



**WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
Single Audit
For the Year Ended December 31, 2018**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

www.perrycpas.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Western Reserve Transit Authority, Mahoning County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 16, 2019

This page intentionally left blank.

**WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion & Analysis | 4 |
| Basic Financial Statements: | |
| Statement of Net Position | 16 |
| Statement of Revenues, Expenses, and Changes in Net Position..... | 18 |
| Statement of Cash Flows | 19 |
| Notes to the Financial Statements | 20 |
| Required Supplementary Information: | |
| Schedule of Western Reserve Transit Authority Proportionate Share of the Net Pension Liability..... | 49 |
| Schedule of Western Reserve Transit Authority Contributions - Pension | 50 |
| Schedule of Western Reserve Transit Authority Proportionate Share of the Net OPEB Liability..... | 51 |
| Schedule of Western Reserve Transit Authority Contributions - OPEB | 52 |
| Notes to the Required Supplementary Information..... | 53 |
| Schedule of Expenditures of Federal Awards..... | 54 |
| Notes to the Schedule of Expenditures of Federal Awards | 55 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 56 |
| Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance..... | 58 |
| Schedule of Audit Findings | 60 |

This page intentionally left blank.



Certified Public Accountants, A.C.

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

June 26, 2019

Western Reserve Transit Authority
Mahoning County
604 Mahoning Ave.
Youngstown, OH 44504

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Western Reserve Transit Authority**, Mahoning County, Ohio (the Authority), as of and for the year ended December 31, 2018, 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 such 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 opinion.

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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 as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019, 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.

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

As management of the Western Reserve Transit Authority (“Authority”), we offer readers of the Authority’s basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2018. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- The Authority has net position of \$33.1 million. The net position results from the difference between total assets and deferred outflow of resources of \$46.7 million and total liabilities and deferred inflow of resources of \$13.6 million.
- Current assets of \$20.7 million primarily consist of non-restricted Cash and Cash Equivalents of \$17.7 million; Accounts Receivable of \$0.11 million; Sales Tax receivable of \$1.4 million; Federal and State assistance receivable of \$1.1 million; Materials and Supplies Inventory of \$0.2 million, and Prepaid Expenses of \$0.2 million.
- Current liabilities of \$1.0 million primarily consist of Accounts Payables of \$0.1 million, Accrued Payroll and Benefits of \$0.7 million, Capital Lease of \$0.1 million and Other Payables of \$0.1 million.

Basic Financial Statements and Presentation

Accounting Pronouncements

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

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

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

The Statement of Net Position presents information on all the Authority's assets and deferred outflows, and liabilities and deferred inflows, 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.

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

Financial Analysis of the Authority

Condensed Summary of Net Position

| | <u>2018</u> | <u>2017*</u> |
|--|----------------------|----------------------|
| Assets | | |
| Current Assets | \$ 20,694,261 | \$ 18,066,409 |
| Restricted Assets | 269,678 | 2,433,727 |
| Capital Assets (net of accumulated depreciation) | 23,442,948 | 21,974,468 |
| Total Assets | <u>\$ 44,406,887</u> | <u>\$ 42,474,604</u> |
| Deferred Outflows of Resources | | |
| Pension/OPEB | <u>\$ 2,350,537</u> | <u>\$ 3,414,855</u> |
| Total Deferred Outflows of Resources | \$ 2,350,537 | \$ 3,414,855 |
| Liabilities | | |
| Current Liabilities | \$ 1,014,741 | \$ 944,275 |
| Liabilities Payable from Restricted Assets | 35,947 | 538,287 |
| Net pension liability | 6,405,435 | 8,708,633 |
| Net OPEB liability | 4,176,581 | 3,659,757 |
| Non-Current Liabilities - Other | 204,298 | 186,697 |
| Total Liabilities | <u>\$ 11,837,002</u> | <u>\$ 14,037,649</u> |
| Deferred Inflows of Resources | | |
| Pension/OPEB | <u>\$ 1,812,521</u> | <u>\$ 51,829</u> |
| Total Deferred Inflows of Resources | \$ 1,812,521 | \$ 51,829 |
| Net Position | | |
| Net Investment in Capital Assets | \$ 23,331,876 | \$ 21,872,629 |
| Restricted for Capital Assets | 251,747 | 2,416,353 |
| Unrestricted | 9,524,278 | 7,510,999 |
| Total Net Position | <u>\$ 33,107,901</u> | <u>\$ 31,799,981</u> |

*Restated (see Note 13)

For the year 2018, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits other than pensions".

As a result of implementing the accounting standard for pension and OPEB, the Authority is reporting a significant net pension liability, net OPEB liability and related deferred inflows of resources for the fiscal year which have a negative effect on net position. In addition, the Authority is reporting deferred outflows of resources and a decrease in expenses related to pension and OPEB, which have a positive impact on net position. The decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the Authority's net position, additional information is presented below.

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

| | <u>2018</u> | <u>2017</u> |
|---|------------------------|-----------------------|
| Deferred outflows - pension | \$ 1,891,006 | \$ 3,360,575 |
| Deferred outflows - OPEB | 459,531 | 54,280 |
| Deferred inflows - pension | (1,501,394) | (51,829) |
| Deferred inflows - OPEB | (311,127) | - |
| Net pension liability | (6,405,435) | (8,708,633) |
| Net OPEB liability | (4,176,581) | (3,659,757) |
| Impact of GASB 68 and GASB 75 on net position | <u>\$ (10,044,000)</u> | <u>\$ (9,005,364)</u> |

Condensed Summary of Revenues, Expenses and Changes in Net Position

| <u>Description</u> | <u>2018</u> | <u>2017*</u> |
|---|----------------------|----------------------|
| Operating Revenues (Expenses) | | |
| Operating Revenues | \$ 1,127,817 | \$ 1,114,662 |
| Operating Expenses, excluding Depreciation | (12,374,543) | (11,986,017) |
| Depreciation Expense | (3,083,587) | (2,720,370) |
| Operating Loss | <u>(14,330,313)</u> | <u>(13,591,725)</u> |
| Non-Operating Revenues (Expenses) | | |
| Sales and Use Tax Revenues | 9,298,324 | 9,217,096 |
| Federal Grants and Reimbursements | 2,198,108 | 2,112,674 |
| State Grants, Reimbursements and Special Fare Assistance | 88,860 | 86,734 |
| Investment Income | 225,366 | 100,687 |
| Other Income | 183,572 | 255,699 |
| Total Non-Operating Revenues | <u>11,994,230</u> | <u>11,772,890</u> |
| Capital Contributions | 3,644,003 | 5,350,138 |
| Increase (Decrease) in Net Position During the Year | 1,307,920 | 3,531,303 |
| Net Position, Beginning of Year | 31,799,981 | 31,874,155 |
| Prior Period Adjustment (Note 13) | - | (3,605,477) |
| Net Position, End of Year | <u>\$ 33,107,901</u> | <u>\$ 31,799,981</u> |

*Restated (Note 13)

Financial Operating Results

Revenues

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

Passenger Revenues – Farebox and special transit fares are included here. The fares changed -0.1% in 2018 from 2017, reflecting a stable ridership.

