Transportation Research Center Inc.

Financial Statements for the Years Ended June 30, 2005 and 2004, and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Directors
Transportation Research Center Inc.
2080 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210-4016

We have reviewed the *Independent Auditor's Report* of the Transportation Research Center Inc., Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 28, 2005

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TRANSPORTATION RESEARCH CENTER INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Transportation Research Center Inc.:

We have audited the accompanying statements of net assets of Transportation Research Center Inc. ("TRC"), a component unit of The Ohio State University, as of June 30, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of TRC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TRC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such financial statements present fairly, in all material respects, the financial position of TRC as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2–9 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. The supplementary information is the responsibility of TRC. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2005 on our consideration of TRC's internal control over financial reporting and on our tests of its compliance and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

October 5, 2005

TRANSPORTATION RESEARCH CENTER INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

This Management's Discussion and Analysis is provided to assist your understanding of Transportation Research Center Inc.'s (TRC Inc.) accompanying financial statements for the Fiscal Years ended June 30, 2005 and 2004, and to provide an overview of its financial performance.

Financial Statement Overview

For a summary of TRC Inc.'s significant accounting policies, please see footnote number two attached to the financial statements.

Presented in the audit report are the Statement of Net Assets at June 30, 2005 and 2004; the Statements of Revenue, Expenses and Changes in Net Assets for Fiscal Years Ended June 30, 2005 and 2004; and the Statements of Cash Flows for Fiscal Years Ended June 30, 2005 and 2004.

The Statement of Net Assets reflects TRC Inc.'s assets, liabilities and net assets.

The Statement of Revenue, Expenses and Changes in Fund Balance reports information showing how net assets changed during the Fiscal Year.

The Statement of Cash Flows reports changes in the cash and cash equivalent balances during the Fiscal Year.

Statement of Net Assets

The major components of the Statement of Net Assets at June 30, 2005, 2004, and 2003 are reflected below:

	June 30, 2005	June 30, 2004	Change	June 30, 2003
Assets:				
Current Assets	$13,864,221	$14,897,884	(6.9)%	$14,436,274
Net Property & Equip.	2,444,563	2,763,448	(11.5)%	3,068,760
Total Assets	16,308,784	17,661,332	(7.7)%	17,505,034
Liabilities:				
Current Liabilities	4,296,075	4,353,099	(1.3)%	4,590,896
Long Term Debt	2,125,029	2,314,083	(8.2)%	2,489,797
Total Liabilities	6,421,104	$6,667,182	(3.7)%	7,080,693
Net Assets	$9,887,680	$10,994,150	(10.1)%	$10,424,341

Current Assets

TRC Inc. had a decrease in its Current Assets of 7% from June 30, 2004 to June 30, 2005.

The primary reason for the decrease in Current Assets was a 21% decrease in Trade Accounts Receivable from June 30, 2004 through June 30, 2005. Trade Accounts Receivable decreased because of a 4.4% decrease in Research and Testing Agreement Revenue and improvement in collection of our Trade Accounts Receivable.

Because of improvement in the collection of our Trade Accounts Receivable, Operating Cash rose by 85% from June 30, 2004 through June 30, 2005. The average collection period of our Trade Accounts Receivable fell by 13 days from June 30, 2004 to June 30, 2005 to 66 days. The improvement in collections is the result of a diligent effort by our Accounts Receivable department to collect trade accounts receivable.

Current Investments fell $177,728, or 4%. TRC Inc. made a transfer of $2,249,084 to The Ohio State University in fiscal year 2005. In years past, TRC Inc. funded this transfer entirely from its operating cash. In fiscal year 2005, however, TRC Inc. was able to only support $549,084, or 24%, of this transfer from its operating cash. The remaining $1,700,000 was funded from the current investment account. TRC Inc.'s current investments did benefit from improvements in the market. However, those market value improvements were offset by the utilization of these investments to assist in TRC Inc.'s annual transfer to The Ohio State University.

TRC Inc. maintained a strong current ratio of 3.2 to 1 at June 30, 2005.

Net Property and Equipment

Net of accumulated depreciation, TRC Inc.'s property and equipment amounted to $2,444,563, representing a decrease of $318,885, or 12%. The decrease is due to disposal of assets no longer useful to TRC Inc. and an increasing number of assets becoming fully depreciated.

During fiscal year 2005, TRC Inc. expended $286,122 on capital assets. The three largest acquisitions were a wheel loader ($59,032), a dump truck with snowplow spreader ($55,081) and a tractor ($51,504). This new equipment helped TRC Inc. manage the brutal weather we had this past winter.

During fiscal year 2004, TRC Inc. expended $262,712 on capital assets. The three largest acquisitions were an automated steering controller ($142,000), a pickup truck ($23,900) and a minivan ($20,700). The automated steering controller is an exciting new piece of equipment that will be used to assist customers to develop safer vehicles by improving the rollover resistance of their vehicles. This equipment is yet another example of how TRC Inc. remains the industry leader in enabling our customers to create safer and improved vehicles worldwide.

The asset with the largest net book value is the leasehold improvement made to Building 60, totaling $1,706,173, or 70% of the total net book value. The remaining book value of each the remaining 138 capital asset items is less than $95,000, and generally are assets used to maintain the 4,500-acre facility.

Current Liabilities

TRC Inc. reduced its current liabilities by $57,024, or 1%, from June 30, 2004 through June 30, 2005. On average, TRC Inc. paid its suppliers invoices in 22 days in fiscal year 2005.

