

***STEEL VALLEY REGIONAL TRANSIT AUTHORITY***

**JEFFERSON COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2011**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Governmental Consultants**





# Dave Yost • Auditor of State

Board of Trustees  
Steel Valley Regional Transit Authority  
555 Adams Street  
Steubenville, Ohio 43952

We have reviewed the *Independent Accountants' Report* of the Steel Valley Regional Transit Authority, Jefferson County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 Steel Valley Regional Transit Authority is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

November 8, 2012

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**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**  
**JEFFERSON COUNTY**  
**AUDIT REPORT**  
For the year ended December 31, 2011

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT ACCOUNTANTS' REPORT**

Steel Valley Regional Transit Authority  
Jefferson County  
555 Adams Street  
Steubenville, Ohio 43952

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the Steel Valley Regional Transit Authority, Jefferson County, Ohio (the Authority), as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Steel Valley Regional Transit Authority, Jefferson County, Ohio, as of December 31, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that comprise the Authority's basic financial statements taken as a whole. The schedule federal awards expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The schedule of federal awards expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**CHARLES E. HARRIS & ASSOCIATES, INC.**

July 26, 2012



**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**  
**JEFFERSON COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2011**  
**Unaudited**

As management of the Steel Valley Regional Transit Authority (the "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, 2011. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

**Overview of Financial Highlights**

The Authority has net assets of \$2,424,996. These net assets result from the difference between total assets of \$2,879,193 and total liabilities of \$454,197.

Current assets of \$1,902,507 primarily consist of non-restricted Cash and Cash Equivalents of \$1,228,839; Taxes Receivable of \$392,542; Federal Funds Receivable of \$230,534.

Current Liabilities of \$454,197 primarily consist of Deferred revenue- levy of \$392,542, Accrued Payroll of \$7,525, Accrued and Withheld Payroll Taxes of \$1,414, and Accrued Expenses of \$22,145.

**Basic Financial Statements and Presentation**

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

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

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

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

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY  
JEFFERSON COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited**

**Financial Analysis of the Authority**

Table 1 provides a summary of the Authority's net assets as of December 31, 2011:

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>Current Assets</b>	\$ 1,902,507	\$ 1,733,723
<b>Restricted Assets</b>	11,170	11,165
<b>Noncurrent Assets</b>	<u>965,516</u>	<u>1,046,674</u>
<b>Total Assets</b>	<u>\$ 2,879,193</u>	<u>\$ 2,791,562</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>	\$ 454,197	\$ 447,402
<b>NET ASSETS</b>		
<b>Net Assets</b>	<u>\$ 2,424,996</u>	<u>\$ 2,344,160</u>

A large portion of the Authority's net assets reflect investment in capital assets consisting of land, buildings, building improvements, transportation equipment, and other equipment less any related debt used to acquire those assets still outstanding. The Authority uses these capital assets to provide public transportation services for the City of Steubenville and Mingo Junction area; consequently, these assets are not available to liquidate liabilities or to cover other spending.

Table 2 shows the highlights of the Authority's revenues and expenses. These two main components are subtracted to yield the changes in net assets. This table uses the full accrual method of accounting.

	<u>2011</u>	<u>2010</u>
<b>Operating Revenues</b>	\$ -	\$ 38,490
<b>Operating Expenses (inc. Dep. Exp.)</b>	<u>1,280,319</u>	<u>1,198,883</u>
<b>Operating Income (Loss)</b>	(1,280,319)	(1,160,393)
<b>Net Non-Operating Revenues (Expenses)</b>	<u>1,361,155</u>	<u>1,440,834</u>
<b>Change in Net Assets</b>	80,836	280,441
<b>Net Assets (Deficit) Beginning of Year</b>	<u>2,344,160</u>	<u>2,063,719</u>
<b>Net Assets (Deficit) End of Year</b>	<u>\$ 2,424,996</u>	<u>\$ 2,344,160</u>

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**  
**JEFFERSON COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2011**  
**Unaudited**

