

**GREATER CLEVELAND
REGIONAL TRANSIT AUTHORITY**

Single Audit Report

Year ended December 31, 2002

(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, 2002 through December 31, 2002. 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

September 12, 2003

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GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Single Audit Report

Year ended December 31, 2002

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One Cleveland Center
1375 E. Ninth Street
Cleveland, OH 44114-1796

**Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting Based on the Audit Performed in
Accordance with *Government Auditing Standards***

The Board of Trustees
Greater Cleveland Regional Transit Authority
and
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, 2002, and have issued our report thereon dated June 13, 2003. As described in note 1 to the financial statements, as of January 1, 2002, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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



This report is intended solely for the information and use of the board of trustees, 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

June 13, 2003



One Cleveland Center
1375 E. Ninth Street
Cleveland, OH 44114-1796

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133, and Schedule of Expenditures of Federal Awards

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

Compliance

We have audited the compliance of Greater Cleveland 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* that are applicable to its major federal program for the year ended December 31, 2002. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to this 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 in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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 each of its major federal programs for the year ended December 31, 2002.

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 its major federal programs 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 in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving 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, 2002, and have issued our report thereon dated June 13, 2003. As described in note 1 to the financial statements, as of January 1, 2002, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. 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

June 13, 2003

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended December 31, 2002

<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	\$ 40,798,777
Federal Transit Administration Capital Improvement Grants	20.500	N/A	<u>22,578,953</u>
Federal Transit Cluster total			<u>63,377,730</u>
Transit Planning and Research	20.514	N/A	3,778
Job access – Reverse Commute	20.516	N/A	<u>412,961</u>
Total expenditures of Federal awards			<u>\$ 63,794,469</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, 2002

(1) Basis of Presentation

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, 2002. 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.

GREATER CLEVELAND TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

(1) Summary of Auditors' Results:

- | | | |
|-----|---|---------------|
| (a) | The type of report issued on the financial statements as of and for the Year ended December 31, 2002 | Unqualified |
| (b) | Reportable conditions in internal control disclosed by the audit of the financial statements – N/A | None reported |
| (c) | Noncompliance identified that is material to the financial statements of the Authority | None |
| (d) | Reportable conditions 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 | None |
| (g) | Major federal financial assistance programs identified for the year ended December 31, 2002:

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 | \$1,913,834 |
| (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

(3) Findings and Questioned Costs Relating to Federal Awards

None

**GREATER CLEVELAND
REGIONAL TRANSIT AUTHORITY**

2002

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended December 31, 2002



CUYAHOGA COUNTY, OHIO

**Comprehensive
Annual Financial Report
For the Year Ended December 31, 2002**



**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*

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2002

**INTRODUCTORY
SECTION**

Comprehensive Annual Financial Report

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, 2001

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



President

Executive Director

“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, 2001.

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 GFOA to determine its eligibility for another certificate.”



**The Greater Cleveland
Regional Transit Authority**

1240 West 6th Street
Cleveland, Ohio 44113-1331
Phone 216 566-5100

June 13, 2003

**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, 2002. This is the Fifteenth 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, and one of only a few nationwide, to consistently earn this important recognition.

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. 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 & Business Development 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 2,753 employees as of December 31, 2002. The system delivered 23.5 million revenue miles of bus service and 2.6 million revenue miles on its heavy and light rail systems. The service fleet was composed of 738 motor bus coaches, 60 heavy rail cars, 48 light rail cars, and 82 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 sixty-four 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 1993, manufacturing employment has dropped significantly from 19.1% of the total workforce to 12.6%, while wholesale and retail trade has significantly decreased from 24.0% since 1993 to 15.6% in 2002. The professional and related services sector work force has steadily grown from 29.9% of the total workforce since 1993 to the present rate of 42.1%, of the workforce. Our local economy was weakened during 2002, resulting in more of our workforce being unemployed. The County's 2002 unemployment is close to the national rate of 6.7%.

During 2000, 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 \$28.5 billion.

CURRENT YEAR REVIEW

In 2002, GCRTA continued to move steadily forward in the direction of improved customer service, solid financial health, and enhanced public perception. This progress was achieved despite significant forces that challenged the organization, threatening our ability to remain on course. We continue to be challenged by the weakening economy. The economic slowdown caused a significant decline in consumer spending and county sales tax revenues. In addition to our decrease in sales tax revenues, we experienced a decrease in passenger fares. By taking action early, we were able to minimize the impact of these decreases. Non-personnel operating costs were reduced and service restructuring along with a reduction of overall non-operating staff was ultimately necessary to reduce overall operating costs. These actions resulted in expenditures, which were more in line with our reduction in revenue.

During 2002, we continued our effort to understand the community's needs and the expectations of our external customers. Using the input received from eleven community meetings held during 2002, we created a modified fare structure, with no across-the-board fare increase. Our intent was to keep public transportation affordable for those who need it most. In addition, we altered our routes and schedules to be at the locations and at the times that are most important to our customers.

To simplify the rider's commute, we expanded our network of Transit Centers and Park-N-Rides locations in 2002. Commuters on the East Side are now benefiting from the opening of the Southgate Transit Center in Maple Heights, while those in the western suburbs of North Olmsted and Olmsted Falls have gained a convenient connection to downtown with the opening of the North Olmsted Park-N-Ride and Transit Center. This brings the total number of GCRTA Transit Centers and Park-N-Rides to eleven, with four more on the drawing board.

Our riders are greeted by a new generation of buses. They are cleaner, operating on ultra-low-sulfur diesel fuel. They also offer added rider comfort, with wider aisles and extra legroom. But most important, they are reliable, replacing an aging fleet that had been in service for more than a decade. In total, 340 new buses have been purchased over the past three years, significantly improving GCRTA's reliability and on-time performance.

The process of rebuilding GCRTA in 2002 continued from the road to the rail with a number of capital improvements to the system's rapid transit infrastructure. In Cleveland's Detroit-Shoreway neighborhood, we receive the final design approval of EcoVillage, which will include the construction of a new West 65th Street station. When completed in 2004, the new 2.5 story station will reflect the character of the surrounding homes as well as the determination of local residents to rejuvenate their neighborhood.

Our riders continued to experience our commitment to improve our service. In meeting this commitment, miles between service interruptions increased. This improvement can be attributed to a greater focus on maintenance and the execution of a fleet modernization plan. In addition, our “on-time” performance increased over last year resulting in increase in customer satisfaction.

Many of the programs initiated at GCRTA are centered on increasing ridership. Our 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. Currently, we have 82 vehicles serving 10 routes. We will continue our aggressive efforts in marketing our traditional and new services to current and potential customers.

For the tenth year in a row, GCRTA’s Board of Trustees chose not to initiate an across-the-board fare increase. Instead, we chose to streamline our fare program. Riders can now make unlimited trips and transfers for one low price with the introduction of the All Day Pass. This means the elimination of the paper transfer for the customers who purchase fare cards.

The GCRTA remains focused on the goal of improving transportation for our riders. Several projects initiated in 2002 will make it easier to fulfill this promise. One of these major projects is the GCRTA’s new communication center. This state-of-the-art communication center permit the tracking of buses and trains employing Global Positioning System technology to help ensure the entire system stays on schedule. This center will pinpoint the exact location of our transit cars and buses to provide customers with real-time route information and will allow for two-way communication between operators. The installation of news monitors at transit stations will also help keep customers informed on local and national events. During 2002, we began the final phase of a ten-year track rehabilitation project to provide a smoother, faster, and safer ride to commuters using our rail system.

GCRTA continues its efforts to advance the goal of redefining transit service as we move into the 21st century. The Euclid Corridor Transportation Project (ECTP), received approval from the Federal Transit Administration (“FTA”), permitting GCRTA to move forward with the final design. Receiving this approval is the best recognition GCRTA’s Board of Trustees could receive for their relentless efforts in moving this project forward. This 5.6-mile corridor will provide a vastly improved transportation link from downtown Cleveland to University Circle, enhancing access to the corridor’s employment, educational and cultural centers. The community got a glimpse of the future of travel with a tour of one of the proposed ECTP vehicles.

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 82 Community Circulators were operational in 2002. 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 thru the Cleveland State University-Playhouse Square area of downtown Cleveland.

Commuter Rail - Long distance rail service over existing rail rights-of-way would provide easy access to downtown and suburban employment centers.

Euclid Corridor Transportation Project - This project would 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.

Intermodal Transportation Hub - The contemplated development of a downtown transportation center linking rapid transit, commuter rail, and bus services with pedestrian connectors to adjacent developments. Conceptual design work on this facility known as the North Coast Transportation Center was completed in 1997.

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.

