GREATER CLEVELAND
REGIONAL TRANSIT AUTHORITY

Single Audit Report

Year Ended December 31, 2003

(With Independent Auditors' Reports Thereon)

Auditor of State
Betty Montgomery

Board of Trustees
Greater Cleveland Regional Transit Authority

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, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 11, 2004

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
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GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

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KPMG LLP
Suite 2600
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, 2003, and have issued our report thereon dated June 15, 2004. 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*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Authority in a separate letter dated June 15, 2004.

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 15, 2004

KPMG LLP
Suite 2600
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, 2003. 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 program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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, 2003. However, the results of our auditing procedures disclosed two instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 03-1 and 03-2.

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 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, 2003 and have issued our report thereon dated June 15, 2004. 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 in 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 15, 2004

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended December 31, 2003

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures
U.S. Department of Transportation:			
Federal Transit Cluster/Direct Programs:			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	N/A	$ 50,163,884
Federal Transit Administration Capital Improvement Grants	20.500	N/A	19,043,644
Federal Transit Cluster total			69,207,528
Transit Planning and Research	20.514	N/A	7,220
Job access – Reverse Commute	20.516	N/A	1,400,374
Total expenditures of federal awards			$ 70,615,122

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, 2003

(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, 2003. 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.

(2) Subrecipients

Of the federal expenditures presented in the Schedule, the Authority provided federal awards to subrecipients as follows:

Program title	Federal CFDA number	Amount provided to subrecipients
Federal Transit Administration Capital Improvement Grants	20.500	$ 320,000

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

Year ended December 31, 2003

(1) Summary of Auditors' Results:

(a)	The type of report issued on the financial statements as of and for the year ended December 31, 2003	Unqualified
(b)	Reportable conditions in internal control disclosed by the audit of the financial statements	None reported
(c)	Noncompliance identified that is material to the financial statements of the Authority	None
(d)	Reportable conditions in internal control over major federal financial award programs disclosed by the audit of the financial statements	None reported
(e)	The type of report issued on compliance for major federal financial award programs	Unqualified
(f)	Any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133	Yes
(g)	Major federal financial assistance programs identified for the year ended December 31, 2003:	

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	$ 2,118,454
(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

(Continued)

(3) Findings and Questioned Costs Relating to Federal Awards

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

Condition Found:

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

Criteria:

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

Effect:

Failure to prepare the required certifications represents a reportable finding and is considered a failure to retain appropriate documentation of costs assigned to the program.

Recommendation:

We recommend the Authority develop policies and procedures to ensure the required employee certifications are prepared and maintained in order to demonstrate its compliance with the provisions of OMB Circular A-87 Attachment B 8.h.3.

Management Response:

The employees charging their wages to the preventative maintenance grants are not expected to work solely on a single Federal award or cost objective. Consequently, the Authority believes certification that the employees worked solely on a single Federal award or program is not required. The Authority will be requesting further clarification from the Federal Transit Administration (FTA) regarding this requirement.

(Continued)

(3) Findings and Questioned Costs Relating to Federal Awards (continued)

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

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

Condition Found:

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

Criteria:

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

Effect:

Failure to use the approved indirect cost rate represents a reportable finding and is considered a failure to use proper recognition of costs assigned to the program.

Recommendation:

We recommend the Authority develop policies and procedures to ensure the FTA approved indirect cost rate is used in order to demonstrate its compliance with the provisions of OMB Circular A-87 Attachment E, E.1.

Management Response:

The Authority agrees with recommendation and will comply with our current policy and procedures to ensure that the approved indirect cost rates are applied during the appropriate timeframe.

TURNING POINTS ARE RARE EVENTS. BUT WHEN THEY OCCUR, A NEW DIRECTION FOLLOWS. 2003 WAS A YEAR WHEN RTA TURNED MANY CORNERS, PUTTING IT ON A PATH TOWARD EXPANDED SERVICE AND GROWTH.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
2003 COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2003

CUYAHOGA COUNTY, OHIO

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

RTA

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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2003
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, 2002

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

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

President

Executive Director

"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, 2002.

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."

June 15, 2004

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, 2003. This is the Sixteenth 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 the financial operations of the GCRTA. The financial statements, supplemental schedules, and statistical information are the representations of the GCRTA's management, who 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 2,644 employees as of December 31, 2003. The system delivered 23 million revenue miles of bus service and 3 million revenue miles on its heavy and light rail systems. The service fleet was composed of 701 motor bus coaches, 60 heavy rail cars, 48 light rail cars, and 76 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 1994, manufacturing employment has dropped significantly from 18.6% of the total workforce to 11.9%, while wholesale and retail trade has significantly decreased from 24.1% since 1994 to 15.3% in 2003. The professional and related services sector work force has steadily grown from 30.2% of the total workforce since 1994 to the present rate of 41.6%, of the workforce. Our local economy was weakened during 2003, resulting in more of our workforce being unemployed. The County's 2003 unemployment is close to the national rate of 6.8%.

During 2003, the County Auditor completed the required reappraisal valuation of all commercial, industrial, and residential real property. This is the most recent valuation available. This process is the foundation for property taxation, and it sets the debt limitation for GCRTA. This appraisal valuation is currently at $30.3 billion.

CURRENT YEAR REVIEW

In 2003, GCRTA made much progress in fulfilling its basic mission of providing outstanding cost effective public transportation services to the community. This progress was achieved through the implementation of new initiatives, the careful management of capital and human resources, and the ongoing focus on customer service. GCRTA began upgrading its fleet of buses, improving transportation routes and upgrading the Authority's facilities. In addition, customers' perception of public transportation and of GCRTA was greatly enhanced through effective marketing communication programs.

During 2003, we continued our effort to understand the community's needs and the expectations of our external customers. With the addition of new clean air, low-floor buses, GCRTA's entire bus fleet became wheelchair-accessible. These buses added to our reliability and provided comfort to our passengers. Easy access to Park-N-Ride and Transit Centers offered express service to downtown. Paratransit service was greatly enhanced through the adoption of a more equitable trip-scheduling policy. The new policy helps ensure responsive service to the thousands who rely on the Paratransit.

Using the input received from community meetings held during 2003, 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.

One of the biggest changes in 2003 was in ridership. The number of riders boarding buses and trains grew, and for the last six months of the year the increase averaged 5 percent. Overall, ridership rose 1.5 percent, the first annual increase since 1997. Enhanced service was a major contributor to the ridership gains. Newer equipment and a renewed commitment to customer service by GCRTA's operators assured riders that they would arrive at their destinations safely and on time. All benchmarks tracking quality of service supported positive change, with reliability increasing 10.8 percent, on-time performance improving 18.8 percent, and customer satisfaction growing about 16.3 percent. What's most impressive about GCRTA's performance in 2003 is the fact that much was accomplished with less.

To simplify the rider's commute, we expanded our network of Transit Centers and Park-N-Ride locations in 2003. 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 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 an increase in customer satisfaction.

Our Community Circulator 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. Local service in Cleveland Heights, Shaker Heights and in University Circle was expanded with the start of a new Community Circulator route in June 2003. 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.

There were also enhancements made to GCRTA's rail network, including the rehabilitation of the rapid transit tacks between Tower City and the East 55th Street Station. It's the final phase of a decade long track implementation project. Commuters on the Red, Blue, and Green Lines can now enjoy a smoother, faster, and safer ride well into the future.

In addition to new buses, facilities, new tracks and a renewed focus, GCRTA incorporated new technologies to transform its service. A Global Position System kept operators at the transit authority's Communication Center informed about the location of transit vehicles and traffic problems. Newly installed customer monitors were informing riders of breaking news, changing weather, and the arrival time of the next train or bus.

For the eleventh 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. We continued to market our Commuter Advantage program. This program allows riders to purchase monthly fare passes through their employers, using pretax dollars. The number of people enrolled in the program grew in 2003, with 47 new participating organizations. This program was enhanced by offering participants the added benefit of a guaranteed ride home from work for family emergencies, personal illness, and unexpected overtime through cab fare reimbursement from GCRTA.

GCRTA's goal of improving public transportation service along one of Cleveland's busiest corridor is also nearing reality. Through collaboration with community leaders and funding providers, changes were incorporated into the final design of the project to make it more cost effective. As a result of these changes, the Euclid Corridor Transportation Project (ECTP) was one of only five New Starts initiatives recommended by the President to Congress for multiyear funding. We expect ECTP to receive a Full Funding Grant Agreement from Congress in 2004, with groundbreaking slated for the fall. 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.

A slow economic recovery posed serious challenges to the transit authority's financial position last year. But with tighter fiscal control, GCRTA was able to become faster, safer, and more reliable while remaining within its budget parameters and without layoffs, service reduction, or fare increases. Our increase in ridership came at a time when transit authorities across the nation, were experiencing decreased ridership.

FUTURE PLANS

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. Totaling $657.9 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 - $22.3 million

Classified as Routine Capital ($12.5 million) and Asset Maintenance ($9.8 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 - $154.3 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 $50.2 million, overhaul of our light and heavy rail vehicles of $42.3 million, rehabilitation of the rail tracks of $21.0 million, upgrade of Catenary electrical system of $21.4 million, upgrade of our cab and light rail signals of $13.2 million, rail extensions of $2.7 million, and spare parts for our rail vehicles of $3.5 million.