The most significant operating expenses for the Authority are Labor, Insurance – Hospitalization and Life, Casualty and Liability Insurance, Materials and Supplies, Fuel and Lubricants, and Fringe Benefits. These expenses account for 74% of the total operating expenses. Labor, which accounts for 36% of the total, represents costs associated with salaried and hourly employees. Insurance – Hospitalization and Life, which account for 15% of the total, represents costs associated with the hospitalization and life insurance premiums paid by the Authority covering its employees. Casualty and Liability Insurance, which accounts for 6% of the total, represents costs associated with casualty and liability insurance premiums paid by the Authority. Fringe Benefits, which account for 6% of the total, represents costs associated with the Ohio Public Employees Retirement System. Fuel and Lubricants, which accounts for 7% of the total, represents costs associated with the purchase of diesel fuel and motor oils.

Funding for the most significant operating expenses indicated above is from Non-Operating Revenues in the form of Property Tax Revenues, Federal Operating and Maintenance Grants and Reimbursements, and State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance. These revenues account for 99% of the total combined revenues of \$1,328,135. Passenger Fares revenue for 2011 was zero because of the “free fares” program implemented from August 2010 through December 2011. Property Tax Revenues for 2011 were \$471,351 and accounts for 35% of the total revenue. Federal Operating and Maintenance Grants and Reimbursements Revenue for 2011 was \$782,458, and accounts for 59% of the total revenue. State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance revenue for 2011 was \$70,804, and accounts for 5% of the total revenue. Interest Income and Other Income make up the remaining 1% of total revenue.

The Authority monitors its sources of revenues very closely for fluctuations.

**Capital Assets and Debt Administration**

The Authority's investment in capital assets as of December 31, 2011, amounts to \$965,516 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, building improvements, transportation equipment, and other equipment.

Additional information concerning the Authority's capital assets can be found in note 3 of the notes to the basic financial statements.

As of December 31, 2011, the Authority had no debt obligations.

**Property Tax Levy**

On May 3, 2005, voters in Steubenville and Mingo Junction, Ohio, approved a 1.5 mill, 10-year tax levy to support the Steel Valley Regional Transit Authority. The levy replaced an existing 1.0 mill levy approved by voters in 1995, which expired at December 31, 2004.

**Current Known Facts and Conditions**

In the year 2011, the Authority transported 187,690 Steubenville passengers, 16,300 Mingo Junction passengers, 13,317 Wintersville passengers, and 2,534 ADA Para Transit passengers for a total of 217,307 passengers in the Steubenville-Mingo Junction-Wintersville area.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**  
**JEFFERSON COUNTY**  
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The Authority received additional federal funding for a three year demonstration project (\$200,000.00/yr.) to provide services to the Village of Wintersville which began in late August 2010. Presently, revised legislation to create an enlarged authority to include the Village of Wintersville is being considered by each participating entity and a levy is anticipated for passage in May 2012.

A "free fares" program was also implemented across all service areas starting in August 2010. The program continued through December 2011. A 73% increase in passenger trips in 2011 is directly associated to the program.

House Bill 66 provides reimbursements to the Authority for the loss of revenue resulting from the elimination of certain business property taxes within the state. The phase out of these reimbursements may negatively impact revenue within the last five years of the current property tax levy. The Authority estimates a potential revenue loss of approximately \$340,000 during this time frame (2011-2015). A reduction in service level was implemented in 2009 (Sunday, Mill Shuttle service (Mingo), and Steubenville evening extended service hours). The Authority received approval for supplemental federal funding for preventive maintenance in 2011 (ODOT Next Generation Program). The funding allowed the Authority to leverage a larger portion of the Section 5307 funding for operations. This infusion of additional federal funds has delayed anticipated major service reductions through 2014. However, further service reductions and/or confirmed sources of additional revenue must be in place by 2014 to insure the current level of services through 2015. Additional resources for capital funding will be necessary to fund future bus replacements. Current 5307 funding does not provide sufficient resources for such purchases.

