

STEEL VALLEY REGIONAL TRANSIT AUTHORITY

JEFFERSON COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2013



STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
AUDIT REPORT
For the year ended December 31, 2013

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Charles E. Harris & Associates, Inc.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Steel Valley Regional Transit Authority, Jefferson County, Ohio (the Authority), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Steel Valley Regional Transit Authority, Jefferson County, Ohio as of December 31, 2013, and the changes in financial position and cash flows thereof 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*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Federal Award Expenditures presents 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 also 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 June 9, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 9, 2014

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

As management of the Steel Valley Regional Transit Authority (the "Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2013. 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 \$2,775,000. This net position results from the difference between total assets of \$3,244,451 and total liabilities of \$55,870 and deferred inflows of resources of \$413,581.

Current assets of \$2,147,517 primarily consist of non-restricted Cash and Cash Equivalents of \$1,523,609; Taxes Receivable of \$388,336; Federal Funds Receivable of \$189,194.

Liabilities of \$55,870 primarily consist of Accounts Payable of \$12,182, Accrued Payroll of \$14,605 and Accrued Expenses of \$28,757.

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 asset 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 indicate improved financial condition.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from federal, state and local governments.

The *Statement of Cash Flows* allows financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Financial Analysis of the Authority

Table 1 provides a summary of the Authority's net position as of December 31, 2013:

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets	\$ 2,147,517	\$ 2,029,161
Restricted Assets	11,174	11,172
Noncurrent Assets	<u>1,085,760</u>	<u>967,363</u>
Total Assets	<u>\$ 3,244,451</u>	<u>\$ 3,007,696</u>
LIABILITIES		
Current Liabilities	\$ 55,870	\$ 59,913
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	\$ 413,581	\$ 385,466
NET POSITION		
Net: Investment in Capital Assets	\$ 1,085,760	\$ 967,363
Restricted Net Position for Equipment	11,174	11,172
Unrestricted	<u>1,678,066</u>	<u>1,583,782</u>
Net Position	<u>\$ 2,775,000</u>	<u>\$ 2,562,317</u>

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, the Mingo Junction and Wintersville area; consequently, these assets are not available to liquidate liabilities or to cover other spending.

Table 2 shows the highlights of the Authority's revenues and expenses. These two main components are subtracted to yield the changes in net position. This table uses the full accrual method of accounting.

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

	<u>2013</u>	<u>2012</u>
Operating Revenues	\$ 48,052	\$ 56,042
Operating Expenses (inc. Dep. Exp.)	<u>1,432,927</u>	<u>1,387,015</u>
Operating Income (Loss)	(1,384,875)	(1,330,973)
Net Non-Operating Revenues (Expenses)	<u>1,597,558</u>	<u>1,468,294</u>
Change in Net Position	212,683	137,321
Net Position (Deficit) Beginning of Year	<u>2,562,317</u>	<u>2,424,996</u>
Net Position (Deficit) End of Year	<u>\$ 2,775,000</u>	<u>\$ 2,562,317</u>

The most significant operating expenses for the Authority are Labor, Insurance – Hospitalization and Life, Casualty and Liability Insurance, Fuel and Lubricants, and Fringe Benefits. These expenses account for 74% of the total operating expenses. Labor, which accounts for 37% of the total, represents costs associated with salaried and hourly employees. Insurance – Hospitalization, which accounts for 16% of the total, represents costs associated with the hospitalization insurance premiums paid by the Authority covering its employees. Fuel and Lubricants, which accounts for 7% of the total, represents costs associated with the purchase of diesel fuel and motor oils. Fringe Benefits, which account for 6% of the total, represents costs associated with the Ohio Public Employees Retirement System. Casualty and Liability Insurance, which accounts for 5% of the total, represents costs associated with the insurance premiums paid by the Authority.

