STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2016

Dave Yost · Auditor of State

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
DECEMBER 31, 2016

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Dave Yost · Auditor of State

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 "Transit Authority"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Transit 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 Transit 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 Transit Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Steel Valley Regional Transit Authority, Jefferson County as of December 31, 2016, and the respective 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.

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 Transit Authority's basic financial statements taken as a whole.

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

The schedule is management's responsibility, and derives from and 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 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 August 11, 2017, on our consideration of the Transit 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 Transit Authority's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

August 11, 2017

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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, 2016. 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 $2,696,166. The net position results from the difference between total assets and deferred outflows of resources of $3,800,044 and $329,831, respectively, and total liabilities and deferred inflows of resources of $889,915 and $543,794, respectively.

Current assets of $2,630,688 primarily consist of non-restricted Cash and Cash Equivalents of $1,707,269, Taxes Receivable of $518,497 and Federal Funds Receivable of $365,830.

Liabilities of $889,915 primarily consist of Net Pension Liability of $798,510.

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.

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, 2016:

	2016	2015
Assets		
Current Assets	$ 2,630,688	$ 2,446,053
Restricted Assets	11,176	11,176
Noncurrent Assets	1,158,180	1,190,219
Total Assets	$ 3,800,044	$ 3,647,448
Deferred Outflows of Resources	$ 329,831	$ 96,841
Liabilities		
Current Liabilities	$ 91,405	$ 49,973
Noncurrent Liabilities	798,510	524,779
Total Liabilities	$ 889,915	$ 574,752
Deferred Inflows of Resources	$ 543,794	$ 533,210
Net Position		
Net Investment in Capital Assets	$ 1,158,180	$ 1,190,219
Restricted Net Position for Equipment	11,176	11,176
Unrestricted	1,526,810	1,434,932
Net Position	$ 2,696,166	$ 2,636,327

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.

	2016	2015
Operating Revenues	$ 42,887	$ 44,660
Operating Expenses (inc. Dep. Exp.)	1,580,312	1,436,354
Operating Loss	(1,537,425)	(1,391,694)
Net Non-Operating Revenues (Expenses)	1,451,859	1,441,181
Net Income (Loss) before Capital Contribution	(85,566)	49,487
Capital Contribution	145,405	222,212
Net Income (Loss)	59,839	271,699
Net Position Beginning of Year	2,636,327	2,364,628
Net Position End of Year	$ 2,696,166	$ 2,636,327

The most significant changes in net position were a decrease in capital contributions of ($76,807) due to reduced federal funding of capital maintenance and an increase in operating expenses of $143,958 due to an increase in salaries and related payroll expenses and an increase in depreciation expense.

During a previous fiscal year, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's 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.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This 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*. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB Statement No. 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service;
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters into the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 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.

As a result of GASB Statement No. 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

The most significant operating expenses (not including depreciation) for the Authority are Labor, Services and Building Maintenance, Insurance (Hospitalization and Life), Casualty and Liability Insurance, and Fringe Benefits. These expenses account for 75% of the total operating expenses. Labor, which accounts for 40% of the total, represents costs associated with salaried and hourly employees. Services and Building Maintenance which accounts for 6% of the total, represents costs associated with routine maintenance of the Authority's buses and buildings. Insurance (Hospitalization and Life), which accounts for 13% of the total, represents costs associated with the hospitalization and life insurance premiums paid by the Authority covering its employees. Casualty and Liability Insurance, which accounts for 6% of the total, represents costs associated with the payment of liability insurance premiums. Fringe Benefits, which account for 10% 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 91% of the total combined revenues of $1,640,151. Passenger Fares revenue for 2016 was $27,972. Property Tax Revenues for 2016 were $550,207 and accounts for 34% of the total revenue. Federal Operating and Maintenance Grants and Reimbursements Revenue for 2016 was $820,859, and accounts for 50% of the total revenue. State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance revenue for 2016 was $79,706, and accounts for 5% of the 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, 2016, amounts to $1,158,180 (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, 2016, 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 2016, the Authority transported 140,977 Steubenville passengers, 12,571 Mingo Junction passengers, and 2,108 ADA Para Transit passengers for a total of 155,656 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.

