decreased as a result of the Authority's low 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.

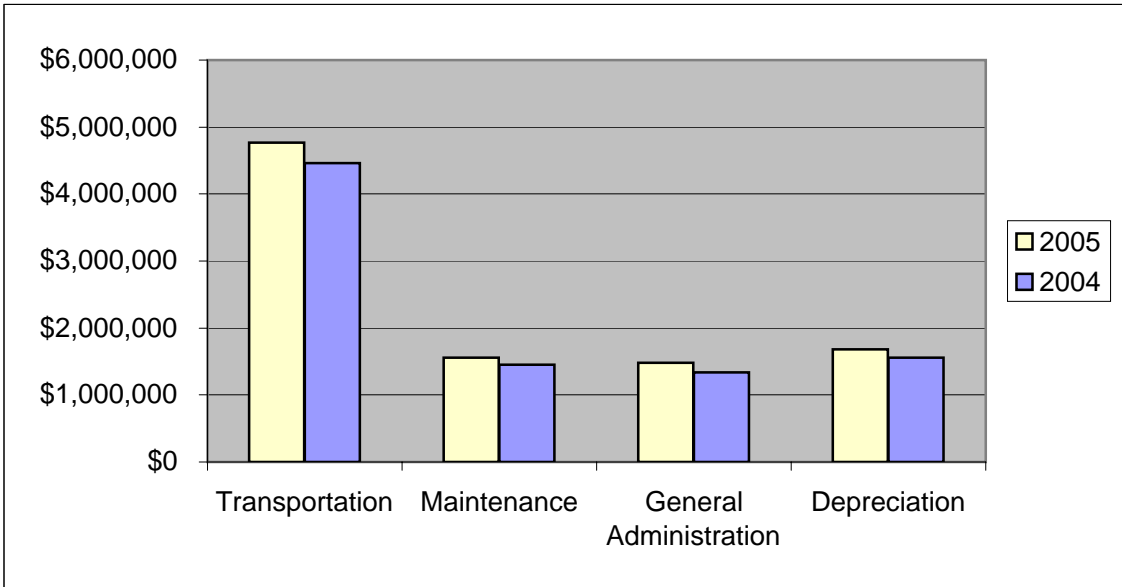
Maintenance Vehicle and facility maintenance labor costs, fringe benefits, and materials and supplies are included in this category.

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.

