Audited Financial Statements
METRO REGIONAL TRANSIT AUTHORITY

For the year ended December 31, 2003

SINGLE AUDIT REPORT
For the year ended December 31, 2003

Auditor of State
Betty Montgomery

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

We have reviewed the Independent Auditor's Report of the Metro Regional Transit Authority, Summit County, prepared by Dingus and Daga, Inc., 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 Metro Regional Transit Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 15, 2004

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METRO REGIONAL TRANSIT AUTHORITY

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Dingus and Daga, Inc.
Certified Public Accountants
Tower East • 20600 Chagrin Boulevard • Suite 701
Shaker Heights, Ohio 44122-5398 • 216/561-9200

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

We have audited the accompanying financial statements of the Metro Regional Transit Authority (the "Authority"), as of and for the year ended December 31, 2003 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 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 referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Authority adopted 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 effective January 1, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated April 23, 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 the audit of 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.

Dingus and Daga, Inc.

Shaker Heights, Ohio
April 23, 2004

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended December 31, 2003

As financial management of the Metro Regional Transit Authority (the Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2003. 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 financial statements as a whole.

Financial Highlights

• The Authority has net assets of $49.976 million. These net assets result from the difference between total assets of 54.610 million and total liabilities of $4.634 million.

• Current assets of 6.8 million primarily consist of non-restricted Cash and Cash Equivalents of 1.9 million; Sales and Use Tax receivable of 2.8 million, long-term investments of .8 million and other current assets of $2.02 million.

• Current liabilities of 3.6 million primarily consist of Accrued Compensation of 2.1 million and the current portion of long-term liabilities of .7 million.

• Long-Term Debt consists mainly of bonds of .9 million or 20% of the total liabilities balance of $4.6 million.

Basic Financial Statements and Presentation

New Accounting Pronouncements

Effective January 1, 2003, 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 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.

Basic Financial Statements and Presentation (Cont'd)

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 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 position.

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

Financial Analysis of the Authority

Condensed Summary of Net Assets

The Authority did not issue comparative financial statements in 2003 due to the implementation of GASB 34. In future years, the Authority will issue comparative financial statements and, therefore, comparative information will not be presented in Management's Discussion and Analysis.

Current assets	$ 6,023,164
Investments	889,017
Capital assets, net	47,698,258
Total assets	54,610,439
Current liabilities	3,666,529
Non-Current Liabilities	968,036
Total liabilities	4,634,565
Net assets:	
Invested in Capital Assets, Net of Related Debt	46,448,258
Restricted for Capital Assets	36,116
Unrestricted	3,491,500
Total net assets	$ 49,975,874

By far, the largest portion of the Authority's net assets reflect investment in capital assets (e.g., diesel buses, operating facilities including our transfer center and our banked railroad property) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide public transportation service for Summit County citizens. These assets are not available to liquidate liabilities or to cover other spending.

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

Condensed Summary of Revenues, Expenses and Changes in Net Assets

Operating Revenues	$ 3,840,210
Operating expenses excluding depreciation	(28,042,139)
Depreciation expense	(6,173,717)
Operating loss	(30,375,646)
Non-operating revenues (expenses):	
Sales tax revenue	17,167,953
Federal operating and preventive maintenance assistance	5,062,561
State operating and preventive maintenance assistance	1,305,676
Student fare and other assistance	1,666,411
Investment income	46,650
Interest expense	(107,085)
Loss from disposal of assets	(229,860)
Net decrease in fair value of investments	(16,996)
Other	218,215
Total non-operating revenues, net	25,113,525
Capital contributions	7,479,162
Increase in Net Assets	2,217,041
Net assets, beginning of year	47,758,833
Net assets, end of year	$ 49,975,874

The Authority's operating revenues decreased $14,312 to $3.8 million in 2003. This .4% decrease resulted from lower passenger trips and associated passenger fares. In the public transportation industry there is a direct relationship between passenger rider ship and economic conditions. Operating expenses, excluding depreciation, increased by $.5 million as compared to the prior year. Due to the economic downturn which started mid year 2001, the Authority has reduced service approximately 16% to slow the increases in expenses. Depreciation expense increased by $.6 million over 2002.

The 2003 increase in other non-operating revenues of $2.2 million is primarily related to increased federal capitalized maintenance funding.

Condensed Summary of Cash Flows

Net cash used for operating activities increased by $2.9 million in 2003 as a result of decreased passenger fare revenues and increased expenses due to health benefits and wage increases. Net cash used in capital and related financing activities decreased $.7 million as a result of reduced capital acquisition and construction costs. Cash and cash equivalents increased in 2003 over 2002 by $71,811.

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$	3,797,518
Cash payments to suppliers for goods and services		(15,841,194)
Cash payments to employees for services		(12,709,932)
Net cash used in operating activities		(24,753,608)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales taxes received		16,895,182
Operating grants and other assistance received		7,860,700
Other		206,347
Net cash provided by non-capital financing activities		24,962,229
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received		7,951,538
Acquisition and construction of fixed assets		(8,216,915)
Cash received from bonds and loan payable		475,875
Principal paid on bonds and loan payable		(265,000)
Interest paid on bonds		(107,085)
Net cash used by capital and related financing activities		(161,587)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash payments for investments - net		(21,873)
Interest received from investments		46,650
Net cash provided by investing activities		24,777
NET INCREASE IN CASH AND CASH EQUIVALENTS		71,811
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,898,612
CASH AND CASH EQUIVALENTS, END OF YEAR	$	1,970,423

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets amounts to $47.6 million, net of accumulated depreciation as of December 31, 2003, an increase of $1.8 million (3.9%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital asset expenditures during the current fiscal year included the following:

- Purchase of four 40′ diesel buses totaling $1.3 million,
- Purchase of railroad right-of-way and rehabilitation, totaling $5.6 million,
- Renovation of our Administrative and Maintenance facility, totaling $3 million.

Long-term Debt

The Authority has outstanding bonds and notes payable of $965,000, a decrease of $285,000 from the prior year. This debt solely consists of capital facilities bonds issued for the purpose of purchasing, acquiring, constructing, replacing, improving, extending and enlarging transit facilities and other equipment. The bonds and notes were authorized to be issued and sold under resolutions passed by the Board of Trustees. The bonds are general obligations of the Authority. There were no changes to the debt structure during fiscal year 2003.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, METRO Regional Transit Authority, 416 Kenmore Boulevard, Akron, OH 44301.

METRO REGIONAL TRANSIT AUTHORITY

BALANCE SHEET
DECEMBER 31, 2003

ASSETS	2003
CURRENT ASSETS:	
Cash and cash equivalents (Note 2)	$ 1,934,307
Investments (Note 2)	889,017
Receivables:	
Federal	63,999
State	109,949
Sales taxes	2,874,027
Trade and other	591,162
Materials and supplies inventory	293,882
Prepaid expenses	74,765
Total current assets	6,831,108
RESTRICTED ASSETS:	
Cash and cash equivalents (Note 2)	36,116
Total restricted assets	36,116
PROPERTY, FACILITIES AND EQUIPMENT:	
Land	971,791
Buildings and building improvements	18,161,889
Infrastructure	2,044,199
Right-of-ways	10,653,206
Transportation equipment	40,046,810
Other equipment	10,780,162
Total	82,658,057
Less: Accumulated depreciation	34,959,799
Property, facilities and equipment - net	47,698,258
OTHER ASSETS:	
Notes receivable	30,000
Other assets	14,957
Total other assets	44,957
TOTAL ASSETS	$ 54,610,439

(Continued)

See accompanying notes to financial statements.

METRO REGIONAL TRANSIT AUTHORITY

BALANCE SHEET (CONT'D)
DECEMBER 31, 2003

LIABILITIES AND NET ASSETS	2003
CURRENT LIABILITIES:	
Bonds and loan payable - current maturities (Note 3)	$ 760,875
Accounts payable	389,191
Accrued payroll	1,302,939
Accrued payroll taxes	890,248
Other liabilities	323,276
Total current liabilities	3,666,529
NONCURRENT LIABILITIES:	
Bonds and loan payable	965,000
Deferred capital grant	3,036
Total noncurrent liabilities	968,036
Total liabilities	4,634,565
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	46,448,258
Restricted for Capital Assets	36,116
Unrestricted	3,491,500
Total Net Assets	49,975,874
TOTAL LIABILITIES AND NET ASSETS	$ 54,610,439

(Concluded)

See accompanying notes to financial statements.

METRO REGIONAL TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

	2003
OPERATING REVENUES:	
Passenger fares	$ 3,282,581
Charter revenue	203,248
Advertising and concessions	354,381
Total operating revenues	3,840,210
OPERATING EXPENSES:	
Labor	12,915,126
Fringe benefits (Note 4)	7,141,771
Materials and supplies	3,163,939
Services	1,207,788
Utilities	404,700
Casualty and liability	890,037
Taxes	167,216
Purchased transportation service	1,887,041
Miscellaneous	264,521
Total operating expenses excluding depreciation	28,042,139
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(24,201,929)
DEPRECIATION EXPENSE:	
On assets acquired with capital grants	5,853,886
On other assets	319,831
Total depreciation expense	6,173,717
OPERATING LOSS	(30,375,646)
NON-OPERATING REVENUES (EXPENSES):	
Sales tax revenue	17,167,953
Federal operating grants and reimbursements (Note 7)	5,062,561
State operating grants, reimbursements and special fare assistance (Note 7)	1,305,676
Student fare and other assistance	1,666,411
Investment loss	(16,996)
Interest income	46,650
Interest expense	(107,085)
Loss from disposal of assets	(229,860)
Other	218,215
Total non-operating revenues - net	25,113,525
NET LOSS BEFORE CAPITAL CONTRIBUTION	(5,262,121)
CAPITAL CONTRIBUTIONS (Note 1)	7,479,162
Increase in Net Assets	2,217,041
Net Assets, Beginning of Year	47,758,833
Net Assets. End of Year	$ 49,975,874

See accompanying notes to financial statements.

METRO REGIONAL TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

	2003
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 3,797,518
Cash payments to suppliers for goods and services	(15,841,194)
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Principal paid on bonds and loan payable	(265,000)
Interest paid on bonds	(107,085)
Net cash used by capital and related financing activities	(161,587)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash payments for investments - net	(21,873)
Interest received from investments	46,650
Net cash provided by investing activities	24,777
NET INCREASE IN CASH AND CASH EQUIVALENTS	71,811
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,898,612
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,970,423
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (30,375,646)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	6,173,717
Unrealized loss on investments	16,996
Change in assets and liabilities:	
Accounts receivable-trade	(42,692)
Materials and supplies inventory	105,255
Prepaid expenses	(74,765)
Accounts payable	(551,562)
Accrued payroll	51,407
Accrued payroll taxes	153,787
Other current liabilities	(210,105)
NET CASH USED IN OPERATING ACTIVITIES	$ (24,753,608)

See accompanying notes to financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Metro Regional Transit Authority ("Metro" 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 Summit County, Ohio. 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.

Under Ohio law, the Authority is authorized to levy a sales and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .25 percent, .5 percent, 1 percent, or 1.5 percent if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and summit County. During 1990, the voters of Summit County approved a .25 percent sales and use tax with no limit on its duration.

The Authority is managed by a 12-member Board of Trustees and provides virtually all mass transportation within Summit County.

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 nor is it considered a component unit of any other entity.

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization nor is any other organization accountable for Metro. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code.

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.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In accordance with Statement No. 20 of the GASB, "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.

Nonexchange Transactions - The Authority has also adopted the provisions of Statement No. 33 of the Governmental Accounting Standards Board ("GASB") regarding the Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions be recognized as revenue. Accordingly, during the year ended December 31, 2003, $7,479,162 in capital contribution was recognized as revenue in the Statement of Revenues, Expenses and changes in Net Assets for the Authority.