Financial Indicators

The following financial indicators were adopted by the Board of Trustees to be used as an aid in the monitoring of the Authority's financial performance:

Operating Ratio- Maintain an operating ratio of at least 25% with 30% being the objective. The operating ratio for 2002 was 19%. The total operating revenue divided by the total operating expenditures determines this ratio. This policy continues to be missed, reflecting concerns of the growth rate of operating expenses versus operating revenues.

Fare Subsidy- Maintain a fare subsidy per passenger that does not exceed three times the average fare. For 2002, the fare subsidy per passenger exceeded the limit with a fare subsidy ratio of \$3.11. Decrease in ridership along with the related passenger fare revenue is the main reason for the failure in meeting this indicator.

Operating Reserve- Maintain an operating reserve equivalent to one month's expenses of \$ 17.6 million in the unrestricted fund balance. The Authority had a one-month operating reserve balance of \$ 16.5 million as of December 31, 2002. 2002

Overhead Costs- Maintain overhead cost at 15% or less of total cost. This policy goal was satisfied with an overhead rate of just over 12%.

Cost Per Hour of Service- Growth in costs, as defined by the cost per hour of service, is to kept at or below the rate of inflation. This indicator of 5.4% was not met with the rate of inflation around 3.3%.

Debt Service Coverage- Maintain a debt service coverage of at least of 1.5. The operating revenue minus operating expenses divided by debt service requirement determines this ratio. The Authority coverage for 2002 was .29, reflecting the increased debt levels over the past several years.

Capital Maintenance Outlay to Capital Expansion Outlay- This ratio will be a minimum of 33% and a maximum of 67%. At 72.5%, this indicator exceeded the maximum limit in 2002 as the capital program focuses on maintenance of assets.

Sales Tax Contribution to Capital- The contribution to capital projects directly from sales tax proceeds exceeded the minimum of 10 % for 2002. This includes a transfer to the Bond Retirement Fund to cover existing debt service. The total contribution to capital projects and to the Bond Retirement Fund was 10% for 2002.

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 PERS is set aside to fund these benefits.

Under House Bill 158, effective February 1, 2002, state legislation was enacted, extending coverage of PERS 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 will increase from 8.5% to 10.1 % of earnable salary or compensation and the GCRTA contributes 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, \$38.6 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, 2002 was \$7.5 million. During 1999, the 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. William Smith, 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.

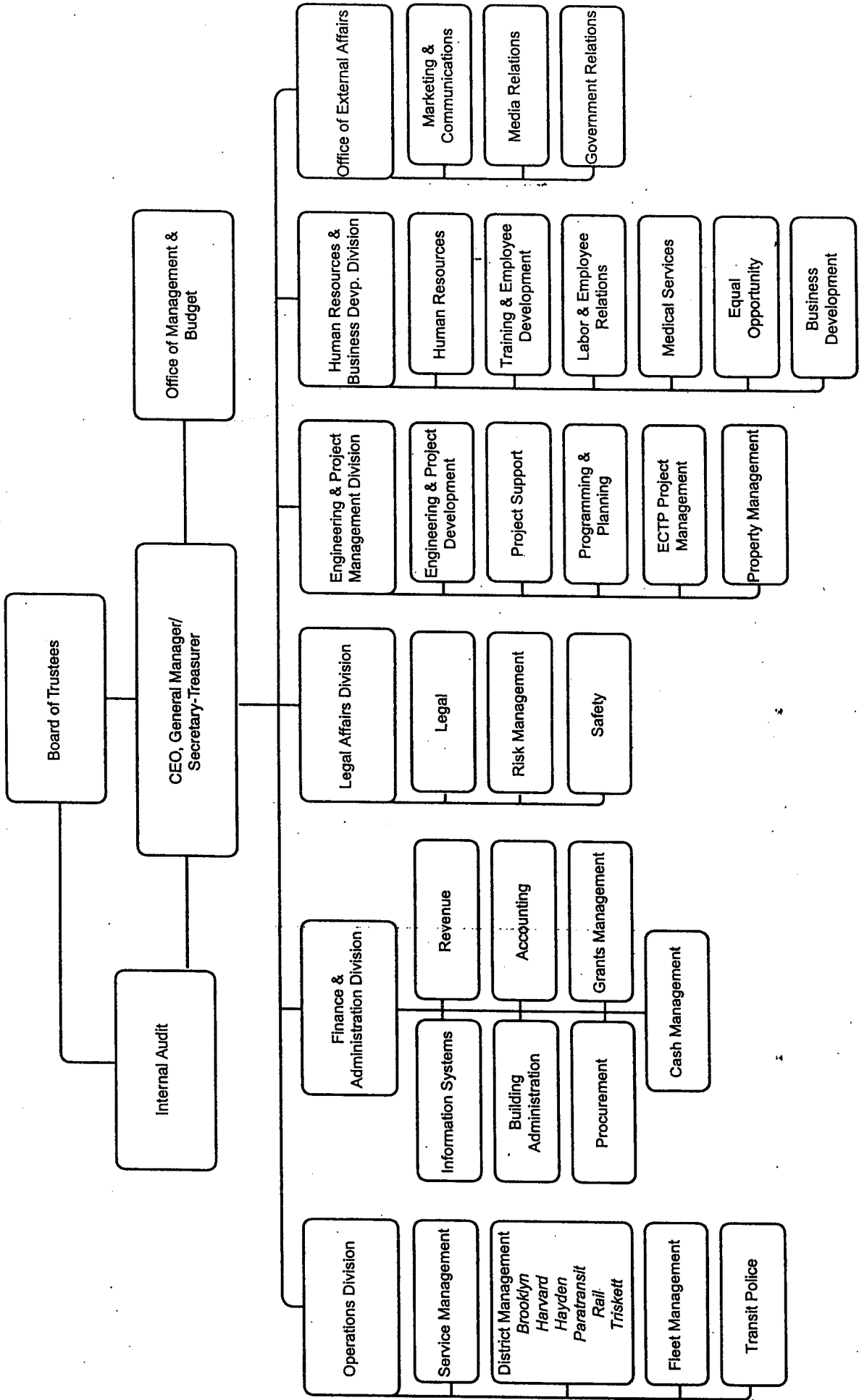


Joseph A. Calabrese,
Chief Executive Officer-
General Manager/
Secretary-Treasurer



Loretta Kirk
Deputy General Manager
Finance & Administration

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
ORGANIZATIONAL CHART AS OF DECEMBER 31 2002**



GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

BOARD OF TRUSTEES AND ADMINISTRATION

BOARD OF TRUSTEES

President	George F. Dixon, III
Vice-President	Beverly L. Burtzlaff
Trustees	Jesse O. Anderson Madeline A. Cain Dennis M. Clough Allan C. Krulak Edward J. Kelley Francisco Molina Mark M. Ruzic Paul J. Volpe

ADMINISTRATION

CEO, General Manager/ Secretary-Treasurer	Joseph A. Calabrese
Deputy General Managers:	
Finance & Administration	Loretta Kirk
Legal Affairs	Sheryl King Benford
Operations	Michael C. York
Engineering & Project Management	Michael J. Schipper
Human Resources & Business Development	Myers Rollins, Jr.

2002

**FINANCIAL
SECTION**

GENERAL PURPOSE FINANCIAL STATEMENTS AND NOTES

Comprehensive Annual Financial Report



One Cleveland Center
1375 E. Ninth Street
Cleveland, OH 44114-1796

Independent Auditors' Report

The Board of Trustees
Greater Cleveland Regional Transit Authority
and
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 year ended December 31, 2002 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, the Authority adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures* effective January 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 13, 2003 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



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

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

KPMG LLP

June 13, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Greater Cleveland Regional Transit Authority ("Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2002. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- The Authority has net assets of \$544.6 million. These net assets result from the difference between total assets of \$736.9 million and total liabilities of \$192.3 million.
- Current assets of \$96.4 million primarily consist of non-restricted Cash and Cash Equivalents of \$19.1 million; Sales and Use Tax receivable of \$39.4 million; restricted Cash and Cash Equivalents of \$22.5 million and inventory of \$7.7 million.
- Current liabilities of \$48.1 million primarily consist of Accounts, Contracts, and Other Payables of \$13.2 million; Accrued Compensation of \$21.8 million; and the current portion of long-term liabilities of \$11.1 million.
- Long-Term Debt consists mainly of bonds of \$118.9 million or 82% of the total liabilities balance of \$192.3 million.

Basic Financial Statements and Presentation

New Accounting Pronouncements

Effective January 1, 2002, the Authority implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," Statement No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Disclosures." These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and change the note disclosure and require the inclusion of management's discussion and analysis.