Long-Term Debt

TRC Inc. had $2,125,029 in long-term debt at June 30, 2005. TRC Inc. entered into a note payable with a bank in January 1999 to procure $3,200,000 to fund leasehold improvements for one of TRC Inc.'s largest customers. The note is a 15-year instrument with an interest rate of approximately 6%. TRC Inc. recoups the funds expended for the leasehold improvement through a Lease Agreement with the customer. In effect, proceeds from the Lease Agreement with the customer are servicing the debt.

Statements of Revenue, Expenses and Changes in Fund Balance

The major components of the Statements of Revenue, Expenses and Changes in Fund Balance for Fiscal Years Ended June 30, 2005, 2004 and 2003 are reflected below:

	FY 2005	FY 2004	Change	FY 2003
Operating Revenues	$39,471,659	$41,920,724	(5.8)%	$39,725,351
Operating Expenses	38,403,470	39,630,495	(3.1)%	37,430,412
Operating Income	1,068,189	2,290,229	(53.4)%	2,294,939
Non-Operating Revenue	77,734	58,449	33.0%	$96,603
(Depreciation) Appreciation - of Investment	(3,309)	406,291	(100.8)%	(234,145)
Excess of Revenues over Expenses	1,142,614	2,754,969	(58.5)%	2,157,397
Beginning Net Assets Balance	10,994,150	10,424,342	5.5%	9,872,064
Transfer to Ohio State	(2,249,084)	(2,185,161)	(2.9)%	(1,605,120)
Ending Net Assets	$9,887,680	$10,994,150	(10.1)%	$10,424,341

Operating Revenues

The three sources of revenue that TRC Inc. earns are Research and Testing Agreement Revenue, Owner's Maintenance and Repair Revenue, and Management Fee Revenue.

Research and Testing Agreement Revenue are revenues TRC Inc. earns from its customers for conducting durability, dynamic, impact and sled research and testing. It also includes revenues for supplying dedicated personnel to customers to operate their research and testing laboratories.

Owner's Maintenance and Repair Revenue is revenue TRC Inc. earns for maintaining and improving the owner's facility as a result of the management agreement between TRC Inc. and the facility owner, Honda of America Mfg., Inc. (HAM).

Management Fee Revenue is revenue TRC Inc. earns from the owner for managing and scheduling the facility, equipment and buildings owned by HAM. As defined in the management agreement between TRC Inc. and HAM, TRC Inc. remits management and scheduling revenues to HAM for facilities, equipment and buildings that are charged to our customers. Prior to management agreement amendment number three on July 1, 2004 between TRC Inc. and HAM, TRC Inc. received a 7.5% management fee from HAM for the Owners Fees earned as a result of managing and scheduling the facilities, equipment and buildings. After commencement of management agreement amendment number three on July 1, 2004 between TRC Inc. and HAM, TRC Inc. no longer earns a management fee from HAM for the revenues earned as a result of managing and scheduling the facilities, equipment and buildings.

Revenue summary for fiscal years 2005, 2004 and 2003 were:

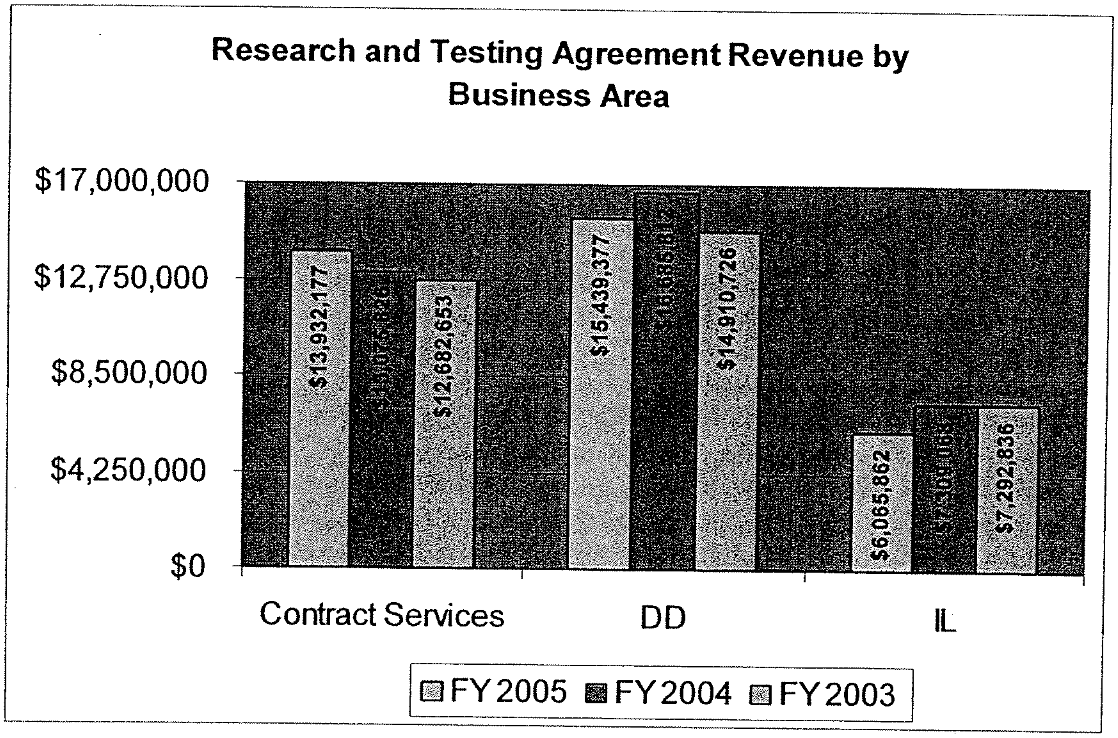
	FY 2005	FY 2004	Change	FY 2003

Research & Testing Agreement Revenue	$35,437,417	$37,070,704	(4.4)%	$34,886,213
Owner's Maintenance & Repair Revenue	$4,034,242	$4,304,249	(6.3)%	4,331,902
Management Fee Revenue	0	545,771	(100)%	507,236
Total Operating Revenue	$39,471,659	$41,920,724	(5.8)%	$39,725,351