New Accounting Pronouncements - Effective January 1, 2003, the Authority implemented the provisions of 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." 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.

The Authority will continue applying all applicable pronouncements issued by the GASB.

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, at date of purchase, of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Investments – The Authority's investments are stated at fair value.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Materials and Supplies Inventory – Materials and supplies inventory is stated at cost (average cost method). Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, at and during the reported period. Actual results could differ from those estimates.

Property, Facilities and Equipment – Property, facilities and equipment are stated at historical cost. The cost of maintenance and repairs is charged to operations as incurred.

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

Description	Years
Building and Building Improvements	20-40
Infrastructure	20-30
Transportation equipment	5-12
Other equipment	3-10

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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."

Classifications 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, advertising, and concession revenue. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as sales tax proceeds and most federal, state, and local grants and contracts.

Recognition of Revenue and Receivables

The Federal Transit Administration ("FTA") and the Ohio Department of Transportation ("ODOT") provide financial assistance and make 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 grant receivables and revenue over the entitlement period.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Recognition of Revenue and Receivables (Cont'd)

Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as revenue when the expenditure has been made and the revenue is available. Capital grant funds received in advance of project costs being incurred are deferred.

Compensated Absences – The Authority accrues vacation as earned by its employees. Because rights to sick pay do not vest, Metro recognizes such costs when they are incurred.

2. DEPOSITS AND INVESTMENTS

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. 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 in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool ("STAROhio"), and obligations of the United States government and certain agencies thereof. The Authority may also enter into repurchase agreements with eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealer for a period not exceeding 30 days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") or may pledge a pool of government securities that have a face value that is at least 110 percent of the total value of public monies on deposit at the institution.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of

2. DEPOSITS AND INVESTMENTS (Cont'd)

the principal by two percent and be marked to market daily. State law does not require that security for public deposits and investments be maintained in the Authority's name.

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

As of December 31, 2003, the Authority maintains unrestricted cash and cash equivalents of $1,934,307, restricted cash and cash equivalents of $36,116 and investments of $889,017. The total cash, cash equivalents and investments of $2,859,440 consist of $280,423 in deposits and $2,579,017 in investments.

Deposits

At December 31, 2003, the carrying amount of the Authority's deposits was $280,423 and the bank balance was $280,701, $143,420 of which was covered by the FDIC and $137,281 of which was uninsured and uncollateralized as defined by the GASB. The uncollateralized deposits were, however, covered by a pledged collateral pool not held in the Authority's name, as permitted under Ohio law.

Investments

The Authority's investments are categorized below in accordance with the criteria established by the GASB to indicate the level of credit risk assumed as of December 31, 2003. Category 1 includes investments that are insured or registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name.

2. DEPOSITS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

Description	Risk Category 1	Risk Category 2	Risk Category 3	Fair Value Carrying Amount	Cost
Repurchase Agreements			$1,690,000	$1,690,000	$1,690,000
U.S. Government Securities		$ 889,017		889,017	906,013
Total		$ 889,017	$1,690,000	$2,579,017	$2,596,013

3. BONDS AND LOAN PAYABLE

Issue	Average Interest Rate	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003	Due Within One Year
General obligations bonds 1992	6.69	$1,515,000		$265,000	$1,250,000	$285,000
SIB Loan	0.00		$ 475,875		475,875	475,875
Total Bonds and Loan		$1,515,000	$ 475,875	$265,000	$1,725,875	$760,875

In May 1, 2003, the Authority entered into a no interest loan for the (12) twelve-month term agreement with the State of Ohio, Department of Transportation for a State Infrastructure Bank (SIB) loan in an amount not to exceed $1,510,000. Through December 31, 2003, the Authority had borrowed $475,875 under this loan agreement to finance the rehabilitation of the Railroad Project.

In June 1992, the Authority issued general obligation bonds, which are tax-exempt and have annual maturity dates through 2007. Bonds maturing on and after December 1, 2001 are subject to optional redemption by the Authority prior to maturity. The outstanding bonds have varying interest rates of 6.55 percent to 6.8 percent.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

3. BONDS AND LOAN PAYABLE (Cont'd)

The annual requirements to pay principal and interest on the general obligation bonds and loan outstanding at December 31, 2003 are as follows:

	Principal	Interest
2004	$ 760,875	$ 83,678
2005	300,000	65,010
2006	320,000	23,460
2007	345,000	45,060
Total	$1,725,875	$ 217,208

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 is as follows:

Description	Balance @ 01/01/03	Fixed Assets Additions	Fixed Assets Disposals	Balance @ 12/31/03
Capital Assets Not Being Depreciated				
Land	$ 971,791			$ 971,791
Right-of-ways	6,200,000	$ 4,453,206		10,653,206
Total Capital Assets Not Being Depreciated	7,171,791	4,453,206		11,624,997
Capital Assets Being Depreciated:				
Building & Building Improvements	17,703,770	922,249	$ 464,130	18,161,889
Infrastructure	1,073 420	984,795	14,016	2,044,199
Transportation Equipment	40,632,136	1,274,779	1,860,105	40,046,810
Other Equipment	10,584,780	588,433	393,051	10,780,162
Total Capital Assets Being Depreciated	69,994,106	3,770,256	2,731,302	71,033,060
Less Accumulated Depreciation:				
Building & Building Improvements	10,020,855	1,395,924	424,365	10,992,414
Infrastructure	19,964	108,299	12,816	115,447
Transportation Equipment	17,565,253	3,342,892	1,700,732	19,207,413
Other Equipment	3,674,905	1,326,601	356,981	4,644,525
Total Accumulated Depreciation	31,280,977	6,173,716	2,494,894	34,959,799
Total Capital Assets Being Depreciated, Net	38,713,129	(2,403,460)	236,408	36,073,261
Total Capital Assets, Net	$ 45,884,920	$ 2,049,746	$ 236,408	$ 47,698,258

5. PURCHASED TRANSPORTAION SERVICES

During 2003, the Authority has a contract with a local taxi company to provide transit services within Summit County for elderly and handicapped persons. Expenses under this contract amounted to $1,869,095 in 2003. All passenger fares related to these transit services are collected by the Authority and recorded as revenue.

6. EMPLOYEE RETIREMENT PLANS

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. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. 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 2003 employer contribution rate for local government units was 13.55 percent of covered payroll including 5 percent 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 ended December 31, 2003, 2002 and 2001 were $1,168,521, $1,234,410 and $1,784,108, 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. 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.

6. EMPLOYEE RETIREMENT PLANS (Cont'd)

The assumptions and calculations noted below were based on the System's 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 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 return assumption rate for 2002 was 8 percent. An annual increase of 4 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 percent base increase, were assumed to range from .5 percent to 6.3 percent. Health care costs were assumed to increase 4 percent annually.

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The Authority's contributions for other postemployment benefits to OPERS for the years ended December 31, 2003, 2002 and 2001 were $683,346, $721,877, $566,180, respectively, equal to 100 percent of the required contributions for each year. At December 31, 2003, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under OPERS for any retirees, terminated employees, or other beneficiaries.

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002 was $10.0 billion. The actuarially accrued liability and the unfunded liability, based on the actuarial costs method used, were $18.7 billion and $8.7 billion, respectively. At December 31, 2003, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

7. FEDERAL AND STATE GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Grants, reimbursements and special fare assistance in the statements of revenues and expenses for the year ended December 31, consist of the following:

	2003
FEDERAL:	
FTA Maintenance and Other Assistance	$4,906,021
FTA Planning Grants	156,540
Total	$5,062,561
STATE:	
ODOT Maintenance and Other Assistance	$ 922,515
ODOT Elderly Fare Assistance	225,267
ODOT Fuel Tax Reimbursement	157,894
Total	$1,305,676

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 related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994, the Authority commenced participation in the Ohio Transit Insurance Pool Association, Inc. ("OTIP"), renamed in 2002 as Ohio Transit Risk Pool Association, Inc. ("OTRP"), related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first $250,000 of any qualified property loss and the first $500,000 of any qualified casualty loss subject to a $1,000 per loss deductible. Per occurrence, excess insurance coverage is maintained by OTRP equal to approximately $250,000,000 for qualified property losses and $14,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is $3,300,000 and for property is $500,000. Any underfunding of the plan's liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

8. RISK MANAGEMENT (Cont'd)

The Authority continues to carry commercial general liability insurance for its railroad properties. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. Per occurrence, insurance coverage is equal to approximately $5,000,000 for qualified property losses and $5,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is $10,000,000.

The Authority continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

METRO REGIONAL TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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 Program:			
Federal Transit Administrative - Capital and			
Operating Assistance Formula Grants	20.507	OH-90-X246	$ 115,389
		OH-90-X378	88,132
		OH-90-X396	473,749
		OH-90-X416	119,052
		OH-90-X441	5,384,274
		OH-03-0166	2,777,709
		OH-03-0223	1,981,286
		OH-03-0218	500,000
		OH-37-X016	410,445
		OH-70-0001	500,000
Total CFDA #20.507			12,350,036
Total U.S. Department of Transportation - Federal Transit Cluster			12,350,036
Total Expenditure of Federal Awards			$ 12,350,036

See accompanying notes to financial statements.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2003

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Metro 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.

Dingus and Daga, Inc.
Certified Public Accountants
Tower East • 20600 Chagrin Boulevard • Suite 701
Shaker Heights, Ohio 44122-5398 • 216/561-9200

INDEPENDENT AUDITORS' 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
Metro Regional Transit Authority
Akron, Ohio

We have audited the financial statements of the Metro Regional Transit Authority (the "Authority") as of and for the year ended December 31, 2003, and have issued our report thereon dated, April 23, 2004. As described in note 1 to the financial statements, as of January 1, 2003, the Authority adopted 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 – an amendment of GASB Statement No. 21 and No. 34, and GASB Statement No. 38, Certain Financial Statement Note Disclosures effective. 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 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.

Dingus and Daga, Inc.

Shaker Heights, Ohio
April 23, 2004

Dingus and Daga, Inc.
Certified Public Accountants
Tower East • 20600 Chagrin Boulevard • Suite 701
Shaker Heights, Ohio 44122-5398 • 216/561-9200

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

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

Compliance

We have audited the compliance of the Metro 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 Cost. 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 and 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 a 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 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.

Dingus and Daga, Inc.

