Audited Financial Statements
For the Year Ended December 31, 2004

Steel Valley Regional Transit Authority

Single Audit Report for the Year Ended December 31, 2004

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, 2004 through December 31, 2004. 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 30, 2005

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SNODGRASS
Certified Public Accountants and Consultants

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 and for the year ended December 31, 2004 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2004 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments:* GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*, as amended and interpreted, as of January 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2005, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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 supplemental schedule of expenditures of federal awards for the year ended December 31, 2004 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
June 9, 2005

As management of the Steel Valley Regional Transit Authority ("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, 2004. 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 net assets of $1,284,404. These net assets result from the difference between total assets of $1,515,040 and total liabilities of $230,636.
- Current assets of $363,325 primarily consist of non-restricted Cash and Cash Equivalents of $285,927; Federal Assistance Receivable of $55,725; and Prepaid Expenses of $14,740.
- Current Liabilities of $31,789 primarily consist of Accrued Payroll of $12,867 and Accrued and Withheld Payroll Taxes of $14,864.

Basic Financial Statements and Presentation

New Accounting Pronouncements

Effective January 1, 2004, the Authority implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Note Disclosures." These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and change the note disclosure and require the inclusion of management's discussion and analysis.

The financial statements presented by the Authority are the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets 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 *Balance Sheet* presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net assets, which indicate improved financial condition.

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

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

Notes to the Financial Statements

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

Financial Analysis of the Authority

Since this is the first year the Authority has prepared financial statements following GASB Statement No. 34, comparisons to 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 1 provides a summary of the Authority's net assets as of December 31, 2004:

Table 1

Condensed Summary of Net Assets

	2004
Assets:	
Current Assets	$ 363,325
Restricted Assets	29,895
Other Non-Current Assets	226,639
Capital Assets (net of accumulated depreciation)	895,181
Total Assets	1,515,040
Liabilities:	
Current Liabilities	$ 31,789
Non Current Liabilities	198,847
Total Liabilities	230,636
Net Assets:	
Invested in Capital Assets, Net of Related Debt	895,181
Restricted for Capital Assets	28,687
Unrestricted	360,536
Total Net Assets	$1,284,404

The largest portion of the Authority's net assets reflect 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 Mingo Junction area; consequently, these assets are not available to liquidate liabilities or to cover other spending.

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Assets

	2004
Operating Revenues (Expenses):	
Operating Revenues	$ 57,825
Operating Expenses (excluding depreciation)	(796,678)
Depreciation Expenses	(308,263)
Operating Loss	(1,047,116)
Non-Operating Revenues:	
Property Tax Revenues	$262,354
Federal Operating and Maintenance Grants and Reimbursements	399,944
State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance	80,783
Interest Income	2,111
Other Income	1,705
Total Non-Operating Revenues	746,897
Capital Grant Revenue	139,014
Decrease in Net Assets During Year	(161,205)
Net Assets, Beginning of Year	1,445,609
Net Assets, End of Year	$1,284,404

Financial Operating Activities

The most significant operating expenses for the Authority are Labor, Insurance – Hospitalization and Life, Casualty and Liability Insurance, Materials and Supplies, Fuel and Lubricants, and Fringe Benefits. These expenses account for 88.2% of the total operating expenses. Labor, which accounts for 45.8% of the total, represents costs associated with salaried and hourly employees. Insurance – Hospitalization and Life, which account for 14.4% of the total, represents costs associated with the hospitalization and life insurance premiums paid by the Authority covering its employees. Casualty and Liability Insurance, which accounts for 10.9% of the total, represents costs associated with casualty and liability insurance premiums paid by the Authority. Materials and Supplies, which accounts for 6.0% of the total, represents costs associated with materials and supplies used for vehicle operations, building maintenance, and office supplies. Fringe Benefits, which account for 6.2% of the total, represents costs associated with the Ohio Public Employees Retirement System. Fuel and Lubricants, which accounts for 4.9% of the total, represents costs associated with the purchase of diesel fuel and motor oils.

Funding for the most significant operating expenses indicated above is from Passenger Fares, as well as from Non-Operating Revenues in the form of Property Tax Revenues, Federal Operating and Maintenance Grants and Reimbursements, and State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance. These revenues account for 98.7% of the total combined revenues of $804,722. Passenger Fares revenue for 2004 was $51,125, and accounts for 6.4% of the total revenues. Property Tax Revenues for 2004 was $262,354, and accounts for 32.6% of the total revenue. Federal Operating and Maintenance Grants and Reimbursements Revenue for 2004 was $399,944, and accounts for 49.7% of the total revenue. State Operating and Maintenance Grants, Reimbursements, and Special Fare Assistance revenue for 2004 was $80,783, and accounts for 10.0% of the total revenue. Charter Revenue, Advertising Revenue, Interest Income, and Other Income make up the remaining 1.3% of total revenue.

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

Capital Assets and Debt Administration

The Authority's investment in capital assets as of December 31, 2004, amounts to $895,181 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, building improvements, transportation equipment, and other equipment.