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

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

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

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

Notes to the Financial Statements

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

Financial Analysis of the Authority

Condensed Summary of Net Assets

The Authority did not issue comparative financial statements in 2002 due to the implementation of GASB 34. In future years, the Authority will issue comparative financial statements and, therefore, comparative information will not be presented in Management's Discussion and Analysis.

Current Asset	\$ 96,372,423
Other Non-Current Assets	15,527,200
Capital Assets (net of accumulated depreciation)	<u>625,005,913</u>
Total Assets	<u>736,905,536</u>
Current Liabilities	48,134,558
Non-Current Liabilities	<u>144,117,873</u>
Total Liabilities	<u>192,252,431</u>
Net Assets	
Invested in Capital Assets, net of related debt	500,149,400
Restricted	22,500,000
Unrestricted	<u>22,003,705</u>
Total Net Assets	\$ <u>544,653,105</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.

Condensed Summary of Revenues, Expenses and Changes in Net Assets

<u>Description</u>	<u>Amount</u>
Operating Revenues (Expenses)	
Operating Revenues	\$ 39,922,330
Operating Expenses, excluding depreciation	(211,563,917)
Depreciation Expenses	<u>(36,085,895)</u>
Operating Loss	<u>(207,727,482)</u>
Non-Operating Revenues (Expenses)	
Sales and Use Tax Revenues	157,212,502
Federal Grants and Reimbursements	12,308,892
State Grants, Reimbursements and Special Fare Assistance	1,604,650
Investment Income	1,534,930
Interest Expense	(6,063,634)
Gain on Disposal of Fixed Assets	14,321
Other Income	<u>2,139,633</u>
Total Non-Operating Revenues (Expenses)	<u>168,751,294</u>
Capital Grant Revenue	62,146,500
Increase in Net Assets During the Year	23,170,312
Net Assets, Beginning of Year	<u>521,482,793</u>
Net Assets, End of Year	\$ <u>544,653,105</u>

Capital Improvement Plan

The development of the 2003 budget included preparation of a five year Capital Improvement Plan (“CIP”). This document is an outline for rebuilding and expanding service by the Authority. Totalling \$753.5 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 - \$22.8 million

Classified as Routine Capital (\$11.1 million) and Asset Maintenance (\$11.7 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 - \$123.9 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 \$40.7 million, overhaul of our light and heavy rail vehicles of \$21.0 million, rehabilitation of the rail tracks of \$20.4 million, upgrade of Catenary electrical system and new sub stations of \$23.1 million, upgrade of our cab and light rail signals of \$12.9 million, rail extensions of \$2.1 million, and spare parts for our rail vehicles of \$3.7 million.

Bridge Rehabilitation - \$ 28.4 million

Funding has been provided for the rehabilitation of six track bridges, three street bridges and the last phase of the Viaduct Bridge over the Cuyahoga River.

Bus Garages and Other Improvements - \$43.2 million

The Triskett garage will go through rehabilitation at an estimated cost of \$30.9 million and will be completed in a few years. A new garage will be built at a different location at an estimated cost of \$11.3 million. We will be consolidating two of our bus garages at estimated cost of \$1.0 million.

Bus Purchases and Paratransit Vehicles- \$128.7 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, now at 8.84 years, by replacing its oldest vehicles.

Transit Centers - \$66.3 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- \$191.9 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 Vehicle Spare Parts- \$24.3 million

This project calls for the purchasing of spare parts for our buses and trains totaling \$10.1 million and the replacement of Farebox Collection equipment at a cost of \$13.8 million.

Capitalized Operating Expenses and Other Expenses - \$120.0 million

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

Management Information Systems- \$4.0 million

Funding has been provided for technology improvements including various software upgrades and a new Paratransit Scheduling System at \$ 1.0 million.

FINANCIAL OPERATING RESULTS

Revenues

For purposes of this presentation, the Authority groups its operating revenues into the following categories:

Passenger Fares - Farebox receipts and special transit fares are included here. The overall decrease over the previous year reflects the down turn in the local economy.

Sales and Use Tax - This dedicated 1% tax is levied in Cuyahoga County as part of the 7% overall tax on retail sales. For 2002, approximately 73.2% of the Authority's revenue came from this source. Revenue received from sales and use tax was virtually unchanged compared to 2001.

Federal Grants and Reimbursements – The Authority received approximately \$12.3 million 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 allocates grants for operating assistance and elderly and handicapped programs. This category also includes reimbursement for state fuel taxes paid by the Authority. The decrease of 60.6% over prior year in this area is a result of receiving less funding for operating assistance and more funding for capital purchases.

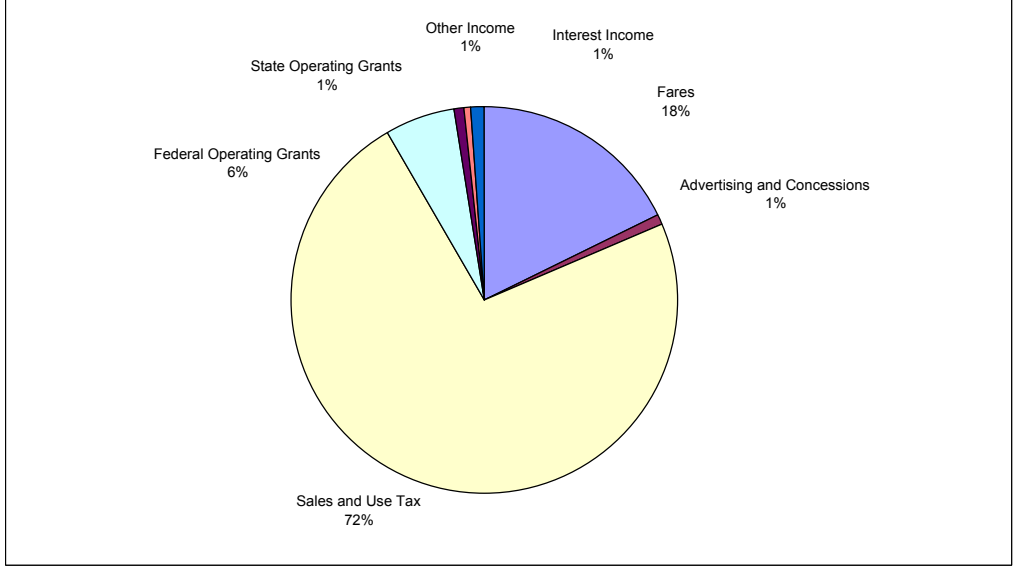
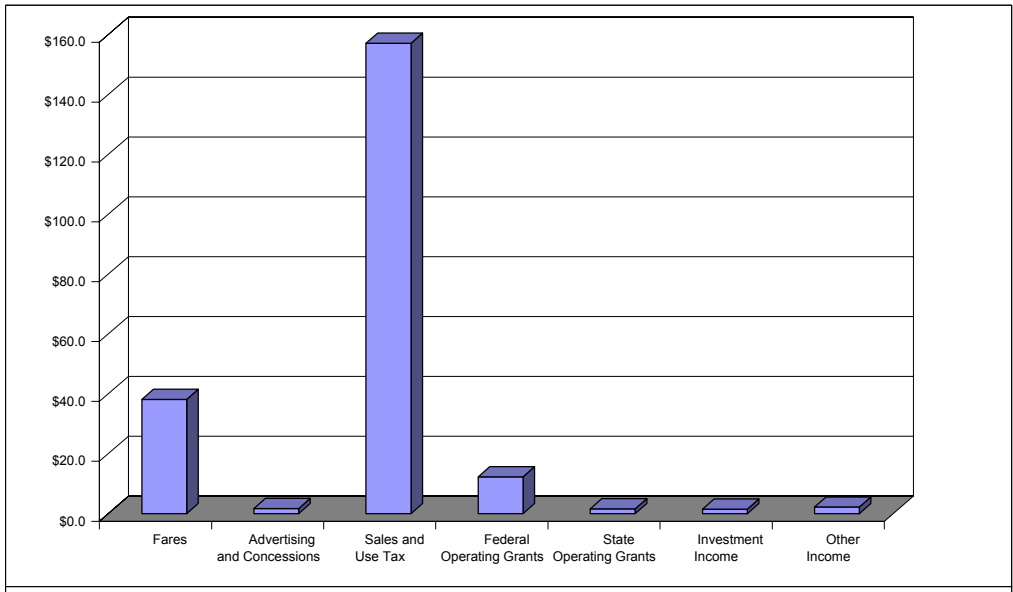
Investment Income - Investment income decreased due to a decrease in the average investment interest rate and a smaller average investment balance.

Other Income - This category summarizes various miscellaneous income and revenue. In addition, this account is used to account for funds received from insurance recovery settlements.

