

**Audited Financial Statements**  
**WESTERN RESERVE TRANSIT AUTHORITY**

**For the years ended December 31, 2010 and 2009**

**SINGLE AUDIT REPORT**  
**For the year ended December 31, 2010**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Western Reserve Transit Authority, Mahoning County, prepared by Dingus and Daga, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

August 22, 2011

**This Page is Intentionally Left Blank.**

# WESTERN RESERVE TRANSIT AUTHORITY

## TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL STATEMENTS:	
Independent Auditors' Report. . . . .	1
Management's Discussion and Analysis. . . . .	3
Balance Sheet. . . . .	14
Statement of Revenues, Expenses and Changes in Net Assets . . . . .	16
Statement of Cash Flows. . . . .	17
Notes to Financial Statements . . . . .	18
SUPPLEMENTAL SCHEDULE:	
Schedule of Expenditures of Federal Awards . . . . .	31
Notes to the Supplemental Schedule of Expenditures of Federal Awards. . . . .	32
REPORT ON COMPLIANCE AND INTERNAL CONTROL:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> . . . . .	33
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance Applicable in Accordance with OMB Circular A-133. . . . .	35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS . . . . .	37
SCHEDULE OF PRIOR AUDIT FINDINGS . . . . .	39



INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Western Reserve Transit Authority  
Youngstown, Ohio

We have audited the accompanying financial statements of the Western Reserve Transit Authority (the "Authority"), as of and for the years ended December 31, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 12, during the year ended December 31, 2010, the Authority implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basis financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Dingus and Daga, Inc.*

Shaker Heights, Ohio  
June 24, 2011

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

As management of the Western Reserve Transit Authority (“Authority”), we offer readers of the Authority’s basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2010. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

### **Overview of Financial Highlights**

- The Authority has net assets of \$18.14 million. These net assets result from the difference between total assets of \$19.57 million and total liabilities of \$1.43 million.
- Current assets of \$6.64 million primarily consist of non-restricted Cash and Cash Equivalents of \$2.20 million; Accounts Receivable of \$.06; Sales Tax receivable of \$1.15 million; Federal and State assistance receivable of \$2.99 million; and Materials and Supplies Inventory of \$.24 .
- Current liabilities of \$1.04 million primarily consist of Accounts, Contracts, and Other payables of \$.28 million and Accrued Payroll Benefits of \$.76 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 Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets except land, are capitalized and depreciated over their estimated useful lives.



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

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

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

#### **Notes to the Financial Statements**

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

## Financial Analysis of the Authority

### Condensed Summary of Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current Assets	\$ 6,642,232	\$ 4,664,588	\$ 3,236,550
Restricted Assets	1,707,125	965,585	582,144
Other Non-Current Assets	11,000	11,000	11,000
Capital Assets (net of accumulated Depreciation)	<u>11,208,616</u>	<u>10,923,266</u>	<u>10,416,038</u>
Total Assets	<u>\$19,568,973</u>	<u>\$16,564,439</u>	<u>\$14,245,732</u>
Current Liabilities	\$ 1,042,797	\$ 994,038	\$ 2,975,995
Liabilities Payable from Restricted Assets	303,818	478,033	569,877
Non Current Liabilities	<u>85,532</u>	<u>54,144</u>	<u>52,589</u>
Total Liabilities	<u>\$ 1,432,147</u>	<u>\$ 1,526,215</u>	<u>\$ 3,598,461</u>
Net Assets			
Invested in Capital Assets	\$11,208,616	\$10,923,266	\$10,416,038
Restricted for Capital Assets	1,403,307	487,552	12,267
Unrestricted	<u>5,524,903</u>	<u>3,627,406</u>	<u>218,966</u>
Total Net Assets	<u>\$18,136,826</u>	<u>\$15,038,224</u>	<u>\$10,647,271</u>

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

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

<u>Description</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Operating Revenues (Expenses)</b>			
Operating Revenues	\$ 840,658	\$ 761,181	\$ 722,940
Operating Expenses, excluding depreciation	(7,985,177)	(6,857,441)	(5,290,070)
Depreciation Expense	<u>(2,223,274)</u>	<u>(1,952,677)</u>	<u>(1,677,277)</u>
Operating Loss	<u>\$ (9,367,793)</u>	<u>\$ (8,048,937)</u>	<u>\$ (6,244,407)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Property Tax Revenues	\$ 599,856	\$ 2,513,752	\$ 2,592,628
Sales and Use Tax Revenues	6,892,171	4,209,307	0
Federal Grants and Reimburse	2,324,644	2,193,771	1,348,891
State Grants, Reimbursements and Special Fare Assistance	349,070	1,132,894	442,605
Investment Income	9,257	5,468	25,513
Other Income	<u>52,285</u>	<u>55,828</u>	<u>180,390</u>
Total Non-Operating Revenue	<u>\$10,227,283</u>	<u>\$10,111,020</u>	<u>\$ 4,586,027</u>
Capital Contributions	<u>\$ 2,239,112</u>	<u>\$ 2,328,870</u>	<u>\$ 436,098</u>
Increase (Decrease) in Net Assets During the Year	\$ 3,098,602	\$ 4,390,953	\$ (1,222,282)
Net Assets, Beginning of Year	<u>\$15,038,224</u>	<u>\$10,647,271</u>	<u>\$11,869,553</u>
Net Assets, End of Year	<u>\$18,136,826</u>	<u>\$15,038,224</u>	<u>\$10,647,271</u>

