

***STEEL VALLEY REGIONAL TRANSIT AUTHORITY***

**JEFFERSON COUNTY**

**AUDIT REPORT**

**For the Year Ended December 31, 2015**







# 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, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Steel Valley Regional Transit Authority is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

August 17, 2016

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**Steel Valley Regional Transit Authority**  
**Jefferson County**  
*Audit Report*  
For the Year Ended December 31, 2015

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**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, 2015, 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 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 as of December 31, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 12 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. We did not modify our opinion regarding these matters.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016, 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, Inc.**  
June 27, 2016



**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**  
**JEFFERSON COUNTY**

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*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, 2015. 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 \$2,636,327. This net position results from the difference between total assets and deferred outflows of resources of \$3,647,448 and \$96,841, respectively, and total liabilities and deferred inflows of resources of \$574,752 and \$533,210, respectively.

Current assets of \$2,446,053 primarily consist of non-restricted Cash and Cash Equivalents of \$1,701,108, Taxes Receivable of \$516,275 and Federal Funds Receivable of \$219,196.

Liabilities of \$574,752 primarily consist of Net Pension Liability of \$524,779.

**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 the Authority's assets and liabilities and deferred inflows or outflows of resources, with the difference between the assets and liabilities and deferred inflows or outflows 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 indicates 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.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY  
JEFFERSON COUNTY**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited*

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, 2015:

	2015	2014
<b>ASSETS</b>		
Current Assets	\$ 2,446,053	\$ 2,385,165
Restricted Assets	11,176	11,175
Noncurrent Assets	1,190,219	991,035
<b>Total Assets</b>	<b>\$ 3,647,448</b>	<b>\$ 3,387,375</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows of Resources	\$ 96,841	\$ 70,233
<b>LIABILITIES</b>		
Current Liabilities	\$ 574,752	\$ 70,233
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources	\$ 533,210	\$ 504,033
<b>NET POSITION</b>		
Net: Investment in Capital Assets	\$ 1,190,219	\$ 991,035
Restricted Net Position for Equipment	11,176	11,175
Unrestricted	1,434,932	1,810,899
<b>Net Position</b>	<b>\$ 2,636,327</b>	<b>\$ 2,813,109</b>

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**  
**JEFFERSON COUNTY**

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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 the Mingo Junction and Wintersville areas; 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.

	2015	2014
<b>Operating Revenues</b>	\$ 44,660	\$ 41,273
<b>Operating Expenses (inc. Dep. Exp.)</b>	1,436,354	1,438,442
<b><i>Operating Income (Loss)</i></b>	(1,391,694)	(1,397,169)
<b>Net Non-Operating Revenues (Expenses)</b>	1,441,181	1,435,278
<b><i>Net Gain (Loss) before Capital Contribution</i></b>	49,487	38,109
<b><i>Capital Contribution</i></b>	222,212	-
<b><i>Net Gain (Loss)</i></b>	271,699	38,109
<b><i>Net Position Beginning of Year</i></b>	2,364,628	2,775,000
<b><i>Prior Period Adjustment</i></b>	-	(448,481)
<b><i>Net Position End of Year</i></b>	\$ 2,636,327	\$ 2,364,628

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**  
**JEFFERSON COUNTY**

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

During 2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. Users of this financial statement will gain a clearer understanding of the Authority actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. This implementation also had the effect of restating net position at December 31, 2014, from \$2,813,109 to \$2,364,628. See Note 2 to the basic financial statements for further discussion on the implementation of GASB 68.

