

***METRO REGIONAL
TRANSIT AUTHORITY***

AUDIT REPORT

For the year ended December 31, 2006

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Metro Regional Transit Authority, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 to December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 9, 2007

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Metro Regional Transit Authority
SUMMIT COUNTY, OHIO
AUDIT REPORT
For the Year Ended December 31, 2006

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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**OPINION ON SUPPLEMENTARY SCHEDULE
OF FEDERAL AWARDS EXPENDITURES**

**Metro Regional Transit Authority
Summit County
416 Kenmore Blvd.
Akron, Ohio 44301**

To the Board of Trustees:

We have audited the financial statements of the Metro Regional Transportation Authority, Summit County (the Authority) as of and for the year ended December 31, 2006, and have issued our report thereon dated March 9, 2007. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits conducted 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 principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming opinions on the financial statements of the Metro Regional Transportation Authority that collectively comprise the basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget, Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
March 9, 2007

Metro Regional Transit Authority
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2006

| Federal Grantor/Pass Through Grantor Program Title | Grant Number | CFDA Number | Program Expenditures |
|---|-----------------|----------------|-------------------------|
| <u>U.S. Department of Transportation</u> | | | |
| Direct Program: | | | |
| Federal Transit Administration | | | |
| Federal Transit Cluster | | | |
| Urbanized Area Formula Program | OH-03-0239 | 20.507 | \$ 29,922 |
| | OH-03-0262 | 20.507 | 141,202 |
| | OH-03-0286 | 20.507 | 505,178 |
| | OH-37-X033 | 20.507 | 30,763 |
| | OH-37-X039 | 20.507 | 89,358 |
| | OH-90-X396 | 20.507 | 18,558 |
| | OH-90-X441 | 20.507 | 99,339 |
| | OH-90-X477 | 20.507 | 138,425 |
| | OH-90-X490 | 20.507 | 1,766,070 |
| | OH-90-X507 | 20.507 | 144,409 |
| | OH-90-X537 | 20.507 | 983,255 |
| | OH-90-X545 | 20.507 | <u>3,668,191</u> |
| Total Federal Financial Assistance | | | <u>\$ 7,614,670</u> |

See accompanying Notes to the Schedule of Federal Awards Expenditures

Metro Regional Transit Authority
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2006

1. **General**

The accompanying schedule of federal awards expenditures is a summary of the activity of Metro Regional Transit Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

**Metro Regional Transportation Authority
Summit County
416 Kenmore Blvd.
Akron, Ohio 44301**

To the Board of Trustees:

We have audited the basic financial statements of the Metro Regional Transit Authority, Akron, Ohio (the Authority) as of and for the year ended December 31, 2006, and have issued our report thereon dated March 9, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 law, regulations, contracts, grant agreements and other matters, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Charles E. Harris & Associates, Inc.
March 9, 2007

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

**Metro Regional Transportation Authority
Summit County
416 Kenmore Blvd.
Akron, Ohio 44301**

To the Board of Trustees:

Compliance

We have audited the compliance of the Metro Regional Transit Authority, Akron, Ohio (the Authority) with the types of compliance requirements described in *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, 2006. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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 for the information of the Board, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

March 9, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**METRO REGIONAL TRANSIT AUTHORITY
SUMMIT COUNTY
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|---|--|
| (d)(1)(i) | <i>Type of Financial Statement Opinion</i> | Unqualified |
| (d)(1)(ii) | <i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(ii) | <i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(iii) | <i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(iv) | <i>Were there any material internal control weakness conditions reported for major federal programs?</i> | No |
| (d)(1)(iv) | <i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i> | No |
| (d)(1)(v) | <i>Type of Major Programs' Compliance Opinion</i> | Unqualified |
| (d)(1)(vi) | <i>Are there any reportable findings under Section .510</i> | No |
| (d)(1)(vii) | <i>Major Programs:</i> | Federal Transit Administration Cluster: Urbanized Area Formula Prog. CFDA# 20.507 |
| (d)(1)(viii) | <i>Dollar Threshold: Type A\B Programs</i> | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | <i>Low Risk Auditee?</i> | Yes |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

METRO REGIONAL TRANSIT AUTHORITY
SUMMIT COUNTY
DECEMBER 31, 2006

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2005, reported no material citations or recommendations.

2006

Comprehensive
Annual
Financial
Report

for the year ending December 31, 2006

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, 2006



Bernard Bear
President
Board of Trustees

Robert K. Pfaff
Executive Director/
Secretary-Treasurer

Prepared by:
The General Administration Department
Dean J. Harris, CPA
Director of Finance

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METRO Regional Transit Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended December 31, 2006

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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, 2005

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.



President

Executive Director

METRO Regional Transit Authority

Board of Trustees and Administration as of December 31, 2006

Members of the Board of Trustees

Representing the City of Akron

Bernard Bear, President
Saundra M. Foster
Mark Salchak
Mary Dougherty
Elizabeth Britton
William Lutz

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

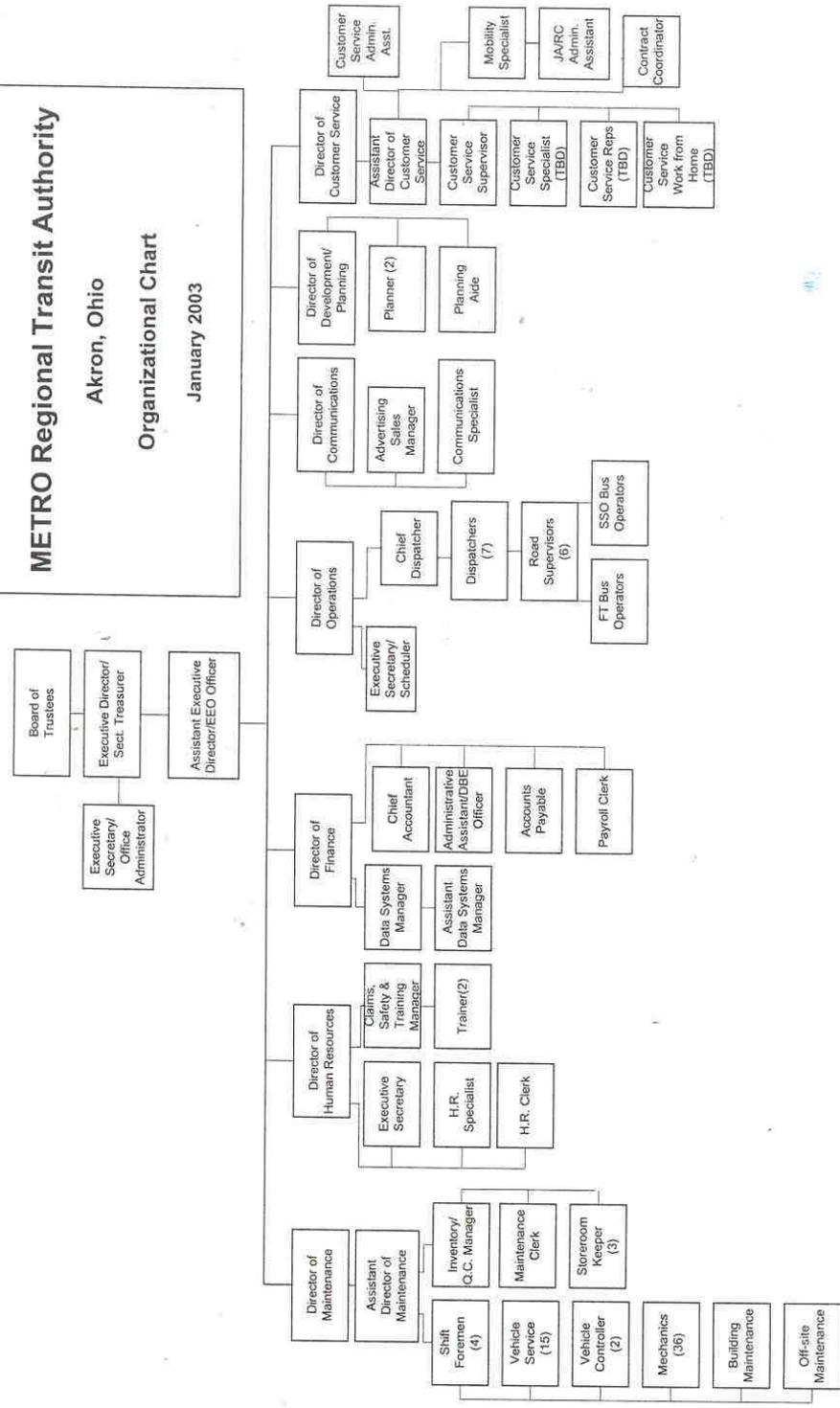
Representing the City of Stow

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

March 9, 2007

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, 2006. This is the eighth such report issued by METRO.

This report was prepared by the General Administration Department of the 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 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, 2005. 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.

The publication of this report is a reflection of the level of excellence and professionalism METRO's Accounting Department 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

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 five 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 (Southwest Akron)
- * 465 Ghent Road – Park and Ride lot (West Akron)
- * 2600 Creekside Drive – Park and Ride lot (Twinsburg)

Services

METRO provides fixed route and demand response (SCAT) service 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 2006 was 5.2%, compared with a national average of 4.6%.

Akron, once known as the "Rubber Capital of the World", Akron has moved forward into the world of liquid crystal and polymer research, development, and technology. More than 400 companies in the area are at work on one aspect or another of polymers, creating what is now referred to as "The Polymer Valley." The University of Akron supports the industry with both a College of Polymer Engineering and a specialized laboratory and research facility accessible by Akron area business partners.

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 |
| 2006 (est) | 214,556 | 545,931 |

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> |
| 2002 | 6.0 | 5.7 | 5.8 |
| 2003 | 6.2 | 6.2 | 6.0 |
| 2004 | 6.1 | 6.2 | 5.5 |
| 2005 | 5.8 | 5.9 | 5.1 |
| 2006 | 5.2 | 5.5 | 4.6 |

MAJOR INITIATIVES

Recent Developments

Highlights of the 2006 year of operations include the following:

- * Took delivery of three 18-foot El Dorado Paratransit buses.
- * Took delivery of ten 25-foot El Dorado Paratransit buses.
- * Took delivery of nine 40-foot Gillig low floor diesel buses.
- * Provided 5,612,011 line service passenger trips on METRO.
- * Provided 153,336 demand response passenger trips on SCAT.
- * Began preliminary engineering on the Downtown intermodal facility, expect to complete design work in 2007 and begin construction in 2008.

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, seven of which are scheduled for delivery in 2007 and two more are scheduled for delivery in 2008.

Replace up to thirty Paratransit buses, the next order of 10 is scheduled for delivery in 2008.

With the assistance of the City of Akron, METRO is in the process developing 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 preliminary design phase of the project. The City of Akron has acquired land, for the Intermodal Facility, that they have indicated that they will be transferring to METRO.

Continue to add passenger shelters through out the county.

Purchase bike racks for all of our line service buses is expected to be completed in 2007.

FINANCIAL INFORMATION

Internal Control Structure

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

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

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

Basis of Accounting

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

Budgetary Controls

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

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

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

Financial Operating Results

Revenues

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

| | Revenue by Source | | | |
|----------------------------------|--------------------------|---------------------|-----------------------|----------------|
| | <u>2006</u> | <u>2005</u> | Increased/(Decreased) | |
| | | | <u>Amount</u> | <u>Percent</u> |
| Sales Tax | \$18,144,910 | \$17,929,848 | \$215,062 | 1.2% |
| Passenger Fares | 4,553,186 | 4,545,471 | 7,715 | 0.2% |
| Federal Assistance | 4,507,059 | 4,556,093 | (49,034) | -1.1% |
| State Assistance | 1,079,041 | 1,327,249 | (248,208) | -18.7% |
| Interest Income | 235,685 | 92,679 | 143,006 | 154.3% |
| Auxiliary Transportation Revenue | 365,413 | 400,568 | (35,155) | -8.8% |
| Non-transportation Revenue | 228,716 | 104,109 | 124,607 | 54.5% |
| TOTAL | \$29,114,010 | \$28,956,017 | \$157,993 | 0.5% |

Sales Tax revenues increased slightly over last year. This is a sales and use tax of $\frac{1}{4}$ 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 slight increase in passenger fares can be attributed to a fare change METRO instituted in June of 2006. METRO increased the base fare from a \$1 to \$1.25 as well as increased the day pass from \$2.75 to \$3. 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 2006 were slightly lower compared to 2005 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 2006 was down compared to 2005. This was due to a decrease in funding from the State of Ohio from the Ohio Public Transportation grant program.

Auxiliary Transportation Revenue consists of advertising and charter revenue. Auxiliary revenue decreased in 2006 due to the elimination of almost all charter service.

Non-Transportation Revenue consists primarily of revenue from the sales of obsolete assets, gain/loss from disposal of assets and all other miscellaneous revenue. In 2006 there was an increase in revenue generated from the sale of assets compared to 2005.

Operating Expenses

Operating Expenses by Object Class

| | <u>2006</u> | <u>2005</u> | Increased/(Decreased) | |
|------------------------|----------------------|----------------------|-----------------------|----------------|
| | | | <u>Amount</u> | <u>Percent</u> |
| Labor | \$ 12,695,931 | \$ 12,599,824 | \$ 96,107 | 0.8% |
| Fringe Benefits | 7,048,865 | 7,479,976 | (431,111) | -5.8% |
| Materials and Supplies | 4,478,194 | 3,561,216 | 916,978 | 25.7% |
| Services | 1,069,850 | 1,131,184 | (61,334) | -5.4% |
| Utilities | 652,651 | 536,629 | 116,022 | 21.6% |
| Casualty and Liability | 1,066,711 | 1,225,109 | (158,398) | -12.9% |
| Taxes | 196,644 | 181,661 | 14,983 | 8.2% |
| Purchased Transportati | 1,061,558 | 1,076,844 | (15,286) | -1.4% |
| Interest Expense | 55,596 | 65,652 | (10,056) | -15.3% |
| Miscellaneous | 178,361 | 169,364 | 8,997 | 5.3% |
| TOTAL | \$ 28,504,361 | \$ 28,027,459 | \$ 476,902 | 1.7% |

Total operating expenses, excluding depreciation, increased in 2006 by 1.7%. This increase in expenses for 2006 is largely due to an increase in Material Supplies and utilities.

Labor and Fringe Benefits are METRO's major expense items. Wages were up slightly. Since January 2005 METRO has had a wage freeze. This has kept the increase in wages to a minimum. Fringe benefits were down in 2006 due to the conversion of our health plan from a fully funded to self insured.

Material and Supplies were higher in 2006, this was due to an increase in fuel cost of over 35%, as well as increases in parts for bus repairs.

Services were slightly lower in 2006, mostly due to lower legal fees.

Casualty and Liability was lower 2006 due to a better than expected premium rate.

Purchased Transportation was down slightly in 2006 due to a decrease in trips cost.

Miscellaneous Expenses increased in 2006 due to slight increase in advertising expenses as compared to 2005.

Financial Operating Results

METRO's net revenue for the years ended December 31, 2006 and 2005 was \$609,649 and \$928,558 respectively. This is before Capital Contributions and Depreciation.

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 OPERS at a statutory rate of 9% of earnable salary or compensation, and METRO normally contributes 13.7% 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 OPERS 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 of \$1,005,000, a decrease of \$340,000 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 December 2006, 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 105% 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, Charles E. Harris and Associates, Inc, has rendered an unqualified auditors' report on METRO's financial statements for the fiscal year ended December 31, 2006.

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 Charles E. Harris and Associates, 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, 2006.

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.

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Financial Section



Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

**Metro Regional Transit Authority
416 Kenmore Blvd.
Akron, Ohio 44301**

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the Metro Regional Transit Authority, Akron, Ohio (the Authority) as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of December 31, 2005 were audited by other auditors whose report dated April 27, 2006, expressed an unqualified opinion on those statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2006, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2007, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Charles E. Harris & Associates". The signature is written in a cursive, slightly slanted style.

Charles E. Harris & Associates, Inc.
March 9, 2007

METRO REGIONAL TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended December 31, 2006 and 2005

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, 2006. 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 \$43.6 million. These net assets result from the difference between total assets of \$48.7 million and total liabilities of \$5.1 million.
- Current assets of \$9.0 million primarily consist of non-restricted Cash and Cash Equivalents of \$3.7 million; Sales and Use Tax receivable of \$2.8 million and long-term investments of \$0.7 million.
- Current liabilities of \$4.5 million primarily consist of Accrued Compensation and taxes payable of \$2.7 million and accounts payable of \$0.4 million.
- Long-Term Debt consists mainly of bonds of \$0.7 million or 12.7% of the total liabilities balance of \$5.1 million.

Basic Financial Statements and Presentation

New Accounting Pronouncements

In 2005, the Authority 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. 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.

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2006 and 2005

Basic Financial Statements and Presentation (Cont'd)

The financial statements presented by the Authority are the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

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

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

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

Notes to the Financial Statements

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

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

Year Ended December 31, 2006 and 2005

Financial Analysis of the Authority

Condensed Summary of Net Assets

| | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|
| Current and other assets | \$ 8,993,737 | \$ 8,728,896 |
| Capital assets, net of accumulated depreciation | <u>39,719,258</u> | <u>40,869,117</u> |
| Total assets | <u>48,712,995</u> | <u>49,598,013</u> |
| | | |
| Current liabilities | 4,456,630 | 3,613,357 |
| Non-current liabilities | <u>651,000</u> | <u>1,038,147</u> |
| Total liabilities | <u>5,107,630</u> | <u>4,651,504</u> |
| | | |
| Net assets: | | |
| Invested in capital assets, Net of related debt | 38,714,258 | 39,524,117 |
| Unrestricted net assets | <u>4,891,107</u> | <u>5,422,392</u> |
| Total net assets | <u>\$ 43,605,365</u> | <u>\$ 44,946,509</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)

Year Ended December 31, 2006 and 2005

Condensed Summary of Revenues, Expenses and Changes in Net Assets

| | 2006 | 2005 |
|---|-----------------------------|-----------------------------|
| Operating Revenues | \$ 3,836,286 | \$ 3,914,864 |
| Operating expenses excluding depreciation | (28,448,765) | (27,961,807) |
| Depreciation expense | (5,704,175) | (6,504,003) |
| Operating loss | <u>(30,316,654)</u> | <u>(30,550,946)</u> |
| Non-operating revenues (expenses): | | |
| Sales tax revenue | 18,144,910 | 17,929,848 |
| Federal operating and preventive maintenance assistance | 4,507,059 | 4,556,093 |
| State operating and preventive maintenance assistance | 1,079,041 | 1,327,249 |
| Student fare and other assistance | 1,082,313 | 1,031,175 |
| Investment loss | - | (37,568) |
| Interest income | 235,685 | 130,247 |
| Interest expense | (55,596) | (65,652) |
| Gain (Loss) from disposal of assets | 24,580 | 8,977 |
| Other | 204,136 | 95,132 |
| Total non-operating revenues, net | <u>25,222,128</u> | <u>24,975,501</u> |
| Capital contributions | <u>3,753,382</u> | <u>2,714,674</u> |
| Increase in Net Assets | <u>(1,341,144)</u> | <u>(2,860,771)</u> |
| Net assets, beginning of year | <u>44,946,509</u> | <u>47,807,280</u> |
| Net assets, end of year | <u><u>\$ 43,605,365</u></u> | <u><u>\$ 44,946,509</u></u> |

The Authority's operating revenues decreased \$78,578 to \$3.8 million in 2006. This 2% decrease resulted from an elimination of charter services and fewer fares collected from passengers. Operating expenses, excluding depreciation, increased by \$0.49 million as compared to the prior year. METRO has continued to slow the growth of our payroll due to our contract with our Unions that froze their wages until 2007. The main increase in cost came from increases in fuel and bus parts. Depreciation expense increased by \$799,828 over 2005.

The 2006 increase in other non-operating revenues of \$0.2 million is primarily related to the increase in collection of sales tax compared to 2005.

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2006 and 2005

Condensed Summary of Cash Flows

Net cash used for operating activities increased by \$467,598 in 2006 as a result of a decrease in expenses for causality and liability insurance and health care cost. Net cash from non-capital activity decreased by \$1.2 million due to less federal grant assistance. Cash and cash equivalents increased in 2006 over 2005 by \$157,173.

| | | |
|--|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | 2006 | 2005 |
| Cash received from customers | \$ 3,692,514 | \$ 3,954,864 |
| Cash received from others for miscellaneous services | 204,136 | 62,692 |
| Cash payments to suppliers for goods and services | (14,962,723) | (15,893,892) |
| Cash payments to employees for services | (12,503,388) | (12,042,230) |
| Net cash used in operating activities | <u>(23,569,461)</u> | <u>(23,918,566)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Sales taxes received | 18,110,158 | 18,125,909 |
| Operating grants and other assistance received | 5,641,901 | 6,852,678 |
| Net cash provided by non-capital financing activities | <u>23,752,059</u> | <u>24,978,587</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Capital grants received | 3,990,886 | 2,734,785 |
| Acquisition and construction of capital assets | (3,946,613) | (3,124,282) |
| Principal paid on bonds | (340,000) | (777,029) |
| Interest paid on bonds | (55,596) | (65,652) |
| Net cash provided (used) by capital and related financing activities | <u>(351,323)</u> | <u>(1,232,178)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash proceeds from sale of investments - net | 90,213 | 53,500 |
| Interest received from investments | 235,685 | 130,247 |
| Net cash provided by investing activities | <u>325,898</u> | <u>183,747</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 157,173 | 11,590 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>3,547,561</u> | <u>3,535,971</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>3,704,734</u></u> | <u><u>3,547,561</u></u> |

METRO REGIONAL TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Year Ended December 31, 2006 and 2005

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets amounts to \$39.7 million, net of accumulated depreciation as of December 31, 2006, a decrease of \$1.2 million compared to 2005. 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 thirteen less than 30 foot Paratransit buses totaling \$0.8 million,
- Purchase of nine 40 foot low floor transit buses totaling \$2.7 million,
- Rehabilitation of railroad right-of-way, totaling \$0.57 million,
- Renovation of our administrative and maintenance facility, totaling \$0.03 million.

Additional information on capital asset activity can be found in note 4 to the financial statements.

Long-term Debt

The Authority has outstanding bonds of \$1,005,000 a decrease of \$340,000 from the prior year. This debt solely consists of capital facilities bonds issued for the purpose of purchasing, acquiring, constructing, replacing, improving, extending and enlarging transit facilities and other equipment. The bonds were authorized to be issued and sold under resolutions passed by the Board of Trustees. The bonds are general obligations of the Authority. During 2006 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 note 3 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

STATEMENT OF NET ASSETS

DECEMBER 31, 2006 AND 2005

| ASSETS | <u>2006</u> | <u>2005</u> |
|--|---------------------------------|---------------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 3,704,734 | \$ 3,547,561 |
| Investments | 715,868 | 806,081 |
| Receivables: | | |
| Federal | - | 68,842 |
| State | 71,305 | 58,264 |
| Sales taxes | 2,810,061 | 2,775,309 |
| Trade and other | 591,622 | 459,502 |
| Materials and supplies inventory | 943,402 | 940,057 |
| Prepaid expenses | <u>156,745</u> | <u>38,579</u> |
| Total current assets | <u>8,993,737</u> | <u>8,694,195</u> |
| PROPERTY, FACILITIES AND EQUIPMENT | | |
| Land | 1,478,071 | 1,478,071 |
| Buildings and building improvements | 19,529,127 | 19,365,057 |
| Infrastructure | 3,617,592 | 3,047,547 |
| Right-of-ways | 10,653,206 | 10,653,206 |
| Transportation equipment | 39,569,310 | 39,050,360 |
| Other equipment | <u>8,057,694</u> | <u>8,254,425</u> |
| Total | 82,905,000 | 81,848,666 |
| Less: Accumulated depreciation | <u>(43,185,742)</u> | <u>(40,979,549)</u> |
| Property, facilities and equipment - net | <u>39,719,258</u> | <u>40,869,117</u> |
| OTHER ASSETS: | | |
| Notes receivable | - | 30,000 |
| Other assets | <u>-</u> | <u>4,701</u> |
| Total other assets | <u>-</u> | <u>34,701</u> |
| Total noncurrent assets | <u>39,719,258</u> | <u>40,903,818</u> |
| TOTAL ASSETS | <u><u>\$ 48,712,995</u></u> | <u><u>\$ 49,598,013</u></u> |

(Continued)

See accompanying notes to the financial statements.

METRO REGIONAL TRANSIT AUTHORITY
STATEMENT OF NET ASSETS (Continued)

DECEMBER 31, 2006 AND 2005

| LIABILITIES AND NET ASSETS | <u>2006</u> | <u>2005</u> |
|---|-----------------------------|-----------------------------|
| CURRENT LIABILITIES: | | |
| Bonds payable - current maturities | \$ 355,000 | \$ 340,000 |
| Accounts payable | 383,576 | 401,177 |
| Accrued payroll | 1,536,268 | 1,343,725 |
| Accrued payroll taxes | 1,139,291 | 1,064,549 |
| Other liabilities | <u>1,042,495</u> | <u>463,906</u> |
| Total current liabilities | <u>4,456,630</u> | <u>3,613,357</u> |
| NONCURRENT LIABILITIES: | | |
| Bonds payable | 650,000 | 1,005,000 |
| Deferred capital grant | <u>1,000</u> | <u>33,147</u> |
| Total noncurrent liabilities | <u>651,000</u> | <u>1,038,147</u> |
| Total liabilities | <u>5,107,630</u> | <u>4,651,504</u> |
| NET ASSETS: | | |
| Invested in Capital Assets, Net of Related Debt | 38,714,258 | 39,524,117 |
| Unrestricted | <u>4,891,107</u> | <u>5,422,392</u> |
| Total net assets | <u>43,605,365</u> | <u>44,946,509</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 48,712,995</u></u> | <u><u>\$ 49,598,013</u></u> |

See accompanying notes to the financial statements.

METRO REGIONAL TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

| | 2006 | 2005 |
|--|---------------|---------------|
| OPERATING REVENUES: | | |
| Passenger fares | \$ 3,470,873 | \$ 3,514,296 |
| Charter revenue | 11,452 | 94,133 |
| Advertising and concessions | 353,961 | 306,435 |
| Total operating revenues | 3,836,286 | 3,914,864 |
| OPERATING EXPENSES | | |
| Labor | 12,695,931 | 12,599,824 |
| Fringe benefits | 7,048,865 | 7,479,976 |
| Materials and supplies | 4,478,194 | 3,561,216 |
| Services | 1,069,850 | 1,131,184 |
| Utilities | 652,651 | 536,629 |
| Casualty and liability | 1,066,711 | 1,225,109 |
| Taxes | 196,644 | 181,661 |
| Purchased transportation service | 1,061,558 | 1,076,844 |
| Miscellaneous | 178,361 | 169,364 |
| Total operating expenses excluding depreciation | 28,448,765 | 27,961,807 |
| OPERATING LOSS BEFORE DEPRECIATION EXPENSE | (24,612,479) | (24,046,943) |
| DEPRECIATION EXPENSE: | | |
| On assets acquired with capital grants | 5,674,766 | 6,264,726 |
| On other assets | 29,409 | 239,277 |
| Total depreciation expense | 5,704,175 | 6,504,003 |
| OPERATING LOSS | (30,316,654) | (30,550,946) |
| NON-OPERATING REVENUES (EXPENSES): | | |
| Sales tax revenue | 18,144,910 | 17,929,848 |
| Federal operating grants and reimbursements | 4,507,059 | 4,556,093 |
| State operating grants, reimbursements, and special fare assistance | 1,079,041 | 1,327,249 |
| Student fare and other assistance | 1,082,313 | 1,031,175 |
| Investment loss | - | (37,568) |
| Interest income | 235,685 | 130,247 |
| Interest expense | (55,596) | (65,652) |
| Gain (Loss) from disposal of assets | 24,580 | 8,977 |
| Other | 204,136 | 95,132 |
| Total non-operating revenues - net | 25,222,128 | 24,975,501 |
| NET LOSS BEFORE CAPITAL CONTRIBUTION | (5,094,526) | (5,575,445) |
| CAPITAL CONTRIBUTIONS | 3,753,382 | 2,714,674 |
| Increase (decrease) in Net Assets | (1,341,144) | (2,860,771) |
| Net Assets, Beginning of Year | 44,946,509 | 47,807,280 |
| Net Assets, Ending of Year | \$ 43,605,365 | \$ 44,946,509 |

See accompanying notes to the financial statements.

METRO REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

| | 2006 | 2005 |
|--|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 3,692,514 | \$ 3,954,864 |
| Cash received from others for miscellaneous services | 204,136 | 62,692 |
| Cash payments to suppliers for goods and services | (14,962,723) | (15,893,892) |
| Cash payments to employees for services | (12,503,388) | (12,042,230) |
| Net cash used in operating activities | (23,569,461) | (23,918,566) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Sales taxes received | 18,110,158 | 18,125,909 |
| Operating grants and other assistance received | 5,641,901 | 6,852,678 |
| Net cash provided by non-capital financing activities | 23,752,059 | 24,978,587 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Capital grants received | 3,990,886 | 2,734,785 |
| Acquisition and construction of capital assets | (3,946,613) | (3,124,282) |
| Principal paid on bonds | (340,000) | (777,029) |
| Interest paid on bonds | (55,596) | (65,652) |
| Net cash provided (used) by capital and related financing activities | (351,323) | (1,232,178) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash proceeds from sale of investments - net | 90,213 | 53,500 |
| Interest received from investments | 235,685 | 130,247 |
| Net cash provided by investing activities | 325,898 | 183,747 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 157,173 | 11,590 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 3,547,561 | 3,535,971 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 3,704,734 | \$ 3,547,561 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | \$ (30,316,654) | \$ (30,550,946) |
| Adjustment to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 5,704,175 | 6,504,003 |
| Unrealized loss on investments | - | 37,568 |
| Cash received from others for miscellaneous services | 204,136 | 62,692 |
| Change in assets and liabilities: | | |
| Accounts receivable-trade | 132,120 | 40,000 |
| Materials and supplies inventory | (3,345) | (451,468) |
| Prepaid expenses | (118,166) | (38,579) |
| Accounts payable | (17,601) | 44,540 |
| Accrued payroll | 192,543 | 204,343 |
| Accrued payroll taxes | 74,742 | 353,251 |
| Other current liabilities | 578,589 | (123,970) |
| NET CASH USED IN OPERATING ACTIVITIES | (23,569,461) | (23,918,566) |

See accompanying notes to the financial statements.

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2006 and 2005

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, 2006 and 2005

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, 2006 and 2005, \$3,753,382 and \$2,714,674 in capital contribution were recognized as revenue in the Statement of Revenues, Expenses and Changes in Net Assets for the Authority.

In 2005, the Authority 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.

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.

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

For the Years Ended December 31, 2006 and 2005

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

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. Property over \$5,000 is capitalized.

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.

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."

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2006 and 2005

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

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.

2. CHANGES IN ACCOUNTING PRINCIPLES

For the year ending December 31, 2006, the Authority has implemented GASB Statement No. 44 “Economic Condition Reporting: The Statistical Section (An amendment of NCGA Statement 1)” and GASB Statement No.47, “Accounting for Termination Benefits”. The Implementation of these new standards did not require a restatement of balances.

3. DEPOSITS AND INVESTMENTS

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2006 and 2005

3. DEPOSITS AND INVESTMENTS (Cont'd)

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 deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Authority's policy is to deposit money with financial institutions that are able to abide by laws governing insurance and collateral of public funds.

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.

At December 31, 2006, the carrying amount of the Authority's deposits was \$596,271 and the bank balance was \$774,128, \$200,000 of which was covered by the FDIC and \$574,128 of which was uninsured and uncollateralized as defined by the GASB. At December 31, 2005, the 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 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.

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

For the Years Ended December 31, 2006 and 2005

3. DEPOSITS AND INVESTMENTS (Cont'd)

Investments

Investments at December 31, 2006 are summarized as follows:

| Rating by Moody | Description | Fair Value | Investment Maturities In Months (0-6) | Percentage Of Total Investment |
|--------------------|-----------------------|--------------------|---|--------------------------------------|
| Aaa | Repurchase Agreements | \$3,108,463 | \$3,108,463 | 81% |
| Aaa | U.S. Treasury Bonds | 148,005 | 715,868 | 4% |
| Aaa | U.S. Treasury Notes | <u>567,863</u> | <u>715,868</u> | <u>15%</u> |
| | | <u>\$3,824,331</u> | <u>\$4,540,199</u> | <u>100%</u> |

Investments at December 31, 2005 are summarized as follows:

| Rating by Moody | Description | Fair Value | Maturities In Months (0-6) | Of Total Investment |
|--------------------|-----------------------|--------------------|-------------------------------|------------------------|
| Aaa | Repurchase Agreements | \$3,238,973 | \$3,238,973 | 80% |
| Aaa | U.S. Treasury Bonds | 161,802 | 161,802 | 4% |
| Aaa | U.S. Treasury Notes | <u>644,279</u> | <u>644,279</u> | <u>15%</u> |
| | 161802.16 | <u>\$4,045,054</u> | <u>\$4,045,054</u> | <u>100%</u> |

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

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

For the Years Ended December 31, 2006 and 2005

3. DEPOSITS AND INVESTMENTS (Cont'd)

Custodial credit risk for an investment is the risk that in the event of 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 \$3,108,463 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 an 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 counter-party to an investment will not fulfill its obligation. The Authority's investment policy limits investments to, among others, obligations of the U.S. government or agencies thereof.

4. BONDS AND LOAN PAYABLE

| Issue | Average Interest Rate | Balance January 1, 2006 | Additions | Reductions | Balance December 31, 2006 | Due Within One Year |
|-----------------------------------|-----------------------------|-------------------------------|-------------|-------------------|---------------------------------|------------------------|
| General obligations bonds 2004 | 4.03% | <u>\$ 1,345,000</u> | <u>\$ -</u> | <u>\$ 340,000</u> | <u>\$ 1,005,000</u> | <u>\$ 355,000</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 proceeds were deposited into a trust fund for the purpose paying the 1992 bonds and, therefore are excluded from the financial statements. The refinance resulted in an accounting gain of \$39,948 and an economic gain of \$30,090.

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

For the Years Ended December 31, 2006 and 2005

4. BONDS AND LOAN PAYABLE (Cont'd)

The annual requirements to pay principal and interest on the general obligation bonds and loan outstanding at December 31, 2006 are as follows:

| | Principal | Interest |
|-----------|---------------------|-------------------|
| 2007 | \$ 355,000 | \$ 44,550 |
| 2008 | 80,000 | 30,350 |
| 2009 | 85,000 | 27,150 |
| 2010 | 90,000 | 23,325 |
| 2011 | 95,000 | 19,275 |
| 2012-2014 | 300,000 | 30,500 |
| Total | <u>\$ 1,005,000</u> | <u>\$ 175,150</u> |

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 is as follows:

| Description | Balance 1/1/2006 | Additions | Disposals | Balance 12/31/2006 |
|---|----------------------|---------------------|-------------------|-----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 1,478,071 | \$ - | \$ - | \$ 1,478,071 |
| Right-of-ways | 10,653,206 | - | - | 10,653,206 |
| Total Capital Assets Not Being Depreciated | <u>12,131,277</u> | - | - | <u>12,131,277</u> |
| Capital Assets Being Depreciated: | | | | |
| Building & Building Improvements | 19,365,057 | 164,070 | - | 19,529,127 |
| Infrastructure | 3,047,547 | 570,045 | - | 3,617,592 |
| Transportation Equipment | 39,050,360 | 3,511,769 | 2,992,819 | 39,569,310 |
| Other Equipment | 8,254,425 | 322,362 | 519,093 | 8,057,694 |
| Total Capital Assets Being Depreciated | 69,717,389 | 4,568,246 | 3,511,912 | 70,773,723 |
| Less Accumulated Depreciation: | | | | |
| Building & Building Improvements | 12,799,143 | 941,468 | - | 13,740,611 |
| Infrastructure | 611,924 | 424,947 | - | 1,036,871 |
| Transportation Equipment | 22,554,355 | 3,306,110 | 2,719,493 | 23,140,972 |
| Other Equipment | 5,014,127 | 727,770 | 474,609 | 5,267,288 |
| Total Accumulated Depreciation | <u>40,979,549</u> | <u>5,400,295</u> | <u>3,194,102</u> | <u>43,185,742</u> |
| Total Capital Assets Being Depreciated, Net | <u>28,737,840</u> | <u>(832,049)</u> | <u>317,810</u> | <u>27,587,981</u> |
| Total Capital Assets, Net | <u>\$ 40,869,117</u> | <u>\$ (832,049)</u> | <u>\$ 317,810</u> | <u>\$ 39,719,258</u> |

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2006 and 2005

6. PURCHASED TRANSPORTATION SERVICES

During 2006 and 2005, 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 \$1,061,558 and \$1,076,844 in 2006 and 2005. All passenger fares related to these transit services are collected by the Authority and recorded as revenue.

7. EMPLOYEE RETIREMENT PLANS

Plan Description – All employees of the Authority are required to be members of the Ohio Public Employees Retirement System (“OPERS”). OPERS administers three different pension plans; The traditional plan, the member-directed plan, and the combined plan. The traditional plan is cost sharing, multiple-employer defined benefit pension plan. The member-directed plan is defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The combined plan is accost sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in manner similar to the member-directed 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).

METRO REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the Years Ended December 31, 2006 and 2005

7. EMPLOYEE RETIREMENT PLANS (Cont'd)

Funding Policy – The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 9 percent of their covered payroll to OPERS. The 2006 employer contribution rate for local government units was 13.70 percent of covered payroll including portion .3285 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, 2006, 2005 and 2004 were \$1,425,578, \$1,221,234 and \$1,381,755, 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. In 2006, local government employers contributed 13.70 % of covered payroll. The portion of employer contributions allocated to healthcare was 4.50%.

The assumptions and calculations noted below were based on the System's latest Actuarial Review performed as of December 31, 2005 (latest information available). 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 annually, not to exceed a 12% corridor. The investment return assumption rate for 2005 (latest information available) was 6.50 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.

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

For the Years Ended December 31, 2006 and 2005

7. EMPLOYEE RETIREMENT PLANS (Cont'd)

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 2006 totaled 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804 (latest information available). The Authority's contributions for other postemployment benefits to OPERS for the year ended December 31, 2006 were \$697,294. At December 31, 2006, 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, 2005 was \$11.1 billion (latest information available). The actuarially accrued liability and the unfunded liability, based on the actuarial costs method used, were \$31.3 billion and \$20.2 billion, respectively. At December 31, 2006, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under OPERS for any retirees, terminated employees, or other beneficiaries.

8. 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>2006</u> | <u>2005</u> |
|---------------------------------------|---------------------|---------------------|
| FEDERAL: | | |
| FTA Maintenance and Other Assistance | \$ 4,356,782 | \$ 4,409,391 |
| FTA Planning Grants | 150,277 | 146,702 |
| FTA Capital Contribution | 3,165,337 | 2,057,991 |
| Total | <u>\$ 7,672,396</u> | <u>\$ 6,614,084</u> |
| STATE: | | |
| ODOT Maintenance and Other Assistance | \$ 877,820 | \$ 1,150,907 |
| ODOT Fuel Tax Reimbursement | 201,221 | 176,342 |
| ODOT Capital Contribution | 570,045 | 656,683 |
| Total | <u>\$ 1,649,086</u> | <u>\$ 1,983,932</u> |

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

For the Years Ended December 31, 2006 and 2005

9. 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.

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. Also, the Authority did not reduce coverage from prior year.

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

For the Years Ended December 31, 2006 and 2005

10. CONTINGENCY

Contract Disputes and Legal Proceedings – In 2006 the Authority has been named as a defendant in violation of Federal Transportation Administration (FTA) Charter Regulations. In March 2006 Region V of the Federal Transportation Administration found that the Authority had violated the Charter Regulations and issued a cease and desist order for future charter orders as well as fined \$622,500. The Authority continues to deny any violation of the Charter Regulation and in April 2006 filed an appeal with Federal Transportation Administration Headquarters. In November 2006 the Federal Transportation Administration Headquarters responded to the appeal and reduced the fine to \$415,325. This fine is to reduce METRO's urbanized area federal grant allocation and be spread over a two year period. In February 2007 METRO requested that the fine be spread over a four year period. At this time the Federal Transportation Administration Headquarters has not responded to the last request. It is the opinion of management that the penalty will not 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>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> | <u>2006</u> |
|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Labor | \$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 | \$12,695,931 |
| Fringe Benefits | 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 | 7,048,865 |
| Materials and Supplies | 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 | 4,478,194 |
| Services | 794,305 | 843,704 | 966,990 | 1,217,946 | 1,169,490 | 940,454 | 1,207,788 | 1,111,932 | 1,131,184 | 1,069,850 |
| Utilities | 260,951 | 276,068 | 326,265 | 389,456 | 485,770 | 417,332 | 404,700 | 426,072 | 536,629 | 652,651 |
| Casualty and Liability | 406,961 | 501,281 | 511,051 | 486,489 | 542,239 | 762,078 | 890,037 | 1,188,010 | 1,225,109 | 1,066,711 |
| Taxes | 250,395 | 254,155 | 197,641 | 198,378 | 174,354 | 158,551 | 167,216 | 180,145 | 181,661 | 196,644 |
| Purchased Transportation | 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 | 1,061,558 |
| Interest Expense | 178,097 | 166,997 | 155,719 | 143,500 | 129,805 | 115,415 | 107,085 | 95,211 | 65,652 | 55,596 |
| Miscellaneous * | 232,929 | 333,455 | 343,876 | 2,088,351 | 1,121,355 | 404,472 | 264,521 | 237,345 | 169,364 | 178,361 |
| Total | 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 | 28,504,361 |
| 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 | 5,704,175 |
| Total Expenses | \$23,912,177 | \$24,499,675 | \$26,365,265 | \$31,657,808 | \$32,540,382 | \$33,002,486 | \$33,703,835 | \$33,449,786 | \$34,230,599 | \$34,208,536 |

Source: METRO's audited annual financial statements

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

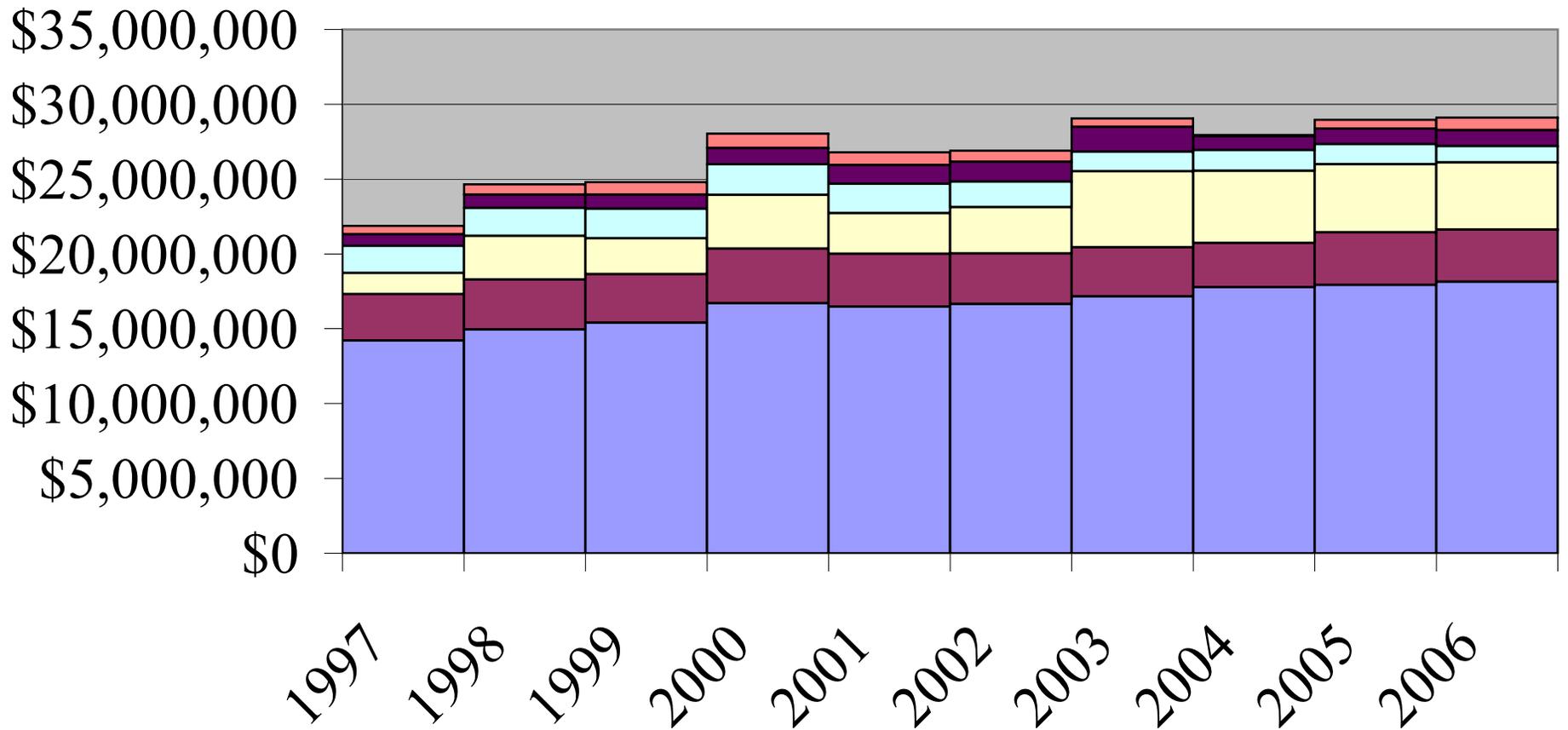
METRO Regional Transit Authority

Revenues by Source - Last Ten Years

| Operating Revenues | <u>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> | <u>2006</u> |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Passengers Fares | \$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 | \$3,470,873 |
| Charter Fares | 144,641 | 136,014 | 163,555 | 187,804 | 180,596 | 176,812 | 203,248 | 195,569 | 94,133 | 11,452 |
| Advertising | 215,470 | 245,316 | 308,153 | 422,413 | 274,868 | 298,843 | 354,381 | 299,535 | 306,435 | 353,961 |
| Total operating revenues | 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 | 3,836,286 |
| Non-operating Revenues | | | | | | | | | | |
| Sales Tax revenue | 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 | 18,144,910 |
| Federal grants | 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 | 4,507,059 |
| State grants | 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 | 1,079,041 |
| Student fares assistance | 780,408 | 888,391 | 939,624 | 1,073,168 | 1,250,698 | 1,331,874 | 1,666,411 | 928,393 | 1,031,175 | 1,082,313 |
| Interest income | 133,366 | 206,100 | 281,111 | 317,637 | 185,671 | 75,401 | 29,654 | 30,063 | 92,679 | 235,685 |
| Gain (loss) from disposal of assets | 0 | 0 | 0 | 0 | 0 | 0 | (229,860) | (640,912) | 8,977 | 24,580 |
| Other non-transportation revenue | 60,780 | 107,305 | 81,979 | 48,737 | 202,075 | 187,473 | 218,215 | 208,847 | 95,132 | 204,136 |
| Total non-operating revenues | 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 | 25,277,724 |
| Total Revenues | \$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 | \$29,114,010 |

Source: METRO's independently audited annual financial statements

Revenue by Source - Last Ten Years



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> |
|-------------|-----------------------------|
| 1997 | 4.5% |
| 1998 | 4.1% |
| 1999 | 4.3% |
| 2000 | 4.1% |
| 2001 | 4.6% |
| 2002 | 6.0% |
| 2003 | 6.2% |
| 2004 | 6.1% |
| 2005 | 5.8% |
| 2006 | 5.2% |

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):

| <u>YEAR</u> | <u>OPERATING AND OTHER REVENUE</u> | | | <u>OPERATING ASSISTANCE</u> | | | <u>TOTAL</u> | <u>TOTAL REVENUES</u> |
|-------------|------------------------------------|------------------|--------------|-----------------------------|--------------|----------------|--------------|-----------------------|
| | <u>PASSENGER</u> | <u>OTHER (2)</u> | <u>TOTAL</u> | <u>LOCAL</u> | <u>STATE</u> | <u>FEDERAL</u> | | |
| 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 | 32.4% | 15.7% | 48.1% | 21.0% | 23.6% | 7.3% | 51.9% | 100.0% |
| 2006 * | | | | | | | | |

METRO Regional Transit Authority

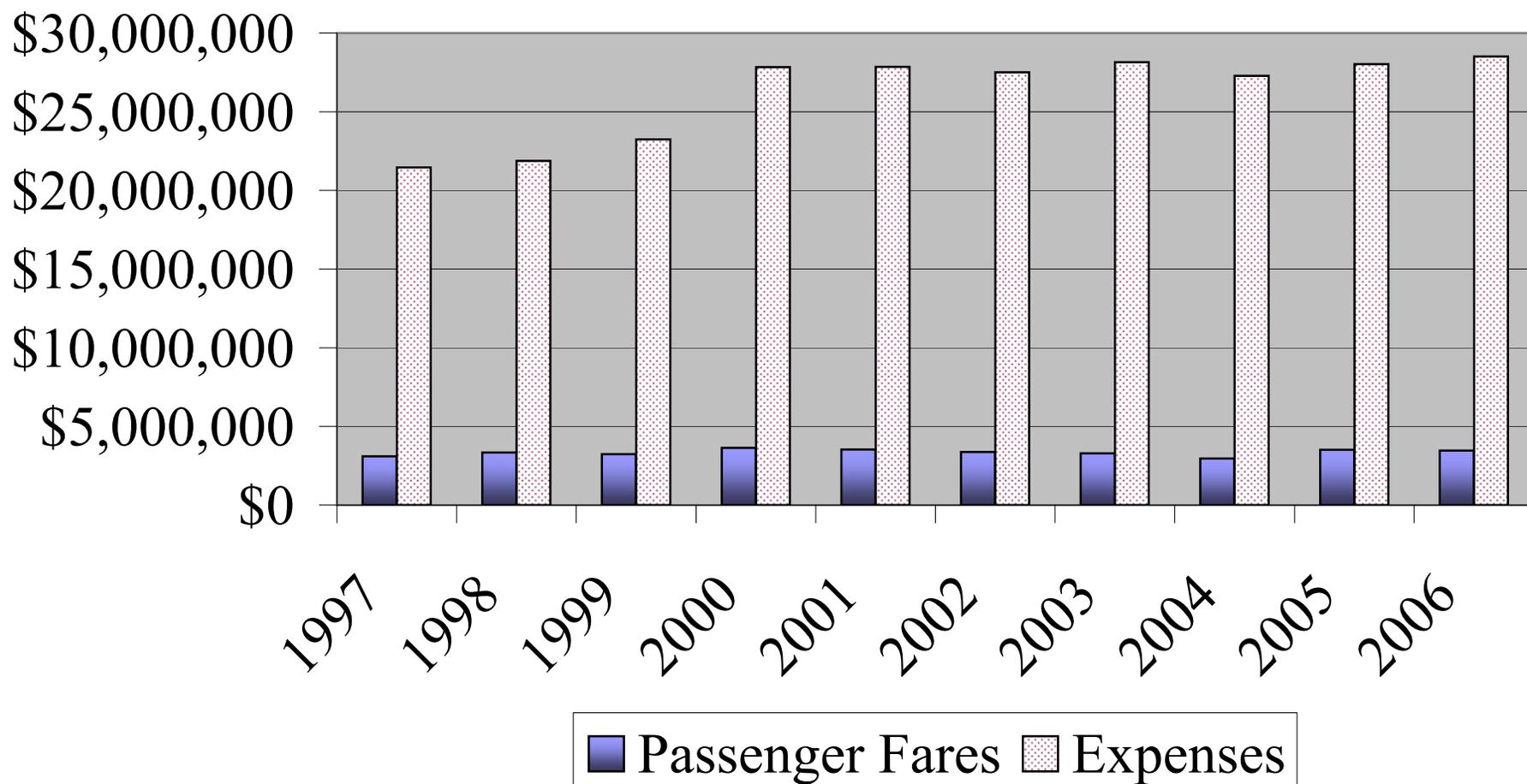
| <u>YEAR</u> | <u>OPERATING AND OTHER REVENUE</u> | | | <u>OPERATING ASSISTANCE</u> | | | <u>TOTAL</u> | <u>TOTAL REVENUES</u> |
|-------------|------------------------------------|------------------|--------------|-----------------------------|--------------|----------------|--------------|-----------------------|
| | <u>PASSENGER</u> | <u>OTHER (2)</u> | <u>TOTAL</u> | <u>LOCAL</u> | <u>STATE</u> | <u>FEDERAL</u> | | |
| 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% |
| 2006 | 11.9% | 2.8% | 14.7% | 66.1% | 3.7% | 15.5% | 85.3% | 100.0% |

(1) Source: The American Public Transit Association, "APTA 2007 Transit Fact Book"

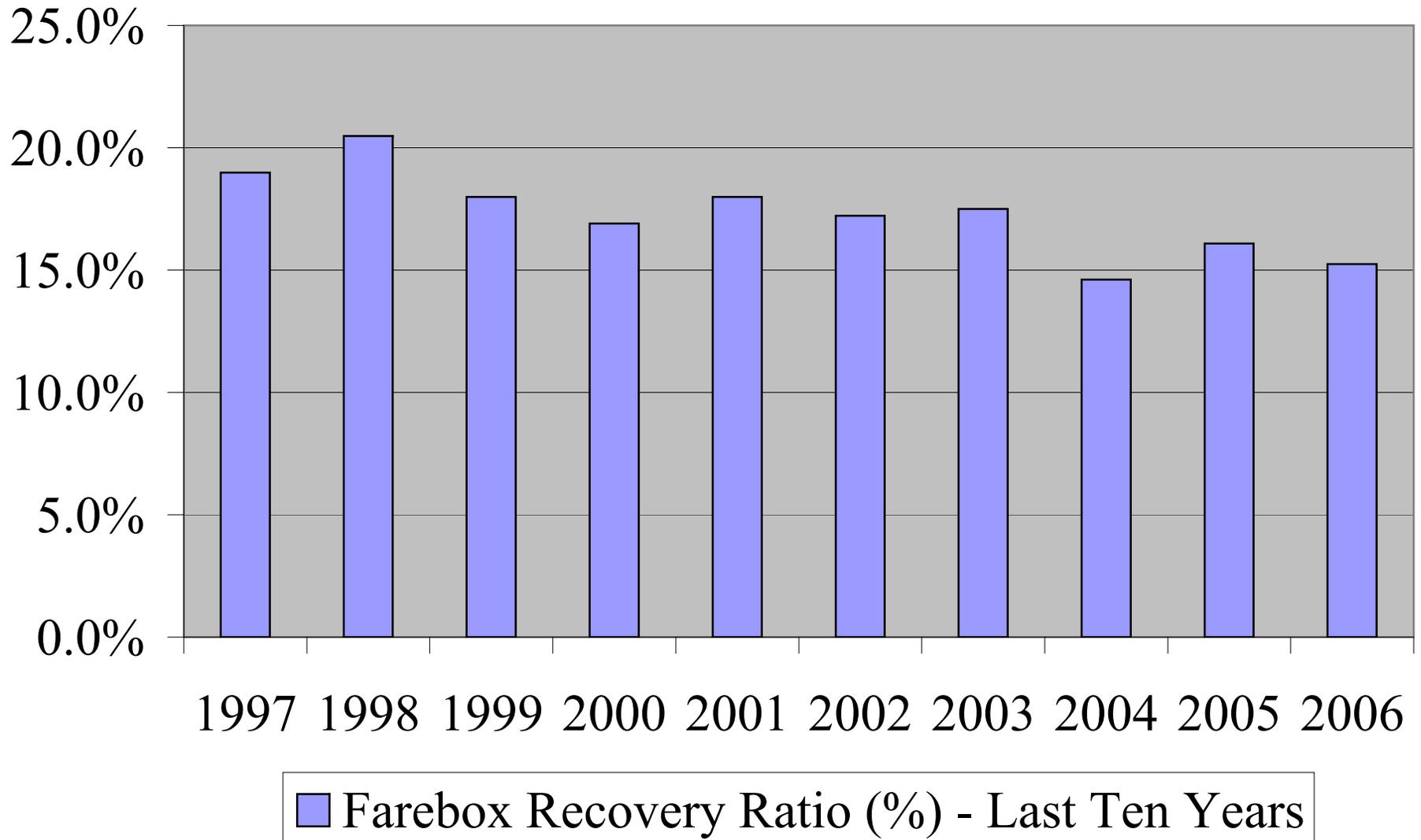
(2) Includes auxiliary transportation revenues, interest, and other non-transportation revenues

* Information not available

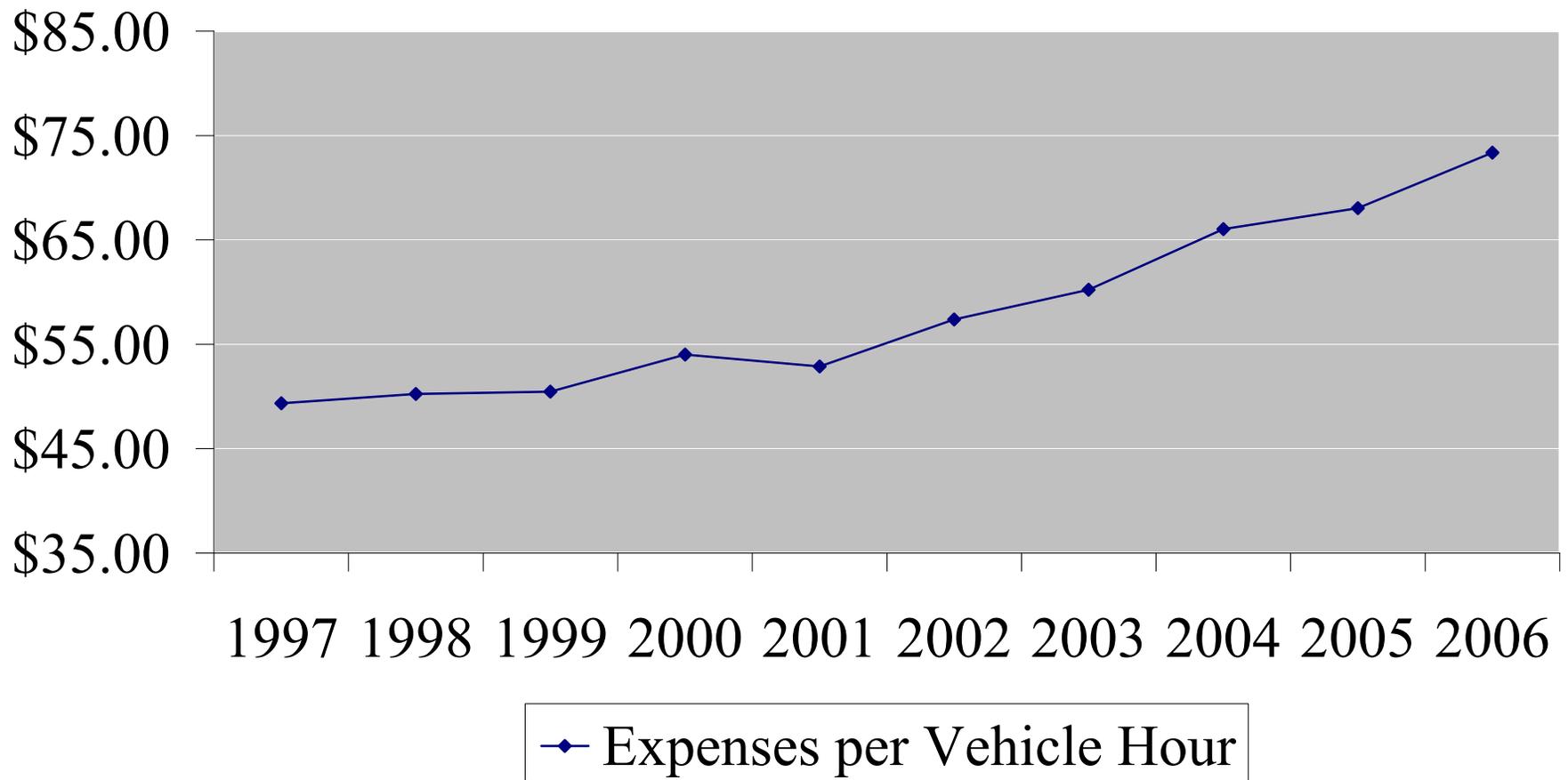
Passenger Fares vs. Operating Expenses - Last Ten Years



Farebox Recovery Ratio (%) - Last Ten Years



Operating Expenses per Vehicle Hour - Last Ten Years



Source: METRO's Planning Department Report

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> |
|-------------|----------------------------|--------------------------------|-----------------|------------------|---------------------------------|---------------------------------|--------------|-----------------------|
| 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% |
| 2004 | 68.7% | 9.1% | 5.8% | 3.0% | 2.6% | 13.4% | -2.6% | 100.0% |
| 2005 | 66.9% | 10.1% | 5.8% | 3.2% | 2.5% | 13.8% | -2.3% | 100.0% |
| 2006 * | | | | | | | | |

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> |
|-------------|----------------------------|--------------------------------|-----------------|------------------|---------------------------------|---------------------------------|--------------|-----------------------|
| 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% |
| 2004 | 73.3% | 11.0% | 4.1% | 1.6% | 4.4% | 3.9% | 1.7% | 100.0% |
| 2005 | 71.6% | 12.7% | 4.0% | 1.9% | 4.4% | 3.8% | 1.6% | 100.0% |
| 2006 | 69.3% | 15.7% | 3.8% | 2.3% | 3.7% | 3.7% | 1.5% | 100.0% |

(1) Source: The American Public Transit Association, "APTA 2007 Transit Fact Book"

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

* Information not available

METRO Regional Transit Authority

Operating Statistics - Last Ten Years

| | <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> | <u>2006</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| System Ridership (1) | | | | | | | | | | |
| Motor Bus | 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 | 5,612,011 |
| Demand Response | 347,370 | 347,577 | 335,090 | 331,980 | 333,200 | 322,995 | 262,240 | 216,252 | 179,652 | 153,336 |
| Average Weekday System Ridership (1) | | | | | | | | | | |
| Motor Bus | 18,458 | 20,797 | 19,342 | 26,420 | 20,890 | 22,631 | 21,037 | 19,210 | 19,466 | 19,795 |
| Demand Response | 1,350 | 1,325 | 1,280 | 1,267 | 1,568 | 1,253 | 1,016 | 828 | 695 | 596 |
| Total Vehicle Miles (1) | | | | | | | | | | |
| Motor Bus | 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 | 3,110,541 |
| Demand Response | 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 | 1,571,295 |
| Total Revenue Miles (1) | | | | | | | | | | |
| Motor Bus | 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 | 2,647,393 |
| Demand Response | 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 | 1,418,170 |
| Passenger Miles (1) | | | | | | | | | | |
| Motor Bus | 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 | 21,432,595 |
| Demand Response | 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 | 947,262 |
| Full Time Employees (1) | 338 | 345 | 358 | 378 | 356 | 354 | 336 | 322 | 326 | 326 |

METRO Regional Transit Authority

Operating Statistics - Last Ten Years (Continued)

| | <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> | <u>2006</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Vehicle Hours (1) | | | | | | | | | | |
| Motor Bus | 305,837 | 323,520 | 326,669 | 334,722 | 314,316 | 293,198 | 283,704 | 261,818 | 260,734 | 255,174 |
| Demand Response | 144,041 | 108,226 | 115,093 | 128,146 | 157,402 | 150,527 | 136,343 | 131,578 | 131,038 | 111,832 |
| Total Vehicle Revenue Hours (1) | | | | | | | | | | |
| Motor Bus | 263,145 | 275,421 | 289,721 | 303,423 | 270,475 | 240,642 | 248,158 | 229,084 | 229,008 | 228,469 |
| Demand Response | 110,126 | 104,796 | 111,034 | 125,643 | 151,993 | 145,554 | 131,736 | 126,205 | 125,185 | 107,112 |
| Vehicle Accidents per 100,000 miles (2) | | | | | | | | | | |
| Motor Bus | 2.7 | 2.6 | 2.6 | 3.1 | 2.5 | 2.0 | 2.0 | 3.6 | 2.1 | 2.1 |
| Demand Response | 2.5 | 2.0 | 1.9 | 2.1 | 2.3 | 2.6 | 2.0 | 1.5 | 1.8 | 1.5 |
| Miles between Roadcalls (2) | | | | | | | | | | |
| | 2,785 | 2,915 | 3,987 | 3,940 | 3,691 | 4,269 | 4,198 | 3,538 | 2,629 | 4,391 |
| Total Revenue Vehicles (1) | | | | | | | | | | |
| Motor Bus | 130 | 140 | 163 | 155 | 152 | 137 | 135 | 137 | 122 | 117 |
| Demand Response | 144 | 155 | 145 | 147 | 176 | 163 | 156 | 144 | 148 | 152 |

(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, 2006

Cash fares

| | | |
|---------------------|----|------|
| General | \$ | 1.25 |
| Senior / Disability | | 0.50 |
| North Coast Express | | 4.00 |
| SCAT | | 2.00 |
| SCAT ADA | | 2.50 |

Tickets/Passes

| | | |
|------------------------------------|----|---------|
| 10 Ride Pass - North Coast Express | \$ | 33.00 |
| SCAT Ticket | | 20.00 |
| Day Pass | | 3.00 |
| 31 Day Pass | | |
| General | | \$50.00 |
| Senior / Disability | | 30.00 |

Source: METRO's Fare resolution passed by the Board of Trustees on August 30, 2006

METRO Regional Transit Authority

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

| System | Rate | Date Imposed | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------|-------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| GCRTA | 1.00% | Oct 01, 1975 | 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 | 169,262,438 |
| COTA | 0.25% | Feb 01, 1990 | 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 | 46,371,674 |
| Laketran | 0.25% | Aug 01, 1988 | 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 | 7,728,333 |
| GDRTA | 0.50% | Jul 01, 1980 | 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 | 32,363,030 |
| PARTA | 0.25% | Feb 01, 2002 | 0 | 0 | 0 | 0 | 0 | 2,564,174 | 3,281,207 | 3,390,061 | 3,412,879 | 3,583,445 |
| SARTA | 0.25% | Jul 01, 1997 | 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 | 11,525,065 |
| METRO | 0.25% | Feb 01, 1991 | 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 | 17,989,459 |

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

Note: These figures are net of the 1% administration fee.

These amounts are based on month sales tax collected, the distribution occurs two months following the collection month.

Numbers are on a cash basis.

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 | 432.6 |
| Number of buses (Directly Operated) | |
| Motor bus | 117 |
| Demand Response | 81 |
| Number of routes | 36 |
| Customer Service information calls answered (2005) | 199,602 |
| SCAT Reservation Clerks calls answered (2005) | 138,457 |



Mary Taylor, CPA
Auditor of State

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 19, 2007**