## **FINANCIAL OPERATING RESULTS**

### **Revenues**

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

Passenger Revenues – Farebox and special transit fares are included here. The overall increase from 2010 and 2009 reflects an increase in ridership as a result of added service during 2010 and 2009.

Property Tax Revenues – This 5 mills was levied against property owners in the City of Youngstown and was made up of three separate tax issues: one 1 mill for 10 years, one 2 mill for 10 years and one 2 mill for 4 years. For 2009, approximately 23.1% of the Authority's revenue came from this source. Property Tax Revenues are no longer collected after 2009 with the passage of the Sales and Use Tax. The Authority will continue to collect a minimal Kilowatt-Hour and MCF Local Government Property Tax Replacement distribution through 2011.

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. In 2009 and thereafter, WRTA will be subsidized by a ¼% sales and use tax levy. WRTA began collecting sales tax revenues in July, 2009. For 2010 approximately 62.3% of the Authority's revenues came from this source while for 2009, approximately 38.7% of the Authority's revenues came from this source. Sales and use tax revenue can be used for operating or capital purchases.

Federal Grants and Reimbursements – In 2010, the Authority received approximately \$1.8 million in preventive maintenance and ADA reimbursement funds to cover certain maintenance and complimentary paratransit service costs incurred. This compares to \$1.2 million received in 2009 and \$1.4 million in 2008. The Authority also received \$352,000 in operating funds through ARRA in 2009 and \$466,274 and \$355,000 in Job Access Reverse Commute and New Freedom funds in 2010 and 2009, respectively.

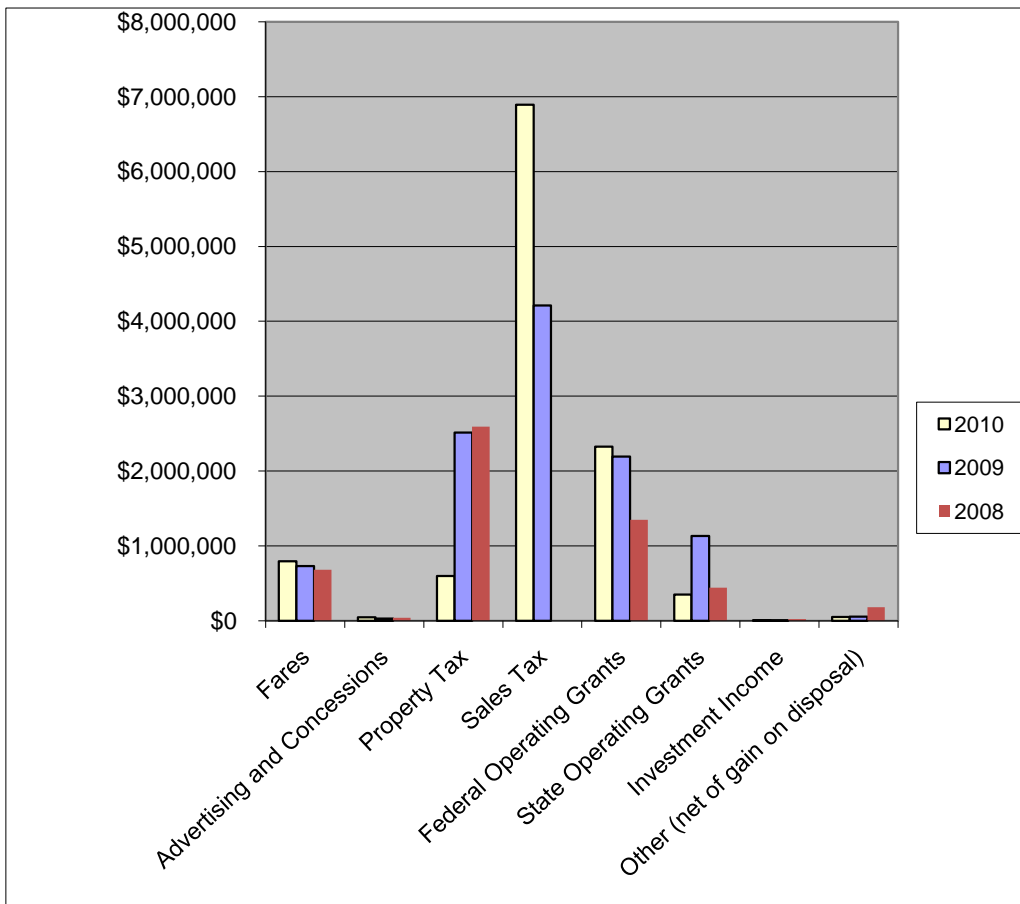
State Operating Grants – The Ohio Department of Transportation allocates grants for operating assistance and elderly and disabled programs. This category also includes reimbursement for state fuel taxes paid by the Authority. For 2009 operating assistance includes an STP grant in the amount of \$260,203 and a fuel initiative grant in the amount of \$435,000. The decrease in 2010 is a result of state funding cuts.

