



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

**Single Audit Report
for the Year Ended
December 31, 1999**

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CITY OF YOUNGSTOWN, OHIO)

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(A COMPONENT UNIT OF THE CITY OF YOUNGSTOWN, OHIO)

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STATE OF OHIO
OFFICE OF THE AUDITOR

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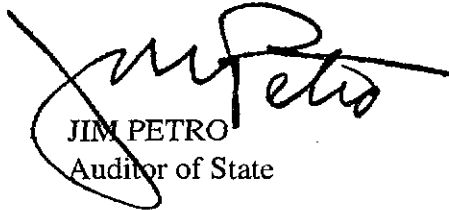
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Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio

We have reviewed the Independent Auditor's Report of the Western Reserve Transit Authority, Mahoning County, prepared by Deloitte & Touche LLP, for the audit period January 1, 1999 through December 31, 1999. 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.


JIM PETRO
Auditor of State

June 9, 2000



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio

We have audited the accompanying financial statements of the Western Reserve Transit Authority (a component unit of the City of Youngstown, Ohio) (the "Authority") as of December 31, 1999 and 1998, and for the years then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Authority. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America .

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying supplemental schedule of expenditures of federal awards for the year ended December 31, 1999 is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 14, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte + Touche LLP

April 14, 2000

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

BALANCE SHEETS
DECEMBER 31, 1999 AND 1998

ASSETS	1999	1998	LIABILITIES AND EQUITY	1999	1998
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents (Note 2)	\$ 2,756,070	\$ 2,400,240	Accounts payable	\$ 170,498	\$ 112,376
Receivables:			Accrued payroll	342,359	285,342
Trade, less allowance for doubtful accounts of \$1,847 in 1999 and 1998	110,565	13,640	Accrued payroll taxes	265,664	202,996
Federal operating and other assistance	1,819,732	1,780,239	Other	122,617	120,942
State operating and other assistance	802,778	534,584	Total current liabilities	<u>901,138</u>	<u>721,656</u>
Property taxes (Note 3)	2,774,747	2,748,117			
Materials and supplies inventory	204,055	184,410	LIABILITIES PAYABLE		
Prepaid expenses	8,552	7,376	FROM RESTRICTED ASSETS -		
Total current assets	<u>8,476,499</u>	<u>7,668,606</u>	Capital expenditures payable	1,707	44,226
			Deferred capital grants	24,737	24,737
RESTRICTED ASSETS:			Total liabilities payable from restricted assets	<u>26,444</u>	<u>68,963</u>
Cash and cash equivalents (Note 2)	110,900	126,251			
Federal capital and planning assistance receivable	141,340	111,350	NONCURRENT LIABILITIES - Other		
Total restricted assets	<u>252,240</u>	<u>237,601</u>	Total liabilities	<u>969,822</u>	<u>837,743</u>
PROPERTY, FACILITIES AND EQUIPMENT:			EQUITY:		
Land	693,004	693,004	Contributed capital (Note 1):		
Buildings and improvements	6,324,518	6,232,255	Federal grants	7,297,898	7,744,915
Transportation equipment	10,691,964	10,226,872	State grants	658,461	757,026
Other equipment	1,052,422	853,104	Total contributed capital	<u>7,956,359</u>	<u>8,501,941</u>
Total	<u>18,761,908</u>	<u>18,005,235</u>	Retained earnings	8,405,956	7,658,736
Less accumulated depreciation	10,169,510	8,924,022	Total equity	<u>16,362,315</u>	<u>16,160,677</u>
Property, facilities and equipment - net	<u>8,592,398</u>	<u>9,081,213</u>			
OTHER ASSETS	11,000	11,000			
TOTAL ASSETS	<u>\$17,332,137</u>	<u>\$16,998,420</u>	TOTAL LIABILITIES AND EQUITY	<u>\$17,332,137</u>	<u>\$16,998,420</u>

See notes to financial statements.