Bridge Rehabilitation - $ 23.2 million

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

Bus Garages and Other Improvements - $19.7 million

The rehabilitation of the Triskett garage is underway with additional funding over the next five years of $2.6 million. A new Southwest garage will be built at an estimated cost of $11.3 million. We will be consolidating two of our bus garages at an estimated cost of $5.1 million. The relocation of our Transit Police Headquarters and preparation of site is budgeted at .7 million.

Bus Purchases and Paratransit Vehicles- $62.2 million

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

Transit Centers - $69.6 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- $152.3 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- $32.1 million

This project calls for the purchasing of spare parts for our buses and trains totaling $10.2 million and the replacement of Farebox Collection equipment at a cost of $14.1 million. Installation of security systems on our buses and trains is budgeted at $7.8 million.

Capitalized Operating Expenses and Other Expenses - $120.3 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- $1.9 million

Funding has been provided for technology improvements including various software upgrades and a new Paratransit Scheduling System.

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FINANCIAL INFORMATION

Internal Control

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

Basis of Accounting

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

Budgetary Control

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

Budgetary control is maintained at the department level. It is the responsibility of each department to administer its operations in such a manner as to ensure that the use of funds is consistent with the goals and programs authorized by the Board of Trustees. The GCRTA also maintains an encumbrance accounting system for budgetary control. Unencumbered appropriations lapse at year-end. Encumbered appropriation balances are carried forward to the succeeding year and need not be reauthorized.

Management's Discussion and Analysis

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

Retirement Plan

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

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

OPERS also provides post-retirement healthcare coverage to those employees who retire with ten or more years of qualifying Ohio service credit as well as healthcare coverage for disability recipients and primary survivor recipients. A portion of each employer's contribution to 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, $10.7 million of the GCRTA's investments are included in Risk Category 1 as defined in Note 3 to the financial statements. See Note 3 to the financial statements regarding credit risk relating to GCRTA's deposits. The procedures used for securing the Authority's deposits and investments are governed by the Ohio Revised Code. Because the GCRTA's deposits and investments are generally held by large, financially sound, national banks, we believe that the security supporting the GCRTA's deposits and investments is adequate.

Risk Management

The GCRTA is self-insured for public liability. The GCRTA also operates a self-insurance program for workers' compensation claims. Claims are normally paid with the general operating revenues of the GCRTA. The GCRTA, by resolution of the Board of Trustees, established an insurance reserve in fiscal year 1980 to accumulate funds to satisfy catastrophic or extraordinary losses. The insurance reserve as of December 31, 2003 was $7.5 million. The GCRTA also has 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.

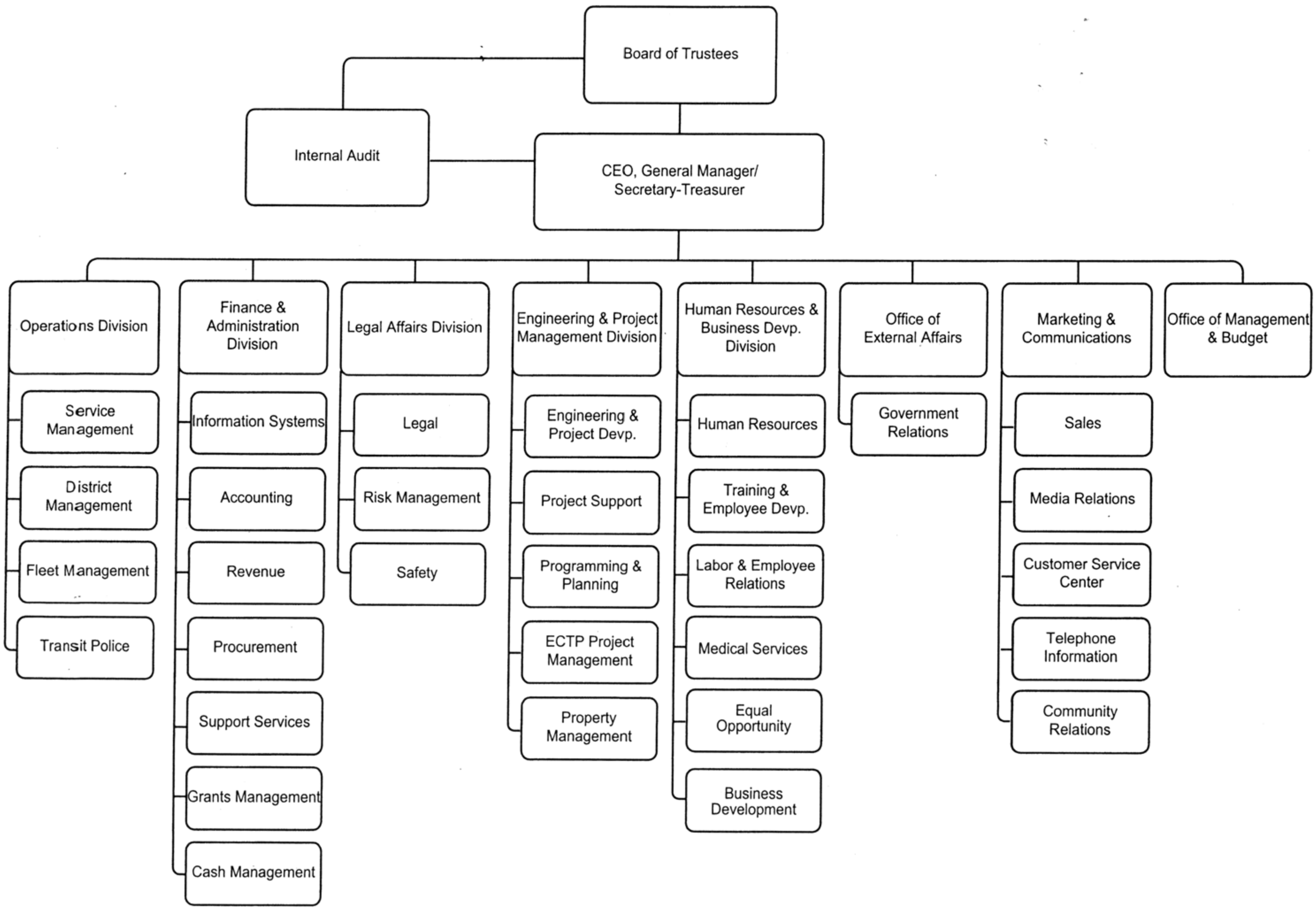
Acknowledgments

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. A special thank you to Debra Benjamin, Pamela Blackwell, Joseph Ivan and Jonita Price for assisting in the preparation of the entire document. 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.

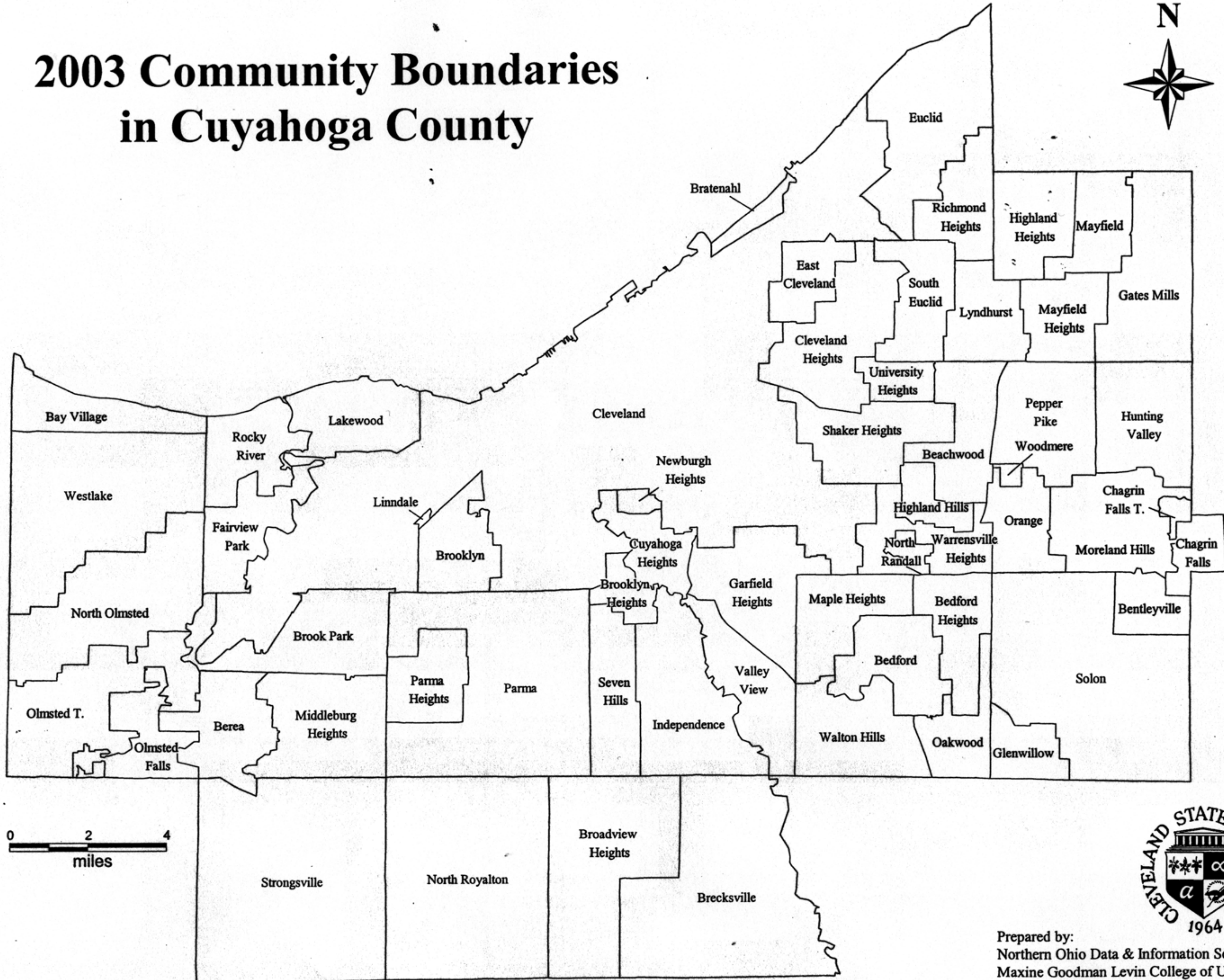
Joseph A. Calabrese
Chief Executive Officer-
General Manager/
Secretary-Treasurer