Investment Income – Investment income decreased in 2009 as a result of decreasing interest rates. Investment income increased during 2010 as did cash on hand.

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

# REVENUE

	2010		2009		2008	
Fares	\$ 795,013	7.2%	\$ 730,666	6.7%	\$ 682,861	12.9%
Advertising and Concessions	\$ 45,645	0.4%	\$ 30,515	0.3%	\$ 40,079	0.8%
Property Tax	\$ 599,856	5.4%	\$ 2,513,752	23.1%	\$ 2,592,628	48.8%
Sales Tax	\$ 6,892,171	62.3%	\$ 4,209,307	38.7%	\$ 0	0.0%
Federal Operating Grants	\$ 2,324,644	21.0%	\$ 2,193,771	20.2%	\$ 1,348,891	25.4%
State Operating Grants	\$ 349,070	3.2%	\$ 1,132,894	10.4%	\$ 442,605	8.3%
Investment Income	\$ 9,257	0.1%	\$ 5,468	0.1%	\$ 21,513	0.4%
Other (net of gain on disposal)	\$ 52,285	0.5%	\$ 55,828	0.5%	\$ 180,390	3.4%
<b>Total</b>	<b>\$ 11,067,941</b>	<b>100.0%</b>	<b>\$ 10,872,201</b>	<b>100.0%</b>	<b>\$ 5,308,967</b>	<b>100.0%</b>



## **Expenses**

Labor and Fringe Benefits These personnel cost accounted for approximately 67.6% of all the Authority operating expenses (excluding depreciation) in 2010. This proportion was approximately 63.8% in 2009 and 61.4% in 2008. The increase in proportion during 2010 and 2009 is a result of added service and hiring additional employees.

Materials and Supplies These costs increased in 2010 and 2009 mainly due to added service and increased mileage.

Services These costs increased slightly in 2010 due to sales tax fees paid for a full year and decreased in 2009 due to professional and technical services, including planning. Planning costs decreased significantly due to the completion of services expanding county wide.

Utilities These costs increased a result of utility rate increases.

Casualty and Liability These costs increased in 2010. Premiums are based on an annual actuarial study done by the Ohio Transit Risk Pool. The Authority also increased its fleet size in late 2009 by 12 revenue vehicles and again in 2010 by 5 revenue vehicles.

Miscellaneous This category summarizes various expenses not included in other expense categories.

Transportation These are expenses directly related to the operation of revenue vehicles. Included are wages and fringe benefits of operators, dispatchers, customer service, as well as diesel fuel and security costs.

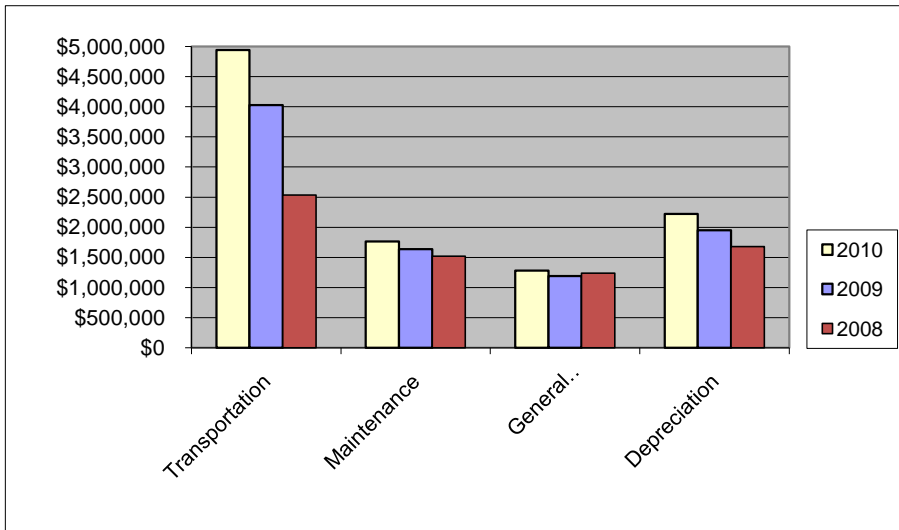
Maintenance Vehicle and facility maintenance labor costs, fringe benefits, and materials and supplies are included in this category.