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

The Authority is also reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in the statement of net position.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$64,445 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$57,516. Consequently, in order to compare 2015 total operating expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	\$ 1,436,354
Pension expense under GASB 68	(57,516)
2015 contractually required contribution	<u>68,840</u>
Adjusted 2015 operating expenses	1,447,678
Total 2014 operating expenses under GASB 27	<u>1,438,442</u>
Increase in operating expenses not related to pension	<u><u>\$ 9,236</u></u>

As a result of GASB 68, the Authority is reporting a significant net pension liability and related deferred inflows of resources which have a negative effect on net position. In addition, the Authority is reporting deferred outflows of resources and a reduction of expenses related to pension for this fiscal year, which have a positive consequence on net position. This expense amount is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. To further explain the impact of this new accounting standard on the Authority's net position, additional information is presented below.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**

**JEFFERSON COUNTY**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2015*

*Unaudited*

Net position	\$ 2,636,327
Deferred outflows - pension	(96,841)
Deferred inflows - pension	9,219
Net pension liability	<u>524,779</u>
Net position without new standard	<u>\$ 3,073,484</u>
Impact of GASB 68 on net position, end of year	\$ (437,157)
Pension expense under GASB 68	57,516
Contractually required contribution	<u>(68,840)</u>
Impact of GASB 68 on net position, beginning of year	<u>\$ (448,481)</u>

The most significant operating expenses for the Authority are Labor, Services and Building Maintenance, Insurance (Hospitalization and Life), Fuel and Lubricants, and Fringe Benefits. These expenses account for 72% of the total operating expenses. Labor, which accounts for 41% of the total, represents costs associated with salaried and hourly employees. Services and Building Maintenance which accounts for 7% of the total, represents costs associated with routine maintenance of the Authority's buses and buildings. Insurance (Hospitalization and Life), which accounts for 12% of the total, represents costs associated with the hospitalization and life insurance premiums paid by the Authority covering its employees. Fuel and Lubricants, which accounts for 6% of the total, represents costs associated with the purchase of diesel fuel and motor oils. Fringe Benefits, which account for 6% of the total, represents costs associated with the Ohio Public Employees Retirement System.

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, State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance. These revenues account for 84% of the total combined revenues of \$1,708,053. Passenger Fares revenue for 2015 was \$30,655. Property Tax Revenues for 2015 were \$567,841 and accounts for 33% of the total revenue. Federal Operating and Maintenance Grants and Reimbursements Revenue for 2015 was \$783,451, and accounts for 46% of the total revenue. State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance revenue for 2015 was \$83,547, and accounts for 5% of the total revenue.

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

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**

**JEFFERSON COUNTY**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2015*

*Unaudited*

**Capital Assets and Debt Administration**

The Authority's investment in capital assets as of December 31, 2015, amounts to \$1,190,219 (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 4 of the notes to the financial statements.

As of December 31, 2015, 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. In November 2015, voters in Steubenville, Mingo Junction and Wintersville, Ohio approved the renewal of the 1.5 mill, 10-year tax levy to support the Steel Valley Regional Transit Authority and expand service to the Wintersville area permanently.

**Current Known Facts and Conditions**

In the year 2015, the Authority transported 140,977 Steubenville passengers, 12,571 Mingo Junction passengers, and 2,108 ADA Para Transit passengers for a total of 163,463 passengers in the Steubenville, Mingo Junction and Wintersville areas.

The Authority has been receiving supplemental federal funding for preventive maintenance and capital (ODOT Ohio Transit Preservation Partnership Program). The funding has allowed the Authority to leverage a larger portion of the Section 5307 funding for operating and planning functions. This infusion of additional federal funds continues to support these services. Current 5307 funding does not provide sufficient resources for capital or maintenance.

**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*  
*December 31, 2015*

**Assets**

**Current Assets**

Cash and Cash Equivalents	\$	1,701,108
Taxes Receivable		516,275
Federal Funds Receivable		219,196
Fuel Inventory		2,794
Prepaid Expenses		6,680
<b>Total Current Assets</b>		2,446,053

**Restricted Assets**

Cash and Cash Equivalents		11,176
<b>Total Restricted Assets</b>		11,176

**Noncurrent Assets**

Land		190,051
Building		520,041
Building Improvements		217,729
Transportation Equipment		1,178,536
Other Equipment		274,153
Less Accumulated Depreciation		(1,190,291)
<b>Total Noncurrent Assets</b>		1,190,219
<b>Total Assets</b>		3,647,448