Funding for the most significant operating expenses indicated above is from Non-Operating Revenues in the form of Property Tax Revenues, Federal Operating and Maintenance Grants and Reimbursements, and State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance. These revenues account for 96% of the total combined revenues of \$1,410,554. Passenger Fares revenue for 2013 was \$48,052. Property Tax Revenues for 2013 were \$455,155 and accounts for 32% of the total revenue. Federal Operating and Maintenance Grants and Reimbursements Revenue for 2013 was \$803,024, and accounts for 57% of the total revenue. State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance revenue for 2013 was \$90,822, and accounts for 6% of the total revenue. Interest Income and Other Income make up the remaining 0.1% of total revenue.

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

Capital Assets and Debt Administration

The Authority's investment in capital assets as of December 31, 2013, amounts to \$1,085,760 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, building improvements, transportation equipment, and other equipment.

Additional information concerning the Authority's capital assets can be found in note 3 of the notes to the basic financial statements.

As of December 31, 2013, the Authority had no debt obligations.

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis
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Property Tax Levy

On May 3, 2005, voters in Steubenville and Mingo Junction, Ohio, approved a 1.5 mill, 10-year tax levy to support the Steel Valley Regional Transit Authority. The Authority anticipates renewal of its current levy prior to the end of 2015.

Current Known Facts and Conditions

In the year 2013, the Authority transported 133,299 Steubenville passengers, 10,856 Mingo Junction passengers, 6,972 Wintersville passengers, and 2,327 ADA Para Transit passengers for a total of 153,444 passengers in the Steubenville, Mingo Junction and Wintersville areas.

The Authority received additional federal funding for a three year demonstration project (\$200,000.00/yr.) to provide services to the Village of Wintersville which began in late August 2010. Legislation was revised to create an enlarged authority to include the Village of Wintersville in 2012. However, providing a ballot issue for renewal of the current levy to include the Village of Wintersville was not permissible under the Ohio Revised Code. Subsequently, the Village of Wintersville rescinded its resolution joining the authority. Services to the Village of Wintersville were terminated in August 2013. At present, the Village of Wintersville has rejoined the RTA. A renewal issue for the enlarged RTA will be permissible in November 2014. Should the issue succeed, service will include the Village as of January 2, 2015.

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

House Bill 66 provides reimbursements to the Authority for the loss of revenue resulting from the elimination of certain business property taxes within the state. The phase out of these reimbursements has negatively impacted revenue within the last five years of the current property tax levy. A revenue loss of approximately \$340,000 during this time frame (2011-2015) was estimated. The Authority received approval for supplemental federal funding for preventive maintenance and capital in 2013 (ODOT Ohio Transit Preservation Partnership Program). The funding allowed the Authority to leverage a larger portion of the Section 5307 funding for operations and purchase two replacement buses. This infusion of additional federal funds has delayed anticipated major service reductions through 2015. Additional resources for capital funding will be necessary to fund future bus replacements. Current 5307 funding does not provide sufficient resources for such purchases.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, and creditors, with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information in this report or to request for additional information should be addressed to: Frank Bovina, Transit Manager, Steel Valley Regional Transit Authority, 555 Adams Street, Steubenville, Ohio 43952.

STEEL VALLEY REGIONAL TRANSIT AUTHORITY

STATEMENT OF NET POSITION

Proprietary Fund

As of December 31, 2013

ASSETS

Current Assets

Cash and Cash Equivalents	\$	1,523,609
Taxes Receivable		388,336
Federal Funds Receivable		189,194
Fuel Inventory		19,738
Prepaid Expenses		<u>26,640</u>

Total Current Assets 2,147,517

RESTRICTED ASSETS

Cash and Cash Equivalents		<u>11,174</u>
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Total Restricted Assets 11,174

Noncurrent Assets

Land		189,392
Building		520,041
Building Improvements		217,729
Transportation Equipment		1,345,351
Other Equipment		261,720
Less Accumulated Depreciation		<u>(1,448,473)</u>

Total Noncurrent Assets 1,085,760

TOTAL ASSETS \$ 3,244,451

See accompanying notes to the basic financial statements

STEEL VALLEY REGIONAL TRANSIT AUTHORITY

STATEMENT OF NET POSITION (continued)