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

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

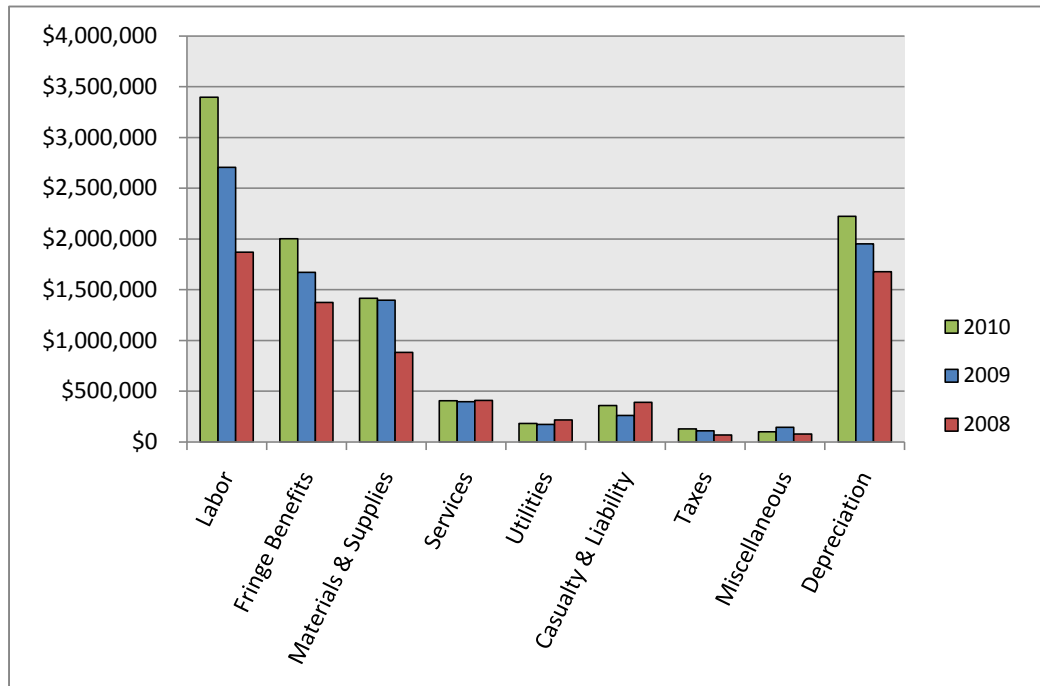
## EXPENSE BY FUNCTION

	<u>2010</u>		<u>2009</u>		<u>2008</u>	
Transportation	\$ 4,941,297	48.4%	\$ 4,026,882	45.7%	\$ 2,533,073	36.4%
Maintenance	\$ 1,764,437	17.3%	\$ 1,638,214	18.6%	\$ 1,516,990	21.8%
General Administration	\$ 1,279,443	12.5%	\$ 1,192,344	13.5%	\$ 1,240,007	17.8%
Depreciation	\$ 2,223,274	21.8%	\$ 1,952,677	22.2%	\$ 1,677,277	24.0%
<b>Total</b>	<b><u>\$ 10,208,451</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 8,810,117</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 6,967,347</u></b>	<b><u>100.0%</u></b>



## EXPENSE BY OBJECT CLASS

	2010		2009		2008	
Labor	\$ 3,396,759	33.3%	\$ 2,704,682	30.7%	\$ 1,870,476	26.8%
Fringe Benefits	\$ 2,001,243	19.6%	\$ 1,672,217	19.0%	\$ 1,375,907	19.7%
Materials & Supplies	\$ 1,414,466	13.8%	\$ 1,396,612	15.9%	\$ 881,864	12.7%
Services	\$ 404,883	3.9%	\$ 395,616	4.5%	\$ 408,759	5.9%
Utilities	\$ 182,182	1.8%	\$ 173,155	2.0%	\$ 215,460	3.1%
Casualty & Liability	\$ 357,971	3.5%	\$ 261,645	3.0%	\$ 389,837	5.6%
Taxes	\$ 127,737	1.3%	\$ 110,276	1.3%	\$ 68,924	1.0%
Miscellaneous	\$ 99,936	1.0%	\$ 143,237	1.6%	\$ 78,843	1.1%
Depreciation	\$ 2,223,274	21.8%	\$ 1,952,677	22.0%	\$ 1,677,277	24.1%
<b>Total</b>	<b>\$10,208,451</b>	<b>100.0%</b>	<b>\$ 8,810,117</b>	<b>100.0%</b>	<b>\$ 6,967,347</b>	<b>100.0%</b>





