



Dave Yost • Auditor of State

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
DECEMBER 31, 2017**

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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, 2017, 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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Steel Valley Regional Transit Authority, Jefferson County as of December 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information 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 31, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 31, 2018

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Steel Valley Regional Transit Authority
Jefferson County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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, 2017. 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 \$2,464,984. The net position results from the difference between total assets and deferred outflows of resources of \$3,685,735 and \$440,123, respectively, and total liabilities and deferred inflows of resources of \$1,144,336 and \$516,538, respectively.

Current assets of \$2,700,038 primarily consist of non-restricted Cash and Cash Equivalents of \$1,903,150, Taxes Receivable of \$505,470 and Federal Funds Receivable of \$255,114.

Liabilities of \$1,144,336 primarily consist of Net Pension Liability of \$1,085,003.

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.

Steel Valley Regional Transit Authority
Jefferson County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

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, 2017:

	2017	2016
Assets		
Current Assets	\$ 2,790,836	\$ 2,630,688
Restricted Assets	11,178	11,176
Noncurrent Assets	974,519	1,158,180
Total Assets	\$ 3,776,533	\$ 3,800,044
Deferred Outflows of Resources	\$ 440,123	\$ 329,831
Liabilities		
Current Liabilities	\$ 137,003	\$ 91,405
Noncurrent Liabilities	1,085,003	798,510
Total Liabilities	\$ 1,222,006	\$ 889,915
Deferred Inflows of Resources	\$ 607,336	\$ 543,794
Net Position		
Net Investment in Capital Assets	\$ 974,519	\$ 1,158,180
Restricted Net Position for Equipment	11,178	11,176
Unrestricted	1,401,617	1,526,810
Net Position	\$ 2,387,314	\$ 2,696,166

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.

Steel Valley Regional Transit Authority
Jefferson County
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

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.

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 40,557	\$ 42,887
Operating Expenses (inc. Dep. Exp.)	<u>1,826,457</u>	<u>1,580,312</u>
<i>Operating Loss</i>	(1,785,900)	(1,537,425)
Net Non-Operating Revenues (Expenses)	<u>1,468,732</u>	<u>1,451,859</u>
<i>Net Income (Loss) before Capital Contribution</i>	(317,168)	(85,566)
Capital Contribution	<u>8,316</u>	<u>145,405</u>
<i>Net Income (Loss)</i>	(308,852)	59,839
<i>Net Position Beginning of Year</i>	<u>2,696,166</u>	<u>2,636,327</u>
<i>Net Position End of Year</i>	<u><u>\$ 2,387,314</u></u>	<u><u>\$ 2,696,166</u></u>

The most significant changes in net position were a decrease in capital contributions of (\$137,089) due to reduced federal funding of capital maintenance and an increase in operating expenses of \$246,145 due to an increase in salaries and related payroll expenses and an increase in depreciation expense.

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

	<u>2017</u>	<u>2016</u>
Deferred outflow of resources - pension	\$ 440,123	\$ 329,831
Deferred inflow of resources - pension	(6,457)	(15,429)
Net pension liability	<u>(1,085,003)</u>	<u>(798,510)</u>
Impact of GASB 68 on net position	<u><u>\$ (651,337)</u></u>	<u><u>\$ (484,108)</u></u>

Steel Valley Regional Transit Authority
Jefferson County
Management's Discussion and Analysis
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Unaudited

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 76% of the total operating expenses. Labor, which accounts for 35% 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 14% of the total, represents costs associated with the hospitalization and life insurance premiums paid by the Authority covering its employees. Casualty and Liability Insurance, which accounts for 5% of the total, represents costs associated with the payment of liability insurance premiums. Fringe Benefits, which account for 16% 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 96% of the total combined revenues of \$1,517,605. Passenger Fares revenue for 2017 was \$26,188. Property Tax Revenues for 2017 were \$544,509 and accounts for 36% of the total revenue. Federal Operating and Maintenance Grants and Reimbursements Revenue for 2017 was \$830,664, and accounts for 55% of the total revenue. State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance revenue for 2017 was \$76,023, 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, 2017, amounts to \$974,519 (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, 2017, the Authority had no debt obligations.

Property Tax Levy

In November 2015, voters in Steubenville, Mingo Junction and Wintersville, Ohio approved the renewal of a 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 2017, the Authority transported 137,323 Steubenville passengers, 11,301 Mingo Junction passengers, 11,745 Wintersville passengers, and 2,102 ADA Para Transit passengers for a total of 162,471 passengers in the Steubenville, Mingo Junction and Wintersville areas.