Shaker Heights, Ohio
April 23, 2004

METRO REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2003

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	no
Reportable condition(s) identified not considered to be material weaknesses?	no
Noncompliance material to financial statements noted?	no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	no
Reportable condition(s) identified not considered to be material weaknesses?	no
Type of auditor's report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.507	Federal Transit Administration Capital and Operating Assistance Formula Grants

PART I - SUMMARY OF AUDITORS' RESULTS (Cont'd)

Federal Awards (Cont'd)

Dollar threshold used to distinguish between Type A and Type B programs:	$370,501
Auditee qualified as low-risk auditee?	yes

PART II - FINANCIAL STATEMENT FINDINGS

No matters are reportable.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reportable

METRO REGIONAL TRANSIT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2003

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

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2003

METRO

METRO REGIONAL TRANSIT AUTHORITY

Summit County, Ohio

Comprehensive Annual Financial Report

for the year ending December 31, 2003

METRO Regional Transit Authority
416 Kenmore Blvd • Akron, Ohio • 44301

METRO Regional Transit Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2003

METRO REGIONAL TRANSIT AUTHORITY

Bernard Bear
President
Board of Trustees

Robert K. Pfaff
Executive Director/Secretary-Treasurer

Prepared by:
The General Administration Department

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METRO Regional Transit Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2003

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METRO
METRO REGIONAL TRANSIT AUTHORITY
Summit County, Ohio

Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metro Regional Transit Authority, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

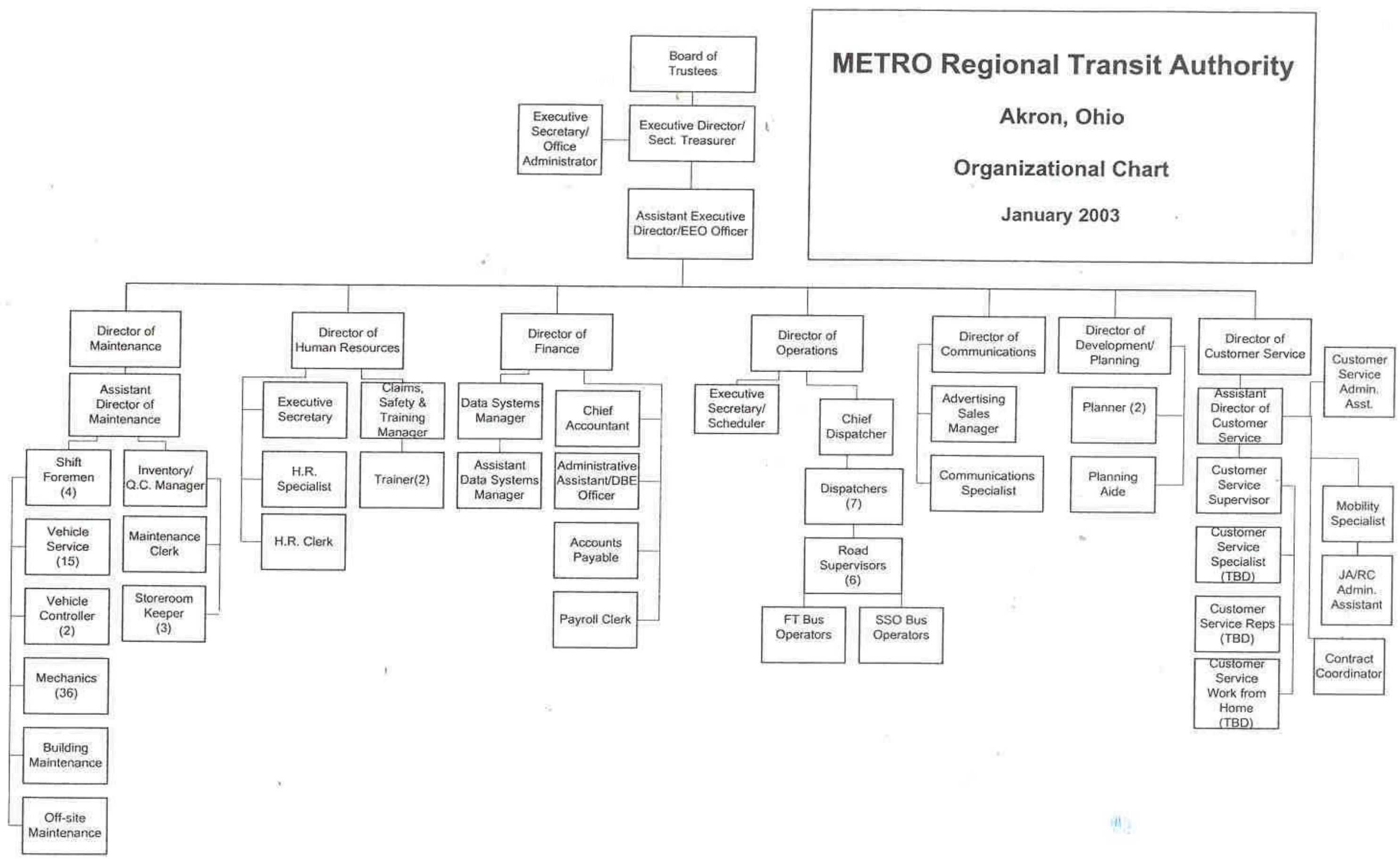
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

METRO Regional Transit Authority


METRO Regional Transit Authority
Akron, Ohio
Organizational Chart
January 2003
Board of Trustees
Executive Director/ Sect. Treasurer
Executive Secretary/ Office Administrator
Assistant Executive Director/EEO Officer
Director of Maintenance
Assistant Director of Maintenance
Shift Foremen (4)
Vehicle Service (15)
Vehicle Controller (2)
Mechanics (36)
Building Maintenance
Off-site Maintenance
Inventory/ Q.C. Manager
Maintenance Clerk
Storeroom Keeper (3)
Director of Human Resources
Executive Secretary
H.R. Specialist
H.R. Clerk
Claims, Safety & Training Manager
Trainer(2)
Director of Finance
Data Systems Manager
Assistant Data Systems Manager
Chief Accountant
Administrative Assistant/DBE Officer
Accounts Payable
Payroll Clerk
Director of Operations
Executive Secretary/ Scheduler
Chief Dispatcher
Dispatchers (7)
Road Supervisors (6)
FT Bus Operators
SSO Bus Operators
Director of Communications
Advertising Sales Manager
Communications Specialist
Director of Development/ Planning
Planner (2)
Planning Aide
Director of Customer Service
Assistant Director of Customer Service
Customer Service Supervisor
Customer Service Specialist (TBD)
Customer Service Reps (TBD)
Customer Service Work from Home (TBD)
Customer Service Admin. Asst.
Mobility Specialist
JA/RC Admin. Assistant
Contract Coordinator

METRO REGIONAL TRANSIT AUTHORITY

416 Kenmore Boulevard Akron, Ohio 44301-1099
(330) 762-7267 (330) 762-0854 FAX

June 25, 2004

Bernard Bear, President,
And Members, Board of Trustees
METRO Regional Transit Authority
and Residents of Summit County, Ohio:

It is a pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the METRO Regional Transit Authority ("METRO" or "Authority") for the fiscal year ended December 31, 2003. This is the fifth such report issued by METRO.

This report was prepared by the General Administration Department of METRO Regional Transit Authority and represents METRO's commitment to provide accurate, concise and high-quality financial information to the Board of Trustees, interested parties and residents in METRO's service area.

This report contains financial statements and statistical data, which provide full disclosure of all of METRO's material financial operations. The financial statements, supplemental schedules, statistical information, and all data contained herein are the representations of METRO's management. METRO's management bears the responsibility for the accuracy, completeness and fairness of this report. In conformance with general acceptance accounting principles generally accepted in the United States of America, this report was developed on the accrual basis of accounting, treating the METRO as a single enterprise fund. This report is indicative of METRO's commitment to provide accurate, concise and high quality financial information to the residents of this area and to all other interested parties.

The Government of Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to METRO for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

This CAFR is divided into the following three sections:

* **Introductory Section** contains last years award, this letter of transmittal, a list of the members of the Board of Trustees and chief administrators of METRO, and an organizational chart.

* **Financial Section** includes the Independent Auditors' Report and the financial statements (with related footnotes) for the fiscal year ended December 31, 2003.

* **Statistical Section** provides financial, economic, and demographic information, which is useful for indicating trends for comparative fiscal periods.

REPORTING ENTITY

General

METRO's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14. Accordingly, the financial statements contained within this comprehensive annual financial report include only the accounts and transactions of METRO. A discussion of METRO's reporting entity is included in Note 1 to the financial statements.

METRO was created under Chapter 306 of the Ohio Revised Code by resolution of the City of Akron, Ohio adopted originally in 1972 and amended on January 28, 1991 to transform the three-city transit system to a countywide transit system. METRO's service area covers 419.92 square miles in Summit County. Express service to downtown Cleveland, Ohio and Canton, Ohio is also provided.

Operations and Funding

Voters approved a ¼ of 1 percent continuous sales and use tax in November 1990 that permitted METRO to expand to a countywide service.

Facilities

METRO's three facilities are located at:

* 416 Kenmore Boulevard - METRO's main administration and maintenance facility.
* 121 South Main Street, Suite #107 - a leased facility in downtown Akron and the office for METRO's Customer Service Department.
* 2340 Romig Road –Transfer Center

Services

METRO provides fixed route, demand response (SCAT) and special event services in the County of Summit and Express Service into downtown Cleveland and Canton.

Management, Board of Trustees

METRO is managed by a Board of Trustees, which is vested by Ohio law with the powers necessary to manage METRO. The legislation and agreements establishing METRO provide for a twelve-member board serving three-year terms. The Board members are appointed by five different governmental agencies. The City of Akron has six seats, the County of Summit has three, and the cities of Barberton, Cuyahoga Falls and Stow have one each.

Administration

The administration of METRO, subject to the policies and supervision of its Board of Trustees, is directed by an Executive Director. The Executive Director is under contract to the Board of Trustees. The Executive Director selects the remaining senior administrative staff. An organizational chart, which depicts the key functional responsibilities, is shown on page 3 of this Introductory Section.

ECONOMIC CONDITION AND OUTLOOK

General

Summit County (METRO's primary service area) is located in northeast Ohio, and the City of Akron is located near the center of the county. The Primary Akron Metropolitan Statistical Area (PMSA) consists of Summit and Portage Counties. The 2000 PMSA population was 694,960. Summit County represents 78% of the two counties total.

Summit County (the County) is served by diversified transportation facilities. Interstate I-77 runs North and South through the County while I-76 crosses east and west through the County. The Ohio Turnpike crosses the northern portion of the county. There are a total of five interstate highways, one U.S. highway and seventeen state highways that are located in the County.

The Summit County unemployment rate for 2003 was 5.4%, compared with a national average of 6.0%.

Akron, once known as the "Rubber Capital of the World", is recognized today as a world leader in polymer research. The University of Akron Institute of Polymer Science is internationally acclaimed.

Population

Population in METRO's principal service area since 1960 has been as follows:

YEAR	AKRON	SUMMIT COUNTY
1960	290,351	513,569
1970	275,425	553,371
1980	238,177	524,472
1990	223,019	514,990
2000	217,074	542,899

Employment

The following table shows comparative unemployment statistics for Summit County, the State of Ohio and the United States for the last five years:

Average Unemployment Rates

Year	Summit County	Ohio	U.S.
1999	4.2	4.2	4.2
2000	4.2	4.1	4.0
2001	4.1	4.3	4.8
2002	5.8	6.6	5.8
2003	5.4	6.2	6.0

MAJOR INITIATIVES

Recent Developments

Highlights of the 2003 year of operations include the following:

* Took delivery of four 40-foot New Flyer low floor buses.
* Provided 5,843,444 line service passenger trips on METRO.
* Provided 345,763 demand response passenger trips on SCAT.
* Continued the installation of an Automatic Vehicle Locator/Computer Aided
* Replaced the fire alarm system for our Administration/Maintenance facility.
* Replaced the computer system.
* Completed a joint project with the Akron Zoo for a bus pull-in and shelter.
* Completed a five year transportation development plan.

Future Projects

METRO continues to implement its current long-range plan. This plan was developed to provide METRO with a strategy for implementing capital and operational projects. The five-year portion of the long-range plan includes:

Rehabilitation of the administration and maintenance facilities. We have completed a portion of this plan the remaining items include replacing hoists in the maintenance garage, constructing offices for our customer service department, and replacing the roof on our bus storage facility.

Replace up to forty 40-foot buses, four of which are scheduled for 2004.

Replace up to 35 paratransit buses, 5 of which are scheduled for 2004.

With the assistance of the City of Akron, METRO has begun the groundwork for a possible downtown intermodal facility. The downtown intermodal facility will be used for the central transfer point of our passengers as well as possibly linking with AMTRAK and Greyhound. We are currently in the conceptual design phase of the project.

Start construction on a second transfer facility.

Continue to add passenger shelters through out the county.

Start on the second phase of our AVL system. This phase will cover line service vehicles. It will provide METRO with the ability to track the location of all of our vehicles as well as provide on time performance measurements.

