Audited Financial Statements
For the Years Ended December 31, 2003 and 2002

Steel Valley Regional Transit Authority

Single Audit Report for the Year Ended December 31, 2003

Auditor of State
Betty Montgomery

Board of Trustees
Steel Valley Regional Transit Authority
555 Adams Street
Steubenville, Ohio 43952

We have reviewed the Independent Auditor's Report of the Steel Valley Regional Transit Authority, Jefferson County, prepared by S.R. Snodgrass, A.C., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 18, 2004

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Steel Valley Regional Transit Authority
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Steel Valley Regional Transit Authority (the "Authority") as of December 31, 2003 and 2002, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2003 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

S. R. Snodgrass, A.C.

Steubenville, Ohio
May 7, 2004

Steel Valley Regional Transit Authority
BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

	2003	2002
ASSETS		
Cash and cash equivalents	$ 309,157	$ 336,775
Receivables:		
Trade	1,771	2,427
Federal assistance	41,800	59,446
Other assistance	3,098	7,425
Fuel inventory	7,246	5,380
Prepaid expenses	3,998	11,747
Total current assets	367,070	423,200
RESTRICTED ASSETS:		
Planning assistance receivable	15,289	9,405
Capital grant receivable	29,331	125,304
Cash and cash equivalents	11,024	-
Total restricted assets	55,644	134,709
PROPERTY, IMPROVEMENTS AND EQUIPMENT:		
Land acquisition	42,336	4,097
Building	505,041	-
Building improvements	13,396	13,396
Transportation equipment	858,774	673,038
Other equipment	164,638	119,183
Construction in process	-	447,187
Total	1,584,185	1,256,901
Less accumulated depreciation	571,515	468,402
Property, improvements and equipment, net	1,012,670	788,499
OTHER ASSETS		
Deferred receivable – Levy	196,409	191,285
Deposits - land appropriation	39,000	61,000
Total other assets	235,409	252,285
TOTAL ASSETS	$1,670,793	$1,598,693

See accompanying notes to financial statements

Steel Valley Regional Transit Authority
BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

	2003	2002
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 4,946	$ 1,884
Accrued payroll	9,569	9,746
Accrued and withheld payroll taxes	12,963	12,429
Accrued expenses	1,297	1,321
Total current liabilities	28,775	25,380
NONCURRENT LIABILITIES:		
Deferred revenue – levy	196,409	191,285
Deferred capital grant	-	125,304
Total noncurrent liabilities	196,409	316,589
Total liabilities	225,184	341,969
EQUITY:		
Contributed capital		
Federal grants	175,256	239,447
State grants	17,442	23,571
Total contributed capital	192,698	263,018
Retained earnings	1,252,911	993,706
Total equity	1,445,609	1,256,724
TOTAL LIABILITIES AND EQUITY	$1,670,793	$1,598,693

See accompanying notes to financial statements

Steel Valley Regional Transit Authority
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
OPERATING REVENUES:		
Passenger fares	$ 55,843	$ 54,271
Charter revenue	6,136	6,944
Advertising	635	1,690
Total operating revenues	62,614	62,905
OPERATING EXPENSES:		
Labor	346,295	362,393
Fringe benefits	45,741	49,126
Insurance – hospitalization and life	104,051	111,468
Taxes – payroll	19,028	18,314
Materials and supplies	99,285	80,832
Services	36,720	32,784
Utilities	21,661	16,671
Casualty and liability insurance	90,042	79,615
Miscellaneous	4,806	12,864
Total operating expenses excluding depreciation	767,629	764,067
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(705,015)	(701,162)
DEPRECIATION EXPENSE		
On assets acquired with capital grants	70,320	71,985
On other assets	32,923	20,849
Total depreciation expense	103,243	92,834
OPERATING LOSS	(808,258)	(793,996)
NONOPERATING REVENUES:		
Property tax revenues	261,156	237,596
Federal operating and maintenance grants and reimbursements	388,084	396,238
State operating and maintenance grants, reimbursements and special fare assistance	67,740	85,646
Interest income	2,535	3,567
Other	1,819	10,214
Total nonoperating revenues	721,334	733,261
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(86,924)	(60,735)
Capital contributions	275,809	482,428
NET PROFIT	$188,885	$421,693

See accompanying notes to financial statements.

