STEEL VALLEY REGIONAL TRANSIT AUTHORITY

JEFFERSON COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2012

Charles E. Harris & Associates

certified public accountants & 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 *Independent Auditor's Report* of the Steel Valley Regional Transit Authority, Jefferson County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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

July 8, 2013

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www. auditor.state.oh.us

This page intentionally left blank.

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
AUDIT REPORT
For the year ended December 31, 2012

Table of Contents

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Certified Public Accountants
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Steel Valley Regional Transit Authority, Jefferson County, Ohio (the Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2012, and the respective changes in net position and cash flows**,** thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, during 2012, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The implementation of these Standards had no effect on the prior year Net Position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Awards Expenditures is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
June 6, 2013

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2012
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, 2012. 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 a net position of $2,562,317. This net position result from the difference between total assets of $3,007,696 and total liabilities of $59,913 and deferred inflows of resources of $385,466.

Current assets of $2,029,161 primarily consist of non-restricted Cash and Cash Equivalents of $1,364,763; Taxes Receivable of $385,466; Federal Funds Receivable of $242,563.

Liabilities of $59,913 primarily consist of Accounts Payable of $20,616, Accrued Payroll of $10,466 and Accrued Expenses of $26,780.

Basic Financial Statements and Presentation

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

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

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital 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 position as of December 31, 2012:

		2012		2011
ASSETS				
Current Assets	$	2,029,161	$	1,902,507
Restricted Assets		11,172		11,170
Noncurrent Assets		967,363		965,516
Total Assets	$	3,007,696	$	2,879,193
LIABILITIES				
Current Liabilities	$	59,913	$	61,655
DEFERRED INFLOWS OF RESOURCES				
Levy	$	385,466	$	392,542
NET POSITION				
Net: Investment in Capital Assets	$	967,363	$	965,516
Restricted Net Position for Equipment		11,172		11,170
Unrestricted		1,583,782		1,448,310
Net Position	$	2,562,317	$	2,424,996

A large portion of the Authority's net position reflects net 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 position. This table uses the full accrual method of accounting.

	2012	2011
Operating Revenues	$ 56,042	$ -
Operating Expenses (inc. Dep. Exp.)	1,387,015	1,280,319
Operating Income (Loss)	(1,330,973)	(1,280,319)
Net Non-Operating Revenues (Expenses)	1,468,294	1,361,155
Change in Net Position	137,321	80,836
Net Position (Deficit) Beginning of Year	2,424,996	2,344,160
Net Position (Deficit) End of Year	$ 2,562,317	$ 2,424,996

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 78% 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 16% 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 5% of the total, represents costs associated with casualty and liability insurance premiums paid by the Authority. Fringe Benefits, which account for 7% 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 96% of the total combined revenues of $1,415,768. Passenger Fares revenue for 2012 was $56,042. Property Tax Revenues for 2012 were $449,074 and accounts for 32% of the total revenue. Federal Operating and Maintenance Grants and Reimbursements Revenue for 2012 was $796,835, and accounts for 56% of the total revenue. State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance revenue for 2012 was $109,214, and accounts for 8% of the total revenue. Interest Income and Other Income make up the remaining 0.3% 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, 2012, amounts to $967,363 (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, 2012, 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. The Authority anticipates renewal of its current levy prior to the end of 2015.

Current Known Facts and Conditions

In the year 2012, the Authority transported 139,990 Steubenville passengers, 12,609 Mingo Junction passengers, 12,720 Wintersville passengers, and 2,540 ADA Para Transit passengers for a total of 167,869 passengers in the Steubenville-Mingo Junction-Wintersville area.

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. Legislation was revised to create an enlarged authority to include the Village of Wintersville in 2012. Extension of the current levy to the Village of Wintersville became effective for the tax year beginning January 1, 2013.

A "free fares" program was also implemented across all service areas starting in August 2010. The program continued through December 2011. Fares were initiated in January 2012 at half the prior rate ($0.50 Adult, $0.25 Seniors) with a discounted annual pass of $30.00 available to all residents.

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). The Authority received approval for supplemental federal funding for preventive maintenance and capital in 2012 (ODOT Ohio Transit Preservation Partnership Program). The funding allowed the Authority to leverage a larger portion of the Section 5307 funding for operations and purchase two replacement buses. This infusion of additional federal funds has delayed anticipated major service reductions 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 POSITION
Proprietary Fund
As of December 31, 2012

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	1,364,763
Taxes Receivable		385,466
Trade Accounts Receivable		145
Federal Funds Receivable		242,563
Fuel Inventory		11,027
Prepaid Expenses		25,197
Total Current Assets		2,029,161
RESTRICTED ASSETS		
Cash and Cash Equivalents		11,172
Total Restricted Assets		11,172
Noncurrent Assets		
Land		189,392
Building		505,041
Building Improvements		217,729
Transportation Equipment		1,127,982
Other Equipment		224,138
Less Accumulated Depreciation		(1,296,919)
Total Noncurrent Assets		967,363
TOTAL ASSETS	$	3,007,696