After a historic high in Research and Testing Agreement Revenue in fiscal year 2004, Research and Testing Agreement Revenue fell 4% in fiscal year 2005 as compared to fiscal year 2004. As a result of increased international competition in the automotive industry, the overall stagnant condition of the economy in the automotive industry, and the varying phases of our customers new model year testing, several of our key customers experienced price pressures or typical testing slowdowns. As a result, several key customers decreased their outsourced testing needs with TRC Inc. in fiscal year 2005. The harsh weather at the proving ground this past winter also contributed to the drop in Research and Testing Agreement Revenue.

In fiscal year 2005, TRC Inc. earned 88% of its revenue from its eight largest customers. In fiscal year 2004, TRC Inc. earned 83% of its revenue from its eight largest customers. The risk of losing one of these significant customers would have an impact on the generation of future revenues. However, TRC Inc. has operated under this type of revenue concentration for over a decade and has continued to survive in this manner. We are confident that our strategy of providing excellent service to these top eight customers will enable TRC Inc. to grow in the future. Because of the industry sluggishness however, TRC Inc. budgeted fiscal year 2006 Research and Testing Agreement Revenue to be about the same as fiscal year 2005.

The major sources of Research and Testing Agreement Revenue are Contract Services, Durability and Dynamics (DD), and Impact Laboratory (IL). Revenue comparisons for these three areas from fiscal year 2003 through fiscal year 2005 are as follows:



Contract Services grew by 7% in fiscal year 2005 as compared to fiscal year 2004. This business area provides customers with high quality engineering and technical support to improve the safety, quality and competitiveness of our customer's products. This business area has three customers. Two of the customers had revenue increases of 6% or more in fiscal year 2005 as compared to fiscal year 2004. These customers grew as a result of an increase in price or in headcount, or both. The third customer had sales that grew by .5%. While this customer had a price increase, we experienced turnover that caused lost revenue opportunities with this customer. TRC Inc. estimates a revenue increase in this business area in fiscal year 2006 of 2%.

Durability and Dynamics had a revenue decline of 7% in fiscal year 2005. Two major customers in this area had significant revenue downturns. One customer drastically reduced their outsourced testing in fiscal year 2005 in a cost-savings effort. TRC Inc. does not foresee this customer returning to pre-fiscal year 2005 levels in fiscal year 2006. The other customer completed testing on a new model in fiscal year 2004 and was in a normal pause in model year testing in fiscal year 2005. This customer had growth of 120% in fiscal year 2004, but fell 68% in fiscal year 2005. TRC Inc. does anticipate this customer returning to a fiscal year 2004 level in fiscal year 2006.

This business area also operates the Emissions Laboratory, the equipment for which was acquired in April 2003. Revenues from the Emissions Laboratory in fiscal year 2005 were $341,000, representing a 62% decrease from fiscal year 2004. A major contract that was performed in fiscal year 2004 was not replaced or replicated in fiscal year 2005.

TRC Inc. projects revenues in Durability and Dynamics to fall an additional 5% in fiscal year 2006.

Revenues from the Impact Laboratory fell by 17% in fiscal year 2005. Total crashes decreased by 7% in fiscal year 2005. Sled testing was down 61% as the optional 208 sled test, 208S, is no longer a compliance test and the Transportation Recall Enhancement, Accountability and Documentation Act, a Congressional mandate that incorporated several new dummies into regulation, was fulfilled. Each of these provided demand for the sled facility and was supported by the Federal government. Federal government revenue was down 43% in fiscal year 2005 due to regulatory changes and shifting appropriations of the federal government. TRC Inc. anticipates a 5% increase in revenues from the Impact Laboratory in fiscal year 2006.

Owner's Maintenance and Repair Revenue fell 6% in fiscal year 2005 as compared to fiscal year 2004. The major components of this revenue are the capital improvements to the facility that HAM funds each year and maintenance and repair to upkeep the facility. The owner spent fewer dollars on maintenance of the facility in a cost-cutting effort. Since most of the capital improvements are subcontracted out and resold to HAM at TRC Inc. cost, gain or loss of revenue in this area does not affect excess revenues over expenses.

As a result of the restructuring of the Management Agreement between TRC Inc. and HAM, there will no longer be any Management Fee Revenue in the future, commencing in fiscal year 2005.

Operating Expenses

Major components of operating expense in Fiscal Years 2005, 2004 and 2003 were:

	FY 2005	FY 2004	Change	FY 2003
Direct Expense	$24,072,177	$25,117,642	(4.2)%	$23,891,750
General and Administrative Expenses	13,726,286	13,947,830	(1.6)%	13,051,933
Depreciation Expense	605,007	565,023	7.1%	486,729

Total Operating Expense	$38,403,470	$39,630,495	(3.1)%	$37,430,412

Direct expenses were down by 4% in fiscal year 2005, in similar proportions to the decrease in Research and Testing Revenue. With the exception of direct labor, owner's fees are the largest direct expense TRC Inc. incurs. Owner's fees are charges made to our customers for their use of HAM-owned facilities, equipment and buildings. Owner's fees totaled $6,039,000, or 16% of total operating expense in fiscal year 2005. Owner's fees fell by 7% in fiscal year 2005.