REVENUE

Millions of Dollars

Fares	\$38.2
Advertising and Concessions	1.7
Sales and Use Tax	157.2
Federal Operating Grants	12.3
State Operating Grants	1.6
Investment Income	1.5
Other Income	2.2
Total	\$214.7



Expenses

Labor and Fringe Benefits: These personnel costs accounted for approximately 72.8% of all the Authority operating expenses (excluding depreciation) in 2002. This proportion is consistent with past years' experiences. The 3.1% increase in this category is mainly due to an overall decrease in non-personnel costs. This is in line with our philosophy to reduce overall operating costs to stay in line with our lower revenues for 2002.

Materials and Supplies: These costs have increased in 2002 mainly due to higher fuel consumption and fuel costs to operate our buses.

Services: These costs decreased approximately 21% over 2001 levels. This was mainly due to a decrease in contracted services relating to repair work to several of our facilities.

Utilities: Utility costs decreased due to an overall decreased in the use of propulsion power relating to our rail service.

Casualty and Liability: The decrease in these costs is due to lower than expected claims expense based on the actuarial study performed in 2002.

Purchased Transportation: These costs consist of the contracting with companies to provide a transportation service to areas where bus services is limited. These services include the use of local taxicab companies to provide transportation services to supplement our Para-Transit service.

Miscellaneous: This category summarizes various expenses not included in other expense categories.

Transportation - These are expenses directly relating to the operation of bus and rail vehicles. Included are the wages and fringe benefits of operators, booth attendants, and line supervisors, as well as diesel fuel, propulsion power, and purchased transportation.

Maintenance - Vehicle and facility maintenance labor costs, fringe benefits, supplies, parts inventory and utility costs are grouped here.

General and Administration - This grouping consists primarily of administrative personnel costs, public liability and property damage claims, workers compensation payments, professional services, and related expenses.

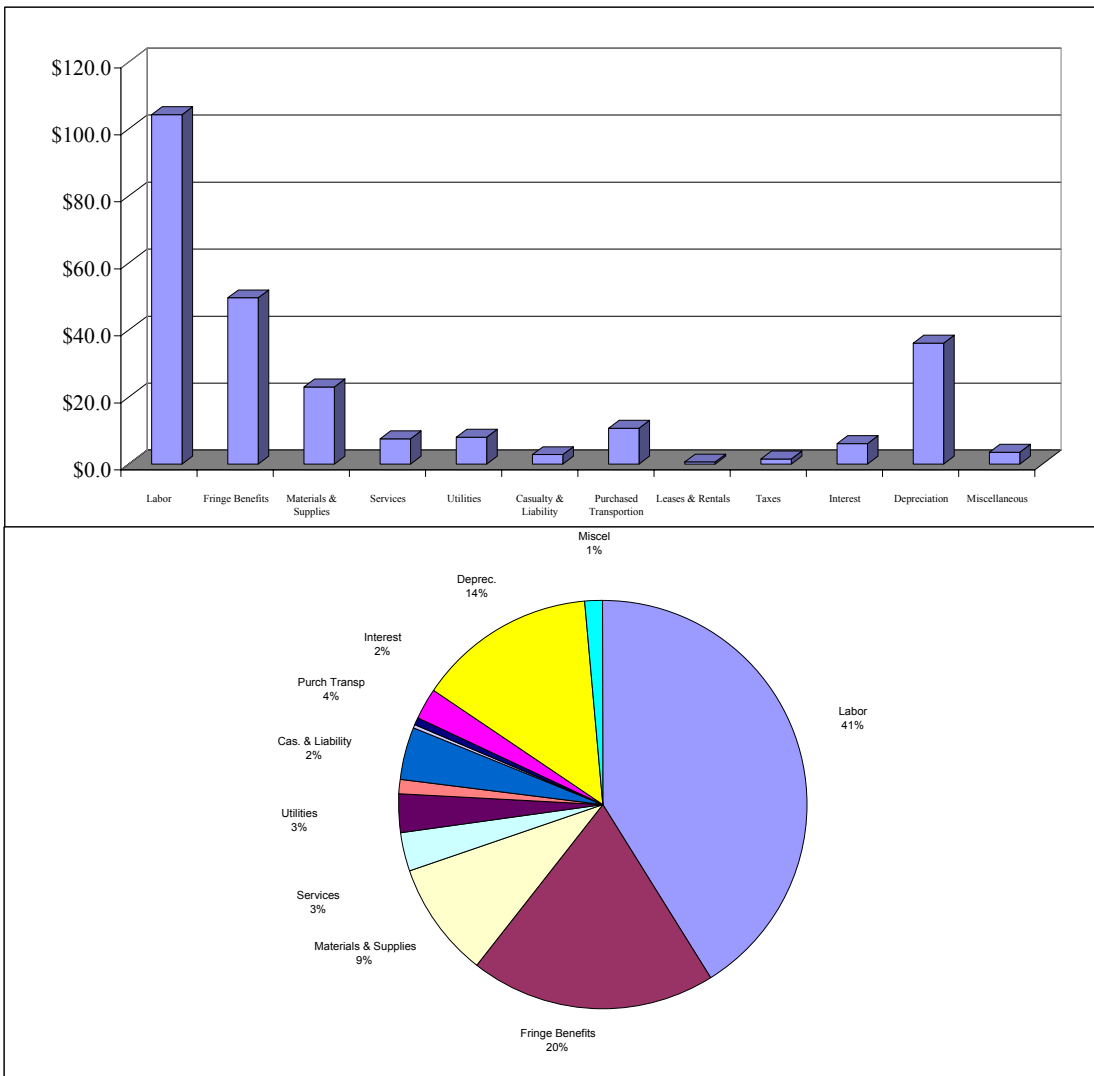
Depreciation -Included here is depreciation on all capital assets except land.

Interest - This is interest incurred on debt.

Expenses by Object Class

Millions of Dollars

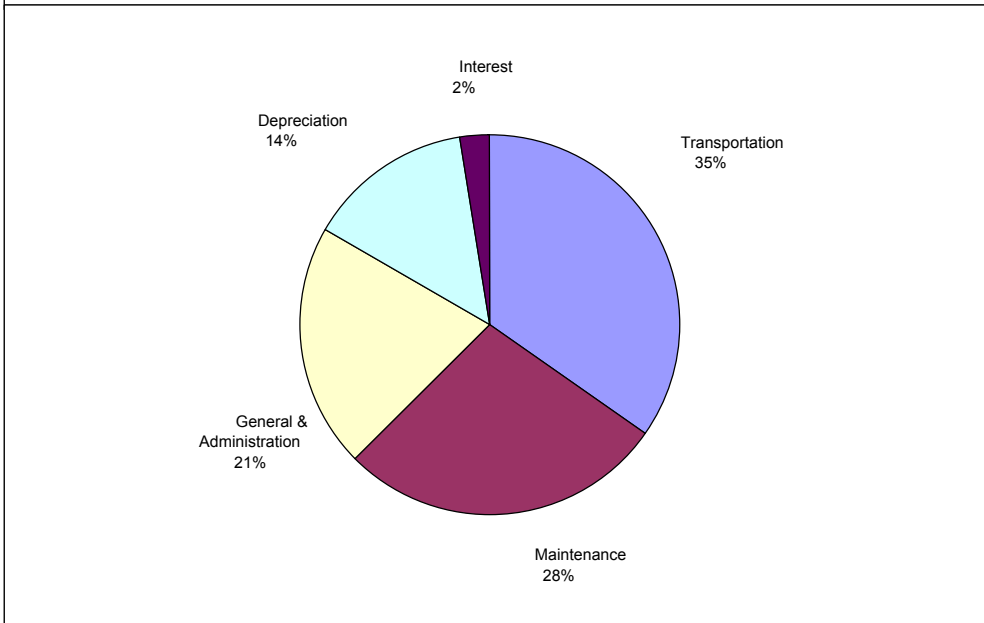
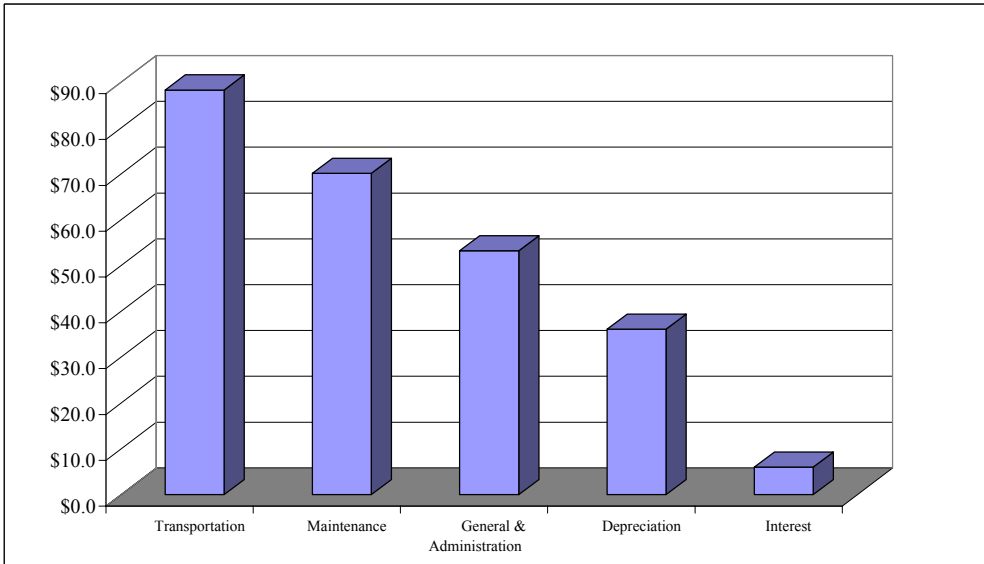
Labor	\$104.3
Fringe Benefits	49.6
Materials & Supplies	23.0
Services	7.5
Utilities	8.0
Casualty & Liability	2.8
Purchased Transportation	10.7
Leases & Rentals	0.6
Taxes	1.5
Interest	6.1
Depreciation	36.1
Miscellaneous	3.5
Total	<u>253.7</u>



