



**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
Single Audit
For the Year Ended December 31, 2019**

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KEITH FABER



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Board of Trustees
Steel Valley Transit Authority
555 Adams Street
P.O. Box 1177
Steubenville, Ohio 43952

We have reviewed the *Independent Auditor's Report* of the Steel Valley Transit Authority, Jefferson County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 30, 2020

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**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY**

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INDEPENDENT AUDITOR'S REPORT

September 18, 2020

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

To the Members of the Board:

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, 2019, 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 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.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

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

Supplementary and Other Information

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

The Schedule of 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 the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules 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 September 18, 2020, 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.

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Steel Valley Regional Transit Authority
Jefferson County
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(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, 2019. 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 \$1,355,145. The net position results from the difference between total assets and deferred outflows of resources of \$3,405,535 and \$472,011, respectively, and total liabilities and deferred inflows of resources of \$1,966,789 and \$555,612, respectively.

Current assets of \$2,592,171 primarily consist of non-restricted Cash and Cash Equivalents of \$1,837,477, Taxes Receivable of \$520,713 and Federal Funds Receivable of \$207,190.

Liabilities of \$1,966,789 primarily consist of Net Pension Liability of \$1,314,349 and Net OPEB Liability of \$582,522.

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, 2019
(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, 2019:

	2019	2018
Assets		
Current Assets	\$ 2,592,171	\$ 2,847,371
Restricted Assets	11,180	11,179
Noncurrent Assets	802,184	790,305
Total Assets	\$ 3,405,535	\$ 3,648,855
Deferred Outflows of Resources	\$ 472,011	\$ 221,160
Liabilities		
Current Liabilities	\$ 69,918	\$ 170,364
Noncurrent Liabilities	1,896,871	1,185,872
Total Liabilities	\$ 1,966,789	\$ 1,356,236
Deferred Inflows of Resources	\$ 555,612	\$ 744,970
Net Position		
Net Investment in Capital Assets	\$ 802,184	\$ 790,305
Restricted Net Position for Equipment	11,180	11,179
Unrestricted	541,781	967,325
Net Position	\$ 1,355,145	\$ 1,768,809

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 Winterville 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, 2019
(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>2019</u>	<u>2018</u>
Operating Revenues	\$ 39,043	\$ 43,031
Operating Expenses (inc. Dep. Exp.)	<u>2,034,764</u>	<u>1,847,097</u>
<i>Operating Loss</i>	(1,995,721)	(1,804,066)
Net Non-Operating Revenues (Expenses)	<u>1,582,057</u>	<u>1,630,922</u>
<i>Net Income (Loss) before Capital Contribution</i>	(413,664)	(173,144)
Capital Contribution	<u>-</u>	<u>-</u>
<i>Net Income (Loss)</i>	(413,664)	(173,144)
<i>Net Position Beginning of Year, Restated</i>	<u>1,768,809</u>	<u>1,941,953</u>
<i>Net Position End of Year</i>	<u>\$ 1,355,145</u>	<u>\$ 1,768,809</u>

The most significant changes in net position were an increase in operating expenses (including depreciation) of \$187,667.

As a result of implementing the accounting standard for pension and OPEB, the Authority is reporting a significant net pension liability, net OPEB liability and related deferred inflows of resources for the fiscal year which have a negative effect on net position. In addition, the Authority is reporting deferred outflows of resources and a decrease in expenses related to pension and OPEB, which have a positive impact on net position. The decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the Authority's net position, additional information is presented below.

	<u>2019</u>	<u>2018</u>
Deferred outflows - pension	\$ 413,001	\$ 186,918
Deferred outflows - OPEB	59,010	34,242
Deferred inflows - pension	(23,720)	(188,266)
Deferred inflows - OPEB	(8,179)	(47,305)
Net pension liability	(1,314,349)	(720,553)
Net OPEB liability	<u>(582,522)</u>	<u>(465,319)</u>
Impact of GASB 68 and GABB 75 on net position	<u>\$ (1,456,759)</u>	<u>\$ (1,200,283)</u>

Steel Valley Regional Transit Authority
Jefferson County
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

The most significant operating expenses (not including depreciation) for the Authority are Labor, Services and Building Maintenance, Insurance (Hospitalization and Life), and Fringe Benefits. These expenses account for 81% of the total operating expenses. Labor, which accounts for 38% of the total, represents costs associated with salaried and hourly employees. Services and Building Maintenance which accounts for 8% 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. Fringe Benefits, which account for 21% 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 99% of the total combined revenues of \$1,621,100. Passenger Fares revenue for 2019 was \$39,043. Property Tax Revenues for 2019 were \$508,948 and accounts for 31% of the total revenue. Federal Operating and Maintenance Grants and Reimbursements Revenue for 2019 was \$994,761, and accounts for 61% of the total revenue. State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance revenue for 2019 was \$58,622, and accounts for 4% 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, 2019, amounts to \$802,184 (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, 2019, 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 2019, the Authority transported 165,518 Steubenville passengers, 14,235 Mingo Junction passengers, 13,285 Wintersville passengers, and 2,102 ADA Para Transit passengers for a total of 193,038 passengers in the Steubenville, Mingo Junction and Wintersville areas.