Direct owners purchases amounted to $2,825,000 in fiscal year 2005, a decrease of 12%. Owner's purchases are maintenance and capital improvements procurements made to the facility that HAM funds each year.

TRC Inc.'s biggest operating expense is salaries and benefits. In fiscal year 2005, salaries and benefits was $22,582,455, or 59% of total operating expense. In fiscal year 2004, salaries and benefits was $22,769,542, or 57% of total operating expense. Salaries and benefits fell 1% in fiscal year 2005 and rose 5% in fiscal year 2004. FICA and Medicare payroll tax expense was $1,276,000 in fiscal year 2005, which was a decrease of 10% from fiscal year 2004.

Large general and administrative operating expenditures made in fiscal year 2005 include:

- Health insurance for $2,259,000. TRC Inc. managed to hold its health insurance rates at equivalent levels in fiscal year 2005 as compared to fiscal year 2004.

- Building leases of $773,000 of in fiscal year 2005, which was a 3% increase compared to fiscal year 2004.

- Retirement plan contributions of $763,000. Contributions are made on the behalf of TRC Inc. employees to the Public Employees Retirement System and through a company-sponsored defined contribution retirement plan. Retirement plan contributions decreased by 14% in fiscal year 2005.

Depreciation expense rose 7% in fiscal year 2005 because of new capital asset purchases made over the past two years. The new automated steering controller was purchased in late fiscal year 2004 for $142,000. The new controller is being depreciated over five years and had a fiscal year 2005 depreciation increase of $40,600.

Nonoperating Revenues and Expenses

Interest expense represents the interest paid to a bank for the note that was described in the Long-Term Debt section.

Interest income reflects the interest earned from TRC Inc.'s operating cash account and the interest earned from investments TRC Inc. owns in the endowment fund at The Ohio State University.

Net Appreciation (Depreciation) in Fair Value of Investments

TRC Inc. has an interest in investments that are maintained and managed by The Ohio State University's Office of the Treasurer. These investments are in mutual funds. There are two components to the appreciation or depreciation of the fair value of these investments. The first component is the realized gain that TRC Inc. recognizes when we sell investments. Typically, TRC Inc. sells a portion of its investments to assist in the annual transfer of the previous fiscal year's Excess Revenue over Expenses to The Ohio State University. Selling these investments triggers a realized capital gain or loss that TRC Inc. recognizes on this line item. In September 2004, TRC Inc. sold $2,249,084 of securities to assist in the annual transfer to The Ohio State University. The sale of those securities generated a realized capital loss of $23,945, which was recognized in the Statement of Revenue, Expense and Changes in Net Assets. TRC Inc. replenished $549,000 of that amount back into our endowment fund during the course of fiscal year 2005.

The second component is the unrealized appreciation or depreciation of the investments that is recorded in accordance with Governmental Accounting Standards Board Statement Number 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

The realized and unrealized appreciation or depreciation for Fiscal Years 2003 through 2005 is as follows:

	FY 2005	FY 2004	FY 2003
Market Value of Endowment Fund	$4,379,904	$4,557,632	$5,188,232
Book Value of Endowment Fund	4,249,739	4,448,102	5,584,587
Appreciation (Depreciation)	130,165	109,530	(396,355)
Unrealized Gain/(Loss) from Prior Year	20,636	505,885	(27,764)
Realized Gain/(Loss) from Investment Sales	(23,945)	(99,594)	(206,381)
Net (Depreciation) Appreciation	$(3,309)	$406,291	$(234,145)

Excess of Revenues Over Expenses

Based on financial operations overall, TRC Inc. had a successful fiscal year 2005. Although Excess Revenues over Expenses fell by 59%, or $1.6 million, in fiscal year 2005, much of this decline was expected because of the management fee removal as a result of the management agreement amendment. The reduction of outsourced testing in the industry, the break in testing of various vehicles' model years, stiff cost reduction within the industry and the testing slow down due to the serious winter weather did impact TRC Inc. financially in fiscal year 2005.

TRC Inc. expects Research and Testing Agreement Revenue to stay at a constant level in fiscal year 2006. TRC Inc. anticipates Excess Revenues over Expenses to improve by 14% to $1,300,000 in fiscal year 2006, primarily due to the continual improvement and strength of our dedicated contract services business area.

TRANSPORTATION RESEARCH CENTER INC.

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,709,901	$ 924,123
Restricted cash	92,663	86,483
Investments	4,379,904	4,557,632
Trade accounts receivable, net of allowance for doubtful accounts of $124,156 for 2005 and $178,188 for 2004	6,469,206	8,152,805
Receivable from HAM	1,120,188	1,085,822
Supplies and prepaid expenses	92,359	91,019
Total current assets	13,864,221	14,897,884
PROPERTY AND EQUIPMENT:		
Machinery and equipment	6,170,641	6,140,420
Less accumulated depreciation	(3,726,078)	(3,376,972)
Property and equipment—net	2,444,563	2,763,448
TOTAL	$ 16,308,784	$ 17,661,332
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 190,000	$ 177,000
Trade accounts payable	2,113,979	2,293,540
Accounts payable HAM	608,931	461,432
Accrued payroll and related expenses	1,383,165	1,421,127
Total current liabilities	4,296,075	4,353,099
LONG-TERM DEBT (less current portion)	2,125,029	2,314,083
NET ASSETS:		
Investment in property and equipment—net of related debt	2,444,563	2,763,448
Restricted—accumulated surplus	2,256,075	3,362,544
Unrestricted net assets	5,187,042	4,868,158
Total net assets	9,887,680	10,994,150
TOTAL	$ 16,308,784	$ 17,661,332

See notes to financial statements.