Purchase a full-scale bus-driving simulator. This simulator will provide the training department the ability to give new operators a chance to experience real driving conditions within a controlled environment.

Purchase bike racks for all of our line service buses.

FINANCIAL INFORMATION

Internal Control Structure

The management of METRO is responsible for establishing and maintaining an internal control structure designed to ensure that METRO's assets are protected from loss, theft, or misuse. Its responsibility is also to ensure that accurate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

In developing and evaluating METRO's accounting system, emphasis is placed on the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the protection of assets against loss from unauthorized use or disposition, and the reliability of financial records used to prepare financial statements. The concept of "reasonable assurance" recognizes that the cost of the control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits require estimates and judgements by management.

All internal control evaluations occur within the above framework. Management believes that METRO's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Management also believes that the data, as presented herein, is accurate in all material respects, that it presents fairly the financial position, results of operations and cash flows of METRO, and that all disclosures necessary to enable the reader to obtain an understanding of METRO's financial affairs have been included.

Basis of Accounting

METRO accounting records are maintained on the accrual basis. The activities are accounted for in a single enterprise (Proprietary-type) fund.

Budgetary Controls

The annual accrual-basis operating budget and capital budget are proposed by METRO management and adopted by the Board of Trustees in a public meeting. The annual budget is prepared using overall guidelines established after consideration of METRO's long-range financial plan.

All capital and operating items exceeding $25,000 receive Board approval prior to purchase. The long-range plan, updated annually, projects sources over the next five years and establishes service levels and growth commensurate with such revenue limits.

METRO maintains budgetary control by not permitting total operating expenses and expenditures for individual capital projects to exceed their appropriations without approval by the Board of Trustees. Management ensures that expenses and capital expenditures stay within the total appropriation. On a monthly basis, the Board reviews budget variations. It is the responsibility of each department to administer its operations in such a manner as to ensure that the use of funds is consistent with the goals and programs authorized by the Board of Trustees.

Financial Operating Results

Revenues

METRO's revenues are classified by source and described as shown below:

Revenue by Source

			Increased/(Decreased)	
	2003	2002	Amount	Percent
Sales Tax	$17,167,953	$16,652,028	$515,925	3.1%
Passenger Fares	4,948,992	4,710,741	238,251	5.1%
Federal Assistance	5,062,561	3,098,114	1,964,447	63.4%
State Assistance	1,305,676	1,699,085	(393,409)	-23.2%
Interest Income	29,654	75,401	(45,747)	-60.7%
Auxiliary Transportation Revenue	557,629	475,655	81,974	17.2%
Non-transportation Revenue	(11,645)	187,473	(199,118)	-106.2%
TOTAL	$29,060,820	$26,898,497	$2,162,323	8.0%

Sales Tax revenues increased from last year. This is a sales and use tax of ¼ of 1% on all goods and services sold in Summit County. There is no limit on its duration.

Passenger fares are comprised of farebox revenues, tickets sales, special transit fares, a contract with the Department of Jobs and Family Services to provide transportation for TANF clients, a contract with the Akron Board of Education, and contracts with The University of Akron. METRO also has additional contracts with local governmental agencies to provide paratransit service. The increase in passenger fares can be attributed to a increase in ridership for our contracted services.

Federal assistance funds are received from the Federal Transit Administration (FTA) for certain items that are classified as capital assistance. Capital assistance, as defined by the FTA, includes preventive maintenance, leases, planning, and other operating items that are part of capital projects. The level of funds received in 2003 was significantly higher due to use of more funding for preventive maintenance.

State assistance funds are received from the Ohio Department of Transportation (ODOT) for capital, Elderly and Handicapped one-half fare program, and fuel tax refunds. The amount in 2003 was down compared to 2002. This was due to a decrease in funding from the State of Ohio from the Ohio Public Transportation Grant Program.

Auxiliary Transportation Revenue consists of advertising and charter revenue. Advertising sales continued to increase for the second year in a row.

Operating Expenses

Operating Expenses by Object Class

			Increased/(Decreased)	
	2003	2002	Amount	Percent
Labor	$12,915,126	$13,098,078	($182,952)	-1.4%
Fringe Benefits	7,141,771	6,283,020	858,751	13.7%
Materials and Supplies	3,163,939	3,064,413	99,526	3.2%
Services	1,207,788	940,454	267,334	28.4%
Utilities	404,700	417,332	(12,632)	-3.0%
Casualty and Liability	890,037	762,078	127,959	16.8%
Taxes	167,216	158,551	8,665	5.5%
Purchased Transportation	1,887,041	2,265,605	(378,564)	-16.7%
Interest Expense	107,085	115,415	(8,330)	-7.2%
Cost of Major Investment Study	0	70,757	(70,757)	-100.0%
Miscellaneous	264,521	333,715	(69,194)	-20.7%
TOTAL	$28,149,224	$27,509,418	$639,806	2.3%

Total operating expenses, excluding depreciation, increased in 2003 by 2.3%. This increase in expenses for 2003 is largely due to increased cost for fringe benefit. There was also some additional cost for services in 2003 for a five year transportation development plan.

Labor and Fringe Benefits are METRO's major expense items. Wages decrease due to some service reductions that were placed into effect in April 2003. Fringe benefits were higher due to increased cost for hospitalization.

Material and Supplies increased due to increased cost for bus replacement parts.

Services increased due to the development of a transportation plan that is required every five years.

Casualty and Liability continued to increase due to a tight insurance market.

Purchased Transportation was down due to lower ridership, which was due in part to a fare increase for Paratransit trips.

Miscellaneous Expenses decreased due to smaller travel expenses and advertising expenses in 2003 as compared to 2002.

Financial Operating Results

METRO's net revenue for the year ended December 31, 2003, was $911,596, before Capital Contributions and Depreciation.

Retirement Plans

All of METRO's employees are covered under the Public Employees Retirement System (PERS), a statewide public retirement (including disability retirement) system.

Employees contribute to PERS at a statutory rate of 8.5% of earnable salary or compensation, and METRO normally contributes 13.55% of the same base. These contribution rates are actuarially determined and statutorily mandated.

METRO has a "pickup" (assume and pay) program with respect to all of the statutorily required contributions of employees. Under the pickup program, employee compensation is reduced by the amount of the contributions to PERS that is paid by METRO on behalf of the employees. In addition, Federal and State income taxes are deferred on the compensation until the amounts are withdrawn from PERS.

PERS is not subject to the funding and vesting requirements of the Federal Employee Retirement Income Security Act of 1974.

PERS was created by and operates pursuant to the Ohio Revised Code. The Ohio General Assembly could decide to amend the format of PERS and could revise the contribution rates or basis of contributions made by METRO as well as the plan's benefit levels.

Federal law requires METRO employees hired after March 31, 1986, to participate in the Federal Medicare program, which requires matching employer and employee contributions, each being 1.45% of the taxable wages. Otherwise, METRO employees are not currently covered under the Federal Social Security Act.

Other Post-employment Benefits

PERS also provides post-retirement health care coverage to those employees who retire with ten or more years of qualifying Ohio service credit as well as health care coverage for disability recipients and primary survivor recipients. A portion of each employer's contribution to PERS is set aside to fund these benefits (5% of wages).

METRO also provides post-employment health care to former employees who do not qualify for PERS health care benefits.

All retired employees are provided between $500 to $3,000 in life insurance benefits, which is funded through the purchase of group insurance.

Debt Administration

The Authority has outstanding bonds $1,250,000 and notes payable of $475,875, an increase of $210,875 from the prior year. This debt consists of capital facilities bonds issued for the purpose of purchasing, acquiring, constructing, replacing, improving, extending and enlarging transit facilities and other equipment. The note consist of capital funding for the purpose of rehabilitation of the Railroad Project. The bonds and notes were authorized to be issued and sold under resolutions passed by the Board of Trustees. The bonds are general obligations of the Authority. The note was issued on May 1, 2003 and is for a twelve month period and is interest free.

Cash Management and Investments

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 in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAROhio), and obligations of the United States government and certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealers 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 lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or may pledge a pool of government securities that have a face value that is at least 110% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security for public deposits and investments be maintained in the Authority's name.

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

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 related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994, the Authority joined together with certain other transit authorities in the state to form the Ohio Transit Insurance Risk Pool, Inc. (OTRP), a joint self insurance pool pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for eight member transit agencies.

The Authority pays an annual premium to OTRP for its general insurance coverage and quarterly pays into a loss and administration fund pursuant to its bylaws. Under the agreement the Authority receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first $250,000 of any qualified property loss and the first $500,000 of any qualified casualty loss subject to a $1,000 per loss deductible. Per occurrence, excess insurance coverage is maintained by OTRP equal to approximately $250,000,000 for qualified property losses and $14,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is $3,300,000 and for property is $500,000.

The Authority continues to carry commercial general liability insurance for its railroad properties. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. Per occurrence, insurance coverage is equal to approximately $5,000,000 for qualified property losses and $5,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is $10,000,000.

The Authority continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

OTHER INFORMATION

METRO's independent auditing firm, Dingus & Daga, has rendered an unqualified auditors' report on METRO's financial statements for the fiscal year ended December 31, 2003.

METRO also participates in the Federal single audit program, which consists of a single audit of all Federally funded programs administrated by METRO. As a requirement for continued funding eligibility, participation in the single audit program is mandatory for most local governments, including METRO. The single audit performed by Dingus & Daga met the requirements set forth by the State of Ohio and the Federal Single Audit Act of 1984 (as amended) and related OMB Circular A-133. The independent auditors' report issued thereon noted no instances of direct and material noncompliance by METRO with applicable State or Federal laws or regulations for the fiscal year ended December 31, 2003.

Certificate of Achievement Program

It is the intention of METRO's management to submit this and future CAFR's for review under the GFOA's "Certificate of Achievement for Excellence in Financial Reporting" program. Management believes the current report conforms to the program requirements and expects that participation will result in continued improvement in METRO's financial reporting in future years.

Acknowledgements

The publication of this report is a reflection of the level of excellence and professionalism METRO's Department of Accounting has attained. It demonstrates the extent of METRO's accountability to its taxpayers and creditors.

This report would not have been possible without the determination and high standards of the entire staff of the Accounting Department. METRO wishes to thank all who contributed to this project.

Robert K. Pfaff
Executive Director/
Secretary-Treasurer

Dean J. Harris
Director of Finance

2003

METRO

METRO REGIONAL TRANSIT AUTHORITY

Summit County, Ohio

Financial Section

Dingus and Daga, Inc.
Certified Public Accountants
Tower East • 20600 Chagrin Boulevard • Suite 701
Shaker Heights, Ohio 44122-5398 • 216/561-9200

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Metro Regional Transit Authority
Akron, Ohio

We have audited the accompanying financial statements of the Metro Regional Transit Authority (the "Authority"), as of and for the year ended December 31, 2003 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 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 referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Authority adopted 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 effective January 1, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated April 23, 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements. The introductory section, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Dingus and Daga, Inc.

Shaker Heights, Ohio
April 23, 2004

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended December 31, 2003

As financial management of the Metro Regional Transit Authority (the Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2003. 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 financial statements as a whole.

Financial Highlights

• The Authority has net assets of $49.975 million. These net assets result from the difference between total assets of 54.610 million and total liabilities of $4.634 million.

• Current assets of 6.8 million primarily consist of non-restricted Cash and Cash Equivalents of 1.9 million; Sales and Use Tax receivable of 2.8 million and long-term investments of .8 million.

• Current liabilities of 3.6 million primarily consist of Accrued Compensation of 2.1 million and the current portion of long-term liabilities of .7 million.

• Long-Term Debt consists mainly of bonds of .9 million or 20% of the total liabilities balance of $4.6 million.

