



**WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
Single Audit
For the Year Ended December 31, 2019**

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OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Western Reserve Transit Authority, Mahoning County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2019 through December 31, 2019. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 11, 2020

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**WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

June 30, 2020

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

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Western Reserve Transit Authority**, Mahoning County, Ohio (the Authority), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Western Reserve Transit Authority, Mahoning County as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

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

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**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

As management of the Western Reserve Transit Authority (“Authority”), we offer readers of the Authority’s basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- The Authority has net position of \$30.2 million. The net position results from the difference between total assets and deferred outflow of resources of \$48.8 million and total liabilities and deferred inflow of resources of \$18.6 million.
- Current assets of \$19.8 million primarily consist of non-restricted Cash and Cash Equivalents of \$16.6 million; Accounts Receivable of \$0.10 million; Sales Tax receivable of \$1.5 million; Federal and State assistance receivable of \$1.0 million; Materials and Supplies Inventory of \$0.3 million, and Prepaid Expenses of \$0.4 million.
- Current liabilities of \$1.3 million primarily consist of Accounts Payables of \$0.2 million, Accrued Payroll and Benefits of \$0.8 million, Capital Lease of \$0.1 million and Other Payables of \$0.1 million.

Basic Financial Statements and Presentation

Accounting Pronouncements

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

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

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

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

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

Notes to the Financial Statements

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

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Financial Analysis of the Authority

Condensed Summary of Net Position

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets	\$ 19,851,005	\$ 20,694,261
Non-Current Assets: Investments	988,312	-
Restricted Assets	593,201	269,678
Capital Assets (net of accumulated depreciation)	<u>23,101,780</u>	<u>23,442,948</u>
Total Assets	<u>\$ 44,534,298</u>	<u>\$ 44,406,887</u>
Deferred Outflows of Resources		
Pension/OPEB	<u>\$ 4,259,185</u>	<u>\$ 2,350,537</u>
Total Deferred Outflows of Resources	<u>\$ 4,259,185</u>	<u>\$ 2,350,537</u>
Liabilities		
Current Liabilities	\$ 1,291,176	\$ 1,014,741
Liabilities Payable from Restricted Assets	219,795	35,947
Net pension liability	11,538,827	6,405,435
Net OPEB liability	5,163,036	4,176,581
Non-Current Liabilities - Other	<u>257,237</u>	<u>204,298</u>
Total Liabilities	<u>\$ 18,470,071</u>	<u>\$ 11,837,002</u>
Deferred Inflows of Resources		
Pension/OPEB	<u>\$ 165,520</u>	<u>\$ 1,812,521</u>
Total Deferred Inflows of Resources	<u>\$ 165,520</u>	<u>\$ 1,812,521</u>
Net Position		
Net Investment in Capital Assets	\$ 22,993,111	\$ 23,331,876
Restricted for Capital Assets	575,132	251,747
Unrestricted	<u>6,589,649</u>	<u>9,524,278</u>
Total Net Position	<u>\$ 30,157,892</u>	<u>\$ 33,107,901</u>

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

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
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	2019	2018
Deferred outflows - pension	\$ 3,691,838	\$ 1,891,006
Deferred outflows - OPEB	567,347	459,531
Deferred inflows - pension	(151,511)	(1,501,394)
Deferred inflows - OPEB	(14,009)	(311,127)
Net pension liability	(11,538,827)	(6,405,435)
Net OPEB liability	(5,163,036)	(4,176,581)
Impact of GASB 68 and GASB 75 on net position	<u>\$ (12,608,198)</u>	<u>\$ (10,044,000)</u>

Condensed Summary of Revenues, Expenses and Changes in Net Position

<u>Description</u>	<u>2019</u>	<u>2018</u>
Operating Revenues (Expenses)		
Operating Revenues	\$ 1,093,025	\$ 1,127,817
Operating Expenses, excluding Depreciation	(14,507,302)	(12,374,543)
Depreciation Expense	(2,982,141)	(3,083,587)
Operating Loss	<u>(16,396,418)</u>	<u>(14,330,313)</u>
Non-Operating Revenues (Expenses)		
Sales and Use Tax Revenues	8,712,821	9,298,324
Federal Grants and Reimbursements	1,848,581	2,198,108
State Grants, Reimbursements and Special Fare Assistance	296,608	88,860
Investment Income	282,296	225,366
Other Income	203,610	183,572
Total Non-Operating Revenues	<u>11,343,916</u>	<u>11,994,230</u>
Capital Contributions	2,102,493	3,644,003
Increase (Decrease) in Net Position During the Year	(2,950,009)	1,307,920
Net Position, Beginning of Year	33,107,901	35,405,458
Prior Period Adjustment	-	(3,605,477)
Net Position, End of Year	<u>\$ 30,157,892</u>	<u>\$ 33,107,901</u>

Financial Operating Results

Revenues

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

Passenger Revenues – Farebox and special transit fares are included here. Passenger fares showed an improvement of 3% in 2019 from 2018, due to increased purchases of tickets and passes from agencies, primarily social service and schools, whose purchases grew by almost 10%. The Authority also launched its EZFare mobile ticketing app in mid-October which led to higher ticket sales.