**Deferred Outflows of Resources**

OPERS		96,841
		96,841

**Liabilities**

**Current Liabilities**

Accounts Payable		16,219
Accrued Payroll Expenses		20,366
Accrued and Withheld Payroll Taxes		147
Accrued Expenses		13,241
Net Pension Liability		524,779
<b>Total Liabilities</b>		574,752

**Deferred Inflows of Resources**

Levy		516,275
State E&D Grant		7,716
OPERS		9,219
<b>Total Deferred Inflows of Resources</b>		533,210

**Net Position**

Net Investment in Capital Assets		1,190,219
Restricted Net Position for Equipment		11,176
Unrestricted		1,434,932
<b>Total Net Position</b>	\$	2,636,327

See accompanying notes to the basic financial statements

*Steel Valley Regional Transit Authority*  
*Statement of Net Position*  
*Proprietary Fund*  
*For the Year Ended December 31, 2015*

**Operating Revenues**

Passenger Fares	\$ 30,655
SVRTA Passes	8,445
Contract Passes	5,560
<b><i>Total Operating Revenues</i></b>	<b>44,660</b>

**Operating Expenses**

Labor	591,486
Fringe Benefits	90,570
Insurance - Hospitalization and Life	176,070
Taxes - Payroll	17,572
Materials & Supplies	27,042
Fuel and Lubricants	82,415
Services & building maintenance	95,132
Dues & Subscriptions	2,286
Utilities	28,242
Casualty and Liability Insurance	83,275
Advertising fees	83,100
Miscellaneous	11,593
Depreciation	147,571
<b><i>Total Operating Expenses</i></b>	<b>1,436,354</b>

*Operating Income (Loss)* (1,391,694)

**Non-Operating Revenues (Expenses)**

Property Tax Revenues	567,841
Federal Operating and Maintenance Grants and Reimbursements	783,451
State Operating and Maintenance Grants, Reimbursements and Special Fare Assistance	83,547
Interest	128
Other	287
Gain on Sale of Capital Assets	5,927
<b><i>Total Non-Operating Revenues (Expenses)</i></b>	<b>1,441,181</b>

*Net Gain (Loss) Before Capital Contribution* 49,487

Capital Contribution 222,212

*Net Gain (Loss)* 271,699

*Net Position Beginning of Year* 2,364,628

*Net Position End of Year* \$ 2,636,327

See accompanying notes to the basic financial statements



*Steel Valley Regional Transit Authority  
Statement of Net Position  
Proprietary Fund  
As of December 31, 2015*

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$ 44,660
Cash Paid for Goods and Services	(367,247)
Cash Paid to Employees	(905,705)
<i>Net Cash Provided/(Used) for Operating Activities</i>	(1,228,292)

**Cash Flows from Non-Capital Activities:**

Property Taxes Received	567,841
Operating, Maintenance and Planning Grants Received	878,831
Other	6,214
<i>Net Cash Provided/(Used) for Non-Capital Activities</i>	1,452,886

**Cash Flows from Capital and Related Financing Activities:**

Capital Grants Received	222,212
Acquisition of Capital Assets	(361,762)
<i>Net Cash Provided/(Used) for Capital and Related Financing Activities</i>	(139,550)

**Cash Flows from Investing Activities:**

Interest	128
<i>Net Cash Provided/(Used) for Investing Activities</i>	128

Net Increase in Cash and Cash Equivalents	85,172
<i>Cash and Cash Equivalents, Beginning of Year</i>	1,627,112
<i>Cash and Cash Equivalents, End of Year</i>	\$ 1,712,284

**Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities**

Net Operating Income (Loss)	\$ (1,391,694)
Adjustments:	
Depreciation Expense	147,571
(Increase)/Decrease in Assets:	
Fuel Inventory	12,972
Prepaid Expenses	19,436
Increase/(Decrease) in Liabilities:	
Accounts Payable	(21,600)
Accrued Payroll Expenses	3,120
Accrued and Withheld Payroll Taxes	(38)
Accrued Expenses	(9,912)
Net Pension Liability	11,853
Total Adjustments	163,402
	\$ (1,228,292)

See accompanying notes to the basic financial statements

**Steel Valley Regional Transit Authority**  
**Jefferson County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 1 – Definition of the Entity**

**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 an eight-member Board of Trustees and provides virtually all mass transportation within the greater Steubenville – Mingo Junction and Wintersville areas. In 2015, the Authority had fourteen full-time equivalent employees. Three-year collective bargaining agreements were ratified effective January 1, 2014 and will expire December 31, 2016.

**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.

**Note 2 – Significant Accounting Policies**

**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.

**Steel Valley Regional Transit Authority**  
**Jefferson County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 2 – Significant Accounting Policies (continued)**

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, grants and OPERS. The levy represent amounts for which there is an enforceable legal claim as of December 31, 2015 but which were levied to finance fiscal year 2016 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 does 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.

**Steel Valley Regional Transit Authority**  
**Jefferson County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 2 – Significant Accounting Policies (continued)**

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, 2015, \$222,212 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 2015 that will be collected in 2016 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, 2015 employees have approximately 4,088 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.

**Steel Valley Regional Transit Authority**  
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**Note 2 – Significant Accounting Policies (continued)**

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.

***Net pension liability and pension expense***

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

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

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

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

**Steel Valley Regional Transit Authority**  
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**Note 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, 2015, the carrying amount of the Authority’s deposits was \$1,712,284 as compared to a bank balance of \$1,730,810. All of the Authority’s bank balance 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. None of the Authority’s deposits were exposed to custodial credit risk.

**Steel Valley Regional Transit Authority**  
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**Note 3 – Cash and Cash Equivalents (continued)**

The Authority has restricted cash of \$11,176 (included in the total deposit amount above) to guarantee the deductible for the insurance policy covering two fuel tanks.

**Investments**

The Authority held no investments at December 31, 2015.

**Note 4 – Capital Assets**

Capital asset activity for the year ended December 31, 2015 is as follows:

	Balance 1/1/2015	Addition	Deletion	Balance 12/31/2015
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 190,051	\$ -	\$ -	\$ 190,051
<i>Total Capital Assets, not being depreciated:</i>	<u>190,051</u>	<u>-</u>	<u>-</u>	<u>190,051</u>
<b>Capital Asset, being depreciated:</b>				
Buildings	520,041	-	-	520,041
Building Improvements	217,729	-	-	217,729
Transportation Equipment	1,359,472	329,936	(510,872)	1,178,536
Other Equipment	261,720	16,818	(4,385)	274,153
<i>Total Capital Assets, being depreciated:</i>	<u>2,358,962</u>	<u>346,754</u>	<u>(515,257)</u>	<u>2,190,459</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	(142,928)	(13,334)	-	(156,262)
Building Improvements	(81,648)	(16,890)	-	(98,538)
Transportation Equipment	(1,167,403)	(84,336)	510,872	(740,867)
Other Equipment	(165,999)	(33,010)	4,385	(194,624)
<i>Total Accumulated Depreciation</i>	<u>(1,557,978)</u>	<u>(147,570)</u>	<u>515,257</u>	<u>(1,190,291)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>800,984</u>	<u>199,184</u>	<u>-</u>	<u>1,000,168</u>
<b>Total Capital Assets, Net</b>	<u>\$ 991,035</u>	<u>\$ 199,184</u>	<u>\$ -</u>	<u>\$ 1,190,219</u>

**Steel Valley Regional Transit Authority**  
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**Note 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.

On November 3, 2015, the Authority passed a renewal of the property tax levy mentioned above for a period of ten years. The renewal levy was passed by the voters of Steubenville, Mingo Junction and Wintersville, Ohio for 1.5 mills levied through 2025. 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.