Steel Valley Regional Transit Authority
Jefferson County
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For the Year Ended December 31, 2017
Unaudited

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, 2017

Assets

Current Assets

Cash and Cash Equivalents	\$ 1,903,150
Taxes Receivable	596,268
Federal Funds Receivable	255,114
Fuel Inventory	7,656
Prepaid Expenses	28,648
Total Current Assets	<u>2,790,836</u>

Restricted Assets

Cash and Cash Equivalents	11,178
Total Restricted Assets	<u>11,178</u>

Noncurrent Assets

Land	190,051
Building	520,041
Building Improvements	217,729
Transportation Equipment	1,329,533
Other Equipment	278,134
Less Accumulated Depreciation	(1,560,969)
Total Noncurrent Assets	<u>974,519</u>

Total Assets	<u><u>3,776,533</u></u>
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Deferred Outflows of Resources

OPERS	<u><u>440,123</u></u>
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Liabilities

Current Liabilities

Accounts Payable	94,877
Accrued Payroll Expenses and Withheld Payroll Taxes	42,126

Noncurrent Liabilities

Due in More than One Year:

Net Pension Liability	1,085,003
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Total Liabilities	<u><u>1,222,006</u></u>
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Deferred Inflows of Resources

Levy	596,268
State E&D Grant	4,611
OPERS	6,457
Total Deferred Inflows of Resources	<u><u>607,336</u></u>

Net Position

Net Investment in Capital Assets	974,519
Restricted Net Position for Equipment	11,178
Unrestricted	1,401,617
Total Net Position	<u><u>\$ 2,387,314</u></u>

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, 2017

Operating Revenues

Passenger Fares	\$	26,188
SVRTA Passes		9,869
Contract Passes		4,500
<i>Total Operating Revenues</i>		40,557

Operating Expenses

Labor		608,856
Fringe Benefits		276,871
Insurance - Hospitalization and Life		269,214
Taxes - Payroll		27,848
Materials & Supplies		19,323
Fuel and Lubricants		76,891
Services & building maintenance		106,047
Dues & Subscriptions		3,436
Utilities		27,977
Casualty and Liability Insurance		141,338
Advertising fees		68,103
Miscellaneous		8,574
Depreciation		191,979
<i>Total Operating Expenses</i>		1,826,457

Operating Income (Loss) (1,785,900)

Non-Operating Revenues (Expenses)

Property Tax Revenues		544,509
Federal Operating and Maintenance Grants and Reimbursements		830,664
State Operating and Maintenance Grants, Reimbursements and Special Fare Assistance		76,023
Interest		746
Other		16,790
<i>Total Non-Operating Revenues (Expenses)</i>		1,468,732

Net Income (Loss) Before Capital Contribution (317,168)

Capital Contribution 8,316

Net Income (Loss) (308,852)

Net Position Beginning of Year 2,696,166

Net Position End of Year **\$ 2,387,314**

See accompanying notes to the basic financial statements

Steel Valley Regional Transit Authority

Statement of Cash Flows

Proprietary Fund

As of December 31, 2017

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 40,557
Cash Paid for Goods and Services	(400,737)
Cash Paid to Employees	(1,018,126)
<i>Net Cash Provided/(Used) for Operating Activities</i>	(1,378,306)
 Cash Flows from Non-Capital Activities:	
Property Taxes Received	544,509
Operating, Maintenance and Planning Grants Received	1,012,146
Other	16,788
<i>Net Cash Provided/(Used) for Non-Capital Activities</i>	1,573,443
 Cash Flows from Capital and Related Financing Activities:	
Capital Grants Received	8,316
Acquisition of Capital Assets	(8,316)
<i>Net Cash Provided/(Used) for Capital and Related Financing Activities</i>	-
 Cash Flows from Investing Activities:	
Interest	746
<i>Net Cash Provided/(Used) for Investing Activities</i>	746
Net Increase in Cash and Cash Equivalents	195,883
<i>Cash and Cash Equivalents, Beginning of Year</i>	1,718,445
<i>Cash and Cash Equivalents, End of Year</i>	\$ 1,914,328
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Net Operating Income (Loss)	\$ (1,785,900)
Adjustments:	
Depreciation Expense	191,979
(Increase)/Decrease in Assets:	
Fuel Inventory	7,047
Prepaid Expenses	(4,259)
(Increase)/Decrease in Deferred Outflows of Resources:	
OPERS	(110,292)
Increase/(Decrease) in Liabilities:	
Accounts Payable	63,855
Accrued Payroll Expenses	(13,582)
Accrued and Withheld Payroll Taxes	(4,675)
Net Pension Liability	286,493
Increase/(Decrease) in Deferred Inflows of Resources:	
OPERS	(8,972)
Total Adjustments	407,594
	\$ (1,378,306)

See accompanying notes to the basic financial statements

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Steel Valley Regional Transit Authority
Jefferson County

Notes to the Financial Statements
For the Year Ended December 31, 2017

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 2017, the Authority had fourteen full-time equivalent employees. 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.