Expenses by Function

Millions of Dollars

Transportation	\$88.3
Maintenance	70.1
General & Administration	53.2
Depreciation	36.1
Interest	6.0
Total	<u><u>\$253.7</u></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.

The Authority had \$119.8 million outstanding capital improvement bonds as of December 31, 2002 of which \$29.7 million is non-callable and \$93.2 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, 2002 include:

Series	Issue Date	Maturity Date	Original Principal	December 31, 2002 Balance	Average Interest Rate
<u>General Obligation Improvement Bonds</u>					
1996	10/03/96	12/01/2011	\$70,000,000	\$16,420,000	5.24%
1998	03/01/98	12/01/2018	32,955,000	28,465,000	4.61%
2001	12/11/01	12/01/2021	29,890,000	28,970,000	4.73%
<u>General Improvement Refunding Bonds</u>					
1998R (11/15/98 annually thru 2016)				28,500,000	4.17%
Series 2002R (12 /2002 annually thru 2011)				<u>17,485,000</u>	
Total General Obligation Bonds				119,840,000	
Other- State Infrastructure Bank Loans (annually thru 2014)				<u>6,353,302</u>	4.25%
Total Debt				\$126,193,302	
Deferred Refunding Premium				(2,198,588)	
				<u>861,799</u>	
Long-term Debt				<u>\$124,856,513</u>	

At December 31, 2002, the maximum annual debt service charges permitted under Ohio law for new debt issuance was \$16.4 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 Manger of Finance & Administration, Greater Cleveland Regional Transit Authority, 1240 W. 6th Street, Cleveland, Ohio 44113.

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GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
BALANCE SHEET
DECEMBER 31, 2002

ASSETS	LIABILITIES AND NET ASSETS
CURRENT ASSETS:	CURRENT LIABILITIES:
Cash and Cash Equivalents..... \$ 19,105,670	Accounts Payable \$ 7,893,765
Short Term Investments..... 495,430	Contracts and Other Payables..... 5,288,602
Receivables:.....	Contract Retainers 1,364,211
Sales and Use Tax..... 39,425,281	Accrued Compensation 21,848,008
Accrued Interest and Other..... 1,659,947	Other Accrued Expenses 84,945
State Capital Assistance..... 3,034,722	Interest Payable – Bonds 560,409
Federal Capital Assistance..... 2,467,067	Current Portion of Long-Term Debt..... 5,930,718
Material and Supplies Inventory..... 7,684,306	Current Portion -Self-Insurance Liabilities <u>5,163,900</u>
Restricted for Capital Assets:	Total Current Liabilities <u>48,134,558</u>
Cash and Cash Equivalents..... <u>22,500,000</u>	
Total Current Assets..... 96,372,423	
NON-CURRENT ASSETS :	NON-CURRENT LIABILITIES :
Investments..... <u>15,527,200</u>	Long-Term Debt..... 118,925,795
	Self Insurance Liabilities..... 9,590,100
	Deferred Revenue..... 14,597,187
	Other..... <u>1,004,791</u>
	Total Non-Current Liabilities <u>144,117,873</u>
Capital assets:	Total Liabilities 192,252,431
Land..... 18,841,663	
Infrastructure 41,984,491	NET ASSETS :
Right-of-Ways 238,765,336	Invested in Capital Assets, Net of Related Debt 500,149,400
Building, Improvements, Furniture and Fixtures 370,381,292	Restricted for Capital Assets 22,500,000
Transportation and Other Equipment 322,118,755	Unrestricted <u>22,003,705</u>
Construction in Progress..... <u>83,416,312</u>	Total Net Assets <u>544,653,105</u>
Total Capital Assets..... 1,075,507,849	
Less Accumulated Depreciation..... <u>(450,501,936)</u>	
Capital Assets - Net <u>625,005,913</u>	
Total Non-Current Assets and Capital Assets . <u>640,533,113</u>	
TOTAL ASSETS..... \$ <u>736,905,536</u>	TOTAL LIABILITIES AND NET ASSETS . \$ <u>736,905,536</u>

See notes to financial statements.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2002**

OPERATING REVENUES:

Passenger Fares	\$ 38,185,308
Advertising and Concessions.....	<u>1,737,022</u>
Total Operating Revenues	<u>39,922,330</u>

OPERATING EXPENSES:

Labor and Fringe Benefits	153,931,070
Materials and Supplies	22,995,085
Services	7,526,769
Utilities	7,965,475
Self-Insurance Claims	2,776,609
Purchased Transportation	10,667,842
Leases and Rentals	647,828
Taxes	1,497,649
Miscellaneous	<u>3,555,590</u>
Total Operating Expenses Excluding Depreciation	<u>211,563,917</u>

OPERATING LOSS BEFORE DEPRECIATION EXPENSE..... (171,641,587)

DEPRECIATION EXPENSE

	<u>36,085,895</u>
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OPERATING LOSS..... (207,727,482)

NON-OPERATING REVENUES (EXPENSES):

Sales and Use Tax Revenues	157,212,502
Federal Grants and Reimbursements	12,308,892
State Grants, Reimbursements, and Special Fare Assistance	1,604,650
Investment Income	1,534,930
Interest Expense	(6,063,634)
Gain on Disposal of Fixed Assets.....	14,321
Other Income	<u>2,139,633</u>
Total Non-operating Revenues – Net	<u>168,751,294</u>

NET LOSS BEFORE CAPITAL GRANT REVENUE..... (38,976,188)

CAPITAL GRANT REVENUE:

Federal	51,278,032
State	9,253,468
Local	<u>1,615,000</u>

Total Capital Grant Revenue..... 62,146,500

Increase in Net Assets..... 23,170,312

Net Assets, Beginning of Year

	<u>521,482,793</u>
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Net Assets, End of Year..... \$ 544,653,105

See notes to financial statements.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 39,753,776
Cash payments to suppliers for goods and services.....	(55,544,100)
Cash payments to employees for services	(104,926,565)
Cash payments for employee benefits	(49,824,984)
Cash payments for casualty and liability	(5,139,491)
Other receipts.....	<u>752,718</u>
Net cash used in operating activities.....	(174,928,646)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Sales and use taxes received	158,455,958
Grants, reimbursements and special fare assistance:	
Federal	12,308,892
State	<u>1,814,164</u>
Net cash provided by non-capital financing activities	172,579,014
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Federal capital grant revenue.....	50,275,203
State capital grant revenue	6,645,653
Local capital grant revenue	1,615,000
Proceeds from lease to service.....	14,509,707
Acquisition and construction of fixed assets	(65,033,623)
Principal paid on bond maturities and other debt	(5,543,594)
Interest paid on bonds and other debt	<u>(5,801,933)</u>
Net cash used in capital and related financing activities	(3,333,587)
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from maturities of investments	15,155,820
Purchases of investments	(19,795,743)
Interest received from investments	<u>1,488,824</u>
Net cash used in investing activities	(3,151,099)
 Net Decrease In Cash and Cash Equivalents.....	 (8,834,318)
 Cash and Cash Equivalents, Beginning of Year.....	 <u>50,439,988</u>
 Cash and Cash Equivalents, End of Year.....	 \$ <u>41,605,670</u>
 Non-Cash Investing and Capital Financing Activities:	
Increase in fair value of investments	\$ <u><u>46,106</u></u>

Continued

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES:**

Operating Loss	\$(207,727,482)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	752,718
Other revenue	36,085,895
Inventory Obsolescence	328,000
Change in assets and liabilities:	
Increase in other receivables	(168,554)
Decrease in materials and supplies inventory	1,123,039
Decrease in accounts payable, accrued compensation, self-insurance liabilities and other	<u>(5,322,262)</u>
Net Cash Used in Operating Activities	<u>\$(174,928,646)</u>

See notes to financial statements.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

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 2002.