**Contacting the Authority's Financial Management**

This financial report is designed to provide our citizens, customers, and creditors, with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information in this report or to request for additional information should be addressed to: Frank Bovina, Transit Manager, Steel Valley Regional Transit Authority, 555 Adams Street, Steubenville, Ohio 43952.

# STEEL VALLEY REGIONAL TRANSIT AUTHORITY

## STATEMENT OF NET ASSETS

Proprietary Fund

As of December 31, 2011

### ASSETS

#### Current Assets

Cash and Cash Equivalents	\$	1,228,839
Taxes Receivable		392,542
Trade Accounts Receivable		1,751
Federal Funds Receivable		230,534
Fuel Inventory		23,969
Prepaid Expenses		24,872

**Total Current Assets** 1,902,507

#### RESTRICTED ASSETS

Cash and Cash Equivalents		11,170
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**Total Restricted Assets** 11,170

#### Noncurrent Assets

Land		189,392
Building		505,041
Building Improvements		217,729
Transportation Equipment		1,127,982
Other Equipment		104,742
Less Accumulated Depreciation		(1,179,370)

**Total Noncurrent Assets** 965,516

**TOTAL ASSETS** \$ 2,879,193

# STEEL VALLEY REGIONAL TRANSIT AUTHORITY

## STATEMENT OF NET ASSETS (continued)

### Proprietary Fund

As of December 31, 2011

#### LIABILITIES

##### Current Liabilities

Accounts Payable	21,576
Accrued Payroll Expenses	7,525
Accrued and Withheld Payroll Taxes	1,414
Accrued Expenses	22,145
Deferred revenue - levy	392,542
Deferred revenue - bus passes	390
Deferred Capital Grant	8,605

**Total Current Liabilities** 454,197

#### NET ASSETS

Capital Assets Net of Related Debt	\$ 965,516
Restricted Net Assets for Equipment	11,170
Unrestricted	1,448,310

**TOTAL NET ASSETS** \$ 2,424,996

See accompanying notes to the basic financial statements

# STEEL VALLEY REGIONAL TRANSIT AUTHORITY

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Fund

For the Year Ended December 31, 2011

<b>Operating Revenues</b>	\$ -
<b>Operating Expenses</b>	
Labor	465,323
Fringe Benefits	80,266
Insurance - Hospitalization and Life	190,976
Taxes - Payroll	29,151
Materials & Supplies	23,329
Fuel and Lubricants	94,878
Services	86,577
Dues & Subscriptions	2,881
Utilities	30,412
Casualty and Liability Insurance	70,994
Advertising fees	74,937
Miscellaneous	6,198
Depreciation	124,397
	<hr/>
<i>Total Operating Expenses</i>	1,280,319
	<hr/>
<i>Operating Income (Loss)</i>	(1,280,319)
<b>Non-Operating Revenues (Expenses)</b>	
Property Tax Revenues	471,351
Federal Operating and Maintenance Grants and Reimbursements	782,458
State Operating and Maintenance Grants, Reimbursements and Special Fare Assistance	70,804
Interest	863
Other	2,659
	<hr/>
<i>Total Non-Operating Revenues (Expenses)</i>	1,328,135
	<hr/>
<b>Net Income (Loss) Before Capital Contributions</b>	47,816
Capital Contributions	33,020
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<i>Change in Net Assets</i>	80,836
<i>Net Assets (Deficit) Beginning of Year</i>	2,344,160
	<hr/>
<i>Net Assets (Deficit) End of Year</i>	<u>\$ 2,424,996</u>

See accompanying notes to the basic financial statements

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**

Statement of Cash Flows  
 Proprietary Fund  
 For the Year Ended December 31, 2011