TRANSPORTATION RESEARCH CENTER INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
OPERATING REVENUES:		
Research and testing	$35,437,417	$37,070,704
Owner's maintenance and repair	4,034,242	4,304,249
Management fee		545,771
Total operating revenues	39,471,659	41,920,724
OPERATING EXPENSES:		
Direct	24,072,177	25,117,642
General and administrative	13,726,286	13,947,830
Depreciation	605,007	565,023
Total operating expenses	38,403,470	39,630,495
OPERATING INCOME	1,068,189	2,290,229
NONOPERATING REVENUES (EXPENSES):		
Interest expense	(162,686)	(176,150)
Interest income	240,420	234,599
Total nonoperating revenues (expenses)	77,734	58,449
NET (DEPRECIATION) APPRECIATION IN FAIR VALUE OF INVESTMENTS	(3,309)	406,291
EXCESS OF REVENUES OVER EXPENSES BEFORE TRANSFERS	1,142,614	2,754,969
TRANSFER TO TRANSPORTATION RESEARCH FUND	(2,249,084)	(2,185,161)
CHANGES IN NET ASSETS	(1,106,470)	569,808
NET ASSETS—Beginning of year	10,994,150	10,424,342
NET ASSETS—End of year	$ 9,887,680	$10,994,150

See notes to financial statements.

TRANSPORTATION RESEARCH CENTER INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 10,646,476	$ 12,624,762
Cash received from affiliates	30,524,729	27,495,320
Cash paid to suppliers	(6,935,074)	(6,030,472)
Cash paid to affiliates	(8,716,601)	(10,919,038)
Cash paid to employees	(16,677,729)	(17,245,743)
Cash paid for fringe benefits and payroll taxes	(5,189,911)	(5,076,126)
Other receipts	2,717	3,688
Net cash provided by operating activities	3,654,607	852,391
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfer to Transportation Research Fund	(2,249,085)	(2,185,161)
Non capital financing interest expense	(162,686)	(176,150)
Cash used in noncapital financing activities	(2,411,771)	(2,361,311)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payment of long-term debt	(176,054)	(164,714)
Additions to property and equipment	(286,122)	(262,712)
Proceeds on sale of property	31,504	17,943
Restricted cash	(6,180)	(6,167)
Net cash used in capital and related financing activities	(436,852)	(415,650)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	240,420	234,599
Purchase of investments	1,810,730	
Proceeds from sale of investments	(2,071,356)	1,036,891
Net cash (used in) provided by investing activities	(20,206)	1,271,490
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	785,778	(653,080)
CASH AND CASH EQUIVALENTS—Beginning of year	924,123	1,577,203
CASH AND CASH EQUIVALENTS—End of year	$ 1,709,901	$ 924,123
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 1,068,189	$ 2,290,229
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	605,007	565,023
Write-off of accounts receivable and provision for bad debt expense		71,688
Gain in property sales	(31,504)	(14,942)
Changes in certain assets and liabilities:		
Trade accounts receivable	1,683,599	(1,913,005)
Receivable from HAM	(34,366)	116,051
Payable to HAM	147,499	(1,213,493)
Supplies and prepaid expenses	(1,340)	(13,857)
Trade accounts payable	179,561	534,570
Accrued payroll and related expenses	37,962	430,127
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,654,607	$ 852,391
SUPPLEMENTAL CASH FLOW INFORMATION:		
Unrealized gain (loss) on investments	$ 20,636	$ (505,585)
Cash paid for income taxes	$ 73,000	$ 35,115

See notes to financial statements.

1. DESCRIPTION OF THE BUSINESS

The Transportation Research Center of Ohio (the "Center") was created by the General Assembly of the State of Ohio in October 1972 for the conduct of research in automotive, vehicular and related forms of transportation and for the development of improved highway facilities for vehicular traffic. On January 26, 1988, substantially all of the assets of the Center were sold to Honda of America Manufacturing ("HAM").

In conjunction with the sale, the legislation which initially established the Transportation Research Board was repealed. The Center was reincorporated as a not-for-profit organization, Transportation Research Center Inc. ("TRC"), with The Ohio State University Affiliates, Inc. ("OSU") as the sole shareholder of the corporation. TRC is considered a component member of OSU. Therefore, TRC's financial statements are consolidated with OSU's for purposes of complying with OSU's reporting requirements.

Through June 30, 2004, TRC operated under an agreement with HAM to manage the operations of the facility. Under the agreement, HAM paid TRC a management fee of 7.5% of the owner's fees collected by TRC plus 7.5% of facility rents paid to HAM by TRC. The fee was eliminated by an amendment to the agreement effective July 1, 2004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of TRC's significant accounting policies applied in preparation of the financial statements is as follows:

Basis of Accounting—The financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America. Proprietary fund types are presented using the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. All assets and liabilities associated with the operation of these funds are included in the statement of net assets. The statements of revenues, expenses, and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. TRC follows applicable Government Accounting Standards Board ("GASB") guidance and Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with, or contradict, GASB pronouncements. The proprietary fund types are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. Differences between amounts earned and received are shown as receivables. Differences between expenses incurred and paid are shown as liabilities.

Estimates—The preparation of financial statements in accordance 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 at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant Customers—TRC derives a substantial portion of total revenues from a limited number of commercial enterprises and government agencies. For the year ended June 30, 2005, the revenue from the four highest volume commercial enterprises and one government agency was $22,903,665 and $7,562,727, respectively. For the year ended June 30, 2004, revenue from these sources was $22,360,698 and $7,612,798, respectively. The above amounts are exclusive of revenues related to the HAM management agreement.