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Steel Valley Regional Transit Authority

Statement of Net Position

Proprietary Fund

December 31, 2016

<u>Assets</u>		
Current Assets		
Cash and Cash Equivalents	$	1,707,269
Taxes Receivable		518,497
Federal Funds Receivable		365,830
Fuel Inventory		14,703
Prepaid Expenses		24,389
Total Current Assets		2,630,688
Restricted Assets		
Cash and Cash Equivalents		11,176
Total Restricted Assets		11,176
Noncurrent Assets		
Land		190,051
Building		520,041
Building Improvements		217,729
Transportation Equipment		1,326,072
Other Equipment		273,277
Less Accumulated Depreciation		(1,368,990)
Total Noncurrent Assets		1,158,180
Total Assets		3,800,044
<u>Deferred Outflows of Resources</u>		
OPERS		329,831
<u>Liabilities</u>		
Current Liabilities		
Accounts Payable		31,022
Accrued Payroll Expenses		55,708
Accrued and Withheld Payroll Taxes		4,675
Noncurrent Liabilities		
Due in More than One Year:		
Net Pension Liability		798,510
Total Liabilities		889,915
<u>Deferred Inflows of Resources</u>		
Levy		518,497
State E&D Grant		9,868
OPERS		15,429
Total Deferred Inflows of Resources		543,794
<u>Net Position</u>		
Net Investment in Capital Assets		1,158,180
Restricted Net Position for Equipment		11,176
Unrestricted		1,526,810
Total Net Position	$	2,696,166

See accompanying notes to the basic financial statements

Steel Valley Regional Transit Authority

Statement of Revenues, Expenses and Change in Net Position

Proprietary Fund

For the Year Ended December 31, 2016

Operating Revenues		
Passenger Fares	$	27,972
SVRTA Passes		9,235
Contract Passes		5,680
Total Operating Revenues		42,887
Operating Expenses		
Labor		634,475
Fringe Benefits		156,508
Insurance - Hospitalization and Life		212,366
Taxes - Payroll		21,998
Materials & Supplies		10,551
Fuel and Lubricants		66,584
Services & building maintenance		98,539
Dues & Subscriptions		8,321
Utilities		30,305
Casualty and Liability Insurance		88,072
Advertising fees		66,478
Miscellaneous		7,416
Depreciation		178,699
Total Operating Expenses		1,580,312
Operating Income (Loss)		(1,537,425)
Non-Operating Revenues (Expenses)		
Property Tax Revenues		550,207
Federal Operating and Maintenance Grants and Reimbursements		820,859
State Operating and Maintenance Grants, Reimbursements and Special Fare Assistance		79,706
Interest		309
Other		778
Total Non-Operating Revenues (Expenses)		1,451,859
Net Income (Loss) Before Capital Contribution		(85,566)
Capital Contribution		145,405
Net Income (Loss)		59,839
Net Position Beginning of Year		2,636,327
Net Position End of Year	$	2,696,166

See accompanying notes to the basic financial statements

Steel Valley Regional Transit Authority

Statement of Cash Flows

Proprietary Fund

As of December 31, 2016

Cash Flows from Operating Activities:		
Cash Received from Customers	$	42,887
Cash Paid for Goods and Services		(391,081)
Cash Paid to Employees		(951,767)
Net Cash Provided/(Used) for Operating Activities		(1,299,961)
Cash Flows from Non-Capital Activities:		
Property Taxes Received		550,207
Operating, Maintenance and Planning Grants Received		756,083
Other		778
Net Cash Provided/(Used) for Non-Capital Activities		1,307,068
Cash Flows from Capital and Related Financing Activities:		
Capital Grants Received		145,405
Acquisition of Capital Assets		(146,660)
Net Cash Provided/(Used) for Capital and Related Financing Activities		(1,255)
Cash Flows from Investing Activities:		
Interest		309
Net Cash Provided/(Used) for Investing Activities		309
Net Increase in Cash and Cash Equivalents		6,161
Cash and Cash Equivalents, Beginning of Year		1,712,284
Cash and Cash Equivalents, End of Year	$	1,718,445
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Net Operating Income (Loss)	$	(1,537,425)
Adjustments:		
Depreciation Expense		178,699
(Increase)/Decrease in Assets:		
Fuel Inventory		(11,909)
Prepaid Expenses		(17,709)
(Increase)/Decrease in Deferred Outflows of Resources:		
OPERS		(232,990)
Increase/(Decrease) in Liabilities:		
Accounts Payable		14,803
Accrued Payroll Expenses		35,342
Accrued and Withheld Payroll Taxes		4,528
Accrued Expenses		(13,241)
Net Pension Liability		273,731
Increase/(Decrease) in Deferred Inflows of Resources:		
OPERS		6,210
Total Adjustments		237,464
	$	(1,299,961)

See accompanying notes to the basic financial statements

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Note 1 – Reporting Entity

The Steel Valley Regional Transit Authority (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 2016, 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. New three-year collective bargaining agreements were ratified beginning January 1, 2017 and will expire December 31, 2019.

A reporting authority is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Authority consists of all funds departments, boards and agencies that are not legally separate from the Authority. For the Steel Valley Regional Authority, this includes all operations of the Authority. The operation of all activities is directly controlled by the Board of Trustees through the budgetary process. The Authority is not financially accountable for any other organization.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the Authority's accounting policies are described below.

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.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include property tax revenue and grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the fiscal year when use is first permitted, and expense requirements, in which the resources are provided to the Authority on a reimbursement basis.

Cash and Cash Equivalents

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

Note 2 – Summary of Significant Accounting Policies (continued)

Investments

Investments are reported at fair value based on quoted market prices provided by recognized broker dealers.

Materials and Supplies Inventory

Materials and supplies inventory are stated at cost using the average cost method. Inventory generally consists of fuel in storage tanks for transportation equipment.

Capital Assets

The Authority defines capital assets as assets with an initial cost of at least $5,000 and an estimated useful life in excess of one year. Capital assets, which include property, facilities infrastructure and equipment are stated at historical cost. The cost of normal maintenance and repairs is charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related properties. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

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

Restricted Assets

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

Deferred Outflows of Resources

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its Statement of Net Position. 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. For the Authority, deferred outflows of resources include OPERS. The deferred outflows of resources related to pensions are explained in Note 7.

Deferred Inflows of Resources

The Authority reports 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 until that time. For the Authority, deferred inflows of resources include grants received in advance, property taxes received to fund a future year and OPERS. Any grants and entitlements received before time requirements are met but after all other eligibility requirements are met are recorded as a deferred inflow of resources. The deferred inflows of resources related to pensions are explained in Note 7.

Note 2 – Summary of Significant Accounting Policies (continued)

Net Position

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."

Classification of Revenues

The Authority has classified its revenues as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares and passes. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as property tax revenue and most federal, state and local grants and contracts.

Recognition of Revenue and Receivables

The federal government, through the Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT), provides financial assistance and makes grants directly to the Authority for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grants receivable and revenues over the entitlement periods.

Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and non-operating revenues when the related capital expenses are incurred. Capital grants for the maintenance of property, plant and equipment are recorded as grants receivable and non-operating revenues in the period operating expenses are incurred. Capital grants received in advance of project costs being incurred are reported as deferred inflows.

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

Note 2 – Summary of Significant Accounting Policies (continued)

Federal and State Operating and Preventative Maintenance Assistance Funds

Federal and state operating and preventative maintenance assistance funds to be received by the Authority under the Urban Mass Transportation Act of 1964, as amended, and under the Ohio Public Mass Transportation Grant Program are recorded and reflected as income in the period to which they are applicable.

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 750 hours. At December 31, 2016 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.

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

In accordance with Section 5705 of the ORC, 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 expenses 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.

Note 2 – Summary of Significant Accounting Policies (continued)

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 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.

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.

Note 3 – Cash and Cash Equivalents (continued)

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. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government.

These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Authority's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of December 31, 2016, the carrying amount of the Authority's deposits was $1,718,445 and the bank balance was $1,720,047. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, none of the Authority's bank balance was exposed to custodial credit risk as described above.

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, 2016.

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2016 is as follows:

	Balance 1/1/2016	Addition	Deletion	Balance 12/31/2016
Capital Assets, not being depreciated:				
Land	$ 190,051	$ -	$ -	$ 190,051
Total Capital Assets, not being depreciated:	190,051	-	-	190,051
Capital Asset, being depreciated:				
Buildings	520,041	-	-	520,041
Building Improvements	217,729	-	-	217,729
Transportation Equipment	1,178,536	147,536	-	1,326,072
Other Equipment	274,153	-	(876)	273,277
Total Capital Assets, being depreciated:	2,190,459	147,536	(876)	2,337,119
Less Accumulated Depreciation:				
Buildings	(156,262)	(13,335)	-	(169,597)
Building Improvements	(98,538)	(16,891)	-	(115,429)
Transportation Equipment	(740,867)	(86,804)	-	(827,671)
Other Equipment	(194,624)	(61,669)	-	(256,293)
Total Accumulated Depreciation	(1,190,291)	(178,699)	-	(1,368,990)
Total Capital Assets being depreciated, net	1,000,168	(31,163)	(876)	968,129
Total Capital Assets, Net	$ 1,190,219	$ (31,163)	$ (876)	$ 1,158,180

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 were 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 signed a lease extension to continue to lease the property for $1 annually through 2026. 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.

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.

Note 7 – Defined Benefit Pension Plan (continued)

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.

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

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

Note 7 – Defined Benefit Pension Plan (continued)

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.

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

	State and Local	
2016 Statutory maximum contribution rates		
Employer	14.00	%
Employee	10.00	%
2016 Actual contribution rates		
Employer:		
Pension	12.00	%
Post-employment health care benefits	2.00	
Total employer	14.00	%
Employee	10.00	%

The Authority's contractually required contribution was $74,508 for 2016. Of this amount, $2,769 is reported as an accrued payroll expense.