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 support or had any significant financial transactions with the Authority during 2002.

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. On an accrual basis, revenue from sales taxes is recognized in the period when the underlying exchange transaction occurs. Therefore, taxes on items sold in 2002 will be recognized as revenue in 2002. 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 Governmental Accounting Standards Board. 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.

New Accounting Pronouncements – Effective January 1, 2002, the Authority implemented the provisions of GASB Statement No. 34, “Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments,” Statement No. 37, “Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments: Omnibus,” and Statement No. 38, “Certain Financial Statement Disclosures.” These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority’s presentation of net assets and require the inclusion of management’s discussion and analysis.

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 average cost. 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 – The Authority defines capital assets as assets with an initial cost of at least \$1,000 and an estimated useful life in excess of one year. 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

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 displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority’s policy to use restricted resources first, then unrestricted resources when they are needed.

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

Classifications of Revenues

The Authority has classified its revenues as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares, advertising, and concession revenue. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as sales tax proceeds and most federal, state, and local grants and contracts.

Recognition of Revenue and Receivables

The federal government, through the Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT), provide financial assistance and make grants directly to the Authority for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and 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.

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 fifty 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.

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 require 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.

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 thirty days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities 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.

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 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. Balances with Star Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

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.

Description	Risk Category			Fair Value/ Carrying Value
	1	2	3	
U.S. Government and Agency Securities	\$38,552,630			\$ 38,552,630
Investment in state treasurer’s investment pool (STAROhio)				8,664,864
Total				\$ 47,217,494

At December 31, 2002, the Authority’s cash, cash equivalents and investments consist of the following:

Demand deposits	\$ 10,410,806
Investments	47,217,494
Total	\$ 57,628,300

The balances are included in the accompanying December 31, 2002 balance sheet under the following captions:

Current Assets:	
Cash and cash equivalents	\$ 19,105,670
Investments	495,430
Non-Current Assets:	
Investments	15,527,200
Restricted Assets:	
Cash and cash equivalents	22,500,000
Total	\$ 57,628,300

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2002 was as follows:

	Balance January 1, 2002	Additions	CIP Transfers/ Disposals	Balance December 31, 2002
Capital Assets Not Being Depreciated:				
Land	\$ 18,393,575	\$ 448,088	—	\$ 18,841,663
Construction in Progress	<u>56,347,891</u>	<u>60,825,965</u>	<u>\$ 33,757,544</u>	<u>83,416,312</u>
Total Capital Assets Not Being Depreciated	<u>74,741,466</u>	<u>61,274,053</u>	<u>33,757,544</u>	<u>102,257,975</u>
Capital Assets Being Depreciated:				
Infrastructure	41,984,491	—	—	41,984,491
Right-of-Ways	228,909,718	9,855,618	—	238,765,336
Building, Improvements, Furniture & Fixtures	366,378,970	4,007,118	4,796	370,381,292
Transportation and Other Equipment	<u>308,136,056</u>	<u>23,054,805</u>	<u>9,072,106</u>	<u>322,118,755</u>
Total Capital Assets Being Depreciated	<u>945,409,235</u>	<u>36,917,541</u>	<u>9,076,902</u>	<u>973,249,874</u>
Less Accumulated Depreciation:				
Infrastructure	5,227,453	135,837	—	5,363,290
Right-of-Ways	92,050,846	6,506,400	—	98,557,246
Building, Improvements, Furniture & Fixtures	112,125,744	11,915,407	4,796	124,036,355
Transportation and Other Equipment	<u>214,088,900</u>	<u>17,528,251</u>	<u>9,072,106</u>	<u>222,545,045</u>
Total Accumulated Depreciation	<u>423,492,943</u>	<u>36,085,895</u>	<u>9,076,902</u>	<u>450,501,936</u>
Total Capital Assets Being Depreciated, Net	<u>521,916,292</u>	<u>831,646</u>	<u>—</u>	<u>522,747,938</u>
Total Capital Assets, Net	\$ <u>596,657,758</u>	\$ <u>62,105,699</u>	\$ <u>33,757,544</u>	\$ <u>625,005,913</u>

During 2002, major construction projects aggregating \$33.8 million were completed and transferred to the appropriate property and facilities accounts. Major projects included the Redline CAB Signal Upgrade West Park to Brook Park (\$9.8) million; completion of the Integrated Communications Center (\$2.8) million; the purchase of 120 NABI Coaches, of which 32 were placed in service (\$8) million -- along with the remaining 2001 Nova LFS Bus Coaches (\$13.2) million.

Included in the December 31, 2002 construction in progress balance are costs associated with the New Radio replacement system; design and engineering costs associated with the Euclid Corridor Project; along with various other projects.

Remaining costs to complete these projects, as of December 31, 2002, which will extend over a period of several years, total \$81.2 million. Approximately \$75.8 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.

At December 31, 2002, capitalized interest was \$746,923.

5. BONDS AND LOANS PAYABLE

Bonds and Loans Payable consists of the following:

Issue	Average Interest Rate	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002	Due Within One Year
Series 1996	5.24	\$ 35,735,000	—	\$ 19,315,000	\$ 16,420,000	\$ 2,980,000
Series 1998	4.61	29,655,000	—	1,190,000	28,465,000	1,240,000
Series 1998R	4.17	28,635,000	—	135,000	28,500,000	140,000
Series 2001	4.73	29,890,000	—	920,000	28,970,000	1,020,000
Series 2002R	3.75	—	\$ 17,485,000	—	17,485,000	135,000
SIB Loan	4.25	<u>6,751,900</u>	—	<u>398,598</u>	<u>6,353,302</u>	<u>415,718</u>
Total Bond and Note		\$ <u>130,666,900</u>	\$ <u>17,485,000</u>	\$ <u>21,958,598</u>	\$ 126,193,302	\$ <u>5,930,718</u>
Deferred Refunding Premium		(1,411,344) <u>526,460</u>	282,756 <u>362,000</u>	1,070,000 <u>26,661</u>	(2,198,588) <u>861,799</u>	
Long-term Bonds & Debt		\$ <u>129,782,016</u>	\$ <u>18,129,756</u>	\$ <u>23,055,259</u>	\$ <u>124,856,513</u>	

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.

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.

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 total amount of funds available in the trust at December 31, 2002 was \$27,833,625. The refunded bonds, which have an outstanding balance of \$26,425,000 at December 31, 2002, are not included in the Authority's outstanding debt since the Authority has satisfied its obligations through the advance refunding. The principal balance of the general obligation capital improvement refunding bonds at December 31, 2002 was \$28,500,000.

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, 2002, the Authority had borrowed \$6,945,000 under this loan agreement to finance the rehabilitation of 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 percent to 5.63 percent, per annum, and mature in various installments through December 1, 2021. The principal balance of the capital improvement bonds at December 31, 2002 was \$28,970,000.

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 percent 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.

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.

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.

The annual requirements to pay principal and interest on the bonds and loan outstanding at December 31, 2002 are as follows:

Year	Principal	Interest
2003	\$ 5,930,718	\$ 6,073,971
2004	6,173,574	5,824,315
2005	6,442,196	5,516,065
2006	6,731,619	5,188,045
2007	7,036,875	4,840,934
2008 – 2012	40,175,023	19,145,235
2013 – 2017	42,638,297	8,710,710
2018 – 2021	<u>11,065,000</u>	<u>1,241,212</u>
Total	\$ <u>126,193,302</u>	\$ <u>56,540,487</u>

6. PURCHASED TRANSPORTATION SERVICES

During 2002, 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 based on actual vehicle miles and standard operator platform hours. Expenses under these agreements were \$7,372,245 in 2002. 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 \$3,295,597 in 2002.

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 year ended, December 31, 2002.

FEDERAL:	
FTA Capital Grants	\$ 51,278,032
FTA Maintenance Assistance	<u>12,308,892</u>
Total	\$ <u>63,586,924</u>
STATE:	
ODOT Capital Grants	\$ 9,253,468
ODOT Fuel Tax Reimbursement	1,020,282
ODOT Elderly and Handicapped Grants	<u>584,368</u>
Total	\$ <u>10,858,118</u>

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, 2002, 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. Since 1997, the Authority has received approximately \$6 million in Federal funding with respect to this project. 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 FTA's concerns and is awaiting FTA's final position on this issue. FTA has stopped its funding of the contract, but has not requested a refund of previous Federal funding. The 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.