## Condensed Summary of Cash Flows

Net cash used for operating activities increased as a result of increasing services in 2010. Net cash provided by non-capital financing activities increased due to the first full year collection of sales tax 2010. Net cash used in capital and related financing activities was the result of capital expenditures as a result of the American Recovery and Reinvestment Act (ARRA) funds. Acquisition of fixed assets included the renovation and expansion of the administration building, paving at Federal Station, a new vehicle radio system and the purchase of five (5) modified minivans in 2010.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from customers	\$ 804,267	\$ 768,710	\$ 738,657
Cash payments to suppliers for goods and services	(4,666,211)	(4,264,824)	(3,347,900)
Cash payments to employees for services	(3,335,492)	(2,544,391)	(2,057,601)
Net cash used in operating activities	<u>(7,197,436)</u>	<u>(6,040,505)</u>	<u>(4,666,844)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Property taxes received	611,344	2,513,752	2,592,628
Sales and Use taxes received	6,789,001	3,163,639	-0-
Maintenance and planning grants received	1,628,106	1,575,851	1,943,083
Other	74,273	57,383	182,968
Net cash provided by non-capital financing activities	<u>9,102,726</u>	<u>7,310,625</u>	<u>4,718,679</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants received	1,301,452	1,831,409	369,764
Acquisition of fixed assets	(2,508,624)	(2,459,905)	(545,356)
Proceeds from disposal	9,400	-0-	-0-
Net cash used in capital and related financing activities	<u>(1,197,772)</u>	<u>(628,496)</u>	<u>(175,592)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from investments	<u>9,257</u>	<u>5,468</u>	<u>21,513</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>716,773</u>	<u>647,092</u>	<u>(102,244)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,628,327	981,235	1,083,479
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$2,345,100</u>	<u>\$1,628,327</u>	<u>\$ 981,235</u>

## **Capital Assets**

The Authority's investment in capital assets amounts to \$11.2 million, net of accumulated depreciation as of December 31, 2010, an increase of \$.29 million (2.61%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment. During 2010, the Authority purchased 5 modified minivans and completed construction on the rehabilitation, renovation and expansion of the administration facility. Both projects were funded by an ARRA grant at 100% federal participation and both projects were necessary as a result expanded countywide transit services. The Authority also began a repaving project at Federal Station and purchased a new vehicle radio system.

## **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

BALANCE SHEET  
DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 2)	\$ 2,200,985	\$ 1,448,812
Receivables:		
Trade, less allowance for doubtful accounts of \$1,782 in 2010 and 2009	57,734	21,343
Federal assistance	2,807,723	1,864,833
State assistance	186,804	97,581
Property taxes (Note 4)		
Sales and Use taxes (Note 5)	1,148,838	1,045,668
Materials and supplies inventory	234,519	180,948
Prepaid expenses	5,629	5,403
Total current assets	6,642,232	4,664,588
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents (Note 2)	144,115	179,515
Federal capital assistance receivable	1,563,010	786,070
Total restricted assets	1,707,125	965,585
<b>PROPERTY, FACILITIES AND EQUIPMENT:</b>		
Land	1,013,136	1,013,136
Building and improvements	9,772,316	9,180,486
Transportation equipment	16,946,420	16,837,589
Other equipment	1,651,720	1,566,917
Total	29,383,592	28,598,128
Less accumulated depreciation	18,174,976	17,674,862
Property, facilities and equipment - net	11,208,616	10,923,266
OTHER ASSETS	11,000	11,000
TOTAL ASSETS	\$ 19,568,973	\$ 16,564,439

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

BALANCE SHEET (CONT'D)  
DECEMBER 31, 2010 AND 2009

LIABILITIES AND NET ASSETS	2010	2009
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 77,659	\$ 106,554
Accrued payroll and benefits	758,250	696,983
Advances	83,424	83,424
Deferred property taxes	11,488	
Other	111,976	107,077
Total current liabilities	1,042,797	994,038
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Capital expenditures payable	137,238	297,958
Deferred planning and operating grants	83,730	97,225
Deferred capital grants	82,850	82,850
Total liabilities payable from restricted assets	303,818	478,033
<b>NONCURRENT LIABILITIES - Other</b>	85,532	54,144
Total liabilities	1,432,147	1,526,215
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt	11,208,616	10,923,266
Restricted for Capital Assets	1,403,307	487,552
Unrestricted	5,524,903	3,627,406
Total Net Assets	18,136,826	15,038,224
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 19,568,973	\$ 16,564,439

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Passenger fares	\$ 795,013	\$ 730,666
Advertising and concessions	45,645	30,515
Total operating revenues	840,658	761,181
OPERATING EXPENSES:		
Labor	3,396,759	2,704,682
Fringe benefits	2,001,243	1,672,217
Materials and supplies	1,414,466	1,396,612
Services	404,883	395,616
Utilities	182,182	173,155
Casualty and liability	357,971	261,645
Taxes	127,737	110,276
Other	99,936	143,238
Total operating expenses excluding depreciation	7,985,177	6,857,441
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(7,144,519)	(6,096,260)
DEPRECIATION EXPENSE (Note 3):	2,223,274	1,952,677
OPERATING LOSS	(9,367,793)	(8,048,937)
NONOPERATING REVENUES:		
Property tax revenues (Note 4)	599,856	2,513,752
Sales and Use tax revenues (Note 5)	6,892,171	4,209,307
Federal maintenance grants and reimbursements (Note 9)	2,324,644	2,193,771
State maintenance grants, reimbursements and special fare assistance (Note 9)	349,070	1,132,894
Investment income	9,257	5,468
Other	52,285	55,828
Total nonoperating revenues	10,227,283	10,111,020
NET GAIN BEFORE CAPITAL CONTRIBUTION	859,490	2,062,083
Capital contributions (Note 1)	2,239,112	2,328,870
NET GAIN	3,098,602	4,390,953
Net Assets, Beginning of Year	15,038,224	10,647,271
Net Assets, End of Year	\$ 18,136,826	\$ 15,038,224