Loretta Kirk
Deputy General Manager
Finance & Administration

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
ORGANIZATIONAL CHART AS OF DECEMBER 31, 2003



2003 Community Boundaries in Cuyahoga County



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

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2003
FINANCIAL SECTION
BASIC FINANCIAL STATEMENTS AND NOTES
COMPREHENSIVE ANNUAL FINANCIAL REPORT

KPMG LLP
Suite 2600
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 years ended December 31, 2003 and 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

KPMG LLP

June 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Greater Cleveland Regional Transit Authority ("GCRTA" or "Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2003 and 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's net assets increased in each of the past two years with a $4.9 million, or 0.9%, increase in 2003 compared to 2002 and a $23.2 million, or 4.4% increase in 2002 compared to 2001.

- Current assets increased by $0.3 million or 0.4% in 2003 compared to 2002. Current assets increased by $1.4 million, or 2.0%, for 2002 compared to 2001.

- Current liabilities decreased by $2.3 million, or 4.8%, for 2003 compared to 2002. However, current liabilities increased $0.6 million, or 1.3%, for 2002 compared to 2001.

- The Authority's non-current liabilities decreased by $5.6 million or 3.9% in 2003 compared to 2002. Non-current liabilities increased by $5.7 million in 2002 compared to 2001.

Basic Financial Statements and Presentation

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

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

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

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

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

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

Financial Analysis of the Authority

Condensed Summary of Assets, Liabilities, and Net Assets (amounts in 000's)

	December 31,	
	2003	2002
Assets		
Current Asset	$74.2	$73.9
Other Non-Current Assets	10.7	38.0
Capital Assets (net of accumulated depreciation)	649.0	625.0
Total Assets	733.9	736.9
Liabilities		
Current Liabilities	45.8	48.1
Non-Current Liabilities	138.5	144.1
Total Liabilities	184.3	192.2
Net Assets		
Invested in Capital Assets, net of related debt	531.7	522.7
Unrestricted	17.9	22.0
Total Net Assets	549.6	544.7
Total Liabilities and Net Assets	$733.9	$736.9

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

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

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

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.

Condensed Summary of Revenues, Expenses and Changes in Net Assets (amounts in 000's)

Description	December 31, 2003	2002
Operating Revenues:		
Passenger Fares	$ 38.4	$38.2
Advertising and Concessions	1.5	1.7
Total Operating Revenues	39.9	39.9
Operating Expenses, excluding depreciation	(228.9)	(211.5)
Depreciation Expenses	(39.4)	(36.1)
Total Operating Expenses	(268.3)	(247.6)
Operating Loss	(228.4)	(207.7)
Non-Operating Revenues (Expenses):		
Sales and Use Tax Revenue	159.1	157.2
Federal Grants and Reimbursements	19.7	12.3
State Grants, Reimbursements, and Special Fare Assistance	1.5	1.6
Investment Income	0.6	1.5
Interest Expense	(5.8)	(6.0)
Other Income	1.6	2.2
Total Non-Operating Revenues	176.7	168.8
Capital Grant Revenue	56.6	62.1
Increase in Net Assets During the Year	4.9	23.2
Net Assets, Beginning of Year	544.7	521.5
Net Assets, End of Year	$549.6	$544.7

FINANCIAL OPERATING RESULTS

Revenues

Ridership and Passenger Fares - Farebox receipts and special transit fares are included here. Passenger fares remained almost unchanged from 2002 to 2003. However, the category decreased by 7% from 2001 to 2002. This can be attributable to the downturn in the local economy in 2002. During 2003, the GCRTA changed its pricing strategy, eliminating transfers and replacing them with an all day bus pass, which is now being sold for $3.00 versus $4.00 in 2002. The impact of this change has been an increase in ridership from 55.7 million passengers in 2002 to 59.5 million passengers in 2003, a total increase of 3.8 million, or 6.9%. Ridership decreased 4.3 million in 2002 from 2001, a decrease of 7.2%.

Sales and Use Tax - This dedicated 1% tax is levied in Cuyahoga County as part of the 8% overall tax on retail sales that changed from 7% effective July 2003. For 2003, 71.5% and for 2002, approximately 73.2% of the Authority's revenue came from this source. Revenue received from sales and use tax for both 2003 and 2002 were virtually unchanged compared to 2002 and 2001, respectively.

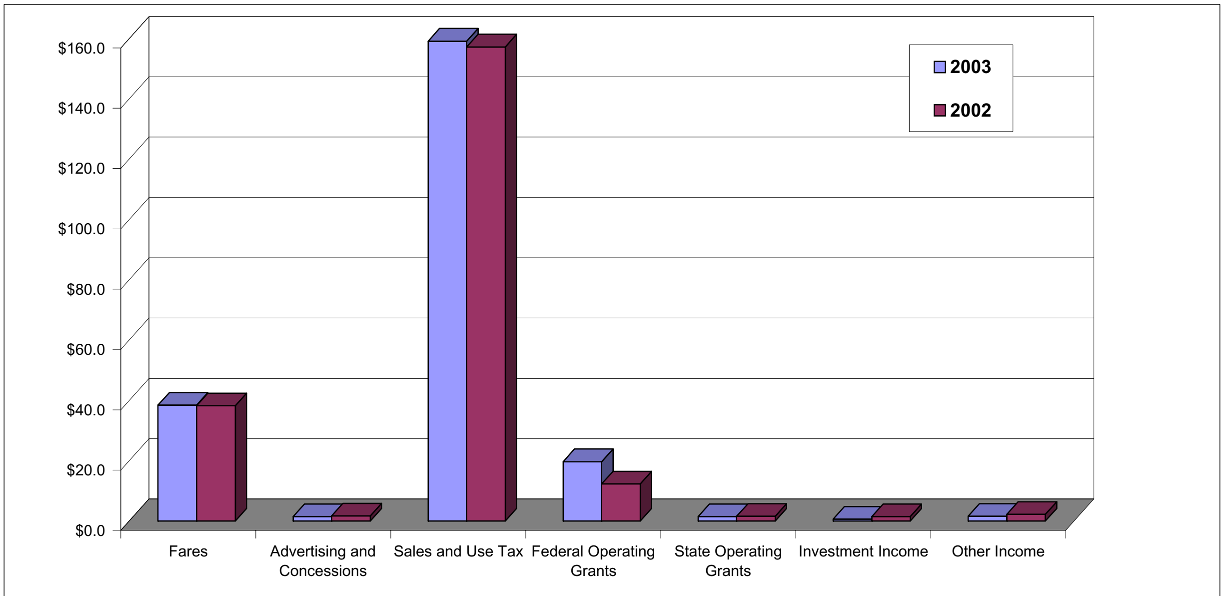
Federal Grants and Reimbursements – The Authority received approximately $19.7 million for 2003 and $12.3 million in 2002 in preventive maintenance reimbursement funds to cover the costs of certain inventory purchases and maintenance costs incurred.

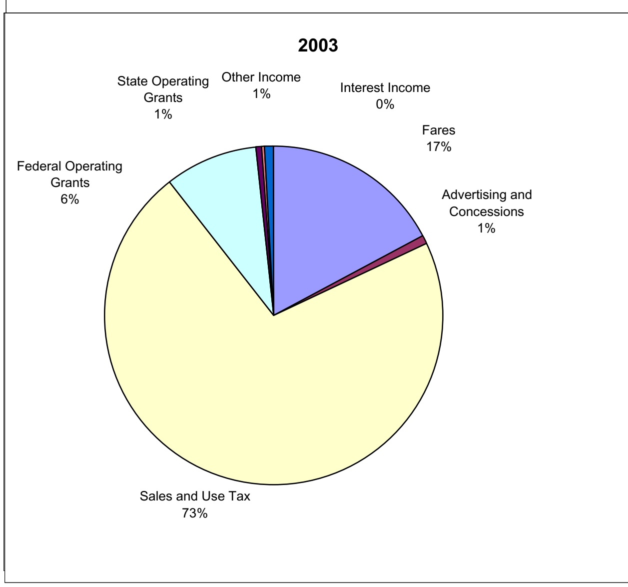
State Operating Grants - The Ohio Department of Transportation (ODOT) allocates grants for operating assistance and elderly and handicapped programs. This category also includes reimbursement for state fuel taxes paid by the Authority. The decrease in funding received in both 2003 and 2002 over the prior years reflects the change in ODOT's policy of providing less funding for operating assistance and more funding for capital purchases.