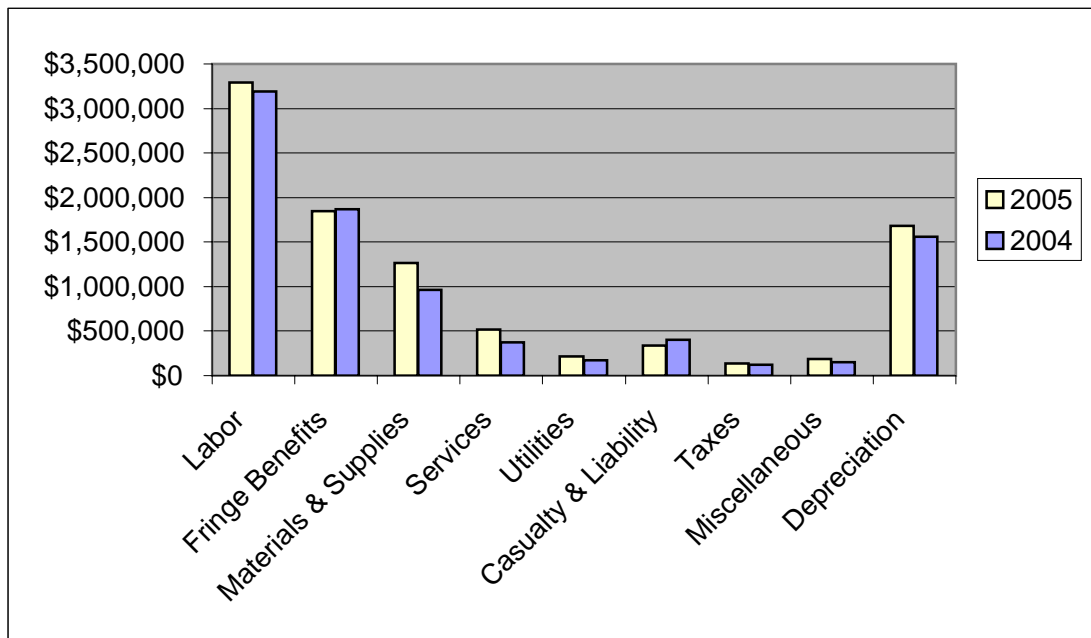
EXPENSE BY FUNCTION

	<u>2005</u>		<u>2004</u>	
Transportation	\$ 4,769,803	50.3%	\$ 4,461,305	50.6%
Maintenance	\$ 1,558,882	16.4%	\$ 1,449,297	16.5%
General Administration	\$ 1,476,496	15.6%	\$ 1,339,224	15.2%
Depreciation	<u>\$ 1,680,121</u>	17.7%	<u>\$ 1,559,554</u>	17.7%
Total	<u>\$ 9,485,302</u>		<u>\$ 8,809,380</u>	



EXPENSE BY OBJECT CLASS

	<u>2005</u>		<u>2004</u>	
Labor	\$ 3,293,933	34.7%	\$ 3,193,041	36.2%
Fringe Benefits	\$ 1,847,806	19.5%	\$ 1,865,252	21.2%
Materials & Supplies	\$ 1,268,155	13.4%	\$ 960,489	10.9%
Services	\$ 517,208	5.5%	\$ 376,959	4.3%
Utilities	\$ 218,189	2.3%	\$ 175,259	2.0%
Casualty & Liability	\$ 340,691	3.6%	\$ 405,961	4.6%
Taxes	\$ 134,235	1.4%	\$ 119,171	1.4%
Miscellaneous	\$ 184,964	2.0%	\$ 153,694	1.7%
Depreciation	\$ 1,680,121	17.7%	\$ 1,559,554	17.7%
Total	<u>\$ 9,485,302</u>		<u>\$ 8,809,380</u>	



Condensed Summary of Cash Flows

Net cash used for operating activities increased as a result of increased expenses due to wage increases and fringe benefits (health insurance, worker's compensation), as well as increased energy costs. Net cash provided by non-capital financing activities decreased due to federal grant apportionments being held back pending the passage of authorizing legislation SAFETEA-LU. Net cash used in capital and related financing activities increased as a result of reduced state participation of capital projects.

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 846,628	\$ 860,562
Cash payments to suppliers for goods and services	(4,574,130)	(4,124,496)
Cash payments to employees for services	<u>(3,349,746)</u>	<u>(3,293,358)</u>
Net cash used in operating activities	(7,077,248)	(6,557,292)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	2,730,949	2,757,578
Maintenance and planning grants received	1,597,741	2,662,901
Other	<u>86,716</u>	<u>141,380</u>
Net cash provided by non-capital financing activities	4,415,406	5,561,859
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	2,521,516	982,800
Acquisition of capital assets	(2,841,544)	(786,173)
Proceeds from disposal	<u>18,378</u>	<u>35,500</u>
Net cash used in capital and related financing activities	(301,650)	232,127
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	<u>57,435</u>	<u>43,896</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,906,057)	(719,410)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,759,847</u>	<u>4,479,257</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 853,790</u>	<u>\$ 3,759,847</u>

Capital Assets

The Authority's investment in capital assets amounts to \$13.9 million, net of accumulated depreciation as of December 31, 2005, an increase of \$1.1 million (8.6%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. Major capital asset expenditures during the current fiscal year included the following:

- Replacement of Electronic Garage Door Openers on our Storage and Maintenance facilities
- Replacement of the Security and Alarm system at our Administration and Maintenance facility, storage facility, and Federal Station
- Seven new Low Floor 40' Buses
- Three special service vehicles

Request for Information

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

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

BALANCE SHEET
DECEMBER 31, 2005 AND 2004

ASSETS	2005	2004
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 840,322	\$ 3,746,543
Receivables:		
Trade, less allowance for doubtful accounts of \$1,782 in 2004	39,785	28,208
Federal assistance	1,946,945	666,969
State assistance	332,400	243,804
Property taxes (Note 3)	2,630,130	2,753,873
Materials and supplies inventory	179,342	164,366
Prepaid expenses	9,235	13,999
Total current assets	5,978,159	7,617,762
RESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	13,468	13,304
Federal capital assistance receivable	247,618	67,690
Total restricted assets	261,086	80,994
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	693,004	693,004
Building and improvements	8,216,407	7,532,892
Transportation equipment	14,931,288	12,878,338
Other equipment	1,091,834	1,224,322
Total	24,932,533	22,328,556
Less accumulated depreciation	10,991,535	9,543,517
Property, facilities and equipment - net	13,940,998	12,785,039
OTHER ASSETS	11,000	11,000
TOTAL ASSETS	\$ 20,191,243	\$ 20,494,795

See accompanying notes to financial statements.