See accompanying notes to financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
<b>OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 804,267	\$ 768,710
Cash payments to suppliers for goods and services	(4,666,211)	(4,264,824)
Cash payments to employees for services	(3,335,492)	(2,544,391)
Net cash used in operating activities	(7,197,436)	(6,040,505)
<b>NONCAPITAL FINANCING ACTIVITIES:</b>		
Property taxes received	611,344	2,513,752
Sales and Use taxes received	6,789,001	3,163,639
Maintenance and planning grants received	1,628,106	1,575,851
Other	74,273	57,383
Net cash provided by noncapital financing activities	9,102,724	7,310,625
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants received	1,301,452	1,831,409
Acquisition of capital assets	(2,508,624)	(2,459,905)
Proceeds from disposal	9,400	-
Net cash used in capital and related financing activities	(1,197,772)	(628,496)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received from investments	9,257	5,468
Net cash provided by investing activities	9,257	5,468
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	716,773	647,092
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,628,327	981,235
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 2,345,100	\$ 1,628,327
<b>USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (9,367,793)	\$ (8,048,937)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,223,274	1,952,677
Change in assets and liabilities:		
(Increase)decrease in accounts receivable-trade	(36,391)	7,529
Increase in materials and supplies inventory	(53,571)	(39,834)
Increase in prepaid expenses	(226)	(131)
Decrease in accounts payable	(28,895)	(69,600)
Increase in accrued payroll and benefits	61,267	160,291
Increase(decrease) in other current liabilities	4,899	(2,500)
Net cash used in operating activities	\$ (7,197,436)	\$ (6,040,505)

See accompanying notes to financial statements.

# WESTERN RESERVE TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

For the Years Ended December 31, 2010 and 2009

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

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

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

Nonexchange Transactions - The Authority complies with the provisions of Statement No. 33 of the Governmental Accounting Standards Board (“GASB”) regarding the Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions be recognized as revenue. Accordingly, during the years ended December 31, 2010 and 2009, \$2,239,112 and \$2,328,870, respectively, in capital contributions were recognized as revenue in the Statement of Revenues, Expenses and changes in Net Assets for the Authority.

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

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

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

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

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



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

For the Years Ended December 31, 2010 and 2009

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

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

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

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

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

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

Net Assets - Equity displayed in three components as follows:

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

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

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

For the Years Ended December 31, 2010 and 2009

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

Net Assets - Equity displayed in three components as follows (Cont'd):

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

Classifications of Revenues

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

Recognition of Revenue and Receivables

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

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

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

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

For the Years Ended December 31, 2010 and 2009

2. DEPOSITS AND INVESTMENTS

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

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

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

Deposits

At December 31, 2010, the carrying amount of all the Authority's deposits was \$2,345,100. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$2,089,714 of the WRTA's bank balance of \$2,339,714 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

At December 31, 2009, the carrying amount of all the Authority's deposits was \$1,628,327. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$1,372,737 of the WRTA's bank balance of \$1,622,737 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

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

For the Years Ended December 31, 2010 and 2009

2. DEPOSITS AND INVESTMENTS (Cont'd)

Deposits (Cont'd)

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

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

	<u>2010</u>	<u>2009</u>
Current assets - cash and cash equivalents	\$2,200,985	\$1,448,812
Restricted assets – cash and cash equivalents	<u>144,115</u>	<u>179,515</u>
Total	<u>\$2,345,100</u>	<u>\$1,628,327</u>

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 is as follows:

Description	Balance @ <u>01/01/10</u>	Fixed Assets		Balance @ <u>12/31/10</u>
		<u>Additions</u>	<u>Disposals</u>	
Capital Assets Not Being Depreciated:				
Land	\$ 1,013,136			\$ 1,013,136
Total Capital Assets Not Being Depreciated	1,013,136			1,013,136
Capital Assets Being Depreciated:				
Building & Building Improvements	9,180,486	\$ 1,204,299	\$ 612,469	9,772,316
Transportation Equipment	16,837,589	1,166,655	1,057,824	16,946,420
Other Equipment	<u>1,566,917</u>	<u>180,321</u>	<u>95,518</u>	<u>1,651,720</u>
Total Assets Being Depreciated	27,584,992	2,551,275	1,765,811	28,370,456
Less Accumulated Depreciation:				
Building & Building Improvements	5,590,091	504,643	569,927	5,524,807
Transportation Equipment	10,914,584	1,650,512	1,057,715	11,507,381
Other Equipment	<u>1,170,187</u>	<u>68,119</u>	<u>95,518</u>	<u>1,142,788</u>