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). Effective February 1, 2002, state legislation was enacted extending coverage of OPERS law enforcement benefits to our full time Transit Police officers. 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) 466-2085.

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		
		2002	2001	2000
By Authority	10.84 – 16.70	\$ 16,431,197	\$ 16,839,876	\$ 13,395,931
Less healthcare portion	5.00 – 4.30	<u>(6,063,172)</u>	<u>(5,344,020)</u>	<u>(5,313,884)</u>
Required employer contribution		10,368,025	11,495,856	8,082,047
By employees	8.50 – 10.1	<u>10,307,393</u>	<u>10,563,760</u>	<u>10,504,190</u>
Total pension contributions		\$ <u>20,675,418</u>	\$ <u>22,059,616</u>	\$ <u>18,586,237</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 (5.0% of the total 16.70% for law enforcement employees and 5.0% of the total 13.55% for other employees was contributed in 2002) is set aside for the funding of postretirement healthcare. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement healthcare through their contributions to OPERS. The statutory healthcare contribution requirement from the Authority for the years ended December 31, 2002 and 2001 (which is included in the Authority's total PERS contribution) was \$6,063,172. At December 31, 2002, the Authority was not responsible for paying premiums, contributions or claims for OPEB under PERS for any retirees, terminated employees or other beneficiaries.

The OPEB is advance-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 2001 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 un-funded 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 for 2001 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, 2002 (latest information available), there were 402,041 active participants contributing to the plan. The Authority's actuarially required OPEB contribution for 2002 equaled the actual amount contributed to PERS by the Authority. In addition, at December 31, 2002, the actual value of the plan's net assets available for OPEB approximated \$11.6 billion and the actuarial accrued liability, based on the actuarial method used, was \$16.4 billion and \$4.8 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. As of December 31, 2002 there were 1,146 participants in this plan.

As of December 31, 2002 the Supplemental Pension Fund liability was determined to be \$1,004,791 based on the 2002 actuarial study. Benefit payments were \$114,108 for 2002.

There were 1,146 participants and benefit payments of \$114,108 at December 31, 2002.

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 so there is substantial insurance protection in this area. 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. In essence, 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.

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 \$350,000 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, 2002 was \$7.5 million 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 2002 and 2001 are:

	2002	2001
Balance Beginning of Year	\$ 17,989,000	\$ 14,640,516
Incurred Claims	2,776,609	11,826,805
Payments	<u>6,011,609</u>	<u>8,478,321</u>
Balance End of Year	<u>\$ 14,754,000</u>	<u>\$ 17,989,000</u>

11. LEASE TO SERVICE AGREEMENT

On September 30, 2002, the Authority entered into transactions to lease 46 light rail vehicles cars and 58 heavy rail vehicles to investors and simultaneously sublease the vehicles back. Under these transactions, the Authority maintains the right to continue use and control of the assets through the end of the leases and is required to insure and maintain the assets.

The Authority received a prepayment totaling \$14.5 million. These funds were invested in the State Treasurer's investment pool (STAR). Transaction expenses were approximately \$4.8 million.

2002

**STATISTICAL
SECTION**

Comprehensive Annual Financial Report

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

YEAR	OPERATING	SALES AND USE TAXES	FEDERAL OPERATING GRANTS AND REIMBURSEMENTS	STATE OPERATING GRANTS, REIMBURSEMENTS, AND SPECIAL FARE ASSISTANCE	INVESTMENT INCOME	OTHER	TOTAL
1993	\$ 43,116	\$ 108,700	\$ 11,978	\$ 8,464	\$ 2,230	\$ 612	\$ 175,100
1994	44,200	118,087	8,986	8,417	2,618	784	183,092
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	214,737

TABLE 2

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

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

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>	
1993	36.8	4.4	41.2	53.2	5.6	58.8	100
1994	37.6	12.6	50.2	44.7	5.1	49.8	100
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	53.7	42.4	3.9	43.3	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
P2002	*	*	*	*	*	*	*

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>	
1993	23.8	2.5	26.3	66.9	6.8	73.7	100
1994	23.5	2.5	26.0	69.1	4.9	74.0	100
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

* Not Available

P Preliminary

- (1) Source: The American Public Transit Association, APTA 2003 Transit Fact Book, Table 63.
- (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)**

YEAR	TRANSPORTATION	MAINTENANCE	GENERAL AND ADMINISTRATIVE	DEPRECIATION	TOTAL OPERATING EXPENSES	INTEREST	OTHER	TOTAL EXPENSES
1993	56,381	42,716	58,443	25,012	182,552	2,137	-0-	184,689
1994	60,522	43,286	61,292	28,185	193,285	1,561	85	194,931
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	-0-	218,801
1997	71,854	56,805	58,729	29,476	216,864	4,888	-0-	221,752
1998	76,200	61,757	59,176	34,417	231,550	5,617	-0-	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	-0-	263,035
2001	92,371	71,877	66,889	36,251	267,388	5,638	-0-	273,026
2002	88,306	70,073	53,185	36,085	247,649	6,064	-0-	253,713

TABLE 4

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

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>
1993	71.0%	8.9%	5.3%	3.6%	3.4%	10.4%	(2.6)%	100%
1994	70.8	8.9	4.7	3.6	3.4	10.9	(2.3)	100
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
P2001	69.5	10.0	5.9	3.3	2.1	12.6	(3.4)	100
2002	*	*	*	*	*	*	*	*

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>
1993	73.0	9.6	4.6	4.5	0.6	4.7	3.0	100
1994	73.1	9.2	4.8	4.0	2.2	4.4	2.3	100
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

- P Preliminary
- * Not Available
- ** Excludes Depreciation and Interest

Source:

(1) The American Public Transit Association, APTA 2003 Transit Fact Book, Table 60.

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)

YEAR	POPULATION (1)	ASSESSED VALUE (2)	GENERAL BONDED DEBT	RATIO OF BONDED DEBT TO ASSESSED VALUE	BONDED DEBT PER CAPITA
1993	1,411	20,899,290	20,700	.10	14.67
1994	1,403	22,780,189	17,000	.07	12.12
1995	1,396	22,942,030	13,250	.06	9.49
1996	1,402	23,358,249	78,500	.34	56.00
1997	1,387	24,953,150	73,645	.31	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	124,857	.44	90.54

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, 2002 (IN THOUSANDS)

OVERALL DEBT LIMITATION:

Total Of All GCRTA Debt Outstanding.....	\$ 124,857
Exempt Debt.....	<u>124,857</u>
Net Indebtedness (Voted and Unvoted).....	<u>\$ 0</u>
Assessed Valuation Of County (2000 Tax Year)	\$28,545,714
Overall Debt Limitation (%)	<u>5.0%</u>
5.0% of Estimated Assessed Valuation (Voted and Unvoted Debt Limitation).....	\$ 1,427,286
Net Indebtedness (Voted and Unvoted).....	<u>\$ 0</u>
Overall Debt Margin.....	<u>\$ 1,427,286</u>

UNVOTED DEBT LIMITATION:

Unvoted Debt Limitation (0.1% of County Assessed Valuation)	\$ 28,546
Maximum Aggregate Amount Of Principal and Interest Payable In Any One Calendar Year	<u>(12,005)</u>
Maximum Annual Debt Service Charges Permitted For New Debt Issuances.....	<u>\$ 16,541</u>

TABLE 7

GREATER REGIONAL TRANSIT AUTHORITY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2002

	GROSS DEBT	DEBT SERVICE FUND	NET DEBT	PERCENT APPLICABLE (3)	AUTHORITY SHARE
Greater Cleveland Regional Transit Authority	\$ 124,856,513	--	\$ 124,456,513	100%	\$ 124,856,513
County of Cuyahoga (1)	200,162,636	\$ 586,581	199,576,055	100	199,576,055
Cuyahoga County Cities, Villages, Townships (1).....	928,611,332	185,750,611	742,860,721	100	742,860,721
Cuyahoga County School Districts (2)...	644,481,535	281,773,829	362,707,706	100	<u>362,707,706</u>
Total Net Direct and Overlapping Debt					<u>\$1,430,000,995</u>

- (1) 2003 Tax Budgets filed in July, 2002 and certified unencumbered 2003 balances filed in January, 2003 with Cuyahoga County Budget Commission. Budgetary basis.
- (2) Cuyahoga County School Districts file on fiscal year ended June 30, 2002. 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)**

YEAR	GROSS REVENUES (1)	EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
1993	175,100	157,540	17,560	2,700	2,137	4,837	3.63
1994	183,092	165,185	17,907	3,700	1,561	5,261	3.40
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	4,797	6,064	10,861	.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**