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

BALANCE SHEET (CONT'D)
DECEMBER 31, 2005 AND 2004

LIABILITIES AND NET ASSETS	2005	2004
CURRENT LIABILITIES:		
Accounts payable	\$ 189,478	\$ 237,148
Accrued payroll and benefits	579,841	635,654
Advances	84,871	96,000
Deferred property taxes	2,630,130	2,753,873
Other	127,099	132,099
Total current liabilities	3,611,419	3,854,774
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Capital expenditures payable	2,799	6,144
Deferred capital grants	24,737	24,737
Total liabilities payable from restricted assets	27,536	30,881
NONCURRENT LIABILITIES - Other	43,628	56,146
Total liabilities	3,682,583	3,941,801
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	13,940,998	12,785,039
Restricted for Capital Assets	233,550	50,113
Unrestricted	2,334,112	3,717,842
Total Net Assets	16,508,660	16,552,994
TOTAL LIABILITIES AND NET ASSETS	\$ 20,191,243	\$ 20,494,795

See accompanying notes to financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
OPERATING REVENUES:		
Passenger fares	\$ 850,517	\$ 816,977
Advertising and concessions	7,688	23,980
Total operating revenues	858,205	840,957
OPERATING EXPENSES:		
Labor	3,293,933	3,193,041
Fringe benefits (Note 5)	1,847,806	1,865,252
Materials and supplies	1,268,156	960,489
Services	517,207	376,959
Utilities	218,189	175,259
Casualty and liability	340,691	405,961
Taxes	134,235	119,171
Other	184,964	153,694
Total operating expenses excluding depreciation	7,805,181	7,249,826
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(6,946,976)	(6,408,869)
DEPRECIATION EXPENSE (Note 1):	1,680,121	1,559,554
OPERATING LOSS	(8,627,097)	(7,968,423)
NONOPERATING REVENUES:		
Property tax revenues (Note 3)	2,730,949	2,757,578
Federal maintenance grants and reimbursements (Note 7)	2,398,642	1,495,879
State maintenance grants, reimbursements and special fare assistance (Note 7)	567,671	476,215
Investment income	57,435	43,896
Gain (loss) on disposal of fixed assets and inventory	16,259	(254,483)
Other	110,363	69,291
Total nonoperating revenues	5,881,319	4,588,376
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(2,745,778)	(3,380,047)
Capital contributions (Note 1)	2,701,444	477,107
NET LOSS	(44,334)	(2,902,940)
Net Assets, Beginning of Year	16,552,994	19,455,934
Net Assets, End of Year	\$ 16,508,660	\$ 16,552,994

See accompanying notes to financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
OPERATING ACTIVITIES:		
Cash received from customers	\$ 846,628	\$ 860,562
Cash payments to suppliers for goods and services	(4,574,130)	(4,124,496)
Cash payments to employees for services	(3,349,746)	(3,293,358)
Net cash used in operating activities	(7,077,248)	(6,557,292)
NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	2,730,949	2,757,578
Maintenance and planning grants received	1,597,741	2,662,901
Other	86,716	141,380
Net cash provided by noncapital financing activities	4,415,406	5,561,859
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	2,521,516	982,800
Acquisition of capital assets	(2,841,544)	(786,173)
Proceeds from disposal	18,378	35,500
Net cash provided (used) in capital and related financing activities	(301,650)	232,127
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	57,435	43,896
Net cash provided by investing activities	57,435	43,896
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,906,057)	(719,410)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,759,847	4,479,257
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 853,790	\$ 3,759,847
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	(8,627,097)	\$ (7,968,423)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,680,121	1,559,554
Change in assets and liabilities:		
(Increase)decrease in accounts receivable-trade	(11,577)	19,605
Increase in materials and supplies inventory	(14,976)	(46,427)
(Increase) decrease in prepaid expenses	4,764	(646)
Decrease in accounts payable	(47,670)	(29,639)
Decrease in accrued payroll and benefits	(55,813)	(100,317)
Increase(decrease) in other current liabilities	(5,000)	9,001
Net cash used in operating activities	\$ (7,077,248)	\$ (6,557,292)

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2005 and 2004

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. As a political subdivision it is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The Authority is not subject to federal or state income taxes.