Revenue Recognition—TRC derives revenue from facility usage, personnel charges, cost reimbursement and management of the facility. Revenues for facility usage are remitted to HAM as described in Note 6 and are included in direct expense. Revenue is recognized on the percentage of completion basis. TRC evaluates the credit of customers and establishes its allowance for doubtful accounts based on its evaluation of credit risk related to individual customers. TRC does not require collateral with its receivables.

Included in accounts receivable are $316,880 and $658,033 of unbilled accounts receivable for fiscal years 2005 and 2004, respectively. Unbilled accounts receivable represent revenue recognized in excess of amounts billed.

Cash and Cash Equivalents—TRC considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash is held in one bank at June 30, 2005 and 2004.

Restricted Cash—TRC is required to deposit funds monthly into a sinking fund as part of its long-term debt agreement (see Note 7). TRC does not have access to these funds once they are deposited into the sinking fund.

Investments—Investments consist of amounts invested in The Ohio State University Endowment Fund and are recorded at fair value, as reported by The Ohio State University's Office of the Treasurer. TRC realized a net loss of $23,945 and $99,594 in 2005 and 2004, respectively. The calculation of realized gains is independent of the calculation of the net increase in fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in a given year may have been recognized as an increase or decrease in the fair value of investments reported in prior years. The net change in the unrealized losses of investments during 2005 and 2004 is a gain of $20,636 and $505,885, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during each respective year. The cumulative unrealized gain on investments held at June 30, 2005 and 2004 is $130,165 and $109,530, respectively.

Property and Equipment—Property and equipment is recorded at cost. Depreciation is provided for in amounts sufficient to allocate the cost of depreciable assets to operations over their estimated service lives, which range from 3 to 15 years, on the straight-line method. TRC removes the asset cost and related accumulated depreciation from the appropriate accounts and reflects any gain or loss in current operations upon sale or retirement.

Compensated Absences—Employees are granted vacation and sick leave in amounts which vary by length of service. The policy prohibits employees from accumulating unused compensated absences.

New Accounting Standards—In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB No. 3*, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The standard is effective for periods beginning after June 15, 2004. TRC has presented the required information in Note 4.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* which establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The standard is effective for periods beginning after December 15, 2004. TRC does not expect this standard to have a material impact on its reported financial statements.

3. INCOME TAXES

In July 1989, TRC received Internal Revenue Service ("IRS") approval of its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. In addition, because of its relationship as a supporting organization of OSU, TRC has received qualification from the IRS as a public charity and, therefore, is not subject to various taxes and restrictions applicable other organizations, such as private foundations.

TRC is subject to unrelated business tax for the leasing of certain TRC employees. Unrelated income tax expense in 2005 is estimated to be approximately $133,000 and $74,000 for 2004.

4 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments at June 30, 2005 and 2004 were as follows:

	2005	2004
Cash on hand	$ 600	$ 600
Cash in general fund account	1,709,301	923,523
Investment in The Ohio State University Endowment Fund	4,379,904	4,557,632
Total	$ 6,089,805	$ 5,481,755

At June 30, 2005 and 2004, $100,000 of the bank balance was covered by federal deposit insurance and the remaining portion ($1,609,301) was uninsured but collateralized by pools of securities pledged by the depository bank and held in the name of the bank. The investment in The Ohio State University Endowment Fund includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in TRC's name.

Investments in pooled shares of The Ohio State University Endowment Fund endowment at June 30, 2005 and 2004 are as follows:

	2005	2004
Common stock	$1,508,154	$1,965,807
Equity mutual funds	1,621,886	1,685,353
U.S. government obligations	128,507	191,931
U.S. government agency obligations	105,879	293,368
Corporate bonds and notes	121,511	178,275
Bond mutual funds	662,977	63,357
Real Estate	214,760	155,108
Other	16,230	24,433
Total	$4,379,904	$4,557,632

Additional Risk Disclosures on Deposits and Investments:

GASB Statement Nos. 3 and 40 require certain additional disclosures related to the interest-rate, credit and foreign currency risks associated with deposits and investments.

Interest-rate Risk—Interest-rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

The maturities of TRC's interest-bearing investments at June 30, 2005 are as follows:

		Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	$ 128,507	$ 808	$ 63,817	$ 37,260	$ 26,622
U.S. agency obligations	105,879	3,983	39,080	39,463	23,353
Corporate bonds	121,511	5,287	45,235	31,887	39,102
Bond mutual funds	662,977	16,173	299,030	220,623	127,151
Total	$ 1,018,874	$ 26,251	$ 447,162	$ 329,233	$ 216,228

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information—as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings—provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of TRC's interest-bearing investments at June 30, 2005 are as follows:

Credit Rating (Moody's)	Total	U.S. Government Obligations	U.S. Agency Obligations	Corporate Bonds	Bond Mutual Funds
Aaa	$ 635,039	$ 128,507	$ 105,879	$ 16,111	$ 384,542
Aa	51,904			14,675	37,229
A	153,301			47,550	105,751
Baa	108,968			42,265	66,703
Ba	10,616			910	9,706
B	55,002				55,002
Caa	4,044				4,044
Ca					
C					
Total	$ 1,018,874	$ 128,507	$ 105,879	$ 121,511	$ 662,977

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2005, TRC's exposure to foreign currency risk is as follows:

	Common Stocks	Equity Mutual Funds	Bond Mutual Funds
Australian Dollar	$ 1,092	$ 18,471	$ 408
Canadian Dollar	1,935	23,496	2,582
EURO	20,162	112,772	55,714
Hong Kong Dollar	1,410	5,237	
Japanese Yen	13,541	68,897	39,000
Korean Won		9,006	
Pound Sterling	15,249	85,201	7,202
Swedish Krona	785	5,680	
Swiss Franc	5,867	16,262	
Taiwan Dollar		7,522	
Other Foreign Currencies	1,881	35,937	2,174
Total	$61,922	$388,481	$107,080

5. PROPERTY

The property balance at June 30, 2005 and 2004 consists of the following:

	Balance June 30, 2004	Additions	Disposals/ Transfers	Balance June 30, 2005
Capital Assets:				
Vehicles	$ 2,163,748	$ 310,029	$ (221,697)	$ 2,252,080
Testing equipment	816,267		(1,423)	814,844
Leasehold improvements, furniture and fixtures	3,136,498		(32,781)	3,103,717
Construction in progress	23,907		(23,907)	
Total capital assets	6,140,420	310,029	(279,808)	6,170,641
Less accumulated depreciation:				
Vehicles	(1,669,647)	(256,591)	221,697	(1,704,541)
Testing equipment	(469,229)	(158,841)	1,423	(626,647)
Leasehold improvements, furniture and fixtures	(1,238,096)	(189,575)	32,781	(1,394,890)
Total accumulated depreciation	(3,376,972)	(605,007)	255,901	(3,726,078)
Property—net	$ 2,763,448	$ (294,978)	$ (23,907)	$ 2,444,563

The property balance at June 30, 2004 and 2003 consists of the following:

	Balance June 30, 2003	Additions	Disposals/ Transfers	Balance June 30, 2004
Capital Assets:				
Vehicles	$ 2,114,800	$ 110,316	$ (61,368)	$ 2,163,748
Testing equipment	674,267	142,000		816,267
Leasehold improvements, furniture and fixtures	3,142,195		(5,697)	3,136,498
Construction in progress	10,692	23,907	(10,692)	23,907
Total capital assets	5,941,954	276,223	(77,757)	6,140,420
Less accumulated depreciation:				
Vehicles	(1,498,172)	(227,023)	55,548	(1,669,647)
Testing equipment	(320,804)	(148,425)		(469,229)
Leasehold improvements, furniture and fixtures	(1,054,218)	(189,575)	5,697	(1,238,096)
Total accumulated depreciation	(2,873,194)	(565,023)	61,245	(3,376,972)
Property—net	$ 3,068,760	$ (288,800)	$ (16,512)	$ 2,763,448

6. MANAGEMENT AGREEMENT

Under the terms of the Management Agreement with HAM, TRC remits to HAM certain revenues for use of the facilities (owner revenues) and receives a management fee based on percentages of owner's fees and facility rents. Additionally, expenses for repairs and capital improvements made by TRC are reimbursed by HAM (owner expenses).

For the years ended June 30, 2005 and 2004, the amounts of transactions with HAM are as follows:

	2005	2004
Owner revenues	$6,039,062	$6,478,516
Owner expenses	4,034,242	4,304,249
Management fee		545,771

At June 30, 2005 and 2004 the receivable from HAM is comprised of the following:

	2005	2004
Receivable for owner expenses	$ 1,120,188	$ 993,234
Receivable for management fee		92,588
Total	$ 1,120,188	$ 1,085,822

At June 30, 2005 and 2004 the payable to HAM was $608,931 and $461,432, respectively.

TRC also earns operational revenues from HAM outside of the Management Agreement. These revenues were $16,728,458 and $13,236,079 for the years ended June 30, 2005 and 2004, respectively. Trade accounts receivable at June 30, 2005 and 2004 included $3,757,333 and $2,814,654, respectively, related to these operational revenues.

7. LONG-TERM DEBT

In January 1999, TRC entered into a promissory note agreement (the "Note") for $3.2 million with a lending institution. The Note bears interest at a floating rate of interest, which is adjusted weekly by the lender (3.33% at June 30, 2005). Interest on the Note is due monthly and principal payments are due in semi-annual installments through January 1, 2014.

The lending institution made the loan from proceeds received from the sale of the Lender's Floating Rate Option Notes. The Floating Rate Option Notes of the lender are secured by an initial $3.2 million letter of credit ("LOC") issued by a bank. The available LOC balance decreases semi-annually in conjunction with the scheduled payments on the Note. The LOC bears interest at a rate of prime plus 2% and expires on January 6, 2009 with the option to extend the expiration date, subject to certain conditions set forth in the agreement. There were no amounts outstanding on the LOC as of June 30, 2005.

In January 1999, TRC also entered into a reimbursement agreement with the bank that issued the LOC. Under the reimbursement agreement with the bank, TRC is required to make monthly principal and interest payments into a sinking fund account on the first of each month through January 1, 2014. The sinking fund is owned by TRC, but use of the funds is restricted to payment of the scheduled semi-annual payments on the Note. The Reimbursement Agreement contains restrictive covenants and warranties, which, among others, requires TRC to maintain complete and accurate accounting records. In addition, in order to secure the payment of amounts due under the Reimbursement Agreement, TRC assigned to the bank its interest in certain leaseholds, buildings, and land created by the Ground and Existing Building Lease with HAM (see Note 11) as well as future rental payments received from the sublease of the same leasehold, building and land.

In the event that the LOC agreement is not extended after January 6, 2009, the entire unpaid principal amount due on the Note and therefore the reimbursement agreement becomes due and payable on January 6, 2009.