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

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 on November 6, 2012, for five (5) years beginning April 1, 2014 and ending March 31, 2019. Another renewal of this tax issue was passed by the voters of Mahoning County on November 7, 2017, for a continuing period. WRTA began collecting sales tax revenues in July, 2009. For 2018 approximately 70.8% of the Authority's revenues came from this source while for 2017, approximately 71.5% of the Authority's revenues came from this source. Sales and use tax revenue can be used for operating or capital purchases.

The 2017 sales tax revenue was restated due to Medicaid sales taxes. Medicaid sales taxes are taxes passed in 2017 by House Bill 49 and 69 as an aid program to replace sales tax revenue loss from the state's repeal of sales tax on Medicaid health insuring corporations.

The Authority originally recorded these as other liabilities - deferred sales tax but changed its classification to sales tax revenue. This had the effect of increasing its 2017 net position by \$408,728 and reducing other liabilities by \$408,728.

Federal Grants and Reimbursements - The Authority received approximately \$2.2 million in preventive maintenance and ADA reimbursement funds to cover certain maintenance and complimentary paratransit service costs incurred for each of the years 2018 and 2017. For 2018, capital assistance of \$3.6 million does not include flex funding, however, for 2017, capital assistance of \$5.2 million includes flex funding in the amount of \$251,898. The Authority received \$28,904 and \$177,346 in Job Access Reverse Commute and New Freedom funds in 2018 and 2017, respectively; and Veteran's Assistance of \$646,003 in 2017. In 2017, the Authority received \$6,681 in Federal Section 5339 Bus and Bus Facilities funds. The Authority received Congestion Management and Air Quality (CMAQ) funds of \$104,987 in 2018 and \$2.5 million in 2017. Enhanced Mobility of Seniors and Disabled funds of \$24,283 was received in 2017. In 2017, \$116,731 of the Enhanced Mobility of Seniors and Disabled funds was passed through to subrecipients.

State Operating Grants - The Ohio Department of Transportation allocates grants for capital, operating assistance and elderly and disabled programs. The Authority has not received this funding since 2014. This category includes reimbursement for state fuel taxes paid by the Authority in the amount of \$88,860 for 2018 and \$86,734 for 2017.

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

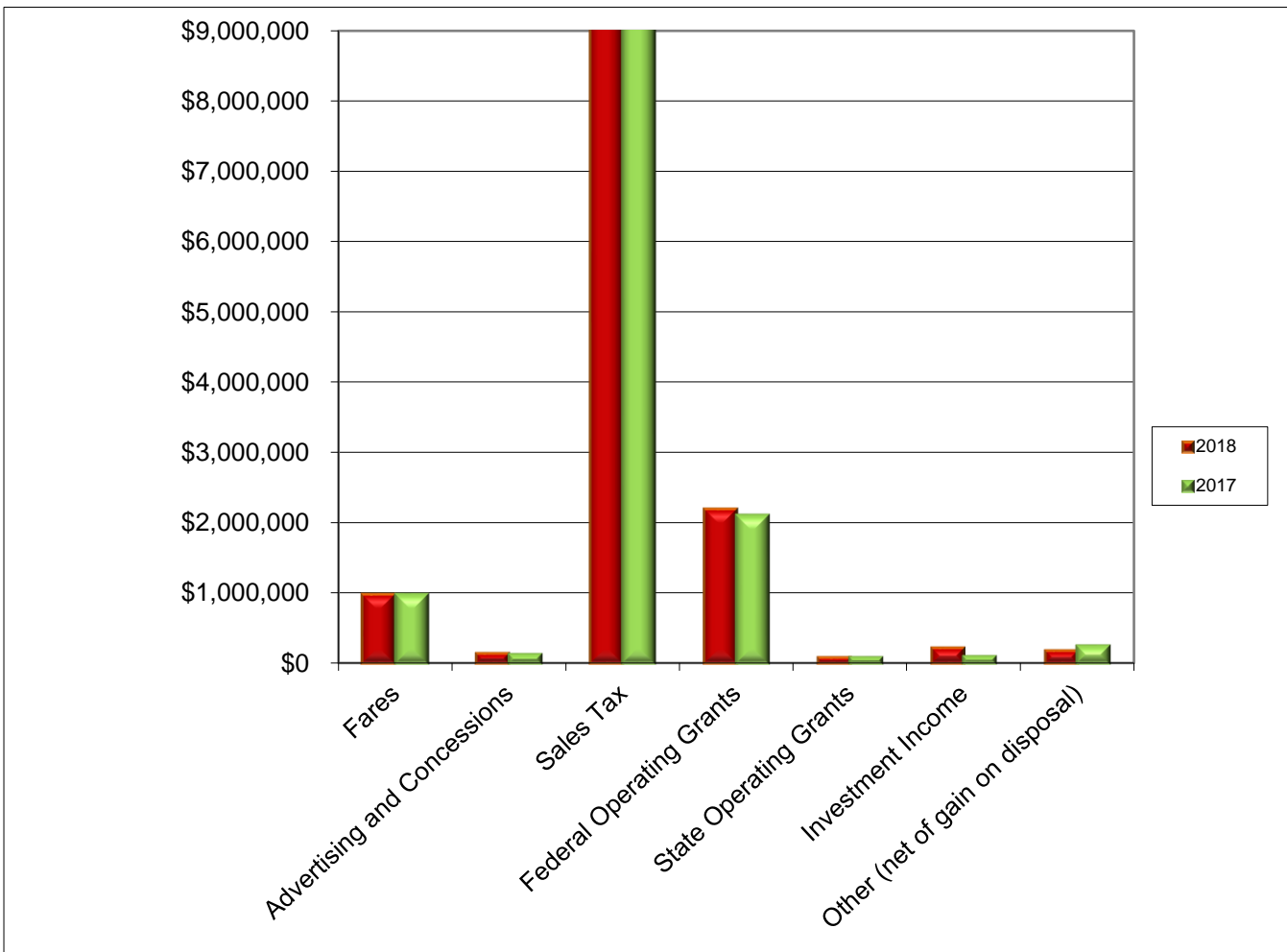
Investment Income – Investment income increased significantly due to increasing interest rates, as well as increasing investments. The Authority opened a State Treasury Asset Reserve of Ohio (STAR Ohio) account, as well as a STAR Plus account in 2012 through the Ohio State Treasurers Office. STAR Ohio 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.

