

Audited Financial Statements
METRO REGIONAL TRANSIT AUTHORITY

For the years ended December 31, 2005 and 2004

SINGLE AUDIT REPORT
For the year ended December 31, 2005



**Auditor of State
Betty Montgomery**

Board of Trustees
Metro Regional Transit Authority
416 Kenmore Blvd.
Akron, Ohio 44301

We have reviewed the *Independent Auditors' Report* of the Metro Regional Transit Authority, Summit County, prepared by Dingus and Daga, Inc. CPAs, for the audit period January 1, 2005 through December 31, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 7, 2006

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METRO REGIONAL TRANSIT AUTHORITY

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Dingus and Daga, Inc.

Certified Public Accountants
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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 years ended December 31, 2005 and 2004 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our 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, 2005 and 2004, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 are not a required part of the basic financial statements but are 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 basic financial statements. 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 also 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 the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dingus and Doga, Inc.

Shaker Heights, Ohio
April 27, 2006

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Years Ended December 31, 2005, 2004 and 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, 2005. 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 \$45 million. These net assets result from the difference between total assets of \$49.6 million and total liabilities of \$4.6 million.
- Current assets of \$8.7 million primarily consist of non-restricted Cash and Cash Equivalents of \$3.5 million; Sales and Use Tax receivable of \$2.8 million and long-term investments of \$0.8 million.
- Current liabilities of \$3.6 million primarily consist of Accrued Compensation and taxes payable of \$2.4 million and accounts payable of \$0.4 million.
- Long-Term Debt consists mainly of bonds of \$1 million or 21.7% of the total liabilities balance of \$4.6 million.

Basic Financial Statements and Presentation

New Accounting Pronouncements

During the year ended December 31, 2005, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures – an amendment of GASB No. 3. This statement revises the deposit and investment risks disclosed in the notes to the financial statements. The financial statements have been prepared in conformance with this Statement.

The Authority has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures, as amended and interpreted, as of January 1, 2003.

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Years Ended December 31, 2005, 2004 and 2003

Basic Financial Statements and Presentation (Cont'd)

These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and change the note disclosure and require the inclusion of management's discussion and analysis.

The financial statements presented by the Authority are the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as 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.

METRO REGIONAL TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Years Ended December 31, 2005, 2004 and 2003

Financial Analysis of the Authority

Condensed Summary of Net Assets

	2005	2004	2003
Current and other assets	\$ 8,728,896	\$ 8,450,109	\$ 6,912,181
Capital assets, net of accumulated depreciation	40,869,117	44,239,861	47,698,258
Total assets	<u>49,598,013</u>	<u>52,689,970</u>	<u>54,610,439</u>
Current liabilities	3,613,357	3,534,654	3,666,529
Non-current liabilities	1,038,147	1,348,036	968,036
Total liabilities	<u>4,651,504</u>	<u>4,882,690</u>	<u>4,634,565</u>
Net assets:			
Invested in capital assets, Net of related debt	39,524,117	42,117,832	45,972,383
Restricted for Capital Assets			36,116
Unrestricted net assets	5,422,392	5,689,448	3,967,375
Total net assets	<u>\$ 44,946,509</u>	<u>\$ 47,807,280</u>	<u>\$ 49,975,874</u>

By far, the largest portion of the Authority's net assets reflect investment in capital assets (e.g., line service and Paratransit buses, operating facilities including our Administrative/Maintenance office, 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)

Years Ended December 31, 2005, 2004 and 2003

Condensed Summary of Revenues, Expenses and Changes in Net Assets

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating Revenues	\$ 3,914,864	\$ 3,451,038	\$ 3,840,210
Operating expenses excluding depreciation	(27,961,807)	(27,180,858)	(28,042,139)
Depreciation expense	<u>(6,504,003)</u>	<u>(6,203,140)</u>	<u>(6,173,717)</u>
Operating loss	<u>(30,550,946)</u>	<u>(29,932,960)</u>	<u>(30,375,646)</u>
Non-operating revenues (expenses):			
Sales tax revenue	17,929,848	17,784,103	17,167,953
Federal operating and preventive maintenance assistance	4,556,093	4,808,598	5,062,561
State operating and preventive maintenance assistance	1,327,249	1,382,307	1,305,676
Student fare and other assistance	1,031,175	928,393	1,666,411
Investment loss	(37,568)	(34,607)	(16,996)
Interest income	130,247	64,670	46,650
Interest expense	(65,652)	(95,211)	(107,085)
Gain (Loss) from disposal of assets	8,977	(640,912)	(229,860)
Other	<u>95,132</u>	<u>208,847</u>	<u>218,215</u>
Total non-operating revenues, net	<u>24,975,501</u>	<u>24,406,188</u>	<u>25,113,525</u>
Capital contributions	<u>2,714,674</u>	<u>3,358,178</u>	<u>7,479,162</u>
Increase in Net Assets	<u>(2,860,771)</u>	<u>(2,168,594)</u>	<u>2,217,041</u>
Net assets, beginning of year	<u>47,807,280</u>	<u>49,975,874</u>	<u>47,758,833</u>
Net assets, end of year	<u>\$ 44,946,509</u>	<u>\$ 47,807,280</u>	<u>\$ 49,975,874</u>

The Authority's operating revenues increased \$0.46 million to \$3.9 million in 2005. This 13.4% increase resulted from a fare change METRO instituted in June of 2005. METRO eliminated the use of a free transfer and replaced it with a day pass. Operating expenses, excluding depreciation, increased by \$0.78 million as compared to the prior year. METRO was able to slow the growth of our payroll by negotiating a contract with our Unions that froze their wages until 2007. The main increase in cost came from higher medical and fuel cost. Depreciation expense increased by \$300,893 over 2004.

The 2005 increase in other non-operating revenues of \$0.6 million is primarily related to the gain in the sales of assets compared to a loss in 2004.

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Years Ended December 31, 2005, 2004 and 2003

Condensed Summary of Cash Flows

Net cash used for operating activities increased only by \$78,131 in 2005 as a result of an increase in expenses for goods and services that was not offset by the increase in passenger fare revenues as well as a decrease in payments for employees. Net cash from non-capital activity decreased by \$87,435. Cash and cash equivalents increased in 2005 over 2004 by \$11,590.

CASH FLOWS FROM OPERATING ACTIVITIES:	2005	2004	2003
Cash received from customers	\$ 3,944,864	\$ 3,552,698	\$ 3,797,518
Cash payments to suppliers for goods and services	(15,893,892)	(14,344,045)	(15,841,194)
Cash payments to employees for services	(12,042,230)	(13,121,780)	(12,709,932)
Net cash used in operating activities	(23,991,258)	(23,913,127)	(24,753,608)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Sales taxes received	18,125,909	17,686,760	16,895,182
Operating grants and other assistance received	6,852,678	7,227,979	7,860,700
Other	62,692	213,975	206,347
Net cash provided by non-capital financing activities	25,041,279	25,128,714	24,962,229
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants received	2,744,785	3,358,178	7,951,538
Acquisition and construction of fixed assets	(3,124,282)	(3,385,655)	(8,216,915)
Cash received from bonds and loan payable		1,990,000	475,875
Principal paid on bonds and loan payable	(777,029)	(1,593,846)	(265,000)
Interest paid on bonds	(65,652)	(95,211)	(107,085)
Net cash used by capital and related financing activities	(1,222,178)	273,466	(161,587)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash proceeds from investments - net	53,500	11,825	
Cash payments for investments - net			(21,873)
Interest received from investments	130,247	64,670	46,650
Net cash provided by investing activities	183,747	76,495	24,777
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,590	1,565,548	71,811
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,535,971	1,970,423	1,898,612
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,547,561	\$ 3,535,971	\$ 1,970,423

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Years Ended December 31, 2005, 2004 and 2003

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets amounts to \$40.9 million, net of accumulated depreciation as of December 31, 2005, a decrease of \$3.3 million compared to 2004. 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 twenty less than 30 foot Paratransit buses totaling \$1.1 million,
- Construction of a new Park n' Ride Lot totaling \$.55 million,
- Rehabilitation of railroad right-of-way, totaling \$0.5 million,
- Renovation of our administrative and maintenance facility, totaling \$0.17 million.

Additional information on capital asset activity can be found in the notes to the financial statements.

Long-term Debt

The Authority has outstanding bonds of \$1,345,000, a decrease of \$777,029 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 were authorized to be issued and sold under resolutions passed by the Board of Trustees. The bonds are general obligations of the Authority. During 2005 the Authority had no new debt activity except for payments made for interest and principal. Additional information on long-term debt activity can be found in the notes to the financial statements.

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, 2005 AND 2004

ASSETS	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 3,547,561	\$ 3,535,971
Investments (Note 2)	806,081	859,581
Receivables:		
Federal	68,842	65,267
State	58,264	
Sales taxes	2,775,309	2,971,370
Trade and other	459,502	489,502
Materials and supplies inventory	940,057	488,589
Prepaid expenses	<u>38,579</u>	
Total current assets	<u>8,694,195</u>	<u>8,410,280</u>
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	1,478,071	971,791
Buildings and building improvements	19,365,057	18,409,773
Infrastructure	3,047,547	2,255,895
Right-of-ways	10,653,206	10,653,206
Transportation equipment	39,050,360	40,573,256
Other equipment	<u>8,254,425</u>	<u>10,172,367</u>
Total	81,848,666	83,036,288
Less: Accumulated depreciation	<u>40,979,549</u>	<u>38,796,427</u>
Property, facilities and equipment - net	<u>40,869,117</u>	<u>44,239,861</u>
OTHER ASSETS:		
Notes receivable	30,000	30,000
Other assets	<u>4,701</u>	<u>9,829</u>
Total other assets	<u>34,701</u>	<u>39,829</u>
TOTAL ASSETS	<u><u>\$ 49,598,013</u></u>	<u><u>\$ 52,689,970</u></u>

(Continued)

See accompanying notes to financial statements.

METRO REGIONAL TRANSIT AUTHORITY

BALANCE SHEET (CONT'D)
DECEMBER 31, 2005 AND 2004

LIABILITIES AND NET ASSETS	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES:		
Bonds and loan payable - current maturities (Note 3)	\$ 340,000	\$ 777,029
Accounts payable	401,177	356,637
Accrued payroll	1,343,725	1,139,382
Accrued payroll taxes	1,064,549	711,298
Other liabilities	<u>463,906</u>	<u>550,308</u>
Total current liabilities	<u>3,613,357</u>	<u>3,534,654</u>
NONCURRENT LIABILITIES:		
Bonds and loan payable	1,005,000	1,345,000
Deferred capital grant	<u>33,147</u>	<u>3,036</u>
Total noncurrent liabilities	<u>1,038,147</u>	<u>1,348,036</u>
Total liabilities	<u>4,651,504</u>	<u>4,882,690</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt Restricted for Capital Assets	39,524,117	42,117,832
Unrestricted	<u>5,422,392</u>	<u>5,689,448</u>
Total Net Assets	<u>44,946,509</u>	<u>47,807,280</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 49,598,013</u></u>	<u><u>\$ 52,689,970</u></u>

(Concluded)

See accompanying notes to financial statements.