**WESTERN RESERVE TRANSIT AUTHORITY
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Sales and Use Tax Revenues - A sales and use tax issue passed by the voters of Mahoning County on November 4, 2008 was effective April 1, 2009 for five (5) years ending March 31, 2014. A renewal of this tax issue was passed by the voters of on November 6, 2012, for five (5) years beginning April 1, 2014 and ending March 31, 2019. Another renewal of this tax issue was passed by the voters of Mahoning County on November 7, 2017, for a continuing period. WRTA began collecting sales tax revenues in July, 2009. For 2019 approximately 70% of the Authority's total revenues came from this source. Sales and use tax revenue can be used for operating or capital purchases.

Federal Grants and Reimbursements – The Authority received approximately \$1.5 million in preventive maintenance funds to cover certain maintenance and complimentary paratransit service costs incurred for the year 2019. The Authority is eligible to receive \$422,062 and \$375,831 in ADA Service and Congestion Management and Air Quality (CMAQ) grants, respectively. As of the end of 2019, the Authority had not received reimbursements for its ADA Service, while it received \$355,460 of its eligible CMAQ funds. The Authority also received a total reimbursement of \$63,368 for planning assistance for part of the Authority's Formula 5307 funding. The total capital grants received was \$2.1 million in 2019 for the purchase of buses, shop equipment, communications equipment, tires and capital improvements.

State Operating Grants – The Ohio Department of Transportation allocates grants for capital, operating assistance and elderly and disabled programs. The Authority has not received this funding since 2014. This category includes reimbursement for state fuel taxes paid by the Authority in the amount of \$121,047 and state capital assistance of \$175,561 in 2019.

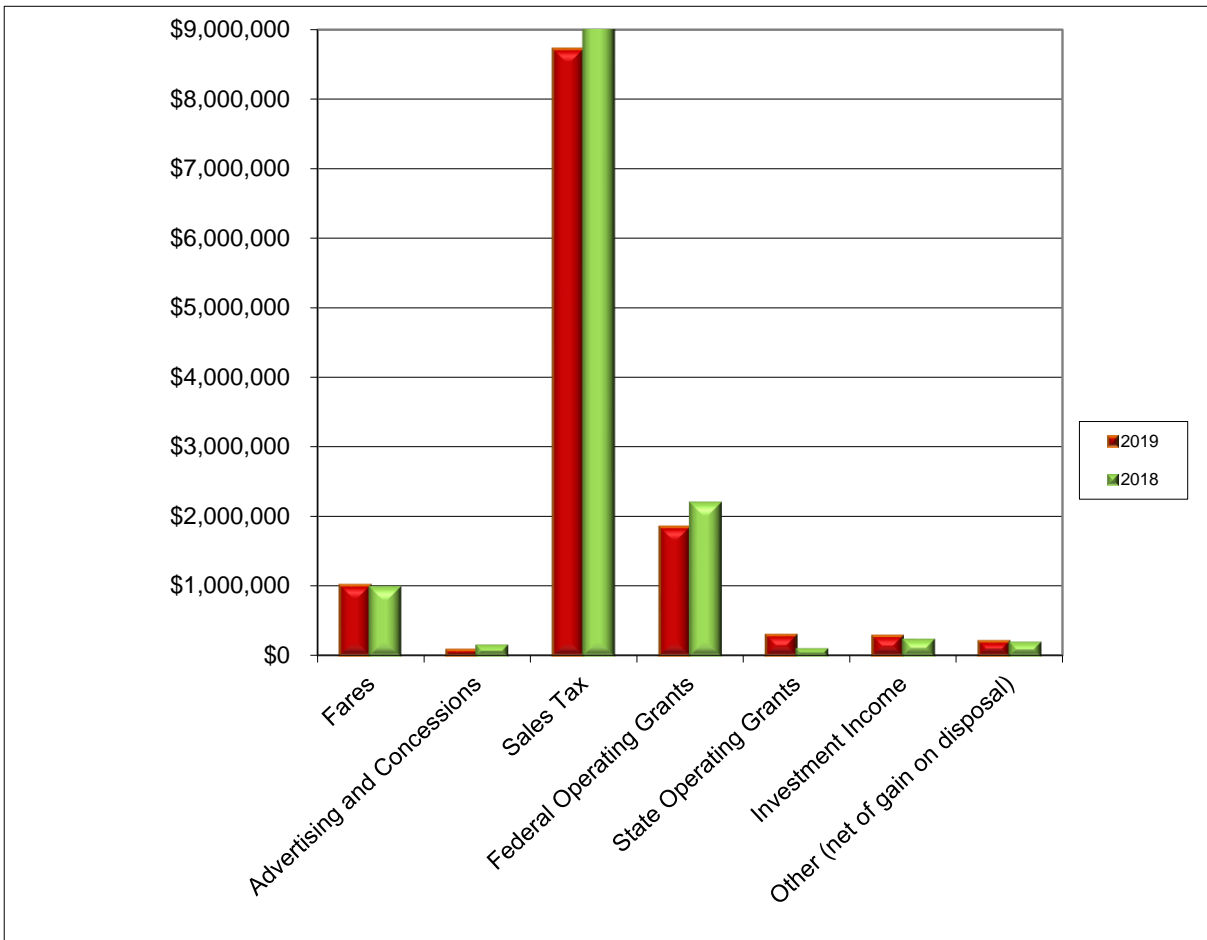
Investment Income – Investment income increased significantly due to increasing interest rates, as well as increasing investments. The Authority opened a State Treasury Asset Reserve of Ohio (STAR Ohio) account, as well as a STAR Plus account in 2012 through the Ohio State Treasurers Office. STAR Ohio is an investment that allows government subdivisions to invest funds in a highly rated public investment pool. STAR Plus deposits have full FDIC insurance and are backed by the full faith and credit of the U.S. Government. In 2019, the Authority invested fixed income securities including FDIC-insured Certificates of Deposits and US Treasury/Agency Securities with AA+ rating from S&P.