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

STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
OPERATING REVENUES:		
Passenger fares	\$ 612,494	\$ 586,477
Advertising and concessions	23,645	25,110
	<u>636,139</u>	<u>611,587</u>
OPERATING EXPENSES:		
Labor	2,363,687	2,151,513
Fringe benefits (Note 4)	1,465,824	1,119,242
Materials and supplies	675,530	534,358
Services	180,775	176,657
Utilities	110,007	106,332
Casualty and liability	152,215	154,685
Taxes	86,018	82,294
Miscellaneous	87,199	43,591
	<u>5,121,255</u>	<u>4,368,672</u>
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	<u>(4,485,116)</u>	<u>(3,757,085)</u>
DEPRECIATION EXPENSE (Note 1):		
On assets acquired with capital grants	1,216,884	1,145,684
On other assets	54,708	43,900
	<u>1,271,592</u>	<u>1,189,584</u>
OPERATING LOSS	<u>(5,756,708)</u>	<u>(4,946,669)</u>
NONOPERATING REVENUES:		
Property tax revenues (Note 3)	2,719,440	2,571,445
Federal operating grants and reimbursements (Note 6)	1,665,028	996,376
State operating grants, reimbursements and special fare assistance (Note 6)	776,325	799,923
Investment income	94,567	90,070
Loss on disposal of fixed assets		(35,755)
Other	31,684	133,167
	<u>5,287,044</u>	<u>4,555,226</u>
NET LOSS	<u>\$ (469,664)</u>	<u>\$ (391,443)</u>

See notes to financial statements.

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>Contributed Capital</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Federal Grants</u>	<u>State Grants</u>		
BALANCES AT JANUARY 1, 1998	\$ 8,287,446	\$ 860,362	\$ 6,904,495	\$ 16,052,303
CAPITAL CONTRIBUTIONS	460,174	39,643		499,817
NET LOSS FOR 1998			(391,443)	(391,443)
DEPRECIATION ON FIXED ASSETS ACQUIRED WITH CAPITAL GRANTS	<u>(1,002,705)</u>	<u>(142,979)</u>	<u>1,145,684</u>	<u> </u>
BALANCES AT DECEMBER 31, 1998	7,744,915	757,026	7,658,736	16,160,677
CAPITAL CONTRIBUTIONS	621,217	50,085		671,302
NET LOSS FOR 1999			(469,664)	(469,664)
DEPRECIATION ON FIXED ASSETS ACQUIRED WITH CAPITAL GRANTS	<u>(1,068,234)</u>	<u>(148,650)</u>	<u>1,216,884</u>	<u> </u>
BALANCES AT DECEMBER 31, 1999	<u>\$ 7,297,898</u>	<u>\$ 658,461</u>	<u>\$ 8,405,956</u>	<u>\$ 16,362,315</u>

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
OPERATING ACTIVITIES:		
Cash received from customers	\$ 539,214	\$ 665,532
Cash payments to suppliers for goods and services	(2,665,924)	(2,075,355)
Cash payments to employees for services	(2,306,670)	(2,130,761)
Net cash used in operating activities	<u>(4,423,380)</u>	<u>(3,540,584)</u>
NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	2,692,810	2,598,517
Operating and planning grants received	2,133,666	1,884,818
Other	31,684	133,167
Net cash provided by noncapital financing activities	<u>4,858,160</u>	<u>4,616,502</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	641,312	3,154,366
Acquisition of fixed assets	(830,180)	(3,937,427)
Net cash used in capital and related financing activities	<u>(188,868)</u>	<u>(783,061)</u>
INVESTING ACTIVITIES - Interest received from investments	<u>94,567</u>	<u>90,070</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	340,479	382,927
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,526,491</u>	<u>2,143,564</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,866,970</u>	<u>\$ 2,526,491</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$(5,756,708)	\$(4,946,669)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,271,592	1,189,584
Change in assets and liabilities:		
Accounts receivable-trade	(96,925)	53,945
Materials and supplies inventory	(19,645)	688
Prepaid expenses	(1,176)	(412)
Accounts payable	58,122	(12,899)
Accrued payroll	57,017	20,752
Accrued payroll taxes	62,668	146,345
Other current liabilities	1,675	8,082
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (4,423,380)</u>	<u>\$ (3,540,584)</u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

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

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

Reporting Entity - The Authority has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board ("GASB") regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority has no component units. The Authority is, however, considered to be a component unit of the City of Youngstown (the "City") by virtue of the fact that WRTA's Board of Trustees is appointed by the Mayor and City Council of Youngstown and the City's ability to impose its will on the Authority. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization.

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 Governmental Accounting Standards Board, *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. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

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 of three months or less when purchased to be cash equivalents. The Authority's investments are recorded at fair value.

Materials and Supplies Inventory - Materials and supplies inventory are stated at cost using the average cost method. Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

Property and Depreciation - Property, facilities and equipment are stated at historical cost. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related properties.

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

Description	Years
Buildings and improvements	20-35
Transportation equipment	7-12
Other equipment	3-15

Depreciation recognized on assets acquired or constructed through grants externally restricted for capital acquisitions are closed to the appropriate contributed capital account. Net income (loss) adjusted by the amount of depreciation on fixed assets acquired in this manner is closed to retained earnings.