METRO REGIONAL TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Passenger fares	\$ 3,514,296	\$ 2,955,934
Charter revenue	94,133	195,569
Advertising and concessions	306,435	299,535
Total operating revenues	<u>3,914,864</u>	<u>3,451,038</u>
OPERATING EXPENSES:		
Labor	12,599,824	12,779,273
Fringe benefits	7,479,976	7,206,629
Materials and supplies	3,561,216	3,000,077
Services	1,131,184	1,111,932
Utilities	536,629	426,072
Casualty and liability	1,225,109	1,188,010
Taxes	181,661	180,145
Purchased transportation service	1,076,844	1,051,375
Miscellaneous	169,364	237,345
Total operating expenses excluding depreciation	<u>27,961,807</u>	<u>27,180,858</u>
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(24,046,943)	(23,729,820)
DEPRECIATION EXPENSE:		
On assets acquired with capital grants	6,264,726	5,929,186
On other assets	239,277	273,954
Total depreciation expense	<u>6,504,003</u>	<u>6,203,140</u>
OPERATING LOSS	<u>(30,550,946)</u>	<u>(29,932,960)</u>
NON-OPERATING REVENUES (EXPENSES):		
Sales tax revenue	17,929,848	17,784,103
Federal operating grants and reimbursements (Note 7)	4,556,093	4,808,598
State operating grants, reimbursements and special fare assistance (Note 7)	1,327,249	1,382,307
Student fare and other assistance	1,031,175	928,393
Investment loss	(37,568)	(17,611)
Interest income	130,247	64,670
Interest expense	(65,652)	(95,211)
Loss from disposal of assets	8,977	(640,912)
Other	95,132	191,851
Total non-operating revenues - net	<u>24,975,501</u>	<u>24,406,188</u>
NET LOSS BEFORE CAPITAL CONTRIBUTION	(5,575,445)	(5,526,772)
CAPITAL CONTRIBUTIONS (Note 1)	<u>2,714,674</u>	<u>3,358,178</u>
Increase (decrease) in Net Assets	(2,860,771)	(2,168,594)
Net Assets, Beginning of Year	<u>47,807,280</u>	<u>49,975,874</u>
Net Assets, End of Year	<u>\$ 44,946,509</u>	<u>\$ 47,807,280</u>

See accompanying notes to financial statements.

METRO REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 3,954,864	\$ 3,552,698
Cash payments to suppliers for goods and services	(15,893,892)	(14,344,045)
Cash payments to employees for services	<u>(12,042,230)</u>	<u>(13,121,780)</u>
Net cash used in operating activities	(23,981,258)	(23,913,127)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales taxes received	18,125,909	17,686,760
Operating grants and other assistance received	6,852,678	7,227,979
Other	<u>62,692</u>	<u>213,975</u>
Net cash provided by non-capital financing activities	25,041,279	25,128,714
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	2,734,785	3,358,178
Acquisition and construction of fixed assets	(3,124,282)	(3,385,655)
Cash received from bonds and loan payable		1,990,000
Principal paid on bonds and loan payable	(777,029)	(1,593,846)
Interest paid on bonds	<u>(65,652)</u>	<u>(95,211)</u>
Net cash provided (used) by capital and related financing activities	(1,232,178)	273,466
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash proceeds from sale of investments - net	53,500	11,825
Interest received from investments	<u>130,247</u>	<u>64,670</u>
Net cash provided by investing activities	<u>183,747</u>	<u>76,495</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,590	1,565,548
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,535,971	1,970,423
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,547,561</u>	<u>\$ 3,535,971</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (30,550,946)	\$ (29,932,960)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,504,003	6,203,140
Unrealized loss on investments	37,568	17,611
Change in assets and liabilities:		
Accounts receivable-trade	40,000	101,660
Materials and supplies inventory	(451,468)	(194,707)
Prepaid expenses	(38,579)	74,765
Accounts payable	44,540	(32,554)
Accrued payroll	204,343	(163,557)
Accrued payroll taxes	353,251	(178,950)
Other current liabilities	<u>(123,970)</u>	<u>192,425</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (23,981,258)</u>	<u>\$ (23,913,127)</u>

See accompanying notes to financial statements.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2005 and 2004

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.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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 complied with 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 years ended December 31, 2005 and 2004, \$2,714,674 and \$3,358,178 in capital contribution were recognized as revenue in the Statement of Revenues, Expenses and Changes in Net Assets for the Authority.

New Accounting Pronouncement - During the year ended December 31, 2005, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures – an amendment of GASB No. 3. This statement revises the deposit and investment risks disclosed in the notes to the financial statements. The financial statements have been prepared in conformance with this Statement.

The Authority has implemented a financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended and interpreted.

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.

METRO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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

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

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:

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

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.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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

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. 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.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

2. CASH 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.

Deposits

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposit may not be returned. 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 105 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 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. Credit Risk is the possibility that an issuer or the other counterparty to an investment will not fulfill its obligation.

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 financial instruments, contract, or obligation itself (commonly known as a "derivative"). The Authority is also prohibited from investing in reverse repurchase agreements.

METRO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

2. CASH AND INVESTMENTS (Cont'd)

Deposits (Cont'd)

At December 31, 2005, carrying amount of the authority's deposits was \$308,588 and the bank balance was \$879,345, \$274,855 of which was covered by the FDIC and \$604,490 of which was uninsured and uncollateralized as defined by GASB. At December 31, 2004, the carrying amount of the Authority's deposits was \$155,971 and the bank balance was \$371,131, \$202,528 of which was covered by the FDIC and \$168,603 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, 2005 and 2004. 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.

Investments at December 31, 2005 are summarized as follows:

Description	Risk Category			Fair Value Carrying Amount	Cost
	1	2	3		
Repurchase Agreements			\$3,238,973	\$3,238,973	\$3,238,973
U.S. Government Securities		\$ 806,081		806,081	881,217
Total		\$ 806,081	\$3,238,973	\$4,045,054	\$4,120,190

METRO REGIONAL TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

2. CASH AND INVESTMENTS (Cont'd)

Investments (Cont'd)

Investments at December 31, 2004 are summarized as follows:

Description	Risk Category			Fair Value Carrying Amount	Cost
	1	2	3		
Repurchase Agreements			\$3,380,000	\$3,380,000	\$3,380,000
U.S. Government Securities		\$ 859,581		859,581	894,188
Total		\$ 859,581	\$3,380,000	\$4,239,581	\$4,274,188

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", Credit rating information related to Authority's deposits and investments for the year ended December 31, 2005 as follows:

U. S. Government Securities are not considered to have credit risk and do not require disclosure of credit quality.

Repurchase agreements carrying daily weighted maturity with FirstMerit Bank, N. A., carries a credit rating of A2 by Moody credit rating report.

Custodial credit risk for an investment is the risk that in the event of the failure of the counter-party, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's \$3,238,973 investments in Repurchase agreements are held in the Authority's name by its custodian (agent).

Interest Rate Risk, the Authority has no investment policy that addresses interest rate risk. State statute requires that and investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Authority, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority's investment policy limits investments to, among others, obligations of the US government or agencies thereof.

METRO REGIONAL TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

3. BONDS AND LOAN PAYABLE

Issue	Average Interest Rate	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
General obligations bonds 2004	4.03	\$1,680,000		\$ 335,000	\$1,345,000	\$ 340,000
SIB Loan	0.00	<u>442,029</u>		<u>442,029</u>	<u>-0-</u>	<u>-0-</u>
Total Bonds and Loan		<u>\$2,122,029</u>		<u>\$ 777,029</u>	<u>\$1,345,000</u>	<u>\$ 340,000</u>

In June 2004, the Authority issued general obligation bonds, which are tax-exempt and have annual maturity dates through 2014. These bonds were used to refinance bonds issued in June 1992 and to provide additional funds to cover the local share for capital projects.

The annual requirements to pay principal and interest on the general obligation bonds and loan outstanding at December 31, 2005 are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 340,000	\$ 55,600
2007	355,000	44,550
2008	80,000	30,350
2009	85,000	27,150
2010	90,000	23,325
2011-2014	<u>395,000</u>	<u>49,775</u>
Total	<u>\$1,345,000</u>	<u>\$ 230,750</u>

METRO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 is as follows:

Description	Balance <u>01/01/05</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/05</u>
Capital Assets Not Being Depreciated				
Land	\$ 971,791	\$ 506,280		\$ 1,478,071
Right-of-ways	10,653,206			10,653,206
Total Capital Assets Not Being Depreciated	<u>11,624,997</u>	<u>506,280</u>		<u>12,131,277</u>
Capital Assets Being Depreciated:				
Building & Building Improvements	18,409,773	1,242,810	\$ 287,526	19,365,057
Infrastructure	2,255,895	791,652		3,047,547
Transportation Equipment	40,573,256	592,517	2,115,413	39,050,360
Other Equipment	<u>10,172,367</u>	<u> </u>	<u>1,917,942</u>	<u>8,254,425</u>
Total Capital Assets Being Depreciated	71,411,291	2,626,979	4,320,881	69,717,389
Less Accumulated Depreciation:				
Building & Building Improvements	12,032,919	1,053,750	287,526	12,799,143
Infrastructure	255,529	356,395		611,924
Transportation Equipment	20,970,454	3,699,314	2,115,413	22,554,355
Other Equipment	<u>5,537,525</u>	<u>1,394,544</u>	<u>1,917,942</u>	<u>5,014,127</u>
Total Accumulated Depreciation	38,796,427	6,504,003	4,320,881	40,979,549
Total Capital Assets Being Depreciated, Net	<u>32,614,864</u>	<u>(3,877,024)</u>	<u>-0-</u>	<u>28,737,840</u>
Total Capital Assets, Net	<u>\$ 44,239,861</u>	<u>\$ (3,370,744)</u>	<u>\$ -0-</u>	<u>\$ 40,869,117</u>

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

5. PURCHASED TRANSPORTATION SERVICES

During 2005 and 2004, 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 \$1,076,844 and \$1,029,853 in 2005 and 2004. 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 2004 employer contribution rate for local government units was 13.55 percent of covered payroll including portion .2952 used to fund health care benefits. The Authority’s total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2005, 2004 and 2003 were \$1,221,234, \$1,381,755 and \$1,168,521, 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.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of the OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial 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 2004 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 in the Traditional Pension and Combined Plans at year-end 2005 totaled 376,109. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. The Authority's contributions for other postemployment benefits to OPERS for the years ended December 31, 2005, 2004 and 2003 were \$718,376, \$688,575, and \$683,346, respectively, equal to 100 percent of the required contributions for each year. At December 31, 2005, 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, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded liability, based on the actuarial costs method used, were \$29.5 billion and \$18.7 billion, respectively. At December 31, 2005, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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 years ended December 31, consist of the following:

	<u>2005</u>	<u>2004</u>
FEDERAL:		
FTA Maintenance and Other Assistance	\$4,409,391	\$4,599,364
FTA Planning Grants	146,702	209,234
FTA Capital Contribution	<u>2,057,991</u>	<u>2,906,927</u>
Total	<u>\$6,614,084</u>	<u>\$7,715,525</u>
STATE:		
ODOT Maintenance and Other Assistance	\$1,150,907	\$1,204,789
ODOT Elderly Fare Assistance		
ODOT Fuel Tax Reimbursement	176,342	177,518
ODOT Capital Contribution	<u>656,683</u>	<u>451,251</u>
Total	<u>\$1,983,932</u>	<u>\$1,833,558</u>

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, ("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 \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. 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.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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.

9. CONTINGENCY

Contract Disputes and Legal Proceedings – The Authority has been named as a defendant in violation of certain Federal Transportation Administration (FTA) Charter Regulations. In the complaint process Region V of the Federal Transportation Administration found that the Authority had violated certain Charter Regulations and issued a cease and desist order for future charter orders as well as fined the Authority \$622,500. The Authority continues to deny any violation of certain Charter Regulation and on April 26, 2006 filed an appeal with Federal Transportation Administration Headquarters which has yet to respond. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management that the ultimate outcome is not expected to have a material effect on the Authority's financial position.

METRO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL GRANT NUMBER</u>	<u>GRANT EXPENDITURES</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Cluster			
Direct Program:			
Federal Transit Administrative - Capital and			
Operating Assistance Formula Grants	20.507	OH-90-X396	\$ 17,429
		OH-90-X416	63,661
		OH-90-X441	255,371
		OH-90-X477	226,018
		OH-90-X507	4,730,000
		OH-03-0239	787,424
		OH-03-0262	402,122
		OH-37-X033	128,484
		OH-70-X002	<u>691,047</u>
Total CFDA #20.507			<u>7,301,556</u>
Total U.S. Department of Transportation - Federal Transit Cluster			<u>7,301,556</u>
Total Expenditures of Federal Awards			<u>\$ 7,301,556</u>

See note to Schedule of Expenditures of Federal Awards.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2005

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
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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, 2005, and have issued our report thereon dated, April 27, 2006. 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 27, 2006



Dingus and Daga, Inc.

Certified Public Accountants
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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, 2005. 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, 2005.

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

This report is intended solely for the information and use of the Board of Trustees, Authority management, federal awarding agencies 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 27, 2006

METRO REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2005

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:

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

METRO REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)

For the Year Ended December 31, 2005

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

Federal Awards (Cont'd)

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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

For the Year Ended December 31, 2005

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

2005

Comprehensive Annual Financial Report

for the year ending December 31, 2005

METRO

METRO REGIONAL TRANSIT AUTHORITY

Summit County,
Ohio

416 Kenmore Blvd.
Akron, Ohio 44301



METRO Regional Transit Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2005



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, 2005

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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, 2004

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.



Carla E. Perry

President

Jeffrey R. Emen

Executive Director

METRO Regional Transit Authority

Board of Trustees and Administration as of December 31, 2005

Members of the Board of Trustees

Representing the City of Akron

Bernard Bear, President
Saundra M. Foster
Mark Salchak
Mary Dougherty
Elizabeth Britton
Open Position

Representing the County of Summit

James Fisher
Heather Heslop Licata
Scott C. Meyer

Representing the City of Barberton

David T. Incorvati

Representing the City of Cuyahoga Falls

Stephan Kremer

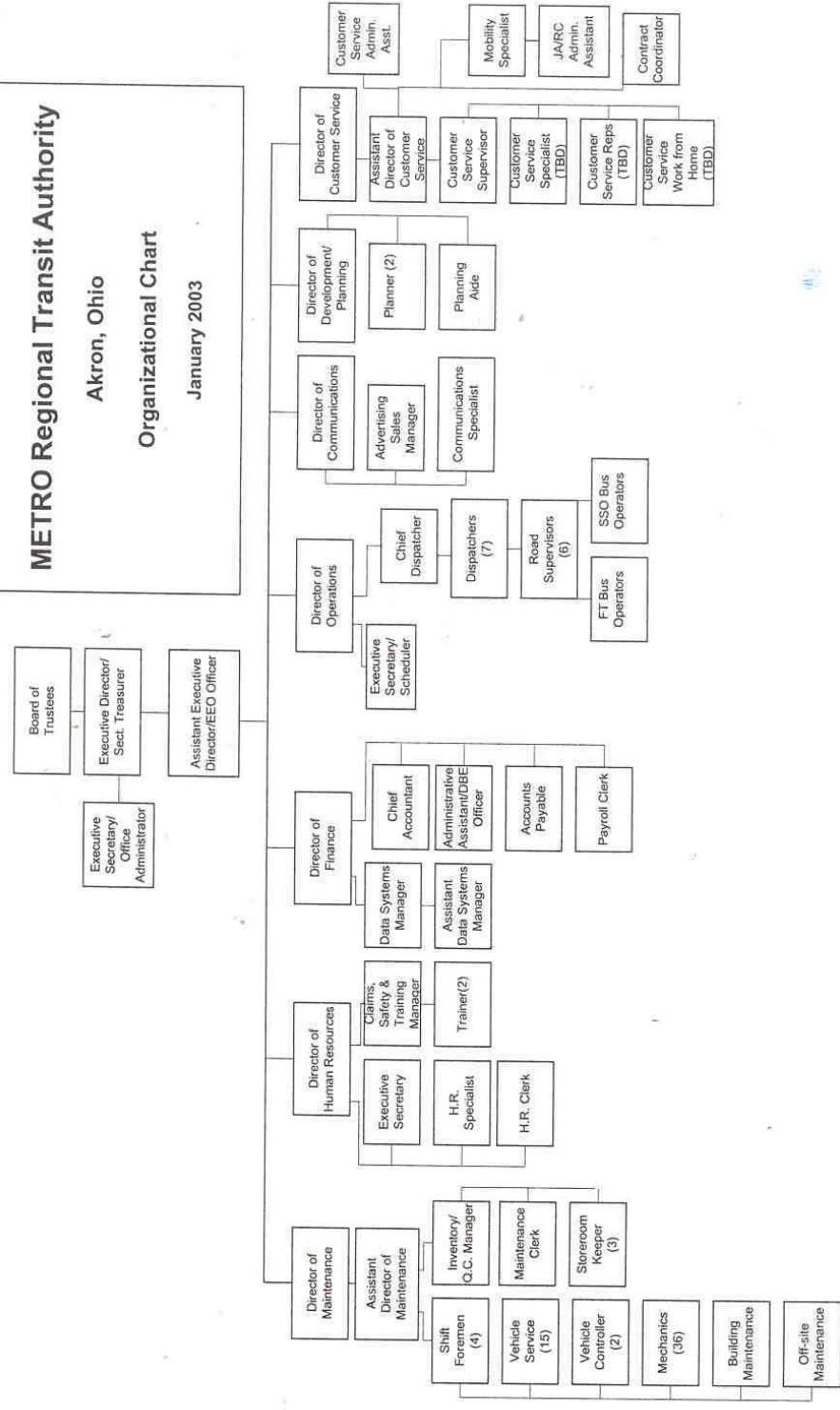
Representing the City of Stow

Open Position

Administration

Robert K. Pfaff, Executive Director/Secretary-Treasurer
Dean J. Harris, Director of Finance
Charles R. Rector, Director of Operations
Paul Lonsbury, Director of Maintenance
Sue Rice, Director of Human Resources
Louwana Oliva, Assistant Executive Director/EEO
Molly Becker, Director of Communication & Marketing
Alan Smith, Director of Customer Service
Kirt Conrad, Director of Planning

METRO Regional Transit Authority
Akron, Ohio
Organizational Chart
January 2003



METRO REGIONAL TRANSIT AUTHORITY

416 Kenmore Boulevard
Akron, Ohio 44301
330/762-7267
330/762-0854 FAX

April 27, 2006

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, 2005. This is the Sixth 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, 2004. 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 year's 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, Management's Discussion and Analysis and the financial statements (with related footnotes) for the fiscal years ended December 31, 2005 and 2004.
- * **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 is also provided.

Operations and Funding

Voters approved a $\frac{1}{4}$ of 1 percent continuous sales and use tax in November 1990 that permitted METRO to expand to a countywide service.

Facilities

METRO's has four facilities that are located at:

- * 416 Kenmore Boulevard - METRO's main administration and maintenance facility.
- * 121 South Main Street - a leased facility in downtown Akron that provides ticket sales and customer information.
- * 2340 Romig Road - Transfer Center
- * 465 Ghent Road - Park and Ride lot

Services

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

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 2005 was 5.8%, compared with a national average of 5.5%.

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:

<u>YEAR</u>	<u>AKRON</u>	<u>SUMMIT COUNTY</u>
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			
<u>Year</u>	<u>Summit County</u>	<u>Ohio</u>	<u>U.S.</u>
2001	4.1	4.3	4.8
2002	5.8	6.6	5.8
2003	5.4	6.2	6.0
2004	5.8	6.1	5.5
2005	5.8	5.9	5.5

MAJOR INITIATIVES

Recent Developments

Highlights of the 2005 year of operations include the following:

- * Took delivery of twelve 18-foot El Dorado Paratransit buses.
- * Took delivery of eight 25-foot El Dorado Paratransit buses.
- * Provided 5,515,979 line service passenger trips on METRO.
- * Provided 227,925 demand response passenger trips on SCAT.
- * Completed the construction of a new park and ride lot for our express service to Cleveland.

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, adding additional fencing around the Administrative facility.

Replace up to forty-nine 35 to 40 foot low floor buses, nine of which are scheduled for delivery in early 2006 and eight more are scheduled for delivery in late 2006 or early 2007.

Replace up to thirty Paratransit buses, 13 of which are scheduled for delivery in 2006.

With the assistance of the City of Akron, METRO will continue development of a 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.

Continue to add passenger shelters through out the county.

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

For additional details please review the information in the Management's Discussion and Analysis on page 19.

Revenues

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

Revenue by Source

	<u>2005</u>	<u>2004</u>	<u>Amount</u>	<u>Percent</u>
	17,929,848	17,784,103	145,745	0.8%
Sales Tax	4,545,471	3,884,327	661,144	14.5%
Passenger Fares	4,556,093	4,808,598	-252,505	-5.5%
Federal Assistance	1,327,249	1,382,307	-55,058	-4.1%
Investment Income	92,679	47,059	45,620	49.2%
Auxiliary Transportation Revenue	400,568	495,104	-94,536	-23.6%
Non-Transportation Revenue	104,109	-449,601	553,710	531.9%
TOTAL	28,956,017	27,951,897	1,004,120	3.5%

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 fare change METRO instituted in June of 2005. METRO eliminated the free transfer and replaced it with an all day pass. This fare change increased the revenue that was generated from ridership.

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 2005 were slightly lower compared to 2004 due to less funding for leases and JARC service.

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 2005 was down compared to 2004. This was due to a small decrease in funding from the State of Ohio from the Ohio Public Transportation Elderly and Handicapped one-half fare program.

Auxiliary Transportation Revenue consists of advertising and charter revenue. Auxiliary revenue decreased in 2005 due to lower advertising sales.

Non-Transportation Revenue consists primarily of revenue from the sales of obsolete assets, loss from disposal of assets and all other miscellaneous revenue. In 2005 there was a gain in sale of assets compared to losses from the sale of assets in 2004.

Operating Expenses

Operating Expenses by Object Class

	<u>2004</u>	<u>2003</u>	Increased/(Decreased)	
			<u>Amount</u>	<u>Percent</u>
Labor	\$12,599,824	\$12,779,273	(\$179,449)	-1.4%
Fringe Benefits	7,479,976	7,206,629	273,347	3.8%
Materials and Supplies	3,561,216	3,000,077	561,139	18.7%
Services	1,131,184	1,111,932	19,252	1.7%
Utilities	536,629	426,072	110,557	25.9%
Casualty and Liability	1,225,109	1,188,010	37,099	3.1%
Taxes	181,661	180,145	1,516	0.8%
Purchased Transportation	1,076,844	1,051,375	25,469	2.4%
Interest Expense	65,652	95,211	(29,559)	-31.0%
Miscellaneous	169,364	237,345	(67,981)	-28.6%
TOTAL	\$28,027,459	\$27,276,069	\$751,390	2.8%

Total operating expenses, excluding depreciation, increased in 2005 by 2.81%. This increase in expenses for 2005 is largely due to an increase in Material Supplies and fringe benefits.

Labor and Fringe Benefits are METRO's major expense items. Wages decreased due to some service reductions that were placed into effect in January 2005 along with a wage freeze. Fringe benefits were higher due to increased cost for hospitalization.

Material and Supplies were higher in 2005 due to an increase in fuel cost.

Services were slightly higher in 2005.

Casualty and Liability continued to increase in 2005 due to a tight insurance market.

Purchased Transportation was up to higher cost per trip charged by the contractor, which was due in part to the increase in fuel cost.

Miscellaneous Expenses decreased in 2005 due to smaller travel expenses and advertising expenses as compared to 2004.

Financial Operating Results

METRO's net revenue before Capital Contributions and Depreciation for the years ended December 31, 2005 and 2004 was \$928,558 and \$676,368 respectively.

Retirement Plans

All of METRO's employees are covered under the Ohio Public Employees Retirement System (OPERS), 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 OPERS 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 OPERS.

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

OPERS was created by and operates pursuant to the Ohio Revised Code. The Ohio General Assembly could decide to amend the format of OPERS 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

OPERS 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.

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 and loan payable of \$1,345,000, a decrease of \$777,029 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.

In January 2005, the Authority repaid a loan obtained from the State of Ohio's State Infrastructure Bank. In December 2005, the Authority made its annual payment on its Bonds. There was no other activity relating to debt for the Authority.

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. "legal changed its name in 2002 to Ohio Transit Risk Pool (OTRP)", a joint self insurance pool created pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for twelve member transit agencies.

The Authority pays an annual member contribution to OTRP for its 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 \$100,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, excess insurance and/or reinsurance is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. Various sub limits apply.

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 and Daga, Inc. has rendered an unqualified auditors' report on METRO's financial statements for the fiscal year ended December 31, 2005.

METRO also participates in the Federal single audit program, which consists of a single audit of all Federally funded programs administered 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 and Daga, Inc. 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, 2005.

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

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 years ended December 31, 2005 and 2004 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our 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, 2005 and 2004, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 19 through 24 are not a required part of the basic financial statements but are 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 basic financial statements. The introductory section, and statistical tables are presented for purpose of additional analysis and are not a required part of the basic financial statements. 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. The introductory section, and statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, we express no opinion on them.

Dingus and Daga, Inc.

Shaker Heights, Ohio
April 27, 2006

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Years Ended December 31, 2005, 2004 and 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, 2005. 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 \$45 million. These net assets result from the difference between total assets of \$49.6 million and total liabilities of \$4.6 million.
- Current assets of \$8.7 million primarily consist of non-restricted Cash and Cash Equivalents of \$3.5 million; Sales and Use Tax receivable of \$2.8 million and long-term investments of \$0.8 million.
- Current liabilities of \$3.6 million primarily consist of Accrued Compensation and taxes payable of \$2.4 million and accounts payable of \$0.4 million.
- Long-Term Debt consists mainly of bonds of \$1 million or 21.7% of the total liabilities balance of \$4.6 million.

Basic Financial Statements and Presentation

New Accounting Pronouncements

During the year ended December 31, 2005, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures – an amendment of GASB No. 3. This statement revises the deposit and investment risks disclosed in the notes to the financial statements. The financial statements have been prepared in conformance with this Statement.

The Authority has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures, as amended and interpreted, as of January 1, 2003.

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Years Ended December 31, 2005, 2004 and 2003

Basic Financial Statements and Presentation (Cont'd)

These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and change the note disclosure and require the inclusion of management's discussion and analysis.

The financial statements presented by the Authority are the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as 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.

METRO REGIONAL TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Years Ended December 31, 2005, 2004 and 2003

Financial Analysis of the Authority

Condensed Summary of Net Assets

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 8,728,896	\$ 8,450,109	\$ 6,912,181
Capital assets, net of accumulated depreciation	40,869,117	44,239,861	47,698,258
Total assets	<u>49,598,013</u>	<u>52,689,970</u>	<u>54,610,439</u>
Current liabilities	3,613,357	3,534,654	3,666,529
Non-current liabilities	1,038,147	1,348,036	968,036
Total liabilities	<u>4,651,504</u>	<u>4,882,690</u>	<u>4,634,565</u>
Net assets:			
Invested in capital assets, Net of related debt	39,524,117	42,117,832	45,972,383
Restricted for Capital Assets			36,116
Unrestricted net assets	<u>5,422,392</u>	<u>5,689,448</u>	<u>3,967,375</u>
Total net assets	<u>\$ 44,946,509</u>	<u>\$ 47,807,280</u>	<u>\$ 49,975,874</u>

By far, the largest portion of the Authority's net assets reflect investment in capital assets (e.g., line service and Paratransit buses, operating facilities including our Administrative/Maintenance office, 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)

Years Ended December 31, 2005, 2004 and 2003

Condensed Summary of Revenues, Expenses and Changes in Net Assets

	2005	2004	2003
Operating Revenues	\$ 3,914,864	\$ 3,451,038	\$ 3,840,210
Operating expenses excluding depreciation	(27,961,807)	(27,180,858)	(28,042,139)
Depreciation expense	(6,504,003)	(6,203,140)	(6,173,717)
Operating loss	<u>(30,550,946)</u>	<u>(29,932,960)</u>	<u>(30,375,646)</u>
Non-operating revenues (expenses):			
Sales tax revenue	17,929,848	17,784,103	17,167,953
Federal operating and preventive maintenance assistance	4,556,093	4,808,598	5,062,561
State operating and preventive maintenance assistance	1,327,249	1,382,307	1,305,676
Student fare and other assistance	1,031,175	928,393	1,666,411
Investment loss	(37,568)	(34,607)	(16,996)
Interest income	130,247	64,670	46,650
Interest expense	(65,652)	(95,211)	(107,085)
Gain (Loss) from disposal of assets	8,977	(640,912)	(229,860)
Other	95,132	208,847	218,215
Total non-operating revenues, net	<u>24,975,501</u>	<u>24,406,188</u>	<u>25,113,525</u>
Capital contributions	2,714,674	3,358,178	7,479,162
Increase in Net Assets	<u>(2,860,771)</u>	<u>(2,168,594)</u>	<u>2,217,041</u>
Net assets, beginning of year	47,807,280	49,975,874	47,758,833
Net assets, end of year	<u>\$ 44,946,509</u>	<u>\$ 47,807,280</u>	<u>\$ 49,975,874</u>

The Authority's operating revenues increased \$0.46 million to \$3.9 million in 2005. This 13.4% increase resulted from a fare change METRO instituted in June of 2005. METRO eliminated the use of a free transfer and replaced it with a day pass. Operating expenses, excluding depreciation, increased by \$0.78 million as compared to the prior year. METRO was able to slow the growth of our payroll by negotiating a contract with our Unions that froze their wages until 2007. The main increase in cost came from higher medical and fuel cost. Depreciation expense increased by \$300,893 over 2004.

The 2005 increase in other non-operating revenues of \$0.6 million is primarily related to the gain in the sales of assets compared to a loss in 2004.

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Years Ended December 31, 2005, 2004 and 2003

Condensed Summary of Cash Flows

Net cash used for operating activities increased only by \$78,131 in 2005 as a result of an increase in expenses for goods and services that was not offset by the increase in passenger fare revenues as well as a decrease in payments for employees. Net cash from non-capital activity decreased by \$87,435. Cash and cash equivalents increased in 2005 over 2004 by \$11,590.

CASH FLOWS FROM OPERATING ACTIVITIES:	2005	2004	2003
Cash received from customers	\$ 3,944,864	\$ 3,552,698	\$ 3,797,518
Cash payments to suppliers for goods and services	(15,893,892)	(14,344,045)	(15,841,194)
Cash payments to employees for services	(12,042,230)	(13,121,780)	(12,709,932)
Net cash used in operating activities	(23,991,258)	(23,913,127)	(24,753,608)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Sales taxes received	18,125,909	17,686,760	16,895,182
Operating grants and other assistance received	6,852,678	7,227,979	7,860,700
Other	62,692	213,975	206,347
Net cash provided by non-capital financing activities	25,041,279	25,128,714	24,962,229
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants received	2,744,785	3,358,178	7,951,538
Acquisition and construction of fixed assets	(3,124,282)	(3,385,655)	(8,216,915)
Cash received from bonds and loan payable		1,990,000	475,875
Principal paid on bonds and loan payable	(777,029)	(1,593,846)	(265,000)
Interest paid on bonds	(65,652)	(95,211)	(107,085)
Net cash used by capital and related financing activities	(1,222,178)	273,466	(161,587)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash proceeds from investments - net	53,500	11,825	(21,873)
Cash payments for investments - net			(21,873)
Interest received from investments	130,247	64,670	46,650
Net cash provided by investing activities	183,747	76,495	24,777
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,590	1,565,548	71,811
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,535,971	1,970,423	1,898,612
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,547,561</u>	<u>\$ 3,535,971</u>	<u>\$ 1,970,423</u>

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Years Ended December 31, 2005, 2004 and 2003

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets amounts to \$40.9 million, net of accumulated depreciation as of December 31, 2005, a decrease of \$3.3 million compared to 2004. 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 twenty less than 30 foot Paratransit buses totaling \$1.1 million,
- Construction of a new Park n' Ride Lot totaling \$.55 million,
- Rehabilitation of railroad right-of-way, totaling \$0.5 million,
- Renovation of our administrative and maintenance facility, totaling \$0.17 million.

Additional information on capital asset activity can be found in the notes to the financial statements.

Long-term Debt

The Authority has outstanding bonds of \$1,345,000, a decrease of \$777,029 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 were authorized to be issued and sold under resolutions passed by the Board of Trustees. The bonds are general obligations of the Authority. During 2005 the Authority had no new debt activity except for payments made for interest and principal. Additional information on long-term debt activity can be found in the notes to the financial statements.

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, 2005 AND 2004

ASSETS	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 3,547,561	\$ 3,535,971
Investments (Note 2)	806,081	859,581
Receivables:		
Federal	68,842	65,267
State	58,264	
Sales taxes	2,775,309	2,971,370
Trade and other	459,502	489,502
Materials and supplies inventory	940,057	488,589
Prepaid expenses	<u>38,579</u>	
 Total current assets	 <u>8,694,195</u>	 <u>8,410,280</u>
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	1,478,071	971,791
Buildings and building improvements	19,365,057	18,409,773
Infrastructure	3,047,547	2,255,895
Right-of-ways	10,653,206	10,653,206
Transportation equipment	39,050,360	40,573,256
Other equipment	<u>8,254,425</u>	<u>10,172,367</u>
Total	81,848,666	83,036,288
Less: Accumulated depreciation	<u>40,979,549</u>	<u>38,796,427</u>
 Property, facilities and equipment - net	 <u>40,869,117</u>	 <u>44,239,861</u>
OTHER ASSETS:		
Notes receivable	30,000	30,000
Other assets	<u>4,701</u>	<u>9,829</u>
 Total other assets	 <u>34,701</u>	 <u>39,829</u>
 TOTAL ASSETS	 <u><u>\$ 49,598,013</u></u>	 <u><u>\$ 52,689,970</u></u>

(Continued)

See accompanying notes to financial statements.

METRO REGIONAL TRANSIT AUTHORITY

BALANCE SHEET (CONT'D)
DECEMBER 31, 2005 AND 2004

LIABILITIES AND NET ASSETS	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES:		
Bonds and loan payable - current maturities (Note 3)	\$ 340,000	\$ 777,029
Accounts payable	401,177	356,637
Accrued payroll	1,343,725	1,139,382
Accrued payroll taxes	1,064,549	711,298
Other liabilities	<u>463,906</u>	<u>550,308</u>
Total current liabilities	<u>3,613,357</u>	<u>3,534,654</u>
NONCURRENT LIABILITIES:		
Bonds and loan payable	1,005,000	1,345,000
Deferred capital grant	<u>33,147</u>	<u>3,036</u>
Total noncurrent liabilities	<u>1,038,147</u>	<u>1,348,036</u>
Total liabilities	<u>4,651,504</u>	<u>4,882,690</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt Restricted for Capital Assets	39,524,117	42,117,832
Unrestricted	<u>5,422,392</u>	<u>5,689,448</u>
Total Net Assets	<u>44,946,509</u>	<u>47,807,280</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 49,598,013</u></u>	<u><u>\$ 52,689,970</u></u>

(Concluded)

METRO REGIONAL TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Passenger fares	\$ 3,514,296	\$ 2,955,934
Charter revenue	94,133	195,569
Advertising and concessions	306,435	299,535
Total operating revenues	<u>3,914,864</u>	<u>3,451,038</u>
OPERATING EXPENSES:		
Labor	12,599,824	12,779,273
Fringe benefits	7,479,976	7,206,629
Materials and supplies	3,561,216	3,000,077
Services	1,131,184	1,111,932
Utilities	536,629	426,072
Casualty and liability	1,225,109	1,188,010
Taxes	181,661	180,145
Purchased transportation service	1,076,844	1,051,375
Miscellaneous	169,364	237,345
Total operating expenses excluding depreciation	<u>27,961,807</u>	<u>27,180,858</u>
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(24,046,943)	(23,729,820)
DEPRECIATION EXPENSE:		
On assets acquired with capital grants	6,264,726	5,929,186
On other assets	239,277	273,954
Total depreciation expense	<u>6,504,003</u>	<u>6,203,140</u>
OPERATING LOSS	<u>(30,550,946)</u>	<u>(29,932,960)</u>
NON-OPERATING REVENUES (EXPENSES):		
Sales tax revenue	17,929,848	17,784,103
Federal operating grants and reimbursements (Note 7)	4,556,093	4,808,598
State operating grants, reimbursements and special fare assistance (Note 7)	1,327,249	1,382,307
Student fare and other assistance	1,031,175	928,393
Investment loss	(37,568)	(17,611)
Interest income	130,247	64,670
Interest expense	(65,652)	(95,211)
Loss from disposal of assets	8,977	(640,912)
Other	95,132	191,851
Total non-operating revenues - net	<u>24,975,501</u>	<u>24,406,188</u>
NET LOSS BEFORE CAPITAL CONTRIBUTION	(5,575,445)	(5,526,772)
CAPITAL CONTRIBUTIONS (Note 1)	<u>2,714,674</u>	<u>3,358,178</u>
Increase (decrease) in Net Assets	(2,860,771)	(2,168,594)
Net Assets, Beginning of Year	<u>47,807,280</u>	<u>49,975,874</u>
Net Assets, End of Year	<u>\$ 44,946,509</u>	<u>\$ 47,807,280</u>

METRO REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 3,954,864	\$ 3,552,698
Cash payments to suppliers for goods and services	(15,893,892)	(14,344,045)
Cash payments to employees for services	<u>(12,042,230)</u>	<u>(13,121,780)</u>
Net cash used in operating activities	(23,981,258)	(23,913,127)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales taxes received	18,125,909	17,686,760
Operating grants and other assistance received	6,852,678	7,227,979
Other	<u>62,692</u>	<u>213,975</u>
Net cash provided by non-capital financing activities	25,041,279	25,128,714
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	2,734,785	3,358,178
Acquisition and construction of fixed assets	(3,124,282)	(3,385,655)
Cash received from bonds and loan payable		1,990,000
Principal paid on bonds and loan payable	(777,029)	(1,593,846)
Interest paid on bonds	<u>(65,652)</u>	<u>(95,211)</u>
Net cash provided (used) by capital and related financing activities	(1,232,178)	273,466
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash proceeds from sale of investments - net	53,500	11,825
Interest received from investments	<u>130,247</u>	<u>64,670</u>
Net cash provided by investing activities	<u>183,747</u>	<u>76,495</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,590	1,565,548
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,535,971</u>	<u>1,970,423</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,547,561</u>	<u>\$ 3,535,971</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (30,550,946)	\$ (29,932,960)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,504,003	6,203,140
Unrealized loss on investments	37,568	17,611
Change in assets and liabilities:		
Accounts receivable-trade	40,000	101,660
Materials and supplies inventory	(451,468)	(194,707)
Prepaid expenses	(38,579)	74,765
Accounts payable	44,540	(32,554)
Accrued payroll	204,343	(163,557)
Accrued payroll taxes	353,251	(178,950)
Other current liabilities	<u>(123,970)</u>	<u>192,425</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (23,981,258)</u>	<u>\$ (23,913,127)</u>

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2005 and 2004

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.

METRO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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 complied with 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 years ended December 31, 2005 and 2004, \$2,714,674 and \$3,358,178 in capital contribution were recognized as revenue in the Statement of Revenues, Expenses and Changes in Net Assets for the Authority.

New Accounting Pronouncement - During the year ended December 31, 2005, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures – an amendment of GASB No. 3. This statement revises the deposit and investment risks disclosed in the notes to the financial statements. The financial statements have been prepared in conformance with this Statement.

The Authority has implemented a financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended and interpreted.

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.

METRO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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

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

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:

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

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.

METRO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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

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. 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.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

2. CASH 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.

Deposits

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposit may not be returned. 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 105 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 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. Credit Risk is the possibility that an issuer or the other counterparty to an investment will not fulfill its obligation.

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 financial instruments, contract, or obligation itself (commonly known as a "derivative"). The Authority is also prohibited from investing in reverse repurchase agreements.

METRO REGIONAL TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

2. CASH AND INVESTMENTS (Cont'd)

Deposits (Cont'd)

At December 31, 2005, carrying amount of the authority's deposits was \$308,588 and the bank balance was \$879,345, \$274,855 of which was covered by the FDIC and \$604,490 of which was uninsured and uncollateralized as defined by GASB. At December 31, 2004, the carrying amount of the Authority's deposits was \$155,971 and the bank balance was \$371,131, \$202,528 of which was covered by the FDIC and \$168,603 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, 2005 and 2004. 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.

Investments at December 31, 2005 are summarized as follows:

Description	Risk Category			Fair Value	Cost
	1	2	3	Carrying Amount	
Repurchase Agreements			\$3,238,973	\$3,238,973	\$3,238,973
U.S. Government Securities		\$806,081		806,081	881,217
Total		\$806,081	\$3,238,973	\$4,045,054	\$4,120,190

METRO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

2. CASH AND INVESTMENTS (Cont'd)

Investments (Cont'd)

Investments at December 31, 2004 are summarized as follows:

Description	Risk Category			Fair Value Carrying Amount	Cost
	1	2	3		
Repurchase Agreements			\$3,380,000	\$3,380,000	\$3,380,000
U.S. Government Securities		\$859,581		859,581	894,188
Total		\$859,581	\$3,380,000	\$4,239,581	\$4,274,188

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", Credit rating information related to Authority's deposits and investments for the year ended December 31, 2005 as follows:

U. S. Government Securities are not considered to have credit risk and do not require disclosure of credit quality.

Repurchase agreements carrying daily weighted maturity with FirstMerit Bank, N. A., carries a credit rating of A2 by Moody credit rating report.

Custodial credit risk for an investment is the risk that in the event of the failure of the counter-party, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's \$3,238,973 investments in Repurchase agreements are held in the Authority's name by its custodian (agent).

Interest Rate Risk, the Authority has no investment policy that addresses interest rate risk. State statute requires that and investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Authority, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority's investment policy limits investments to, among others, obligations of the US government or agencies thereof.

METRO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

3. BONDS AND LOAN PAYABLE

Issue	Average Interest Rate	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
General obligations bonds 2004	4.03	\$1,680,000	-0-	\$335,000	\$1,345,000	\$340,000
SIB Loan	0	442,029	-0-	442,029	-0-	-0-
Total Bonds and Loan		<u>\$2,122,029</u>	<u>0.00</u>	<u>\$777,029</u>	<u>\$1,345,000</u>	<u>\$340,000</u>

In June 2004, the Authority issued general obligation bonds, which are tax-exempt and have annual maturity dates through 2014. These bonds were used to refinance bonds issued in June 1992 and to provide additional funds to cover the local share for capital projects.

The annual requirements to pay principal and interest on the general obligation bonds and loan outstanding at December 31, 2005 are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$340,000	\$55,600
2007	355,000	44,550
2008	80,000	30,350
2009	85,000	27,150
2010	90,000	23,325
2011-2014	395,000	49,775
Total	<u>\$1,345,000</u>	<u>\$230,750</u>

METRO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 is as follows:

Description	Balance <u>1/1/2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2005</u>
Capital Assets Not Being Depreciated				
Land	\$971,791	\$506,280		\$1,478,071
Right-of-ways	10,653,206			10,653,206
Total Capital Assets Not Being Depreciated	<u>11,624,997</u>	<u>506,280</u>		<u>12,131,277</u>
Capital Assets Being Depreciated:				
Building & Building Improvements	18,409,773	1,242,810	287,526	19,365,057
Infrastructure	2,255,895	791,652		3,047,547
Transportation Equipment	40,573,256	592,517	2,115,413	39,050,360
Other Equipment	10,172,367		1,917,942	8,254,425
Total Capital Assets Being Depreciated	<u>71,411,291</u>	<u>2,626,979</u>	<u>4,320,881</u>	<u>69,717,389</u>
Less Accumulated Depreciation:				
Building & Building Improvements	12,032,919	1,053,750	287,526	12,799,143
Infrastructure	255,529	356,395		611,924
Transportation Equipment	20,970,454	3,699,314	2,115,413	22,554,355
Other Equipment	5,537,525	1,394,544	1,917,942	5,014,127
Total Accumulated Depreciation	<u>38,796,427</u>	<u>6,504,003</u>	<u>4,320,881</u>	<u>40,979,549</u>
Total Capital Assets Being Depreciated, Net	<u>32,614,864</u>	<u>(3,877,024)</u>	<u>0</u>	<u>28,737,840</u>
Total Capital Assets, Net	<u>\$44,239,861</u>	<u>(\$3,370,744)</u>	<u>\$0</u>	<u>\$40,869,117</u>

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

5. PURCHASED TRANSPORTATION SERVICES

During 2005 and 2004, 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 \$1,076,844 and \$1,029,853 in 2005 and 2004. 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 2004 employer contribution rate for local government units was 13.55 percent of covered payroll including portion .2952 used to fund health care benefits. The Authority’s total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2005, 2004 and 2003 were \$1,221,234, \$1,381,755 and \$1,168,521, 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.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of the OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial 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 2004 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 in the Traditional Pension and Combined Plans at year-end 2005 totaled 376,109. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. The Authority's contributions for other postemployment benefits to OPERS for the years ended December 31, 2005, 2004 and 2003 were \$718,376, \$688,575, and \$683,346, respectively, equal to 100 percent of the required contributions for each year. At December 31, 2005, 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, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded liability, based on the actuarial costs method used, were \$29.5 billion and \$18.7 billion, respectively. At December 31, 2005, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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 years ended December 31, consist of the following:

	<u>2005</u>	<u>2004</u>
FEDERAL:		
FTA Maintenance and Other Assistance	\$4,409,391	\$4,599,364
FTA Planning Grants	146,702	209,234
FTA Capital Contribution	<u>2,057,991</u>	<u>2,906,927</u>
Total	<u>\$6,614,084</u>	<u>\$7,715,525</u>
STATE:		
ODOT Maintenance and Other Assistance	\$1,150,907	\$1,204,789
ODOT Elderly Fare Assistance		
ODOT Fuel Tax Reimbursement	176,342	177,518
ODOT Capital Contribution	<u>656,683</u>	<u>451,251</u>
Total	<u>\$1,983,932</u>	<u>\$1,833,558</u>

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, ("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 \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$7,500,000 for qualified casualty losses. 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.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2005 and 2004

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.

9. CONTINGENCY

Contract Disputes and Legal Proceedings – The Authority has been named as a defendant in violation of certain Federal Transportation Administration (FTA) Charter Regulations. In the complaint process Region V of the Federal Transportation Administration found that the Authority had violated certain Charter Regulations and issued a cease and desist order for future charter orders as well as fined the Authority \$622,500. The Authority continues to deny any violation of certain Charter Regulation and on April 26, 2006 filed an appeal with Federal Transportation Administration Headquarters which has yet to respond. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management that the ultimate outcome is not expected to have a material effect on the Authority's financial position.

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Statistical Section



METRO Regional Transit Authority

Expenses by Object Class - Last Ten years

Operating Expenses other than Depreciation:

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Labor	\$9,867,200	\$10,441,098	\$11,083,258	\$11,584,073	\$12,193,783	\$13,189,822	\$13,098,078	\$12,915,126	\$12,779,273	\$12,599,824
Fringe Benefits	4,943,336	4,845,905	4,182,037	5,165,453	5,567,436	6,027,924	6,283,020	7,141,771	7,206,629	7,479,976
Materials and Supplies	2,156,522	2,485,073	2,530,456	2,248,147	3,669,211	3,103,817	3,064,413	3,163,939	3,000,077	3,561,216
Services	809,832	794,305	843,704	966,990	1,217,946	1,169,490	940,454	1,207,788	1,111,932	1,131,184
Utilities	189,592	260,951	276,068	326,265	389,456	485,770	417,332	404,700	426,072	536,629
Casualty and Liability	457,690	406,961	501,281	511,051	486,489	542,239	762,078	890,037	1,188,010	1,225,109
Taxes	249,027	250,395	254,155	197,641	198,378	174,354	158,551	167,216	180,145	181,661
Purchased Transportation	1,536,694	1,556,450	1,706,943	1,749,085	1,874,063	1,914,939	2,265,605	1,887,041	1,051,375	1,076,844
Interest Expense	186,000	178,097	166,997	155,719	143,500	129,805	115,415	107,085	95,211	65,652
Miscellaneous *	196,914	232,929	333,455	343,876	2,088,351	1,121,355	404,472	264,521	237,345	169,364
Total	20,592,807	21,452,164	21,878,354	23,248,300	27,828,613	27,859,515	27,509,418	28,149,224	27,276,069	28,027,459
Depreciation	2,460,013	2,621,321	3,116,965	3,829,195	4,680,867	5,493,068	5,554,611	6,173,717	6,203,140	6,504,003
Total Expenses	\$23,052,820	\$24,073,485	\$24,995,319	\$27,077,495	\$32,509,480	\$33,352,583	\$33,064,029	\$34,322,941	\$33,479,209	\$34,531,462

Source: METRO's audited annual financial statements

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

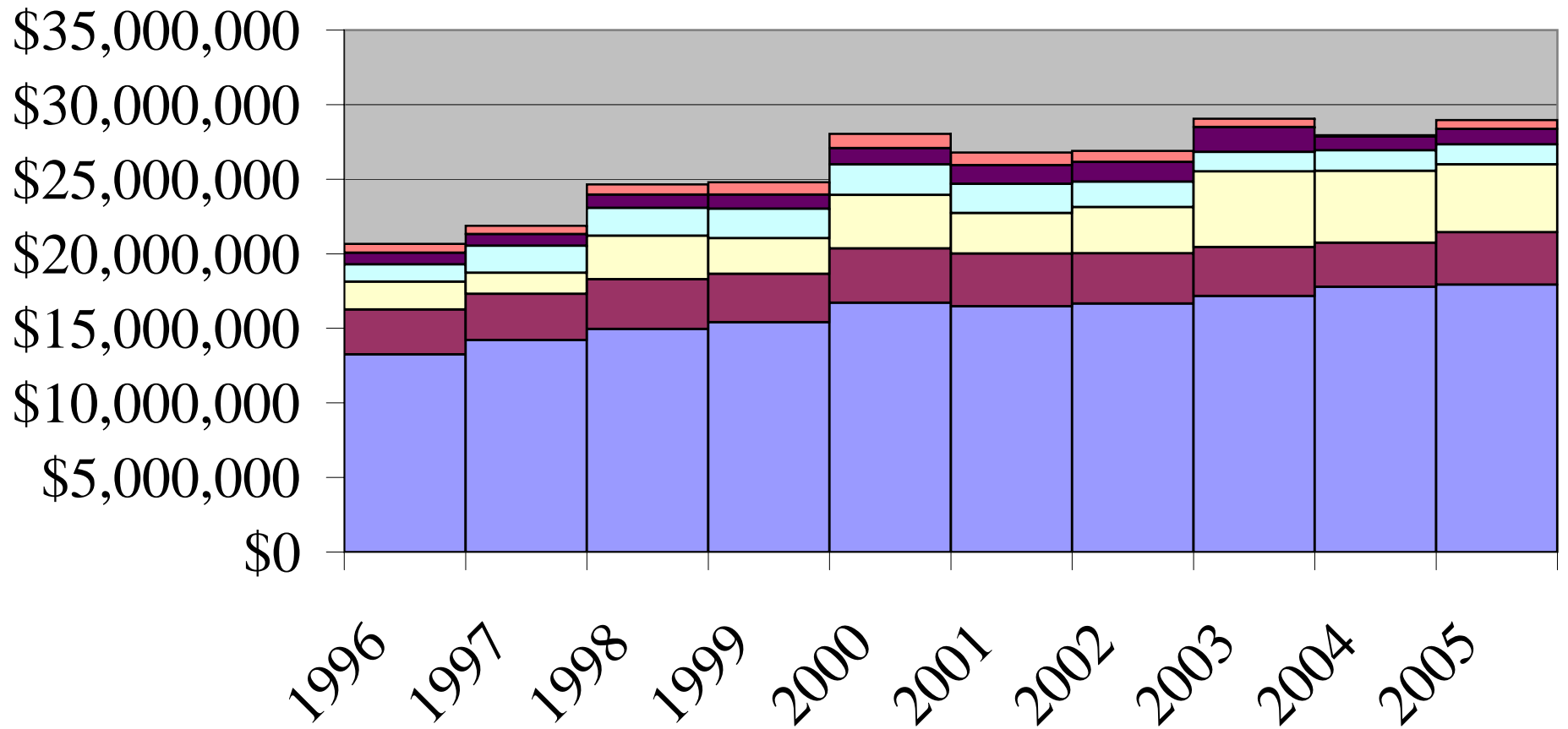
METRO Regional Transit Authority

Revenues by Source - Last Ten Years

Operating Revenues	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Passengers Fares	\$3,001,715	\$3,096,511	\$3,340,399	\$3,243,896	\$3,631,684	\$3,534,850	\$3,378,867	\$3,282,581	\$2,955,934	\$3,514,296
Charter Fares	183,599	144,641	136,014	163,555	187,804	180,596	176,812	203,248	195,569	94,133
Advertising	265,407	215,470	245,316	308,153	422,413	274,868	298,843	354,381	299,535	306,435
Total operating revenues	3,450,721	3,456,622	3,721,729	3,715,604	4,241,901	3,990,314	3,854,522	3,840,210	3,451,038	3,914,864
Non-operating Revenues										
Sales Tax revenue	13,254,700	14,206,130	14,951,742	15,412,100	16,715,885	16,471,661	16,652,028	17,167,953	17,784,103	17,929,848
Federal grants	1,862,038	1,425,878	2,908,789	2,396,527	3,604,630	2,723,040	3,098,114	5,062,561	4,808,598	4,556,093
State grants	1,167,936	1,810,756	1,870,897	1,974,543	2,045,497	1,965,532	1,699,085	1,305,676	1,382,307	1,327,249
Student fares assistance	774,774	780,408	888,391	939,624	1,073,168	1,250,698	1,331,874	1,666,411	928,393	1,031,175
Interest income	121,811	133,366	206,100	281,111	317,637	185,671	75,401	29,654	30,063	92,679
Gain (loss) from disposal of assets	0	0	0	0	0	0	0	(229,860)	(640,912)	8,977
Other non-transportation revenue	21,842	60,780	107,305	81,979	48,737	202,075	187,473	218,215	208,847	95,132
Total non-operating revenues	17,203,101	18,417,318	20,933,224	21,085,884	23,805,554	22,798,677	23,043,975	25,220,610	24,501,399	25,041,153
Total Revenues	\$20,653,822	\$21,873,940	\$24,654,953	\$24,801,488	\$28,047,455	\$26,788,991	\$26,898,497	\$29,060,820	\$27,952,437	\$28,956,017

Source: METRO's independently audited annual financial statements

Revenue by Source - Last Ten Years



- Sales Tax
- Passenger Fares
- Federal Assist
- State Assist
- Student Fare Assist
- Other

METRO Regional Transit Authority

Demographic Statistics

<u>Year</u>	<u>Population</u>	Median <u>Age</u>	Median <u>Income</u>
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

<u>Year</u>	Unemployment <u>Rate</u>
1996	4.6%
1997	4.4%
1998	4.0%
1999	4.2%
2000	4.0%
2001	4.2%
2002	5.5%
2003	5.7%
2004	5.8%
2005	5.8%

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

<u>YEAR</u>	<u>PASSENGER</u>	<u>OTHER (2)</u>	<u>TOTAL</u>	<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>TOTAL</u>	<u>TOTAL REVENUES</u>
1996	40.1%	15.6%	55.7%	21.2%	20.1%	3.0%	44.3%	100.0%
1997	40.8%	15.2%	56.0%	19.8%	20.3%	3.9%	44.0%	100.0%
1998	37.3%	16.4%	53.7%	20.4%	22.0%	3.9%	46.3%	100.0%
1999	36.1%	17.4%	53.5%	21.9%	20.5%	4.1%	46.5%	100.0%
2000	35.2%	14.1%	49.3%	23.7%	22.5%	4.5%	50.7%	100.0%
2001	32.5%	17.3%	49.8%	20.1%	25.2%	4.9%	50.2%	100.0%
2002	32.5%	17.3%	49.8%	21.6%	23.7%	4.9%	50.2%	100.0%
2003	32.5%	17.3%	49.8%	21.6%	23.7%	4.9%	50.2%	100.0%
2004	32.9%	16.7%	49.6%	20.8%	22.6%	7.0%	50.4%	100.0%
2005 *								

METRO Regional Transit Authority

OPERATING AND OTHER REVENUE

OPERATING ASSISTANCE

<u>YEAR</u>	<u>PASSENGER</u>	<u>OTHER (2)</u>	<u>TOTAL</u>	<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>TOTAL</u>	<u>TOTAL REVENUES</u>
1996	14.2%	2.5%	16.7%	67.1%	9.7%	6.5%	83.3%	100.0%
1997	13.5%	2.8%	16.4%	66.1%	5.7%	11.8%	83.6%	100.0%
1998	13.1%	3.4%	16.4%	65.6%	8.3%	9.7%	83.6%	100.0%
1999	12.9%	3.5%	16.4%	63.1%	7.6%	12.9%	83.6%	100.0%
2000	13.2%	3.1%	16.3%	65.5%	8.0%	10.2%	83.7%	100.0%
2001	12.9%	3.5%	16.4%	63.4%	7.3%	12.9%	83.6%	100.0%
2002	12.6%	2.7%	15.3%	65.9%	7.3%	11.5%	84.7%	100.0%
2003	11.2%	2.7%	13.9%	62.8%	6.3%	17.0%	86.1%	100.0%
2004	10.3%	2.6%	12.9%	65.4%	4.8%	16.8%	87.1%	100.0%
2005	12.1%	2.0%	14.2%	65.5%	4.6%	15.7%	85.8%	100.0%

(1) Source: The American Public Transit Association, "APTA 2006 Transit Fact Book"

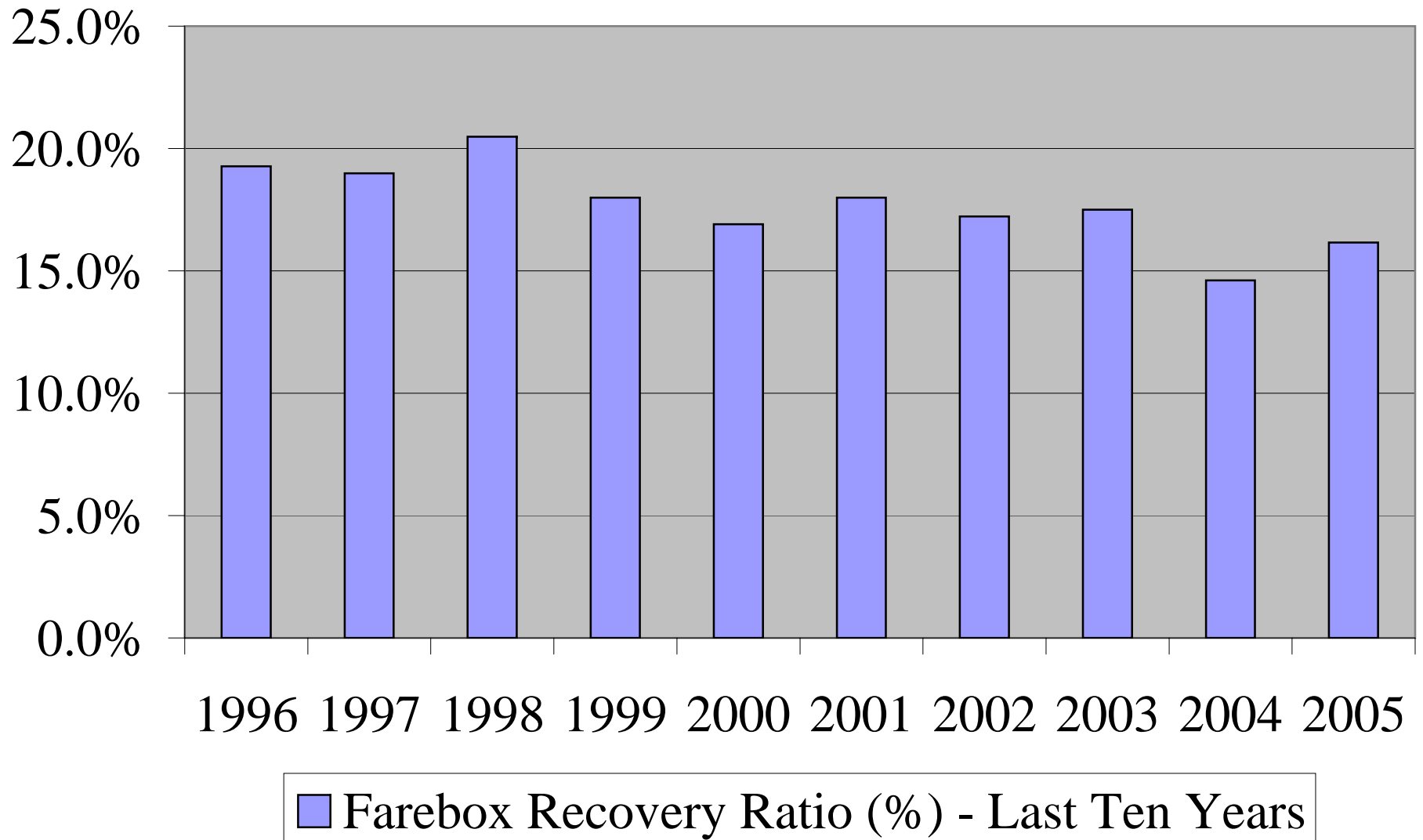
(2) Includes auxiliary transportation revenues, interest, and other non-transportation revenues

* Information not available

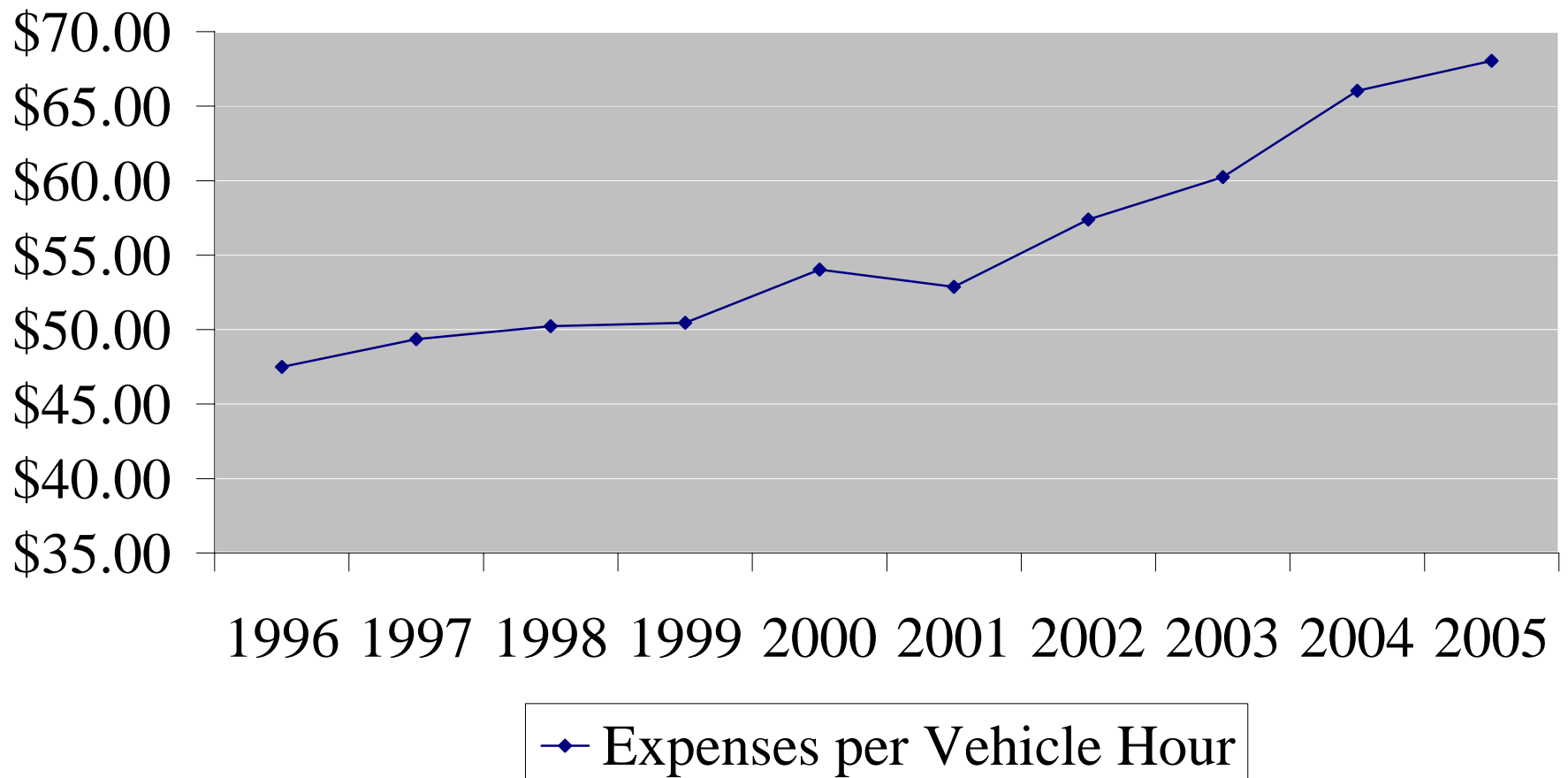
Passenger Fares vs. Operating Expenses - Last Ten Years



Farebox Recovery Ratio (%) - Last Ten Years



Operating Expenses per Vehicle Hour - Last Ten Years



METRO Regional Transit Authority

Operating Expenses - Comparison to Industry Trend Data

Last Ten Years

TRANSPORTATION INDUSTRY (1):

<u>Year</u>	<u>Labor & Fringes</u>	<u>Material & Supplies</u>	<u>Services</u>	<u>Utilities</u>	<u>Casualty & Liability</u>	<u>Purchased Transportation</u>	<u>Other</u>	<u>Total Expenses</u>
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	69.1%	9.1%	6.0%	3.0%	2.6%	13.4%	-3.2%	100.0%
2003	68.7%	9.1%	5.8%	3.0%	2.6%	13.4%	-2.6%	100.0%
2004 *								0.0%

METRO Regional Transit Authority (2)

<u>Year</u>	<u>Labor & Fringes</u>	<u>Material & Supplies</u>	<u>Services</u>	<u>Utilities</u>	<u>Casualty & Liability</u>	<u>Purchased Transportation</u>	<u>Other</u>	<u>Total Expenses</u>
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%
2005	73.3%	11.0%	4.1%	1.6%	4.4%	3.9%	1.7%	100.0%
2006	71.6%	12.7%	4.0%	1.9%	4.4%	3.8%	1.5%	99.9%

(1) Source: The American Public Transit Association, "APTA 2006 Transit Fact Book"

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

* Information not available

METRO Regional Transit Authority

Operating Statistics - Last Ten Years

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
System Ridership (1)										
Motor Bus	5,023,731	5,236,774	5,935,310	5,671,301	7,888,862	6,021,569	6,395,457	5,988,354	5,562,406	5,534,269
Demand Response	390,202	347,370	347,577	335,090	331,980	333,200	322,995	262,240	216,252	179,652
Average Weekday System Ridership (1)										
Motor Bus	17,744	18,458	20,797	19,342	26,420	20,890	22,631	21,037	19,210	19,466
Demand Response	1,524	1,350	1,325	1,280	1,267	1,568	1,253	1,016	828	695
Total Vehicle Miles (1)										
Motor Bus	4,937,974	4,592,925	4,770,591	4,836,462	5,117,591	4,428,731	4,320,251	3,871,124	3,363,806	3,196,718
Demand Response	1,507,063	1,632,620	1,658,972	1,886,382	2,089,634	2,200,408	2,186,585	2,304,272	2,220,854	2,090,668
Total Revenue Miles (1)										
Motor Bus	3,910,640	3,897,959	3,880,727	4,247,513	4,143,805	3,884,900	3,666,103	3,437,344	2,930,046	2,702,622
Demand Response	1,402,591	1,519,145	1,545,463	1,749,097	2,006,135	2,046,397	2,025,375	1,912,278	2,005,785	1,831,631
Passenger Miles (1)										
Motor Bus	16,490,297	19,169,804	19,499,977	19,099,214	24,194,261	24,194,261	26,312,940	21,941,968	20,641,957	21,215,058
Demand Response	1,680,196	1,785,134	1,816,256	1,699,784	1,834,211	1,927,542	1,744,793	1,431,632	999,208	1,158,916
Full Time Employees (1)	333	338	345	358	378	356	354	336	322	326

METRO Regional Transit Authority

Operating Statistics - Last Ten Years (Continued)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Vehicle Hours (1)										
Motor Bus	284,634	305,837	323,520	326,669	334,722	314,316	293,198	283,704	261,818	260,734
Demand Response	1,507,063	144,041	108,226	115,093	128,146	157,402	150,527	136,343	131,578	131,038
Total Vehicle Revenue Hours (1)										
Motor Bus	276,848	263,145	275,421	289,721	303,423	270,475	240,642	248,158	229,084	229,008
Demand Response	98,399	110,126	104,796	111,034	125,643	151,993	145,554	131,736	126,205	125,185
Vehicle Accidents per 100,000 miles (2)										
Motor Bus	2.7	2.7	2.6	2.6	3.1	2.5	2.0	2.0	3.6	1.3
Demand Response	2.4	2.5	2.0	1.9	2.1	2.3	2.6	2.0	1.5	1.8
Miles between Roadcalls (2)										
	2,985	2,785	2,915	3,987	3,940	3,691	4,269	4,198	3,538	2,629
Total Revenue Vehicles (1)										
Motor Bus	138	130	140	163	155	152	137	135	137	122
Demand Response	135	144	155	145	147	176	163	156	144	148

(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, 2005

Cash fares

General	\$	1.00
Senior / Disability		0.50
North Coast Express		3.50
SCAT		2.00
SCAT ADA		2.00

Tickets/Passes

10 Ride Pass - North Coast Express	\$	33.00
SCAT Ticket		20.00
Day Pass		2.50
31 Day Pass		
General		\$50.00
Senior / Disability		30.00

Source: METRO's Fare resolution passed by the Board of Trustees on March 2, 2005

METRO Regional Transit Authority

Sales Tax - Comparison to other Regional Transit Authorities in Ohio Last Ten Years

System	Rate	Date Imposed	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
GCRTA	1.00%	Oct 01, 1975	131,772,627	138,654,205	146,188,752	151,405,646	161,991,565	157,823,888	156,735,486	158,653,957	167,894,949	167,165,307
COTA	0.25%	Feb 01, 1990	31,900,177	34,516,266	36,445,397	40,163,579	42,128,119	41,601,224	41,334,523	43,205,469	44,940,803	44,741,979
Laketran	0.25%	Aug 01, 1988	5,648,412	5,923,447	6,718,866	6,731,568	7,130,985	7,175,596	7,202,698	7,440,529	7,637,135	7,552,509
GDRTA	0.50%	Jul 01, 1980	27,721,134	28,925,064	29,679,763	31,445,584	32,078,659	31,968,728	31,433,081	32,290,326	32,783,222	32,923,985
PARTA	0.25%	Feb 01, 2002	0	0	0	0	0	0	2,564,174	3,281,207	3,390,061	3,412,879
SARTA	0.25%	Jul 01, 1997	0	3,600,305	9,071,557	9,876,829	10,323,125	10,175,541	10,607,899	10,689,964	11,371,235	11,287,333
METRO	0.25%	Feb 01, 1991	13,133,804	13,977,569	14,800,821	15,283,091	16,548,007	16,078,157	16,484,481	16,995,514	17,605,364	17,749,845

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	122
Demand Response	79
Number of routes	36
Customer Service information calls answered (2005)	180,924
SCAT Reservation Clerks calls answered (2005)	160,060



**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 18, 2006**