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

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

REVENUE

	<u>2019</u>	<u>% to total</u>	<u>2018</u>	<u>% to total</u>
Fares	\$ 1,012,225	8.1%	\$ 983,649	7.5%
Advertising and Concessions	80,800	0.6%	144,168	1.1%
Sales Tax	8,712,821	70.1%	9,298,324	70.9%
Federal Operating Grants	1,848,581	14.9%	2,198,108	16.8%
State Operating Grants	296,608	2.4%	88,860	0.7%
Investment Income	282,296	2.3%	225,366	1.7%
Other (net of gain on disposal)	<u>203,610</u>	1.6%	<u>183,572</u>	1.4%
Total	<u>\$ 12,436,941</u>		<u>\$ 13,122,047</u>	



**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Expenses

Labor and Fringe Benefits Personnel costs accounted for approximately 78% of all the Authority operating expenses (excluding depreciation) in 2019. This proportion was approximately 76% in 2018.

Materials and Supplies Overall, costs of materials and supplies decreased by 4% in 2019. In 2018, these increased by less than 1% due to increases in fuel and lubes cost. New vehicles are covered by warranty.

Services The increase in services by 35% to \$733,308 in 2019 is attributable to the costs of the implementation of the AVAIL system (vehicle locator system).

Utilities The utility cost increase of 5% to \$165,260 is attributable to the installation and implementation of fiber connection between the administrative offices and the passenger loading station.

Casualty and Liability Casualty and Liability rates were up by 29% to \$418,505 from \$324,804 in 2018. The Authority is a member of the Ohio Transit Risk Pool and rates are based on a number of factors, including, but not limited to, how many members are in the pool, number and age of assets being insured and past experience.

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

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

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

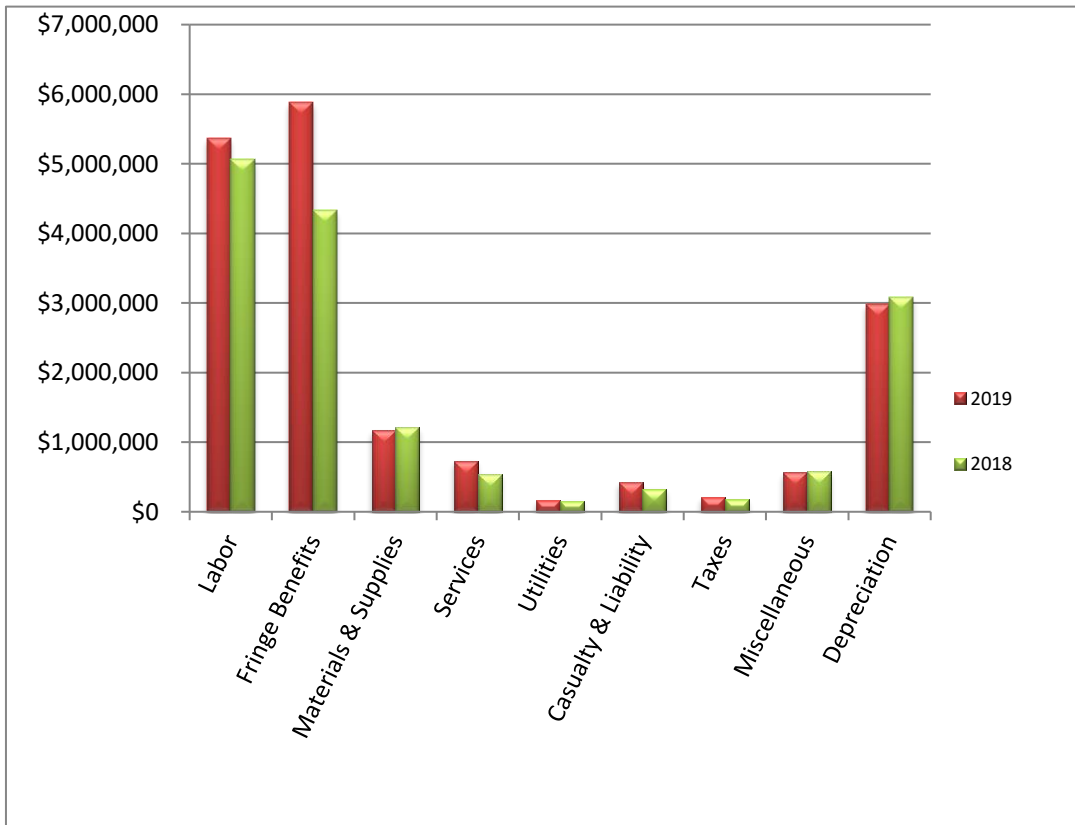
General Administration Administrative personnel labor and fringe benefits are included in this category, as well as public liability and property damage insurance, professional services, advertising fees and office supplies.