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

As of December 31, 2004, the Authority had no debt obligations.

Property Tax Levy

On May 3, 2005, voters in Steubenville and Mingo Junction, Ohio, approved a 1.5 mill, 10-year tax levy to support the Steel Valley Regional Transit Authority. The levy will replace an existing 1.0 mill levy approved by voters in 1995, which expired at December 31, 2004.

Current Known Facts and Conditions

In the year 2004, the Authority transported 65,018 Steubenville passengers, 11,104 Mingo Junction passengers, and 2,436 ADA Para Transit passengers for a total of 78,588 passengers in the Steubenville-Mingo Junction area.

Contacting the Authority's Financial Management

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

Steel Valley Regional Transit Authority
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 285,927
Receivables:	
Trade	1,903
Federal assistance	55,725
Fuel inventory	5,030
Prepaid expenses	14,740
Total current assets	363,325
RESTRICTED ASSETS:	
Planning assistance receivable	11,888
Capital grant receivable	6,965
Cash and cash equivalents	11,042
Total restricted assets	29,895
PROPERTY, BUILDING, IMPROVEMENTS AND EQUIPMENT:	
Land	80,364
Building	505,041
Building improvements	13,396
Transportation equipment	1,009,534
Other equipment	166,624
Total	1,774,959
Less accumulated depreciation	(879,778)
Property, building, improvements and equipment, net	895,181
OTHER ASSETS:	
Deferred receivable – Levy	197,639
Deposits - land appropriation	29,000
Total other assets	226,639
TOTAL ASSETS	$1,515,040

See accompanying notes to financial statements

Steel Valley Regional Transit Authority
BALANCE SHEET
DECEMBER 31, 2004

LIABILITIES AND EQUITY

CURRENT LIABILITIES:	
Accounts payable	$ 2,315
Accrued payroll	12,867
Accrued and withheld payroll taxes	14,864
Accrued expenses	1,743
Total current liabilities	31,789
NONCURRENT LIABILITIES:	
Deferred revenue – levy	197,639
Deferred capital grant	1,208
Total noncurrent liabilities	198,847
Total liabilities	230,636
NET ASSETS:	
Invested in capital assets, net of related debt	895,181
Restricted net assets	28,687
Unrestricted	360,536
Total net assets	1,284,404
TOTAL LIABILITIES AND NET ASSETS	$1,515,040

See accompanying notes to financial statements

Steel Valley Regional Transit Authority
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

OPERATING REVENUES:	
Passenger fares	$ 51,125
Charter revenue	6,637
Advertising	63
Total operating revenues	57,825
OPERATING EXPENSES:	
Labor	364,792
Fringe benefits	49,435
Insurance – hospitalization and life	114,530
Taxes – payroll	20,962
Materials and supplies	48,081
Fuel and lubricants	38,942
Services	40,556
Utilities	24,509
Casualty and liability insurance	87,046
Miscellaneous	7,825
Total operating expenses excluding depreciation	796,678
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(738,853)
DEPRECIATION EXPENSE	308,263
OPERATING LOSS	(1,047,116)
NONOPERATING REVENUES:	
Property tax revenues	262,354
Federal operating and maintenance grants and reimbursements	399,944
State operating and maintenance grants, reimbursements and special fare assistance	80,783
Interest income	2,111
Other	1,705
Total nonoperating revenues	746,897
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(300,219)
Capital contributions	139,014
DECREASE IN NET ASSETS	(161,205)
Net assets – beginning of year	1,445,609
Net assets – end of year	$1,284,404

See accompanying notes to financial statements.

Steel Valley Regional Transit Authority
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

OPERATING ACTIVITIES:	
Cash received from customers	$ 57,693
Cash payments to suppliers for goods and services	(440,696)
Cash payments to employees for services	(361,494)
Net cash used in operating activities	(744,497)
NONCAPITAL FINANCING ACTIVITIES:	
Property taxes received	262,354
Operating, maintenance and planning grants received	442,641
Other	26,608
Net cash provided by noncapital financing activities	731,603
CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants received	168,345
Acquisition and appropriations of fixed assets	(180,774)
Net cash used in capital and related financing activities	(12,429)
INVESTING ACTIVITIES	
Interest received	2,111
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,212)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	320,181
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 296,969
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$(1,047,116)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	308,263
Change in assets and liabilities:	
Accounts receivable – trade	(132)
Fuel inventory	2,216
Prepaid expenses	(10,742)
Accounts payable	(2,631)
Accrued payroll	3,298
Accrued and withheld payroll taxes	1,901
Accrued expenses	446
NET CASH USED IN OPERATING ACTIVITIES	$ (744,497)

See accompanying notes to financial statements.

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 2004, the Authority had thirteen full-time equivalent employees. Approximately 62% of the Authority's employees at December 31, 2004 are subject to a three year collective bargaining agreement expiring on December 31, 2007.

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

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

Pursuant to GASB Statement No. 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

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

Net Assets

Equity displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – 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 assets that are 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 assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

The Authority complies with the provisions of Statement No. 33 of the Government Accounting Standards Board ("GASB") regarding the Accounting and Financial Reporting for Nonexhange Transactions. This statement requires that capital contributions be recognized as revenue and not as contributed capital. Accordingly, during the year ended December 31, 2004, $139,014 in capital contribution was 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 2004 that will be collected in 2005 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. At December 31, 2004 employees have approximately 3,000 hours of unused sick leave. Sick leave is nonvesting and no sick leave benefits have been accrued. Unused sick benefits lapse upon an employee's separation from the Authority.

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

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

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

New Accounting Pronouncements

Effective January 1, 2004, the Authority implemented the provisions of GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Note Disclosures." These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and require the inclusion of management's discussion and analysis.

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, 2004.

Deposits – The carrying amount of the Authority's deposits was $296,969 at December 31, 2004 with a $297,289 bank balance. The deposits include $164,099 in savings accounts and $132,870 in demand deposits. Of the bank balance, $100,000 was covered by federal depository insurance and $197,289 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. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 is as follows:

Description	Balance 1-1-04	Fixed Assets Additions	Fixed Assets Disposals	Balance 12-31-04
Capital assets not being depreciated:				
Land	$ 42,336	$ 38,028	$ -	$ 80,364
Total capital assets not being depreciated	42,336	38,028	-	80,364
Capital assets being depreciated:				
Building	505,041	-	-	505,041
Building improvements	13,396	-	-	13,396
Transportation equipment	858,774	150,760	-	1,009,534
Other equipment	164,638	1,986	-	166,624
Total capital assets being depreciated	1,541,849	152,746	-	1,694,595
Less accumulated deprecation:				
Building	-	25,900	-	25,900
Building improvements	4,550	1,786	-	6,336
Transportation equipment	506,220	239,973	-	746,193
Other equipment	60,745	40,604	-	101,349
Total accumulated deprecation	571,515	308,263	-	879,778
Total capital assets being depreciated	970,334	(155,517)	-	814,817
Total capital assets, net	$1,012,670	$ (117,489)	$ -	$ 895,181

4. PROPERTY TAXES

The Authority was 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 were levied through 2004. On May 3, 2005, voters in Steubenville and Mingo Junction, Ohio, approved a 1.50 mill, 10-year levy to continue support to the Authority. The levy replaced the 1.0 mill, which expired at the end of 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.

5. 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. Employees are required to contribute 8.5 percent of their covered payroll to OPERS. The 2004 employer contribution rate was 13.55 percent of covered payroll including portion of .2952 used to fund health care benefits. The Authority's total contributions to OPERS for pension benefits, (excluding the amount relating to postretirement benefits) for the years ending December 31, 2004, 2003 and 2002 were approximately $31,200, $28,800 and $31,000, 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 Authority's contributions for other postemployment benefits to OPERS for the year ended December 31, 2004, 2003 and 2002 were $18,200, $16,900 and $18,100, respectively, equal to 100 percent of the required contributions for each year.

5. 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, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of the 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 2003 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 0.5 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 in the traditional pension and combined plans at year end 2004 totaled 369,885. The actuarial value of the OPERS net assets available for OPEB at December 31, 2003 was $10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $26.9 billion and $16.4 billion, respectively.

6. 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, 2004, 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.

7. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Grants, reimbursements and special fare assistance included in the statement of revenues expenses and changes in net assets expenses for the year ended December 31, 2004 consist of the following:

	2004
Nonoperating	
FEDERAL:	
FTA Operating Assistance	$133,680
FTA Maintenance Assistance	224,044
FTA Planning Assistance	42,220
Total	$399,944
STATE	
ODOT Operating Assistance	$ 23,805
ODOT Maintenance Assistance	28,005
ODOT Planning Assistance	5,278
ODOT Elderly Fare Assistance	17,706
ODOT Fuel Tax Reimbursement	5,989
Total	$ 80,783
Capital	
FTA Capital	$120,000
ODOT Capital	19,014
Total	$139,014

8. 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 2004.

Steel Valley Regional Transit Authority
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Number	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-90-4476	$133,680
Maintenance Assistance	20.507	OH-90-0476	224,044
Planning Assistance	20.507	OH-90-2476	42,220
Capital Assistance	20.507	OH-03-0257	120,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			$519,944

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, 2004

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.

2. The Authority is required to contribute non-federal funds (matching funds) to support federally funded programs. The Authority has complied with the matching requirements. The expenditure of non-federal matching funds is not included in this schedule.

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, 2004 and have issued our report thereon dated June 9, 2005. 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 of America.

Compliance

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

Internal Control Over Financial Reporting

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

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

S. R. Snodgrass, A.C.

Steubenville, Ohio
June 9, 2005

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, 2004. 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, 2004.

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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

S. R. Snodgrass, A.C.

Steubenville, Ohio
June 9, 2005

Steel Valley Regional Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
FOR THE YEAR ENDED DECEMBER 31, 2004

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, 2004

2. **FINDINGS RELATED TO 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, 2004

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

Telephone 614-466-4514
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
SEPTEMBER 13, 2005