Annual maturities of long-term debt are as follows:

	Principal	Interest
2006	$ 190,000	$ 130,016
2007	204,000	118,928
2008	219,000	107,038
2009	234,000	94,289
2010	252,000	80,623
2011–2014	1,216,029	164,802
Total	$2,315,029	$695,696

In 1999, TRC entered into an interest rate swap agreement with a bank for a total notional amount of $3.2 million maturing on January 1, 2009, to mitigate potential interest rate fluctuations on variable rate long-term debt. TRC is exposed to credit loss only in the event of nonperformance by the bank on the interest rate swap, which TRC does not anticipate. The fair value of the interest rate swap at June 30, 2005 and 2004 is an unrealized loss of $121,781 and $169,679, respectively, which represents the amount at which it could be settled, based on estimates obtained from the bank.

At June 30, 2005 TRC was in violation of certain debt covenants requiring total net assets to be in excess of $10,000,000 at June 30, 2005. TRC obtained a waiver from the bank concerning this covenant and expects to be in compliance with the at the next measurement date which is June 30, 2006.

8. DEFERRED COMPENSATION PLAN

TRC's employees are able to participate in a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

As a result of the implementation of GASB Statement No. 32 in fiscal 1999, all amounts of compensation deferred under the Plan, all property and rights purchased with these amounts and all income attributable to those amounts, property or rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the Ohio Public Employees Deferred Compensation Program ("OPEDC"). Accordingly, TRC has not recorded any deferred compensation assets or liabilities in the financial statements.

9. NET ASSETS

TRC's Articles of Incorporation stipulate that TRC shall, within 120 days of the end of its fiscal year, transfer any accumulated surplus in excess of its January 27, 1988 net assets (contributed capital) to the Transportation Research Fund of The Ohio State University (the "Fund"). At June 30, 2005 and 2004 no amounts were due to the Fund. Upon the ultimate dissolution of the organization, any remaining funds are to be transferred to the Fund. At June 30, 2005 and 2004 the net assets were comprised of the following:

	2005	2004
Investment in property and equipment—net of related debt	$ 2,444,563	$ 2,763,448
Restricted—accumulated surplus	2,256,075	3,362,544
Unrestricted net assets	5,187,042	4,868,158
Total	$ 9,887,680	$ 10,994,150

The accumulated surplus balance includes a cumulative unrealized gain at June 30, 2005 and 2004 of $130,165 and $109,530, respectively.

10. DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS

TRC and all of its employees are required to make contributions to the Social Security Administration. A portion of TRC's employees participate in the Public Employees Retirement System of Ohio ("PERS"), a cost sharing, multiple employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, health care benefits, and death benefits to Plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions. PERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1 (800) 222-PERS (7377).

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers.* A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate for state employers was 13.55% of covered payroll; 4% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS.

TRC's total PERS payroll for the years ended June 30, 2005, 2004 and 2003 was $1,818,850, $2,043,348, and $2,553,587, respectively. TRC's contributions to PERS for the years ended June 30, 2005, 2004, and 2003 were $242,089, $271,970, and $283,672, respectively, equal to the required contributions for each year.

Other postemployment benefits for health care costs provided by OPERS are as follows:

> The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2003. 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. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2003 was 8.00%. 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 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).
>
> OPEB are advance-funded on an actuarially determined basis. As of December 31, 2003, the actuarial value of the Retirement System's net assets available for OPEB was $10.5 billion. The number of active contributing participants was 369,885. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $26.9 billion and $16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

11. LEASES

As agent for HAM, TRC leases various buildings to TRC's customers. Lease terms range from one to fifteen years with various renewal option features. The leases are accounted for as operating leases.

At June 30, 2005, future minimum lease receipts are due as follows:

2006	$ 823,260
2007	823,260
2008	823,260
2009	823,260
2010	734,439
2011–2014	2,290,704
Total	$ 6,318,183

TRC leases office space from HAM under agreements with terms expiring through 2014. These operating leases contain renewal options with an indefinite term.

Future minimum rental payments under operating leases with initial terms in excess of one year are summarized as follows:

2006	$ 831,644
2007	831,644
2008	831,644
2009	831,644
2010	831,644
2011–2013	1,732,724
Total	$ 5,890,944

Rental expense charged to operations was $829,322 and $812,660 during 2005 and 2004, respectively.

12. RISK MANAGEMENT

During the course of the year TRC is subjected to certain types of risks in the performance of its normal functions. These risks include risks that TRC might be subjected to by its employees in the performance of their normal duties. TRC manages these types of risks through commercial insurance.

13. EMPLOYEES' RETIREMENT SAVINGS PLAN AND TRUST

TRC maintains the Employees' Retirement Savings Plan and Trust (the "Plan"). The Plan is intended to comply with Section 401(a) of the Internal Revenue Code. All employees are eligible to participate in the Plan. Employer contributions to the Plan are determined solely at the discretion of TRC's board of directors. For the years ended June 30, 2005 and 2004, TRC expensed $520,623 and $616,370, respectively, for contributions to the Plan.

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

To the Board of Directors of
Transportation Research Center Inc.:

We have audited the financial statements of Transportation Research Center, Inc. ("TRC") as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated October 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered TRC'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 the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more for 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 operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TRC'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*.

This report is intended solely for the information and use of TRC's management, The Ohio State University and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than those specified parties.

Deloitte & Touche LLP

October 5, 2005

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Betty Montgomery

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OHIO STATE UNIVERSITY TRANSPORTATION RESEARCH CENTER, INC.

FRANKLIN 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
DECEMBER 13, 2005