Proprietary Fund

As of December 31, 2013

LIABILITIES

Accounts Payable	\$	12,182
Accrued Payroll Expenses		14,605
Accrued and Withheld Payroll Taxes		326
Accrued Expenses		<u>28,757</u>

Total Liabilities 55,870

DEFERRED INFLOWS OF RESOURCES

Levy		388,336
State grant		<u>25,245</u>

Total Deferred Inflows of Resources 413,581

NET POSITION

Net Investment in Capital Assets	\$	1,085,760
Restricted Net Position for Equipment		11,174
Unrestricted		<u>1,678,066</u>

TOTAL NET POSITION \$ 2,775,000

See accompanying notes to the basic financial statements

STEEL VALLEY REGIONAL TRANSIT AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

For the Year Ended December 31, 2013

Operating Revenues	
Passenger Fares	\$ 33,457
SVRTA Passes	9,460
Contract Passes	<u>5,135</u>
<i>Total Operating Revenues</i>	48,052
Operating Expenses	
Labor	531,126
Fringe Benefits	91,757
Insurance - Hospitalization	227,381
Taxes - Payroll	38,458
Materials & Supplies	38,310
Fuel and Lubricants	96,301
Services & building maintenance	76,321
Dues & Subscriptions	3,331
Utilities	33,555
Casualty and Liability Insurance	72,537
Advertising fees	66,604
Miscellaneous	5,692
Depreciation	<u>151,554</u>
<i>Total Operating Expenses</i>	<u>1,432,927</u>
<i>Operating Income (Loss)</i>	(1,384,875)
Non-Operating Revenues (Expenses)	
Property Tax Revenues	455,155
Federal Operating and Maintenance Grants and Reimbursements	803,024
State Operating and Maintenance Grants, Reimbursements and Special Fare Assistance	90,822
Interest	350
Other	<u>13,151</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>1,362,502</u>
Net Income (Loss) Before Capital Contributions	(22,373)
Capital Contributions	<u>235,056</u>
<i>Change in Net Position</i>	212,683
<i>Net Position (Deficit) Beginning of Year</i>	<u>2,562,317</u>
<i>Net Position (Deficit) End of Year</i>	<u><u>\$ 2,775,000</u></u>

See accompanying notes to the basic financial statements

STEEL VALLEY REGIONAL TRANSIT AUTHORITY

Statement of Cash Flows

Proprietary Fund

For the Year Ended December 31, 2013

Cash flows from operating activities:	
Cash Received from Customers	\$ 48,197
Cash Paid for Goods and Services	(386,194)
Cash Paid to Employees	<u>(909,376)</u>
<i>Net cash provided/(used) for operating activities</i>	\$ (1,247,373)
Cash flows from non-capital activities:	
Property Taxes Received	\$ 455,155
Operating, Maintenance and Planning Grants Received	972,460
Other	<u>13,151</u>
<i>Net cash provided/(used) for non-capital activities</i>	\$ 1,440,766
Cash flows from capital and related financing activities:	
Capital Grants Received	\$ 235,056
Acquisition of Capital Assets	<u>(269,951)</u>
<i>Net cash provided/(used) for capital and related financing activities</i>	\$ (34,895)
Cash flows from investing activities:	
Interest	<u>350</u>
<i>Net cash provided/(used) for investing activities</i>	<u>350</u>
Net increase in cash and cash equivalents	158,848
<i>Cash and cash equivalents, January 1, 2013</i>	<u>1,375,935</u>
<i>Cash and cash equivalents, December 31, 2013</i>	<u><u>\$ 1,534,783</u></u>
Reconciliation of Operating Income (loss) to Net Cash Provided By (Used For) Operating Activities	
Net operating income/(loss)	\$ (1,384,875)
Adjustments:	
Depreciation expense	151,554
(Increase)/decrease in assets:	
Trade Accounts Receivable	145
Fuel Inventory	(8,711)
Prepaid Expenses	(1,443)
Increase/(decrease) in liabilities:	
Accounts Payable	(8,434)
Accrued Payroll Expenses	4,139
Accrued and Withheld Payroll Taxes	(1,725)
Accrued Expenses	<u>1,977</u>
Total Adjustments	<u>137,502</u>
<i>Net cash provided/(used) for operating activities</i>	<u><u>\$ (1,247,373)</u></u>