**Note 6 – Leases**

The Authority leases the building and land used for its administrative offices and main terminal from the City of Steubenville. The lease payment is \$1 annually for a period of ten years ending 2016. The Authority is responsible for the maintenance, improvements and utilities of the leased property. The property is owned by the City of Steubenville and is an asset of the city.

**Note 7 – Defined Benefit Pension Plan**

Net Pension Liability

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

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



**Steel Valley Regional Transit Authority**  
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**Note 7 – Defined Benefit Pension Plan (continued)**

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

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

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

Ohio Public Employees Retirement System

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

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

**Steel Valley Regional Transit Authority**  
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**Note 7 – Defined Benefit Pension Plan (continued)**

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**Steel Valley Regional Transit Authority**  
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**Note 7 – Defined Benefit Pension Plan (continued)**

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

	<u>State and Local</u>
<b>2015 Statutory maximum contribution rates</b>	
Employer	14.00 %
Employee	10.00 %
 <b>2015 Actual contribution rates</b>	
Employer:	
Pension	12.00 %
Post-employment health care benefits	<u>2.00</u>
Total employer	<u>14.00 %</u>
 Employee	 <u>10.00 %</u>

The Authority's contractually required contribution was \$68,840 for 2015. Of this amount, \$2,386 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportionate share of the net pension liability	\$ 524,779
Proportion of the net pension liability	0.004351%
Pension expense	\$ 57,516

**Steel Valley Regional Transit Authority**  
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**Note 7 – Defined Benefit Pension Plan (continued)**

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
<b>Deferred outflows of resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$ 28,001
Authority contributions subsequent to the measurement date	<u>68,840</u>
Total deferred outflows of resources	<u><u>\$ 96,841</u></u>
 <b>Deferred inflows of resources</b>	
Differences between expected and actual experience	<u><u>\$ 9,219</u></u>

\$68,840 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>
Year ending December 31:	
2015	\$ 2,746
2016	2,746
2017	6,289
2018	<u>7,001</u>
Total	<u><u>\$ 18,782</u></u>

**Steel Valley Regional Transit Authority**  
**Jefferson County**  
*Notes to the Financial Statements*  
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**Note 7 – Defined Benefit Pension Plan (continued)**

*Actuarial Assumptions - OPERS*

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

**Steel Valley Regional Transit Authority**  
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**Note 7 – Defined Benefit Pension Plan (continued)**

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	<u>18.00</u>	<u>4.59</u>
Total	<u>100.00 %</u>	<u>5.28 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Steel Valley Regional Transit Authority**  
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*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 7 – Defined Benefit Pension Plan (continued)**

***Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current discount rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Authority's proportionate share of the net pension liability	\$ 965,443	\$ 524,779	\$ 153,634

**Note 8 – Postemployment Benefits**

Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

**Steel Valley Regional Transit Authority**  
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*Notes to the Financial Statements*  
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**Note 8 – Postemployment Benefits (continued)**

The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, the Authority contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2015, 2014 and 2013 were \$11,473, \$13,565 and \$6,551 respectively; 96.5% has been contributed for 2015. The full amount has been contributed for 2014 and 2013. \$398 representing the unpaid contribution for the year 2015 is recorded as an intergovernmental payable. The actual contribution and the actuarially required contribution amounts are the same.

**Note 9 – 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, 2015, 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.



**Steel Valley Regional Transit Authority**  
**Jefferson County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 9 – 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.

**Note 10 – 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, 2015 consist of the following:

	2015
Non-operating Revenues:	
Federal:	
FTA Operating Assistance	\$ 427,018
FTA Maintenance Assistance	285,684
FTA Planning Assistance	70,749
Total	\$ 783,451
State:	
ODOT Operating Assistance	\$ 67,784
ODOT Elderly Fare Assistance	6,696
ODOT Fuel Tax Reimbursement	9,067
Total	\$ 83,547
Capital	
FTA Capital	\$ 222,212

**Note 11 – 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 2015.

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**  
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**Note 12 – Change in Accounting Principle and Restatement of Net Position**

The Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 686, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, expense/expenditure and increased disclosures. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	<u>Business -Type Activities</u>
Net position December 31, 2014	\$ 2,813,109
Adjustments:	
Net pension liability	(512,926)
Deferred outflow - payments subsequent to measurement date	<u>64,445</u>
Restated net position December 31, 2014	<u><u>\$ 2,364,628</u></u>

**Steel Valley Regional Transit Authority**  
 Required Supplementary Information  
 Schedule of the Authority's Proportionate Share of Net Pension Liability  
 Last Two Years (1)

<b>Ohio Public Employees Retirement System (OPERS) - Traditional Plan</b>	2014	2013
Authority's proportion of the net pension liability	0.004351%	0.004351%
Authority's proportionate share of the net pension liability	\$ 524,779	\$ 512,926
Authority's covered employee payroll	\$ 545,375	\$ 518,508
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	96.22%	98.92%
Plan fiduciary net position as a percentage of total pension liability	86.45%	86.36%

(1) Information prior to 2013 is not available and the amounts presented are as of the Authority's measurement date which is the prior fiscal year end.

**Steel Valley Regional Transit Authority**  
 Required Supplementary Information  
 Schedule of Authority Contributions  
 Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Ohio Public Employees Retirement System (OPERS) - Traditional Plan</b>			
Contractually required contribution	\$ 68,840	\$ 65,445	\$ 67,406
Contributions in relation to contractually required contribution	<u>(68,840)</u>	<u>(65,445)</u>	<u>(67,406)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority covered employee payroll	\$ 573,667	\$ 545,375	\$ 518,508
Contributions as a percentage of covered employee payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

**Steel Valley Regional Transit Authority**  
Notes to Required Supplementary Information  
For the Year Ended December 31, 2015

**Ohio Public Employees Retirement System (OPERS) - Traditional Plan**

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2015**

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
<b><u>U.S. Department of Transportation</u></b>			
<b>Direct Program:</b>			
<b>Federal Transit Cluster:</b>			
Urbanized Area / Capital Assistance Formula Grants	OH-95-0118-00	20.507	\$ 412
	OH-95-X149-01	20.507	245,806
	OH-90-X188-00	20.507	186,644
	OH-90-X803-00	20.507	392,992
Capital Assistance Formula Grant - ARRA	OH-90-X820-00	20.507	186,545
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 1,012,399</u></b>

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**

**JEFFERSON COUNTY**

*Notes to the Schedule of Federal Awards Expenditures*

*2 CFR 200.510(b)(6)*

*For the Year Ended December 31, 2015*

**Note A – Basis of Presentation**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of the Steel Valley Regional Transit Authority (the Authority) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**Note B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note C – Matching Requirements**

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

**INDEPENDENT AUDITORS' 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, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2016. We noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

***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 opinions 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***

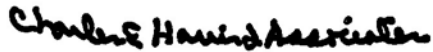
As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 27, 2016.

***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 27, 2016

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

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

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

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

To the Board of Trustees:

***Report on Compliance for the Major Federal Program***

We have audited the Steel Valley Regional Transit Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Steel Valley Regional Transit Authority's major federal program for the year ended December 31, 2015. The *Summary of Auditor's 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 program.

***Auditor's Responsibility***

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

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

***Opinion on the 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, 2015.

**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 the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a 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 the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Charles E. Harris & Associates, Inc.**  
June 27, 2016

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2015**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Federal Transit Administration: FTA – Section 5307 Grants CFDA# 20.507
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**Steel Valley Regional Transit Authority**  
**Jefferson County**  
*For the Year Ended December 31, 2015*

**Schedule of Prior Audit Findings**

The prior audit report, for the year ending December 31, 2014, reported no material citations or recommendations.

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# Dave Yost • Auditor of State

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 30, 2016**