<b>Cash flows from operating activities:</b>	
Cash Paid for Goods and Services	\$ (400,556)
Cash Paid to Employees	<u>(755,478)</u>
<i>Net cash provided/(used) for operating activities</i>	\$ (1,156,034)
<b>Cash flows from non-capital activities:</b>	
Property Taxes Received	\$ 471,238
Operating, Maintenance and Planning Grants Received	862,989
Other	<u>2,659</u>
<i>Net cash provided/(used) for non-capital activities</i>	\$ 1,336,886
<b>Cash flows from capital and related financing activities:</b>	
Capital Grants Received	\$ 33,020
Acquisition of Capital Assets	<u>(42,398)</u>
<i>Net cash provided/(used) for capital and related financing activities</i>	\$ (9,378)
<b>Cash flows from investing activities:</b>	
Interest	<u>863</u>
<i>Net cash provided/(used) for investing activities</i>	<u>863</u>
Net increase in cash and cash equivalents	172,337
<i>Cash and cash equivalents, January 1, 2011</i>	<u>1,067,672</u>
<i>Cash and cash equivalents, December 31, 2011</i>	<u><u>\$ 1,240,009</u></u>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided By (Used For) Operating Activities</b>	
Net operating income/(loss)	\$ (1,280,319)
Adjustments:	
Depreciation expense	124,397
(Increase)/decrease in assets:	
Fuel Inventory	(10,921)
Prepaid Expenses	571
Increase/(decrease) in liabilities:	
Accounts Payable	16,955
Accrued Payroll Expenses	336
Accrued and Withheld Payroll Taxes	61
Accrued Expenses	<u>(7,114)</u>
Total Adjustments	<u>124,285</u>
<i>Net cash provided/(used) for operating activities</i>	<u><u>\$ (1,156,034)</u></u>

See accompanying notes to the basic financial statements



**STEEL VALLEY REGIONAL TRANSIT AUTHORITY  
JEFFERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization** – The Steel Valley Regional Transit Authority (“SVRTA” 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 Steubenville – Mingo Junction area. The Authority commenced operations on January 1, 1996. As a political subdivision it is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The Authority is not subject to federal or state income taxes.

The Authority is managed by a five-member Board of Trustees and provides virtually all mass transportation within the greater Steubenville – Mingo Junction area. In 2011, the Authority had thirteen full-time equivalent employees. Three year bargaining agreements expired on December 31, 2010. Additional three year collective bargaining agreements were ratified effective January 1, 2011 and will expire December 31, 2013.

**Reporting Entity** – The Authority has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board (“GASB”) regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority has no component units. The Authority is not financially accountable for any other organization.

**Basis of Accounting** – The accompanying financial statements have been prepared on 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. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989.

**Cash Equivalents** – For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**Inventory** – Inventory is stated at cost using the average cost method. Inventory consists of fuel in storage tanks for transportation equipment.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY  
JEFFERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Property and Depreciation** – Property improvements and equipment are stated at historical cost. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the equipment.

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

Description	Years
Buildings	39
Improvements	15-39
Transportation Equipment	5-10
Other Equipment	3-7

**Restricted Assets** – Restricted assets consist of monies and other resources, the use of which is restricted for specific activities.

**Net Assets** - Equity is displayed in three components as follows:

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

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

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

**Recognition of Revenue, Receivables and Deferred Revenues** – Passenger fares and charter fees, if applicable, are recorded as revenue at the time services are performed.

The Authority complies with the provisions of Statement No. 33 of the Government Accounting Standards Board (“GASB”) regarding the Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions be recognized as revenue and not as contributed capital. Accordingly, during the year ended December 31, 2011, \$33,020 in capital contributions were recognized as revenue in the Statement of Revenue and Expenses for the Authority. This statement also requires the recognition of revenue for property taxes in the financial statement in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2011 that will be collected in 2012 are recorded as deferred receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**  
**JEFFERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

*Vacation and Sick Pay Benefits* – Employees earned vacation and sick pay benefits each year based upon length of service and employment status. Employees may not carry any vacation days over into a subsequent year. No payments are made for vacation days that are unused at the end of the year. Employees can carryover unused sick leave to a maximum of 720 hours. At December 31, 2011 employees have approximately 3,549 hours of unused sick leave. Sick leave is nonvesting and no sick leave benefits have been accrued. Unused sick benefits lapse upon an employee’s separation from the Authority.