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

For the Years Ended December 31, 2010 and 2009

3. CAPITAL ASSETS (Cont'd)

Total Accumulated Depreciation	<u>17,674,862</u>	<u>2,223,274</u>	<u>1,723,160</u>	<u>18,174,976</u>
Total Capital Assets Being Depreciated, Net	<u>9,910,130</u>	<u>328,001</u>	<u>42,651</u>	<u>10,195,480</u>
Total Capital Assets, Net	<u>\$10,923,266</u>	<u>\$ 328,001</u>	<u>\$ 42,651</u>	<u>\$11,208,616</u>

Capital asset activity for the year ended December 31, 2009 is as follows:

Description	Balance @ 01/01/09	Fixed Assets		Balance @ 12/31/09
		Additions	Disposals	
Capital Assets Not Being Depreciated:	<u>\$ 1,013,136</u>			<u>\$ 1,013,136</u>
Land				
Total Capital Assets Not Being Depreciated	1,013,136			1,013,136
Capital Assets Being Depreciated:				
Building & Building Improvements	8,268,886	\$ 911,600		9,180,486
Transportation Equipment	15,409,396	1,428,193		16,837,589
Other Equipment	<u>1,479,480</u>	<u>120,112</u>	<u>\$ 32,675</u>	<u>1,566,917</u>
Total Capital Assets Being Depreciated	25,157,762	2,459,905	32,675	27,584,992
Less Accumulated Depreciation:				
Building & Building Improvements	5,147,387	442,704		5,590,091
Transportation Equipment	9,480,474	1,434,110		10,914,584
Other Equipment	<u>1,126,999</u>	<u>75,863</u>	<u>32,675</u>	<u>1,170,187</u>
Total Accumulated Depreciation	<u>15,754,860</u>	<u>1,952,677</u>	<u>32,675</u>	<u>17,674,862</u>
Total Capital Assets Being Depreciated, Net	<u>9,402,902</u>	<u>507,228</u>		<u>9,910,130</u>
Total Capital Assets, Net	<u>\$10,416,038</u>	<u>\$ 507,228</u>	<u>\$ -0-</u>	<u>\$ 10,923,266</u>

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

For the Years Ended December 31, 2010 and 2009

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property located in the Authority's operating district. WRTA received cash from tax levies when the related property tax collections are distributed by the Mahoning County Auditor's office. These distributions are generally received in the year following that for which the tax is levied. Real property and tangible personal property taxes collected during fiscal years 2009 and 2008 had a lien and levy date of December 2008 and December 2007, respectively. WRTA continued to collect all 5 mills property tax in 2009, with a lien and levy date of December 2008. WRTA no longer levies property taxes after December 2008. The Authority will continue to collect a minimal Kilowatt-Hour and MCF Local Government Property Tax Replacement distribution through 2011.

5. SALES AND USE TAXES

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

6. EMPLOYEE RETIREMENT PLANS

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

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

For the Years Ended December 31, 2010 and 2009

6. EMPLOYEE RETIREMENT PLANS (Cont'd)

to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulated retirement assets in a manner similar to the Member-Directed Plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. The 2010 member contribution rates were 10% of covered payroll. The 2010 employer contribution rate for local government employer units was 14% of covered payroll. The Authority's total contribution to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2010, 2009 and 2008 were approximately \$345,896, \$251,308, and \$156,083, respectively, equal to 100 percent of the required contribution for each year.

Post-employment Benefits

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

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

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

For the Years Ended December 31, 2010 and 2009

6. EMPLOYEE RETIREMENT PLANS (Cont'd)

The Authority's total contribution to OPERS for postretirement benefits for the years ended December 31, 2010, 2009 and 2008 were approximately \$192,370, \$177,820 and \$156,083, respectively, equal to 100 percent of the required contribution for each year.

OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased January 1 of each year from 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

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 five year terms, expiring December 31, 2013 and September 30, 2011, respectively. Rent receipts of \$40,590 and \$36,181, respectively are reflected in the financial statements as nonoperating 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, 2010, 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.