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

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

EXPENSE DISTRIBUTION BY OBJECT CLASS

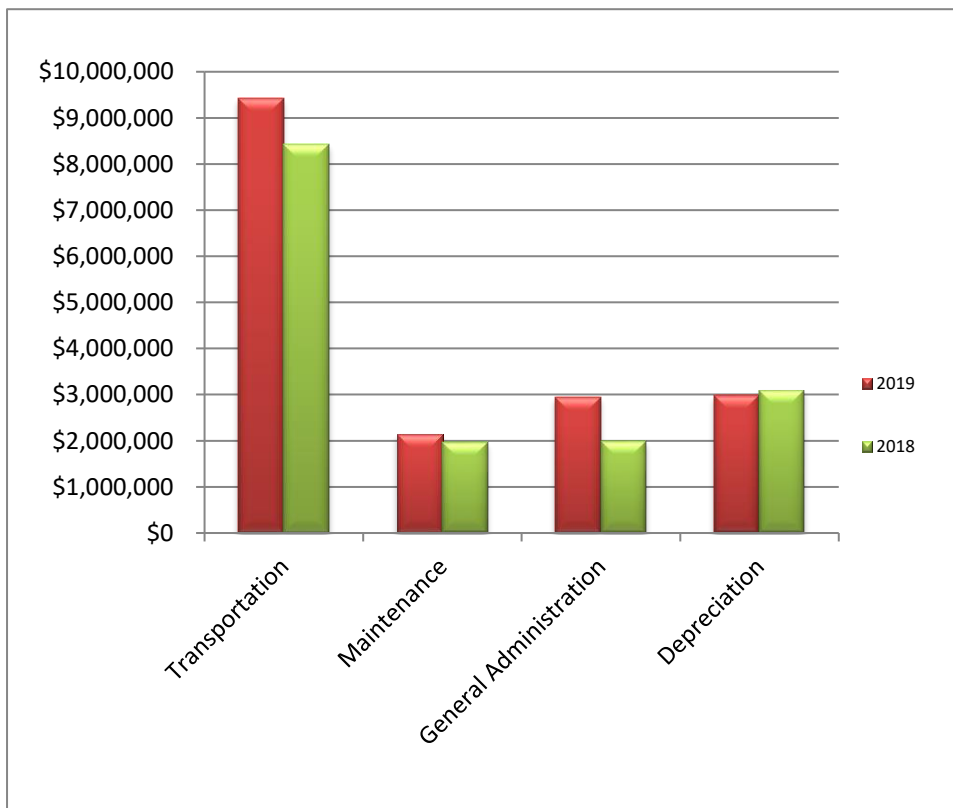
	2019		2018	
Labor	\$5,363,110	31%	\$5,064,509	33%
Fringe Benefits	5,884,876	34%	4,326,724	28%
Materials & Supplies	1,163,722	7%	1,211,665	8%
Services	733,308	4%	541,399	4%
Utilities	165,260	1%	157,905	1%
Casualty & Liability	418,505	2%	324,804	2%
Taxes	212,069	1%	173,885	1%
Miscellaneous	566,452	3%	573,652	4%
Depreciation	2,982,141	17%	3,083,587	20%
Total	\$17,489,443		\$15,458,130	



**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

EXPENSE BY FUNCTION

	2019		2018	
Transportation	\$9,420,611	54%	\$8,416,364	54%
Maintenance	2,134,273	12%	1,965,550	13%
General Administration	2,952,421	17%	1,992,629	13%
Depreciation	2,982,141	17%	3,083,587	20%
Total	\$17,489,446		\$15,458,130	



**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Condensed Summary of Cash Flows

Net cash used for operating activities increased slightly due to increased costs in 2019. Net cash provided by non-capital financing activities decreased as a direct result of sales and use tax received and lower maintenance grants received. Net cash used in capital and related financing activities decreased due to the nature of capital purchases in 2019. Acquisition of fixed assets included the purchase of transit buses, shop equipment, communications equipment, as well as hardware/software.

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from customers	\$ 1,103,052	\$ 1,103,398
Cash payments to suppliers for goods and services	(3,386,204)	(2,862,198)
Cash payments to employees for services	(8,515,524)	(8,287,362)
Net cash used in operating activities	(10,798,676)	(10,046,162)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales and Use taxes received	8,636,419	9,260,767
Maintenance and planning grants received	1,989,405	3,546,423
Other	353,741	329,931
Net cash provided by non-capital financing activities	10,979,565	13,137,121
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	2,138,519	5,306,268
Acquisition of fixed assets	(2,657,475)	(4,577,536)
Payment on capital lease	(111,072)	(101,389)
Proceeds from disposal	15,700	7,784
Net cash provided (used) in capital and related financing activities	(614,328)	635,127
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(980,925)	-
Interest received from investments	281,907	225,366
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(699,018)	3,951,452
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,718,418	13,766,966
CASH AND CASH EQUIVALENTS, END OF YEAR	\$16,585,961	\$17,718,418
Non-cash transactions:		
Inception of capital lease	\$108,669	\$111,072

**WESTERN RESERVE TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
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(UNAUDITED)**

Capital Assets

The Authority's net investment in capital assets amounts to \$23.0 million, net of accumulated depreciation as of December 31, 2019, a slight decrease of \$0.03 million (1%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings, and computer equipment.