Investments

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

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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.

<u>Description</u>	<u>Years</u>
Buildings	39
Building 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.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2017 employees have approximately 4,598 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.

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.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Cash and Cash Equivalents (continued)

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, 2017, the carrying amount of the Authority's deposits was \$1,914,328 and the bank balance was \$1,916,409. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2017, none of the Authority's bank balance was exposed to custodial credit risk as described above.

The Authority has restricted cash of \$11,178 (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, 2017.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance 1/1/2017	Addition	Deletion	Balance 12/31/2017
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 190,051	\$ -	\$ -	\$ 190,051
<i>Total Capital Assets, not being depreciated:</i>	190,051	-	-	190,051
<i>Capital Asset, being depreciated:</i>				
Buildings	520,041	-	-	520,041
Building Improvements	217,729	-	-	217,729
Transportation Equipment	1,326,072	3,461	-	1,329,533
Other Equipment	273,277	4,857	-	278,134
<i>Total Capital Assets, being depreciated:</i>	2,337,119	8,318	-	2,345,437
<i>Less Accumulated Depreciation:</i>				
Buildings	(169,597)	(13,334)	-	(182,931)
Building Improvements	(115,429)	(11,988)	-	(127,417)
Transportation Equipment	(827,671)	(142,592)	-	(970,263)
Other Equipment	(256,293)	(24,065)	-	(280,358)
<i>Total Accumulated Depreciation</i>	(1,368,990)	(191,979)	-	(1,560,969)
<i>Total Capital Assets being depreciated, net</i>	968,129	(183,661)	-	784,468
<i>Total Capital Assets, Net</i>	\$ 1,158,180	\$ (183,661)	\$ -	\$ 974,519

Note 5 – Property Taxes

The Authority is subsidized by a property tax levy passed in November 2015 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.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 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.

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued payroll expenses and withheld payroll taxes.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below.

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):

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plan (continued)

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

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

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

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

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plan (continued)

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

	<u>State and Local</u>
2017 Statutory maximum contribution rates	
Employer	14.00 %
Employee	10.00 %
 2017 Actual contribution rates	
Employer:	
Pension	13.00 %
Post-employment health care benefits	1.00
Total employer	14.00 %
 Employee	 10.00 %

The Authority’s contractually required contribution was \$79,607 for 2017. Of this amount, \$13,925 is reported as an accrued payroll expense and withheld payroll tax.

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportion of the pension liability - prior measurement date	0.004610 %
Proportion of the pension liability - current measurement date	0.004778 %
Change in proportionate share	0.000168 %
 Proportionate share of net pension liability	 \$ 1,085,003
Pension expense	\$ 246,836

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plan (continued)

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
Deferred outflows of resources	
Differences between expected and actual experience	\$ 1,471
Net difference between projected and actual earnings on pension plan investments	161,582
Changes of assumptions	172,095
Employer contributions subsequent to the measurement date	79,607
Changes in proportionate share and differences between employer contributions and proportionate share of contributions	<u>25,368</u>
Total deferred outflows of resources	<u>\$ 440,123</u>
Deferred inflows of resources	
Differences between expected and actual experience	<u>\$ 6,457</u>
Total deferred inflows of resources	<u>\$ 6,457</u>

\$79,607 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>
Year ending December 31:	
2018	\$ 151,928
2019	148,841
2020	58,028
2021	<u>(4,738)</u>
Total	<u>\$ 354,059</u>

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plan (continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.25 percent
Future salary increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation 3 percent, simple
Investment rate of return	7.5 percent
Actuarial cost method	Individual entry age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plan (continued)

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

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 2016 and the long-term expected real rates of return:

<u>Asset class</u>	Target <u>allocation</u>	Weighted average long-term expected real rate of return <u>(arithmetic)</u>
Fixed income	23.00%	2.75%
Domestic equities	20.70%	6.34%
Real estate	10.00%	4.75%
Private equity	10.00%	8.97%
International equities	18.30%	7.95%
Other investments	<u>18.00%</u>	<u>4.92%</u>
Total	<u>100.00%</u>	<u>5.66%</u>

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent and the discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current discount rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Employer proportionate share of the net pension liability	\$ 1,657,584	\$ 1,085,003	\$ 607,857

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

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

OPERS maintains 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. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of 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 2016 CAFR for details.

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.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Postemployment Benefits (continued)

The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, 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 1.0% during calendar year 2017. As recommended by the OPERS' actuary, the portion of employer contribution allocated to health care beginning January 1, 2018 decreased to 0.0% 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 into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2017, 2016 and 2015 were \$6,124, \$12,418 and \$11,473 respectively; 82.51% has been contributed for 2017. The full amount has been contributed for 2016 and 2015. \$1,071 representing the unpaid contribution for the year 2017 is recorded as accrued payroll expenses and withheld payroll taxes. 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, 2017, 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.