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

REVENUE

| | <u>2018</u> | <u>% to total</u> | <u>2017</u> | <u>% to total</u> |
|---------------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| Fares | \$ 983,649 | 7.5% | \$ 985,678 | 7.6% |
| Advertising and Concessions | 144,168 | 1.1% | 128,984 | 1.0% |
| Sales Tax | 9,298,324 | 70.8% | 9,217,096 | 71.5% |
| Federal Operating Grants | 2,198,108 | 16.8% | 2,112,674 | 16.4% |
| State Operating Grants | 88,860 | 0.7% | 86,734 | 0.7% |
| Investment Income | 225,366 | 1.7% | 100,687 | 0.8% |
| Other (net of gain on disposal) | <u>183,572</u> | 1.4% | <u>255,699</u> | 2.0% |
| Total | <u>\$ 13,122,047</u> | | <u>\$ 12,887,552</u> | |



**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

Expenses

Labor and Fringe Benefits Personnel costs accounted for approximately 76% of all the Authority operating expenses (excluding depreciation) in 2018. This proportion was approximately 76% in 2017.

Materials and Supplies Overall, costs of materials and supplies remained steady, increasing by less than 1% in 2018. In 2017, these increased by 3% due to increases in fuel and lubes cost. New vehicles are covered by warranty.

Services These costs were higher in 2018 due to planning for future route restructure and increased marketing efforts. In 2017, costs were slightly lower because ridership surveys were not conducted.

Utilities The decrease in utilities in 2018 was primarily in the electric category for both locations. We are continuing to see energy savings from the replacement of light fixtures in 2017. In 2017, the decrease primarily came from replacing light fixtures with energy efficient fixtures.

Casualty and Liability Casualty and Liability rates increased in 2018 and remained fairly stable in 2017. WRTA is a member of the Ohio Transit Risk Pool and rates are based on a number of factors, including, but not limited to, how many members are in the pool, number and age of assets being insured and past experience

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.

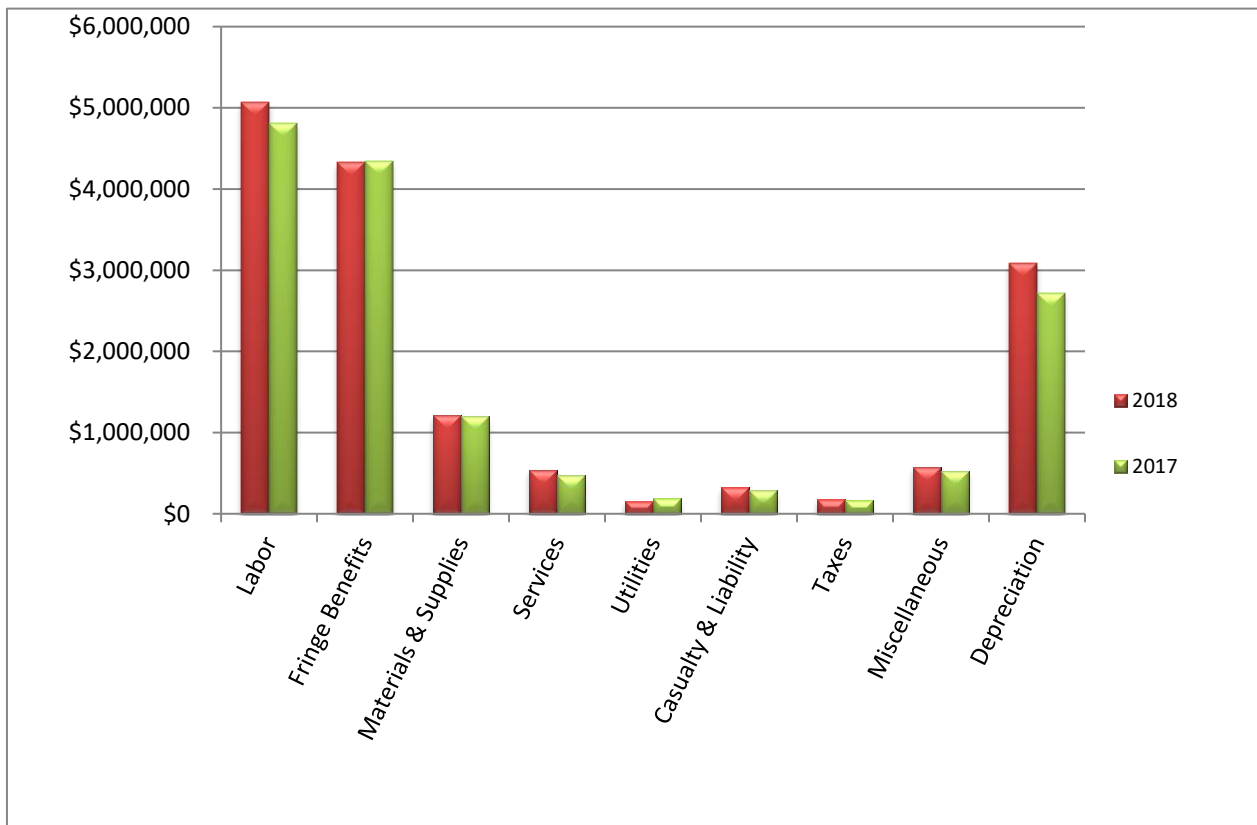
General Administration Administrative personnel labor and fringe benefits are included in this category, as well as public liability and property damage insurance, professional services, advertising fees and office supplies.

Depreciation This category includes depreciation on all capital assets, except land.