See accompanying notes to the basic financial statements

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The Authority is managed by a five-member Board of Trustees and provides virtually all mass transportation within the greater Steubenville – Mingo Junction and Wintersville area. In 2013, the Authority had thirteen full-time equivalent employees. Three-year collective bargaining agreements were ratified effective January 1, 2011 and will expire December 31, 2013.

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

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

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

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

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

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

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

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

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include a portion of the tax levy receivable. The levy represent amounts for which there is an enforceable legal claim as of December 31, 2013 but which were levied to finance fiscal year 2014 operations.

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

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

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

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

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

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

The Authority complies with the provisions of Statement No. 33 of the Government Accounting Standards Board (“GASB”) regarding the Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions be recognized as revenue and not as contributed capital. Accordingly, during the year ended December 31, 2013, \$235,056 in capital contributions were recognized as revenue in the Statement of Revenue and Expenses and Changes in Net Position for the Authority.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

This statement also requires the recognition of revenue for property taxes in the financial statements in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2013 that will be collected in 2014 are recorded as taxes receivable and deferred inflow of resources. Deferred inflow of resources arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Vacation and Sick Pay Benefits – Employees earned vacation and sick pay benefits each year based upon length of service and employment status. Employees may not carry any vacation days over into a subsequent year. No payments are made for vacation days that are unused at the end of the year. Employees can carryover unused sick leave to a maximum of 720 hours. At December 31, 2013 employees have approximately 3,651 hours of unused sick leave. Sick leave is nonvesting and no sick leave benefits have been accrued. Unused sick benefits lapse upon an employee’s separation from the Authority.

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

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

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

2. CASH AND CASH EQUIVALENTS

The investments and deposits of the Authority are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Authority to invest monies in certificates of deposit, saving accounts, money market accounts, the State Treasurer’s investment pool (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.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

2. CASH AND CASH EQUIVALENTS (Continued)

These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require that securities maintained for public deposits and investments be held in the Authority's name.

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

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as a specific collateral held at the Federal Reserve Bank in the name of the Authority.

At December 31, 2013, the carrying amount of the Authority's deposits was \$1,534,783 as compared to a bank balance of \$1,556,635. Of the bank balance, \$1,552,335 was either covered by federal depository insurance or collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name. Only \$4,299 of deposits was exposed to custodial credit risk.

The Authority has restricted cash of \$11,174 to guarantee the deductible for the insurance policy covering two fuel tanks.

Investments

The Authority held no investments at December 31, 2013.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 is as follows:

	Balance 1/1/2013	Addition	Deletion	Balance 12/31/2013
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 189,392	\$ -	\$ -	\$ 189,392
<i>Total Capital Assets, not being depreciated:</i>	189,392	-	-	189,392
<i>Capital Asset, being depreciated:</i>				
Buildings	505,041	15,000	-	520,041
Building Improvements	217,729	-	-	217,729
Transportation Equipment	1,127,982	217,369	-	1,345,351
Other Equipment	224,138	37,582	-	261,720
<i>Total Capital Assets, being depreciated:</i>	2,074,890	269,951	-	2,344,841
Less Accumulated Depreciation:				
Buildings	(116,549)	(13,046)	-	(129,595)
Building Improvements	(47,057)	(17,700)	-	(64,757)
Transportation Equipment	(1,028,961)	(91,591)	-	(1,120,552)
Other Equipment	(104,352)	(29,217)	-	(133,569)
<i>Total Accumulated Depreciation</i>	(1,296,919)	(151,554)	-	(1,448,473)
<i>Total Capital Assets being depreciated, net</i>	777,971	118,397	-	896,368
Total Capital Assets, Net	\$ 967,363	\$ 118,397	\$ -	\$ 1,085,760

4. PROPERTY TAXES

The Authority was subsidized by a property tax levy passed in May, 2005 for ten years by the voters of Steubenville and Mingo Junction, Ohio. Taxes of 1.5 mills are levied through 2015. Property tax revenue can be used for operating or capital purposes.

