STEEL VALLEY REGIONAL TRANSIT AUTHORITY

JEFFERSON COUNTY

AUDIT REPORT

For the year ended December 31, 2009

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants

Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Steel Valley Regional Transit Authority, Jefferson County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2009. 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.

Dave Yost
Auditor of State

March 13, 2012

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Steel Valley Regional Transit Authority
Jefferson County
AUDIT REPORT
For the Year Ended December 31, 2009

TABLE OF CONTENTS

	Page
Report of Independent Accountants	1-2
Managements' Discussion and Analysis	3-6
Statement of Net Assets	7-8
Statement of Revenues, Expenditures, and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-18
Schedule of Federal Awards Expenditures	19
Notes to the Schedule of Federal Awards Expenditures	20
Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*	21-22
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with *OMB Circular A-133*	23-24
Schedule of Findings and Questioned Costs	25-26
Status of Prior Audit's Citations and Recommendations	27

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Authority, as of December 31, 2009, 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.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 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, 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 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 considering the results of our audit.

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

Charles E. Harris & Associates, Inc.
February 29, 2012

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, 2009. 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 $2,063,719. These net assets result from the difference between total assets of $2,542,287 and total liabilities of $478,568.

Current assets of $1,514,327 primarily consist of non-restricted Cash and Cash Equivalents of $961,101; Taxes Receivable of $392,057; Federal Funds Receivable of $111,775; Intergovernmental Receivables of $26,457.

Current Liabilities of $478,568 primarily consist of Deferred revenue- levy of $418,514, Accrued and Withheld Payroll Taxes of $9,346, and Accrued Expenses of $26,494.

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.

Financial Analysis of the Authority

Table 1 provides a summary of the Authority's net assets as of December 31, 2009:

	2009	2008
ASSETS		
Current Assets	$ 1,514,327	$ 853,427
Restricted Assets	11,157	11,124
Noncurrent Assets	1,016,803	1,065,276
Total Assets	$ 2,542,287	$ 1,929,827
LIABILITIES		
Current Liabilities	$ 478,568	$ 69,228
Noncurrent Liabilities	-	212,343
Total Liabilities	478,568	281,571
NET ASSETS		
Net Assets	$ 2,063,719	$ 1,648,256

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.

The change in the current assets and current versus noncurrent liabilities is due to the taxes receivable and corresponding deferred revenue being reclassified to current assets and liabilities in 2009.

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.

	2009	2008
Operating Revenues	$ 56,051	$ 68,304
Operating Expenses (inc. Dep. Exp.)	1,063,283	1,074,496
Operating Income (Loss)	(1,007,232)	(1,006,192)
Net Non-Operating Revenues (Expenses)	1,422,695	1,135,001
Change in Net Assets	415,463	128,809
Net Assets (Deficit) Beginning of Year	1,648,256	1,519,447
Net Assets (Deficit) End of Year	$ 2,063,719	$ 1,648,256

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 69% of the total operating expenses. Labor, which accounts for 38% 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 10% of the total, represents costs associated with the Ohio Public Employees Retirement System. Fuel and Lubricants, which accounts for 4% 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 Passenger Fares, as well as 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 95% of the total combined revenues of $1,206,805. Passenger Fares revenue for 2009 was $56,051, and accounts for 5% of the total revenues. Property Tax Revenues for 2009 were $535,310 and accounts for 44% of the total revenue. Federal Operating and Maintenance Grants and Reimbursements Revenue for 2009 was $549,745, and accounts for 46% of the total revenue. State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance revenue for 2009 was $57,309, 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, 2009, amounts to $1,016,803 (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, 2009, 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 2009, the Authority transported 72,733 Steubenville passengers, 8,017 Mingo Junction passengers, and 1,958 ADA Para Transit passengers for a total of 82,708 passengers in the Steubenville-Mingo Junction area.

The Authority has received additional federal funding for a three year demonstration project ($200,000.00/yr.) to provide services to the Village of Wintersville beginning late in the third quarter of 2010. It is anticipated the Village of Wintersville will joint the Authority and pass a levy at the end of the project.

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 minimum reduction in service level was implemented 2009 (Sunday, Mill Shuttle service (Mingo), and Steubenville evening extended service hours). The Authority received supplemental federal funding for preventive maintenance in 2009. The funding allowed the Authority to leverage a larger portion of it Section 5307 funding for operations. Similarly, ARRA funding will provide preventive maintenance funding in 2010. This infusion of additional federal funds has deferred planned fare structure increases and delayed anticipated major service reductions thru 2013. However, further service reductions and/or confirmed sources of additional revenue must be in place by 2013 to insure the current level of services thru 2015.