<u>YEAR</u>	<u>PERCENTAGE</u>
1993	27.4
1994	26.7
1995	25.7
1996	24.4
1997	24.0
1998	23.0
1999	21.3
2000	20.2
2001	18.7
2002	18.9

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

**FARE STRUCTURE
DECEMBER 31, 2002**

	<u>LOCAL</u>	<u>EXPRESS AND RAPID TRANSIT</u>
Cash Fare	\$ 1.25	\$ 1.50
Senior Citizens50	.50
Handicapped50	.50
Students	1.00	1.00
Children (under 6 yrs. of age with adult)	Free	Free
Downtown Loop and Community Circulators75	*
Tickets (5)	5.95	7.15
Passes:		
All Day Pass	4.00	4.00
Weekly	11.25	13.50
Monthly	45.00	54.00
Transfer:		
Local	No Charge	.25
Express	No Charge	No Charge
Family Fares:		
Adult with up to three (3) children, (ages 6 to 15)	1.00	1.00
All Day Family Pass	6.00	6.00
Special:		
Through rides between Downtown Cleveland and:		
Avon Lake (Lorain County)	*	2.50
Willowick/Wickliffe (Lake County)	*	2.50
Brunswick (Medina County)	*	2.50
Richfield Township (Summit County)	*	2.50

* Not applicable

TABLE 10

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

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

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
SYSTEM RIDERSHIP:										
Motor Bus.....	52,906,861	52,547,441	50,235,364	49,433,107	51,523,280	50,682,872	49,140,405	51,591,534	47,100,582	45,157,626
Heavy Rail.....	4,072,575	4,520,799	4,663,656	5,139,718	5,241,176	5,455,860	5,658,763	7,340,705	8,232,176	7,186,189
Light Rail	2,747,968	2,888,243	3,052,571	3,846,521	4,082,873	4,091,176	4,164,389	4,318,399	4,444,545	3,057,728
Demand Responsive.....	357,832	333,461	314,655	316,927	324,008	327,870	340,190	310,894	281,191	323,976
AVERAGE WEEKDAY										
SYSTEM RIDERSHIP:										
Motor Bus.....	184,110	181,345	172,782	170,541	177,280	174,798	169,338	170,191	165,203	152,444
Heavy Rail.....	14,170	15,639	17,063	17,732	18,129	18,817	19,500	18,736	19,132	17,052
Light Rail	9,561	9,992	10,847	13,270	14,122	14,110	14,351	13,654	13,093	10,699
Demand Responsive.....	1,404	1,265	1,065	1,086	1,121	1,130	1,173	1,209	1,140	1,103
AVERAGE WEEKDAY										
MILES OPERATED:										
Motor Bus.....	78,308	79,313	82,391	84,750	85,135	89,012	91,394	91,626	89,600	85,427
Heavy Rail.....	6,351	6,467	6,351	6,525	6,243	6,176	6,309	3,854	3,823	3,582
Light Rail	3,471	3,562	3,472	3,953	3,984	3,848	3,831	2,749	2,656	2,628
Demand Responsive.....	3,595	3,422	3,422	3,347	5,960	6,479	5,502	7,092	6,765	6,768
REVENUE MILES:										
Motor Bus.....	19,864,055	20,366,927	20,481,259	21,008,961	21,306,672	22,532,413	23,325,952	23,523,043	23,000,048	21,898,961
Heavy Rail.....	1,907,502	1,909,905	1,988,626	2,014,972	2,046,418	2,030,450	2,066,821	2,064,918	1,989,332	1,773,310
Light Rail	970,694	953,453	1,015,575	1,118,618	1,180,827	1,182,715	1,254,164	1,202,173	1,144,240	860,336
Demand Responsive.....	699,729	667,870	679,667	1,042,942	1,395,656	1,130,418	1,232,838	1,785,104	1,757,197	1,577,180
PASSENGER MILES:										
Motor Bus.....	156,752,810	188,199,597	175,161,932	183,451,305	195,815,042	206,200,170	206,546,438	198,957,849	179,985,792	171,543,310
Heavy Rail.....	50,181,515	52,986,065	51,333,253	61,466,197	56,561,092	54,247,521	51,419,115	54,008,892	61,606,818	53,955,185
Light Rail	26,511,608	27,179,362	27,675,419	30,034,676	30,685,785	29,029,628	25,986,194	24,851,765	25,525,892	18,063,245
Demand Responsive.....	1,264,932	1,442,864	1,510,661	1,673,429	1,397,001	1,412,694	1,457,392	1,926,818	1,308,376	1,398,185

(Continued)

TABLE 10

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

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

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
ENERGY CONSUMPTION:										
Motor Bus										
(gallons of fuel)	5,373,272	5,821,016	5,362,831	5,726,202	5,575,969	4,866,308	4,522,858	4,993,462	4,426,598	3,985,709
(lbs. of natural gas).....	813,815	870,301	1,058,628	1,446,431	1,505,091	1,725,192	2,098,956	1,940,307	2,114,755	1,470,492
Heavy Rail										
(kilowatt hours)	30,821,033	29,615,264	28,075,195	28,266,317	28,556,916	27,399,187	28,739,870	28,337,880	27,400,794	27,558,604
Light Rail										
(kilowatt hours)	13,897,779	14,715,134	16,479,056	17,117,212	16,906,883	15,699,132	17,106,108	17,427,148	14,446,957	12,339,510
Demand Responsive										
(gallons of fuel)	161,455	160,238	164,346	206,311	229,331	282,229	223,947	230,579	243,577	994,962
FLEET REQUIREMENT										
DURING PEAK HOURS:										
Motor Bus.....	586	636	591	601	595	594	604	619	614	544
Heavy Rail.....	35	35	35	30	30	28	28	28	28	22
Light Rail	24	26	26	25	26	26	26	25	25	15
Demand Responsive.....	49	49	49	51	60	58	59	81	77	66
TOTAL ACTIVE VEHICLES										
DURING PERIOD:										
Motor Bus.....	702	723	782	709	754	750	747	753	731	738
Heavy Rail.....	59	59	59	59	59	59	60	60	60	60
Light Rail	47	47	47	47	47	47	47	47	48	48
Demand Responsive.....	49	59	58	52	60	58	83	81	77	82
NUMBER OF EMPLOYEES:	2,550	2,604	2,738	2,807	2,821	2,859	2,968	3,052	2,830	2,753

Source:

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

(Concluded)

TABLE 11

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

DEMOGRAPHIC STATISTICS

<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
2002	1,379,049	1,859,472

<u>AGE DISTRIBUTION</u> (2)	<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	100.00%
Median age	37.3	
Males	658,481	
Females	735,497	

DISTRIBUTION OF FAMILIES BY IN COME BRACKET (Average 3.06 persons) (3)

<u>INCOME</u> (2)	<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 2001 are estimates provided by the U. S. Census Bureau.
- (2) U. S. Census Bureau, Census 2000
- (3) U. S. Census Bureau, Census 2000

(Continued)

TABLE 11

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

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

EMPLOYMENT-ANNUAL AVERAGE (1):

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total Civilian Labor Force	673,900	675,600	675,600	678,800	676,800	699,200	681,200	691,000	692,600	669,700
Total Employed*	627,900	636,300	644,200	643,800	637,400	668,500	649,900	659,900	661,700	624,900
Total Unemployed	46,000	39,300	32,400	35,000	39,4000	30,700	31,300	31,100	31,000	44,800
Unemployment Rate	6.8%	5.8%	4.8%	5.2%	5.8%	4.4%	4.6%	4.5%	4.5%	6.7%

**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>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>
1993.....	140.9	19.1	176.4	24.0	219.8	29.9	82.2	11.3	53.7	7.3	31.8	4.3	30.2	4.1	735.0*	100
1994.....	139.5	18.6	181.0	24.1	227.3	30.2	83.6	11.1	56.7	7.5	33.1	4.4	30.5	4.1	751.7*	100
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	12.6	118.5	15.6	320.5	42.1	86.3	11.3	68.3	9.0	23.4	3.1	47.6	6.3	761.1	100

Sources:

(1) Ohio Bureau of Employment Services

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

(Concluded)

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

MISCELLANEOUS STATISTICS

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.....	1,379,049
Miles of Route:	
Motor Bus.....	1,606
Rail.....	68
Number of Routes.....	101
Wheelchair Equipped Standard Buses.....	879
Number of Rail Stations.....	52
Number of Buses.....	882
Free Rail Parking Spaces.....	8,500
Number of Scheduled Lines:	
Motor Bus.....	101
Rail.....	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.....	825,000 Calls
RTA Web Site.....	4.6 Million Hits



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Facsimile 614-466-4490

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

CLEVELAND 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
NOVEMBER 13, 2003**