Steel Valley Regional Transit Authority
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Contributed Capital			
	Federal Grants	State Grants	Retained Earnings	Total
BALANCES AT DECEMBER 31, 2001	$ 304,086	$ 30,917	$ 500,028	$ 835,031
NET PROFIT FOR 2002			421,693	421,693
DEPRECIATION ON FIXED ASSETS ACQUIRED WITH CAPITAL GRANTS	(64,639)	(7,346)	71,985	
BALANCES AT DECEMBER 31, 2002	239,447	23,571	993,706	1,256,724
NET PROFIT FOR 2003			188,885	188,885
DEPRECIATION ON FIXED ASSETS ACQUIRED WITH CAPITAL GRANTS	(64,191)	(6,129)	70,320	
BALANCES AT DECEMBER 31, 2003	$175,256	$17,442	$1,252,911	$1,445,609

See accompanying notes to financial statements.

Steel Valley Regional Transit Authority
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
OPERATING ACTIVITIES:		
Cash received from customers	$ 63,270	$ 64,275
Cash payments to suppliers for goods and services	(411,879)	(369,013)
Cash payments to employees for services	(346,472)	(360,326)
Net cash used in operating activities	(695,081)	(665,064)
NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	261,156	239,919
Operating, maintenance and planning grants received	456,669	519,307
Other	16,933	25,865
Net cash provided by noncapital financing activities	734,758	785,091
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	246,478	495,927
Acquisition and appropriations of fixed assets	(305,284)	(563,763)
Net cash used in capital and related financing activities	(58,806)	(67,836)
INVESTING ACTIVITIES		
Interest received	2,535	3,567
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,594)	55,758
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	336,775	281,017
CASH AND CASH EQUIVALENTS, END OF YEAR	$320,181	$336,775
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$(808,258)	$(793,996)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	103,243	92,834
Change in assets and liabilities:		
Accounts receivable – trade	656	1,370
Fuel inventory	(1,866)	669
Prepaid expenses	7,749	32,749
Accounts payable	3,062	(5,204)
Accrued payroll	(177)	2,066
Accrued and withheld payroll taxes	534	4,168
Accrued expenses	(24)	280
NET CASH USED IN OPERATING ACTIVITIES	$695,081	$(665,064)

See accompanying notes to financial statements.

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The Authority is managed by a five-member Board of Trustees and provides virtually all mass transportation within the greater Steubenville – Mingo Junction area. In 2003, the Authority had twelve full-time equivalent employees. Approximately 58% of the Authority's employees at December 31, 2003 are subject to a three year collective bargaining agreement expiring on December 31, 2004.

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

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

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989.

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

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

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

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

Description	Years
Building	39
Improvements	15-39
Transportation equipment	5-10
Other equipment	3- 7

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

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

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

The Authority adopted the provisions of Statement No. 33 of the Government Accounting Standards Board ("GASB") regarding the Accounting and Financial Reporting for Nonexhange Transactions in 2001. This statement requires that capital contributions be recognized as revenue and not as contributed capital. Accordingly, during the year ended December 31, 2003 and 2002, $275,809 and $482,428 respectively in capital contribution were recognized as revenue in the Statement of Revenue and Expenses for the Authority. This statement also requires the recognition of revenue for property taxes in the financial statement in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2002 that will be collected in 2003 are recorded as a deferred receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

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

Reclassifications – The Authority has reclassified certain amounts in the 2002 financial statements to conform to the current year's presentation.

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

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

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

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

2. CASH AND CASH EQUIVALENTS

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

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution or may deposit surety company bonds, which when executed shall be for an amount in excess of collateral requirements. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States Government and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by two percent and be marked to market daily. State law does not require that security for public deposits and investments be held in the Authority's name.

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

The Authority held no investments at December 31, 2003 and 2002.

Deposits – The carrying amount of the Authority's deposits was $320,181 at December 31, 2003 with a $432,681 bank balance. The deposits include $201,987 in savings accounts and $118,194 in demand deposits. Of the bank balance, $100,000 was covered by federal depository insurance and $332,681 was uninsured and uncollaterized as defined by the Governmental Accounting Standards Board. The uncollateralized deposits were, however, covered by the financial institution's risk pool for public deposits as governed by the Ohio Revised Code Section 135.

3. PROPERTY TAXES

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

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

4. DEFINED BENEFIT PENSION PLAN

Public Employees Retirement System of Ohio

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

Funding Policy – The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The 2003 and 2002 employer contribution rates were 13.55 percent of covered payroll of which 5 percent and 5 percent were the portions used to fund health care for the years 2003 and 2002, respectively. The Authority's contributions to OPERS for the year ending December 31, 2003, 2002, and 2001 were $45,700, $49,100 and $43,900, respectively, equal to 100 percent of the required contribution for each year.