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

For the Years Ended December 31, 2010 and 2009

8. CONTINGENCIES (Cont'd)

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 assets for the year ended December 31, consist of the following:

	<u>2010</u>	<u>2009</u>
FEDERAL:		
FTA Maintenance and Other Assistance	\$1,778,191	\$1,173,706
FTA Job Access and Reverse Commute Assistance	352,565	308,321
FTA New Freedom Assistance	113,709	46,867
FTA ARRA	-0-	577,827
FTA Planning Assistance	80,179	87,050
FTA Capital Contribution	<u>2,239,112</u>	<u>2,328,870</u>
Total	<u>\$4,563,756</u>	<u>\$4,522,641</u>
STATE:		
ODOT Maintenance and Other Assistance	\$ 88,553	\$ 872,697
ODOT Elderly Fare Assistance	180,959	197,578
ODOT Fuel Tax Reimbursement	<u>79,558</u>	<u>62,619</u>
Total	<u>\$ 349,070</u>	<u>\$1,132,894</u>

10. RISK MANAGEMENT

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

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

For the Years Ended December 31, 2010 and 2009

10. RISK MANAGEMENT (Cont'd)

Transit Risk Pool Association, ("OTRP"). OTRP is a self insurance pool formed under Ohio Revised Code 2744.081, related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. Any underfunding of the plan's liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

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

11. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through June 24, 2011, the date the financial statements were available to be issued.

12. CHANGES IN ACCOUNTING POLICY

Effective for period beginning after June 15, 2009, the Authority implemented GASB Statement No.51, "Accounting and Financial Reporting for Intangible Assets" that will improve financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets. GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" that will improve financial reporting by requiring governments to measure derivative instruments, with the exception of SGICs that are fully benefit-responsive, at fair value in their economic resources measurement focus financial

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

For the Years Ended December 31, 2010 and 2009

12. CHANGES IN ACCOUNTING POLICY (Cont'd)

statements, and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies.", that will improve financial reporting by providing more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy.

These Statements did not have an impact on the Authority's financial statements.

13. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued these new accounting pronouncements. Statement No. 59, "Financial Instruments Omnibus." This statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards, this Statement is effective for period beginning after June 15, 2010. Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This statement requires disclosures about an service concession arrangements including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source, these Statements are effective for periods beginning after December 15, 2011. Statement No. 61, "The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34." This Statement will also clarify the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset, this Statement is effective for period beginning after June 15, 2012.

The Authority has not completed an analysis of the impact of these statement on its reported financial condition and results of operation.

WESTERN RESERVE TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL GRANT NUMBER</u>	<u>GRANT EXPENDITURES</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Cluster/Direct Programs:			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-90-0385 OH-90-0407 OH-90-0433 OH-90-0468 OH-90-0509 OH-90-0549 OH-90-0617 OH-90-0632 OH-90-0644 OH-90-0683	\$ 105,388 426,271 56,595 110,487 65,943 139,656 80,179 561,766 28,007 <u>1,354,968</u>
Total CFDA #20.507			<u>2,929,260</u>
Federal Transit Administration Job Access - Reverse Commute Grants	20.516	OH-37-0053 OH-37-0070	151,820 <u>193,942</u>
Total CFDA #20.516			<u>345,762</u>
Federal Transit Administration New Freedom Program	20.521	OH-57-0015 OH-57-0030	60,969 <u>99,458</u>
Total CFDA #20.521			<u>160,427</u>
Federal Transit Administration American Recovery and Reinvestment Act Grant	20.509	OH-96-0016	<u>1,128,307</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 4,563,756</u></u>

See note to Schedule of Expenditures of Federal Awards.

WESTERN RESERVE TRANSIT AUTHORITY  
NOTES TO THE SUPPLEMENTAL SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2010

1. BASIS OF PRESENTATION

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



Dingus and Daga, Inc.

Certified Public Accountants

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

Board of Trustees  
Western Reserve Transit Authority  
Youngstown, Ohio

We have audited the financial statements of the Western Reserve Transit Authority (the "Authority") as of and for the year ended December 31, 2010 , and have issued our report thereon dated June 24, 2011, wherein we noted that the Authority adopted Governmental Accounting Standards Board Statement No. 51,53 and 58. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

*Dingus and Daga, Inc.*

Shaker Heights, Ohio  
June 24, 2011



Dingus and Daga, Inc.

Certified Public Accountants

®

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

Board of Trustees  
Western Reserve Transit Authority  
Youngstown, Ohio

Compliance

We have audited the compliance of Western Reserve Transit Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2010 . The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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



In our opinion, Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2010.

#### Internal Control Over Compliance

The management of Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirements of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Dingus and Daga, Inc.*

Shaker Heights, Ohio  
June 24, 2011

WESTERN RESERVE TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2010

**PART I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified not considered to be material weaknesses?	no
Noncompliance material to financial statements noted?	no

**Federal Awards**

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

Identification of major programs:

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

WESTERN RESERVE TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)

For the Year Ended December 31, 2010

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

**Federal Awards (Cont'd)**

20.509	Federal Transit Administration American Recovery and Reinvestment Act Grant	
20.516	Federal Transit Administration Job Access-Reverse Commute Program	
20.521	Federal Transit Administration New Freedom Program	
	Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
	Auditee qualified as low-risk auditee?	yes

**PART II - FINANCIAL STATEMENT FINDINGS**

No matters are reportable.

**PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters are reportable

WESTERN RESERVE TRANSIT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2010

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



# Dave Yost • Auditor of State

**WESTERN RESERVE TRANSIT AUTHORITY**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 1, 2011**