Request for Information

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

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF NET POSITION
December 31, 2019

ASSETS	2019
CURRENT ASSETS:	
Cash and cash equivalents (Note 2)	\$ 16,578,892
Receivables:	
Trade, less allowance for doubtful accounts of \$1,782	103,866
Federal assistance	961,919
State assistance	38,358
Sales and Use taxes (Note 4)	1,463,574
Materials and supplies inventory	269,771
Prepaid expenses	434,625
Total current assets	19,851,005
NONCURRENT ASSETS:	
Investments	988,312
RESTRICTED ASSETS:	
Cash and cash equivalents (Note 2)	7,069
Investments	11,000
Federal capital assistance receivable	399,571
State capital assistance receivable	175,561
Total restricted assets	593,201
PROPERTY, FACILITIES AND EQUIPMENT:	
Land	1,013,136
Building and improvements	13,377,279
Transportation equipment	27,188,941
Other equipment	1,736,723
Total	43,316,079
Less accumulated depreciation	20,214,299
Property, facilities and equipment - net	23,101,780
TOTAL ASSETS	\$ 44,534,298
DEFERRED OUTFLOWS OF RESOURCES:	
Pension - OPERS	3,691,838
OPEB	567,347
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 4,259,185

See accompanying notes to the financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF NET POSITION (CONT'D)

December 31, 2019

	<u>2019</u>
CURRENT LIABILITIES:	
Accounts payable	\$ 227,937
Accrued payroll and benefits	816,470
Capital Lease, current portion	108,669
Other	<u>138,100</u>
Total current liabilities	1,291,176
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Capital expenditures payable	<u>219,795</u>
Total Liabilities payable from restricted assets	219,795
NONCURRENT LIABILITIES - Other	
Net pension liability	11,538,827
Net OPEB liability	5,163,036
Other	<u>257,237</u>
Total Liabilities	18,470,071
DEFERRED INFLOWS OF RESOURCES:	
Pension-OPERS	151,511
OPEB	<u>14,009</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>165,520</u>
NET POSITION:	
Net Investment in Capital Assets	22,993,111
Restricted for Capital Assets	575,132
Unrestricted	<u>6,589,649</u>
Total Net Position	<u>\$ 30,157,892</u>

See accompanying notes to the financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2019

	<u>2019</u>
OPERATING REVENUES:	
Passenger fares	\$ 1,012,225
Advertising and concessions	80,800
Total operating revenues	<u>1,093,025</u>
OPERATING EXPENSES:	
Labor	5,363,110
Fringe benefits (Note 5)	5,884,876
Materials and supplies	1,163,722
Services	733,308
Utilities	165,260
Casualty and liability	418,505
Taxes	212,069
Other	566,452
Total operating expenses excluding depreciation	<u>14,507,302</u>
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(13,414,277)
DEPRECIATION EXPENSE (Note 3):	<u>2,982,141</u>
OPERATING LOSS	(16,396,418)
NONOPERATING REVENUES:	
Sales and Use tax revenues (Note 4)	8,712,821
Federal maintenance grants and reimbursements (Note 9)	1,848,581
State maintenance grants, reimbursements and special fare assistance (Note 9)	296,608
Investment income	282,296
Other	203,610
Total nonoperating revenues	<u>11,343,916</u>
NET LOSS BEFORE CAPITAL CONTRIBUTION	(5,052,502)
Capital contributions	<u>2,102,493</u>
NET LOSS	(2,950,009)
Net Position, Beginning of Year	<u>33,107,901</u>
Net Position, End of Year	<u><u>\$ 30,157,892</u></u>

See accompanying notes to the financial statements.

WESTERN RESERVE TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	2019
OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,103,052
Cash payments to suppliers for goods and services	(3,386,204)
Cash payments to employees for services	(8,515,524)
Net cash used in operating activities	(10,798,676)
NONCAPITAL FINANCING ACTIVITIES:	
Sales and Use taxes received	8,636,419
Maintenance and planning grants received	1,989,405
Other	353,741
Net cash provided by noncapital financing activities	10,979,565
CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants received	2,138,519
Acquisition of capital assets	(2,657,475)
Payment on capital lease	(111,072)
Proceeds from disposal	15,700
Net cash used in capital and related financing activities	(614,328)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(980,925)
Interest received from investments	281,907
Net cash used by investing activities	(699,018)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,132,457)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,718,418
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 16,585,961
USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (16,396,418)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,982,141
Change in assets and liabilities:	
(Increase)decrease in accounts receivable-trade	10,026
(Increase)decrease in materials and supplies inventory	26,418
(Increase)decrease in prepaid expenses	(283,442)
Increase(decrease) in accounts payable	132,635
Increase(decrease) in accrued payroll and benefits	168,266
Increase(decrease) in net pension liability/deferred inflows/outflows	2,564,198
Increase(decrease) in other liabilities	(2,500)
Net cash used in operating activities	\$ (10,798,676)
Non-cash transactions:	
Capital lease	\$ 108,669

See accompanying notes to the financial statements.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity – The Authority complies with the provisions of Statement No. 14 of the Governmental Accounting Standards Board (“GASB”) regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority has no component units.

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

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

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

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
- (continued)

Nonexchange Transactions - The Authority complies with the provisions of Statement No. 33 of the Governmental Accounting Standards Board (“GASB”) regarding the Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions be recognized as revenue. Accordingly, during the year ended December 31, 2019 \$2,102,493 in capital contributions were recognized as revenue in the Statement of Revenues, Expenses and changes in Net Position for the Authority.

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

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

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

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

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

For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
- (continued)

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

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

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

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

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

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

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

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

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
- (continued)

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

Net Position - Equity is displayed in three components as follows:

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

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

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

Classification of Revenues

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

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

Recognition of Revenue and Receivables

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

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
- (continued)

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

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

Pensions and Other Postemployment Benefits (OPEB)

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

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

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

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
- (continued)

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

2. DEPOSITS AND INVESTMENTS

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

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

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

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

2. DEPOSITS AND INVESTMENTS – (continued)

At December 31, 2019, the carrying amount of all the Authority’s deposits was \$14,253,653. Based on the criteria describe in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2019, \$12,351,208 of the Authority’s bank balance of \$14,487,017 was covered by the Federal Deposit Insurance Corporation (FDIC), while \$2,135,809 was covered by the Ohio Pooled Collateral System (OPCS) as discussed below. These amounts do not include petty cash of \$117.

Custodial credit risk is the risk that, in the event of bank failure, the Authority’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 102% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in the Ohio Pool Collateralization System (OPCS) pledged to the Treasurer of State. Qualified trustees holding such pools of collateral are approved by the Ohio treasurer and must hold the eligible securities in an account indicating the treasurer’s security interest. The Ohio treasurer holds and monitors the pooled collateral on behalf of the Authority.

As of December 31, 2019, WRTA has the following investments and maturities:

Rating (S&P)	Type	Measurement Value	Investment Maturities		
			6 months or less	7 to 36 months	37 to less than 60 months
	Amortized Cost:				
AAAm	STAR Ohio	\$ 2,320,696	\$ 2,320,696	\$ -	\$ -
	Fair Value:				
FDIC	US Govt MM	11,495	11,495	-	-
FDIC	Certificates of Deposits	501,902	11,000	245,620	245,282
AA+	US Treasury: FFCB	497,410	-	-	497,410
	Total	\$ 3,331,503	\$ 2,343,191	\$ 245,620	\$ 742,692

The weighted average maturity is 1.17 years.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding table identify the Authority’s recurring fair value measurement as of December 31, 2019.

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

2. DEPOSITS AND INVESTMENTS – (continued)

The Authority’s investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The Authority’s investments in negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs). The investments in STAR Ohio are at net asset value.

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

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average maturity of portfolio held by STAR Ohio is 48 days. The Authority’s U.S. Government money market funds and negotiable CDs are fully covered by the FDIC.

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

Concentration of Credit Risk: The Authority places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Authority at December 31, 2019:

<u>Investment type</u>	<u>Measurement Value</u>	<u>% to total</u>
Amortized cost:		
STAR Ohio	\$ 2,320,696	69.7%
Fair Value:		
US Govt MM	11,495	0.3%
Certificates of Deposit	501,902	15.1%
US Treasury: FFCB	497,410	14.9%
	<u>\$ 3,331,503</u>	<u>100.0%</u>

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

2. DEPOSITS AND INVESTMENTS – (continued)

Reconciliation of Cash and Investments to the Statement of Net Position: The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2019:

Cash and investments per note

Carrying amount of deposits	\$14,253,653
Investments	3,331,503
Cash on hand	117
Total	<u>\$17,585,273</u>

Cash and investments per statement of net position

Cash and cash equivalents	\$16,585,961
Investments – restricted	11,000
Investments – non-current	988,312
Total	<u>\$17,585,273</u>

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

Description	Balance 1/1/2019	Additions	Disposal	Balance 12/31/2019
Capital assets not being depreciated:				
Land	\$ 1,013,136	\$ -	\$ -	\$ 1,013,136
Total capital assets not being depreciated	1,013,136	-	-	1,013,136
Capital assets being depreciated:				
Buildings & building improvements	13,024,695	352,584	-	13,377,279
Transportation equipment	26,268,444	2,107,483	(1,186,986)	27,188,941
Other equipment	1,579,584	158,321	(1,182)	1,736,723
Total capital assets being depreciated	40,872,723	2,618,388	(1,188,168)	42,302,943
Less Accumulated depreciation:				
Buildings & building improvements	8,260,692	503,041	-	8,763,733
Transportation equipment	9,018,938	2,289,197	(1,209,571)	10,098,564
Other equipment	1,163,281	189,903	(1,182)	1,352,002
Total accumulated depreciation	18,442,911	2,982,141	(1,210,753)	20,214,299
Total capital assets being depreciated, Net	22,429,812	(363,753)	22,585	22,088,644
Total capital assets, Net	\$ 23,442,948	\$ (363,753)	\$ 22,585	\$ 23,101,780

In 2019, the Authority purchased tires through a capital lease of which the balance was \$108,669 as of December 31, 2019.

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

4. SALES AND USE TAXES

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

5. DEFINED BENEFIT PLANS

Net Pension Liability

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

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

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

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

5. DEFINED BENEFIT PLAN – (continued)

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

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

Ohio Public Employees Retirement System

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

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

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

5. DEFINED BENEFIT PLAN – (continued)

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

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

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

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

Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member's base benefit. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Additionally, a death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined Plan.

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

5. DEFINED BENEFIT PLAN – (continued)

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

	<u>State and Local</u>
2019 Statutory maximum contribution rates	
Employer	14.00 %
Employee	10.00 %
 2019 Actual contribution rates	
Employer:	
Pension	14.00 %
Post-employment health care benefits	-
Total employer	<u>14.00 %</u>
 Employee	 <u>10.00 %</u>

The Authority's contractually required contribution for the Traditional Pension Plan was \$840,275 for 2019. Of this amount, \$69,688 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS 2019</u>
Proportion of the pension liability - prior measurement date	0.040830 %
Proportion of the pension liability - current measurement date	<u>0.042131 %</u>
Change in proportionate share	<u>0.001301 %</u>
 Proportionate share of net pension liability	 \$ 11,538,827
Pension expense	\$ 2,822,952

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

5. DEFINED BENEFIT PLAN – (continued)

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
	2019
Deferred outflows of resources	
Net differences between expected and actual experience	\$ 532
Net difference between projected and actual earnings on pension plan investments	1,566,142
Changes of assumptions	1,004,483
Employer contributions subsequent to the measurement date	840,275
Changes in proportionate share and differences between employer contributions and proportionate share of contributions	280,406
Total deferred outflows of resources	\$ 3,691,838
Deferred inflows of resources	
Differences between expected and actual experience	\$ 151,511
Net difference between projected and actual earnings on pension plan investments	-
Total deferred inflows of resources	\$ 151,511

\$840,275 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year ending December 31:	
2020	\$ 1,250,984
2021	575,405
2022	145,291
2023	728,372
Total	\$ 2,700,052

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
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 For the Year Ended December 31, 2019

5. DEFINED BENEFIT PLAN – (continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.25 percent
Future salary increases, including inflation -Traditional plan	3.25 percent to 10.75 percent
Future salary increases, including inflation - Combined plan COLA or Ad Hoc COLA	3.25 percent to 8.25 percent Pre January 7, 2013 retirees, 3 percent, simple Post January 7, 2013 retirees, 3 percent, simple through 2018, then 2.15 percent, simple
Investment rate of return	7.2 percent
Actuarial cost method	Individual entry age

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

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

WESTERN RESERVE TRANSIT AUTHORITY
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5. DEFINED BENEFIT PLAN – (continued)

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	Weighted average long-term expected real rate of return <u>(arithmetic)</u>
Fixed income	23.00%	2.79%
Domestic equities	19.00%	6.21%
Real estate	10.00%	4.90%
Private equity	10.00%	10.81%
International equities	20.00%	7.83%
Other investments	<u>18.00%</u>	<u>5.50%</u>
Total	<u>100.00%</u>	<u>5.95%</u>

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
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 For the Year Ended December 31, 2019

5. DEFINED BENEFIT PLAN – (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2%, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease <u>(6.20%)</u>	Current discount rate <u>(7.20%)</u>	1% Increase <u>(8.20%)</u>
Employer proportionate share of the net pension liability	\$ 17,046,203	\$11,538,827	\$ 6,962,148

6. DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

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

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

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

6. DEFINED BENEFIT OPEB PLAN – (continued)

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

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

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

Ohio Public Employees Retirement System

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

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

WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

6. DEFINED BENEFIT OPEB PLAN – (continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

WESTERN RESERVE TRANSIT AUTHORITY
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6. DEFINED BENEFIT OPEB PLAN – (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution was \$0 for 2019.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u> <u>2019</u>
Proportion of the net OPEB liability:	
current measurement date	0.039601%
prior measurement date	<u>0.038461%</u>
Change in proportionate share	<u>0.001140%</u>
Proportionate share of the net	
OPEB liability	\$ 5,163,036
OPEB expense	\$ 581,521

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
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 For the Year Ended December 31, 2019

6. DEFINED BENEFIT OPEB PLAN – (continued)

	<u>OPERS</u>
	<u>2019</u>
Deferred outflows of resources	
Differences between expected and actual experience	\$1,748
Changes of assumptions	166,462
Net difference between projected and actual earnings on OPEB plan investments	236,695
Changes in proportion and differences between contributions and proportionate share of contributions	<u>162,442</u>
Total deferred outflows of resources	<u>\$567,347</u>
Deferred inflows of resources	
Differences between expected and actual experience	\$ 14,009
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>
Total deferred inflows of resources	<u>\$ 14,009</u>

\$0 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>
Year ending December 31:	
2020	\$ 298,701
2021	95,164
2022	40,234
2023	<u>119,239</u>
Total	<u>\$ 553,338</u>

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

6. DEFINED BENEFIT OPEB PLAN – (continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent (includes wage inflation at 3.25 percent)
Single discount rate:	
Current measurement date	3.96 percent
Prior measurement date	3.85 percent
Investment rate of return	6.00 percent
Municipal bond rate	3.71 percent
Health care cost trend rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial cost method	Individual Entry Age

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

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
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 For the Year Ended December 31, 2019

6. DEFINED BENEFIT OPEB PLAN – (continued)

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.6 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	34.00%	2.42%
Domestic equities	21.00%	6.21%
Real estate investment trust	6.00%	5.98%
International equities	22.00%	7.83%
Other investments	<u>17.00%</u>	<u>5.57%</u>
Total	<u>100.00%</u>	<u>5.16%</u>

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

6. DEFINED BENEFIT OPEB PLAN – (continued)

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Authority’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Authority’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current discount rate (3.96%)	1% Increase (4.96%)
Proportionate share of the net OPEB liability	\$ 6,605,447	\$ 5,163,036	\$ 4,015,937

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

WESTERN RESERVE TRANSIT AUTHORITY
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 For the Year Ended December 31, 2019

6. DEFINED BENEFIT OPEB PLAN – (continued)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	<u>1% Decrease</u>	Current health care cost trend rate <u>assumptions</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$ 4,962,797	\$ 5,163,036	\$ 5,393,656

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 term leases for the period of January 1, 2019 through December 31, 2021. These leases were put in place on January 1, 2019. Rent receipts of \$53,032 for 2019 are reflected in the financial statements as non-operating other revenue.

8. CONTINGENCIES

Federal and State Grants – Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2019, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority's management, no material grant expenditures will be disallowed.

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

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

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

Grants, reimbursements and special fare assistance in the statements of revenues, expenses and changes in net position for the year ended December 31, 2019 consist of the following:

		2019
FEDERAL:		
FTA Maintenance and Other Assistance	\$	1,785,213
FTA Planning Assistance		63,368
FTA Capital Contribution		2,102,493
Total	\$	3,951,074
STATE		
ODOT Fuel Tax Reimbursement	\$	121,047
Other State Assistance		175,561
Total	\$	296,608

10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors, and omissions, employment related matters, injuries to employees and employee theft and fraud. The Authority belongs to the Ohio Transit Risk Pool Association (“OTRP”). OTRP is a self-insurance pool formed under Ohio Revised Code 2744.081, related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. Any underfunding of the plan’s liabilities is shared pro-rata by the members based on pool contribution factors comprised of population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

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

WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

11. SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. The impact on the Authority's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

12. LONG-TERM LIABILITIES

The following are the long-term liabilities requirements at December 31, 2019:

	Balance at 1/1/2019	Increase	Decrease	Balance at 12/31/2019	Due w/in 1 year
Net Pension Liability	\$ 6,405,435	\$ 5,133,392	\$ -	\$ 11,538,827	\$ -
Net OPEB Liability	4,176,581	986,455	-	5,163,036	-
Capital Lease Liability	111,072	108,669	(111,072)	108,669	108,669
Compensated Absences	204,298	207,928	(154,989)	257,237	-
Total	\$ 10,897,386	\$ 6,436,444	\$ (266,061)	\$ 17,067,769	\$ 108,669

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017	2016	2015	2014
Ohio Public Employees Retirement System (OPERS) - Traditional Plan						
Authority's proportion of the net pension liability	0.042131%	0.040830%	0.038350%	0.036978%	0.035675%	0.035675%
Authority's proportionate share of the net pension liability	\$ 11,538,827	\$ 6,405,435	\$ 8,708,633	\$ 6,405,056	\$ 4,302,804	\$ 4,205,618
Authority's covered payroll	\$ 5,647,271	\$ 5,373,754	\$ 4,955,733	\$ 4,564,317	\$ 4,378,042	\$ 4,203,692
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	204.33%	119.20%	175.73%	140.33%	98.28%	100.05%
Plan fiduciary net position as a percentage of total pension liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Ohio Public Employees Retirement System (OPERS) - Traditional Plan							
Contractually required contribution	\$ 840,275	\$ 790,618	\$ 698,588	\$ 594,688	\$ 547,718	\$ 525,365	\$ 546,480
Contributions in relation to contractually required contribution	<u>(840,275)</u>	<u>(790,618)</u>	<u>(698,588)</u>	<u>(594,688)</u>	<u>(547,718)</u>	<u>(525,365)</u>	<u>(546,480)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority covered payroll	\$ 6,001,964	\$ 5,647,271	\$ 5,373,754	\$ 4,955,733	\$ 4,564,317	\$ 4,378,042	\$ 4,203,692
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

Western Reserve Transit Authority

Required Supplementary Information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Public Employees Retirement System (OPERS)			
Authority's proportion of the net OPEB liability	0.039601%	0.038461%	0.036234%
Authority's proportionate share of the net OPEB liability	\$ 5,163,036	\$ 4,176,581	\$ 3,659,757
Authority's covered payroll	\$ 5,647,271	\$ 5,373,754	\$ 4,955,733
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	91.43%	77.72%	73.85%
Plan fiduciary net position as a percentage of total OPEB liability	46.33%	54.14%	54.05%

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

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

	2019	2018	2017	2016	2015	2014	2013
Ohio Public Employees Retirement System (OPERS)							
Contractually required contribution	\$ -	\$ -	\$ 54,280	\$ 100,116	\$ 93,149	\$ 89,348	\$ 85,790
Contributions in relation to contractually required contribution	-	-	(54,280)	(100,116)	(93,149)	(89,348)	(85,790)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority covered payroll	\$ 6,001,964	\$ 5,647,271	\$ 5,373,754	\$ 4,955,733	\$ 4,564,317	\$ 4,378,042	\$ 4,203,692
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) Information prior to 2013 is not available.

Western Reserve Transit Authority

Notes to Required Supplementary Information

For the Year Ended December 31, 2019

Pension

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

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

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

OPEB

Ohio Public Employees Retirement System (OPERS)

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

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

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WESTERN RESERVE TRANSIT AUTHORITY
 MAHONING COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM / CLUSTER TITLE	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	GRANT EXPENDITURES
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Direct Award</i>			
Federal Transit Cluster/Direct Programs:			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-90-0798 OH-90-0828 OH-26-0007 OH-2016-046 OH-2016-066 OH-2018-09 OH-2017-033 OH-2019-01	963 69,632 13,762 85,193 3,959 2,154,231 26,754 <u>1,596,581</u>
Total CFDA #20.507			3,951,075
Total Federal Transit Capital and Operating Formula Grants Cluster			<u>3,951,075</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 3,951,075</u>

See notes to Schedule of Expenditures of Federal Awards.

WESTERN RESERVE TRANSIT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Western Reserve Transit Authority (the Authority) under programs of the federal government for the year ended December 31, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - MATCHING REQUIREMENTS

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

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

June 30, 2020

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

To the Members of the Board:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Western Reserve Transit Authority**, Mahoning County, (the Authority) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 30, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

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

June 30, 2020

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

To the Members of the Board:

Report on Compliance for the Major Federal Program

We have audited **Western Reserve Transit Authority's**, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended December 31, 2019. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

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

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



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

**WESTERN RESERVE TRANSIT AUTHORITY
MAHONING COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



WESTERN RESERVE TRANSIT AUTHORITY

MAHONING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/24/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov