

Steel Valley Regional Transit Authority

Steubenville, Ohio

Single Audit Report for the Year Ended

December 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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To the 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 S.R. Snodgrass, A.C., for the audit period January 1, 2001 through December 31, 2001. 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

August 15, 2002

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Steel Valley Regional Transit Authority
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Steel Valley Regional Transit Authority
Steubenville, Ohio

We have audited the accompanying financial statements of the Steel Valley Regional Transit Authority (the "Authority") as of December 31, 2001 and 2000, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Board of Trustees
June 19, 2002
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Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2001 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

S.R. Snodgrass, A.C.

Steubenville, Ohio
June 19, 2002

**Steel Valley Regional Transit Authority
BALANCE SHEETS
DECEMBER 31, 2001 AND 2000**

	2001	2000	
ASSETS			
Cash and cash equivalents	\$ 281,017	\$ 281,018	
Receivables:			
Trade	3,797	1,813	
Federal assistance	109,417	72,155	
Other assistance	7,428	2,349	
Property taxes	2,323	-	
Fuel inventory	6,048	2,129	
Prepaid expenses	44,496	50,853	
Total current assets	<u>454,526</u>	<u>410,317</u>	
RESTRICTED ASSETS:			
Cash and cash equivalents	-	4,846	
Planning assistance receivable	12,505	1,562	
Capital grant receivable	13,500	-	
Total restricted assets	<u>26,005</u>	<u>6,408</u>	
IMPROVEMENTS AND EQUIPMENT:			
Building improvements	13,396	13,396	
Transportation equipment	673,038	673,038	
Other equipment	67,704	52,573	
Total	<u>754,138</u>	<u>739,007</u>	
Less accumulated depreciation	375,568	280,755	
Improvements and equipment, net	<u>378,570</u>	<u>458,252</u>	
DEFERRED RECEIVABLE – LEVY	<u>191,172</u>	<u>163,287</u>	
TOTAL ASSETS	<u>\$1,050,273</u>	<u>\$1,038,264</u>	
LIABILITIES AND EQUITY			
Accounts payable	\$ 7,088	\$ 10,715	
Accrued payroll	7,680	5,843	
Accrued and withheld payroll taxes	8,261	25,568	
Accrued expenses	1,041	2,878	
Total current liabilities	<u>24,070</u>	<u>45,004</u>	
NONCURRENT LIABILITIES:			
Deferred revenue – levy	191,172	163,287	
Deferred planning grant	-	4,846	
Total noncurrent liabilities	<u>191,172</u>	<u>168,133</u>	
Total liabilities	<u>215,242</u>	<u>213,137</u>	
EQUITY:			
Contributed capital	304,086	374,601	
Federal grants	30,917	37,754	
State grants	335,003	412,355	
Total contributed capital	<u>500,028</u>	<u>412,772</u>	
Retained earnings	835,031	825,127	
Total equity	<u>835,031</u>	<u>825,127</u>	
TOTAL LIABILITIES AND EQUITY	<u>\$1,050,273</u>	<u>\$1,038,264</u>	

See accompanying notes to financial statements

Steel Valley Regional Transit Authority
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
OPERATING REVENUES:		
Passenger fares	\$ 56,672	\$ 62,336
Charter revenue	6,990	6,692
Advertising	<u>2,271</u>	<u>2,921</u>
Total operating revenues	<u>65,933</u>	<u>71,949</u>
 OPERATING EXPENSES:		
Labor	322,960	301,847
Fringe benefits	43,924	33,034
Insurance – hospitalization and life	95,802	80,745
Taxes – payroll	14,039	31,029
Materials and supplies	82,890	88,521
Services	31,477	29,579
Utilities	16,745	18,551
Casualty and liability insurance	62,484	54,632
Miscellaneous	<u>22,384</u>	<u>26,993</u>
Total operating expenses excluding depreciation	<u>692,705</u>	<u>664,931</u>
 OPERATING LOSS BEFORE DEPRECIATION EXPENSE	 <u>(626,772)</u>	 <u>(592,982)</u>
 DEPRECIATION EXPENSE		
On assets acquired with capital grants	77,352	79,711
On other assets	<u>17,461</u>	<u>17,824</u>
Total depreciation expense	<u>94,813</u>	<u>97,535</u>
 OPERATING LOSS	 <u>(721,585)</u>	 <u>(690,517)</u>
 NONOPERATING REVENUES:		
Property tax revenues	237,624	261,662
Federal operating and maintenance grants and reimbursements	362,457	385,370
State operating and maintenance grants, reimbursements and special fare assistance	90,310	83,004
Interest income	3,867	4,209
Other	<u>23,731</u>	<u>945</u>
Total nonoperating revenues	<u>717,989</u>	<u>735,190</u>
 NET (LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS	 <u>(3,596)</u>	 <u>44,673</u>
Capital contributions	<u>13,500</u>	<u>-</u>
 NET INCOME	 <u>\$ 9,904</u>	 <u>\$ 44,673</u>

See accompanying notes to financial statements.

Steel Valley Regional Transit Authority
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>Contributed Capital</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Federal Grants</u>	<u>State Grants</u>		
BALANCES AT DECEMBER 31, 1999	\$447,212	\$38,144	\$288,388	\$773,744
CAPITAL CONTRIBUTIONS		6,710		6,710
NET INCOME			44,673	44,673
TRANSFER TO RETAINED EARNINGS OF AN AMOUNT EQUAL TO THE DEPRECIATION ON ASSETS ACQUIRED WITH CAPITAL GRANTS	<u>(72,611)</u>	<u>(7,100)</u>	<u>79,711</u>	<u> </u>
BALANCES AT DECEMBER 31, 2000	374,601	37,754	412,772	825,127
NET INCOME			9,904	9,904
TRANSFER TO RETAINED EARNINGS OF AN AMOUNT EQUAL TO THE DEPRECIATION ON ASSETS ACQUIRED WITH CAPITAL GRANTS	<u>(70,515)</u>	<u>(6,837)</u>	<u>77,352</u>	<u> </u>
BALANCES AT DECEMBER 31, 2001	<u>\$304,086</u>	<u>\$30,917</u>	<u>\$500,028</u>	<u>\$835,031</u>

See accompanying notes to financial statements.

Steel Valley Regional Transit Authority
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
OPERATING ACTIVITIES:		
Cash received from customers	\$ 63,949	\$ 72,433
Cash payments to suppliers for goods and services	(390,078)	(371,059)
Cash payments to employees for services	(321,123)	(302,166)
Net cash used in operating activities	(647,252)	(600,792)
NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	235,301	263,845
Operating, maintenance and planning grants received	376,337	424,920
Other	42,030	18,792
Net cash provided by noncapital financing activities	653,668	707,557
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	-	6,710
Acquisition of fixed assets	(15,130)	(1,491)
Net cash provided by capital and related financing activities	(15,130)	5,219
INVESTING ACTIVITIES		
Cash received from interest	3,867	4,209
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,847)	116,193
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	285,864	169,671
CASH AND CASH EQUIVALENTS, END OF YEAR	\$281,017	\$ 285,864
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$(721,585)	\$(690,517)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	94,813	97,535
Change in assets and liabilities:		
Accounts receivable – trade	(1,984)	484
Fuel inventory	(3,919)	3,272
Prepaid expenses	6,357	(26,560)
Accounts payable	(3,627)	1,305
Accrued payroll	1,837	(319)
Accrued and withheld payroll taxes	(17,307)	15,045
Accrued expenses	(1,837)	(1,037)
NET CASH USED IN OPERATING ACTIVITIES	\$(647,252)	\$(600,792)

See accompanying notes to financial statements.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Steel Valley Regional Transit Authority (“SVRTA” or the “Authority”) was created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code for the purpose of providing public transportation in the Steubenville – Mingo Junction area. The Authority commenced operations on January 1, 1996. As a political subdivision it is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The Authority is not subject to federal or state income taxes.

The Authority is managed by a five-member Board of Trustees and provides virtually all mass transportation within the greater Steubenville – Mingo Junction area. In 2001, the Authority had fourteen full-time equivalent employees. Approximately 47% of the Authority’s employees at December 31, 2001 are subject to a collective bargaining agreement. A new three year collective bargaining agreement expiring on December 31, 2004 was signed in January, 2002.

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

Basis of Accounting – The Authority follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position and cash flows. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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

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

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

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

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

<u>Description</u>	<u>Years</u>
Improvements	15-39
Transportation equipment	5-10
Other equipment	5- 7

Depreciation recognized on assets acquired or constructed through grants externally restricted for capital acquisitions are closed to the appropriate contributed capital account. Net income adjusted by the amount of depreciation on fixed assets acquired in this manner is closed to retained earnings.

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

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

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, grants, and entitlements. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2001 that will be collected in 2002 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

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

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

Reclassifications – The Authority has reclassified certain amounts in the 2000 financial statements to conform to the current year’s presentation.

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

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

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

New Accounting Pronouncement – The Authority will implement the provisions of GASB Statement No. 34, *Basic Financial Statements Management Discussion and Analysis for State and Local Governments*; GASB Statements No. 37, *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments; Omnibus*; and GASB Statements No. 38, *Certain Financial Statement Note Disclosures*, effective for the year ended December 31, 2004. Management has not yet determined the impact of these statements on the Authority’s financial statements.

2. CASH AND CASH EQUIVALENTS

The provisions of the Ohio Revised Code govern the investment and deposit of authority monies. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer’s investment pool (Star Ohio), and obligations of the United States government and certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository institution for a period not exceeding thirty days.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

2. CASH AND CASH EQUIVALENTS (CONTINUED)

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (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. 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 Government and must 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 two percent and be marked to market daily. State law does not require that security for public deposits and investments be held in the Authority's name.

The Authority is prohibited from investing in any financial instruments, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instruments, contracts, or obligation itself (commonly known as a "derivative"). The Authority is also prohibited from investing in reverse purchase agreements.

The Authority held no investments at December 31, 2001 and 2000.

Deposits – The carrying amount of the Authority's deposits was \$281,017 at December 31, 2001 with a \$300,050 bank balance. The deposits include a \$144,886 passbook savings account and \$136,131 in demand deposits. Of the bank balance, \$100,000 was covered by federal depository insurance and \$200,050 was uninsured and uncollateralized as defined by the *Governmental Accounting Standards Board*. The uncollateralized deposits were, however, covered by the financial institution's risk pool for public deposits as governed by the Ohio Revised Code Section 135.

3. PROPERTY TAXES

The Authority is subsidized by a property tax levy passed in May, 1995 for ten years by the voters of Steubenville and Mingo Junction, Ohio. Taxes of 1.0 mills are to be levied through 2004. Property tax revenue can be used for operating or capital purposes.

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

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

4. DEFINED BENEFIT PENSION PLAN

Public Employees Retirement System of Ohio

Plan Description – All employees of the Authority are required to be members of the Public Employees Retirement System of Ohio (“PERS”), a cost-sharing, multiple-employer pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees (Board). PERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Funding Policy – The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary, and the Authority is required to contribute at an actuarially determined rate. The 2001, 2000, and 1999 employer contribution rate was 13.55%, 10.84%, and 13.55%, respectively, of annual covered payroll. The 2000 rate reflected a 20% temporary contribution rate rollback. The contribution requirements of plan members and the Authority are established and may be amended by the Board. The Authority’s contributions to PERS for the years ending December 31, 2001, 2000, and 1999 were approximately \$44,900, \$33,000 and \$43,200, respectively, equal to 100% of the required contributions for each year.

Other Postemployment Benefits Provided Through PERS – In addition to the pension benefits described previously, PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. As required by state statute, a portion of each employer’s contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The contribution rates of 13.55% and 10.84% to the Plan for the years ended December 31, 2001 and 2000, respectively, included a portion (4.3%) that was used to fund healthcare. The portion of the Authority’s contributions that were used to fund other postemployment benefits were approximately \$13,900 and \$13,100 for the years ended December 31, 2001 and 2000, respectively.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

4. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Summary of Assumptions:

- *Actuarial Review* – The assumptions and calculations below were based on the System’s latest Actuarial Review performed as of December 31, 2000.
- *Funding Method* – An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.
- *Assets Valuation Method* – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of the unrealized market appreciation or depreciation on investment assets.
- *Investment Return* – The investment assumption rate for 2000 was 7.75%.
- *Active Employee Total Payroll* – An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over the above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.
- *Health Care* – Health care costs were assumed to increase 4.75% annually.

OPEB’s are advanced funded on an actuarially determined basis. The number of active participating participants at December 31, 2001 was 411,076. \$11,735.9 million represents the actuarial value of the Retirement System’s net assets available for OPEB at December 31, 2000 (the latest date information is available). The actuarially accrued liability and the unfunded actuarial accrued liability at December 31, 2000 (the latest date information is available), based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

5. 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, 2001, 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. Management of the Authority believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayments under the above grants.

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.

6. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Grants, reimbursements and special fare assistance included in the statements of revenues and expenses for the years ending December 31 consist of the following:

	<u>2001</u>	<u>2000</u>
FEDERAL:		
FTA Operating Assistance	\$173,374	\$200,763
FTA Maintenance Assistance	156,237	142,652
FTA Planning Assistance	<u>32,846</u>	<u>41,955</u>
Total	<u>\$362,457</u>	<u>\$385,370</u>
STATE		
ODOT Operating Assistance	\$ 49,644	\$ 46,151
ODOT Maintenance Assistance	21,215	17,832
ODOT Planning Assistance	3,500	3,750
ODOT Elderly Fare Assistance	9,294	9,416
ODOT Fuel Tax Reimbursement	<u>6,657</u>	<u>5,855</u>
Total	<u>\$ 90,310</u>	<u>\$ 83,004</u>

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors and omissions, employment matters, injuries to employees and employee theft and fraud.

The Authority participates in the Ohio Bureau of Workers' Compensation for workers compensation coverage and with the Ohio Department of Job and Family Services for unemployment coverage. The Authority continues to carry commercial insurance for all other risks of loss, including employee health, life and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage in the year 2001.

8. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In fiscal year 2001, the Authority implemented the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires that capital contributions be recognized as revenues and not as contributed capital. Accordingly, during the year ended December 31, 2001, \$13,500 in capital contributions were recognized as revenue in the statement of revenues and expenses for the Authority.

Steel Valley Regional Transit Authority
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Grant Number	Grant Expenditures
U.S. Department of Transportation			
Federal Transit Cluster/Direct Programs:			
Federal Transit Administration Capital, Capital Maintenance, Operating and Planning Assistance Formula Grants:			
Operating Assistance	20.507	OH 90-4384	\$173,374
Maintenance Assistance	20.507	OH 90-0384	156,237
Planning Assistance	20.507	OH 90-2384	28,000
Planning Assistance	20.507	OH 90-2230	4,846
Capital Assistance	20.507	OH 90-0338	<u>12,000</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$374,457</u>

See note to schedule of expenditures of federal awards.

Steel Valley Regional Transit Authority
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the Steel Valley Regional Transit Authority programs financed by the U.S. Government for the year ended December 31, 2001. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, using the accrual basis of accounting in accordance with generally accepted accounting principles.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON THE AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Steel Valley Regional Transit Authority
Steubenville, Ohio

We have audited the financial statements of the Steel Valley Regional Transit Authority (the “Authority”) as of and for the year ended December 31, 2001 and have issued our report thereon dated June 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



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

S.R. Snodgrass, A.C.

Steubenville, Ohio
June 19, 2002



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

Board of Trustees
Steel Valley Regional Transit Authority
Steubenville, Ohio

Compliance

We have audited the compliance of the Steel Valley Regional Transit Authority (the “Authority”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The Authority’s major federal program is identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority’s management. Our responsibility is to express an opinion on the Authority’s compliance based on our audit.

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



In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

S.R. Snodgrass, A.C.

Steubenville, Ohio
June 19, 2002

**Steel Valley Regional Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

SUMMARY OF AUDITORS' RESULTS

(1) Summary of Auditors Results

- | | |
|---|---|
| (a) The type of report issued on the basic financial statements: | <i>Unqualified opinion</i> |
| (b) Reportable conditions in internal control were disclosed by the audit of the financial statements | <i>None Reported</i> |
| Material weaknesses: | <i>None</i> |
| (c) Noncompliance which is material to the financial statements: | <i>None</i> |
| (d) Reportable conditions in internal control over major programs: | <i>None Reported</i> |
| Material weaknesses: | <i>None</i> |
| (e) The type of report issued on compliance for major programs | <i>Unqualified opinion</i> |
| (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: | <i>None</i> |
| (g) Major programs: | <i>Federal Transit Cluster
(CFDA) #20.507</i> |
| (h) Dollar threshold used to distinguish between Type A and Type B programs: | <i>\$300,000</i> |
| (i) Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: | <i>Yes</i> |

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None



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OFFICE OF THE AUDITOR

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STEEL VALLEY REGIONAL TRANSIT AUTHORITY

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 29, 2002**