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

Recognition of Revenue, Receivables and Deferred Revenues - Passenger fares are recorded as revenue at the time services are performed.

Property tax revenues are recognized in the year the taxes are levied. Differences between the estimated property tax receivable and the actual property tax receipts are included in revenue, generally in the following year, when the difference becomes known.

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 are generally recorded as revenues in the periods to which the grants apply. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and credited to contributed capital when the related qualified expenditures are incurred. Capital grants received in advance of project costs being incurred are deferred.

Compensated Absences - The Authority accrues vacation and sick pay benefits as earned by its employees.

Reclassifications - The Authority has reclassified certain amounts in the 1998 financial statements to conform to the current year's presentation.

2. CASH AND CASH EQUIVALENTS

The provisions of the Ohio Revised Code govern the investment and deposit of Authority monies. 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 its monies 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 any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 110% of the total value of public monies on deposit at the institution, or may deposit surety company bonds, which when executed shall be for an amount in excess of collateral requirements. 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 must 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 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

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

Deposits - The carrying amount of the Authority's deposits was \$101,335 at December 31, 1999 which was supported by a \$128,169 bank balance consisting of demand deposits. Of the bank balance, \$100,000 was covered by depository insurance and \$28,169 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board. These uncollateralized deposits were, however, covered by a pledged collateral pool not held in the Authority's name as permitted under Ohio law.

Investments - The Authority's investments are detailed below and are categorized in accordance with the criteria established by the Governmental Accounting Standards Board to indicate the level of credit risk assumed as of December 31, 1999. Category 1 includes investments that are insured or registered for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name.

Description	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreements			<u>\$ 2,765,635</u>	<u>\$ 2,765,635</u>	<u>\$ 2,765,635</u>

The deposit and investment balances at December 31, 1999 are included in the accompanying balance sheet under the following captions:

Current assets - cash and cash equivalents	\$2,756,070
Restricted assets - cash and cash equivalents	<u>110,900</u>
Total	<u>\$2,866,970</u>

3. PROPERTY TAXES

WRTA is subsidized by property tax levies passed by the voters of Youngstown, Ohio. Property taxes of 5.0 mills were levied in 1997 and 1996 that expire as follows: 1.0 mill in 2000, 2.0 mills in 2001 and 2.0 mills in 2005. Property tax revenue can be used for operating or capital purposes.

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

4. EMPLOYEE RETIREMENT AND DEFERRED COMPENSATION PLANS

Public Employees Retirement System of Ohio

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

Funding Policy - The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5% of their covered payroll to PERS. The 1999 employer contribution rate for local government employer units was 13.55% of covered payroll including 4.2% that is used to fund postretirement health care benefits. The Authority's total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 1999, 1998 and 1997 were approximately \$254,000, \$234,000 and \$227,000, respectively, equal to 100% of the required contribution for each year.

Other Postemployment Benefits Provided Through PERS - In addition to the pension benefits described previously, PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12.

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The portion of the employer contribution rate used to fund health care for both 1999 and 1998 was 4.2% of covered payroll. During 1999 and 1998, approximately \$114,000 and \$105,000, respectively, of the Authority's total contribution to PERS was used for postretirement benefits. At December 31, 1999, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

OPEB, are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

Total PERS expenditures for OPEB during 1999 were \$524 million. As of December 31, 1999, the unaudited estimated net assets available for future OEPB payments were \$9.9 billion. The number of PERS benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

Predecessor Transit Company Pension Plan

The Authority is also making payments to qualifying retirees for service rendered to a predecessor transit company. This liability was not funded by the predecessor transit company and the remaining liability has not been funded by WRTA. The unfunded liability for future benefits under the predecessor transit company has not been determined. All employees eligible for benefits under this plan (eleven at December 31, 1999) are retired. Expenses under this arrangement charged to operations for the years ended December 31, 1999 and 1998 were approximately \$3,900 and \$4,200, respectively.

5. 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, 1999, 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 a number of 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 liability is not expected to have a material effect on the Authority's financial position.

6. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

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

	1999	1998
FEDERAL:		
FTA Operating Assistance		\$ 152,887
FTA Maintenance and Other Assistance	\$ 1,625,028	803,489
FTA Planning Assistance	<u>40,000</u>	<u>40,000</u>
Total	<u>\$ 1,665,028</u>	<u>\$ 996,376</u>
STATE:		
ODOT Operating Assistance		\$ 654,737
ODOT Maintenance and Other Assistance	\$ 626,320	
ODOT Elderly Fare Assistance	99,404	92,734
ODOT Fuel Tax Reimbursement	<u>50,601</u>	<u>52,452</u>
Total	<u>\$ 776,325</u>	<u>\$ 799,923</u>

7. 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, Inc. (OTIP) 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. OTIP self-insures the first \$100,000 of any qualified property loss and the first \$250,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, excess insurance coverage is maintained by OTIP equal to \$269,559,059 for qualified property losses and \$25,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is \$1,600,000 and for property is \$300,000. 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.

8. NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board has issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. These statements establish accounting standards for nonexchange transactions such as grants and other assistance provided to the Authority by other governmental units and revise accounting and reporting standards for general purpose external financial reporting by governmental units. Statement No. 33 is effective for the Authority's year ending December 31, 2001 and Statement No. 34 is effective for the year ending December 31, 2003. The Authority has not completed an analysis of the impact of these two statements on its reported financial condition and results of operations.

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

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1999

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Grant Number	Grant Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transit Cluster/Direct Programs:			
Federal Transit Administration Capital and Operating Assistance Formula Grants			
	20.507	OH-90-0198	\$ 24
		OH-90-0212	788
		OH-90-0117	110,063
		OH-90-0165	6,508
		OH-90-0239	26,718
		OH-90-0268	74,365
		OH-90-0291	53,760
		OH-90-0310	547,121
		OH-90-0328	1,175,106
		OH-90-4340	88,424
		OH-37-0006	203,368
Total CFDA #20.507			<u>2,286,245</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,286,245</u>

See note to supplemental schedule of expenditures of federal awards.

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

**NOTE TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the Western Reserve Transit Authority under programs financed by the U.S. government for the year ended December 31, 1999. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, using the accrual basis of accounting in accordance with generally accepted accounting principles.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio

We have audited the financial statements of the Western Reserve Transit Authority (a component unit of the City of Youngstown, Ohio) (the "Authority") as of and for the year ended December 31, 1999 and have issued our report thereon dated April 14, 2000. 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.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

This report is intended solely for the information 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.

Deloitte & Touche LLP

April 14, 2000



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO THE AUTHORITY'S MAJOR FEDERAL AWARD PROGRAM

Board of Trustees
Western Reserve Transit Authority
Youngstown, Ohio

Compliance

We have audited the compliance of the Western Reserve Transit Authority (a component unit of the City of Youngstown, Ohio) (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. 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 programs 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 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

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

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

This report is intended solely for the information 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.

Deloitte + Touche LLP

April 14, 2000

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

SUMMARY OF AUDITORS' RESULTS

- Type of Report issued on the Financial Statements as of and for the Year Ended December 31, 1999 - Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements - N/A. (None reported)
- Noncompliance Noted that is Material to the Financial Statements of the Authority - None.
- Reportable Conditions in Internal Control Over Major Federal Financial Assistance Programs Disclosed by the Audit of the Financial Statements - N/A. (None reported)
- Type of Report Issued on Compliance for Major Federal Financial Assistance Programs - Unqualified.
- The audit did not disclose any audit findings that are required to be reported under Section 501(a) of OMB Circular A-133.
- Major Federal Financial Assistance Programs Identified for the Year Ended December 31, 1999:

Federal Transit Cluster:

CFDA #20.507 Federal Transit Administration Capital, Operating and Planning Assistance
Formula Grants

- Dollar Threshold Used to Distinguish Between Type A and Type B Programs - \$300,000.
- The Authority is considered to be a Low Risk Auditee as defined under OMB Circular A-133.

Findings Related to the Financial Statements that are Required to be Reported Under *Government Auditing Standards*

None

Findings and Questioned Costs Relating to Federal Awards

Findings and Questioned Costs - None

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

STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1999

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

Other Matters - In connection with the Federal Transit Administration's (the "FTA") triennial review of the Authority in 1998, the following matter was noted.

During 1998, the Authority removed four buses from service prior to the end of their useful life. In a letter to the FTA, the Authority informed the FTA that it had prematurely removed the buses from service due to their high maintenance costs. In its response to the Authority's letter, the FTA stated that the Authority should reimburse the U.S. Treasury the amount of \$124,186 unless the Authority places the buses back in service.

The Authority subsequently wrote another follow-up letter to the FTA requesting it to reconsider its decision; otherwise, the Authority would move to repair the vehicles to place them back in service. A response from the FTA was received in 1999 which waived the amount to be reimbursed and allowed the Authority to dispose of the buses after October 1999.



STATE OF OHIO
OFFICE OF THE AUDITOR

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WESTERN RESERVE TRANSIT AUTHORITY

MAHONING COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: JUNE 22, 2000