*Use of Estimates* – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Budgetary Accounting* – The Authority’s annual budget of revenues, expenses, and capital expenditures is prepared under the accrual basis of accounting, GAAP. The budget is adopted by resolution of the Board of Trustees. The Authority, operating as an enterprise fund, utilizes such budget and related budgetary accounting to ensure that: (1) service objectives are attained; (2) expenditures are properly controlled; and (3) adequate resources will be available to finance current operations and meet capital outlay requirements.

Because the Authority’s revenues and expense may fluctuate with changing service delivery levels, a flexible-rather than fixed-dollar budget is utilized to permit budgetary revision based upon changing fare revenue, levels of service, and cost of operations at specific service levels. Actual results of operations are compared to the final, revised budget of the Authority for the year.

**2. CASH AND CASH EQUIVALENTS**

The investments and deposits of the Authority are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Authority to invest monies in certificates of deposit, saving accounts, money market accounts, the State Treasurer’s investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105% of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require that securities maintained for public deposits and investments be held 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 instrument, contract, or obligation itself (commonly known as a “derivative”). The Authority is also prohibited from investing in reverse repurchase agreements.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY  
JEFFERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Deposits

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

At December 31, 2011, the carrying amount of the Authority's deposits was \$1,240,009 as compared to a bank balance of \$1,281,486. Of the bank balance, \$500,000 was on deposit and covered by federal depository insurance and \$781,486 was collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name.

The Authority has restricted cash of \$11,170 to guarantee the deductible for the insurance policy covering two fuel tanks.

Investments

The Authority held no investments at December 31, 2011.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY  
JEFFERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011 is as follows:

	Balance 1/1/2011	Addition	Deletion	Balance 12/31/2011
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 188,551	\$ 841	\$ -	\$ 189,392
<i>Total Capital Assets, not being depreciated:</i>	<u>188,551</u>	<u>841</u>	<u>-</u>	<u>189,392</u>
<i>Capital Asset, being depreciated:</i>				
Buildings	505,041	-	-	505,041
Building Improvements	188,831	28,898	-	217,729
Transportation Equipment	1,127,132	850	-	1,127,982
Other Equipment	92,092	12,650	-	104,742
<i>Total Capital Assets, being depreciated:</i>	<u>1,913,096</u>	<u>42,398</u>	<u>-</u>	<u>1,955,494</u>
Less Accumulated Depreciation:				
Buildings	(90,651)	(12,950)	-	(103,601)
Building Improvements	(16,490)	(12,784)	-	(29,274)
Transportation Equipment	(856,897)	(98,545)	-	(955,442)
Other Equipment	(90,935)	(118)	-	(91,053)
<i>Total Accumulated Depreciation</i>	<u>(1,054,973)</u>	<u>(124,397)</u>	<u>-</u>	<u>(1,179,370)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>858,123</u>	<u>(81,999)</u>	<u>-</u>	<u>776,124</u>
Total Capital Assets, Net	<u>\$ 1,046,674</u>	<u>\$ (81,158)</u>	<u>\$ -</u>	<u>\$ 965,516</u>

**4. PROPERTY TAXES**

The Authority was subsidized by a property tax levy passed in May, 2005 for ten years by the voters of Steubenville and Mingo Junction, Ohio. Taxes of 1.5 mills are levied through 2015. Property tax revenue can be used for operating or capital purposes.

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

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY  
JEFFERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**5. DEFINED BENEFIT PENSION PLAN**

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2011, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Authority's contribution rate for pension benefits was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Authority's contributions for the years ending December 31, 2011, 2010 and 2009 were \$112,356, \$80,245 and \$96,841, respectively.

**6. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age-and-service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY  
JEFFERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**6. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)**

Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post employment healthcare benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012.

Actual employer contributions for 2011 which were used to fund postemployment benefits were \$32,583. The actual contribution and the actuarial required contribution amounts are the same.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**7. CONTINGENCIES**

*Federal and State Grants* – Under the terms of the Authority's 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, 2011, 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.

The Authority receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of this support, if such were to occur, would have a material effect on the Authority's programs and activities.