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

EXPENSE BY OBJECT CLASS

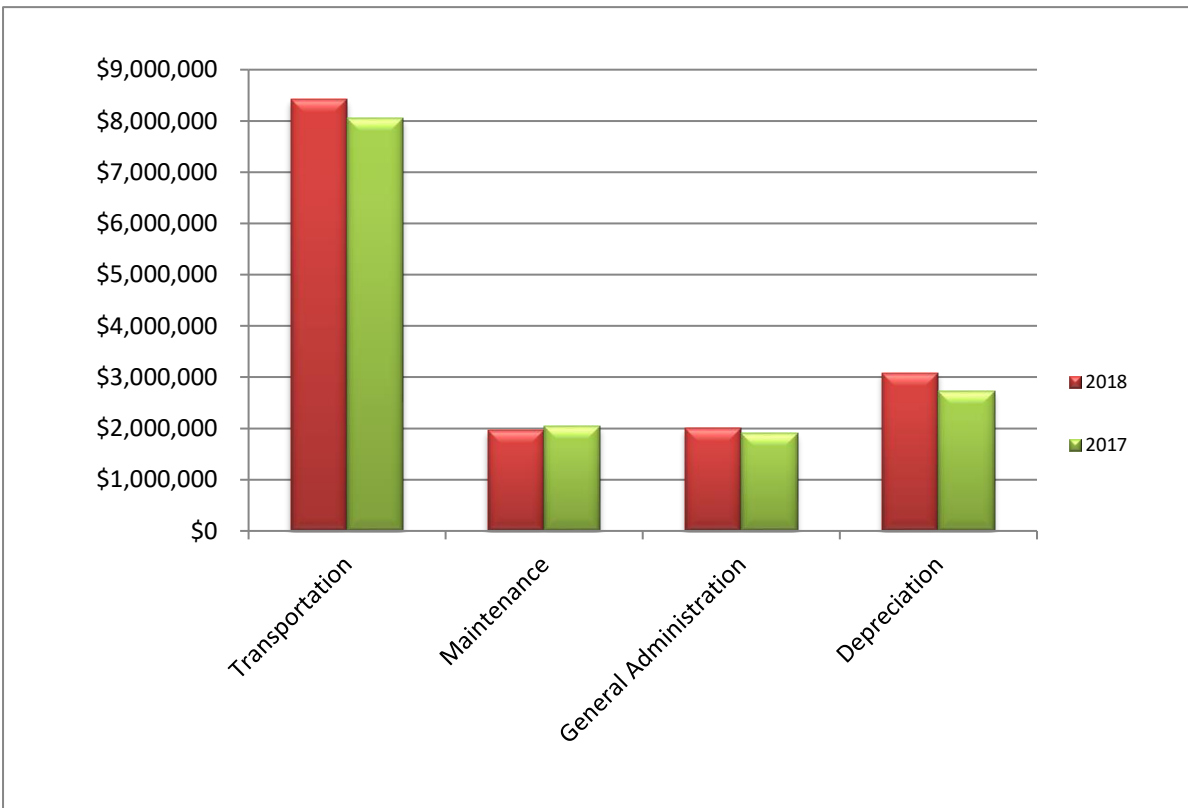
| | <u>2018</u> | <u>% to total</u> | <u>2017</u> | <u>% to total</u> |
|----------------------|---------------------|-------------------|---------------------|-------------------|
| Labor | \$5,064,509 | 33% | \$4,804,697 | 33% |
| Fringe Benefits | 4,326,724 | 28% | 4,341,649 | 30% |
| Materials & Supplies | 1,211,665 | 8% | 1,202,285 | 8% |
| Services | 541,399 | 3% | 469,012 | 3% |
| Utilities | 157,905 | 1% | 185,657 | 1% |
| Casualty & Liability | 324,804 | 2% | 284,443 | 2% |
| Taxes | 173,885 | 1% | 167,489 | 1% |
| Miscellaneous | 573,652 | 4% | 530,785 | 4% |
| Depreciation | 3,083,587 | 20% | 2,720,370 | 18% |
| Total | <u>\$15,458,130</u> | | <u>\$14,706,387</u> | |



**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

EXPENSE BY FUNCTION

| | <u>2018</u> | <u>% to total</u> | <u>2017</u> | <u>% to total</u> |
|------------------------|---------------------|-------------------|---------------------|-------------------|
| Transportation | \$8,416,364 | 54% | \$8,045,039 | 55% |
| Maintenance | 1,965,550 | 13% | 2,043,180 | 14% |
| General Administration | 1,992,629 | 13% | 1,897,798 | 13% |
| Depreciation | <u>3,083,587</u> | 20% | <u>2,720,370</u> | 20% |
| Total | <u>\$15,458,130</u> | | <u>\$14,706,387</u> | |



**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

Condensed Summary of Cash Flows

Net cash used for operating activities increased slightly due to increased costs in 2018. Net cash provided by non-capital financing activities increased as a direct result of sales and use tax received. Net cash used in capital and related financing activities decreased due to the nature of capital purchases in 2018. Acquisition of fixed assets included the purchase of 9 full size transit buses, underground storage tank replacement and upgrade, Site security upgrades, as well as hardware/software.

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from customers | \$ 1,103,398 | \$1, 061,257 |
| Cash payments to suppliers for goods and services | (2,862,198) | (2,973,751) |
| Cash payments to employees for services | (8,287,362) | (7,572,010) |
| Net cash used in operating activities | (10,046,162) | (9,484,504) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Sales and Use taxes received | 9,260,767 | 9,310,868 |
| Maintenance and planning grants received | 3,546,423 | 2,192,854 |
| Other | 329,931 | 275,244 |
| Net cash provided by non-capital financing activities | 13,137,121 | 11,778,966 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Capital grants received | 5,306,268 | 4,335,038 |
| Acquisition of fixed assets | (4,577,536) | (6,522,152) |
| Payment on capital lease | (101,389) | (105,558) |
| Proceeds from disposal | 7,784 | 61,682 |
| Net cash provided (used) in capital and related financing activities | 635,127 | (2,230,990) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received from investments | 225,366 | 100,687 |
| NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS | 3,951,452 | 164,159 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 13,766,966 | 13,602,807 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$17,718,418 | \$13,766,966 |
| Non-cash transactions: | | |
| Inception of capital lease | \$111,072 | \$101,389 |

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

Capital Assets

The Authority's net investment in capital assets amounts to \$23.3 million, net of accumulated depreciation as of December 31, 2018, a slight increase of \$1.5 million (7%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. During 2018, the Authority purchased 9 full size transit buses, underground storage tank replacement and upgrade, Site security upgrades, as well as ADP hardware/software. During 2017, the Authority purchased 9 full size transit buses, 7 Light Transit Vehicles, 3 Conversion Vans, 1 Service Truck, ITS communications system installation and implementation, ADP hardware/software, perimeter fencing, energy efficient lighting and painted the facility exterior.

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
 MAHONING COUNTY
 STATEMENT OF NET POSITION
 DECEMBER 31, 2018

| ASSETS | <u>2018</u> |
|--|-----------------------------|
| CURRENT ASSETS: | |
| Cash and cash equivalents (Note 2) | \$ 17,711,487 |
| Receivables: | |
| Trade, less allowance for doubtful accounts of \$1,782 in 2018 and 2017 | 113,892 |
| Federal assistance | 1,073,408 |
| State assistance | 13,767 |
| Sales and Use taxes (Note 4) | 1,387,171 |
| Materials and supplies inventory | 243,353 |
| Prepaid expenses | 151,183 |
| Total current assets | <u>20,694,261</u> |
| RESTRICTED ASSETS: | |
| Cash and cash equivalents (Note 2) | 6,931 |
| Investments | 11,000 |
| Federal capital assistance receivable | 251,747 |
| Total restricted assets | <u>269,678</u> |
| PROPERTY, FACILITIES AND EQUIPMENT: | |
| Land | 1,013,136 |
| Building and improvements | 13,024,695 |
| Transportation equipment | 26,268,444 |
| Other equipment | 1,579,584 |
| Total | <u>41,885,859</u> |
| Less accumulated depreciation | 18,442,911 |
| Property, facilities and equipment - net | <u>23,442,948</u> |
| TOTAL ASSETS | <u><u>\$ 44,406,887</u></u> |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Pension - OPERS | \$ 1,891,006 |
| Pension - OPEB | 459,531 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u><u>\$ 2,350,537</u></u> |

See accompanying notes to the financial statements.

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 STATEMENT OF NET POSITION (CONT'D)
 DECEMBER 31, 2018

| | 2018 |
|---|---------------|
| LIABILITIES | |
| CURRENT LIABILITIES: | |
| Accounts payable | \$ 95,302 |
| Accrued payroll and benefits | 667,767 |
| Capital Lease, current portion | 111,072 |
| Other | 140,600 |
| Total current liabilities | 1,014,741 |
| LIABILITIES PAYABLE FROM RESTRICTED ASSETS | |
| Capital expenditures payable | 35,947 |
| Total Liabilities payable from restricted assets | 35,947 |
| NONCURRENT LIABILITIES - Other | |
| Net pension liability | 6,405,435 |
| Net OPEB liability | 4,176,581 |
| Other | 204,298 |
| Total Liabilities | \$ 11,837,002 |
| DEFERRED INFLOWS OF RESOURCES: | |
| Pension - OPERS | \$ 1,501,394 |
| Pension OPEB | 311,127 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ 1,812,521 |
| NET POSITION: | |
| Net Investment in Capital Assets | \$ 23,331,876 |
| Restricted for Capital Assets | 251,747 |
| Unrestricted | 9,524,278 |
| Total Net Position | \$ 33,107,901 |

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2018 |
|--|---------------|
| OPERATING REVENUES: | |
| Passenger fares | \$ 983,649 |
| Advertising and concessions | 144,168 |
| Total operating revenues | 1,127,817 |
| OPERATING EXPENSES: | |
| Labor | 5,064,509 |
| Fringe benefits (Note 5) | 4,326,724 |
| Materials and supplies | 1,211,665 |
| Services | 541,399 |
| Utilities | 157,905 |
| Casualty and liability | 324,804 |
| Taxes | 173,885 |
| Other | 573,652 |
| Total operating expenses excluding depreciation | 12,374,543 |
| OPERATING LOSS BEFORE DEPRECIATION EXPENSE | (11,246,726) |
| DEPRECIATION EXPENSE (Note 3): | 3,083,587 |
| OPERATING LOSS | (14,330,313) |
| NONOPERATING REVENUES: | |
| Sales and Use tax revenues (Note 4) | 9,298,324 |
| Federal maintenance grants and reimbursements (Note 10) | 2,198,108 |
| State maintenance grants, reimbursements and and special fare assistance (Note 9) | 88,860 |
| Investment income | 225,366 |
| Other | 183,572 |
| Total nonoperating revenues | 11,994,230 |
| NET GAIN (LOSS) BEFORE CAPITAL CONTRIBUTION | (2,336,083) |
| Capital contributions | 3,644,003 |
| NET GAIN | 1,307,920 |
| Net Position, Beginning of Year | 35,405,458 |
| Prior Period Adjustment (Note 13) | (3,605,477) |
| Net Position, End of Year | \$ 33,107,901 |

See accompanying notes to the financial statements.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2018 |
|--|-----------------|
| OPERATING ACTIVITIES: | |
| Cash received from customers | \$ 1,103,398 |
| Cash payments to suppliers for goods and services | (2,862,198) |
| Cash payments to employees for services | (8,287,362) |
| Net cash used in operating activities | (10,046,162) |
| NONCAPITAL FINANCING ACTIVITIES: | |
| Sales and Use taxes received | 9,260,767 |
| Maintenance and planning grants received | 3,546,423 |
| Other | 329,931 |
| Net cash provided by noncapital financing activities | 13,137,121 |
| CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Capital grants received | 5,306,268 |
| Acquisition of capital assets | (4,577,536) |
| Payment on capital lease | (101,389) |
| Proceeds from disposal | 7,784 |
| Net cash used in capital and related financing activities | 635,127 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest received from investments | 225,366 |
| Net cash provided by investing activities | 225,366 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,951,452 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 13,766,966 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 17,718,418 |
| USED IN OPERATING ACTIVITIES: | |
| Operating loss | \$ (14,330,313) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation | 3,083,587 |
| Change in assets and liabilities: | |
| (Increase)decrease in accounts receivable-trade | (24,149) |
| (Increase)decrease in materials and supplies inventory | 16,155 |
| (Increase)decrease in prepaid expenses | 109,409 |
| Increase(decrease) in accounts payable | (5,752) |
| Increase(decrease) in accrued payroll and benefits | 65,235 |
| Increase(decrease) in net pension liability/deferred inflows/outflows | 1,038,716 |
| Increase(decrease) in other liabilities | 950 |
| Net cash used in operating activities | \$ (10,046,162) |
| Non-cash transactions: | |
| Inception of capital lease | \$ 111,072 |

See accompanying notes to the financial statements.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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 a 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.

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
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
- (continued)

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 year ended December 31, 2018 \$3,644,003 in capital contributions were recognized as revenue in the Statement of Revenues, Expenses and Changes in Net Position for the Authority.

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

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

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

Investments – The Authority’s investments are in STAR Ohio, the State Treasurer’s Investment Pool. These investments are stated at cost, which approximates market value (fair value).

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

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
- (continued)

However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

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

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

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

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

| <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.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
- (continued)

Compensated Absences – The Authority accrues vacation and eligible sick pay as earned by its employees based upon the policies of the Authority and recognizes such costs when they are incurred. Vacation leave is considered short term since employees lose unused vacation on anniversary date.

Net Position - Equity 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.

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

Classification of Revenues

The Authority has classified its revenues as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares, advertising, and concession revenue.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as sales tax proceeds and most federal, state, and local grants and contracts.

Recognition of Revenue and Receivables

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

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
- (continued)

Capital grant funds received in advance of project costs being incurred are recorded as liabilities.

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

Pensions and Other Postemployment Benefits (OPEB)

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

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

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

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
- (continued)

There is no repayment schedule for the net pension liability or the net OPEB liability. The Authority has no control over the changes in the benefits, contributions rate, and return on investments affecting the balance of these liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

2. DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2018, the carrying amount of all the Authority's deposits was \$3,824,703 and the Authority's bank balance of \$4,028,674 was not exposed to custodial credit risk. These amounts do not include petty cash of \$881.

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

2. DEPOSITS AND INVESTMENTS – (continued)

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 the Ohio Pool Collateralization System (OPCS) pledged to the Treasurer of State. Qualified trustees holding such pools of collateral are approved by the Ohio treasurer and must hold the eligible securities in an account indicating the treasurer’s security interest. The Ohio treasurer holds and monitors the pooled collateral on behalf of the WRTA.

As of December 31, 2018, WRTA has the following investments and maturities:

| <u>Investment Type</u> | <u>NAV Value</u> | <u>Invest < 6 months</u> |
|------------------------|---------------------|-----------------------------|
| STAR Ohio | <u>\$13,903,834</u> | <u>\$13,903,834</u> |
| Total | <u>\$13,903,834</u> | <u>\$13,903,834</u> |

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding tables identify the Authority’s recurring fair value measurement as of December 31, 2018. As previously discussed, STAR Ohio is reported at its net asset value.

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

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

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

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

2. DEPOSITS AND INVESTMENTS – (continued)

Concentration of Credit Risk: WRTA places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by WRTA at December 31, 2018:

| <u>Investment Type</u> | <u>NAV Value</u> | <u>% to Total</u> |
|------------------------|---------------------|-------------------|
| STAR Ohio | <u>\$13,903,834</u> | <u>100</u> |
| Total | <u>\$13,903,834</u> | |

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

| | <u>2018</u> |
|---|---------------------|
| Current assets – cash and cash equivalents | \$17,711,487 |
| Restricted assets-investments | 11,000 |
| Restricted assets-cash and cash equivalents | <u>6,931</u> |
| Total | <u>\$17,729,418</u> |

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is as follows:

| Description | Balance | Fixed Assets | | Balance |
|---|---------------|--------------|-------------|---------------|
| | 1/1/2018 | Additions | Disposal | 12/31/2018 |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,013,136 | \$ - | \$ - | \$ 1,013,136 |
| Total capital assets not being depreciated | 1,013,136 | - | - | 1,013,136 |
| Capital assets being depreciated: | | | | |
| Buildings & building improvements | 12,719,545 | 435,033 | (129,883) | 13,024,695 |
| Transportation equipment | 25,849,093 | 3,970,697 | (3,551,346) | 26,268,444 |
| Other equipment | 1,508,921 | 126,993 | (56,330) | 1,579,584 |
| Total capital assets being depreciated | 40,077,559 | 4,532,723 | (3,737,559) | 40,872,723 |
| Less Accumulated depreciation: | | | | |
| Buildings & building improvements | 7,842,350 | 548,225 | (129,883) | 8,260,692 |
| Transportation equipment | 10,180,374 | 2,409,838 | (3,571,274) | 9,018,938 |
| Other equipment | 1,093,503 | 125,524 | (55,746) | 1,163,281 |
| Total accumulated depreciation | 19,116,227 | 3,083,587 | (3,756,903) | 18,442,911 |
| Total capital assets being depreciated, Net | 20,961,332 | 1,449,136 | 19,344 | 22,429,812 |
| Total capital assets, Net | \$ 21,974,468 | \$ 1,449,136 | \$ 19,344 | \$ 23,442,948 |

In 2018, the Authority purchased tires through a capital lease of which the balance was \$111,072 as of December 31, 2018.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

4. SALES AND USE TAXES

A ¼% sales and use tax issue passed by the voters of Mahoning County on November 4, 2008 was effective April 1, 2009 for five (5) years ending March 31, 2014. A renewal of the sales and use tax issue, with an effective date of April 1, 2014 through March 31, 2019, was passed by the voters of Mahoning County on November 6, 2012. On November 7, 2017 the voters of Mahoning County approved a renewal of the sales and use tax issue for a continuing period. Sales and use tax revenue can be used for operating or capital purposes.

5. DEFINED BENEFIT PLANS

Net Pension Liability

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

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

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

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

5. DEFINED BENEFIT PLANS - (continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Ohio Public Employees Retirement System

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

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

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

5. DEFINED BENEFIT PLANS - (continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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

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

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

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

5. DEFINED BENEFIT PLANS – (continued)

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

| | State and Local <u>2018</u> |
|---|-----------------------------------|
| Statutory maximum contribution rates | |
| Employer | 14.00 % |
| Employee | 10.00 % |
| Actual contribution rates | |
| Employer: | |
| Pension | 14.00 % |
| Post-employment health care benefits | - |
| Total employer | 14.00 % |
| Employee | 10.00 % |

The Authority's contractually required contribution for the Traditional Pension Plan and the Combined Plan was \$790,618 for 2018. Of this amount, \$65,309 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS <u>2017</u> |
|--|----------------------|
| Proportion of pension liability - prior measurement date | 0.038350 % |
| Proportion of pension liability - current measurement date | 0.040830 % |
| Change in proportionate share | 0.002480 % |
| Proportionate share of net pension liability | \$ 6,405,435 |
| Pension expense | \$ 1,406,554 |

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

5. DEFINED BENEFIT PLANS – (continued)

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS |
|---|----------------------------|
| Deferred outflows of resources | <u>2018</u> |
| Net difference between expected and actual experience | \$ 6,542 |
| Net difference between projected and actual earnings on pension plan investments | |
| Changes of assumptions | 765,492 |
| Employer contributions subsequent to the measurement date | 790,618 |
| Change in proportionate share and differences between employer contributions and proportionate share of contributions | <u>328,354</u> |
| Total deferred outflows of resources | <u><u>1,891,006</u></u> |
| Deferred inflows of resources | |
| Differences between expected and actual experience | 126,231 |
| Net deferred inflows of resources and actual earnings on pension plan investment | <u>1,375,163</u> |
| Total deferred inflows of resources | <u><u>\$ 1,501,394</u></u> |

\$790,618 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

5. DEFINED BENEFIT PLANS – (continued)

| | Traditional <u>OPERS</u> |
|--------------------------|-----------------------------|
| Year ending December 31: | |
| 2019 | \$ 770,491 |
| 2020 | (874) |
| 2021 | (605,549) |
| 2022 | <u>(565,074)</u> |
| Total | <u>\$ (401,006)</u> |

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|--|-----------------------|--------------------------|
| Wage inflation | | 3.25 percent |
| Future salary increases, including inflation | 3.25 to 10.75 percent | including wage inflation |
| COLA or Ad Hoc COLA | | 3 percent, simple |
| Investment rate of return | | 7.5 percent |
| Actuarial cost method | | Individual entry age |

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

5. DEFINED BENEFIT PLANS – (continued)

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

5. DEFINED BENEFIT PLANS – (continued)

| <u>Asset class</u> | Target <u>allocation</u> | Weighted average long-term expected real rate of return <u>(arithmetic)</u> |
|------------------------|-----------------------------|--|
| Fixed income | 23.00% | 2.20% |
| Domestic equities | 19.00% | 6.37% |
| Real estate | 10.00% | 5.26% |
| Private equity | 10.00% | 8.97% |
| International equities | 20.00% | 7.88% |
| Other investments | <u>18.00%</u> | <u>5.26%</u> |
| Total | <u>100.00%</u> | <u>5.66%</u> |

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease <u>(6.50%)</u> | Current discount rate <u>(7.50%)</u> | 1% Increase <u>(8.50%)</u> |
|--|-------------------------------|--|-------------------------------|
| Employer proportionate share of the net pension liability(asset): | | | |
| Traditional Pension Plan | \$ 11,374,421 | \$ 6,405,435 | \$ 2,262,799 |

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

6. DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable*.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

6. DEFINED BENEFIT OPEB PLANS – (continued)

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

6. DEFINED BENEFIT OPEB PLANS – (continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contribution was \$0 for 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

6. DEFINED BENEFIT OPEB PLANS – (continued)

| | <u>OPERS</u> |
|---------------------------------------|------------------|
| Proportion of the net OPEB liability: | |
| current measurement date | 0.038461% |
| prior measurement date | <u>0.036234%</u> |
| Change in proportionate share | <u>0.002227%</u> |
| | |
| Proportionate share of the net | |
| OPEB liability | \$ 4,176,581 |
| OPEB expense | \$ 422,700 |

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>OPERS</u> |
|--|------------------|
| Deferred outflows of resources | |
| Differences between expected and actual experience | \$3,254 |
| Changes of assumptions | 304,099 |
| Changes in proportion and differences between contributions and proportionate share of contributions | <u>152,178</u> |
| | |
| Total deferred outflows of resources | <u>\$459,531</u> |
| | |
| Deferred inflows of resources | |
| Net difference between projected and actual earnings on OPEB plan investments | <u>\$311,127</u> |
| | |
| Total deferred inflows of resources | <u>\$311,127</u> |

\$0 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

6. DEFINED BENEFIT OPEB PLANS – (continued)

| Year ending December 31: | <u>OPERS</u> |
|--------------------------|------------------|
| 2019 | \$141,922 |
| 2020 | 141,922 |
| 2021 | (57,659) |
| 2022 | <u>(77,781)</u> |
| Total | <u>\$148,404</u> |

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|--|---|
| Wage inflation | 3.25 percent |
| Projected salary increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| Single discount rate: | |
| Current measurement date | 3.85 percent |
| Prior measurement date | 4.23 percent |
| Investment rate of return | 6.50 percent |
| Municipal bond rate | 3.31 percent |
| Health care cost trend rate | 7.5 percent, initial |
| | 3.25 percent, ultimate in 2028 |
| Actuarial cost method | Individual Entry Age |

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

6. DEFINED BENEFIT OPEB PLANS – (continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

6. DEFINED BENEFIT OPEB PLANS – (continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

| <u>Asset class</u> | Target <u>allocation</u> | Weighted average long-term expected real rate of return <u>(arithmetic)</u> |
|------------------------------|-----------------------------|--|
| Fixed income | 34.00% | 1.88% |
| Domestic equities | 21.00% | 6.37% |
| Real estate investment trust | 6.00% | 5.91% |
| International equities | 22.00% | 7.88% |
| Other investments | <u>17.00%</u> | <u>5.39%</u> |
| Total | <u>100.00%</u> | <u>4.98%</u> |

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

6. DEFINED BENEFIT OPEB PLANS – (continued)

Sensitivity of the Authority’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Authority’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Authority’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

| | 1% Decrease <u>(2.85%)</u> | Current discount rate <u>(3.85%)</u> | 1% Increase <u>(4.85%)</u> |
|--|-------------------------------|--|-------------------------------|
| Proportionate share of the net OPEB liability | \$5,548,768 | \$4,176,581 | \$3,066,496 |

Sensitivity of the Authority’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries’ project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

| | <u>1% Decrease</u> | Current health care cost trend rate <u>assumption</u> | <u>1% Increase</u> |
|--|--------------------|---|--------------------|
| Proportionate share of the net OPEB liability | \$3,996,098 | \$4,176,581 | \$4,363,016 |

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

7. OPERATING LEASES

The Authority currently leases space at its Federal Station loading terminal to Greyhound Lines, Inc. and Plaza Donuts, Inc. Both leases are a five-year term, expired December 31, 2018. New five-year term leases for the period of January 1, 2019 through December 31, 2021 were in place at January 1, 2019. Rent receipts of \$51,731 for 2018 are reflected in the financial statements as non-operating other revenue.

8. CONTINGENCIES

Federal and State Grants – Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2018, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority’s management, no material grant expenditures will be disallowed.

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

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

Grants, reimbursements and special fare assistance in the statements of revenues, expenses and changes in net position for the year ended December 31, 2018 consist of the following:

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

9. FEDERAL AND STATE GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE – (continued)

| | 2018 |
|---|--------------|
| FEDERAL: | |
| FTA Maintenance and Other Assistance | \$ 2,064,024 |
| FTA Job Access and Reverse Commute Assistance | 28,904 |
| FTA Planning Assistance | 105,180 |
| FTA Capital Contribution | 3,644,003 |
| Total | \$ 5,842,111 |
| STATE: | |
| ODOT Fuel Tax Reimbursement | \$ 88,860 |
| Total | \$ 88,860 |

10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors, and omissions, employment related matters, injuries to employees and employee theft and fraud. The Authority belongs to the 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
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2018

11. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through June 26, 2019, the date the financial statements were available to be issued.