Basic Financial Statements and Presentation

New Accounting Pronouncements

Effective January 1, 2003, 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 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.

Basic Financial Statements and Presentation (Cont'd)

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 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 position.

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

Financial Analysis of the Authority

Condensed Summary of Net Assets

The Authority did not issue comparative financial statements in 2003 due to the implementation of GASB 34. In future years, the Authority will issue comparative financial statements and, therefore, comparative information will not be presented in Management's Discussion and Analysis.

Current assets	$ 6,023,164
Long-term investments	889,017
Capital assets, net	47,698,258
Total assets	54,610,439
Current liabilities	3,666,529
Non-Current Liabilities	968,036
Total liabilities	4,634,565
Net assets:	
Invested in Capital Assets, Net of Related Debt	46,448,258
Restricted for Capital Assets	36,116
Unrestricted	3,491,500
Total net assets	$ 49,975,874

By far, the largest portion of the Authority's net assets reflect investment in capital assets (e.g., diesel buses, operating facilities including our transfer center and our banked railroad property) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide public transportation service for Summit County citizens. These assets are not available to liquidate liabilities or to cover other spending.

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2003

Condensed Summary of Revenues, Expenses and Changes in Net Assets

Operating Revenues (expenses)	$ 3,840,210
Operating expenses excluding depreciation	(28,042,139)
Depreciation expense	(6,173,717)
Operating loss	(30,375,646)
Non-operating revenues (expenses):	
Sales tax revenue	17,167,953
Federal operating and preventive maintenance assistance	5,062,561
State operating and preventive maintenance assistance	1,305,676
Student fare and other assistance	1,666,411
Investment income	46,650
Interest expense	(107,085)
Loss from disposal of assets	(229,860)
Net decrease in fair value of investments	(16,996)
Other	218,215
Total non-operating revenues, net	25,113,525
Capital contributions	7,479,162
Increase in Net Assets	2,217,041
Net assets, beginning of year	47,758,833
Net assets, end of year	$ 49,975,874

The Authority's operating revenues decreased $14,312 to $3.8 million in 2003. This .4% decrease resulted from lower passenger trips and associated passenger fares. In the public transportation industry there is a direct relationship between passenger rider ship and economic conditions. Operating expenses, excluding depreciation, increased by $.5 million as compared to the prior year. Due to the economic downturn which started mid year 2001, the Authority has reduced service approximately 16% to slow the increases in expenses. Depreciation expense increased by $.6 million over 2002.

The 2003 increase in other non-operating revenues of $2.2 million is primarily related to increased federal capitalized maintenance funding.

Condensed Summary of Cash Flows

Net cash used for operating activities increased by $2.9 million in 2003 as a result of decreased passenger fare revenues and increased expenses due to health benefits and wage increases. Net cash used in capital and related financing activities decreased $.7 million as a result of reduced capital acquisition and construction costs. Cash and cash equivalents increased in 2003 over 2002 by $71,811.

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 3,797,518
Cash payments to suppliers for goods and services	(15,841,194)
Cash payments to employees for services	(12,709,932)
Net cash used in operating activities	(24,753,608)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Sales taxes received	16,895,182
Operating grants and other assistance received	7,860,700
Other	206,347
Net cash provided by non-capital financing activities	24,962,229
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants received	7,951,538
Acquisition and construction of fixed assets	(8,216,915)
Cash received from bonds and loan payable	475,875
Principal paid on bonds and loan payable	(265,000)
Interest paid on bonds	(107,085)
Net cash used by capital and related financing activities	(161,587)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash payments for investments - net	(21,873)
Interest received from investments	46,650
Net cash provided by investing activities	24,777
NET INCREASE IN CASH AND CASH EQUIVALENTS	71,811
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,898,612
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,970,423

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets amounts to $47.6 million, net of accumulated depreciation as of December 31, 2003, an increase of $1.8 million (3.9%). Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital asset expenditures during the current fiscal year included the following:

- Purchase of four 40′ diesel buses totaling $1.3 million,
- Purchase of railroad right-of-way and rehabilitation, totaling $5.6 million,
- Renovation of our Administrative and Maintenance facility, totaling $3 million.

Long-term Debt

The Authority has outstanding bonds and notes payable of $965,000, a decrease of $285,000 from the prior year. This debt solely consists of capital facilities bonds issued for the purpose of purchasing, acquiring, constructing, replacing, improving, extending and enlarging transit facilities and other equipment. The bonds and notes were authorized to be issued and sold under resolutions passed by the Board of Trustees. The bonds are general obligations of the Authority. There were no changes to the debt structure during fiscal year 2003.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, METRO Regional Transit Authority, 416 Kenmore Boulevard, Akron, OH 44301.

METRO REGIONAL TRANSIT AUTHORITY

BALANCE SHEET
DECEMBER 31, 2003

ASSETS	2003
CURRENT ASSETS:	
Cash and cash equivalents (Note 2)	$ 1,934,307
Investments (Note 2)	889,017
Receivables:	
Federal	63,999
State	109,949
Sales taxes	2,874,027
Trade and other	591,162
Materials and supplies inventory	293,882
Prepaid expenses	74,765
Total current assets	6,831,108
RESTRICTED ASSETS:	
Cash and cash equivalents (Note 2)	36,116
Total restricted assets	36,116
PROPERTY, FACILITIES AND EQUIPMENT:	
Land	971,791
Buildings and building improvements	18,161,889
Infrastructure	2,044,199
Right-of-ways	10,653,206
Transportation equipment	40,046,810
Other equipment	10,780,162
Total	82,658,057
Less: Accumulated depreciation	34,959,799
Property, facilities and equipment - net	47,698,258
OTHER ASSETS:	
Notes receivable	30,000
Other assets	14,957
Total other assets	44,957
TOTAL ASSETS	$ 54,610,439

(Continued)

METRO REGIONAL TRANSIT AUTHORITY

BALANCE SHEET (CONT'D)
DECEMBER 31, 2003

LIABILITIES AND NET ASSETS	2003
CURRENT LIABILITIES:	
Bonds and loan payable - current maturities (Note 3)	$ 760,875
Accounts payable	389,191
Accrued payroll	1,302,939
Accrued payroll taxes	890,248
Other liabilities	323,276
Total current liabilities	3,666,529
NONCURRENT LIABILITIES:	
Bonds and loan payable	965,000
Deferred capital grant	3,036
Total noncurrent liabilities	968,036
Total liabilities	4,634,565
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	46,448,258
Restricted for Capital Assets	36,116
Unrestricted	3,491,500
Total Net Assets	49,975,874
TOTAL LIABILITIES AND NET ASSETS	$ 54,610,439

(Concluded)

METRO REGIONAL TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

	2003
OPERATING REVENUES:	
Passenger fares	$ 3,282,581
Charter revenue	203,248
Advertising and concessions	354,381
Total operating revenues	3,840,210
OPERATING EXPENSES:	
Labor	12,915,126
Fringe benefits (Note 4)	7,141,771
Materials and supplies	3,163,939
Services	1,207,788
Utilities	404,700
Casualty and liability	890,037
Taxes	167,216
Purchased transportation service	1,887,041
Miscellaneous	264,521
Total operating expenses excluding depreciation	28,042,139
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(24,201,929)
DEPRECIATION EXPENSE:	
On assets acquired with capital grants	5,853,886
On other assets	319,831
Total depreciation expense	6,173,717
OPERATING LOSS	(30,375,646)
NON-OPERATING REVENUES (EXPENSES):	
Sales tax revenue	17,167,953
Federal operating grants and reimbursements (Note 6)	5,062,561
State operating grants, reimbursements and special fare assistance (Note 6)	1,305,676
Student fare and other assistance	1,666,411
Investment loss	(16,996)
Interest income	46,650
Interest expense	(107,085)
Loss from disposal of assets	(229,860)
Other	218,215
Total non-operating revenues - net	25,113,525
NET LOSS BEFORE CAPITAL CONTRIBUTION	(5,262,121)
CAPITAL CONTRIBUTIONS (Note 1)	7,479,162
Increase in Net Assets	2,217,041
Net Assets, Beginning of Year	47,758,833
Net Assets. End of Year	$ 49,975,874

METRO REGIONAL TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003

	2003
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 3,797,518
Cash payments to suppliers for goods and services	(15,841,194)
Cash payments to employees for services	(12,709,932)
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Other	206,347
Net cash provided by non-capital financing activities	24,962,229
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants received	7,951,538
Acquisition and construction of fixed assets	(8,216,915)
Cash received from bonds and loan payable	475,875
Principal paid on bonds and loan payable	(265,000)
Interest paid on bonds	(107,085)
Net cash used by capital and related financing activities	(161,587)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash payments for investments - net	(21,873)
Interest received from investments	46,650
Net cash provided by investing activities	24,777
NET INCREASE IN CASH AND CASH EQUIVALENTS	71,811
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,898,612
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,970,423
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (30,375,646)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	6,173,717
Unrealized gain (loss) on investments	16,996
Change in assets and liabilities:	
Accounts receivable-trade	(42,692)
Materials and supplies inventory	105,255
Prepaid expenses	(74,765)
Accounts payable	(551,562)
Accrued payroll	51,407
Accrued payroll taxes	153,787
Other current liabilities	(210,105)
NET CASH USED IN OPERATING ACTIVITIES	$ (24,753,608)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Metro Regional Transit Authority ("Metro" 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 Summit County, Ohio. 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.

Under Ohio law, the Authority is authorized to levy a sales and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .25 percent, .5 percent, 1 percent, or 1.5 percent if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and summit County. During 1990, the voters of Summit County approved a .25 percent sales and use tax with no limit on its duration.

The Authority is managed by a 12-member Board of Trustees and provides virtually all mass transportation within Summit County.

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 nor is it considered a component unit of any other entity.

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization nor is any other organization accountable for Metro. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code.

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.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In accordance with Statement No. 20 of the GASB, "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.

Nonexchange Transactions - The Authority has also adopted the provisions of Statement No. 33 of the Governmental Accounting Standards Board ("GASB") regarding the Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that capital contributions be recognized as revenue and not as contributed capital. Accordingly, during the year ended December 31, 2003, $7,479,162 in capital contribution were recognized as revenue in the Statement of Revenues and Expenses for the Authority.

New Accounting Pronouncements - Effective January 1, 2003, the Authority implemented the provisions of 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." 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.

The Authority will continue applying all applicable pronouncements issued by the GASB.

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, at date of purchase, of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Investments – The Authority's investments are stated at fair value.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Materials and Supplies Inventory – Materials and supplies inventory is stated at cost (average cost method). Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, at and during the reported period. Actual results could differ from those estimates.

Property, Facilities and Equipment – Property, facilities and equipment are stated at historical cost. The cost of maintenance and repairs is charged to operations as incurred.

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

Description	Years
Building and Building Improvements	20 - 40
Infrastructure	20 - 30
Transportation equipment	5 - 12
Other equipment	3 - 10

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 n capital assets, net of related debt."

Classifications 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, advertising, and concession revenue. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as sales tax proceeds and most federal, state, and local grants and contracts.

Sales tax revenues are recognized for the month collected by the State of Ohio.

The Federal Transit Administration ("FTA") and the Ohio Department of Transportation ("ODOT") provide financial assistance and make 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 grant receivables and revenue over the entitlement period.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Classifications of Revenues (Cont'd)

Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as revenue when the expenditure has been made and the revenue is available. Capital grant funds received in advance of project costs being incurred are deferred.

Compensated Absences – The Authority accrues vacation as earned by its employees. Because rights to sick pay do not vest, Metro recognizes such costs when they are incurred.