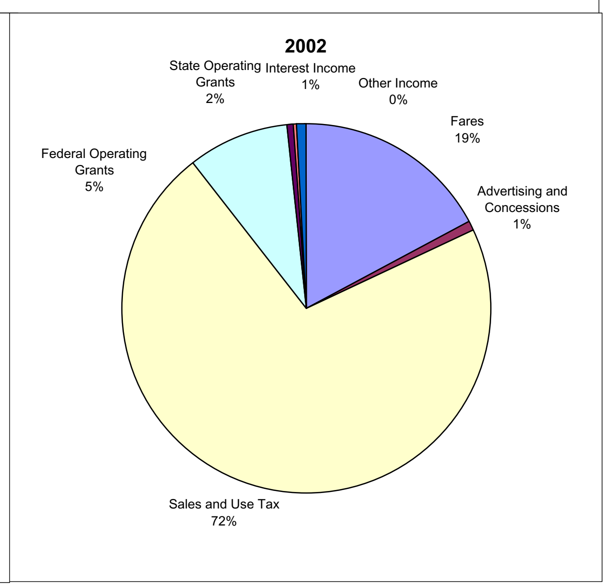
Investment Income - Investment income decreased in both 2003 and 2002 due to a decrease in the average investment interest rate and a smaller average investment balance.

REVENUE
Millions of Dollars

	2003	2002	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Fares	$38.4	$38.2	$0.2	0.5 %
Advertising and Concessions	1.5	1.7	(0.2)	(11.8)
Sales and Use Tax	159.1	157.2	1.9	1.2
Federal Operating Grants	19.7	12.3	7.4	60.2
State Operating Grants	1.5	1.6	(0.1)	(6.3)
Investment Income	0.6	1.5	(0.9)	(60.0)
Other Income	1.6	2.2	(0.6)	(27.3)
Total	$222.4	$214.7	$7.7	3.5 %







Expenses

Labor and Fringe Benefits: These personnel costs increased by $4.6 million, or 3.0%, in 2003 compared to 2002 due to an increase in labor rates. However, costs in this category decreased by $7.2 million, or 4.5%, in 2002 compared to 2001 due to our effort to reduce overall operating costs for the Authority.

Materials and Supplies: These costs have decreased in 2003 from 2002 due to less material supplies and maintenance required on our buses. The Authority purchased approximately 119 buses in 2003 to replace its aging fleet of buses that required high maintenance costs and use of materials. Materials and supplies costs virtually were unchanged for 2002 from 2001.

Services: These costs increased significantly in 2003 over 2002 mainly due to the decision by management to write off initial construction costs relating to capital projects that will not be implemented. This category decreased from 2001 primarily due to a decrease in contracted services relating to repair work to several of our facilities.

Utilities: Utility costs for 2003 remained unchanged as compared to 2002. Costs for 2002 decreased from 2001 due to an overall decrease in the use of propulsion power relating to our rail service.

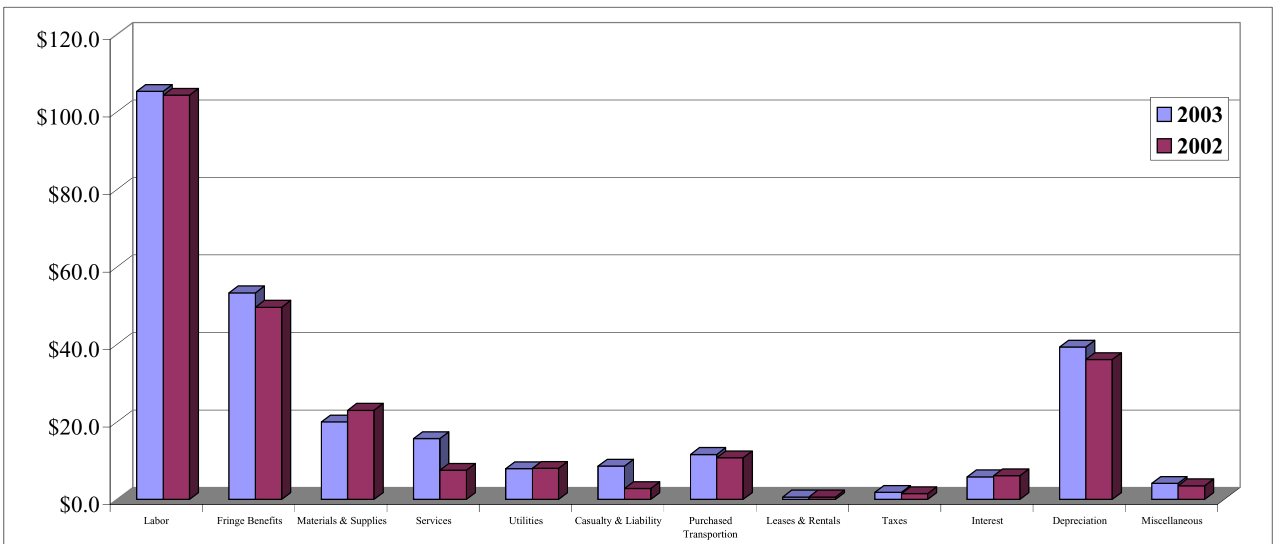
Casualty and Liability: The $5.8 million increase in these costs is due to higher than expected claims for 2003 as compared to 2002. In 2002 as compared to 2001, claims were lower than expected; consequently, the related claims expense decreased by $3.2 million. Casualty and liability claims are recorded based on actuarial studies performed in both 2003 and 2002.

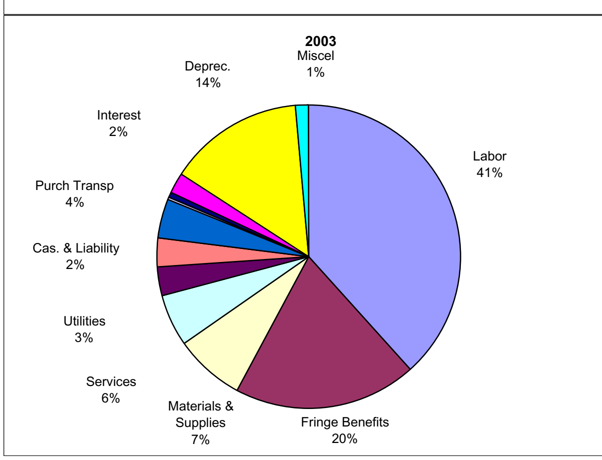
Purchased Transportation: These costs consist of contracting with companies to provide a transportation service to areas where bus service is limited. These services include Maple Heights and North Olmsted transit services. In addition, we contracted with outside companies to provide supplemental services for our riders that use our Paratransit service. Costs in this category increased by $1.0 million for 2003 compared to 2002 primarily due to our emphasis to provide additional services to our riders. Costs in this category remained unchanged in 2002 compared to 2001.

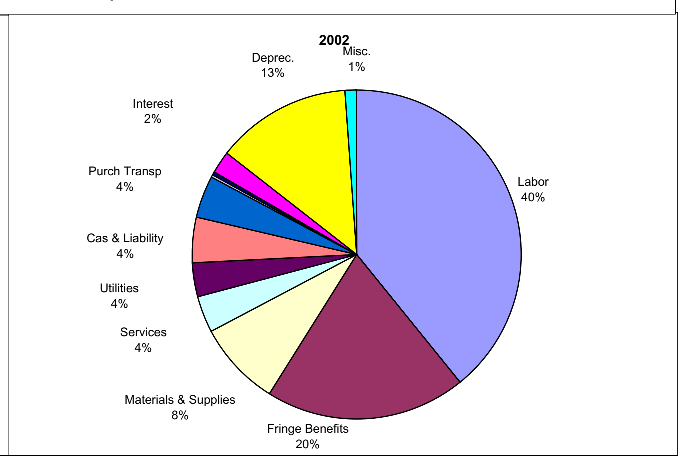
Expenses by Object Class

Millions of Dollars

	2003	2002	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Labor	$105.3	$104.3	$1.0	1.0 %
Fringe Benefits	53.3	49.6	3.7	7.5
Materials & Supplies	20.0	23.0	(3.0)	(13.0)
Services	15.7	7.5	8.2	109.3
Utilities	7.9	8.0	(0.1)	(1.3)
Casualty & Liability	8.6	2.8	5.8	207.1
Purchased Transportion	11.6	10.7	0.9	8.4
Leases & Rentals	0.6	0.6	-	-
Taxes	1.8	1.5	0.3	20.0
Interest	5.8	6.1	(0.3)	(4.9)
Depreciation	39.3	36.1	3.2	8.9
Miscellaneous	4.1	3.5	0.6	17.1
Total	**$274.0**	**$253.7**	**$20.3**	**8.0 %**