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.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017 consist of the following:

	2017
Non-operating Revenues:	
Federal:	
FTA Operating Assistance	\$ 451,468
FTA Maintenance Assistance	300,679
FTA Planning Assistance	78,517
Total	\$ 830,664
State:	
ODOT Operating Assistance	\$ 57,534
ODOT Elderly Fare Assistance	9,868
ODOT Fuel Tax Reimbursement	8,621
Total	\$ 76,023
Capital	
FTA Capital	\$ 8,316

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 2017.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Ohio Public Employees Retirement System (OPERS) - Traditional Plan				
Authority's proportion of the net pension liability	0.004778%	0.004610%	0.004351%	0.004351%
Authority's proportionate share of the net pension liability	\$ 1,085,003	\$ 798,510	\$ 524,779	\$ 512,926
Authority's covered employee payroll	\$ 620,900	\$ 573,667	\$ 545,375	\$ 518,508
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	174.75%	139.19%	96.22%	98.92%
Plan fiduciary net position as a percentage of total pension liability	77.25%	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 Five Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Ohio Public Employees Retirement System (OPERS) - Traditional Plan					
Contractually required contribution	\$ 79,607	\$ 74,508	\$ 68,840	\$ 65,445	\$ 67,406
Contributions in relation to contractually required contribution	<u>(79,607)</u>	<u>(74,508)</u>	<u>(68,840)</u>	<u>(65,445)</u>	<u>(67,406)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority covered employee payroll	\$ 612,362	\$ 620,900	\$ 573,667	\$ 545,375	\$ 518,508
Contributions as a percentage of covered employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Required Supplemental Information
For the Year Ended December 31, 2017

Changes in Assumptions – OPERS

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	December 31, 2017	December 31, 2016 and Prior
Wage inflation	3.25 percent	3.75 percent
Future salary increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment rate of return	7.5 percent	8 percent
Actuarial cost method	Individual entry age	Individual entry age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

<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-2016-045-01	20.507	\$ 8,316
	OH-95-X188-00	20.507	12,783
	OH-95-X839-00	20.507	344,285
	OH-2017-020-00	20.507	185,700
Capital Assistance Formula Grant	OH-2016-062-00	20.507	<u>287,896</u>
Total U.S. Department of Transportation			<u><u>\$ 838,980</u></u>

The accompanying notes are an integral part of this schedule.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Year Ended December 31, 2017

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, 2017. 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.



Dave Yost • Auditor of State

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, 2017, 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 31, 2018.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

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*.

Transit Authority's Response to Findings

The Transit Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the Transit Authority's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 31, 2018



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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) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Steel Valley Regional Transit Authority's major federal programs for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Transit Authority's major federal programs.

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 programs.

Auditor's Responsibility

Our responsibility is to opine on the Transit Authority's compliance for the Transit Authority's major federal programs 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 programs. 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, 2017.

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 31, 2018

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2017-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

FINDING NUMBER 2017-001
 (Continued)

The following mispostings were identified, which resulted in adjustments to the financial statements:

Fund	Adjusted to	Amount	Reason for Adjustment
Business Type Activities	Casualty and Liability Insurance Expense	\$61,979	To include obligations incurred in 2017 not recorded as liabilities.
Business Type Activities	Insurance Hospitalization and Life Expense	15,691	To include obligations incurred in 2017 not recorded as liabilities.
Business Type Activities	Accounts Payable	77,670	To include obligations incurred in 2017 not recorded as liabilities.
Business Type Activities	Property Tax Receivable	90,798	To record delinquent property taxes expected to be collected.
Business Type Activities	Deferred Inflow	90,798	To record delinquent property taxes expected to be collected.

Other mispostings were identified, however they were not material and the Transit Authority decided not to make the adjustments.

These errors were attributed to the Transit Authority not abiding by the adopted chart of accounts.

Failure to consistently properly post all transactions increases the possibility the Transit Authority will not be able to identify, assemble, analyze, classify record and report its transactions correctly or to document compliance with finance related legal and contractual requirements.

The Transit Manager should maintain the accounting system to help enable the Transit Authority to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the chart of accounts to help ensure financial activity of the Transit Authority is accurately recorded and reported.

Officials' Response: Refer to Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

DECEMBER 31, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	An End of Year Checklist will be developed for receivables and payables to include documentation. A Specific action item will include estimated percentage of property taxes deemed receivable and Insurances by type.	9/1/2018	Frank Bovina

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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
OCTOBER 11, 2018