2. DEPOSITS AND INVESTMENTS

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. 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 in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool ("STAROhio"), and obligations of the United States government and certain agencies thereof. The Authority may also enter into repurchase agreements with eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealer for a period not exceeding 30 days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") or may pledge a pool of government securities that have a face value that is at least 110 percent of the total value of public monies on deposit at the institution.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of

2. DEPOSITS AND INVESTMENTS (Cont'd)

the principal by two percent and be marked to market daily. State law does not require that security for public deposits and investments be maintained in the Authority's name.

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

As of December 31, 2003, the Authority maintains unrestricted cash and cash equivalents of $1,934,307, restricted cash and cash equivalents of $36,116 and investments of $889,017. The total cash, cash equivalents and investments of $2,859,440 consist of $280,423 in deposits and $2,579,017 in investments.

Deposits

At December 31, 2003, the carrying amount of the Authority's deposits was $280,423 and the bank balance was $280,701, $143,420 of which was covered by the FDIC and $137,281 of which was uninsured and uncollateralized as defined by the GASB. The uncollateralized deposits were, however, covered by a pledged collateral pool not held in the Authority's name, as permitted under Ohio law.

Investments

The Authority's investments are categorized below in accordance with the criteria established by the GASB to indicate the level of credit risk assumed as of December 31, 2003. Category 1 includes investments that are insured or registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name.

2. DEPOSITS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

Description	Risk Category 1	2	3	Fair Value Carrying Amount	Cost
Repurchase Agreements			$1,690,000	$1,690,000	$1,690,000
U.S. Government Securities		$889,017		889,017	906,013
Total		$889,017	$1,690,000	$2,579,017	$2,596,013

3. BONDS AND LOAN PAYABLE

Issue	Average Interest Rate	Balance, January 1, 2003	Additions	Reductions	Balance, December 31, 2003	Due Within One Year
General obligations bonds 1992	6.69%	$1,515,000		$265,000	$1,250,000	$285,000
SIB Loan	0.00%		475,875		475,875	475,875
Total Bonds and Loan		$1,515,000	475,875	$265,000	$1,725,875	$760,875

In May 1, 2003, the Authority entered into a no interest loan for the (12) twelve-month term agreement with the State of Ohio, Department of Transportation for a State Infrastructure Bank (SIB) loan in an amount not to exceed $1,510,000. Through December 31, 2003, the Authority had borrowed $475,875 under this loan agreement to finance the rehabilitation of the Railroad Project.

In June 1992, the Authority issued general obligation bonds, which are tax-exempt and have annual maturity dates through 2007. Bonds maturing on and after December 1, 2001 are subject to optional redemption by the Authority prior to maturity. The outstanding bonds have varying interest rates of 6.55 percent to 6.8 percent.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year Ended December 31, 2003

3. BONDS AND LOAN PAYABLE (Cont'd)

The annual requirements to pay principal and interest on the general obligation bonds and loan outstanding at December 31, 2003 are as follows:

	Principal	Interest
2004	$760,875	$83,678
2005	300,000	65,010
2006	320,000	23,460
2007	345,000	45,060
Total	$1,725,875	$217,208

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 is as follows:

Description	01/01/2003	Additions	Disposals	12/31/2003
Capital Assets Not Being Depreciated				
Land	$971,791			$971,791
Total Capital Assets Not Being Depreciated	971,791			971,791
Capital Assets Being Depreciated				
Building & Building Improvements	17,703,770	922,249	464,130	18,161,889
Infrastructure	1,073,420	984,795	14,016	2,044,199
Right-of-ways	6,200,000	4,453,206		10,653,206
Transportation Equipment	40,632,136	1,274,779	1,860,105	40,046,810
Other Equipment	10,584,780	588,433	393,051	10,780,162
Total Capital Assets Being Depreciated	76,194,106	8,223,462	2,731,302	81,686,266

4. CAPITAL ASSETS (Cont'd)

Description (Cont'd)	01/01/2003	Additions	Disposals	12/31/2003
Less Acc**umulated Depreciation:				
Building & Building Improvements	10,020,855	1,395,924	424,365	10,992,414
Infrastructure	19,964	108,299	12,816	115,447
Right-of-ways				
Transportation Equipment	17,565,253	3,342,892	1,700,732	19,207,413
Other Equipment	3,674,905	1,326,601	356,981	4,644,525
Total Accumulated Depreciation	31,280,977	6,173,716	2,494,894	34,959,799
Total Capital Assets Being Depreciated, Net	38,713,129	(2,403,460)	236,408	36,073,261
Total Capital Assets, Net	45,884,920	2,049,746	236,408	47,698,258

5. PURCHASED TRANSPORTAION SERVICES

During 2003, the Authority has a contract with a local taxi company to provide transit services within Summit County for elderly and handicapped persons. Expenses under this contract amounted to $1,869,095 in 2003. All passenger fares related to these transit services are collected by the Authority and recorded as revenue.

6. EMPLOYEE RETIREMENT PLANS

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. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. 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).

6. EMPLOYEE RETIREMENT PLANS (Cont'd)

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 2003 employer contribution rate for local government units was 13.55 percent of covered payroll including 5 percent 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 ended December 31, 2003, 2002 and 2001 were $1,168,521, $1,234,410 and $1,784,108, 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. 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 assumptions and calculations noted below were based on the System's 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 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 return assumption rate for 2002 was 8 percent. An annual increase of 4 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 percent base increase, were assumed to range from .5 percent to 6.3 percent. Health care costs were assumed to increase 4 percent annually.

6. EMPLOYEE RETIREMENT PLANS (Cont'd)

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The Authority's contributions for other postemployment benefits to OPERS for the years ended December 31, 2003, 2002 and 2001 were $683,346, $721,877, $566,180, respectively, equal to 100 percent of the required contributions for each year. At December 31, 2003, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under OPERS for any retirees, terminated employees, or other beneficiaries.

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002 was $10.0 billion. The actuarially accrued liability and the unfunded liability, based on the actuarial costs method used, were $18.7 billion and $8.7 billion, respectively. At December 31, 2003, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

7. FEDERAL AND STATE GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Grants, reimbursements and special fare assistance in the statements of revenues and expenses for the year ended December 31, consist of the following:

	2003
FEDERAL:	
FTA Maintenance and Other Assistance	$4,906,021
FTA Planning Grants	156,540
Total	5,062,561
STATE:	
ODOT Maintenance and Other Assistance	$922,515
ODOT Elderly Fare Assistance	225,267
ODOT Fuel Tax Reimbursement	157,894
Total	$1,305,676

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 related matters, injuries to employees and employee theft and fraud. Effective December 31, 1994, the Authority commenced participation in the Ohio Transit Insurance Pool Association, Inc. ("OTIP"), renamed in 2002 as Ohio Transit Risk Pool Association, Inc. ("OTRP"), related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first $250,000 of any qualified property loss and the first $500,000 of any qualified casualty loss subject to a $1,000 per loss deductible. Per occurrence, excess insurance coverage is maintained by OTRP equal to approximately $250,000,000 for qualified property losses and $14,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is $3,300,000 and for property is $500,000. Any underfunding of the plan's liabilities is shared pro-rata by the members based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

The Authority continues to carry commercial general liability insurance for its railroad properties. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. Per occurrence, insurance coverage is equal to approximately $5,000,000 for qualified property losses and $5,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is $10,000,000.

The Authority continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

2003

METRO

METRO REGIONAL TRANSIT AUTHORITY

Summit County, Ohio

Statistical Section

METRO Regional Transit Authority

Expenses by Object Class - Last Ten years

Operating Expenses other than Depreciation:

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Labor	$8,283,579	$8,869,062	$9,867,200	$10,441,098	$11,083,258	$11,584,073	$12,193,783	$13,189,822	$13,098,078	$12,915,126
Fringe Benefits	4,763,334	5,206,502	4,943,336	4,845,905	4,182,037	5,165,453	5,567,436	6,027,924	6,283,020	7,141,771
Materials and Supplies	1,849,099	1,966,884	2,156,522	2,485,073	2,530,456	2,248,147	3,669,211	3,103,817	3,064,413	3,163,939
Services	744,537	721,683	809,832	794,305	843,704	966,990	1,217,946	1,169,490	940,454	1,207,788
Utilities	215,683	192,296	189,592	260,951	276,068	326,265	389,456	485,770	417,332	404,700
Casualty and Liability	497,177	474,379	457,690	406,961	501,281	511,051	486,489	542,239	762,078	890,037
Taxes	223,069	235,476	249,027	250,395	254,155	197,641	198,378	174,354	158,551	167,216
Purchased Transportation	1,455,587	1,665,175	1,536,694	1,556,450	1,706,943	1,749,085	1,874,063	1,914,939	2,265,605	1,887,041
Interest Expense	209,253	195,340	186,000	178,097	166,997	155,719	143,500	129,805	115,415	107,085
Miscellaneous *	200,588	216,600	196,914	232,929	333,455	343,876	2,088,351	1,121,355	404,472	264,521
Total	18,441,906	19,743,397	20,592,807	21,452,164	21,878,354	23,248,300	27,828,613	27,859,515	27,509,418	28,149,224
Depreciation	2,447,390	2,408,314	2,460,013	2,621,321	3,116,965	3,829,195	4,680,867	5,493,068	5,554,611	6,173,717
Total Expenses	$20,889,296	$22,151,711	$23,052,820	$24,073,485	$24,995,319	$27,077,495	$32,509,480	$33,352,583	$33,064,029	$34,322,941

Source: METRO's audited annual financial statements

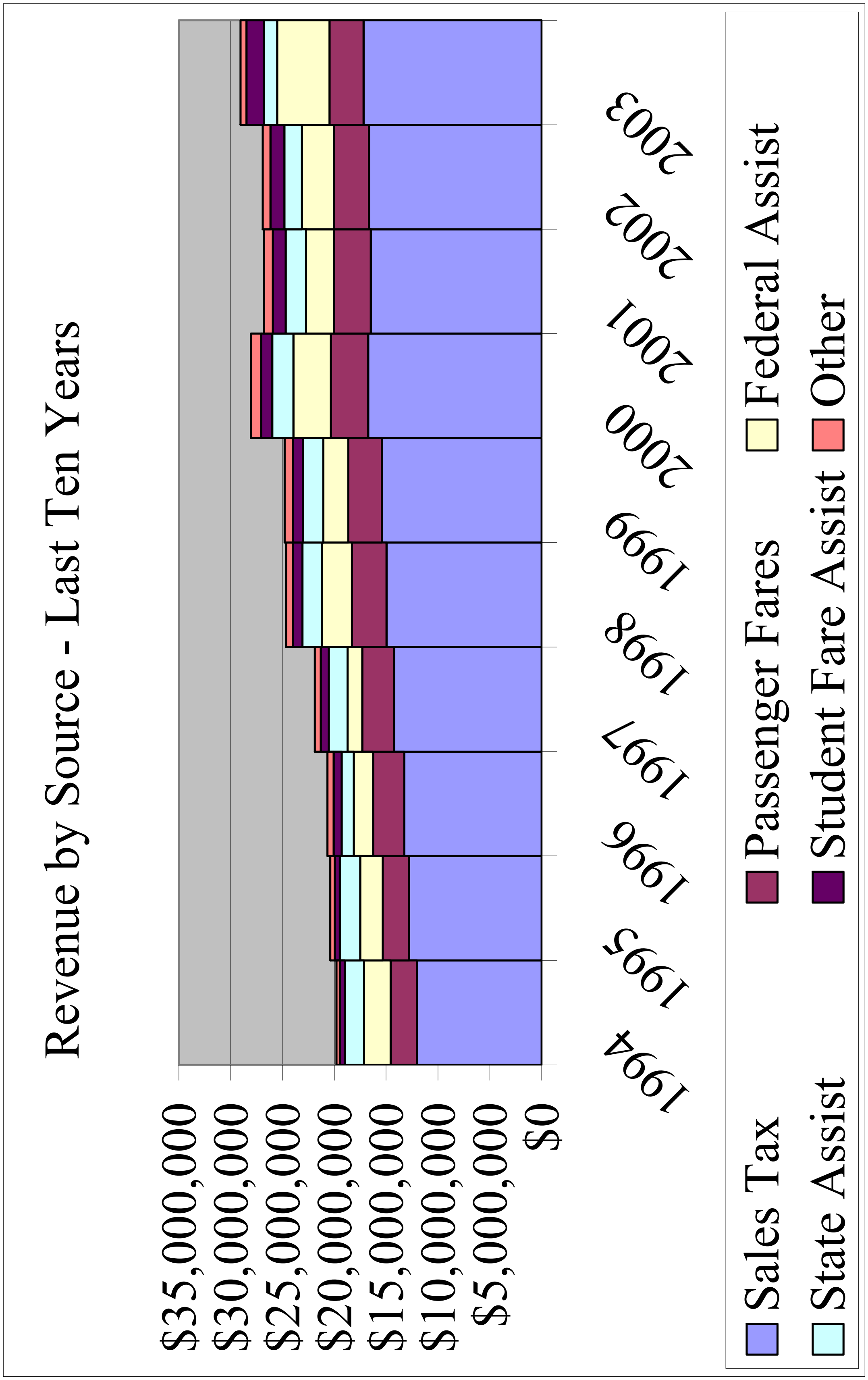
* Miscellaneous in 2000 and 2001 includes the cost of comprehensive transportation study (the Major Investment Study Project).