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

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

5. DEFINED BENEFIT PENSION PLAN

The Authority participates in the Ohio Public Employees Retirement System (OPERS). Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as follows: The Traditional Pension Plan – a cost sharing, multiple-employer defined pension plan. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, by writing OPERS, 277 East Town Street, Columbus, Oh 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2013 member contribution rates were 10.0% of covered payroll for members in state and local classifications. The 2013 employer contribution rate for state and local employers was 14.0% for covered payroll. The Authority's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$91,757, \$90,100 and \$89,067, respectively; 100 percent has been contributed for all three years.

6. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

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

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

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for funding of post retirement health care coverage. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0% of covered payroll. These are the maximum employer contributions rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The rates stated above are the contractually required contribution rates for OPERS. The Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$6,551, \$25,741 and \$25,447, respectively; 100 percent has been contributed for all years.

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

7. CONTINGENCIES

Federal and State Grants – Under the terms of the Authority's various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2013, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority's management, no material grant expenditures will be disallowed.

The Authority receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of this support, if such were to occur, would have a material effect on the Authority's programs and activities.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

7. CONTINGENCIES (Continued)

Legal Proceedings – The Authority is involved in litigation in the normal course of business. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management that the ultimate liability is not expected to have a material effect on the Authority’s financial position.

8. 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, 2013 consist of the following:

	2013
Non-operating	
Federal:	
FTA Operating Assistance	\$ 498,872
FTA Maintenance Assistance	235,620
FTA Planning Assistance	68,532
Total	\$ 803,024
State:	
ODOT Operating Assistance	\$ 82,683
ODOT Elderly Fare Assistance	0
ODOT Fuel Tax Reimbursement	8,139
Total	\$90,822
Capital	
FTA Capital	\$ 235,056

9. RISK MANAGEMENT

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

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 2013.

The Authority participates in the Ohio Bureau of Workers’ Compensation for workers compensation coverage and with the Ohio Department of Job and Family Services for unemployment coverage. The Authority continues to carry commercial insurance for other risks of loss, including employee health, life and accident insurance.

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2013

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Federal Transit Cluster:			
Urbanized Area / Capital Assistance Formula Grants	OH-95-X049-00	20.507	\$ 187,706
	OH-95-0118-00	20.507	12,512
	OH-95-X149-00	20.507	70,727
	OH-90-X763-00	20.507	245,266
	OH-90-X773-00	20.507	247,531
	OH-90-X775-00	20.507	236,963
Capital Assistance Formula Grant - ARRA	OH-90-X022-01	20.507	<u>34,031</u>
Total U.S. Department of Transportation			<u>1,034,736</u>
Total Federal Financial Assistance			\$ <u><u>1,034,736</u></u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

Steel Valley Regional Transit Authority
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2013

1. General

The accompanying schedule of federal awards expenditures is a summary of the activity of Steel Valley Regional Transit Authority's federal awards programs. The schedule has been prepared on the cash basis of accounting.

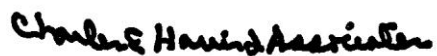
2. Matching requirements

Certain federal programs require that the Board contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on this schedule.

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 9, 2014.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.

June 9, 2014


Report on Internal Control Over Compliance

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

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

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

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



Charles E. Harris & Associates, Inc.
June 9, 2014

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
DECEMBER 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Federal Transit Administration: FTA - Section 5307 Grants CFDA# 20.507
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2012, reported no material citations or recommendations.