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

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. The Authority is, however, considered to be a component unit of the City of Youngstown (the “City”) by virtue of the fact that WRTA’s Board of Trustees is appointed by the Mayor and City Council of Youngstown and the City’s ability to impose its will on the Authority. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization.

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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

In accordance with Statement No. 20 of the GASB, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989.

Nonexchange Transactions - The Authority 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, 2005 and 2004, \$2,701,444 and \$477,107, respectively, in capital contribution was 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
(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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 Assets - Equity displayed in three components as follows:

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

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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

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

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

Classifications of Revenues

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

Recognition of Revenue and Receivables

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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

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

2. DEPOSITS AND INVESTMENTS

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

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

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of 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.

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

2. DEPOSITS AND INVESTMENTS (Cont'd)

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

Deposits

At December 31, 2005, the carrying amount of the Authority's deposits was \$853,790 and the bank balance consisting of demand deposit was \$1,077,491. Of the bank balance, \$100,000 was covered by the FDIC and the remaining balance was held in the pooled assets safekeeping accounts to secure Ohio public funds as defined by the Governmental Accounting Standards Board.

The deposit balances at December 31, 2005 are included in the accompanying balance sheet under the following captions:

Current assets – cash and cash equivalents	\$840,322
Restricted assets – cash and cash equivalents	<u>13,468</u>
Total	<u>\$853,790</u>

3. PROPERTY TAXES

WRTA is subsidized by property tax levies passed by the voters of Youngstown, Ohio. Property taxes of 1 mill was levied in 2002 and 4 mills levies passed in 2005 that expire as follows: 2 mills in 2009, 1 mill in 2010, and 2 mills in 2015. Property tax revenue can be used for operating or capital purposes.

WRTA receives cash from tax levies when the related property tax collections are distributed by the Mahoning County Auditor's office. These distributions are generally received in the year following that for which the tax is levied.

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 is as follows:

Description	Balance @ 01/01/05	Fixed Assets		Balance @ 12/31/05
		Additions	Disposals	
Capital Assets Not Being Depreciated				
Land	\$ 693,004			\$ 693,004
Total Capital Assets Not Being Depreciated	693,004			693,004
Capital Assets Being Depreciated				
Building & Building Improvements	7,532,892	\$ 689,750	\$ 6,235	8,216,407
Transportation Equipment	12,878,338	2,093,742	40,792	14,931,288
Other Equipment	<u>1,224,322</u>	<u>67,225</u>	<u>199,713</u>	<u>1,091,834</u>
Total Capital Assets Being Depreciated	21,635,552	2,850,717	246,740	24,239,529
Less Accumulated Depreciation:				
Building & Building Improvements	3,527,434	391,202	4,936	3,913,700
Transportation Equipment	4,906,622	1,242,930	28,275	6,121,277
Other Equipment	<u>1,109,461</u>	<u>45,989</u>	<u>198,892</u>	<u>956,558</u>
Total Accumulated Depreciation	<u>9,543,517</u>	<u>1,680,121</u>	<u>232,103</u>	<u>10,991,535</u>
Total Capital Assets Being Depreciated, Net	<u>12,092,035</u>	<u>1,170,596</u>	<u>14,637</u>	<u>13,247,994</u>
Total Capital Assets, Net	<u>\$ 12,785,039</u>	<u>\$1,170,596</u>	<u>\$ 14,637</u>	<u>\$13,940,998</u>

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

5. EMPLOYEE RETIREMENT PLANS

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

Funding Policy – The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate for local government units was 13.55 percent of covered payroll including portion of .2952 used to fund health care benefits. The Authority’s total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2005, 2004 and 2003 were approximately \$361,202, \$343,568 and \$295,059, respectively, equal to 100 percent of the required contribution for each year.