METRO Regional Transit Authority

Revenues by Source - Last Ten Years

Operating Revenues	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Passengers Fares	$2,523,053	$2,553,155	$3,001,715	$3,096,511	$3,340,399	$3,243,896	$3,631,684	$3,534,850	$3,378,867	$3,282,581
Charter Fares	132,441	143,058	183,599	144,641	136,014	163,555	187,804	180,596	176,812	203,248
Advertising	75,000	131,875	265,407	215,470	245,316	308,153	422,413	274,868	298,843	354,381
Total operating revenues	2,730,494	2,828,088	3,450,721	3,456,622	3,721,729	3,715,604	4,241,901	3,990,314	3,854,522	3,840,210
Non-operating Revenues										
Sales Tax revenue	12,028,740	12,783,558	13,254,700	14,206,130	14,951,742	15,412,100	16,715,885	16,471,661	16,652,028	17,167,953
Federal grants	2,567,846	2,163,673	1,862,038	1,425,878	2,908,789	2,396,527	3,604,630	2,723,040	3,098,114	5,062,561
State grants	1,871,685	1,973,808	1,167,936	1,810,756	1,870,897	1,974,543	2,045,497	1,965,532	1,699,085	1,305,676
Student fares assistance	471,849	493,236	774,774	780,408	888,391	939,624	1,073,168	1,250,698	1,331,874	1,666,411
Interest income	54,548	114,088	121,811	133,366	206,100	281,111	317,637	185,671	75,401	29,654
Loss from disposal of assets	0	0	0	0	0	0	0	0	0	(229,860)
Other non-transportation revenue	70,657	25,866	21,842	60,780	107,305	81,979	48,737	202,075	187,473	218,215
Total non-operating revenues	17,065,325	17,554,229	17,203,101	18,417,318	20,933,224	21,085,884	23,805,554	22,798,677	23,043,975	25,220,610
Total Revenues	$19,795,819	$20,382,317	$20,653,822	$21,873,940	$24,654,953	$24,801,488	$28,047,455	$26,788,991	$26,898,497	$29,060,820

Source: METRO's independently audited annual financial statements



Revenue by Source - Last Ten Years
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
Sales Tax
Passenger Fares
Federal Assist
State Assist
Student Fare Assist
Other

METRO Regional Transit Authority

Demographic Statistics

Year	Population	Median Age	Median Income
1960	513,569	28.9	$ 6,896
1970	553,371	27.8	$ 11,058
1980	524,472	31.0	$ 18,381
1990	514,990	34.3	$ 28,996
2000	542,899	37.2	$ 38,774

Year	Unemployment Rate
1994	5.1%
1995	4.5%
1996	4.6%
1997	4.4%
1998	4.0%
1999	4.2%
2000	4.0%
2001	4.1%
2002	5.8%
2003	5.4%

Note: All information is presented for Summit County, Ohio
Sources: U.S. Bureau of Census, Bureau of Labor Statistics

METRO Regional Transit Authority

Revenue and Operating Assistance - Comparison to Industry Trend Data

Last Ten Years

TRANSPORTATION INDUSTRY (1):

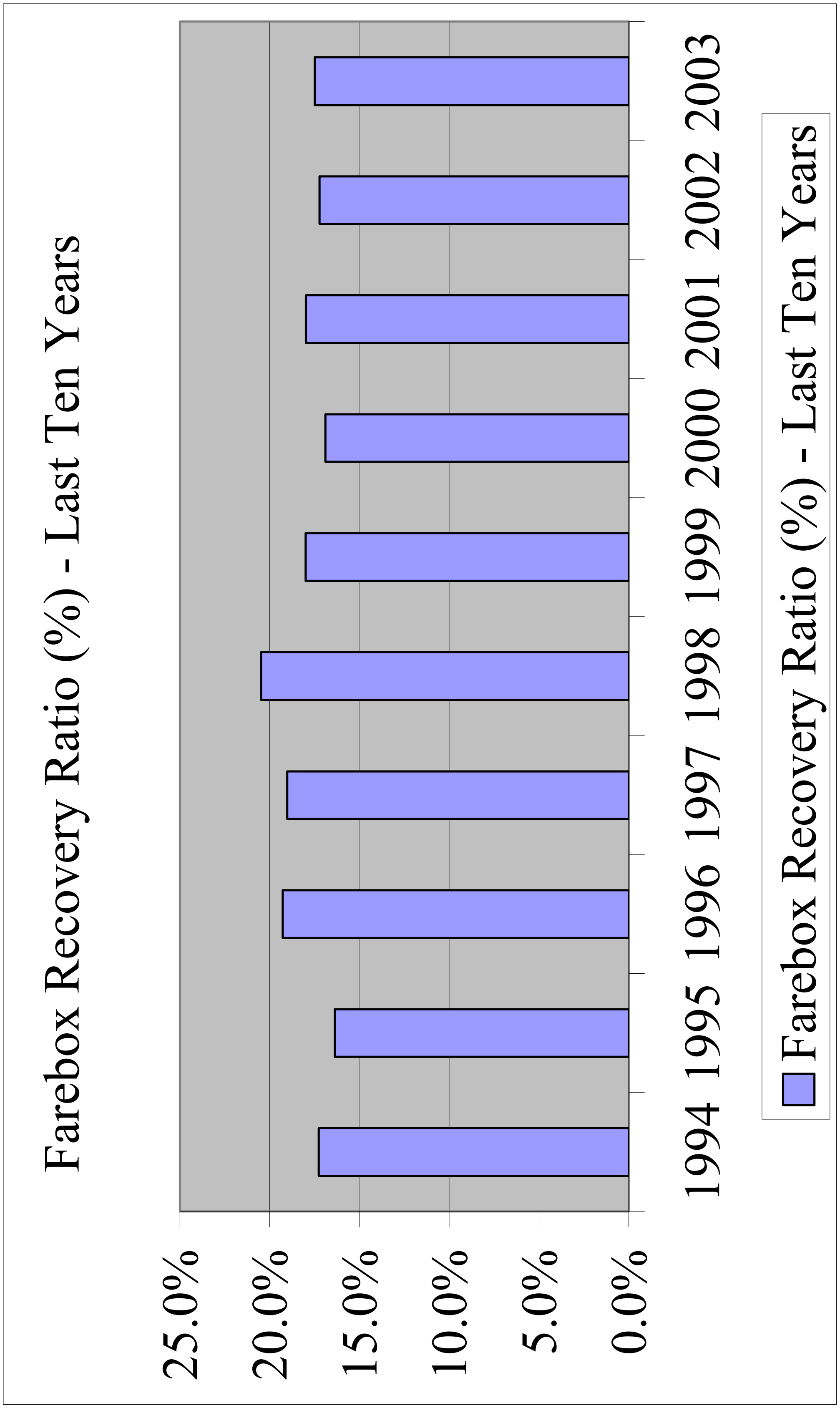
	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			
YEAR	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	TOTAL REVENUES
1994	37.6%	12.6%	50.2%	44.7%	5.1%	49.8%	100.0%
1995	38.9%	13.4%	52.3%	43.6%	4.1%	47.7%	100.0%
1996	37.6%	15.5%	53.1%	44.0%	2.9%	46.9%	100.0%
1997	40.1%	15.6%	55.7%	41.3%	3.0%	44.3%	100.0%
1998	40.8%	15.2%	56.0%	40.1%	3.9%	44.0%	100.0%
1999	37.3%	16.4%	53.7%	42.4%	3.9%	46.3%	100.0%
2000	36.1%	17.4%	53.5%	42.4%	4.1%	46.5%	100.0%
2001	35.2%	14.1%	49.3%	46.2%	4.5%	50.7%	100.0%
2002	32.5%	17.3%	49.8%	45.3%	4.9%	50.2%	100.0%
2003 *							

METRO Regional Transit Authority

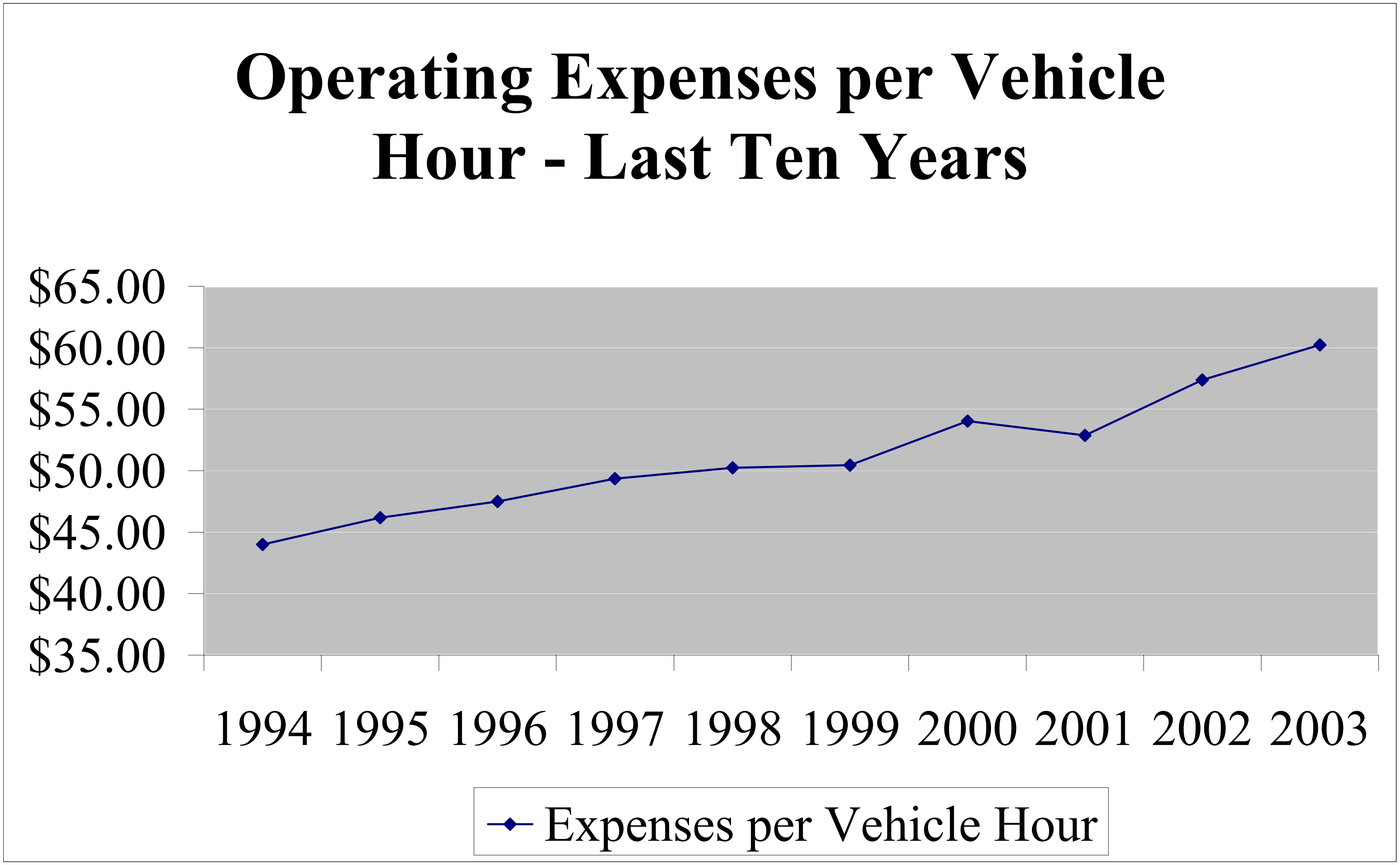
	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			
YEAR	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	TOTAL REVENUES
1994	12.5%	2.0%	14.6%	74.8%	10.6%	85.4%	100.0%
1995	14.5%	2.9%	17.4%	73.6%	9.0%	82.6%	100.0%
1996	14.2%	2.5%	16.7%	76.8%	6.5%	83.3%	100.0%
1997	13.5%	2.8%	16.4%	71.8%	11.8%	83.6%	100.0%
1998	13.1%	3.4%	16.4%	73.9%	9.7%	83.6%	100.0%
1999	12.9%	3.5%	16.4%	70.7%	12.9%	83.6%	100.0%
2000	13.2%	3.1%	16.3%	73.5%	10.2%	83.7%	100.0%
2001	12.9%	3.5%	16.4%	70.7%	12.9%	83.6%	100.0%
2002	12.6%	2.7%	15.3%	73.2%	11.5%	84.7%	100.0%
2003	11.3%	2.8%	14.1%	69.3%	17.4%	86.7%	100.8%