Note 7 – Defined Benefit Pension Plan (continued)

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, 2015, 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:

		OPERS
Proportion of the pension liability - prior measurement date		0.004351 %
Proportion of the pension liability - current measurement date		0.004610 %
Change in proportionate share		0.000259 %
Proportionate share of net pension liability	$	798,510
Pension expense	$	121,459

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred outflows of resources	
Net difference between projected and actual earnings on pension plan investments	$ 234,712
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,611
Employer contributions subsequent to the measurement date	74,508
Total deferred outflows of resources	$ 329,831
Deferred inflows of resources	
Differences between expected and actual experience	$ 15,429

Note 7 – Defined Benefit Pension Plan (continued)

$74,508 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year ending December 31:	
2017	$ 60,844
2018	64,597
2019	61,336
2020	53,117
Total	$ 239,894

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, 2015, 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.

Note 7 – Defined Benefit Pension Plan (continued)

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

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the Member-Directed retiree medical accounts funded through the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

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 2015 and the long-term expected real rates of return:

Asset class	Target allocation		Weighted average long-term expected real rate of return (arithmetic)	
Fixed income	23.00	%	2.31	%
Domestic equities	20.70		5.84	
Real estate	10.00		4.25	
Private equity	10.00		9.25	
International equities	18.30		7.40	
Other investments	18.00		4.59	
Total	100.00	%	5.27	%

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.

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 (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
Employer proportionate share of the net pension liability	$ 1,272,222	$ 798,510	$ 398,949

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Authority's net pension liability is expected to be significant.

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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

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 2015 CAFR for details.

Note 8 – Postemployment Benefits (continued)

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing to 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 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 2016, 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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2016, 2015 and 2014 were $12,418, $11,473 and $13,565 respectively; 96.3% has been contributed for 2016. The full amount has been contributed for 2015 and 2014. $461 representing the unpaid contribution for the year 2016 is recorded as an accrued payroll expense. 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.

Note 9 – Contingencies

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, 2016 consist of the following:

		2016
Non-operating Revenues:		
Federal:		
FTA Operating Assistance	$	449,143
FTA Maintenance Assistance		294,316
FTA Planning Assistance		77,400
Total	$	820,859
State:		
ODOT Operating Assistance	$	61,091
ODOT Elderly Fare Assistance		7,716
ODOT Fuel Tax Reimbursement		10,899
Total	$	79,706
Capital		
FTA Capital	$	145,405

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 2016.

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.

Note 12 – Change in Accounting Principles

For 2016, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application" and GASB Statement No. 77 "Tax Abatement Disclosures".

Note 12 – Change in Accounting Principles (continued)

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Authority's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by another government and that reduce the reporting government's tax revenues. These changes were incorporated in the Authority's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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Steel Valley Regional Transit Authority

Required Supplementary Information

Schedule of Steel Valley Regional Transit Authority Proportionate Share of the Net Pension Liability

Last Three Years (1)

	2016	2015	2014
Ohio Public Employees Retirement System (OPERS) - Traditional Plan			
Authority's proportion of the net pension liability	0.004610%	0.004351%	0.004351%
Authority's proportionate share of the net pension liability	$ 798,510	$ 524,779	$ 512,926
Authority's covered employee payroll	$ 573,667	$ 545,375	$ 518,508
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	139.19%	96.22%	98.92%
Plan fiduciary net position as a percentage of total pension liability	81.08%	86.45%	86.36%

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

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

	2016	2015	2014	2013
Ohio Public Employees Retirement System (OPERS) - Traditional Plan				
Contractually required contribution	$ 74,508	$ 68,840	$ 65,445	$ 67,406
Contributions in relation to contractually required contribution	(74,508)	(68,840)	(65,445)	(67,406)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority covered employee payroll	$ 620,900	$ 573,667	$ 545,375	$ 518,508
Contributions as a percentage of covered employee payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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, 2015 and 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for year 2014, 2015 and 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

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Steel Valley Regional Transit Authority
Schedule of Federal Award Expenditures
For the Year Ended December 31, 2016

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-2016-045-00	20.507	$ 147,537
	OH-95-X188-00	20.507	291,253
	OH-90-X839-00	20.507	203,075
Capital Assistance Formula Grant	OH-90-X820-00	20.507	315,559
Total U.S. Department of Transportation			**$ 957,424**

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, 2016

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (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, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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 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 "Transit Authority") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Transit Authority's basic financial statements and have issued our report thereon dated August 11, 2017.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

August 11, 2017

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

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 "Transit Authority's") 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 Transit Authority's major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Transit Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Transit Authority's compliance for the Transit Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Transit 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 Transit Authority's major program. However, our audit does not provide a legal determination of the Transit 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, 2016.

Report on Internal Control Over Compliance

The Transit 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 Transit Authority’s internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program’s compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Transit Authority’s internal control over compliance.

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

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

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

Dave Yost
Auditor of State
Columbus, Ohio

August 11, 2017

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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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
SEPTEMBER 12, 2017

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