12. LONG-TERM LIABILITIES

The following are the Long-term liabilities requirements at December 31, 2018:

| | Restated balance at 1/1/2018 | Increase | Decrease | Balance at 12/31/2018 | Due w/in 1 year |
|-------------------------|------------------------------------|-------------------|-----------------------|--------------------------|--------------------|
| Net Pension Liability | \$ 8,708,633 | \$ - | \$ (2,303,198) | \$ 6,405,435 | \$ - |
| Net OPEB Liability | 3,659,757 | 516,824 | - | 4,176,581 | - |
| Capital Lease Liability | 101,389 | 111,072 | (101,389) | 111,072 | 111,072 |
| Compensated Absences | 186,697 | 173,354 | (155,753) | 204,298 | 6,250 |
| Total | <u>\$ 12,656,476</u> | <u>\$ 801,250</u> | <u>\$ (2,560,340)</u> | <u>\$ 10,897,386</u> | <u>\$ 117,322</u> |

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

13. RESTATEMENT OF NET POSITION

For the year 2018, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits other than pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). The implementation had the effect of restating net position by - \$3,605,477.

Also, sales tax revenue was restated due to Medicaid sales taxes, which the Authority originally recorded as other liabilities – deferred sales tax, but reclassified into sales tax revenue. This had the effect of increasing its 2017 net position by \$408,728.

(This page left intentionally blank)

Western Reserve Transit Authority

Required Supplementary Information

Schedule of Western Reserve Transit Authority Proportionate Share of the Net Pension Liability Last Five Years (1)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|
| Ohio Public Employees Retirement System (OPERS) - Traditional Plan | | | | | |
| Authority's proportion of the net pension liability | 0.040830% | 0.038350% | 0.036978% | 0.035675% | 0.035675% |
| Authority's proportionate share of the net pension liability | \$ 6,405,435 | \$ 8,708,633 | \$ 6,405,056 | \$ 4,302,804 | \$ 4,205,618 |
| Authority's covered employee payroll | \$ 5,373,754 | \$ 4,955,733 | \$ 4,564,317 | \$ 4,378,042 | \$ 4,203,692 |
| Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll | 119.20% | 175.73% | 140.33% | 98.28% | 100.05% |
| Plan fiduciary net position as a percentage of total pension liability | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |

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

Western Reserve Transit Authority
 Required Supplementary Information
 Schedule of Western Reserve Transit Authority Contributions - Pension
 Last Six Years (1)

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Ohio Public Employees Retirement System (OPERS) - Traditional Plan | | | | | | |
| Contractually required contribution | \$ 790,618 | \$ 698,588 | \$ 594,688 | \$ 547,718 | \$ 525,365 | \$ 546,480 |
| Contributions in relation to contractually required contribution | <u>(790,618)</u> | <u>(698,588)</u> | <u>(594,688)</u> | <u>(547,718)</u> | <u>(525,365)</u> | <u>(546,480)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority covered employee payroll | \$ 5,647,271 | \$ 5,373,754 | \$ 4,955,733 | \$ 4,564,317 | \$ 4,378,042 | \$ 4,203,692 |
| Contributions as a percentage of covered employee payroll | 14.00% | 13.00% | 12.00% | 12.00% | 12.00% | 13.00% |

(1) Information prior to 2013 is not available.

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

| | 2018 | 2017 |
|---|--------------|--------------|
| Ohio Public Employees Retirement System (OPERS) | | |
| Authority's proportion of the net OPEB liability | 0.038461% | 0.036234% |
| Authority's proportionate share of the net OPEB liability | \$ 4,176,581 | \$ 3,659,757 |
| Authority's covered employee payroll | \$ 5,373,754 | \$ 4,955,733 |
| Authority's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | 77.72% | 73.85% |
| Plan fiduciary net position as a percentage of total OPEB liability | 54.14% | 54.05% |

(1) Information prior to 2017 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

Western Reserve Transit Authority
 Required Supplementary Information
 Schedule of Western Reserve Transit Authority Contributions - OPEB
 Last Six Years (1)

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|--------------|-----------------|------------------|-----------------|-----------------|-----------------|
| Ohio Public Employees Retirement System (OPERS) | | | | | | |
| Contractually required contribution | \$ - | \$ 54,280 | \$ 100,116 | \$ 93,149 | \$ 89,348 | \$ 85,790 |
| Contributions in relation to contractually required contribution | <u>-</u> | <u>(54,280)</u> | <u>(100,116)</u> | <u>(93,149)</u> | <u>(89,348)</u> | <u>(85,790)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority covered employee payroll | \$ 5,647,271 | \$ 5,373,754 | \$ 4,955,733 | \$ 4,564,317 | \$ 4,378,042 | \$ 4,203,692 |
| Contributions as a percentage of covered employee payroll | 0.00% | 1.00% | 2.00% | 2.00% | 2.00% | 1.00% |

(1) Information prior to 2013 is not available.

Western Reserve Transit Authority

Notes to Required Supplementary Information

For the Year Ended December 31, 2018

Net Pension Liability

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2018. See the notes to the basic financials for the methods and assumptions in this calculation.

Net OPEB Liability

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2018. See the notes to the basic financials for the methods and assumptions in this calculation.

This page intentionally left blank.

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

| <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 | | | |
| Formula Grants | 20.507 | OH-90-0798 | \$ 10,524 |
| | | OH-90-0828 | 64,341 |
| | | OH-2016-046 | 408,121 |
| | | OH-2017-018 | 3,093,768 |
| | | OH-2018-09 | 1,777,168 |
| | | OH-2019-01 | 459,378 |
| Total CFDA #20.507 | | | <u>5,813,300</u> |
| Total Federal Transit Formula Grants Cluster | | | 5,813,300 |
| | | | |
| Transit Service Program Cluster Job Access and Reverse Commute Grants | 20.516 | OH-37-0078 | \$ 28,904 |
| Total CFDA #20.516 | | | <u>28,904</u> |
| | | | |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 5,842,204</u> |

See notes to Schedule of Expenditures of Federal Awards.

WESTERN RESERVE TRANSIT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Western Reserve Transit Authority (the Authority) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - MATCHING REQUIREMENTS

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



Certified Public Accountants, A.C.

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

June 26, 2019

Western Reserve Transit Authority
Mahoning County
604 Mahoning Ave.
Youngstown, OH 44504

To the Members of the Board:

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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 26, 2019, wherein we noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Compliance and Other Matters

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

Purpose of this Report

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



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

June 26, 2019

Western Reserve Transit Authority
Mahoning County
604 Mahoning Ave.
Youngstown, OH 44504

To the Members of the Board:

Report on Compliance for the Major Federal Program

We have audited **Western Reserve Transit Authority's**, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Opinion on the Major Federal Program

In our opinion, the 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, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
FOR THE YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



WESTERN RESERVE TRANSIT AUTHORITY

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 29, 2019**