See accompanying notes to the basic financial statements

STEEL VALLEY REGIONAL TRANSIT AUTHORITY

STATEMENT OF NET POSITION (continued)
Proprietary Fund
As of December 31, 2012

LIABILITIES		
Accounts Payable		20,616
Accrued Payroll Expenses		10,466
Accrued and Withheld Payroll Taxes		2,051
Accrued Expenses		26,780
Total Liabilities		59,913
DEFERRED INFLOWS OF RESOURCES		
Levy		385,466
NET POSITION		
Net Investment in Capital Assets	$	967,363
Restricted Net Position for Equipment		11,172
Unrestricted		1,583,782
TOTAL NET POSITION	$	2,562,317

See accompanying notes to the basic financial statements

STEEL VALLEY REGIONAL TRANSIT AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2012

Operating Revenues		
Passenger Fares	$	40,257
SVRTA Passes		9,485
Contract Passes		6,300
Total Operating Revenues		56,042
Operating Expenses		
Labor		523,925
Fringe Benefits		98,500
Insurance - Hospitalization and Life		230,070
Taxes - Payroll		30,097
Materials & Supplies		37,736
Fuel and Lubricants		93,558
Services		87,620
Dues & Subscriptions		3,571
Utilities		29,023
Casualty and Liability Insurance		66,972
Advertising fees		63,377
Miscellaneous		5,017
Depreciation		117,549
Total Operating Expenses		1,387,015
Operating Income (Loss)		(1,330,973)
Non-Operating Revenues (Expenses)		
Property Tax Revenues		449,074
Federal Operating and Maintenance Grants and Reimbursements		796,835
State Operating and Maintenance Grants, Reimbursements and Special Fare Assistance		109,214
Interest		496
Recovery of Paid losses		3,083
Other		1,024
Total Non-Operating Revenues (Expenses)		1,359,726
Net Income (Loss) Before Capital Contributions		28,753
Capital Contributions		108,568
Change in Net Position		137,321
Net Position (Deficit) Beginning of Year		2,424,996
Net Position (Deficit) End of Year	$	2,562,317

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, 2012

Cash flows from operating activities:		
Cash Received from Customers	$	57,648
Cash Paid for Goods and Services		(390,549)
Cash Paid to Employees		(882,194)
Net cash provided/(used) for operating activities	$	(1,215,095)
Cash flows from non-capital activities:		
Property Taxes Received	$	463,226
Operating, Maintenance and Planning Grants Received		894,020
Other		4,107
Net cash provided/(used) for non-capital activities	$	1,361,353
Cash flows from capital and related financing activities:		
Capital Grants Received	$	108,568
Acquisition of Capital Assets		(119,396)
Net cash provided/(used) for capital and related financing activities	$	(10,828)
Cash flows from investing activities:		
Interest	$	496
Net cash provided/(used) for investing activities	$	496
Net increase in cash and cash equivalents		135,926
Cash and cash equivalents, January 1, 2012		1,240,009
Cash and cash equivalents, December 31, 2012	$	1,375,935
Reconciliation of Operating Income (loss) to Net Cash Provided By (Used For) Operating Activities		
Net operating income/(loss)	$	(1,330,973)
Adjustments:		
Depreciation expense		117,549
(Increase)/decrease in assets:		
Trade Accounts Receivable		1,606
Fuel Inventory		12,942
Prepaid Expenses		(325)
Increase/(decrease) in liabilities:		
Accounts Payable		(24,107)
Accrued Payroll Expenses		2,941
Accrued and Withheld Payroll Taxes		637
Accrued Expenses		4,635
Total Adjustments		115,878
Net cash provided/(used) for operating activities	$	(1,215,095)

See accompanying notes to the basic financial statements

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 2012, the Authority had fourteen 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. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

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

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

Deferred Outflow/Inflows of Resources – In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include a portion of the tax levy receivable. The levy represent amounts for which there is an enforceable legal claim as of December 31, 2012 but which were levied to finance fiscal year 2013 operations.

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

Net Position – Represents the difference between assets and liabilities. Net position is displayed in three components as follows:

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

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

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

Recognition of Revenue, Receivables and Deferred Inflow of Resources – 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, 2012, $108,568 in capital contributions were recognized as revenue in the Statement of Revenue and Expenses and Changes in Net Position for the Authority.

This statement also requires the recognition of revenue for property taxes in the financial statements in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2012 that will be collected in 2013 are recorded as taxes receivable and deferred inflow of resources. Deferred inflow of resources 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, 2012 employees have approximately 3,536 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. CHANGES IN ACCOUNTING PRINCIPLES

For the year 2012, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" Statement No. 65, "Items Previously Reported as Assets and Liabilities."

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Authority's 2012 financial statements; however, there were no effect on beginning net position.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the Authority's 2012 financial statements; however, there was no effect on beginning net position.

3. 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.

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, 2012, the carrying amount of the Authority's deposits was $1,375,935 as compared to a bank balance of $1,416,639. Of the bank balance, $1,412,671 was either covered by federal depository insurance or collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name. Only $3,968 of deposits was exposed to custodial credit risk.

The Authority has restricted cash of $11,172 to guarantee the deductible for the insurance policy covering two fuel tanks.

Investments

The Authority held no investments at December 31, 2012.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 is as follows:

	Balance 1/1/2012	Addition	Deletion	Balance 12/31/2012
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$ 189,392	$ -	$ -	$ 189,392
Total Capital Assets, not being depreciated:	189,392	-	-	189,392
Capital Asset, being depreciated:				
Buildings	505,041	-	-	505,041
Building Improvements	217,729	-	-	217,729
Transportation Equipment	1,127,982	-	-	1,127,982
Other Equipment	104,742	119,396	-	224,138
Total Capital Assets, being depreciated:	1,955,494	119,396	-	2,074,890
Less Accumulated Depreciation:				
Buildings	(103,601)	(12,948)	-	(116,549)
Building Improvements	(29,274)	(17,783)	-	(47,057)
Transportation Equipment	(955,442)	(73,519)	-	(1,028,961)
Other Equipment	(91,053)	(13,299)	-	(104,352)
Total Accumulated Depreciation	(1,179,370)	(117,549)	-	(1,296,919)
Total Capital Assets being depreciated, net	776,124	1,847	-	777,971
Total Capital Assets, Net	$ 965,516	$ 1,847	$ -	$ 967,363

5. 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.

6. DEFINED BENEFIT PENSION PLAN

The Authority participates in the Ohio Public Employees Retirement System (OPERS). Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as follows: The Traditional Pension Plan – a cost sharing, multiple-employer defined pension plan. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by members, 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 Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting http://www.opers.org/investments/cafr.shtml, by writing OPERS, 277 East Town Street, Columbus, Oh 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2012 member contribution rates were 10.0% of covered payroll for members in state and local classifications. The 2012 employer contribution rate for state and local employers was 14.0% for covered payroll. The Authority's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were $90,100, $89,067 and $80,245, respectively; 100 percent has been contributed for all three years.

7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both Traditional Pension and the Combined plans. Members of the Member-Directed do not qualify for ancillary benefits, including post-employment health care coverage.

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

7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting http://www.opers.org/investments/cafr.shtml, by writing OPERS, 277 East Town Street, Columbus, Oh 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for funding of post retirement health care coverage. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0% of covered payroll. These are the maximum employer contributions rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The rates stated above are the contractually required contribution rates for OPERS. The Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were $25,741, $25,447, and $22,926, respectively; 100 percent has been contributed for all years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and approved health care changes, OPERS expects to be able to consistently allocated 4 percent of the employer contributions toward the health care fund after the end of the transition period.

8. 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, 2012, 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.

8. CONTINGENCIES (Continued)

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.

9. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Grants, reimbursements and special fare assistance included in the statement of revenues, expenses and changes in net position for the year ended December 31, 2012 consist of the following:

	2012	
Non-operating		
Federal:		
FTA Operating Assistance	$	497,947
FTA Maintenance Assistance		232,599
FTA Planning Assistance		66,289
Total	$	796,835
State:		
ODOT Operating Assistance	$	95,809
ODOT Elderly Fare Assistance		8,605
ODOT Fuel Tax Reimbursement		4,800
Total	$	109,214
Capital		
FTA Capital	$	108,568

10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors and omissions, employment 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 2012.

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, 2012

Federal Grantor/Program Title	Grant Number	CFDA Number		Program Expenditures
U.S. Department of Transportation				
Direct Program:				
Federal Transit Cluster:				
Urbanized Area / Capital Assistance Formula Grants	OH-95-X049-00	20.507	$	162,016
	OH-90-X687-00	20.507		38,249
	OH-90-X720-00	20.507		183,071
	OH-90-X763-00	20.507		312,809
	OH-90-X064-00	20.507		8,726
	OH-90-X773-00	20.507		130,213
Capital Assistance Formula Grant - ARRA	OH-90-X022-01	20.507		70,319
Total U.S. Department of Transportation				**905,403**
Total Federal Financial Assistance			**$**	**905,403**

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, 2012

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.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Certified Public Accountants
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards,* the financial statements of the Steel Valley Regional Transit Authority, Jefferson County, (the Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2013, wherein we noted the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 6, 2013.

Purpose of this Report

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

Charles E. Harris & Associates, Inc.
June 6, 2013

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Certified Public Accountants
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT AUDITOR'S 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 43952

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Steel Valley Regional Transit Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Steel Valley Regional Transit Authority's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Steel Valley Regional Transit Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on its major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
June 6, 2013

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
DECEMBER 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	*Type of Financial Statement Opinion*	Unmodified
(d)(1)(ii)	*Were there any material control weaknesses reported at the financial statement level (GAGAS)?*	No
(d)(1)(ii)	*Were there any 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 significant deficiencies reported for major federal programs?*	No
(d)(1)(v)	*Type of Major Programs' Compliance Opinion*	Unmodified
(d)(1)(vi)	*Are there any reportable findings under 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?*	Yes

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, 2011, reported no material citations or recommendations.

This page intentionally left blank.

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
JULY 18, 2013