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

Steel Valley Regional Transit Authority
Jefferson County
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

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: Tim Turner, Transit Manager, Steel Valley Regional Transit Authority, 555 Adams Street, Steubenville, Ohio 43952.

Steel Valley Regional Transit Authority
Statement of Net Position
Proprietary Fund
December 31, 2019

<u>Assets</u>	
Current Assets	
Cash and Cash Equivalents	\$ 1,837,477
Taxes Receivable	520,713
Federal Funds Receivable	207,190
Fuel Inventory	5,652
Prepaid Expenses	<u>21,139</u>
Total Current Assets	2,592,171
Restricted Assets	
Cash and Cash Equivalents	<u>11,180</u>
Total Restricted Assets	11,180
Noncurrent Assets	
Land	190,051
Building	520,041
Building Improvements	217,729
Transportation Equipment	1,444,368
Other Equipment	278,134
Less Accumulated Depreciation	<u>(1,848,139)</u>
Total Noncurrent Assets	<u>802,184</u>
Total Assets	<u><u>3,405,535</u></u>
<u>Deferred Outflows of Resources</u>	
Pension	413,001
OPEB	<u>59,010</u>
Total Deferred Outflows of Resources	<u><u>472,011</u></u>
<u>Liabilities</u>	
Current Liabilities	
Accounts Payable	20,014
Accrued Payroll Expenses and Withheld Payroll Taxes	50,688
Accrued Expenses	<u>(784)</u>
Total Current Liabilities	69,918
Noncurrent Liabilities	
Due in More than One Year:	
Net Pension Liability	1,314,349
Net OPEB Liability	<u>582,522</u>
Total Noncurrent Liabilities	<u>1,896,871</u>
Total Liabilities	<u><u>1,966,789</u></u>
<u>Deferred Inflows of Resources</u>	
Levy	520,713
Pension	26,720
OPEB	<u>8,179</u>
Total Deferred Inflows of Resources	<u><u>555,612</u></u>
<u>Net Position</u>	
Net Investment in Capital Assets	802,184
Restricted Net Position for Equipment	11,180
Unrestricted	<u>541,781</u>
Total Net Position	<u><u>\$ 1,355,145</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, 2019

<u>Operating Revenues</u>	
Passenger Fares	\$ 28,682
SVRTA Passes	11,131
Contract Passes	(770)
Total Operating Revenues	<u>39,043</u>
<u>Operating Expenses</u>	
Labor	712,353
Fringe Benefits	388,272
Insurance - Hospitalization and Life	265,589
Taxes - Payroll	5,105
Materials & Supplies	23,797
Fuel and Lubricants	104,009
Services & Building Maintenance	155,584
Dues & Subscriptions	1,453
Utilities	26,483
Casualty and Liability Insurance	88,528
Advertising Fees	78,518
Miscellaneous	10,185
Depreciation	174,888
Total Operating Expenses	<u>2,034,764</u>
<i>Operating Income (Loss)</i>	(1,995,721)
<u>Non-Operating Revenues (Expenses)</u>	
Property Tax Revenues	508,948
Federal Operating and Maintenance Grants and Reimbursements	994,761
State Operating and Maintenance Grants, Reimbursements and Special Fare Assistance	58,622
Interest	3,553
Other	16,173
Total Non-Operating Revenues (Expenses)	<u>1,582,057</u>
<i>Net Income (Loss)</i>	(413,664)
<i>Net Position Beginning of Year</i>	<u>1,768,809</u>
<i>Net Position End of Year</i>	<u><u>\$ 1,355,145</u></u>

See accompanying notes to the basic financial statements

Steel Valley Regional Transit Authority

Statement of Cash Flows

Proprietary Fund

As of December 31, 2019

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 39,043
Cash Paid for Goods and Services	(458,725)
Cash Paid to Employees	<u>(1,111,755)</u>
<i>Net Cash Provided/(Used) for Operating Activities</i>	<u>(1,531,437)</u>

Cash Flows from Non-Capital Activities:

Property Taxes Received	508,948
Operating, Maintenance and Planning Grants Received	1,098,461
Other	<u>16,173</u>
<i>Net Cash Provided/(Used) for Non-Capital Activities</i>	<u>1,623,582</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	<u>(186,767)</u>
<i>Net Cash Provided/(Used) for Capital and Related Financing Activities</i>	<u>(186,767)</u>

Cash Flows from Investing Activities:

Interest	<u>3,553</u>
<i>Net Cash Provided/(Used) for Investing Activities</i>	<u>3,553</u>

Net Increase in Cash and Cash Equivalents (91,069)

Cash and Cash Equivalents, Beginning of Year 1,939,726

Cash and Cash Equivalents, End of Year \$ 1,848,657

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

Net Operating Income (Loss) \$ (1,995,721)

Adjustments:

Depreciation Expense	174,888
(Increase)/Decrease in Assets:	
Fuel Inventory	2,458
Prepaid Expenses	127,908
(Increase)/Decrease in Deferred Outflows of Resources:	
Pension	(226,083)
OPEB	(24,768)
Increase/(Decrease) in Liabilities:	
Accounts Payable	(99,750)
Accrued Payroll Expenses	88
Accrued Expenses	(784)
Net Pension Liability	593,796
Net OPEB Liability	117,203
Increase/(Decrease) in Deferred Inflows of Resources:	
Pension	(161,546)
OPEB	<u>(39,126)</u>
Total Adjustments	<u>464,284</u>
	<u><u>\$ (1,531,437)</u></u>

See accompanying notes to the basic financial statements

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 Winterville areas. In 2018, the Authority had fourteen full-time equivalent employees. Three-year collective bargaining agreements were ratified beginning January 1, 2017 and 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, 2019

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 and other postemployment benefits are explained in Notes 7 and 8.

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 and other postemployment benefits are explained in Notes 7 and 8.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2019

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, 2019 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.

Pensions and Other Postemployment Benefits (OPEB)

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

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

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

Pension and OPEB 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 and other postemployment benefits. 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 pension and OPEB plans.

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

Note 3 – Cash and Cash Equivalents

State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Cash and Cash Equivalents (continued)

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by surety company bonds deposited with the Finance Director by the financial institution or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Cash and Cash Equivalents (continued)

Investments in stripped principal or interest obligation, reverse repurchase agreement and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may only be made upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of the confirmation of transfer from the custodian.

Unrestricted Cash and Cash Equivalents

Cash on Hand

At December 31, 2019, the Authority had \$87 in undeposited cash on hand, which is included on the Statement of Net Position as part of “Cash and Cash Equivalents”.

Deposits

At December 31, 2019, the carrying amount of the Authority’s deposits was \$1,848,570 and the bank balance was \$1,848,763. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2019, none of the Authority’s bank balance was exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the Authority’s deposits may not be returned. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC.

The Authority has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be insured or protected by participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Restricted Cash

The Authority has restricted cash of \$11,180 (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, 2019.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2019 is as follows:

	Balance 1/1/2019	Addition	Deletion	Balance 12/31/2019
<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	1,329,533	186,768	(71,933)	1,444,368
Other Equipment	278,134	-	-	278,134
<i>Total Capital Assets, being depreciated:</i>	2,345,437	186,768	(71,933)	2,460,272
<i>Less Accumulated Depreciation:</i>				
Buildings	(196,266)	(13,324)	-	(209,590)
Building Improvements	(139,405)	(11,988)	-	(151,393)
Transportation Equipment	(1,117,626)	(141,903)	71,933	(1,187,596)
Other Equipment	(291,887)	(7,673)	-	(299,560)
<i>Total Accumulated Depreciation</i>	(1,745,184)	(174,888)	71,933	(1,848,139)
<i>Total Capital Assets being depreciated, net</i>	600,253	11,880	-	612,133
<i>Total Capital Assets, Net</i>	\$ 790,304	\$ 11,880	\$ -	\$ 802,184

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.

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.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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.

**Steel Valley Regional Transit Authority
Jefferson County**

*Notes to the Financial Statements
For the Year Ended December 31, 2019*

Note 7 – Defined Benefit Pension Plan (continued)

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years <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.

Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member’s base benefit. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. 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. Additionally, a death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined Plan.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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>
2019 Statutory maximum contribution rates	
Employer	14.00 %
Employee	10.00 %
 2019 Actual contribution rates	
Employer:	
Pension	14.00 %
Post-employment health care benefits	-
Total employer	14.00 %
 Employee	 10.00 %

The Authority’s contractually required contribution for the Traditional Pension Plan was \$95,983 for 2019. Of this amount, \$12,573 is reported as an accrued payroll expense.