Other Postemployment Benefits Provided Through OPERS – In addition to the pension benefits described previously, OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. As required by state statute, a portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The portion of the Authority's contributions that were used to fund other postemployment benefits were approximately $16,900 and $18,100 for the years ended December 31, 2003 and 2002, respectively.

4. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Systems latest actuarial review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from .5 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the OPERS net assets available for OPEB at December 31, 2002 was $10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $18.7 billion and $8.7 billion, respectively.

In December 2001, the OPERS Board adopted the Health Care “Choices Plan” in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standards for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enable the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

5. CONTINGENCIES

Federal and State Grants – Under the terms of the Authority's various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2003, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority's management, no material grant expenditures will be disallowed.

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

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

6. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

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

	2003	2002
Nonoperating		
FEDERAL:		
FTA Operating Assistance	$164,352	$157,998
FTA Maintenance Assistance	180,442	204,320
FTA Planning Assistance	43,290	33,920
Total	$388,084	$396,238
STATE		
ODOT Operating Assistance	$ 24,730	$ 40,215
ODOT Maintenance Assistance	22,555	25,540
ODOT Planning Assistance	5,211	4,240
ODOT Elderly Fare Assistance	8,964	9,313
ODOT Fuel Tax Reimbursement	6,280	6,338
Total	$ 67,740	$ 85,646
Capital		
FTA Capital	$223,679	$354,718
ODOT Capital	52,130	127,710
Total	$275,809	$482,428

7. RISK MANAGEMENT

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

The Authority participates in the Ohio Bureau of Workers' Compensation for workers compensation coverage and with the Ohio Department of Job and Family Services for unemployment coverage. The Authority continues to carry commercial insurance for other risks of loss, including employee health, life and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage in the year 2003.

Steel Valley Regional Transit Authority
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Grant Number	Grant Expenditures
U.S. Department of Transportation			
Federal Transit Cluster/Direct Programs:			
Federal Transit Administration Capital, Capital Maintenance, Operating and Planning Assistance Formula Grants:			
Operating Assistance	20.507	OH-90-4429	$164,352
Maintenance Assistance	20.507	OH-90-0429	180,442
Planning Assistance	20.507	OH-90-2429	43,290
Capital Assistance	20.507	OH-90-0338	75,090
Capital Assistance	20.507	OH-90-0429	148,589
TOTAL EXPENDITURES OF FEDERAL AWARDS			$611,763

See note to schedule of expenditures of federal awards.

Steel Valley Regional Transit Authority
NOTE TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Steel Valley Regional Transit Authority and is presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SNODGRASS
Certified Public Accountants
and Consultants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Steel Valley Regional Transit Authority
Steubenville, Ohio

We have audited the financial statements of the Steel Valley Regional Transit Authority (the "Authority") as of and for the year ended December 31, 2003 and have issued our report thereon dated May 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

S. R. Snodgrass, A.C.

Steubenville, Ohio
May 7, 2004

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

Board of Trustees
Steel Valley Regional Transit Authority
Steubenville, Ohio

Compliance

We have audited the compliance of the Steel Valley Regional Transit Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

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

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

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

S. R. Snodgrass, A.C.

Steubenville, Ohio
May 7, 2004

Steel Valley Regional Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2003

1, **SUMMARY OF AUDITORS' RESULTS**

2003(i)	Type of Financial Statement Opinion	Unqualified
2003(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2003(ii)	Were here any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2003(ii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2003(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2003(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2003(v)	Type of Major Programs' Compliance Opinion	Unqualified
2003(iv)	Are there any reportable findings under .510?	No
2003(vii)	Major Programs (list): Federal Transit Cluster and Federal Transit Administration, Capital Operating and Planning Assistance Formula Grant (CFDA#20.507)	
2003(viii)	Dollar Threshold: Type A/B Programs	TypeA:>$300,000 Type B:>all others
2003(ix)	Low Risk Auditee?	Yes

Steel Valley Regional Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2003

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

   None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

   None.

STEEL VALLEY REGIONAL TRANSIT AUTHORITY
STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL
AND LEGAL COMPLIANCE
YEAR ENDED DECEMBER 31, 2003

There were no comments on internal control and legal compliance included in the prior year reports.

Auditor of State
Betty Montgomery

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P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

STEEL VALLEY REGIONAL TRANSIT AUTHORITY

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 31, 2004