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, 2009

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	961,101
Taxes Receivable		392,057
Intergovernmental		26,457
Trade Accounts Receivable		1,705
Federal Funds Receivable		111,775
Fuel Inventory		15,623
Prepaid Expenses		5,609
Total Current Assets		1,514,327
RESTRICTED ASSETS		
Cash and Cash Equivalents		11,157
Noncurrent Assets		
Land		187,951
Building		505,041
Building Improvements		41,116
Transportation Equipment		1,449,546
Other Equipment		92,092
Less Accumulated Depreciation		(1,258,943)
Total Noncurrent Assets		1,016,803
TOTAL ASSETS	$	2,542,287

STEEL VALLEY REGIONAL TRANSIT AUTHORITY

STATEMENT OF NET ASSETS (continued)
Proprietary Fund
As of December 31, 2009

LIABILITIES		
Current Liabilities		
Accounts Payable	$	7,500
Accrued Payroll Expenses		700
Accrued and Withheld Payroll Taxes		9,346
Accrued Expenses		26,494
Deferred revenue - levy		418,514
Deferred Capital Grant		16,014
Total Liabilities		478,568
NET ASSETS		
Capital Assets Net of Related Debt	$	1,016,803
Restricted Net Assets for Equipment		11,157
Unrestricted		1,035,759
TOTAL NET ASSETS	$	2,063,719

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, 2009

Operating Revenues	
Passenger Fares	$ 50,590
School Passes	5,461
Total Operating Revenues	56,051
Operating Expenses	
Labor	401,902
Fringe Benefits	107,848
Insurance - Hospitalization and Life	154,820
Taxes - Payroll	26,093
Materials & Supplies	38,682
Fuel and Lubricants	47,641
Services	58,933
Utilities	25,333
Casualty and Liability Insurance	63,921
Depreciation	138,110
Total Operating Expenses	1,063,283
Operating Income (Loss)	(1,007,232)
Non-Operating Revenues (Expenses)	
Property Tax Revenues	509,870
Federal Operating and Maintenace Grants and Reimbursements	549,745
State Operating and Maintenance Grants, Reimbursements and Special Fare Assistance	57,309
Other Intergovernmental Revenue	25,440
Interest	2,240
Other	6,150
Total Non-Operating Revenues	1,150,754
Net Income (Loss) Before Capital Contributions	143,522
Capital Contributions	271,941
Change in Net Assets	415,463
Net Assets (Deficit) Beginning of Year	1,648,256
Net Assets (Deficit) End of Year	$ 2,063,719

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, 2009

Cash flows from operating activities:		
Cash Received from Customers	$	21,689
Cash Paid for Goods and Services		(407,701)
Cash Paid to Employees		(493,250)
Net cash provided/(used) for operating activities	$	(879,262)
Cash flows from non-capital activities:		
Property Taxes Received	$	509,870
Operating, Maintenance and Planning Grants Received		607,054
Intergovernmental Revenue		25,440
Other		(42,917)
Net cash provided/(used) for non-capital activities	$	1,099,447
Cash flows from capital and related financing activities:		
Capital Grants Received	$	271,941
Acquisition of Capital Assets		(287,275)
Net cash provided/(used) for capital and related financing activities	$	(15,334)
Cash flows from investing activities:		
Interest	$	2,240
Net cash provided/(used) for investing activities	$	2,240
Net increase in cash and cash equivalents		207,091
Cash and cash equivalents, January 1, 2009		765,167
Cash and cash equivalents, December 31, 2009	$	972,258
Reconciliation of Operating Income (loss) to Net Cash Provided By (Used For) Operating Activities		
Net operating income/(loss)	$	(1,007,232)
Adjustments:		
Depreciation expense		138,110
(Increase)/decrease in assets:		
Accounts receivable - Trade		243
Federal Funds Receivable		(34,605)
Fuel Inventory		(422)
Prepaid Expenses		(544)
Increase/(decrease) in liabilities:		
Accounts Payable		11,885
Accrued Payroll Expenses		13,636
Accrued and Withheld Payroll Taxes		2,864
Accrued Expenses		(3,197)
Total Adjustments		127,970
Net cash provided/(used) for operating activities	$	(879,262)

See accompanying notes to the basic financial statements

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization **–** 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 2009, the Authority had twelve full-time equivalent employees. Approximately 75% of the Authority's employees at December 31, 2009 are subject to a three year collective bargaining agreement expiring on December 31, 2010.

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.

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 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 Nonexhange Transactions. This statement requires that capital contributions be recognized as revenue and not as contributed capital. Accordingly, during the year ended December 31, 2009, $271,941 in capital contribution was 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 2009 that will be collected in 2010 are recorded as a 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.

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, 2009 employees have approximately 3,110 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 (STAROhio) 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.

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, 2009, the carrying amount of the Authority's deposits was $972,258 as compared to a bank balance of $972,709. Of the bank balance, $500,000 was on deposit and covered by federal depository insurance and $472,709 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 $11,124 to guarantee the deductible for the insurance policy covering two fuel tanks.

Investments

The Authority held no investments at December 31, 2009.

3. CAPITAL ASSETS

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

	Balance 1/1/2009	Addition	Deletion	Balance 12/31/2009
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$ 186,751	$ 1,200	$ -	$ 187,951
Total Capital Assets, not being depreciated:	186,751	1,200	-	187,951
Capital Asset, being depreciated:				
Buildings	505,041	-	-	505,041
Building Improvements	41,016	100	-	41,116
Transportation Equipment	1,163,570	285,976	-	1,449,546
Other Equipment	92,092	-	-	92,092
Total Capital Assets, being depreciated:	1,801,719	286,076	-	2,087,795
Less Accumulated Depreciation:				
Buildings	(64,750)	(12,951)	-	(77,701)
Building Improvements	(11,008)	(2,741)	-	(13,749)
Transportation Equipment	(961,805)	(121,364)	-	(1,083,169)
Other Equipment	(83,270)	(1,054)	-	(84,324)
Total Accumulated Depreciation	(1,120,833)	(138,110)	-	(1,258,943)
Total Capital Assets being depreciated, net	680,886	147,966	-	828,852
Total Capital Assets, Net	$ 867,637	$ 149,166	$ -	$ 1,016,803

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.

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, 2008, the members of all three plans were required to contribute10 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, 2009, 2008, and 2007 were $96,841, $57,764, and $66,635, respectively.

6. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement 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. Members of the member-directed plan do not qualify for postretirement 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. The 2009 employer contribution rate was 14 percent of covered payroll; the portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2008 (the latest information available), include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.00 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

Actual employer contributions for 2009 which were used to fund postemployment benefits were $48,420. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2008 (the latest information available), was $10.7 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were $29.6 billion and $18.9 billion, respectively. The number of active contributing participants in the traditional and combined plans was 363,503.

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, 2008, 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.

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, 2009 consist of the following:

	2009
Nonoperating	
Federal:	
FTA Operating Assistance	$ 280,894
FTA Capital Maintenance Assistance	17,713
Other - Capital Assistance	206,924
FTA Planning Assistance	60,210
Total	$ 565,741
State:	
ODOT Operating Maintenance Assistance	$ 36,802
ODOT Elderly Fare Assistance	14,704
ODOT Fuel Tax Reimbursement	5,803
Total	$ 57,309
Capital	
FTA Capital	$ 289,184

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.

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. 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 2009.

Steel Valley Regional Transit Authority

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2009

Federal Grantor/Pass Through Grantor Program Title	Grant Number	CFDA Number	Receipts Recognized	Program Expenditures
U.S. Department of Transportation				
Direct Program:				
FTA - Section 5309 Grants				
	OH-90-X626-00	20.507	$ 87,018	-
	OH-90-X635-00	20.507	56,139	$ 56,139
	OH-90-X672-01	20.507	229,990	358,817
ARRA - FTA - Section 5309 Grants	OH-90-X022-01	20.507	143,868	161,111
Passed Through The Ohio Department of Transportation:				
Highway Planning and Construction	n/a	20.205	278,858	278,858
Total Federal Financial Assistance			$ 795,873	$ 854,925

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, 2009

1. <u>General</u>

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.

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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 43952

To the Board of Trustees:

We have audited the basic financial statements of the Steel Valley Regional Transit Authority, Ohio (the Authority) as of and for the year ended December 31, 2009, and have issued our report thereon dated February 29, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing 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 such 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 February 29, 2012.

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

Charles E. Harris & Associates, Inc.
February 29, 2012

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

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

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

To the Board of Trustees:

Compliance

We have audited the compliance of the Steel Valley Regional Transit Authority, Jefferson County (Authority), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

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

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

A *material weakness* is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that the Authority's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

This report replaces a previously issued report due to a federal program being identified and added to the schedule of federal awards expenditures.

This report is intended solely for the information and use of the audit committee, the Board of Trustees, management of the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
February 29, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
DECEMBER 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS

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

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
DECEMBER 31, 2009

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2008, reported no material citations or recommendations.

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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
MARCH 27, 2012

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