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, 2018, 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>
	<u>2019</u>
Proportion of the pension liability - prior measurement date	0.004593 %
Proportion of the pension liability - current measurement date	0.004799 %
Change in proportionate share	0.000206 %
 Proportionate share of net pension liability	 \$ 1,314,349
Pension expense	\$ 302,150

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plan (continued)

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
	<u>2019</u>
Deferred outflows of resources	
Net differences between expected and actual experience	\$ 61
Net difference between projected and actual earnings on pension plan investments	178,394
Changes of assumptions	114,417
Employer contributions subsequent to the measurement date	95,983
Changes in proportionate share and differences between employer contributions and proportionate share of contributions	<u>24,146</u>
Total deferred outflows of resources	<u>\$ 413,001</u>
Deferred inflows of resources	
Differences between expected and actual experience	\$ 17,258
Changes in proportionate share and differences between employer contributions and proportionate share of contributions	<u>9,462</u>
Total deferred inflows of resources	<u>\$ 26,720</u>

A total of \$95,983 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, 2020. 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:	
2020	\$ 122,119
2021	68,662
2022	16,550
2023	<u>82,967</u>
Total	<u>\$ 290,298</u>

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2018, 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 -Traditional plan	3.25 percent to 10.75 percent
Future salary increases, including inflation - Combined plan	3.25 percent to 8.25 percent
COLA or Ad Hoc COLA	Pre January 7, 2013 retirees, 3 percent, simple Post January 7, 2013 retirees, 3 percent, simple through 2018, then 2.15 percent, simple
Investment rate of return	7.2 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, 2019

Note 7 – Defined Benefit Pension Plan (continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 was 2.94% for 2018.

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 2018 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	23.00%	2.79%
Domestic equities	19.00%	6.21%
Real estate	10.00%	4.90%
Private equity	10.00%	10.81%
International equities	20.00%	7.83%
Other investments	<u>18.00%</u>	<u>5.50%</u>
Total	<u>100.00%</u>	<u>5.95%</u>

Discount Rate The discount rate used to measure the total pension liability was 7.2%. 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, 2019

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 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease	Current discount rate	1% Increase
	<u>(6.20%)</u>	<u>(7.20%)</u>	<u>(8.20%)</u>
Authority proportionate share of the net pension liability	\$ 1,941,675	\$ 1,314,349	\$ 793,035

Note 8 – Postemployment Benefits

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Authority’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the Authority does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Postemployment Benefits (continued)

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

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 postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS’ CAFR referenced below for additional information.

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 OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 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 postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Postemployment Benefits (continued)

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 0% during calendar year 2019. 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 2019 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution was \$0 for 2019. Of this amount, \$0 is reported as an accrued payroll expense.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Proportion of the net OPEB liability:	
current measurement date	0.004468%
prior measurement date	<u>0.004285%</u>
Change in proportionate share	<u>0.000183%</u>
Proportionate share of the net	
OPEB liability	\$ 582,522
OPEB expense	\$ 53,309

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Postemployment Benefits (continued)

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>
Deferred outflows of resources	
Differences between expected and actual experience	\$ 197
Changes of assumptions	18,781
Net difference between projected and actual earnings on OPEB plan investments	26,705
Changes in proportion and differences between contributions and proportionate share of contributions	13,327
Total deferred outflows of resources	\$ 59,010
Deferred inflows of resources	
Differences between expected and actual experience	\$ 1,581
Changes in proportion and differences between contributions and proportionate share of contributions	6,598
Total deferred inflows of resources	\$ 8,179

A total of \$0 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>
Year ending December 31:	
2020	\$ 21,398
2021	11,381
2022	4,598
2023	13,454
Total	\$ 50,831

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Postemployment Benefits (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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent
	(includes wage inflation at 3.25 percent)
Single discount rate:	
Current measurement date	3.96 percent
Prior measurement date	3.85 percent
Investment rate of return	6.00 percent
Municipal bond rate	3.71 percent
Health care cost trend rate	10.0 percent, initial
	3.25 percent, ultimate in 2029
Actuarial cost method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term expected rate of return on health care 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, 2019

Note 8 – Postemployment Benefits (continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio is 5.6% for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	34.00%	2.42%
Domestic equities	21.00%	6.21%
Real estate investment trust	6.00%	5.98%
International equities	22.00%	7.83%
Other investments	<u>17.00%</u>	<u>5.57%</u>
Total	<u>100.00%</u>	<u>5.16%</u>

Discount Rate A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Postemployment Benefits (continued)

Sensitivity of the Authority’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the Authority’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the Authority’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease <u>(2.96%)</u>	Current discount rate <u>(3.96%)</u>	1% Increase <u>(4.96%)</u>
Authority proportionate share of the net OPEB liability	\$ 745,262	\$ 582,522	\$ 453,100

Sensitivity of the Authority’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost

Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries’ project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current health care cost trend rate assumption	1% Increase
Authority proportionate share of the net OPEB liability	\$ 559,930	\$ 582,522	\$ 608,542

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, 2019, 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.