Other Postemployment Benefits Provided Through OPERS – In addition to the pension benefits described previously, OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (“OPEB”) as described in GASB Statement No. 12. A portion of each employer’s contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions.

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

5. EMPLOYEE RETIREMENT PLANS (Cont'd)

The assumptions and calculations noted below were based on the System's latest Actuarial Review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of the OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment return assumption rate for 2004 was 8 percent. An annual increase of 4 percent compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from .5 percent to 6.3 percent. Health care costs were assumed to increase 4 percent annually.

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension and Combined Plans at year-end 2005 totaled 376,109. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. The Authority's contributions for other postemployment benefits to OPERS for the year ended December 31, 2005, 2004 and 2003 were \$151,286, \$143,901 and \$172,459, respectively, equal to 100 percent of the required contributions for each year.

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded liability, based on the actuarial costs method used, were \$29.5 billion and \$18.7 billion, respectively.

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

6. CONTINGENCIES

Federal and State Grants – Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2005, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority’s management, no material grant expenditures will be disallowed.

Contract Disputes and Legal Proceedings – The Authority has been named as a defendant in certain contract disputes and other legal proceedings. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management that the ultimate outcome is not expected to have a material effect on the Authority’s financial position.

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

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

	<u>2005</u>	<u>2004</u>
FEDERAL:		
FTA Maintenance and Other Assistance	\$1,575,256	\$1,435,879
FTA Job Access and Reverse Commute Assistance	743,386	
FTA Planning Assistance	80,000	60,000
FTA Capital Contribution	<u>2,484,814</u>	<u>413,345</u>
Total	<u>\$4,883,456</u>	<u>\$1,909,224</u>
STATE:		
ODOT Maintenance and Other Assistance	\$ 283,827	\$ 197,647
ODOT Elderly Fare Assistance	192,202	198,535
ODOT Fuel Tax Reimbursement	91,642	80,033
ODOT Capital Contribution	<u>216,630</u>	<u>63,762</u>
Total	<u>\$ 784,301</u>	<u>\$ 539,977</u>

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors, and omissions, employment related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994, the Authority commenced participation in the Ohio Transit Insurance Pool Association, Inc. ("OTIP"), renamed in 2002 as Ohio Transit Risk Pool Association, ("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.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL GRANT NUMBER</u>	<u>GRANT EXPENDITURES</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Cluster/Direct Programs:			
Federal Transit Administration Capital and Operating			
Assistance Formula Grants	20.507	OH-90-0291 OH-90-0356 OH-90-0385 OH-90-0407 OH-90-0433 OH-90-0468 OH-90-0509	\$ 3,600 41,406 83,901 197,710 89,130 2,081,866 <u>1,642,457</u>
Total CFDA #20.507			4,140,070
Federal Transit Administration Capital and Operating			
Assistance Job Access and Reverse Commute			
Project Grants	20.516	OH-37-0037	<u>743,386</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,883,456</u>

See note to Schedule of Expenditures of Federal Awards.

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

NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2005

1. BASIS OF PRESENTATION

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



Dingus and Daga, Inc.

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

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

Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio

We have audited the financial statements of the Western Reserve Transit Authority (a component unit of the City of Youngstown, Ohio) (the "Authority") as of and for the year ended December 31, 2005, and have issued our report thereon dated, March 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements,

noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Dingus and Dege, Inc.

Shaker Heights, Ohio
March 15, 2006



Dingus and Daga, Inc.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio

Compliance

We have audited the compliance of the Western Reserve Transit Authority (a component unit of the City of Youngstown, Ohio) (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2005. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

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

Dingus and Doga, Inc.

Shaker Heights, Ohio
March 15, 2006

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2005

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	no
Reportable condition(s) identified not considered to be material weaknesses?	no
Type of auditor's report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)	no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Administration Capital and Operating Assistance Formula Grants

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)

For the Year Ended December 31, 2005

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

Federal Awards (Cont'd)

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
20.516	Federal Transit Administration Capital and Operating Assistance Job Access and Reverse Commute Project Grants	
Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?		yes

PART II - FINANCIAL STATEMENT FINDINGS

No matters are reportable.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reportable

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

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2005

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



**Auditor of State
Betty Montgomery**

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WESTERN RESERVE TRANSIT AUTHORITY

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 18, 2006**