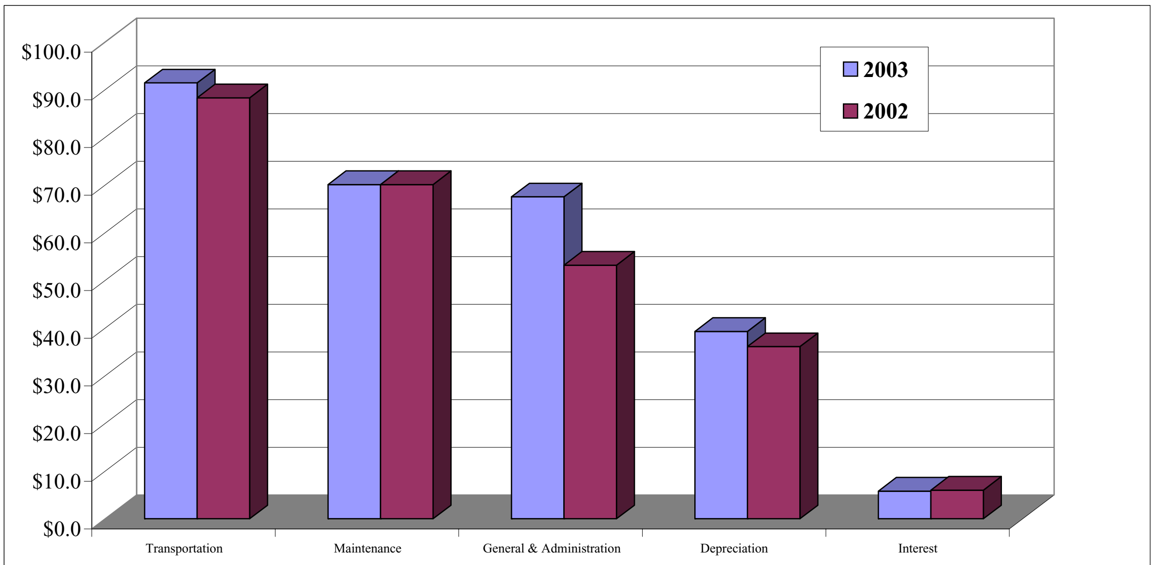


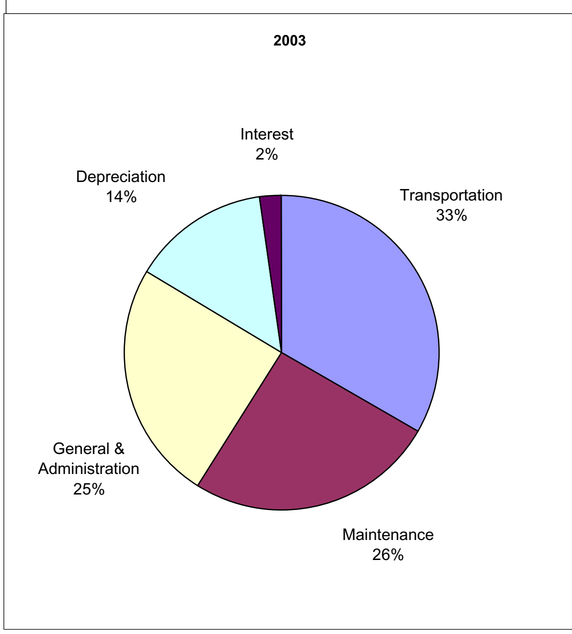


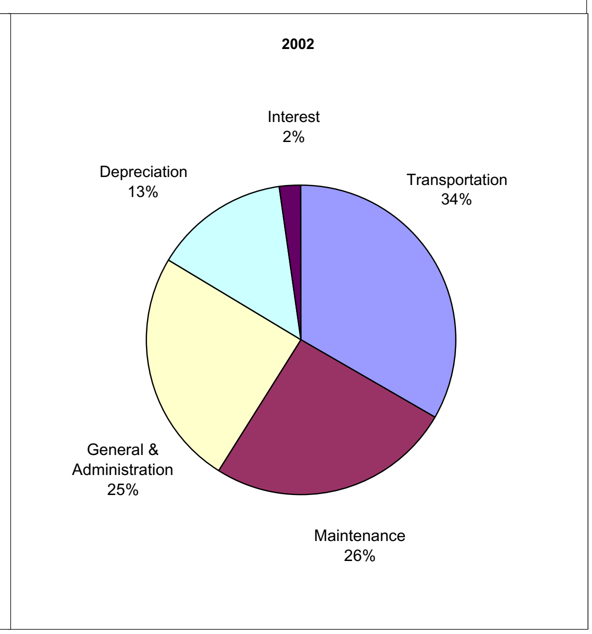
Expenses by Function

Millions of Dollars

	2003	2002	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Transportation	$91.4	$88.3	$3.1	3.5 %
Maintenance	70.1	70.1	-	(0.1)
General & Administration	67.5	53.2	14.3	26.9
Depreciation	39.3	36.1	3.2	8.9
Interest	5.8	6.0	(0.2)	(3.3)
Total	**$274.1**	**$253.7**	**$20.4**	**8.0 %**







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

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

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

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

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

The Authority had $119.8 million outstanding capital improvement bonds as of December 31, 2002 of which $17.5 million is non-callable and $102.3 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
General Obligation Improvement Bonds					
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%
General Improvement Refunding Bonds					
1998R (11/15/98 annually thru 2016)				28,500,000	4.17%
Series 2002R (12/2002 annually thru 2011)				17,485,000	3.75%
Total General Obligation Bonds				119,840,000	
Other- State Infrastructure Bank Loans (annually thru 2014)				6,353,302	4.25%
Total Debt				$126,193,302	
Deferred Refunding				(2,198,588)	
Premium				861,799	
Long-term Debt				$124,856,513	

At December 31, 2002, the maximum annual debt service charges permitted under Ohio law for new debt issuance was $16.5 million.

Request for Information

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

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GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 21,619,786	$ 19,105,670
Short-Term Investments	—	495,430
Receivables:		
Sales and Use Tax	41,330,272	39,425,281
Accrued Interest and Other	1,593,099	1,659,947
State Capital Assistance	908,089	3,034,722
Federal Capital Assistance	1,193,976	2,467,067
Material and Supplies Inventory	7,537,959	7,684,306
Total Current Assets	74,183,181	73,872,423
NON-CURRENT ASSETS:		
Restricted for Capital Assets:		
Cash and Cash Equivalents	2,000,000	22,500,000
Investments	8,714,085	15,527,200
CAPITAL ASSETS:		
Land	20,901,114	18,841,663
Infrastructure	46,669,995	41,984,491
Right of Ways	240,718,170	238,765,336
Building, Furniture & Fixtures	386,375,964	370,381,292
Transportation & Other Equipment	376,079,345	322,118,755
Construction-in-Process	46,473,962	83,416,312
Total Capital Assets	1,117,218,550	1,075,507,849
Less Accumulated Depreciation	(468,241,239)	(450,501,936)
Capital Assets - Net	648,977,311	625,005,913
Total Non-Current Assets & Capital Assets	659,691,396	663,033,113
TOTAL ASSETS	**$ 733,874,577**	**$ 736,905,536**

LIABILITIES AND NET ASSETS	2003	2002
CURRENT LIABILITIES:		
Accounts Payable	$ 7,849,425	$ 7,978,710
Contracts and Other Payables	5,139,449	5,288,602
Contract Retainers	1,111,347	1,364,211
Accrued Compensation	19,538,780	21,848,008
Interest Payable – Bonds	541,092	560,409
Current Portion of Long-Term Debt	6,173,574	5,930,718
Current Portion – Self-insurance Liabilities	5,410,300	5,163,900
Total Current Liabilities	45,763,967	48,134,558
NON-CURRENT LIABILITIES:		
Long-Term Debt	113,063,127	118,925,795
Self-Insurance Liabilities	10,047,700	9,590,100
Deferred Revenue	14,388,622	14,597,187
Other Long Term Liabilities	1,004,791	1,004,791
Total Non-Current Liabilities	138,504,240	144,117,873
Total Liabilities	184,268,207	192,252,431
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	531,740,611	522,649,400
Unrestricted	17,865,759	22,003,705
Total Net Assets	549,606,370	544,653,105
TOTAL LIABILITIES AND NET ASSETS	**$ 733,874,577**	**$ 736,905,536**

See notes to financial statements.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
OPERATING REVENUES:		
Passenger Fares	$ 38,411,831	$ 38,185,308
Advertising and Concessions	1,450,261	1,737,022
Total Operating Revenues	39,862,092	39,922,330
OPERATING EXPENSES:		
Labor and Fringe Benefits	158,558,185	153,931,070
Materials and Supplies	19,925,616	22,995,085
Services	15,684,439	7,526,769
Utilities	7,933,873	7,965,475
Casualty and Liability	8,617,466	2,776,609
Purchased Transportation	11,635,971	10,667,842
Leases and Rentals	660,359	647,828
Taxes	1,771,620	1,497,649
Miscellaneous	4,065,988	3,555,590
Total Operating Expenses before Depreciation	228,853,517	211,563,917
Depreciation Expense	39,360,318	36,085,895
TOTAL OPERATING EXPENSES	268,213,835	247,649,812
OPERATING LOSS	(228,351,743)	(207,727,482)
NON-OPERATING REVENUE (EXPENSES):		
Sales and Use Tax Revenue	159,050,577	157,212,502
Federal Operating Grants & Reimbursements	19,748,281	12,308,892
State Operating Grants & Reimbursements	1,489,291	1,604,650
Investment Income	621,930	1,534,930
Interest Expense	(5,816,044)	(6,063,634)
Other Income	1,566,217	2,139,633
Gain on Disposal of Capital Assets	62,554	14,321
Total Non-Operating Income	176,722,806	168,751,294
Net Loss Before Capital Grant Revenue	(51,628,937)	(38,976,188)
CAPITAL GRANT REVENUE:		
Federal	50,660,891	51,278,032
State	5,021,311	9,253,468
Local	900,000	1,615,000
Total Capital Grant Revenue	56,582,202	62,146,500
Increase in Net Assets	4,953,265	23,170,312
Net Assets, Beginning of Year	544,653,105	521,482,793
Net Assets, End of Year	**$549,606,370**	**$544,653,105**

See notes to financial statements.