(1) Source: The American Public Transit Association, "APTA 2004 Transit Fact Book"
(2) Includes auxiliary transportation revenues, interest, and other non-transportation revenues
(3) Includes local tax revenues, state/federal grant assistance and fuel tax reimbursement
* Information not available


Passenger Fares vs. Operating
Expenses - Last Ten Years
$30,000,000
$20,000,000
$10,000,000
$0
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
Passenger Fares
Expenses



Farebox Recovery Ratio (%) - Last Ten Years
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
1994 1995 1996 1997 1998 1999 2000 2001 2002 2003
Farebox Recovery Ratio (%) - Last Ten Years


Operating Expenses per Vehicle Hour - Last Ten Years
$65.00
$60.00
$55.00
$50.00
$45.00
$40.00
$35.00
1994 1995 1996 1997 1998 1999 2000 2001 2002 2003
Expenses per Vehicle Hour

METRO Regional Transit Authority

Operating Expenses - Comparison to Industry Trend Data

Last Ten Years

TRANSPORTATION INDUSTRY (1):

Year	Labor & Fringes	Material & Supplies	Services	Utilities	Casualty & Liability	Purchased Transportation	Other	Total Expenses
1994	70.7%	8.9%	4.7%	3.6%	3.4%	10.9%	-2.2%	100.0%
1995	72.3%	9.1%	5.0%	3.5%	2.9%	9.2%	-2.0%	100.0%
1996	71.6%	9.3%	5.1%	3.6%	2.8%	9.9%	-2.3%	100.0%
1997	72.2%	9.4%	5.6%	3.7%	2.7%	9.1%	-2.7%	100.0%
1998	71.7%	6.0%	9.4%	3.5%	2.4%	10.1%	-3.1%	100.0%
1999	70.9%	9.2%	5.9%	3.3%	2.2%	11.5%	-3.0%	100.0%
2000	69.8%	10.0%	5.7%	3.2%	2.2%	12.2%	-3.1%	100.0%
2001	69.5%	10.1%	5.9%	3.3%	2.1%	12.7%	-3.4%	100.0%
2002	70.3%	9.1%	6.2%	3.1%	2.5%	12.0%	-3.2%	100.0%
2003 *								0.0%

METRO Regional Transit Authority (2)

Year	Labor & Fringes	Material & Supplies	Services	Utilities	Casualty & Liability	Purchased Transportation	Other	Total Expenses
1994	70.7%	10.0%	4.0%	1.2%	2.7%	8.0%	3.4%	100.0%
1995	71.3%	10.0%	3.7%	0.9%	2.4%	8.4%	3.3%	100.0%
1996	71.9%	10.5%	3.9%	0.9%	2.2%	7.5%	3.1%	100.0%
1997	71.3%	11.6%	3.7%	1.1%	1.9%	7.3%	3.1%	100.0%
1998	69.8%	11.6%	3.9%	1.3%	2.3%	7.8%	3.3%	100.0%
1999	71.9%	9.7%	4.1%	1.4%	2.2%	7.5%	3.2%	100.0%
2000	63.7%	13.2%	4.3%	1.4%	1.7%	6.7%	9.0%	100.0%
2001	68.9%	11.2%	4.2%	1.7%	1.9%	6.9%	5.2%	100.0%
2002	70.5%	11.1%	3.4%	1.5%	2.8%	8.2%	2.5%	100.0%
2003	71.3%	11.2%	4.3%	1.4%	3.2%	6.7%	1.9%	100.0%

(1) Source: The American Public Transit Association, "APTA 2004 Transit Fact Book"

(2) Source: METRO's annual financial audited statements

* Information not available

METRO Regional Transit Authority

Operating Statistics - Last Ten Years

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
System Ridership (1)										
Motor Bus	5,035,693	4,681,085	5,023,731	5,236,774	5,935,310	5,671,301	7,888,862	6,021,569	6,395,457	5,988,354
Demand Response	402,753	401,357	390,202	347,370	347,577	335,090	331,980	333,200	322,995	262,240
Average Weekday System Ridership (1)										
Motor Bus	19,494	17,507	17,744	18,458	20,797	19,342	26,420	20,890	22,631	21,037
Demand Response	1,579	1,586	1,524	1,350	1,325	1,280	1,267	1,568	1,253	1,016
Total Vehicle Miles (1)										
Motor Bus	4,192,629	4,458,685	4,937,974	4,592,925	4,770,591	4,836,462	5,117,591	4,428,731	4,320,251	3,871,124
Demand Response	1,402,021	1,496,488	1,507,063	1,632,620	1,658,972	1,886,382	2,089,634	2,200,408	2,186,585	2,304,272
Total Revenue Miles (1)										
Motor Bus	3,419,833	3,784,685	3,910,640	3,897,959	3,880,727	4,247,513	4,143,805	3,884,900	3,666,103	3,437,344
Demand Response	1,236,958	1,320,727	1,402,591	1,519,145	1,545,463	1,749,097	2,006,135	2,046,397	2,025,375	1,912,278
Passenger Miles (1)										
Motor Bus	15,660,930	16,718,176	16,490,297	19,169,804	19,499,977	19,099,214	24,194,261	24,194,261	26,312,940	21,941,968
Demand Response	1,674,088	1,639,299	1,680,196	1,785,134	1,816,256	1,699,784	1,834,211	1,927,542	1,744,793	1,431,632
Full Time Employees (1)	303	332	333	338	345	358	378	356	354	336

(Continued)

METRO Regional Transit Authority

Operating Statistics - Last Ten Years (Continued)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Vehicle Hours (1)										
Motor Bus	313,329	323,581	284,634	305,837	323,520	326,669	334,722	314,316	293,198	283,704
Demand Response	158,369	108,087	1,507,063	144,041	108,226	115,093	128,146	157,402	150,527	136,343
Total Vehicle Revenue Hours (1)										
Motor Bus	279,239	294,043	276,848	263,145	275,421	289,721	303,423	270,475	240,642	248,158
Demand Response	104,024	102,899	98,399	110,126	104,796	111,034	125,643	151,993	145,554	131,736
Vehicle Accidents per 100,000 miles (2)										
Motor Bus	2.6	3.1	2.7	2.7	2.6	2.6	3.1	2.5	2.0	2.0
Demand Response	3.6	3.5	2.4	2.5	2.0	1.9	2.1	2.3	2.6	2.0
Miles between Roadcalls (2)	3,998	4,018	2,985	2,785	2,915	3,987	3,940	3,691	4,269	4,198
Total Revenue Vehicles (1)										
Motor Bus	124	128	138	130	140	163	155	152	137	135
Demand Response	114	114	135	144	155	145	147	176	163	156

(1) METRO's annual "National Transit Database" as reported to Federal Transit Administration

(2) METRO's Monthly Planning report

Note: Demand Response includes directly operated and purchased transportation

METRO Regional Transit Authority

Fare Rate Structure as of December 31, 2003

Cash fares

General	$ 1.00
Senior / Disability	0.50
North Coast Express	3.00
SCAT	2.00
SCAT ADA	2.00

Tickets/Passes

10 Ride Pass - General	$ 9.00
10 Ride Pass - Senior / Disability	5.00
10 Ride Pass - North Coast Express	25.00
31 Day Pass	
General	$42.00
Senior / Disability	25.00

Source: METRO's Fare resolution passed by the Board of Trustees

METRO Regional Transit Authority

Sales Tax - Comparison to other Regional Transit Authorities in Ohio

Last Ten Years

System	Rate	Date Imposed	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
GCRTA	1.00%	Oct 01, 1975	118,086,789	127,771,200	131,772,627	138,654,205	146,188,752	151,405,646	161,991,565	157,823,888	156,735,486	158,653,957
COTA	0.25%	Feb 01, 1990	27,873,602	30,565,957	31,900,177	34,516,266	36,445,397	40,163,579	42,128,119	41,601,224	41,334,523	43,205,469
Laketran	0.25%	Aug 01, 1988	5,020,712	5,453,031	5,648,412	5,923,447	6,718,866	6,731,568	7,130,985	7,175,596	7,202,698	7,440,529
GDRTA	0.50%	Jul 01, 1980	26,282,430	27,162,905	27,721,134	28,925,064	29,679,763	31,445,584	32,078,659	31,968,728	31,433,081	32,290,326
PARTA	0.25%	Feb 01, 2002	0	0	0	0	0	0	0	0	2,564,174	3,281,207
SARTA	0.25%	Jul 01, 1997	0	0	0	3,600,305	9,071,557	9,876,829	10,323,125	10,175,541	10,607,899	10,689,964
METRO	0.25%	Feb 01, 1991	11,910,769	12,731,595	13,133,804	13,977,569	14,800,821	15,283,091	16,548,007	16,078,157	16,484,481	16,995,514

Source: Figures shown are from records of the Revenue Accounting Division of the Ohio Department of Taxation

METRO Regional Transit Authority

Miscellaneous Statistics

Date METRO was created	August 26, 1969
Form of Government	Board of Trustees
Number of Trustees	12
Type of tax support	1/4 of 1 percent sales and use tax for Summit County
Size of service area (Square miles)	419.92
Population of County (2000)	542,899
Miles of routes	411.1
Number of buses (Directly Operated)	
Motor bus	135
Demand Response	66
Number of routes	36
Customer Service information calls answered (2003)	139,701
SCAT Reservation Clerks calls answered (2003)	177,852

Auditor of State
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METRO REGIONAL TRANSIT AUTHORITY

SUMMIT 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
JULY 27, 2004