*Legal Proceedings* – The Authority is involved in litigation in the normal course of business. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management that the ultimate liability is not expected to have a material effect on the Authority's financial position.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY  
JEFFERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**8. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE**

Grants, reimbursements and special fare assistance included in the statement of revenues, expenses and changes in net assets expenses for the year ended December 31, 2011 consist of the following:

	2011
Non-operating	
Federal:	
FTA Operating Assistance	\$ 498,646
FTA Maintenance Assistance	65,900
FTA Planning Assistance	217,912
Total	\$ 782,458
State:	
ODOT Maintenance Assistance	\$ 50,646
ODOT Elderly Fare Assistance	12,923
ODOT Fuel Tax Reimbursement	7,235
Total	\$ 70,804
Capital	
FTA Capital	\$ 33,020

**9. 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 matters, injuries to employees and employee theft and fraud.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage in the year 2011.

The Authority participates in the Ohio Bureau of Workers' Compensation for workers compensation coverage and with the Ohio Department of Job and Family Services for unemployment coverage. The Authority continues to carry commercial insurance for other risks of loss, including employee health, life and accident insurance.



**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2011**

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
<b><u>U.S. Department of Transportation</u></b>			
<b>Direct Program:</b>			
<b>Federal Transit Cluster:</b>			
Urbanized Area Formula Grants	OH-95-X049-00	20.507	\$ 165,853
	OH-90-X720-00	20.507	357,039
	OH-90-X687-00	20.507	41,654
	OH-90-X064-00	20.507	141,533
ARRA - Urbanized Area Formula Grants	OH-90-X022-01	20.507	105,889
<b>Total U.S. Department of Transportation</b>			<b><u>811,968</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>\$ 811,968</u></b>

**See accompanying Notes to the Schedule of Federal Awards Expenditures**

***Steel Valley Regional Transit Authority***  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2011**

1. **General**

The accompanying schedule of federal awards expenditures is a summary of the activity of Steel Valley Regional Transit Authority's federal awards programs. The schedule has been prepared on the cash basis of accounting.

2. **Matching requirements**

Certain federal programs require that the Board contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on this schedule.

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614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Steel Valley Regional Transit Authority  
Jefferson County  
555 Adams Street  
Steubenville, Ohio 443952

To the Board of Trustees:

We have audited the financial statements of the business-type activities of the Steel Valley Regional Transit Authority, Jefferson County, (the Authority) as of and for the year ended December 31, 2011 and have issued our report thereon dated July 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

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

**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, providing an opinion 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*.

We noted certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated July 26, 2012.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees, federal awarding agencies and others within the Authority. We intend it for no one other than these specified parties.

*Charles Harris Associates*

**CHARLES E. HARRIS & ASSOCIATES, INC.**

July 26, 2012

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Steel Valley Regional Transit Authority  
Jefferson County  
555 Adams Street  
Steubenville, Ohio 443952

To the Board of Trustees:

**Compliance**

We have audited the compliance of Steel Valley Regional Transit Authority, Jefferson County, Ohio (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Authority's major federal program. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Authority's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with these requirements.

In our opinion, the Steel Valley Regional Transit Authority, Jefferson County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

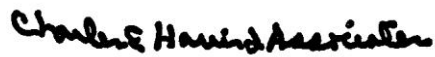
**Internal Control Over Compliance**

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees, others within the entity and federal awarding agencies. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Charles Harris Associates". The signature is written in a cursive, slightly slanted style.

**CHARLES E. HARRIS & ASSOCIATES, INC.**

July 26, 2012

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505**

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY  
JEFFERSON COUNTY  
DECEMBER 31, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Federal Transit Administration: FTA - Section 5309 Grants CFDA# 20.507
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**SCHEDULE OF FINDINGS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**  
**JEFFERSON COUNTY**  
**DECEMBER 31, 2011**

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None.



**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, as of December 31, 2010, reported no material citations or recommendations.

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# Dave Yost • Auditor of State

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 20, 2012**