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 40,134,088	$ 39,753,776
Cash payments to suppliers for goods and services	(61,660,803)	(55,544,100)
Cash payments to employees for services	(107,570,679)	(104,926,565)
Cash payments for employee benefits	(53,296,734)	(49,824,984)
Cash payments for casualty and liability	(7,913,466)	(5,139,491)
Other receipts	836,952	752,718
Net cash used in operating activities	(189,470,642)	(174,928,646)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Sales and use taxes received	157,145,586	158,455,958
Grants, reimbursements, and special fare assistance:		
Federal	19,748,281	12,308,892
State	1,489,291	1,814,164
Net cash provided by non-capital financing activities	178,383,158	172,579,014
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Federal capital grant revenue	51,933,982	50,275,203
State capital grant revenue	7,526,048	6,645,653
Local capital grant revenue	900,000	1,615,000
Proceeds from lease to service	—	14,509,707
Acquisition and construction of capital assets	(63,173,418)	(65,033,623)
Principal paid on bond maturities and other debt	(5,930,719)	(5,543,594)
Interest paid on bonds and other debt	(6,073,968)	(5,801,933)
Net cash used in capital and related financing activities	(14,818,075)	(3,333,587)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	17,506,524	15,155,820
Purchases of investments	(10,197,979)	(19,795,743)
Interest received from investments	611,130	1,488,824
Net cash provided by (used in) investing activities	7,919,675	(3,151,099)
Net Decrease In Cash and Cash Equivalents	(17,985,884)	(8,834,318)
Cash and Cash Equivalents, Beginning of Year	41,605,670	50,439,988
Cash and Cash Equivalents, End of Year	$ 23,619,786	$ 41,605,670
Non-Cash Investing and Capital Financing Activities:		
Increase (decrease) in fair value of investments	$ (10,800)	$ 46,106

See notes to financial statements

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Continued)

	2003	2002
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	$(228,351,743)	$(207,727,482)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	39,360,318	36,085,895
Other revenue	836,952	752,718
Inventory obsolescence	377,563	328,000
Change in assets and liabilities:		
(Increase) decrease in other receivables	271,996	(168,554)
(Increase) decrease in materials and supplies inventory	(231,215)	1,123,039
Decrease in accounts payable, accrued compensation, self-insurance liabilities and other	(1,734,513)	(5,322,262)
Net Cash Used In Operating Activities	$(189,470,642)	$(174,928,646)

See notes to financial statements.

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 2003.

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

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

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

Under the guidelines of GASB Statement No. 14, the Authority is a jointly governed organization. Of its ten member board, four of the members are appointed by the Mayor of the City of Cleveland with the consent of City Council; three members, one of whom must reside in the City of Cleveland, are appointed by the County Commissioners; the remaining three members are elected by an association of suburban mayors, city managers, and township trustees. None of the participating governments appoints a majority of the Authority's board and none has an ongoing financial interest or responsibility. None of the participating governments provided any significant financial transactions with the Authority during 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

Capital Assets – 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 is 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.
>
> 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), provides financial assistance and makes grants directly to the Authority for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenues over the entitlement periods. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and credited to non-operating revenues when the related capital expenditures are incurred. Capital grants for the maintenance of property, plant and equipment are recorded as grant receivables and credited to non-operating revenues in the period operating expenditures are incurred. Capital grants received in advance of project costs being incurred are deferred.

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

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

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

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

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

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

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

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

New Accounting Pronouncement – In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement will revise the deposit and investment risks disclosed in the notes to the financial statements. The GCRTA will implement Statement No. 40 beginning with the year ended December 31, 2004.

Reclassifications – Certain prior year amounts have been reclassified to conform with the 2003 presentation.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or may pledge a pool of government securities, the face value of which is at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security maintained for public deposits and investments be held in the Authority's name.

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 STAROhio 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.

The table below reflects balances as of December, 2003 and 2002.

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

2002				
	Risk Category			Fair Value/
Description	1	2	3	Carrying Value
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

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

	2003	2002
Demand deposits	$ 10,990,402	$ 10,252,456
Cash on hand	158,200	158,350
Investments	21,185,269	47,217,494
Total	$ 32,333,871	$ 57,628,300
Demand deposits – bank balance	$ 15,691,192	$ 11,931,900

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

	2003	2002
Current Assets:		
Cash and cash equivalents	$ 21,619,786	$ 19,105,670
Investments	—	495,430
Non-Current Assets:		
Investments	8,714,085	15,527,200
Restricted Assets:		
Cash and cash equivalents	2,000,000	22,500,000
Total	$ 32,333,871	$ 57,628,300

4. CAPITAL ASSETS

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

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

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

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

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	56,347,891	60,825,965	$ 33,757,544	83,416,312
Total Capital Assets Not Being Depreciated	74,741,466	61,274,053	33,757,544	102,257,975
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	308,136,056	23,054,805	9,072,106	322,118,755
Total Capital Assets Being Depreciated	945,409,235	36,917,541	9,076,902	973,249,874
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	214,088,900	17,528,251	9,072,106	222,545,045
Total Accumulated Depreciation	423,492,943	36,085,895	9,076,902	450,501,936
Total Capital Assets Being Depreciated, Net	521,916,292	831,646	—	522,747,938
Total Capital Assets, Net	$ 596,657,758	$62,105,699	$ 33,757,544	$ 625,005,913

For the year ended December 31, 2002, capitalized interest was $746,923.

5. BONDS AND LOANS PAYABLE

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

Issue	Average Interest Rate	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003	Due Within One Year
Series 1996	5.24	$ 16,420,000	—	$ 2,980,000	$ 13,440,000	$ 3,120,000
Series 1998	4.61	28,465,000	—	1,240,000	27,225,000	1,290,000
Series 1998R	4.17	28,500,000	—	140,000	28,360,000	150,000
Series 2001	4.73	28,970,000	—	1,020,000	27,950,000	1,045,000
Series 2002R	3.75	17,485,000	—	135,000	17,350,000	135,000
SIB Loan	4.25	6,353,302	—	415,719	5,937,583	433,574
Total Bond and Note		126,193,302	—	5,930,719	120,262,583	$ 6,173,574
Deferred Refunding		(2,198,588)	—	(428,068)	(1,770,520)	
Premium		861,799	—	117,161	744,638	
Long-term Bonds & Debt		$ 124,856,513	$ —	$ 5,619,812	$ 119,236,701	

Bonds and loans payable at December 31, 2002 consist 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	6,751,900	—	398,598	6,353,302	415,718
Total Bond and Note		130,666,900	17,485,000	21,958,598	126,193,302	$ 5,930,718
Deferred Refunding		(1,411,344)	(1,070,000)	(282,756)	(2,198,588)	
Premium		526,460	362,000	26,661	861,799	
Long-term Bonds & Debt		$ 129,782,016	$ 16,777,000	$ 21,702,503	$ 124,856,513	

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, 2003 was $27,833,598. The refunded bonds, which have an outstanding balance of $26,425,000 at December 31, 2003, 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, 2003 was $28,360,000.

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, 2003, the Authority had borrowed $6,945,000 under this loan agreement to finance the rehabilitation for the Cuyahoga River Viaduct Project.

On December 1, 2001, the Authority issued $29,890,000 of general obligation capital improvement bonds. The bonds bear interest at rates ranging from 2.50% to 5.63%, per annum, and mature in various installments through December 1, 2021. The principal balance of the capital improvement bonds at December 31, 2003 was $27,950,000.

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

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. As of December 31, 2003, a total of $42,895,000 of defeased debt remained outstanding from advance refundings entered into by the Authority.

In May 2004, the Authority issued a request for proposal for the acquisition of approximately $25,000,000 in general obligation capital improvement bonds.

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

Year	Principal	Interest
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	7,343,002	4,508,902
2009 – 2013	42,070,074	17,310,549
2014 – 2018	37,890,243	6,595,356
2019 – 2021	6,575,000	682,350
Total	$ 120,262,583	$ 50,466,516

6. PURCHASED TRANSPORTATION SERVICES

During 2003, the Authority had operating agreements with two Ohio cities that provide transit services within Cuyahoga County. The agreements provide for a fixed rate of reimbursement on actual vehicle miles and standard operator platform hours. Expenses under these agreements were $8,029,368 and $7,372,245 in 2003 and 2002, respectively. All passenger fares related to these transit services are collected by the Authority and recorded as revenue.

In addition, the Authority has a contract with a local taxi company to provide transit services within Cuyahoga County for elderly and handicapped persons. Expenses under this contract amounted to $3,606,603 and $3,295,597 in 2003 and 2002, respectively.

7. GRANTS, REIMBURSEMENTS, AND SPECIAL FARE ASSISTANCE

Grants, reimbursements, and special fare assistance are included in the non-operating revenues (expenses) and the capital grant revenue categories on the Statement of Revenues, Expenses and Changes in Net Assets for the years ended, December 31, 2003 and 2002 as follows.

	2003	2002
FEDERAL:		
FTA Capital Grants	$ 50,660,891	$ 51,278,032
FTA Maintenance Assistance	19,748,281	12,308,892
Total	$ 70,409,172	$ 63,586,924
STATE:		
ODOT Capital Grants	$ 5,021,311	$ 9,253,468
ODOT Fuel Tax Reimbursement	1,203,856	1,020,282
ODOT Elderly and Handicapped Grants	285,435	584,368
Total	$ 6,510,602	$ 10,858,118

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, 2003, 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 the preliminary engineering phase of 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 the FTA's concerns and is awaiting the FTA's final position on this issue. The FTA has stopped its funding of the contract, but has not requested a refund of previous Federal funding. The 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		
		2003	2002	2001
By Authority	13.55 – 16.70	$ 16,610,320	$ 16,431,197	$ 16,839,876
Less healthcare portion	5.00	(6,129,269)	(6,063,172)	(5,344,020)
Required employer contribution		10,481,051	10,368,025	11,495,856
By employees	8.50 – 10.1	10,419,758	10,307,393	10,563,760
Total pension contributions		$ 20,900,809	$ 20,675,418	$ 22,059,616

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 retirants 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 2003) is set aside for the funding of postretirement healthcare. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and post-retirement healthcare through their contributions to OPERS. The statutory healthcare contribution requirement from the Authority for the years ended December 31, 2003 and 2002 (which is included in the Authority's total PERS contribution) was $6,129,269 and $6,063,172, respectively. At December 31, 2003, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

The OPEB is advance-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 2002 actuarial computations (latest available) were as follows:

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

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

Investment Return. The investment assumption rate was 8.00%.

Active Employee Total Payroll. An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

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

At December 31, 2003, there were 364,881 active participants contributing to the plan. The Authority's actuarially required OPEB contribution for 2003 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 $10 billion and the actuarial accrued liability, based on the actuarial method used, was $18.7 billion and $8.7 billion, respectively.

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

Supplemental Retirement Benefit Plan – GCRTA pays supplemental retirement benefits to various classifications of individuals under several different arrangements. This plan is not governed under ERISA (Employee Retirement Income Security Act of 1974). There were 1,162 participants and benefit payments of $100,793 in 2003 and 1,146 participants and benefit payments of $114,108 in 2002.

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

10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to third-party liability claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has a contract with an outside insurance company to provide all-risk property coverage with various limits on property and equipment of the Authority. The maximum limit of liability in any one occurrence, regardless of the number of locations or coverages involved, cannot exceed $500,000,000 and the deductible is $250,000, 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, 2003 and 2002 was $8.3 million and $7.5 million, respectively, and is recorded in the accompanying balance sheets.

Changes in the Authority's self insurance liabilities for third-party public liability, property damage, and worker's compensation claims in 2003 and 2002 are:

	2003	2002	2001
Balance, Beginning of Year	$ 14,754,000	$ 17,989,000	$ 14,640,516
Incurred Claims	8,617,466	2,776,609	11,826,805
Payments	(7,913,466)	(6,011,609)	(8,478,321)
Balance, End of Year	$ 15,458,000	$ 14,754,000	$ 17,989,000

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. The cost of the light and heavy rail vehicles totaled $100,952,101. 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 STAROhio. Transaction expenses were approximately $4.8 million. There are no further obligations relating to the lease-to-service agreement.

2003

STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE 1

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

REVENUES BY SOURCE
LAST TEN YEARS (IN THOUSANDS)
(UNAUDITED)

YEAR	OPERATING	SALES AND USE TAXES	FEDERAL OPERATING GRANTS AND REIMBURSEMENTS	STATE OPERATING GRANTS, REIMBURSEMENTS, AND SPECIAL FARE ASSISTANCE	INVESTMENT INCOME	OTHER	CAPITAL GRANT INCOME*	TOTAL
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	62,147	277,154
2003	39,862	159,051	19,748	1,489	622	1,628	56,582	278,982

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

TABLE 2

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

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

TRANSPORTATION INDUSTRY (1):

	OPERATING AND OTHER MISCELLANEOUS REVENUE			OPERATING ASSISTANCE			
YEAR	FARES	OTHER	TOTAL	STATE & LOCAL	FEDERAL	TOTAL	TOTAL REVENUES
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	52.5	42.4	3.9	46.3	100
2000	36.1	17.4	53.5	42.4	4.1	46.5	100
2001	35.2	14.1	49.3	46.2	4.5	50.7	100
2002	32.5	17.3	49.8	45.3	4.9	50.2	100
P2003	*	*	*	*	*	*	*

GREATER CLEVLEAND REGIONAL TRANSIT AUTHORITY:

	OPERATING AND OTHER MISCELLANEOUS REVENUE			OPERATING ASSISTANCE			
YEAR	FARES	OTHER(2)	TOTAL	STATE & LOCAL(3)	FEDERAL	TOTAL	TOTAL REVENUES
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
2003	17.3	1.6	18.9	72.2	8.9	81.1	100

* Not Available
P Preliminary
(1) Source: The American Public Transit Association, APTA 2004 Transit Fact Book , Table 64.
(2) Other miscellaneous revenue includes advertising and concessions, interest income and other non-operating income.
(3) State & local operating assistance include sales and use tax revenues and state operating grants, reimbursements and special fare assistance.

TABLE 3

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

EXPENSES BY FUNCTION
LAST TEN YEARS (IN THOUSANDS)
(UNAUDITED)

YEAR	TRANSPORTATION	MAINTENANCE	GENERAL AND ADMINISTRATIVE	DEPRECIATION	TOTAL OPERATING EXPENSES	INTEREST	OTHER	TOTAL EXPENSES
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
2003	91,442	69,817	67,595	39,360	268,214	5,816	-0-	274,030

TABLE 4

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

OPERATING EXPENSES – COMPARISON TO INDUSTRY TREND DATA
LAST TEN YEARS
(UNAUDITED)

TRANSPORTATION INDUSTRY (1):

YEAR	LABOR AND FRINGES	MATERIALS AND SUPPLIES	SERVICES	UTILITIES	SELF-INSURANCE CLAIMS	PURCHASED TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES**
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
2001	69.5	10.0	5.9	3.3	2.1	12.6	(3.4)	100
2002	70.2	9.2	6.2	3.1	2.5	12.0	(3.2)	100
2003	*	*	*	*	*	*	*	*

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY:

YEAR	LABOR AND FRINGES	MATERIALS AND SUPPLIES	SERVICES	UTILITIES	SELF-INSURANCE CLAIMS	PURCHASED TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES**
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
2003	69.3	8.7	6.9	3.5	3.8	5.0	2.8	100

P Preliminary
* Not Available
** Excludes Depreciation and Interest

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

TABLE 5

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN YEARS (IN THOUSANDS EXCEPT PER CAPITA AMOUNTS) (UNAUDITED)

YEAR	POPULATION (1)	ASSESSED VALUE (2)	GENERAL BONDED DEBT	RATIO OF BONDED DEBT TO ASSESSED VALUE	BONDED DEBT PER CAPITA
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	55.99
1997	1,387	24,953,150	73,645	.30	53.10
1998	1,381	25,355,787	103,242	.41	74.76
1999	1,372	25,633,181	99,920	.39	72.83
2000	1,394	28,572,250	96,370	.34	69.13
2001	1,380	28,699,372	123,030	.43	89.15
2002	1,379	28,545,714	126,193	.44	90.51
2003	1,364	30,306,032	120,262	.40	88.17

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, 2003 (IN THOUSANDS)

(UNAUDITED)

OVERALL DEBT LIMITATION:

Total Of All GCRTA Debt Outstanding	$ 120,262
Exempt Debt	120,262
Net Indebtedness (Voted and Unvoted)	$ 0
Assessed Valuation Of County (2003 Tax Year)	$30,305,032
Overall Debt Limitation (%)	5.0%
5.0% of Estimated Assessed Valuation (Voted and Unvoted Debt Limitation)	$ 1,515,252
Net Indebtedness (Voted and Unvoted)	$ 0
Overall Debt Margin	$ 1,515,252

UNVOTED DEBT LIMITATION:

Unvoted Debt Limitation (0.1% of County Assessed Valuation)	$ 30,305
Maximum Aggregate Amount Of Principal and Interest Payable In Any One Calendar Year	(11,998)
Maximum Annual Debt Service Charges Permitted For New Debt Issuances	$ 18,307

TABLE 7

GREATER REGIONAL TRANSIT AUTHORITY

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2003
(UNAUDITED)

	GROSS DEBT	DEBT SERVICE FUND	NET DEBT	PERCENT APPLICABLE (3)	AUTHORITY SHARE
Greater Cleveland Regional Transit Authority	$ 120,262,583	--	$ 120,262,583	100%	$ 120,262,583
County of Cuyahoga (1)	183,240,000	$ 769,000	182,471,000	100	182,471,000
Cuyahoga County Cities, Villages, Townships (1)...........	1,014,668,000	192,830,000	821,838,000	100	821,838,000
Cuyahoga County School Districts (2)...	614,439,000	102,734,000	511,705,000	100	511,705,000
Total Net Direct and Overlapping Debt					$1,636,276,583

(1) 2004 Tax Budgets filed in July, 2003 and certified unencumbered 2004 balances filed in January, 2004 with Cuyahoga County Budget Commission. Budgetary basis.