Steel Valley Regional Transit Authority
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Contingencies (continued)

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.

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, 2019 consist of the following:

	<u>2019</u>
Non-operating Revenues:	
Federal:	
FTA Operating Assistance	\$ 471,472
FTA Maintenance Assistance	514,474
FTA Planning Assistance	<u>8,815</u>
Total	<u>\$ 994,761</u>
State:	
ODOT Operating Assistance	\$ 45,934
ODOT Elderly Fare Assistance	4,421
ODOT Fuel Tax Reimbursement	<u>8,267</u>
Total	<u>\$ 58,622</u>

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 2019.

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

Note 12 - Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. The impact on the Authority's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

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

	2019	2018	2017	2016	2015	2014
Ohio Public Employees Retirement System (OPERS) - Traditional Plan						
Authority's proportion of the net pension liability	0.004799%	0.004593%	0.004778%	0.004610%	0.004351%	0.004351%
Authority's proportionate share of the net pension liability	\$ 1,314,349	\$ 720,553	\$ 1,085,003	\$ 798,510	\$ 524,779	\$ 512,926
Authority's covered payroll	\$ 650,379	\$ 612,362	\$ 620,900	\$ 573,667	\$ 545,375	\$ 518,508
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	202.09%	117.67%	174.75%	139.19%	96.22%	98.92%
Plan fiduciary net position as a percentage of total pension liability	74.70%	84.66%	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 year end.

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

	<u>2019</u>	<u>2018</u>	<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	\$ 95,983	\$ 91,053	\$ 79,607	\$ 74,508	\$ 68,840	\$ 65,445	\$ 67,406
Contributions in relation to contractually required contribution	<u>(95,983)</u>	<u>(91,053)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Authority covered payroll	\$ 685,593	\$ 650,379	\$ 612,362	\$ 620,900	\$ 573,667	\$ 545,375	\$ 518,508
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Public Employees Retirement System (OPERS)			
Authority's proportion of the net OPEB liability	0.004468%	0.004285%	0.004470%
Authority's proportionate share of the net OPEB liability	\$ 582,522	\$ 465,319	\$ 451,485
Authority's covered payroll	\$ 650,379	\$ 612,362	\$ 620,900
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.57%	75.99%	72.71%
Plan fiduciary net position as a percentage of total OPEB liability	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Ohio Public Employees Retirement System (OPERS)							
Contractually required contribution	\$ -	\$ -	\$ 6,124	\$ 12,418	\$ 11,473	\$ 10,741	\$ 5,185
Contributions in relation to contractually required contribution	-	-	(6,124)	(12,418)	(11,473)	(10,741)	(5,185)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority covered payroll	\$ 685,593	\$ 650,379	\$ 612,362	\$ 620,900	\$ 573,667	\$ 545,375	\$ 518,508
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) Information prior to 2013 is not available.

Steel Valley Regional Transit Authority

Notes to Required Supplementary Information

For the Year Ended December 31, 2019

Pension

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

OPEB

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

<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>			
<i>Direct Award</i>			
Federal Transit Cluster/Direct Program:			
Urbanized Area / Capital Assistance Formula Grants			
Capital Assistance Formula Grant	OH-2017-020-00	20.507	\$ 994,761
Total U.S. Department of Transportation			\$ 994,761

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, 2019

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, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note B – Summary of Significant Accounting Policies

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

Note C – Matching Requirements

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

September 18, 2020

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

To the Members of the Board:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Steel Valley Regional Transit Authority**, Jefferson County, (the Authority) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 18, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Compliance and Other Matters

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

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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**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**

September 18, 2020

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

To the Members of the Board:

Report on Compliance for the Major Federal Program

We have audited **Steel Valley Regional Transit Authority's**, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended December 31, 2019. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and 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 Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Tax - Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll – Litigation Support – Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Opinion on the Major Federal Program

In our opinion, the 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, 2019.

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 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 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**STEEL VALLEY REGIONAL TRANSIT AUTHORITY
JEFFERSON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2019**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Federal Transit Cluster: CFDA #20.507 Federal Transit Formula Grants
<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?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



STEEL VALLEY REGIONAL TRANSIT AUTHORITY

JEFFERSON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/10/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov