



**GREATER CLEVELAND
REGIONAL TRANSIT AUTHORITY**

Report of Federal Award Expenditures in Accordance
with OMB Circular A-133

Year Ended December 31, 2004

(With Independent Auditors' Reports Thereon)



**Auditor of State
Betty Montgomery**

Board of Trustees
Greater Cleveland Regional Transit Authority
1240 West 6th Street
Cleveland, Ohio 44113-1331

We have reviewed the *Independent Auditor's Report* of the Greater Cleveland Regional Transit Authority, Cuyahoga County, prepared by KPMG LLP, for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

August 16, 2005

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GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Report on Federal Award Expenditures in Accordance with OMB Circular A-133

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GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended December 31, 2004

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA number</u>	<u>Pass-through entity identifying number</u>	<u>Federal expenditures</u>
U.S. Department of Transportation:			
Federal Transit Cluster/Direct Programs:			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	N/A	\$ 21,096,344
Federal Transit Administration Capital Improvement Grants	20.500	N/A	<u>27,773,358</u>
Federal Transit Cluster total			<u>48,869,702</u>
Transit Planning and Research	20.514	N/A	32,112
Job Access – Reverse Commute	20.516	N/A	<u>668,545</u>
Total expenditures of federal awards			<u>\$ 49,570,359</u>

See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2004

(1) **Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (Schedule) reflects the expenditures of the Greater Cleveland Regional Transit Authority under programs financed by the U.S. government for the year ended December 31, 2004. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For purposes of the Schedule, federal awards include all grants, contract, loans, and loan guarantee agreements entered into directly between the Authority and agencies and departments of the federal government. Expenditures for federal award programs are recognized on the accrual basis of accounting.



KPMG LLP
Suite 2600
One Cleveland Center
1375 East Ninth Street
Cleveland, OH 44114-1796

**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***

The Board of Trustees
Greater Cleveland Regional Transit Authority
and
The Honorable Betty Montgomery, Auditor of State:

We have audited the basic financial statements of the Greater Cleveland Regional Transit Authority (Authority) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

We noted certain matters that we have reported to management of the Authority in a separate letter dated June 10, 2005.



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

KPMG LLP

Cleveland, Ohio
June 10, 2005



KPMG LLP
Suite 2600
One Cleveland Center
1375 East Ninth Street
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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Trustees
Greater Cleveland Regional Transit Authority
and
The Honorable Betty Montgomery, Auditor of State:

Compliance

We have audited the compliance of Greater Cleveland Regional Transit Authority (Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement (Compliance Supplement)* that are applicable to each of its major federal programs for the year ended December 31, 2004. The Authority's major federal program (cluster) is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 04-1.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the 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 internal control over compliance would not necessarily disclose all matters that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more 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.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Authority as of and for the year ended December 31, 2004, and have issued our report thereon dated June 10, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

KPMG LLP

Cleveland, Ohio
June 10, 2005

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

Year ended December 31, 2004

(1) Summary of Auditors' Results:

- | | | |
|-----|---|---------------|
| (a) | The type of report issued on the financial statements as of and for the year ended December 31, 2004 | Unqualified |
| (b) | Reportable conditions or material weaknesses in internal control disclosed by the audit of the financial statements | None reported |
| (c) | Noncompliance identified that is material to the financial statements of the Authority | None |
| (d) | Reportable conditions or material weaknesses in internal control over major federal financial award programs disclosed by the audit of the financial statements | None reported |
| (e) | The type of report issued on compliance for major federal financial award programs | Unqualified |
| (f) | Any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133 | Yes |
| (g) | Major federal financial assistance programs identified for the year ended December 31, 2004: | |
| | Federal Transit Cluster: | |
| | CFDA #20.507 Federal Transit Administration –
Capital and Operating Assistance Formula Grants | |
| | CFDA #20.500 Federal Transit Administration –
Capital Improvement Grants | |
| (h) | Dollar threshold used to distinguish between Type A and Type B programs | \$ 1,487,111 |
| (i) | Auditee qualified as a low-risk auditee under OMB Circular A-133 | Yes |

(2) Findings Relating to the Financial Statements That Are Required to Be Reported in Accordance with *Government Auditing Standards*

None

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

Year ended December 31, 2004

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 04-1	Remittance of Retirement Proceeds
Federal Agency:	Department of Transportation
CFDA # and Program Expenditures:	20.500, 20.507 \$ 48,869,702
Questioned Costs:	\$ 15,274

Condition Found:

Upon the retirement of federally-funded equipment, the Authority failed to remit \$15,274, the proportionate share of proceeds from sale of such equipment exceeding the \$5,000 threshold, to the awarding agency.

Criteria:

According to 49 CFR 18.32 (5)e, *“items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.”*

Effect:

Failure to remit the proportionate share of proceeds to the awarding agency results in noncompliance with the criteria listed above on the part of the Authority.

Recommendation:

We recommend the Authority continue to develop policies and procedures and more closely monitor the proceeds from the retirement of assets to ensure that amounts are properly utilized in the calculation of future federal draw downs.

View of Responsible Official:

We concur with the finding. In fiscal year 2005, we will implement a system to track, record and report any such sales and remit such proceeds to the awarding agency.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
Summary Schedule of Prior Audit Findings – Prepared by Management

Year ended December 31, 2004

Prior Findings and Questioned Costs Relating to Federal Awards

Finding 03-1	Payroll certification	
Federal Agency:	Department of Transportation	
CFDA # and Program Expenditures:	20.507	\$ 50,163,884
Questioned Costs:	\$ 0	

Condition Found:

The Authority assigned direct costs to the program for employees that worked solely on the preventive maintenance of the Authority's buses and facilities, an allowable cost according to the particular grant agreements and OMB Circular A-87. However, KPMG noted the Authority did not prepare the certifications required under OMB Circular A-87 Attachment B 8.h.3 for employees that worked solely on a single federal award program.

Criteria:

The requirements for employee certification where employees are expected to work solely on a single federal award are found in OMB Circular A-87 Attachment B 8.h.3: *"Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee."*

Corrective Action Taken:

The Authority received clarification from the Federal Transit Administration and FTA will accept a time and attendance card signed by a supervisor as evidence of a certified payroll. Therefore, the Authority is in compliance.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Summary Schedule of Prior Audit Findings – Prepared by Management

Year ended December 31, 2004

Finding 03-2:	Indirect Cost Rate Proposal
Federal Agency:	Department of Transportation
CFDA # and Program Expenditures:	20.507, 20.500 \$ 69,207,528
Questioned Costs:	\$ 0

There are no questioned costs, as the indirect cost rate used by the Authority was lower than the FTA accepted rate.

Condition Found:

The Authority assigned indirect costs to the program for employees that worked on a federal project, an allowable cost according to the particular grant agreements and OMB Circular A-87. However, KPMG noted the Authority did not use the agreed-upon rate with the FTA, which is required per OMB Circular A-87 Attachment E, E.1.

Criteria:

The requirements for negotiation and approval of indirect cost rates are found in OMB Circular A-87 Attachment E, E.1.

Corrective Action Taken:

The Authority is currently using the correct indirect cost rate in accordance with OMB Circular A-87.

**2004 COMPREHENSIVE ANNUAL
FINANCIAL REPORT
for the year ended December 31, 2004**

**RTA
Greater Cleveland
Regional Transit Authority**

2004

INTRODUCTORY SECTION

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**Comprehensive
Annual Financial Report**
For the Year Ended December 31, 2004



**Greater Cleveland
Regional Transit Authority**
Cuyahoga County, Ohio

George F. Dixon, III
President
Board of Trustees

Joseph A. Calabrese
CEO, General Manager/
Secretary- Treasurer

*Prepared By:
Division of Finance and Administration
General Accounting*

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Greater Cleveland
Regional Transit Authority,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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.



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in Financial Reporting to the Greater Cleveland Regional Transit Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2003.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



**The Greater Cleveland
Regional Transit Authority**

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Cleveland, Ohio 44113-1331
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June 10, 2005

George F. Dixon, III, President,
and Members, Board of Trustees
Greater Cleveland Regional Transit Authority
and Residents of Cuyahoga County, Ohio:

It is a pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the Greater Cleveland Regional Transit Authority ("GCRTA" or "Authority") for the year ended December 31, 2004. This is the seventeenth such report issued by GCRTA. It has become the standard format used in presenting the results of the GCRTA's operations, financial position, cash flows and related statistical information.

GCRTA takes great pride in the fact that each of the previously issued Comprehensive Annual Financial Reports earned the recognition of the Government Finance Officers Association ("GFOA") in the form of its Certificate of Achievement for Excellence in Financial Reporting. This award evidences the fact that the previous CAFRs complied with stringent GFOA standards for professional financial reporting. GCRTA was the first public transit agency in Ohio to earn this important recognition and has consistently done so since 1988.

The GCRTA also submits its annual operating and capital budgets to the GFOA and has been doing so since 1990. Each of these budget documents has won the Distinguished Budget Presentation Award, having satisfied the most stringent program criteria and proven its value as (1) a policy document, (2) an operations guide, (3) a financial plan, and (4) a communication device.

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

The CAFR is divided into an Introductory Section, a Financial Section, and a Statistical Section.

The INTRODUCTORY SECTION contains a title page and table of contents, the GFOA Certificate of Achievement for Excellence in Financial Reporting, this letter of transmittal, the GCRTA's organizational chart, a listing of the members of the Board of Trustees and chief administrators of the GCRTA, and a map of municipalities in the County.

The FINANCIAL SECTION begins with the Management's Discussion and Analysis, Independent Auditors' Report and the GCRTA's financial statements.

The STATISTICAL SECTION provides financial, economic, and demographic information that is useful for indicating trends for comparative fiscal periods.

REPORTING ENTITY

The Greater Cleveland Regional Transit Authority is an independent political subdivision of the State of Ohio. It was created in December 1974 by ordinance of the City of Cleveland, Ohio, and by resolution of the Board of County Commissioners of Cuyahoga County, Ohio. Operations at GCRTA began in September 1975. Either directly or through contracts with systems in the Cities of North Olmsted and Maple Heights, the GCRTA provides virtually all mass transportation within the County. However, in March 2005, both North Olmsted and Maple Heights transit systems merged with GCRTA to form a single transit system that will meet the needs of the public in Cuyahoga County. It is a multimodal system delivering bus, paratransit, heavy rail and light rail services.

A ten-member Board of Trustees (Board) establishes policy and sets direction for the management of the GCRTA. Four of the members are appointed by the Mayor of Cleveland with the consent of City Council; three members, one of whom must reside in the City of Cleveland, are appointed by the County Commissioners; the remaining three members are elected by suburban mayors, city managers, and township trustees. Board members serve overlapping three-year terms. Under the provisions of General Accounting Standards Board ("GASB") Statement No. 14, the GCRTA is considered to be a jointly governed organization.

Responsibility for the line administration rests with the CEO, General Manager/Secretary-Treasurer. He supervises five Deputy General Managers who head the Operations, Legal Affairs, Finance & Administration, Engineering & Project Management and the Human Resources divisions. Additionally, the Office of Management and Budget and the Office of External Affairs function outside of the divisional configuration and report directly to the General Manager. The Internal Audit Department reports to the Board of Trustees and maintains a close working relationship with the General Manager. An organizational chart, which depicts these relationships, follows later in this introductory section.

The GCRTA had 2,597 employees as of December 31, 2004. The system delivered 22.2 million revenue miles of bus service and 3.4 million revenue miles on its heavy and light rail systems. The service fleet was composed of 686 motor bus coaches, 60 heavy rail cars, 48 light rail cars, and 74 demand responsive vehicles.

ECONOMIC CONDITION AND OUTLOOK

The GCRTA's service area is contiguous with the boundaries of Cuyahoga County, Ohio. The County includes the City of Cleveland, two townships, and fifty-six other jurisdictions. This is the largest metropolitan area in Ohio and one of the largest counties in the United States. The population of this area is approximately 1.4 million people.

Historically, the foundation for Greater Cleveland's economic vitality has been heavy industry with the largest employment sector being manufacturing. Since 1995, manufacturing employment has dropped significantly from 18.3% of the total workforce to 11.7%, while wholesale and retail trade has significantly decreased from 24.5% since 1995 to 14.9% in 2004. The professional and related services sector work force has steadily grown from 30.8% of the total workforce since 1995 to the present rate of 42.2%, of the

workforce. Our local economy started to rebound during 2003, resulting in more of our workforce being employed. The County's 2004 unemployment was 6.2%, compared to the national rate of 5.2%.

During 2003, the County Auditor completed the required reappraisal valuation of all commercial, industrial, and residential real property. This is the most recent valuation available. This process is the foundation for property taxation, and it sets the debt limitation for GCRTA. This appraisal valuation is currently at \$30.6 billion.

CURRENT YEAR REVIEW

In 2004, GCRTA made much progress in fulfilling its basic mission of providing outstanding cost effective public transportation services to the community. This progress was achieved through the implementation of new initiatives, the careful management of capital and human resources, and the ongoing focus on customer service.

GCRTA continued to upgrade its fleet of buses with the purchase of 15 new low-floor buses for GCRTA's Community Circulators program. The Community Circulators program continues to be in high demand. Requests for new and expanded services continue to challenge our ability to provide this popular service and meet the public demand. The Community Circulators provide "loop-like" services to neighborhoods and easy access to main line bus and rail services and neighborhood businesses. In conjunction with the purchase of these buses, customized marketing campaigns were created involving local merchants, encouraging residents to ride and shop in their neighborhoods. The campaign included trial-ride-vouchers for the Circulators, plus discounts and other value-added offers from area merchants. As a result of the new vehicles and promotional campaigns, Community Circulators' ridership grew significantly, as did support of local merchants by neighborhood residents. Currently, there are 69 vehicles serving 11 routes.

Riders' changing transportation requirements also include a need for more information. GCRTA answered this need with enhancements to its Next Connect electronic information signs located at major passenger facilities. By the end of 2005, up to 50 Next Connect signs will be installed, providing riders with real-time bus and train schedule updates, information on road detours and delays, and changing weather conditions.

Seamless links with other forms of transportation, including biking, is another growing rider request. In response, GCRTA purchased an additional 294 bike racks last year. Riders can now take their bikes during designated hours on our buses and trains knowing that the vehicles on our connecting routes will also have bike racks.

The need for reliable low-cost transportation prompted GCRTA to begin refurbishing light-rail cars used on its Blue and Green Lines. This will allow GCRTA to provide riders the benefit of a "new car" smell and added reliability for a cost significantly lower than that of purchasing an entirely new light-rail fleet.

GCRTA opened the nation's first "green-built" rail station with the ribbon cutting for the new West 65th Rapid Station. Its use of recycled materials, solar heating, and natural tree shading created a structure friendly to the environment and the surrounding neighborhood. The \$4 million station is the cornerstone of EcoVillage in Cleveland's Detroit-Shoreway neighborhood, which includes 20 new homes, a senior housing complex, and neighborhood green space. The "green station" was created through the collaboration of GCRTA and

planners from the city of Cleveland, the Detroit-Shoreway Community Development Organization, and EcoCity Cleveland.

In 2004, gas prices skyrocketed and motorists were again faced with the high cost of transportation. GCRTA provided a practical suggestion, incorporate a train or bus into your daily commute. This was the message behind the Authority's Pass on the Pump campaign. This campaign emphasized the message that public transportation is a smart alternative to driving.

We continued to target companies regarding our Commuter Advantage Program. This program allows transit riders the opportunity to save upwards of \$4,700 per year by setting aside pretax income to purchase monthly GCRTA passes through their employers. The number of companies enrolled in the Commuter Advantage Program increased by 50 percent in 2004, totaling more than 200.

Higher gas prices also were also affecting the tight budgets of college students. Fortunately, students at Case Western Reserve University, Cleveland State University and the Cleveland Institute of Art and Music now have the GCRTA U-Pass, which allows them to unlimited trips and transfers on GCRTA vehicles.

Paratransit service was greatly enhanced through the adoption of a more equitable trip-scheduling policy. The new policy helps ensure responsive service to the thousands who rely on the Paratransit. GCRTA implemented a \$1.4 million software package for scheduling and maintaining customer information. As a result of this new software package, Paratransit service experienced fewer no-shows and late cancellations and was able to meet scheduled pickup times with routine frequency. In addition, GCRTA's Paratransit customer-service representatives improved communications with riders by asking the right questions to offer viable time alternatives when service requests exceeded capacity. Riders provided better information about the time-sensitive nature of their trips and how the trips related to their daily plans. This constructive two-way dialogue along with the implementation of the new scheduling software package resulted in a dramatic 24.8 percent increase in Paratransit use, equating to more than 12,000 additional riders per month.

Ridership numbers continue to increase. From 2003 to 2004, ridership rose 3.7 percent, with nearly 2 million riders added. This brings total rides provided last year to 55.5 million. While the gains in ridership are strong, the numbers posted in service are equally impressive. GCRTA experienced a decrease in major collisions, which led to a 16.5% in overall safety. Customer satisfaction was up 13.7 percent, fueled in part by an 18.7 percent increase in reliability and a 2.6 percent rise in on-time performance. What's most impressive about GCRTA's performance in 2004 is the fact that much was accomplished with less.

GCRTA's goal of improving public transportation service along one of Cleveland's busiest corridor is also nearing reality. Groundbreaking for the Euclid Corridor Transportation Project (ECTP) occurred on October 19, 2004. This represented the final step in funding this important initiative, with the signing of the Full Funding Grant Agreement, guaranteeing more than \$80 million from the Federal Transit Administration through its New Starts program. The groundbreaking itself was more than just a ceremony. It demonstrated the resolve of political, business, and civic leaders; the commitment of GCRTA's Board of Trustees and management; and the support of the entire Greater Cleveland community in bringing this 50-year old vision to reality. ECTP will be known as the Silver Line and will move more than 30,000 riders each day along Euclid Avenue, offer commuters the fastest connection between downtown and University Circle, and operate 36 transit stations to enable simplified boarding. It is anticipated that as the Silver Line begins to take shape and

transit stations start sprouting up along Euclid Avenue, so too will capital-investment projects. More than \$400 million has already been committed along the corridor, and officials expect to see an eventual capital investment of over \$1.3 billion.

Powering the Silver Line will be hybrid-electric vehicles more responsive to the passenger's comfort and less sensitive to the fluctuations of world energy prices. And through the creation of dedicated transit lanes and the use of traffic-signaling technology, the Silver Line will reduce travel time by more than 20 percent

GCRTA was able to maintain a sound financial position in 2004. This was achieved through its continued success in controlling operating and capital expenses and identifying additional areas for enhancing operational efficiency. While costs were kept in check, customer satisfaction improved through dedicated service by GCRTA operators and staff.

FUTURE PLANS

The Authority has continued to implement its Long-Range Plan. This Long-Range Plan serves as a blueprint for building tomorrow's public transit by addressing shifts in our area's population and employment centers as well as changing travel patterns. This plan includes:

Community Circulators – A total of 69 Community Circulators were operational in 2004. These small buses provide neighborhood services throughout the City and the suburbs, including transfers to mainline bus and rail services over ten routes.

Transit Centers – Transit stations strategically located where bus routes intersect and service is timed to provide easy transferring. Larger centers include indoor waiting areas and concessions. GCRTA has four existing Transit Centers at Westgate (Fairview Park) Euclid, North Olmsted and at Southgate.

Park-N-Ride Lots – Parking lots strategically located at freeway or other major intersections. Commuters leave their cars and ride express service to and from their destinations. GCRTA provides more than 8,500 parking spaces at 21 of the rapid transit stations. In addition, the Authority operates bus Park-N-Rides at Strongsville (600 spaces) and Westlake (550 spaces). The objective of the GCRTA Park-N-Ride Development Plan is to provide rail and/or bus Park-N-Ride services for all major commuter corridors in Cuyahoga County.

Rail Line Extensions – Various expansions of the existing rail system, including an extension of the Red Line to Berea and an extension of the Blue Line to Interstate 271; and an extension of the Waterfront Line south through the Cleveland State University-Playhouse Square area of downtown Cleveland.

Euclid Corridor Transportation Project – This project, in progress, will establish dedicated bus lanes along Euclid Avenue from Public Square to University Circle and beyond and include improved passenger shelter, signals, street lighting and landscaping.

CAPITAL IMPROVEMENT PLAN

The development of the 2005 budget included preparation of a five year Capital Improvement Plan (“CIP”). This document is an outline for rebuilding and expanding service by the Authority. Totaling \$540.8 million, the CIP constitutes a significant public works effort aimed at remaking the transit network and positioning the Authority, not just for the short-term, but also for the long-term future.

Significant capital improvements planned for the five-year period include:

Local Capital Projects – \$22.7 million

Classified as Routine Capital (\$12.5 million) and Asset Maintenance (\$10.2 million) Projects, these initiatives are funded entirely from local resources. Routine Capital Projects are typically equipment requested by various departments and not funded through grants. Asset Maintenance funds are used to maintain, rehabilitate, replace, or construct assets of a smaller scope or cost than those typically supported with grants. These projects are authorized within the Authority’s Capital Fund and are supported with annual allocations of sales tax receipts.

Rail Projects – \$135.1 million

This commitment of funds includes the upgrade of the Catenary system, rail extensions, station rehabilitation, tracks, bridges, train control systems, and signage. Rail projects includes the rehabilitation of the rail stations totaling \$53.6 million, overhaul of our light and heavy rail vehicles of \$20.4 million, rehabilitation of the rail tracks of \$23.2 million, upgrade of Catenary electrical system of \$21.4 million, upgrade of our cab and light rail signals of \$12.5 million, rail extensions of \$.5 million, and spare parts for our rail vehicles of \$3.5 million.

Bridge Rehabilitation and Other Improvements – \$18.6 million

Funding has been provided for the rehabilitation of five track bridges, and three street bridges. The budget also included the relocation of Transit Police Headquarters.

Bus Garages and Other Improvements – \$16.3 million

GCRTA will complete its rehab of the Triskett and Brooklyn garages during 2005 with an additional \$2.0 million and \$ 1.7 million budgeted respectively, and a new Southwest garage will be built at an estimated cost of \$11.2 million. We will be building a Bus Storage Facility starting in 2007 at estimated costs of \$1.4 million.

Bus Purchases, Paratransit Vehicles and Spare Parts – \$48.7 million

The useful life of a bus, as defined by the Federal Transit Administration (“FTA”) is twelve years, or five hundred thousand miles. The Authority is aggressively reducing its fleet's average age by replacing its oldest vehicles.

Transit Centers – \$62.1 million

The Authority will be making a significant investment for the construction of Transit Centers over the next five years. These centers will be designed to provide our riders with convenient connections between local, regional and downtown transit lines. Comfortable waiting areas and time-coordinated service will make it easier for riders to transfer between routes.

Euclid Corridor Transportation Project – \$101.7 million

This project continues to be the Authority's top priority. Once completed, this project will create a unique environment along the corridor that will benefit the entire region by improving transit services, promoting long-term economic and community development, and improving the quality of life in Northeast Ohio.

Equipment and Graphics – \$25.6 million

This project calls for the replacement of Farebox Collection equipment with partial funding included in the Long Range Plan of \$16.2 million. Installation of security systems on our buses and trains is budgeted at \$7.6 million; and passenger information monitors of our rail fleet at \$1.0 million. Miscellaneous equipment will be purchased at \$0.8 million.

Capitalized Operating Expenses and Other Expenses – \$110.0 million

These operating costs are budgeted to be incurred over the next several years and are reimbursable by the Federal and State governments.

FINANCIAL INFORMATION

Internal Control

The GCRTA is responsible for establishing and maintaining an internal control system designed to ensure that its assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from its implementation. The valuation of costs and benefits requires estimates and judgments by management. The Authority's management believes its internal controls are adequate.

Basis of Accounting

The GCRTA's accounting records are maintained on the accrual basis. The activities are reported through use of a single enterprise fund.

Budgetary Control

The annual cash basis operating budget is proposed by management, at the department level, and adopted by the Board of Trustees after public discussion. The Budget for each division and department is represented by appropriations. The Board must approve any increase in the total Authority appropriations. The General Manager must approve any inter-divisional budget transfers. The appropriate Deputy General Manager may modify appropriations to applicable departments within a division and to accounts within a department.

Budgetary control is maintained at the department level. 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. The GCRTA also maintains an encumbrance accounting system for budgetary control. Unencumbered appropriations lapse at year-end. Encumbered appropriation balances are carried forward to the succeeding year and need not be reauthorized.

Management's Discussion and Analysis

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A beginning on page 21 and should be read in conjunction with it.

Retirement Plan

Employees of the GCRTA are covered under the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer pension plan (including disability and health care benefits).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees covered by OPERS contribute 8.5% of earnable salary or compensation and the GCRTA contributes 13.55% (actuarially established for OPERS) of the same base. The OPERS does not make separate measurements of assets and pension benefit obligations for individual Ohio subdivisions.

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

Under House Bill 158, effective February 1, 2002, state legislation was enacted, extending coverage of OPERS law enforcement benefit to our full time Transit Police officers. Current Transit Police members may elect to be covered under this new legislation. However, newly hired Transit Police officers will automatically be covered under this new legislation. This legislation permits an officer with at least 25 years of service as an OPERS law enforcement officer to retire with full benefits at age 48 or older. The employee contribution rate is 10.1 % of earnable salary or compensation and the GCRTA contribute 16.7% of the same base.

Cash Management

The GCRTA pursues an aggressive cash management and investment program in order to achieve reasonable financial return on all available funds. Cash balances are invested at the best interest rates available in the money markets within the constraints imposed by the Bylaws of the GCRTA and the Ohio Revised Code. In accordance with these provisions, only banks located in Ohio and domestic savings and loan associations are eligible to hold public deposits.

The provisions also permit the GCRTA to invest its moneys in certificates of deposit, savings accounts, commercial paper, money market mutual funds, bankers' acceptance notes, the State Treasurer's investment pool (STAR OHIO), and obligations of the United States government or certain agencies thereof. The GCRTA may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days.

Under the criteria developed by the Governmental Accounting Standards Board, \$38.7 million of the GCRTA's investments are included in Risk Category 1 as defined in Note 3 to the financial statements. See Note 3 to the financial statements regarding credit risk relating to GCRTA's deposits. The procedures used for securing the Authority's deposits and investments are governed by the Ohio Revised Code. Because the GCRTA's deposits and investments are generally held by large, financially sound, national banks, we believe that the security supporting the GCRTA's deposits and investments is adequate.

Risk Management

The GCRTA is self-insured for public liability. The GCRTA also operates a self-insurance program for workers' compensation claims. Claims are normally paid with the general operating revenues of the GCRTA. The GCRTA, by resolution of the Board of Trustees, established an insurance reserve in fiscal year 1980 to accumulate funds to satisfy catastrophic or extraordinary losses. The insurance reserve as of December 31, 2004 was \$6.0 million. GCRTA purchased catastrophic loss insurance to protect the Authority's assets against catastrophic losses. This umbrella liability coverage is in the amount of \$75 million per occurrence in excess of the \$5 million self-insured retention.

Blanket insurance coverage is maintained for property and equipment. In addition, the GCRTA has insurance to protect against internal losses.

OTHER INFORMATION

Independent Audit

The GCRTA's independent audit was conducted by KPMG LLP, who has issued an unqualified audit report on these financial statements.

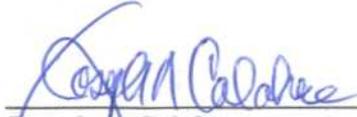
GCRTA also participates in the federal single audit program, which consists of a single audit of all federally funded programs administered by the GCRTA. As a requirement for continued funding eligibility, participation in the single audit program is mandatory for most local governments, including GCRTA.

Certificate of Achievement for Financial Reporting

It is also management's intention to submit this and future CAFRs to the Government Finance Officers Association of the United States and Canada for review under its Certificate of Achievement for Excellence in Financial Reporting Program. We believe the current report conforms to the program requirements, and we expect that participation will result in improvements to our reports in coming years.

Acknowledgments

The GCRTA expresses thanks to the staff of the Accounting Department directed by Glenn Hendrix and assisted by Pamela Fairfax, for their work in preparing this report. Pamela Blackwell, Debra Benjamin and Joseph Ivan organized the project. Frances Barnett typed and proofread the entire document, and prepared it for printing. Cuyahoga County and Steven C. Letsky, Director of Accounting for the Cuyahoga County Auditor, provided supporting demographics and other statistics.



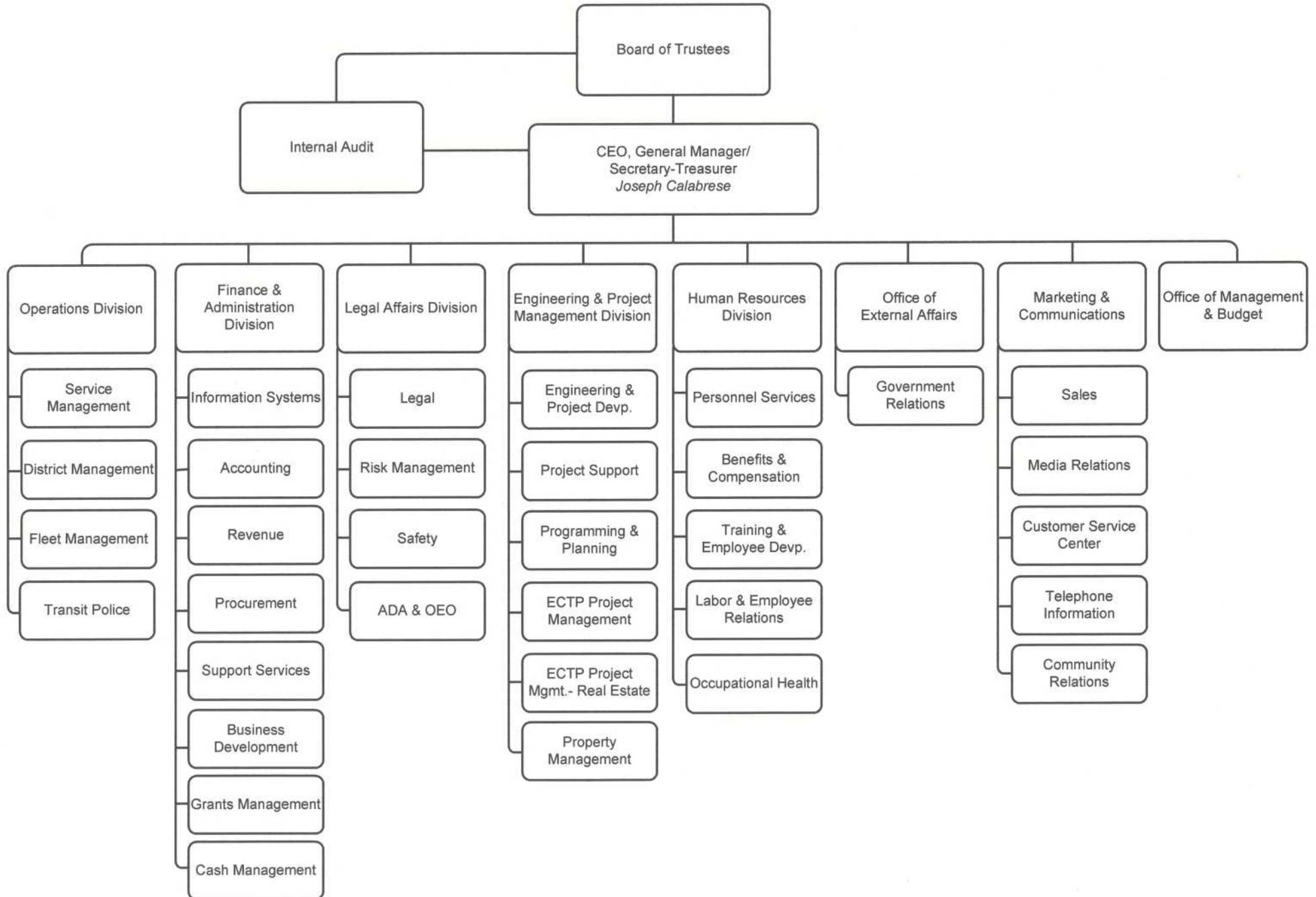
Joseph A. Calabrese,
Chief Executive Officer-
General Manager/
Secretary-Treasurer



Loretta Kirk
Deputy General Manager
Finance & Administration

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

ORGANIZATIONAL CHART AS OF DECEMBER 31, 2004



Greater Cleveland Regional Transit Authority
Board of Trustees and Administration

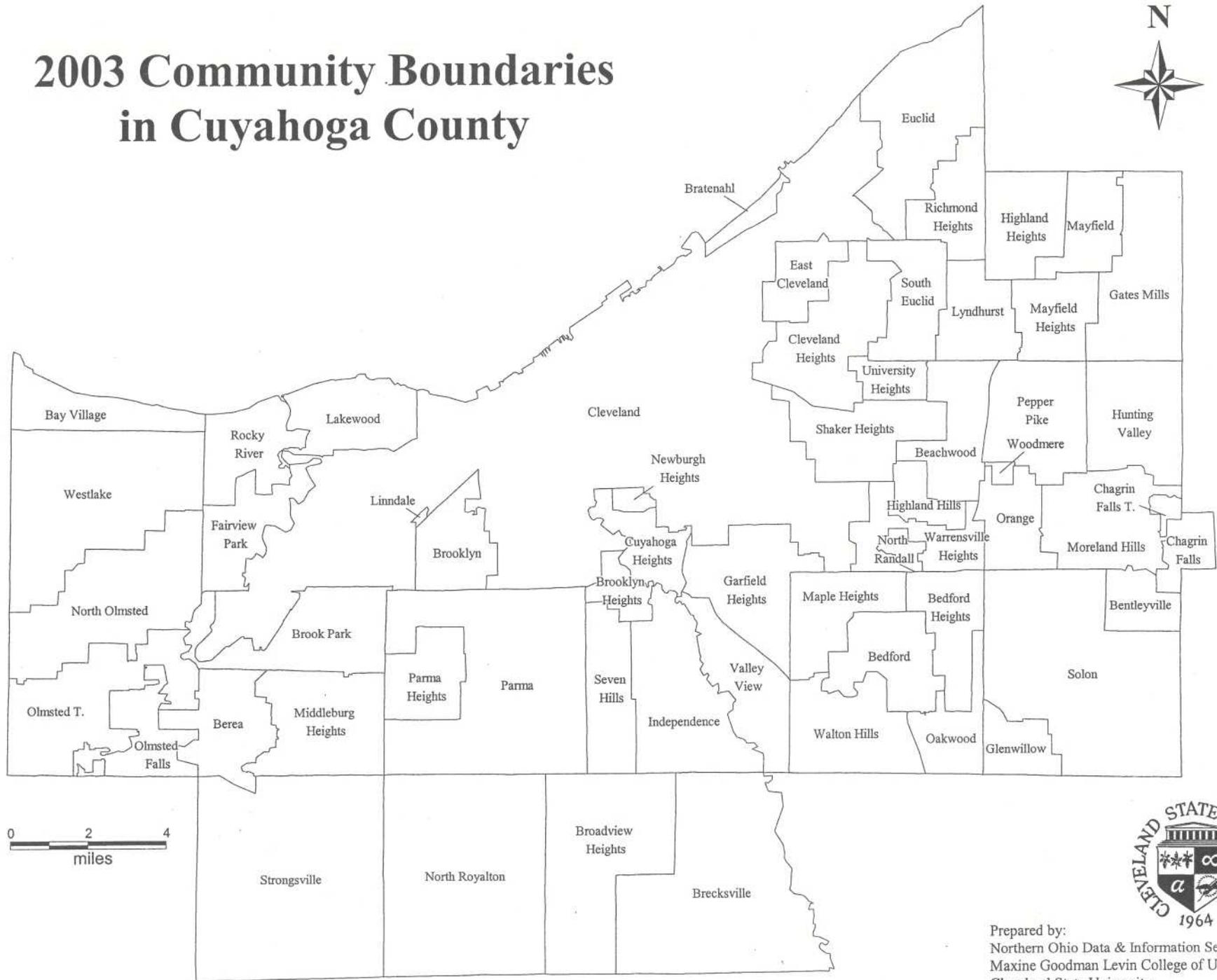
BOARD OF TRUSTEES

President	George F. Dixon, III
Vice-President	Beverly L. Burtzloff
Trustees	Jesse O. Anderson Dennis M. Clough Allan C. Krulak Edward J. Kelley Francisco Molina Shari Weir Jerry N. Hruby Charles L. Patton

ADMINISTRATION

CEO, General Manager / Secretary-Treasurer	Joseph A. Calabrese
Deputy General Managers:	
Finance and Administration	Loretta Kirk
Legal Affairs	Sheryl King Benford
Operations	Michael C. York
Engineering and Project Management	Michael J. Schipper
Human Resources	Bruce Hampton

2003 Community Boundaries in Cuyahoga County



Prepared by:
Northern Ohio Data & Information Service
Maxine Goodman Levin College of Urban Affairs
Cleveland State University
August 2003 B.Mc

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2004

FINANCIAL SECTION

**General Purpose
Financial Statements and Notes**

Independent Auditors' Report

The Board of Trustees
Greater Cleveland Regional Transit Authority
and
The Honorable Betty Montgomery, Auditor of State:

We have audited the accompanying basic financial statements of the Greater Cleveland Regional Transit Authority (Authority) as of and for the years ended December 31, 2004 and 2003 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2005 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

KPMG LLP

Cleveland, Ohio
June 10, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Greater Cleveland Regional Transit Authority ("GCRTA" or "Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2004 and 2003. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- The Authority's net assets increased in each of the past two years with a \$3.0 million, or 0.5%, increase in 2004 compared to 2003 and a \$4.9 million, or 0.9% increase in 2003 compared to 2002.
- Current assets increased by \$3.4 million or 4.6% in 2004 compared to 2003. Current assets increased by \$0.3 million, or 0.4%, for 2003 compared to 2002.
- Current liabilities increased by \$8.7 million, or 19.0%, for 2004 compared to 2003. However, current liabilities decreased \$2.3 million, or 4.8%, for 2003 compared to 2002.
- The Authority's non-current liabilities increased by \$30.3 million or 21.9% in 2004 compared to 2003. Non-current liabilities decreased by \$5.6 million or 3.9% in 2003 compared to 2002.

Basic Financial Statements and Presentation

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

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

The Statement of Revenues, Expenses and Changes in Net Assets presents 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.

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

The basic financial statements can be found beginning on page 35 of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

Condensed Summary of Assets, Liabilities, and Net Assets (amounts in millions)

	December 31,		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Assets:			
Current asset	\$ 77.6	\$ 74.2	\$ 73.9
Other noncurrent assets	44.4	10.7	38.0
Capital assets (net of accumulated depreciation)	<u>653.8</u>	<u>649.0</u>	<u>625.0</u>
Total assets	<u><u>775.8</u></u>	<u><u>733.9</u></u>	<u><u>736.9</u></u>
Liabilities:			
Current liabilities	54.4	45.8	48.1
Noncurrent liabilities	<u>168.8</u>	<u>138.5</u>	<u>144.1</u>
Total liabilities	<u><u>223.2</u></u>	<u><u>184.3</u></u>	<u><u>192.2</u></u>
Net assets:			
Invested in capital assets, net of related debt	532.4	531.7	522.7
Unrestricted	<u>20.2</u>	<u>17.9</u>	<u>22.0</u>
Total net assets	<u><u>552.6</u></u>	<u><u>549.6</u></u>	<u><u>544.7</u></u>
Total liabilities and net assets	<u><u>\$ 775.8</u></u>	<u><u>\$ 733.9</u></u>	<u><u>\$ 736.9</u></u>

The largest portion of the Authority's net assets reflect investment in capital assets consisting of buses, rail cars, right-of-ways, and operating facilities, less any related debt used to acquire those assets still outstanding. The Authority uses these capital assets to provide public transportation services for the Cuyahoga County.

During 2004, major construction projects aggregating \$18.8 million were completed and transferred to the appropriate property and facilities account. Major projects include the East 37th street Viaduct \$5.1 million, the Joint Territory Project \$7.0 million, the West 65th St. Station Rehabilitation \$5.2 million, and the Rehabilitation of Transit track over the Ambler St. bridge, and the Brookpark Shop rehabilitation, totaling \$1.5 million.

Included in the December 31, 2004 construction in progress balance are costs associated with the Triskett Garage Rehabilitation, Kingsbury Tunnels Project, LRV Overhaul Project, design and engineering costs associated with the Euclid Corridor Project, along with various other projects.

During 2003, major construction projects aggregating \$72.5 million were completed and transferred to the appropriate property and facilities accounts. Major projects included the Radio Replacement System \$18.7 million; E. 55th Street Substation \$3.2 million; Holton Bridge Project \$3.2 million; Computer Integrated Transit Maintenance Project \$2 million; Brookpark Station Project \$2 million; South Transit Center \$1.5 million; McCurdy Bridge work \$1.3 million; University Circle Station \$1.1 million; Light Rail Track Rehabilitation \$1.1 million; the purchase of 120 NABI coaches, of which 32 were placed in service in 2002, and the remaining 88 in 2003 \$23.8 million. In addition, \$14.6 million dollars were transferred to various projects in 2003.

Included in the December 31, 2003 construction-in-progress balance are costs associated with the Joint Territory project, Triskett Garage Rehab, design and engineering cost associated with Euclid Corridor Project, along with various other projects.

Readers desiring more detailed information on capital asset activity should read Note 4 - Capital Assets at page 45 included in the notes to the financial statements.

**Condensed Summary of Revenues, Expenses and Changes in Net Assets
(amounts in millions)**

Description

	December 31,		
	2004	2003	2002
Operating revenues:			
Passenger fares	\$ 37.6	\$ 38.4	\$ 38.2
Advertising and concessions	1.5	1.5	1.7
Total operating revenues	39.1	39.9	39.9
Operating expenses, excluding depreciation	(220.1)	(228.9)	(211.5)
Depreciation expenses	(41.6)	(39.4)	(36.1)
Total operating expenses	(261.7)	(268.3)	(247.6)
Operating loss	(222.6)	(228.4)	(207.7)
Nonoperating revenues (expenses):			
Sales and use tax revenue	168.7	159.1	157.2
Federal grants and reimbursements	20.4	21.1	12.3
State grants, reimbursements, and special fare assistance	3.4	2.2	1.6
Investment income	0.4	0.6	1.5
Interest expense	(4.5)	(5.8)	(6.0)
Other income	1.9	1.6	2.2
Total nonoperating revenues	190.3	178.8	168.8
Net loss before capital grant revenue	(32.3)	(49.6)	(38.9)
Capital grant revenue	35.3	54.5	62.1
Increase in net assets during the year	3.0	4.9	23.2
Net assets, beginning of year	549.6	544.7	521.5
Net assets, end of year	\$ 552.6	\$ 549.6	\$ 544.7

FINANCIAL OPERATING RESULTS

Revenues

Ridership and Passenger Fares – Farebox receipts and special transit fares are included here. Passenger fares remained almost unchanged from 2004, 2003 and 2002.

Sales and Use Tax – This dedicated 1% tax is levied in Cuyahoga County as part of the 8% overall tax on retail sales that changed from 7% effective July 2003. For 2004, 72.2% and for 2003, approximately 70.1% of the Authority's revenue came from this source. Revenue received from sales and use tax for 2004 increased \$9.6 million, or 6.0% compared to 2003. Revenue from this category increase by \$1.9 million, or 1.2% for 2003 compared to 2002. The increases can be attributable to an up turn in the economy starting in 2003, but coming into full swing in 2004.

Federal Grants and Reimbursements – The Authority received approximately \$20.4 million for 2004 and \$21.1 million in 2003 in preventive maintenance reimbursement funds to cover the costs of certain inventory purchases and maintenance costs incurred.

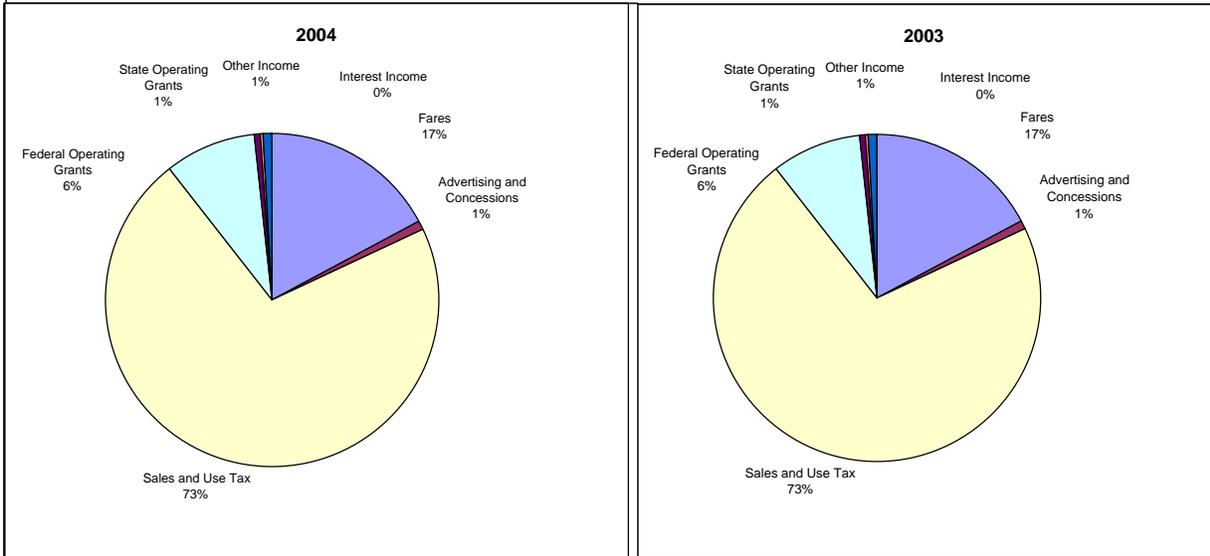
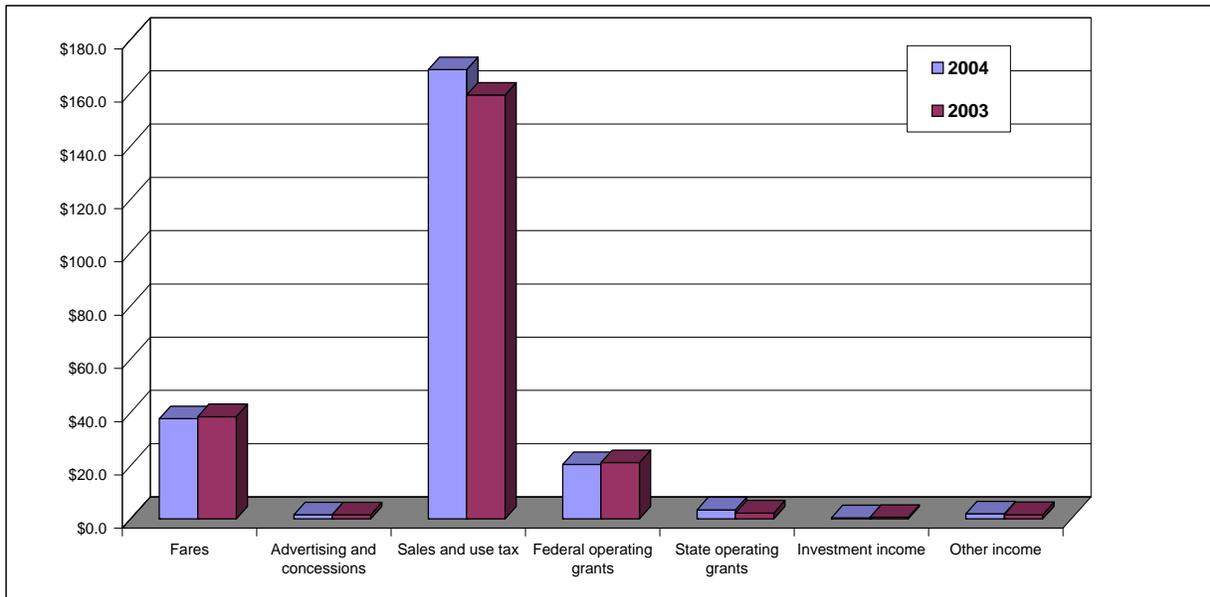
State Operating Grants – The Ohio Department of Transportation (ODOT) allocates grants for operating assistance and elderly and handicapped programs. This category also includes reimbursement for state fuel taxes paid by the Authority. The increase in this category for 2004 compared to 2003 was a direct result of receiving more funding for our capital projects at the State level. There was very little change in this category in 2003 compared to 2002.

Investment Income – Investment income decreased in both 2004 and 2003 due to a decrease in the average investment interest rate and a smaller average investment balance.

REVENUE

Millions of Dollars

	<u>2004</u>	<u>2003</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Fares	\$37.6	\$38.4	(\$0.8)	(2.1) %
Advertising and concessions	1.5	1.5	-	-
Sales and use tax	168.7	159.1	9.6	6.0
Federal operating grants	20.4	21.1	(0.7)	(3.3)
State operating grants	3.4	2.2	1.2	54.5
Investment income	0.4	0.6	(0.2)	(33.3)
Other income	1.9	1.6	0.3	18.8
Total	<u>\$233.9</u>	<u>\$224.5</u>	<u>\$9.4</u>	<u>4.2 %</u>



Expenses

Labor and Fringe Benefits: These personnel related costs decreased by \$3.3 million, or 5.0%, in 2004 compared to 2003 due to a decrease in the number of employees during 2004. However, costs in this category increased by \$4.6 million, or 3.0%, in 2003 compared to 2002 due to increase in health care costs.

Materials and Supplies: These costs have increased in 2004 from 2003 due to the higher costs of diesel fuel and compressed natural gas. Costs decreased in 2003 compared to 2002 due to less material supplies and maintenance required on our buses. The Authority purchased approximately 119 buses in 2003 to replace its aging fleet of buses that required high maintenance costs and use of materials.

Services: These costs decreased significantly in 2004 over 2003 and increased from 2003 compared to 2002 mainly due to the decision by management to write off initial consulting costs in 2003 relating to capital projects that will not be implemented totaling \$6.0 million.

Utilities: Utility costs for 2004 increased by \$0.7 million compared to 2003 due to higher utility rates. Costs for 2003 remained unchanged as compared to 2002.

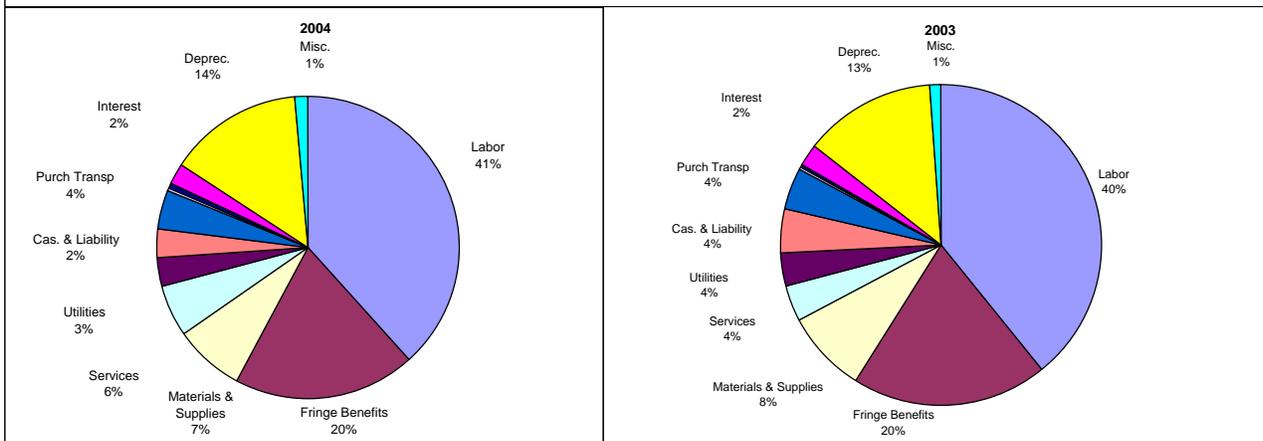
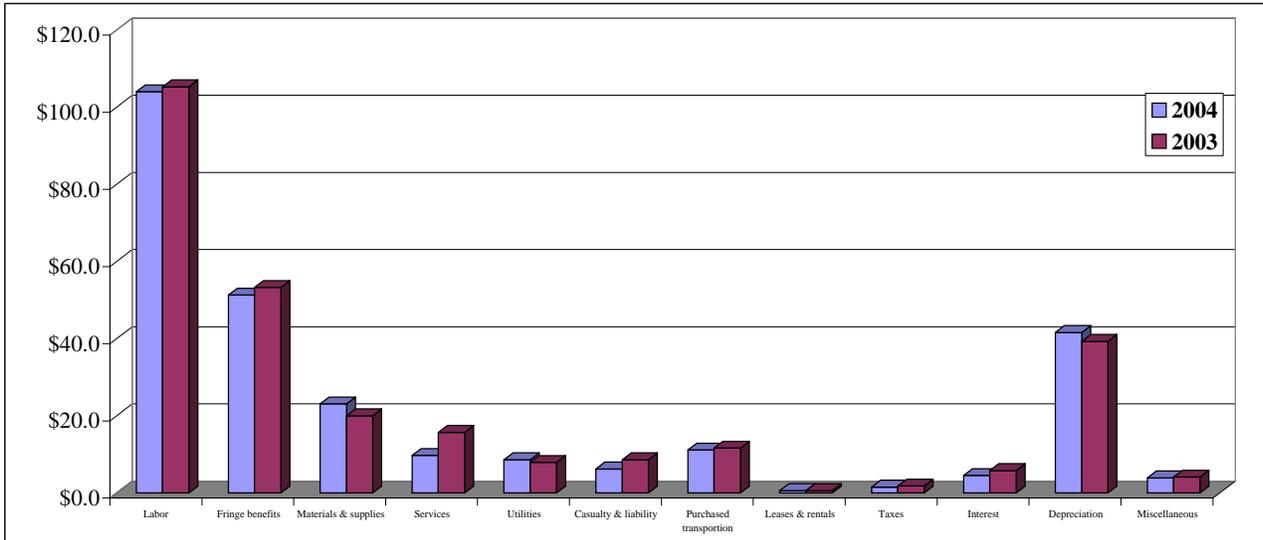
Casualty and Liability: The \$2.4 million decrease in these costs is due to lower than expected claims for 2004 as compared to 2003. In 2003 as compared to 2002, claims were higher than expected; consequently, the related claims expense increased by \$5.8 million. Casualty and liability claims are recorded based on actuarial studies performed in both 2004 and 2003.

Purchased Transportation: These costs consist of contracting with companies to provide a transportation service to areas where bus service is limited. These services include Maple Heights and North Olmsted transit services. In addition, we contracted with outside companies to provide supplemental services for our riders that use our Paratransit service. Costs in this category decreased by \$0.5 million compared to 2003. GCRTA implemented several improvements relating to our Paratransit program during 2004 that improved our ability to schedule and transport more of our riders through our Paratransit program. This resulted in less reliance on outside vendors to transport our paratransit riders. Costs for 2003 increased by \$0.9 primarily due to our emphasis to provide additional services to our riders.

Expenses by Object Class

Millions of Dollars

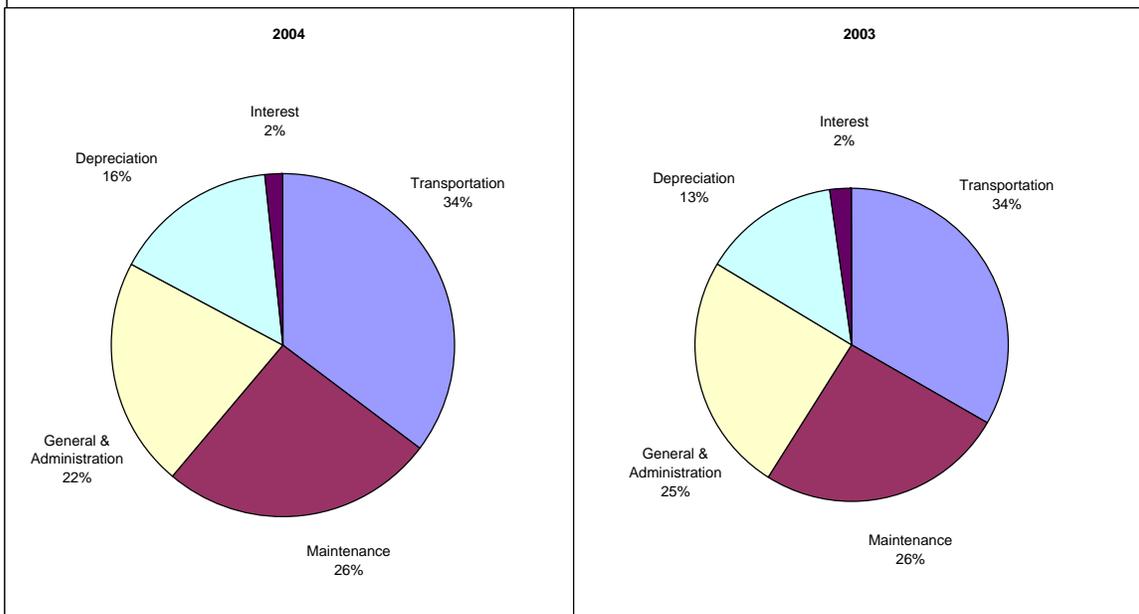
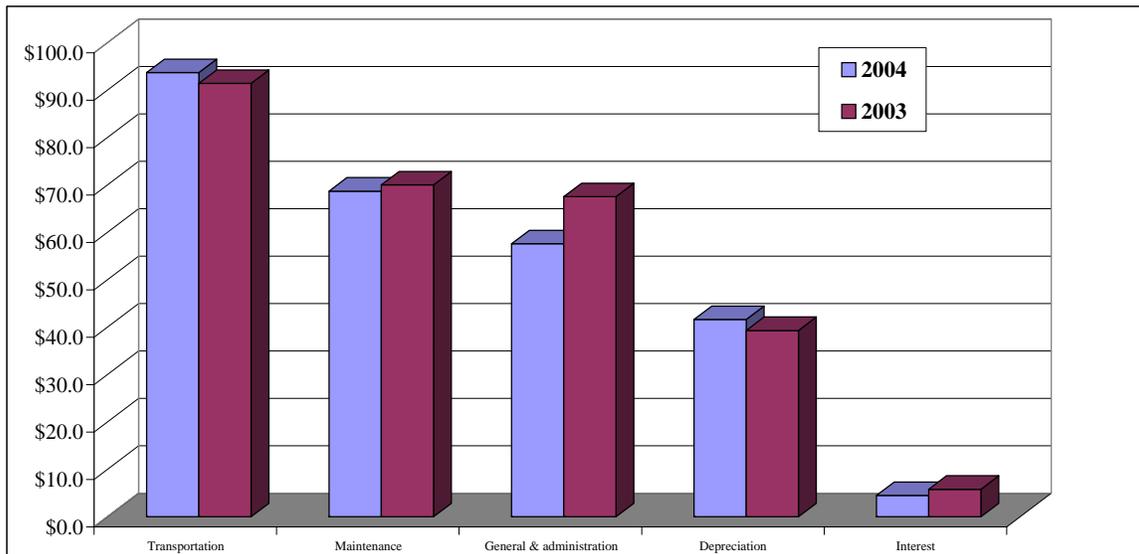
	<u>2004</u>	<u>2003</u>	<u>Increase/(Decrease)</u> <u>Amount</u>	<u>Percent</u>
Labor	\$104.0	\$105.3	(\$1.3)	(1.2) %
Fringe benefits	51.3	53.3	(2.0)	(3.8)
Materials & supplies	23.1	20.0	3.1	15.5
Services	9.7	15.7	(6.0)	(38.2)
Utilities	8.6	7.9	0.7	8.9
Casualty & liability	6.2	8.6	(2.4)	(27.9)
Purchased transportation	11.1	11.6	(0.5)	(4.3)
Leases & rentals	0.6	0.6	-	-
Taxes	1.5	1.8	(0.3)	(16.7)
Interest	4.5	5.8	(1.3)	(22.4)
Depreciation	41.6	39.3	2.3	5.9
Miscellaneous	3.9	4.1	(0.2)	(4.9)
Total	<u>\$266.1</u>	<u>\$274.0</u>	<u>(\$7.9)</u>	<u>(2.9) %</u>



Expenses by Function

Millions of Dollars

	<u>2004</u>	<u>2003</u>	<u>Increase/(Decrease)</u> <u>Amount</u>	<u>Percent</u>
Transportation	\$93.7	\$91.4	\$2.3	2.5 %
Maintenance	68.7	70.0	(1.3)	(1.9)
General & administration	57.6	67.5	(9.9)	(14.7)
Depreciation	41.6	39.3	2.3	5.9
Interest	4.5	5.8	(1.3)	(22.4)
Total	<u>\$266.1</u>	<u>\$274.0</u>	<u>(\$7.9)</u>	<u>(2.9) %</u>



Debt Administration

The Authority has sold unvoted general obligation (capital improvement) bonds to partially finance the purchase and construction of various capital assets. Payment of debt service on the outstanding unvoted general obligation bonds of the Authority is secured by a pledge of all revenues of the Authority, except those specifically limited to another use or prohibited from that use by the Ohio Constitution, state or federal law, or any revenue bond trust agreement that the Authority might execute. In practice, debt service has been paid from the receipts of the Authority's sales and use tax. Subject to the approval of the County Budget Commission, the debt service can also be paid, in the event it is not paid from other sources, from the proceeds of the levy by the Authority of ad valorem taxes within the ten-mill limitation provided by Ohio law. The Authority can also, with the approval of the voters within the territory of the Authority, issue general obligation bonds that, unless paid from other sources, are payable from the proceeds of the levy by the Authority of ad valorem taxes that are outside that ten mill limitation.

On November 16, 2004 the Authority issued \$67,235,000 of general obligation capital improvement and refunding bonds. Of the \$67,235,000, \$38,000,000 was issued to finance current and future capital improvement projects and the remainder for the advance refunding of previous issues. The bonds bear interest at rates ranging from 2.0% to 5.0% per annum, and mature in various installments through December 1, 2024. Proceeds of \$32,178,171 were placed in an escrow trust fund for the purpose of generating resources for future debt services payments of the refunded debt.

In 2004, the Authority advance refunded the Series 1996, 1998 and 2001 bonds to reduce its total debt service payments over the next 13 years by approximately \$1,052,747 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,057,912.

The Authority had \$147 million outstanding capital improvement bonds as of December 31, 2004 of which \$17.3 million is non-callable and \$129.7 million callable. The Authority general obligation debt is rated 'A3' by Moody's Investors Service, Inc. and 'A' by Fitch IBCA, Inc.

For more information, see Note 5 at page 47 of this report.

Total outstanding bonds and loans as of December 31, 2004 include:

Series	Issue Date	Maturity Date	Original Principal	December 31, 2004 Balance	Average Interest Rate
<u>General Obligation Improvement Bonds</u>					
1996	10/03/96	12/01/2011	\$70,000,000	\$ 6,710,000	5.24%
1998	03/01/98	12/01/2018	32,955,000	10,630,000	4.61%
2001	12/11/01	12/01/2021	29,890,000	17,025,000	4.73%
2004	11/16/04	12/01/2024	67,235,000	67,235,000	2.96%
<u>General Improvement Refunding Bonds</u>					
1998R (11/15/98 annually thru 2016)				28,210,000	4.17%
Series 2002R (12/2002 annually thru 2011)				<u>17,215,000</u>	3.75%
Total General Obligation Bonds				147,025,000	
Other- State Infrastructure Bank Loans (annually thru 2014)				<u>5,504,011</u>	4.25%
Total Debt				\$152,529,011	
Deferred Refunding Premium				(4,727,532)	
				<u>4,333,293</u>	
Long-term Debt				<u>\$152,134,772</u>	

At December 31, 2004, the maximum annual debt service charges permitted under Ohio law for new debt issuance was \$16.1 million.

The Authority had \$114.3 million outstanding capital improvement bonds as of December 31, 2003 of which \$17.3 million is non-callable and \$97.0 million callable. The Authority general obligation debt is rated 'A3' by Moody's Investors Service, Inc. and 'A' by Fitch IBCA, Inc.

Total outstanding bonds and loans as of December 31, 2003 include:

Series	Issue Date	Maturity Date	Original Principal	December 31, 2003 Balance	Average Interest Rate
<u>General Obligation Improvement Bonds</u>					
1996	10/03/96	12/01/2011	\$70,000,000	\$13,440,000	5.24%
1998	03/01/98	12/01/2018	32,955,000	27,225,000	4.61%
2001	12/11/01	12/01/2021	29,890,000	27,950,000	4.73%
<u>General Improvement Refunding Bonds</u>					
1998R (11/15/98 annually thru 2016)				28,360,000	4.17%
Series 2002R (12/2002 annually thru 2011)				<u>17,350,000</u>	3.75%
Total General Obligation Bonds				114,325,000	
Other- State Infrastructure Bank Loans (annually thru 2014)				<u>5,937,583</u>	4.25%
Total Debt				\$120,262,583	
Deferred Refunding Premium				(1,770,520)	
				<u>744,638</u>	
Long-term Debt				<u>\$119,236,701</u>	

At December 31, 2003, the maximum annual debt service charges permitted under Ohio law for new debt issuance was \$18.3 million.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the Deputy General Manager of Finance & Administration, Greater Cleveland Regional Transit Authority, 1240 W. 6th Street, Cleveland, Ohio 44113.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Balance Sheets

December 31, 2004 and 2003

Assets	2004	2003
Current assets:		
Cash and cash equivalents	\$ 20,782,415	\$ 21,619,786
Receivables:		
Sales and use tax	44,556,375	41,330,272
Accrued interest and other	1,832,911	1,593,099
State capital assistance	1,574,720	908,089
Federal capital assistance	1,767,944	1,193,976
Material and supplies inventory	7,127,532	7,537,959
Total current assets	77,641,897	74,183,181
Noncurrent assets:		
Investments	12,965,946	8,714,085
Restricted for capital assets:		
Cash and cash equivalents	13,360,945	2,000,000
Investments	17,318,135	—
Other assets	755,973	—
Capital assets:		
Land	21,352,023	20,901,114
Infrastructure	52,701,797	46,669,995
Right of ways	248,327,165	240,718,170
Building, furniture and fixtures	387,748,984	386,375,964
Transportation and other equipment	367,304,861	376,079,345
Construction-in-process	67,547,836	46,473,962
Total capital assets	1,144,982,666	1,117,218,550
Less accumulated depreciation	(491,176,126)	(468,241,239)
Capital assets – net	653,806,540	648,977,311
Total noncurrent assets and capital assets	698,207,539	659,691,396
Total assets	\$ 775,849,436	\$ 733,874,577
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 10,099,835	\$ 7,849,425
Contracts and other payables	9,230,738	5,139,449
Contract retainers	1,800,203	1,111,347
Accrued compensation	19,976,956	19,538,780
Interest payable – bonds	549,198	541,092
Current portion of long-term debt	7,687,196	6,173,574
Current portion – self-insurance liabilities	5,115,877	5,410,300
Total current liabilities	54,460,003	45,763,967
Noncurrent liabilities:		
Long-term debt	144,447,576	113,063,127
Self-insurance liabilities	9,500,914	10,047,700
Deferred revenue	13,912,038	14,388,622
Other long-term liabilities	957,609	1,004,791
Total noncurrent liabilities	168,818,137	138,504,240
Total liabilities	223,278,140	184,268,207
Net assets:		
Invested in capital assets, net of related debt	532,350,848	531,740,611
Unrestricted	20,220,448	17,865,759
Total net assets	552,571,296	549,606,370
Total liabilities and net assets	\$ 775,849,436	\$ 733,874,577

See accompanying notes to financial statements.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Passenger fares	\$ 37,578,329	\$ 38,411,831
Advertising and concessions	1,538,474	1,450,261
Total operating revenues	<u>39,116,803</u>	<u>39,862,092</u>
Operating expenses:		
Labor and fringe benefits	155,335,078	158,558,185
Materials and supplies	23,109,385	19,925,616
Services	9,701,670	15,684,439
Utilities	8,569,206	7,933,873
Casualty and liability	6,239,880	8,617,466
Purchased transportation	11,108,007	11,635,971
Leases and rentals	636,817	660,359
Taxes	1,451,525	1,771,620
Miscellaneous	3,916,057	4,065,988
Total operating expenses before depreciation	<u>220,067,625</u>	<u>228,853,517</u>
Depreciation expense	41,610,325	39,360,318
Total operating expenses	<u>261,677,950</u>	<u>268,213,835</u>
Operating loss	<u>(222,561,147)</u>	<u>(228,351,743)</u>
Nonoperating revenue (expenses):		
Sales and use tax revenue	168,658,533	159,050,577
Federal operating grants and reimbursements	20,405,770	21,148,656
State/local operating grants and reimbursements	3,398,067	2,231,366
Investment income	413,375	621,930
Interest expense	(4,464,502)	(5,816,044)
Other income	1,681,788	1,566,217
Gain on disposal of capital assets	212,269	62,554
Total nonoperating income	<u>190,305,300</u>	<u>178,865,256</u>
Net loss before capital grant revenue	<u>(32,255,847)</u>	<u>(49,486,487)</u>
Capital grant revenue:		
Federal	28,913,056	49,260,516
State	4,307,717	4,679,236
Local	2,000,000	500,000
Total capital grant revenue	<u>35,220,773</u>	<u>54,439,752</u>
Increase in net assets	2,964,926	4,953,265
Net assets, beginning of year	<u>549,606,370</u>	<u>544,653,105</u>
Net assets, end of year	<u>\$ 552,571,296</u>	<u>\$ 549,606,370</u>

See accompanying notes to financial statements.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from customers	\$ 38,876,991	\$ 40,134,088
Cash payments to suppliers for goods and services	(55,831,830)	(61,660,803)
Cash payments to employees for services	(103,581,009)	(107,570,679)
Cash payments for employee benefits	(51,363,075)	(53,296,734)
Cash payments for casualty and liability	(7,081,089)	(7,913,466)
Other receipts	1,090,202	836,952
Net cash used in operating activities	<u>(177,889,810)</u>	<u>(189,470,642)</u>
Cash flows from noncapital financing activities:		
Sales and use taxes received	165,432,430	157,145,586
Grants, reimbursements, and special fare assistance:		
Federal	20,405,770	21,148,656
State and local	3,398,067	2,231,366
Net cash provided by noncapital financing activities	<u>189,236,267</u>	<u>180,525,608</u>
Cash flows from capital and related financing activities:		
Federal capital grant revenue	28,339,088	50,533,607
State capital grant revenue	4,631,819	7,183,973
Local capital grant revenue	2,000,000	500,000
Proceeds from lease to service	205,148	—
Acquisition and construction of capital assets	(40,751,453)	(63,173,418)
Proceeds from new debt	70,184,843	—
Principal paid on bond maturities and other debt	(38,351,745)	(5,930,719)
Interest paid on bonds and other debt	(5,055,649)	(6,073,968)
Bond issuance costs on new debt	(755,973)	—
Net cash provided by (used in) capital and related financing activities	<u>20,446,078</u>	<u>(16,960,525)</u>
Cash flows from investing activities:		
Proceeds from maturities of investments	8,000,000	17,506,524
Purchases of investments	(29,682,336)	(10,197,979)
Interest received from investments	413,375	611,130
Net cash provided by (used in) investing activities	<u>(21,268,961)</u>	<u>7,919,675</u>
Net increase (decrease) in cash and cash equivalents	10,523,574	(17,985,884)
Cash and cash equivalents, beginning of year	<u>23,619,786</u>	<u>41,605,670</u>
Cash and cash equivalents, end of year	<u>\$ 34,143,360</u>	<u>\$ 23,619,786</u>
Noncash investing and capital financing activities:		
Decrease in fair value of investments	\$ (97,867)	\$ (10,800)

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (222,561,147)	\$ (228,351,743)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	41,610,325	39,360,318
Other revenue	1,090,202	836,952
Inventory obsolescence	—	377,563
Change in assets and liabilities:		
(Increase) decrease in other receivables	(239,812)	271,996
(Increase) decrease in materials and supplies inventory	410,427	(231,215)
Increase (decrease) in accounts payable, accrued compensation, self-insurance liabilities and other	1,800,195	(1,734,513)
Net cash used in operating activities	<u>\$ (177,889,810)</u>	<u>\$ (189,470,642)</u>

See accompanying notes to financial statements.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. DESCRIPTION OF AUTHORITY OPERATIONS AND DEFINITION OF THE ENTITY

- A) **The Authority** – The Greater Cleveland Regional Transit Authority (the “Authority” or “GCRTA”) is an independent, special purpose political subdivision of the State of Ohio (the “State”) with powers derived from Sections 306.30 through 306.71 of the Ohio Revised Code. The Authority has territorial boundaries and jurisdiction coextensive with the territorial boundaries of Cuyahoga County. As a political subdivision, it is distinct from, and is not an agency of, the State and the County or any other local governmental unit. The Authority was created on December 30, 1974, by ordinance of the Council of the City of Cleveland and by resolution of the Board of County Commissioners of Cuyahoga County, and became operational on September 5, 1975.

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 0.25, 0.5, 1, or 1.5% 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 and the County. On July 22, 1975, the voters of the County approved a 1% sales and use tax with no limit on its duration.

The Authority also has the power, under Section 306.40 of the Ohio Revised Code, to levy and collect both voted (after approval at an election) and unvoted ad valorem taxes on all the taxable property within the territorial boundaries of the Authority, in order to pay debt service on its bonds and notes issued in anticipation thereof. Ad valorem taxes have not been levied through 2004.

The Authority is managed by a ten-member Board of Trustees and provides directly, or under contract, virtually all mass transportation within the County.

The Authority is not subject to federal or state income taxes.

- B) **Reporting Entity** – “The Financial Reporting Entity,” as defined by Statement No. 14 of the Governmental Accounting Standards Board (“GASB”), is comprised of the primary government and its component units. The primary government includes all departments and operations of the Authority which are not legally separate organizations. Component units are legally separate organizations which are fiscally dependent on the Authority or for which the Authority is financially accountable. An organization is fiscally dependent if it must receive the Authority’s approval for its budget, the levying of taxes, or the issuance of debt. The Authority is financially accountable for an organization if it appoints a majority of the organization’s board, and either a) has the ability to impose its will on the organization or b) there is the potential for the organization to provide a financial benefit to or impose a financial burden on the Authority. The reporting entity of the Authority consists solely of the primary government. There are no component units.

Under the guidelines of GASB Statement No. 14, the Authority is a jointly governed organization. Of its ten member board, four of the members are appointed by the Mayor of the City of Cleveland with the consent of City Council; three members, one of whom must reside in the City of Cleveland, are appointed by the County Commissioners; the remaining three members are elected by an association of suburban mayors, city managers, and township trustees. None of the participating governments appoints a majority of the Authority’s board and none has an ongoing financial interest or responsibility. None of the participating governments provided any significant financial transactions with the Authority during 2004.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed in the statements issued by the GASB and other recognized authoritative sources.

Basis of Accounting – The accounts of the Authority, which are organized as an enterprise fund, are used to account for the Authority’s activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the Authority maintains its records on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include sales tax revenue and grants. Revenue from sales taxes is recognized on an accrual basis in the period when the underlying exchange transaction occurs. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed to the extent that those standards do not conflict with or contradict guidance of the GASB. The Authority also has the option of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance as it relates to its operations.

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

Investments – Investments are reported at fair value based on quoted market prices.

Materials and Supplies Inventory – Materials and supplies inventory are stated at the lower of average cost or fair value. Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment. In accordance with industry practice, all inventories are classified as current assets even though a portion of the inventories are not expected to be utilized within one year.

Capital Assets – Effective January 2004 the Authority defines capital assets as assets with an initial cost of at least \$5,000 and an estimated useful life in excess of one year. In previous years, the initial cost was defined as \$1,000. Capital assets, which include property, facilities infrastructure, and equipment, are stated at historical cost. The cost of normal maintenance and repairs is charged to operations as incurred. Improvements and interest are capitalized and depreciated over the remaining useful lives of the related properties. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Description	Years
Infrastructure	45
Buildings and improvements	20-60
Transportation and other equipment	5-15
Furniture and fixtures	3-15
Rolling stock	7-25

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

Restricted Assets – Restricted assets consist of monies and other resources, the use of which is legally restricted for capital acquisition and construction.

Net Assets – Equity is displayed in two 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.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Restricted Assets – This consists of constraints placed on net assets use through external constraints imposed by grantors, contributors, or laws. The Authority had no net assets classified as restricted at December 31, 2004 and 2003.

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 government, through the Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT), provides financial assistance and makes 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 revenues over the entitlement periods. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and credited to non-operating revenues when the related capital expenditures are incurred. Capital grants for the maintenance of property, plant and equipment are recorded as grant receivables and credited to non-operating revenues in the period operating expenditures are incurred. Capital grants received in advance of project costs being incurred are deferred. The Sales and Use Tax receivable is recorded in the month the vendor submits the tax to the State of Ohio. There is a three-month delay between the collection of the Sales Tax to the State of Ohio and the remittance to the Authority.

When assets acquired with capital grants funds are disposed of, the Authority is required to notify the granting federal agency. A proportional amount of the proceeds or fair market value, if any, of such property and equipment may be used to acquire like-kind replacement vehicles or remitted to the granting federal agency.

Federal and State Operating and Preventive Maintenance Assistance Funds – Federal and state operating and preventive maintenance assistance funds to be received by the Authority under the Urban Mass Transportation Act of 1964, as amended, and under the Ohio Public Mass Transportation Grant Program are recorded and reflected as income in the period to which they are applicable.

Compensated Absences – The Authority accrues vacation benefits as earned by its employees. Unused vacation benefits are paid to the employees upon separation from service. Vacation days are limited to a maximum of 50 days.

Self-Insurance Liabilities and Expense – The Authority has a self-insurance program for third-party public compensation liability, property damage claims, and the workers’ compensation claims. For workers’ compensation claims awarded, the Authority pays the same benefits as would be paid by the State of Ohio Bureau of Workers’ Compensation.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

These programs are administered by the Authority. Claims are accrued in the year the expenses are incurred, based upon the estimates of the claim liabilities made by management, legal counsel of the Authority, and actuaries. Also provided for are estimates of claims incurred during the year but not yet reported.

Claims expense is accrued in the period the incidents of loss occur, based upon estimates of liability made by management with the assistance of third-party administrators, legal counsel, and actuaries. Claims liability is the best estimate based on known information.

Passenger Fares – Passenger fares are recorded as revenue at the time services are performed.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements – The Governmental Accounting Standards Board (GASB) issued four new accounting pronouncements. Statement No. 40 *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3* and Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, are effective for fiscal year beginning January 1, 2005. Statement No. 46 *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, is effective for fiscal year beginning January 1, 2006. Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is effective for fiscal year beginning January 1, 2007.

Reclassifications – Certain prior year amounts have been reclassified to conform with the 2004 presentation.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The investment and deposit of Authority monies is governed by the provisions of the Bylaws of the Authority and the Ohio Revised Code. In accordance with these provisions, only banks located in Ohio and domestic savings and loan associations are eligible to hold public deposits. The provisions also permit the Authority to invest its monies in certificates of deposit, savings accounts, money market accounts, the state treasurer's investment pool (STAROhio), and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding 30 days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or may pledge a pool of government securities, the face value of which 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 maintained for public deposits and investments be held in the Authority's name.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

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 instrument contract or obligation itself (commonly known as a “derivative”). The Authority is also prohibited from investing in reverse repurchase agreements.

Deposits – The Federal depository insurance covers \$100,000 of the Authority’s bank balance. The remaining balance was uninsured and uncollateralized as defined by the GASB. The uncollateralized deposits were, however, covered by a pledged collateral pool not held in the Authority’s name, as permitted under Ohio Law.

Investments – The Authority’s investments are detailed below and are categorized to give an indication of the level of custodial credit risk assumed as of year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority’s name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counter-party’s trust department or agent in the Authority’s name. Category 3 includes uninsured or unregistered investments for which securities are held by the counter-party or by its trust department or agent but not in the Authority’s name.

STAROhio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. This investment is not classified by credit risk category because it does not exist in physical or book entry form. The fair value of the Authority’s position in the investment pool is equal to the fair value of the underlying assets of the pool. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

The table below reflects balances as of December, 2004 and 2003:

Description	2004			Fair Value/ Carrying Value
	Risk Category			
	1	2	3	
U.S. Government and Agency Securities	\$ 28,796,530	—	—	\$ 28,796,530
Commercial Paper	6,468,050	—	—	6,468,050
Investment in state treasurer's investment pool (STAROhio)	—	—	—	3,437,379
Total				\$ 38,701,959

Description	2003			Fair Value/ Carrying Value
	Risk Category			
	1	2	3	
U.S. Government and Agency Securities	\$ 10,714,085	—	—	\$ 10,714,085
Investment in state treasurer's investment pool (STAROhio)	—	—	—	10,471,184
Total				\$ 21,185,269

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

The Authority's cash, cash equivalents, and investments consist of the following:

	2004	2003
Demand deposits	\$ 25,542,432	\$ 10,990,402
Cash on hand	183,050	158,200
Investments	38,701,959	21,185,269
Total	\$ <u>64,427,441</u>	\$ <u>32,333,871</u>
Demand deposits – bank balance	<u>\$ 26,838,596</u>	<u>\$ 15,691,192</u>

The balances are included in the accompanying balance sheet under the following captions:

	2004	2003
Current Assets:		
Cash and cash equivalents	\$ 20,782,415	\$ 21,619,786
Noncurrent Assets:		
Investments	12,965,946	8,714,085
Restricted Assets:		
Cash and cash equivalents	13,360,945	2,000,000
Investments	17,318,135	—
Total	\$ <u>64,427,441</u>	\$ <u>32,333,871</u>

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

4. CAPITAL ASSETS

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

	Balance January 1, 2004	Transfers/ Additions	CIP Transfers/ Disposals	Balance December 31, 2004
Capital Assets Not Being Depreciated:				
Land	\$ 20,901,114	\$ 450,909	\$ —	\$ 21,352,023
Construction in Progress	46,473,962	40,630,201	19,556,327	67,547,836
Total Capital Assets Not Being Depreciated	67,375,076	41,081,110	19,556,327	88,899,859
Capital Assets Being Depreciated:				
Infrastructure	46,669,995	6,031,802	—	52,701,797
Right-of-Ways	240,718,170	7,608,995	—	248,327,165
Building, Improvements, Furniture & Fixtures	386,375,964	1,375,871	2,851	387,748,984
Transportation and Other Equipment	376,079,345	9,899,643	18,674,127	367,304,861
Total Capital Assets Being Depreciated	1,049,843,474	24,916,311	18,676,978	1,056,082,807
Less Accumulated Depreciation:				
Infrastructure	6,095,237	838,032	—	6,933,269
Right-of-Ways	104,822,503	6,203,553	—	111,026,056
Building, Improvements, Furniture & Fixtures	136,234,664	12,429,119	2,340	148,661,443
Transportation and Other Equipment	221,088,835	22,139,621	18,673,098	224,555,358
Total Accumulated Depreciation	468,241,239	41,610,325	18,675,438	491,176,126
Total Capital Assets Being Depreciated, Net	581,602,235	(16,694,014)	1,540	564,906,681
Total Capital Assets, Net	\$ 648,977,311	\$ 24,387,096	\$ 19,557,867	\$ 653,806,540

Remaining costs to complete construction projects, as of December 31, 2004, which will extend over a period of several years, total \$54 million. Approximately \$51.4 million of these costs are eligible for reimbursement under approved capital grants. The remaining portion of these costs is the responsibility of the Authority and will be funded with sales tax revenue or long-term debt.

For the year ended December 31, 2004, capitalized interest was \$908,251.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

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

	Balance January 1, 2003	Transfers/ Additions	CIP Transfers/ Disposals	Balance December 31, 2003
Capital Assets Not Being Depreciated:				
Land	\$ 18,841,663	\$ 2,059,451	\$ —	\$ 20,901,114
Construction in Progress	83,416,312	35,616,988	72,559,338	46,473,962
Total Capital Assets Not Being Depreciated	<u>102,257,975</u>	<u>37,676,439</u>	<u>72,559,338</u>	<u>67,375,076</u>
Capital Assets Being Depreciated:				
Infrastructure	41,984,491	4,685,504	—	46,669,995
Right-of-Ways	238,765,336	1,952,834	—	240,718,170
Building, Improvements, Furniture & Fixtures	370,381,292	15,994,672	—	386,375,964
Transportation and Other Equipment	322,118,755	75,581,605	21,621,015	376,079,345
Total Capital Assets Being Depreciated	<u>973,249,874</u>	<u>98,214,615</u>	<u>21,621,015</u>	<u>1,049,843,474</u>
Less Accumulated Depreciation:				
Infrastructure	5,363,290	731,947	—	6,095,237
Right-of-Ways	98,557,246	6,265,257	—	104,822,503
Building, Improvements, Furniture & Fixtures	124,036,355	12,198,309	—	136,234,664
Transportation and Other Equipment	222,545,045	20,164,805	21,621,015	221,088,835
Total Accumulated Depreciation	<u>450,501,936</u>	<u>39,360,318</u>	<u>21,621,015</u>	<u>468,241,239</u>
Total Capital Assets Being Depreciated, Net	<u>522,747,938</u>	<u>58,854,297</u>	<u>—</u>	<u>581,602,235</u>
Total Capital Assets, Net	<u>\$ 625,005,913</u>	<u>\$ 96,530,736</u>	<u>\$ 72,559,338</u>	<u>\$ 648,977,311</u>

Remaining costs to complete construction projects, as of December 31, 2003, which will extend over a period of several years, total \$98.6 million. Approximately \$94.5 million of these costs are eligible for reimbursement under approved capital grants. The remaining portion of these costs is the responsibility of the Authority and will be funded with sales tax revenue or long-term debt.

For the year ended December 31, 2003, capitalized interest was \$549,517.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

5. BONDS AND LOANS PAYABLE

Bonds and loans payable at December 31, 2004 consist of the following:

Issue	Average Interest Rate	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
Series 1996	5.24	\$ 13,440,000	\$ —	\$ 6,730,000	\$ 6,710,000	\$ 3,275,000
Series 1998	4.61	27,225,000	—	16,595,000	10,630,000	1,345,000
Series 1998R	4.17	28,360,000	—	150,000	28,210,000	155,000
Series 2001	4.73	27,950,000	—	10,925,000	17,025,000	1,075,000
Series 2002R	3.75	17,350,000	—	135,000	17,215,000	140,000
Series 2004	2.96	—	67,235,000	—	67,235,000	1,245,000
SIB Loan	4.25	5,937,583	—	433,572	5,504,011	452,196
Total Bond and Note		120,262,583	67,235,000	34,968,572	152,529,011	\$ 7,687,196
Deferred Refunding Premium		(1,770,520) 744,638	(3,383,520) 3,705,816	(426,508) 117,161	(4,727,532) 4,333,293	
Long-term Bonds & Debt		\$ 119,236,701	\$ 67,557,296	\$ 34,659,225	\$ 152,134,772	

Bonds and loans payable at December 31, 2003 consist of the following:

Issue	Average Interest Rate	Balance January 1, 2,003	Additions	Reductions	Balance December 31, 2,003	Due Within One Year
Series 1996	5.24	\$ 16,420,000	\$ —	\$ 2,980,000	\$ 13,440,000	\$ 3,120,000
Series 1998	4.61	28,465,000	—	1,240,000	27,225,000	1,290,000
Series 1998R	4.17	28,500,000	—	140,000	28,360,000	150,000
Series 2001	4.73	28,970,000	—	1,020,000	27,950,000	1,045,000
Series 2002R	3.75	17,485,000	—	135,000	17,350,000	135,000
SIB Loan	4.25	6,353,302	—	415,719	5,937,583	433,574
Total Bond and Note		126,193,302	—	5,930,719	120,262,583	\$ 6,173,574
Deferred Refunding Premium		(2,198,588) 861,799	—	(428,068) 117,161	(1,770,520) 744,638	
Long-term Bonds & Debt		\$ 124,856,513	\$ —	\$ 5,619,812	\$ 119,236,701	

Certain bonds maturing after December 31, 2006 are subject to optional redemption by the Authority prior to maturity.

During 1996, the Authority issued general obligation capital improvement bonds, Series 1996. The principal of the bonds was used to redeem the Authority's \$70 million short-term Capital Improvement Bond Anticipation Notes. In 2002, \$16,470,000 of the 2002 bond issue was used for the refunding of these bonds.

On November 15, 1998, the Authority issued \$28,965,000 of general obligation capital improvement refunding bonds. A portion of the proceeds of the bonds was used for the advance refunding of \$26,425,000 of the 1996 capital improvement bonds. The proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The principal balance of the general obligation capital improvement refunding bonds at December 31, 2004 was \$28,210,000.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

The 1998 general obligation capital improvement refunding bonds advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,288,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations in proportion to stated interest requirements through the year 2006.

In 1998, the Authority entered into a loan agreement with the State of Ohio, Department of Transportation for a State Infrastructure Bank (SIB) loan in an amount not to exceed \$6,945,000 to be repaid over a fifteen-year period at an annual rate of 4.25%. Through December 31, 2004, the Authority had borrowed \$6,945,000 under this loan agreement to finance the rehabilitation for the Cuyahoga River Viaduct Project.

On December 1, 2001, the Authority issued \$29,890,000 of general obligation capital improvement bonds. The bonds bear interest at rates ranging from 2.50% to 5.63%, per annum, and mature in various installments through December 1, 2021. The principal balance of the capital improvement bonds at December 31, 2004 was \$17,025,000.

On June 6, 2002, the Authority issued \$17,540,000 of general obligation capital improvement refunding bonds bearing interest at an average rate of 3.75% and payable through 2011. A portion of the proceeds of the bonds was used for the advance refunding of \$16,470,000 of the 1996 capital improvement bonds. The proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The 2002 general obligation capital improvement refunding bonds advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,070,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations in proportion to stated interest requirements through the year 2006.

In 2002, the Authority advance refunded the Series 1996 bonds to reduce its total debt service payments over the next nine years by approximately \$462,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$396,000.

On November 16, 2004 the Authority issued \$67,235,000 of general obligation capital improvement and refunding bonds. Of the \$67,235,000, \$38,000,000 was issued to finance current and future capital improvement projects and the remainder for the advance refunding of previous of previous issues. The bonds bear interest at rates ranging from 2.0% to 5.0% per annum, and mature in various installments through December 1, 2024. Proceeds of \$32,178,171 were placed in an escrow trust fund for the purpose of generating resources for future debt services payments of the refunded debt.

In 2004, the Authority advance refunded the Series 1996, 1998 and 2001 bonds to reduce its total debt service payments over the next 13 years by approximately \$1,052,747, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,057,912.

In prior years, the Authority defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Authority's financial statements. As of December 31, 2004, a total of \$76,038,000 of defeased debt remained outstanding from advance refundings entered into by the Authority.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

The annual requirements to pay principal and interest on the bonds and loan outstanding at December 31, 2004 are as follows:

Year	Principal	Interest
2005	\$ 7,687,196	\$ 6,819,539
2006	8,401,619	6,352,986
2007	8,741,875	5,972,475
2008	8,968,002	5,713,038
2009	9,319,739	5,363,546
2010 - 2014	52,690,580	20,925,614
2015 - 2019	39,960,000	9,197,688
2020 - 2021	16,760,000	2,248,488
Total	\$ 152,529,011	\$ 62,593,374

6. PURCHASED TRANSPORTATION SERVICES

During 2004, the Authority had operating agreements with two Ohio cities that provide transit services within Cuyahoga County. The agreements provide for a fixed rate of reimbursement on actual vehicle miles and standard operator platform hours. Expenses under these agreements were \$7,534,794 and \$8,029,368 in 2004 and 2003, respectively. All passenger fares related to these transit services are collected by the Authority and recorded as revenue.

In addition, the Authority has a contract with a local taxi company to provide transit services within Cuyahoga County for elderly and handicapped persons. Expenses under this contract amounted to \$3,573,213 and \$3,606,603 in 2004 and 2003, respectively.

7. GRANTS, REIMBURSEMENTS, AND SPECIAL FARE ASSISTANCE

Grants, reimbursements, and special fare assistance are included in the non-operating revenues (expenses) and the capital grant revenue categories on the Statement of Revenues, Expenses and Changes in Net Assets for the years ended, December 31, 2004 and 2003 as follows:

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

	2004	2003
FEDERAL:		
FTA Capital Grants	\$ 28,913,056	\$ 49,260,516
FTA Maintenance Assistance	20,000,000	19,954,008
FTA Operating Grants	405,770	1,194,648
Total	\$ 49,318,826	\$ 70,409,172
STATE:		
ODOT Capital Grants	\$ 4,307,717	\$ 4,679,236
ODOT Fuel Tax Reimbursement	1,313,948	1,203,856
ODOT Elderly and Handicapped Grants	663,541	285,435
ODOT Operating Grants	1,020,578	342,075
Total	\$ 7,305,784	\$ 6,510,602
LOCAL:		
Capital Grants	\$ 2,000,000	\$ 500,000
Operating Grants	400,000	400,000
Total	\$ 2,400,000	\$ 900,000

8. CONTINGENCIES

Federal and State Grants – Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2004, there were no questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future.

In 1997, the Authority entered into a contract with a third party for preliminary engineering work associated with the Euclid Corridor Transportation Project, for a firm fixed price of \$3.5 million. Through a series of change orders, the contract price increased to approximately \$13 million as the project progressed from being conceptual in nature to the actual preliminary engineering phases. During 2001, the Federal Transit Administration (FTA), through a third-party consultant, reviewed the Authority's records for this contract and identified a number of concerns with the administration of the contract by the Authority. The Authority believes the contract, including the change orders, was procured and administered in accordance with Federal requirements. The Authority prepared its response to the FTA's concerns and is awaiting the FTA's final position on this issue. The FTA has stopped its funding of the contract, but has not requested a refund of previous Federal funding. The Authority fulfilled its contractual obligation using local resources. Pending FTA's final determination, the Authority may be entitled to as much as \$3.6 million as a reimbursement. Currently, this matter is in litigation with the third party therefore, ultimate outcome of this matter cannot presently be determined.

Contract Disputes and Legal Proceedings – The Authority has been named as a defendant in a number of contract disputes and other legal proceedings. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management that the ultimate liability is not expected to have a material effect on the Authority's financial position.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

9. RETIREMENT BENEFITS

Public Employees Retirement System of Ohio

Plan Description – All full-time employees of the Authority participate in the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS is a cost-sharing multiple-employer defined benefit pension plan created by the State. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefits to the OPERS Board of Trustees. OPERS issues a stand-alone financial report. A copy of the report may be obtained by making a written request to the Ohio Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6701.

Funding Policy – The Ohio Revised Code provides statutory authority for employee and employer contributions which are summarized as follows:

	Contribution Rate as a % of Covered Salaries	Contributions		
		2004	2003	2002
By statutory authority	13.55 – 16.70	\$ 16,515,404	\$ 16,610,320	\$ 16,431,197
Less healthcare portion	4.00	(4,836,014)	(6,129,269)	(6,063,172)
Required employer contribution		11,679,390	10,481,051	10,368,025
By employees	8.50 – 10.1	<u>10,344,291</u>	<u>10,419,758</u>	<u>10,307,393</u>
Total pension contributions		\$ <u>22,023,681</u>	\$ <u>20,900,809</u>	\$ <u>20,675,418</u>

The pension contributions equaled the required contributions for each of the last three years.

Healthcare – OPERS provides post-retirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients are also available.

The healthcare coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS (4.0% of the total 16.70% for law enforcement employees and 4.0% of the total 13.55% for other employees was contributed in 2004) is set aside for the funding of postretirement healthcare. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and post-retirement healthcare through their contributions to OPERS. The statutory healthcare contribution requirement from the GCRTA for the years ended December 31, 2004 and 2003 (which is included in the GCRTA's total OPERS contribution) was \$4,836,014 and \$6,129,269, respectively. At December 31, 2004, the GCRTA was not responsible for paying premiums, contributions, or claims for OPEB under OPERS for any retirees, terminated employees, or other beneficiaries.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

The OPEB is advance-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 2003 actuarial computations (latest available) were as follows:

Funding Method. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method. For actuarial valuation purposes, a smoothed marked approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return. The investment assumption rate was 8.00%.

Active Employee Total Payroll. An annual increase of 4.00% 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 4.00% base increase, were assumed to range from 0.50% to 6.3%.

Health Care. Health care costs were assumed to increase 4.00%.

At December 31, 2004, there were 369,885 active participants contributing to the plan. The GCRTA's actuarially required OPEB contribution for 2004 equaled the actual amount contributed to OPERS by the GCRTA. In addition, at December 31, 2003, the actual value of the plan's net assets available for OPEB approximated \$10.5 billion and the actuarial accrued liability, based on the actuarial method used, was \$26.9 billion and \$16.4 billion, respectively.

The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

Supplemental Retirement Benefit Plan – GCRTA pays supplemental retirement benefits to various classifications of individuals under several different arrangements. This plan is not governed under ERISA (Employee Retirement Income Security Act of 1974). There were 1,056 participants and benefit payments of \$98,734 in 2004 and 1,162 participants and benefit payments of \$100,793 in 2003.

As of December 31, 2004, the Supplemental Pension Fund liability was determined to be \$957,609 based on the 2004 actuarial study. As of December 31, 2003, the Supplemental Pension Fund was determined to be \$1,004,791 based on the 2002 actuarial study.

10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to third-party liability claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has a contract with an outside insurance company to provide all-risk property coverage with various limits on property and equipment of the Authority. The maximum limit of liability in any one occurrence, regardless of the number of locations or coverages involved, cannot exceed \$500,000,000 and the deductible is \$250,000. The Authority also purchases excess liability insurance to protect its assets against severe losses. This umbrella liability coverage is in the amount of \$75,000,000 per accident in excess of a \$5,000,000 self-insured retention. The Authority is self-insured for third-party or public liability and property damage, but has protection for the catastrophic loss exposure. Settled claims have not exceeded coverage in any of the last three years.

The Authority provides employees healthcare benefits, which include medical, drug, dental, and vision. These benefits are provided through both insured and self-funded plans under group agreements.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

The Authority also operates a self-insurance program for workers' compensation claims. Excess workers' compensation insurance coverage protects the Authority in excess of a self-insured retention of \$250,000 in year one and declining thereafter. The GCRTA, by resolution of the Board of Trustees, established an insurance fund in fiscal year 1980 to accumulate monies to satisfy catastrophic or extraordinary losses. The insurance fund as of December 31, 2004 and 2003 was \$6.0 million and \$8.3 million, respectively, and is recorded in the accompanying balance sheets.

Changes in the Authority's self insurance liabilities for third-party public liability, property damage, and worker's compensation claims in 2004 and 2003 are:

	2004	2003	2002
Balance, Beginning of Year	\$ 15,458,000	\$ 14,754,000	\$ 17,989,000
Incurring Claims	6,160,314	8,617,466	2,776,609
Payments	(7,001,523)	(7,913,466)	(6,011,609)
Balance, End of Year	<u>\$ 14,616,791</u>	<u>\$ 15,458,000</u>	<u>\$ 14,754,000</u>

11. SUBSEQUENT EVENT – TRANSIT SYSTEM MERGER

In March 2005, The Greater Cleveland Regional Transit Authority entered into separate Mass Transit System Transfer Agreements with The City of Maple Heights and The City of North Olmsted. The Authority determined that it was in the best interest of the Authority and the residents of Cuyahoga County to merge the transit systems. The terms of the merger require payments of \$504,000 to The City of Maple Heights and \$750,000 to The City of North Olmsted in three yearly installments ending in 2007.

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2004

STATISTICAL SECTION

TABLE 1**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY****REVENUES BY SOURCE
LAST TEN YEARS (IN THOUSANDS)
(UNAUDITED)**

YEAR	OPERATING	SALES AND USE TAXES	FEDERAL OPERATING GRANTS AND REIMBURSEMENTS	STATE/LOCAL OPERATING GRANTS, REIMBURSEMENTS, AND SPECIAL FARE ASSISTANCE	INVESTMENT INCOME	OTHER	CAPITAL GRANT INCOME*	TOTAL
1995	44,062	127,771	7,954	7,505	3,357	644	—	191,293
1996	44,504	131,773	4,007	6,751	4,807	396	—	192,238
1997	44,975	138,654	4,000	6,835	3,204	1,232	—	198,900
1998	45,437	146,703	552	6,069	3,756	602	—	203,119
1999	44,031	151,406	2,936	6,502	2,654	377	—	207,906
2000	44,589	161,992	5,540	6,178	2,743	2,923	—	223,965
2001	43,276	157,297	11,818	4,076	1,713	1,014	—	219,194
2002	39,922	157,212	12,309	1,605	1,535	2,154	62,147	277,154
2003	39,862	159,051	21,149	2,231	622	1,628	54,439	278,982
2004	39,117	168,659	20,406	3,398	413	1,894	35,221	269,108

*Beginning in 2002 Capital Income has been reported as revenue. Prior to 2002 these amounts were reported as a direct addition to net assets.

TABLE 2

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

**REVENUES AND OPERATING ASSISTANCE – COMPARISON TO INDUSTRY TREND DATA
LAST TEN YEARS
(UNAUDITED)**

TRANSPORTATION INDUSTRY (1):

<u>YEAR</u>	<u>OPERATING AND OTHER MISCELLANEOUS REVENUE</u>			<u>OPERATING ASSISTANCE</u>			<u>TOTAL REVENUES</u>
	<u>FARES</u>	<u>OTHER</u>	<u>TOTAL</u>	<u>STATE & LOCAL</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
1995	37.3 %	15.4%	52.7%	42.8%	4.5%	47.3%	100%
1996	37.6	15.5	53.1	44.0	2.9	46.9	100
1997	40.1	15.6	55.7	41.3	3.0	44.3	100
1998	40.8	15.2	56.0	40.1	3.9	44.0	100
1999	37.3	15.2	52.5	42.4	3.9	46.3	100
2000	36.1	17.4	53.5	42.4	4.1	46.5	100
2001	35.2	14.1	49.3	46.2	4.5	50.7	100
2002	32.5	17.3	49.8	45.3	4.9	50.2	100
P2003	32.6	18.1	50.7	43.5	5.8	49.3	100
2004	*	*	*	*	*	*	*

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY:

<u>YEAR</u>	<u>OPERATING AND OTHER MISCELLANEOUS REVENUE</u>			<u>OPERATING ASSISTANCE</u>			<u>TOTAL REVENUES</u>
	<u>FARES</u>	<u>OTHER(2)</u>	<u>TOTAL</u>	<u>STATE & LOCAL(3)</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
1995	22.3%	2.8%	25.1%	70.7%	4.2%	74.9%	100%
1996	22.3	3.5	25.8	72.1	2.1	74.2	100
1997	21.9	3.0	24.9	73.1	2.0	75.1	100
1998	21.3	3.2	24.5	75.2	0.3	75.5	100
1999	20.1	2.5	22.6	76.0	1.4	77.4	100
2000	18.6	3.8	22.4	75.1	2.5	77.6	100
2001	18.7	2.3	21.0	73.6	5.4	79.0	100
2002	17.8	2.5	20.3	74.0	5.7	79.7	100
2003	17.1	1.6	18.7	71.9	9.4	81.3	100
2004	16.1	1.6	17.7	73.6	8.7	82.3	100

* Not Available

P Preliminary

(1) Source: The American Public Transit Association, APTA 2004 Transit Fact Book, Table 64.

(2) Other miscellaneous revenue includes advertising and concessions, interest income and other non-operating income.

(3) State & local operating assistance include sales and use tax revenues and state operating grants, reimbursements and special fare assistance.

TABLE 3**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY****EXPENSES BY FUNCTION
LAST TEN YEARS (IN THOUSANDS)
(UNAUDITED)**

YEAR	TRANSPORTATION	MAINTENANCE	GENERAL AND ADMINISTRATIVE	DEPRECIATION	TOTAL OPERATING EXPENSES	INTEREST	OTHER	TOTAL EXPENSES
1995	\$ 64,756	\$ 52,050	\$ 54,806	\$ 46,347	\$ 217,959	\$ 1,070	\$ 4	\$ 219,033
1996	71,565	54,146	56,977	31,621	214,309	4,492	–	218,801
1997	71,854	56,805	58,729	29,476	216,864	4,888	–	221,752
1998	76,200	61,757	59,176	34,417	231,550	5,617	–	237,167
1999	81,033	63,726	61,924	36,389	243,072	5,891	1,267	250,230
2000	85,647	67,727	66,896	37,093	257,363	5,672	–	263,035
2001	92,371	71,877	66,889	36,251	267,388	5,638	–	273,026
2002	88,306	70,073	53,185	36,085	247,649	6,064	–	253,713
2003	91,442	69,817	67,595	39,360	268,214	5,816	–	274,030
2004	93,738	68,675	57,655	41,610	261,678	4,465	–	266,143

TABLE 4

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
OPERATING EXPENSES – COMPARISON TO INDUSTRY TREND DATA
LAST TEN YEARS
(UNAUDITED)

TRANSPORTATION INDUSTRY (1):

<u>YEAR</u>	<u>LABOR AND FRINGES</u>	<u>MATERIALS AND SUPPLIES</u>	<u>SERVICES</u>	<u>UTILITIES</u>	<u>SELF-INSURANCE CLAIMS</u>	<u>PURCHASED TRANSPORTATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES**</u>
1995	71.1%	9.0%	4.8%	3.5%	2.9%	10.8%	(2.1)%	100%
1996	71.6	9.3	5.1	3.6	2.8	9.9	(2.3)	100
1997	72.2	9.4	5.6	3.7	2.7	9.1	(2.7)	100
1998	71.7	9.4	6.0	3.5	2.4	10.1	(3.1)	100
1999	70.9	9.2	5.9	3.3	2.2	11.5	(3.0)	100
2000	69.8	10.0	5.7	3.2	2.2	12.2	(3.1)	100
2001	69.5	10.0	5.9	3.3	2.1	12.6	(3.4)	100
2002	70.2	9.2	6.2	3.1	2.5	12.0	(3.2)	100
P2003	69.1	9.0	6.0	3.0	2.6	13.4	(3.1)	100
2004	*	*	*	*	*	*	*	*

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY:

<u>YEAR</u>	<u>LABOR AND FRINGES</u>	<u>MATERIALS AND SUPPLIES</u>	<u>SERVICES</u>	<u>UTILITIES</u>	<u>SELF-INSURANCE CLAIMS</u>	<u>PURCHASED TRANSPORTATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES**</u>
1995	73.6%	8.3%	4.3%	3.8%	3.4%	3.9%	2.7%	100%
1996	71.8	10.4	4.7	3.5	2.9	4.3	2.4	100
1997	71.3	10.0	4.8	3.9	2.9	4.7	2.4	100
1998	72.8	9.5	4.6	4.1	1.9	4.2	2.9	100
1999	73.9	8.6	4.8	3.6	1.4	4.4	3.3	100
2000	70.2	10.5	6.1	3.5	2.5	4.5	2.7	100
2001	69.7	9.7	4.2	4.1	5.1	4.9	2.3	100
2002	72.8	10.9	3.5	3.8	1.3	5.0	2.7	100
2003	69.3	8.7	6.9	3.5	3.8	5.0	2.8	100
2004	70.6	10.5	4.4	3.9	2.8	5.0	2.8	100

P Preliminary
 * Not Available
 ** Excludes Depreciation and Interest

Source:
 (1) The American Public Transit Association, APTA 2004 Transit Fact Book , Table 59.

TABLE 5

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
**RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS (IN THOUSANDS EXCEPT PER CAPITA AMOUNTS)
(UNAUDITED)**

YEAR	POPULATION (1)	ASSESSED VALUE (2)	GENERAL BONDED DEBT	RATIO OF BONDED DEBT TO ASSESSED VALUE	BONDED DEBT PER CAPITA
1995	1,396	\$ 22,942,030	\$ 13,250	.06	9.49
1996	1,402	23,358,249	78,500	.34	55.99
1997	1,387	24,953,150	73,645	.30	53.10
1998	1,381	25,355,787	103,242	.41	74.76
1999	1,372	25,633,181	99,920	.39	72.83
2000	1,394	28,572,250	96,370	.34	69.13
2001	1,380	28,699,372	123,030	.43	89.15
2002	1,379	28,545,714	126,193	.44	90.51
2003	1,364	30,306,032	120,262	.40	88.17
2004	1,351	30,647,672	152,529	.50	112.90

Sources:

- (1) Estimates – Various Sources.
- (2) Cuyahoga County Auditor’s Office, Budget Commission – Collection Year Data

TABLE 6

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

**LEGAL DEBT MARGIN
DECEMBER 31, 2004 (IN THOUSANDS)**

(UNAUDITED)

OVERALL DEBT LIMITATION:

Total Of All GCRTA Debt Outstanding.....	\$ 152,529
Exempt Debt.....	<u>152,529</u>
Net Indebtedness (Voted and Unvoted).....	<u>\$ 0</u>
Assessed Valuation Of County (2004 Tax Year)	\$30,647,572
Overall Debt Limitation (%)	<u>5.0%</u>
5.0% of Estimated Assessed Valuation (Voted and Unvoted Debt Limitation).....	\$ 1,532,379
Net Indebtedness (Voted and Unvoted).....	\$ 0
Overall Debt Margin.....	<u>\$ 1,532,379</u>

UNVOTED DEBT LIMITATION:

Unvoted Debt Limitation (0.1% of County Assessed Valuation)	\$ 30,647
Maximum Aggregate Amount Of Principal and Interest Payable In Any One Calendar Year	<u>(14,506)</u>
Maximum Annual Debt Service Charges Permitted For New Debt Issuances	<u>\$ 16,141</u>

TABLE 7

GREATER REGIONAL TRANSIT AUTHORITY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2004
(UNAUDITED)

	GROSS DEBT	DEBT SERVICE FUND	NET DEBT	PERCENT APPLICABLE (3)	AUTHORITY SHARE
Greater Cleveland Regional Transit Authority	\$ 152,529,011	--	\$ 152,529,011	100%	\$ 152,529,011
County of Cuyahoga (1)	249,645,000	\$ 9,335,000	240,310,000	100	240,310,000
Cuyahoga County Cities, Villages, Townships (1).....	1,053,904,000	121,833,000	932,071,000	100	932,071,000
Cuyahoga County School Districts (2)...	764,411,000	91,900,000	672,511,000	100	<u>672,511,000</u>
Total Net Direct and Overlapping Debt					<u>\$1,997,421,011</u>

- (1) 2005 Tax Budgets filed in July, 2004 and certified unencumbered 2004 balances filed in January, 2005 with Cuyahoga County Budget Commission. Budgetary basis.
- (2) Cuyahoga County School Districts file on fiscal year ended June 30, 2004. Budgetary basis.
- (3) Percent applicable to the Authority calculated using assessed valuation of the portion within the County divided by the assessed valuation of the taxing district. Assessed valuation of taxing districts furnished by Cuyahoga County Budget Commission.

TABLE 8**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY****LONG-TERM DEBT COVERAGE
LAST TEN YEARS (IN THOUSANDS)****(UNAUDITED)**

YEAR	GROSS REVENUES (1)	EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
1995	\$ 191,293	\$ 171,616	\$ 19,677	\$ 3,750	\$ 1,070	\$ 4,820	4.08
1996	192,238	182,688	9,550	4,750	4,492	9,242	1.03
1997	198,900	187,387	11,513	4,855	4,888	9,743	1.18
1998	203,119	197,133	5,986	3,655	5,617	9,272	.65
1999	207,906	206,683	1,223	3,620	5,891	9,511	.13
2000	223,965	220,270	3,695	3,835	5,672	9,507	.39
2001	219,194	231,137	(11,943)	4,198	5,637	9,835	(1.21)
2002	214,737	211,564	3,173	5,544	6,064	11,608	.27
2003	222,401	228,854	(6,453)	5,931	5,816	11,747	(.55)
2004	233,887	220,068	13,799	6,173	4,465	10,638	1.29

(1) Total revenues include interest and other non-operating revenues.

(2) Total expenses exclusive of depreciation, loss on disposal of assets and interest expense.

TABLE 9

GREATER REGIONAL TRANSIT AUTHORITY

**FAREBOX RECOVERY PERCENTAGE
LAST TEN YEARS
(UNAUDITED)**

<u>YEAR</u>	<u>PERCENTAGE</u>
1995	25.7
1996	24.4
1997.....	24.0
1998.....	23.0
1999	21.3
2000	20.2
2001.....	18.7
2002.....	18.9
2003.....	17.4
2004	17.6

NOTE – Represents operating revenues divided by operating expenses before depreciation.

**FARE STRUCTURE
DECEMBER 31, 2004**

	<u>LOCAL</u>	<u>EXPRESS AND RAPID TRANSIT</u>
Cash Fare	\$ 1.25	\$ 1.50
Senior Citizens and Disabled50	.50
Paratransit	1.25	1.25
Family (Adult with up to three children 6-15)	+1.00	+1.00
Children (under 6 yrs. of age with adult-up to three children) ...	Free	Free
Downtown Loop and Community Circulators75	*
Outside County	2.50	2.50
All Day Passes:		
Individual	3.00	3.00
Senior and Disabled	1.00	1.00
Family	5.00	5.00
Passes and Tickets:		
Monthly Pass	45.00	54.00
7-Day Pass	11.25	13.50
5-Ride Farecard Ticket	5.95	7.15
5-Ride Senior and Disabled Farecard Ticket	2.50	2.50
5-Ride Loop and Circulator Farecard Ticket	3.75	3.75
5-Ride Student Farecard Ticket (K-12)	5.00**	5.00**
10-Ride Farecard Ticket	11.90	14.30
10-Ride Senior and Disabled Farecard	5.00	5.00
10-Ride Loop and Circulator Farecard Ticket	7.50	*

* Not applicable

** Available only through local schools

TABLE 10

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY**OPERATING STATISTICS (1)
LAST TEN YEARS****(UNAUDITED)**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
SYSTEM RIDERSHIP:										
Motor Bus	50,235,364	49,433,107	51,523,280	50,682,872	49,140,405	51,591,534	47,100,582	45,157,626	48,768,342	44,969,751
Heavy Rail	4,663,656	5,139,718	5,241,176	5,455,860	5,658,763	7,340,705	8,232,176	7,186,189	7,372,472	7,282,845
Light Rail	3,052,571	3,846,521	4,082,873	4,091,176	4,164,389	4,318,399	4,444,545	3,057,728	3,160,523	2,560,710
Demand Responsive.....	314,655	316,927	324,008	327,870	340,190	310,894	281,191	323,976	248,427	297,087
AVERAGE WEEKDAY										
SYSTEM RIDERSHIP:										
Motor Bus	172,782	170,541	177,280	174,798	169,338	170,191	165,203	152,444	157,764	162,303
Heavy Rail	17,063	17,732	18,129	18,817	19,500	18,736	19,132	17,052	15,824	17,331
Light Rail	10,847	13,270	14,122	14,110	14,351	13,654	13,093	10,699	9,300	9,395
Demand Responsive.....	1,065	1,086	1,121	1,130	1,173	1,209	1,140	1,103	1,080	1,343
AVERAGE WEEKDAY										
MILES OPERATED:										
Motor Bus	82,391	84,750	85,135	89,012	91,394	91,626	89,600	85,427	85,585	81,972
Heavy Rail	6,351	6,525	6,243	6,176	6,309	3,854	3,823	3,582	3,529	5,002
Light Rail	3,472	3,953	3,984	3,848	3,831	2,749	2,656	2,628	2,647	3,150
Demand Responsive.....	3,422	3,347	5,960	6,479	5,502	7,092	6,765	6,768	6,576	6,129
REVENUE MILES:										
Motor Bus	20,481,259	21,008,961	21,306,672	22,532,413	23,325,952	23,523,043	23,000,048	21,898,961	21,353,812	20,471,913
Heavy Rail	1,988,626	2,014,972	2,046,418	2,030,450	2,066,821	2,064,918	1,989,332	1,773,310	2,191,748	2,397,243
Light Rail	1,015,575	1,118,618	1,180,827	1,182,715	1,254,164	1,202,173	1,144,240	860,336	954,081	1,011,795
Demand Responsive.....	679,667	1,042,942	1,395,656	1,130,418	1,232,838	1,785,104	1,757,197	1,577,180	1,610,609	1,688,026
PASSENGER MILES:										
Motor Bus	175,161,932	183,451,305	195,815,042	206,200,170	206,546,438	198,957,849	179,985,792	171,543,310	189,098,115	293,338,619
Heavy Rail	51,333,253	61,466,197	56,561,092	54,247,521	51,419,115	54,008,892	61,606,818	53,955,185	50,159,652	47,439,898
Light Rail	27,675,419	30,034,676	30,685,785	29,029,628	25,986,194	24,851,765	25,525,892	18,063,245	18,678,884	15,198,796
Demand Responsive.....	1,510,661	1,673,429	1,397,001	1,412,694	1,457,392	1,926,818	1,308,376	1,398,185	1,359,841	1,864,993

(Continued)

TABLE 10

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

**OPERATING STATISTICS (1)
LAST TEN YEARS (Continued)**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
ENERGY CONSUMPTION:										
Motor Bus										
(gallons of fuel)	5,362,831	5,726,202	5,575,969	4,866,308	4,522,858	4,993,462	4,426,598	3,985,709	4,110,242	4,449,490
(lbs. of natural gas).....	1,058,628	1,446,431	1,505,091	1,725,192	2,098,956	1,940,307	2,114,755	1,470,492	1,834,515	1,593,424
Heavy Rail										
(kilowatt hours)	28,075,195	28,266,317	28,556,916	27,399,187	28,739,870	28,337,880	27,400,794	27,558,604	28,820,459	30,572,901
Light Rail										
(kilowatt hours)	16,479,056	17,117,212	16,906,883	15,699,132	17,106,108	17,427,148	14,446,957	12,339,510	11,537,966	11,340,326
Demand Responsive										
(gallons of fuel)	164,346	206,311	229,331	282,229	223,947	230,579	243,577	994,962	222,370	247,010
FLEET REQUIREMENT										
DURING PEAK HOURS:										
Motor Bus	591	601	595	594	604	619	614	544	548	544
Heavy Rail.....	35	30	30	30	28	28	28	22	22	22
Light Rail	26	25	26	26	26	25	25	15	17	17
Demand Responsive.....	49	51	60	58	59	81	77	66	75	62
TOTAL ACTIVE VEHICLES										
DURING PERIOD:										
Motor Bus	782	709	754	750	747	753	731	738	701	686
Heavy Rail.....	59	59	59	59	60	60	60	60	60	60
Light Rail	47	47	47	47	47	47	48	48	48	48
Demand Responsive.....	58	52	60	58	83	81	77	82	76	74
NUMBER OF EMPLOYEES:	2,738	2,807	2,821	2,859	2,968	3,052	2,830	2,753	2,644	2,597

Source:

(1) National Transit Database Report, Urban Mass Transportation Act of 1964

(Concluded)

TABLE 11

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

**DEMOGRAPHIC STATISTICS
(UNAUDITED)**

<u>YEAR</u>	<u>COUNTY</u>	
	<u>POPULATION (1)</u>	<u>MSA</u>
1940	1,217,250	1,319,734
1950	1,389,532	1,532,574
1960	1,647,895	1,909,483
1970	1,721,300	2,063,729
1980	1,498,400	1,898,825
1990	1,412,140	1,831,122
2000	1,393,978	1,863,479
2004	1,351,009	1,842,749

<u>AGE DISTRIBUTION (2)</u>	<u>2000</u>	
	<u>NUMBER</u>	<u>PERCENTAGE</u>
Under 5 years	90,996	6.5%
5 - 9 yrs	101,372	7.3
10 - 14 yrs	99,235	7.1
15 - 19 yrs	89,960	6.5
20 - 24 yrs	77,515	5.6
25 - 34 yrs	188,873	13.5
35 - 44 yrs	219,449	15.7
45 - 54 yrs	187,601	13.5
55 - 59 yrs	65,599	4.7
60 - 64 yrs	56,217	4.0
65 - 74 yrs	107,327	7.7
75 - 84 yrs	82,469	5.9
85 yrs and over	<u>27,365</u>	<u>2.0</u>
TOTAL	1,393,978	100.0%
Median age	37.3	
Males	658,481	
Females	735,497	

<u>DISTRIBUTION OF FAMILIES BY INCOME BRACKET (Average 3.06 persons) (3)</u>		
<u>INCOME (2)</u>	<u>2000</u>	
	<u>NUMBER</u>	<u>PERCENTAGE</u>
\$0 - 14,999	40,279	11.30%
\$15,000 - 24,999	38,075	10.70
\$25,000 - 49,999	101,299	28.40
\$50,000 - 99,999	123,948	34.80
\$100,000 -199,999	41,701	11.70
OVER \$200,000	<u>10,919</u>	<u>3.10</u>
TOTAL.....	356,221	100.00%
MEDIAN FAMILY INCOME	\$49,559	
PER CAPITAL INCOME.....	\$22,272	

Source:

- (1) Ohio Department of Development – The Metropolitan Statistical Area (MSA), as defined by the Department of Development, includes Lake, Geauga, Medina, and Cuyahoga Counties. Population totals for 2003 are estimates provided by the U. S. Census Bureau.
- (2) U. S. Census Bureau, Census 2000
- (3) U. S. Census Bureau, Census 2000

TABLE 11

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS (Continued)**

EMPLOYMENT-ANNUAL AVERAGE (1):

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total Civilian Labor Force ...	675,600	678,800	676,800	699,200	681,200	691,000	692,600	669,700	675,400	664,600
Total Employed*	644,200	643,800	637,400	668,500	649,900	659,900	661,700	624,900	629,600	623,700
Total Unemployed	32,400	35,000	39,400	30,700	31,300	31,100	31,000	44,000	45,800	40,900
Unemployment Rate	4.8%	5.2%	5.8%	4.4%	4.6%	4.5%	4.5%	6.7%	6.8%	6.2%

**EMPLOYMENT BY SECTOR (1):
(Amounts in 000's)**

<u>YEAR</u>	<u>MANUFACTURING</u>		<u>WHOLESALE RETAIL TRADE</u>		<u>PROFESSIONAL AND RELATED SERVICES</u>		<u>FEDERAL, STATE AND LOCAL GOVERNMENT **</u>		<u>FINANCE, INSURANCE, REAL ESTATE</u>		<u>TRANSPORTATION AND PUBLIC UTILITIES</u>		<u>OTHER</u>		<u>TOTAL</u>	
	<u>NUMBER</u>	<u>%</u>	<u>NUMBER</u>	<u>%</u>	<u>NUMBER</u>	<u>%</u>	<u>NUMBER</u>	<u>%</u>	<u>NUMBER</u>	<u>%</u>	<u>NUMBER</u>	<u>%</u>	<u>NUMBER</u>	<u>%</u>	<u>NUMBER</u>	<u>%</u>
1995.....	140.0	18.3	187.7	24.5	236.3	30.8	80.1	10.5	57.6	7.5	33.2	4.3	31.2	4.1	766.1*	100
1996.....	137.1	17.8	188.8	24.5	236.8	30.7	81.1	10.5	59.8	7.8	33.8	4.4	32.8	4.3	770.2*	100
1997.....	136.3	17.3	192.9	24.5	242.8	30.9	84.1	10.7	62.2	7.9	34.4	4.4	33.4	4.3	786.1*	100
1998.....	136.5	17.0	195.1	24.4	252.9	31.6	84.8	10.6	63.7	7.9	34.9	4.4	32.9	4.1	800.8*	100
1999.....	133.3	16.5	195.5	24.2	259.6	32.2	83.3	10.3	67.9	8.4	34.7	4.3	33.1	4.1	807.4*	100
2000	128.8	16.0	189.3	23.6	264.4	32.9	83.9	10.4	68.4	8.5	34.8	4.3	34.7	4.3	804.3*	100
2001.....	121.4	15.3	182.4	23.0	262.3	33.0	88.4	11.1	70.3	8.9	35.8	4.5	33.1	4.2	793.7*	100
2002	96.5	12.4	118.5	15.3	320.5	41.2	102.7	13.2	68.3	8.8	23.4	3.0	47.6	6.1	777.5*	100
2003.....	90.8	11.9	117.4	15.3	319.0	41.6	100.6	13.1	69.4	9.1	23.6	3.1	45.3	5.9	766.1*	100
2004.....	89.2	11.7	113.4	14.9	320.7	42.2	99.3	13.1	69.4	9.1	23.7	3.1	45.0	5.9	760.7*	100

Sources:

(1) Ohio Bureau of Employment Services

* Difference due to non-County residents employed in County.

** Federal employment was included beginning in 2003

(Concluded)

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

**MISCELLANEOUS STATISTICS
(UNAUDITED)**

Date of Creation of Authority by Local Legislature.....	December 30, 1974
Date the Authority Began Operation	September 5, 1975
Form of Government	Board of Trustees with General Manager
Number of Trustees	10
County in which Authority Operates.....	Cuyahoga County, Ohio
Type of Tax Support.....	Cuyahoga County Sales Tax – 1%
Cities and Towns Serviced	59
Area of Authority in Square Miles	458
Population of County.....	1,351,009
Miles of Route:	
Motor Bus.....	1,666
Rail	68
Number of Routes.....	101
Wheelchair Equipped Standard Buses.....	691
Number of Rail Stations	52
Number of Buses	691
Free Rail Parking Spaces.....	8,500
Number of Rail Lines	3
Average Speed in Miles Per Hour:	
Motor Bus.....	12.5
Rail	48.0
Demand Responsive	13.3
Rail Cars Per Train	1 or 2
RTAnswerline	1,000,000 Calls
RTA Web Site	4.6 Million Hits

RTA
Greater Cleveland Regional Transit Authority
1240 West Sixth Street
Cleveland, Ohio 44113-1331
216.566.5100
www.rideRTA.com



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 30, 2005**