(2) Cuyahoga County School Districts file on fiscal year ended June 30, 2003. Budgetary basis.

(3) Percent applicable to the Authority calculated using assessed valuation of the portion within the County divided by the assessed valuation of the taxing district. Assessed valuation of taxing districts furnished by Cuyahoga County Budget Commission.

TABLE 8

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

LONG TERM DEBT COVERAGE
LAST TEN YEARS (IN THOUSANDS)

(UNAUDITED)

YEAR	GROSS REVENUES (1)	EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
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	5,544	6,064	11,608	.27
2003	222,401	228,854	(6,453)	5,931	5,816	11,747	(.55)

(1) Total revenues include interest and other non-operating revenues.
(2) Total expenses exclusive of depreciation, loss on disposal of assets and interest expense.

TABLE 9

GREATER REGIONAL TRANSIT AUTHORITY

FAREBOX RECOVERY PERCENTAGE
LAST TEN YEARS
(UNAUDITED)

YEAR	PERCENTAGE
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
2003	17.4

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

FARE STRUCTURE
DECEMBER 31, 2003

	LOCAL	EXPRESS AND RAPID TRANSIT
Cash Fare	$ 1.25	$ 1.50
Senior Citizens and Disabled	.50	.50
Paratransit	1.25	1.25
Family (Adult with up to three children 6-15)	+1.00	+1.00
Children (under 6 yrs. of age with adult-up to three children)	Free	Free
Downtown Loop and Community Circulators	.75	*
Outside County	2.50	2.50
All Day Passes:		
Individual	3.00	3.00
Senior and Disabled	1.00	1.00
Family	5.00	5.00
Passes and Tickets:		
Monthly Pass	45.00	54.00
7-Day Pass	11.25	13.50
5-Ride Farecard Ticket	5.95	7.15
5-Ride Senior and Disabled Farecard Ticket	2.50	2.50
5-Ride Loop and Circulator Farecard Ticket	3.75	3.75
5-Ride Student Farecard Ticket (K-12)	5.00**	5.00**
10-Ride Farecard Ticket	11.90	14.30
10-Ride Senior and Disabled Farecard	5.00	5.00
10-Ride Loop and Circulator Farecard Ticket	7.50	*

* Not applicable
** Available only through local schools

TABLE 10

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

OPERATING STATISTICS (1)
LAST TEN YEARS

(UNAUDITED)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
SYSTEM RIDERSHIP:										
Motor Bus	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	48,768,342
Heavy Rail	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	7,372,472
Light Rail	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	3,160,523
Demand Responsive	333,461	314,655	316,927	324,008	327,870	340,190	310,894	281,191	323,976	248,427
AVERAGE WEEKDAY SYSTEM RIDERSHIP:										
Motor Bus	181,345	172,782	170,541	177,280	174,798	169,338	170,191	165,203	152,444	157,764
Heavy Rail	15,639	17,063	17,732	18,129	18,817	19,500	18,736	19,132	17,052	15,824
Light Rail	9,992	10,847	13,270	14,122	14,110	14,351	13,654	13,093	10,699	9,300
Demand Responsive	1,265	1,065	1,086	1,121	1,130	1,173	1,209	1,140	1,103	1,080
AVERAGE WEEKDAY MILES OPERATED:										
Motor Bus	79,313	82,391	84,750	85,135	89,012	91,394	91,626	89,600	85,427	85,585
Heavy Rail	6,467	6,351	6,525	6,243	6,176	6,309	3,854	3,823	3,582	3,529
Light Rail	3,562	3,472	3,953	3,984	3,848	3,831	2,749	2,656	2,628	2,647
Demand Responsive	3,422	3,422	3,347	5,960	6,479	5,502	7,092	6,765	6,768	6,576
REVENUE MILES:										
Motor Bus	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	21,353,812
Heavy Rail	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	2,191,748
Light Rail	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	954,081
Demand Responsive	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	1,610,609
PASSENGER MILES:										
Motor Bus	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	189,098,115
Heavy Rail	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	50,159,652
Light Rail	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	18,678,884
Demand Responsive	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	1,359,841

(Continued)

TABLE 10

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

OPERATING STATISTICS (1)
LAST TEN YEARS (Continued)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
ENERGY CONSUMPTION:										
Motor Bus										
(gallons of fuel)	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	41,110,242
(lbs. of natural gas)	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	1,834,515
Heavy Rail										
(kilowatt hours)	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	28,820,459
Light Rail										
(kilowatt hours)	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	11,537,966
Demand Responsive										
(gallons of fuel)	160,238	164,346	206,311	229,331	282,229	223,947	230,579	243,577	994,962	222,370
FLEET REQUIREMENT DURING PEAK HOURS:										
Motor Bus	636	591	601	595	594	604	619	614	544	548
Heavy Rail	35	35	30	30	28	28	28	28	22	22
Light Rail	26	26	25	26	26	26	25	25	15	17
Demand Responsive	49	49	51	60	58	59	81	77	66	75
TOTAL ACTIVE VEHICLES DURING PERIOD:										
Motor Bus	723	782	709	754	750	747	753	731	738	701
Heavy Rail	59	59	59	59	59	60	60	60	60	60
Light Rail	47	47	47	47	47	47	47	48	48	48
Demand Responsive	59	58	52	60	58	83	81	77	82	76
NUMBER OF EMPLOYEES:	2,604	2,738	2,807	2,821	2,859	2,968	3,052	2,830	2,753	2,644

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

(Concluded)

TABLE 11

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

DEMOGRAPHIC STATISTICS
(UNAUDITED)

YEAR	COUNTY POPULATION (1)	MSA
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
2003	1,363,888	1,848,348

AGE DISTRIBUTION (2)	2000 NUMBER	2000 PERCENTAGE
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	27,365	2.0
TOTAL	1,393,978	100.0%
Median age	37.3	
Males	658,481	
Females	735,497	

DISTRIBUTION OF FAMILIES BY INCOME BRACKET (Average 3.06 persons) (3)

INCOME (2)	2000 NUMBER	2000 PERCENTAGE
$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	10,919	3.10
TOTAL	356,221	100.00%
MEDIAN FAMILY INCOME	$49,559	
PER CAPITAL INCOME	$22,272	

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

TABLE 11

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

DEMOGRAPHIC STATISTICS
LAST TEN YEARS (Continued)

EMPLOYMENT-ANNUAL AVERAGE (1):

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Civilian Labor Force ...	675,600	675,600	678,800	676,800	699,200	681,200	691,000	692,600	669,700	675,400
Total Employed*	636,300	644,200	643,800	637,400	668,500	649,900	659,900	661,700	624,900	629,600
Total Unemployed	39,300	32,400	35,000	39,4000	30,700	31,300	31,100	31,000	44,800	45,800
Unemployment Rate	5.8%	4.8%	5.2%	5.8%	4.4%	4.6%	4.5%	4.5%	6.7%	6.8%

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

	MANUFACTURING		WHOLESALE RETAIL TRADE		PROFESSIONAL AND RELATED SERVICES		FEDERAL, STATE AND LOCAL GOVERNMENT **		FINANCE, INSURANCE, REAL ESTATE		TRANSPORTATION AND PUBLIC UTILITIES		OTHER		TOTAL	
YEAR	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
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	12.4	118.5	15.3	320.5	41.2	102.7	13.2	68.3	8.8	23.4	3.0	47.6	6.1	777.5*	100
2003……..	90.8	11.9	117.4	15.3	319.0	41.6	100.6	13.1	69.4	9.1	23.6	3.1	45.3	5.9	766.1*	100

Sources:

(1) Ohio Bureau of Employment Services

* Difference due to non-County residents employed in County.
** Federal employment was included beginning in 2003

(Concluded)

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

MISCELLANEOUS STATISTICS
(UNAUDITED)

Date of Creation of Authority by Local Legislature	December 30, 1974
Date the Authority Began Operation	September 5, 1975
Form of Government	Board of Trustees with General Manager
Number of Trustees	10
County in which Authority Operates	Cuyahoga County, Ohio
Type of Tax Support	Cuyahoga County Sales Tax – 1%
Cities and Towns Serviced	59
Area of Authority in Square Miles	458
Population of County	1,363,888
Miles of Route:	
Motor Bus	1,606
Rail	68
Number of Routes	101
Wheelchair Equipped Standard Busses	819
Number of Rail Stations	52
Number of Buses	822
Free Rail Parking Spaces	8,500
Number of Rail Lines	3
Average Speed in Miles Per Hour:	
Motor Bus	12.5
Rail	48.0
Demand Responsive	13.3
Rail Cars Per Train	1 or 2
RTAnswerline	950,000 Calls
RTA Web Site	6.3 Million Hits

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GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 24, 2004